WITH THE END TO 2016 FAST APPROACHING AND LOOKING FORWARD TO 2017, BDO IS BUOYED BY THE GROWTH EXPERIENCED, ESPECIALLY IN ADVISORY AND TAX SERVICES INTO THE MINING SECTOR. KEY TO THIS HAS BEEN THE SKILLS AND SERVICES OF ALL SERVICE LINES WITH SECTOR SPECIALISATION EITHER IN SOUTH AFRICA OR AFRICA.

continued...
“With an estimated $2.5trn worth of proven mineral reserves, the mining sector accounts for around 8% of South Africa’s GDP and 14% of total employment.”

With an estimated $2.5trn worth of proven mineral reserves, the mining sector accounts for around 8% of South Africa’s GDP and 14% of total employment, making it the second-largest employer in the country. A lot has been reported in the last decade or more regarding the tripartite interest by government, in conjunction with industry and labour in both the mining and oil & gas sectors. Recent developments in this sector have seen government introducing belated changes to the Mining Charter and the contentious Mineral and Petroleum Resources Development Act (MRPDA) Amendment Bill.

The Chamber of Mines has called for urgent finalisation of the legislation, but is concerned that the much needed consultation with industry and labour is not occurring. In the mining industry, historical resentment between, business and labour has to an extent changed to them never being closer than now, however the question remains can there be collective working together and whether the benefits of working together will be utmost in obtaining benefits for all South Africans?

Volatility in the rand and commodity prices have resulted in pockets of profit and losses in certain sectors. The gold, platinum and oil sectors are prime examples of the volatility experienced. This has assisted in the mining sector, but oil and gas remains weak.

With a positive outlook, albeit, it may take some years before sustainable growth is experienced. A positive remains, with the renewable energy sector receiving foreign investment resulting in various energy producing projects.

During 2016 we have introduced Technology Advisory incorporating the Cyberlab which has exponentially increased our ability to perform data and system readiness analysis. We will continue to provide our key services, but we are aware of the need to provide such services on a timely basis, and for 2017 we will focus on streamlining service delivery to ensure that we meet our clients’ expectations.

Bert Lopes
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A challenging time for mining

SOUTH AFRICA’S GROSS DOMESTIC PRODUCT (GDP) GROWTH RATE WAS 3.3% IN THE SECOND QUARTER OF 2016. THE MAIN CONTRIBUTORS TO THE GDP GROWTH RATE WERE THE MANUFACTURING INDUSTRY AND THE MINING AND QUARRYING INDUSTRY. MANUFACTURING INCREASED BY 8.1% WHILE MINING AND QUARRYING GREW BY 11.8%, PREDOMINATELY LEAD BY THE INCREASED PRODUCTION OF PLATINUM GROUP METALS. Even with this seemingly positive contribution to the GDP, the South African mining sector continues to experience hardships due to various challenges presented by the macroeconomic environment, which some may dub hostile for ameliorating the competitiveness of the country.

THE CHAMBER OF MINES’ CEO, ROGER BAXTER OUTLINES SOME OF THESE CHALLENGES AS:

- stagnation or decline of mineral prices in rand terms
- viability challenges facing gold, platinum and coal sectors
- instability in the labour market and excessive wage demand pressures linked to social wage issues
- policy and regulatory uncertainty
- binding infrastructure constraints (electricity shortages since 2007)
- declining productivity, rapidly escalating costs
- inappropriate application of regulatory tools

Regulatory pressures persist, with the introduction of the draft charter by the Department of Mineral Resources earlier in the year and the much debated conditions it unpacked.

Not everything is doom and gloom, with The Institute of Race Relations (IRR) reporting that the South African mining sector generates some 35% of merchandise exports, while helping to attract much-needed foreign direct and portfolio investment. This in turn helps finance the country’s significant budget and current account deficits. This is quite vital for the development of the country’s economy, considering that South Africa records trade deficits with most major regions and countries of the world; such as R55.3 billion with Germany, R13.1 billion with Italy and R9.7 billion with Brazil.

DID YOU KNOW?

Since peaking in August 2011, the prices of South Africa’s major mineral exports have dropped sharply as demand from China, in particular, has diminished. Over the past five years, the price of iron ore has dropped by about 70%, while the gold price (despite recent rallies) has decreased by some 25% and the platinum price by around 35%. This does not boast any confidence for South Africa, considering that China is the country’s biggest trade partner.
CAN ADOPTING BOTSWANA’S MINING LAW HELP KICK-START THE TRANSFORMATION THE SOUTH AFRICAN MINING SECTOR NEEDS?

“South Africa’s mining industry remains in the doldrums, having recorded an overall loss of R37-billion in 2015. The persistent malaise in mining stems partly from depressed commodity prices, juxtaposed against rising input costs. But bad mining policy also bears much of the blame.”

Dr Anthea Jeffery
Head of Special Research
IRR

QUICK LOOK INTO THE POPULAR MINES AND MINERALS ACT OF BOTSWANA, 1999

• Botswana came to independence 50 years ago in September 1966, with annual average GDP per capita of roughly $80, almost no infrastructure, low literacy rates, a tiny industrial sector, and an economy heavily dependent on subsistence farming and government employment.
• Since independence, it has successfully used its mineral wealth to become an upper-middle income country with an average GDP per capita of $7 240 in 2014.
• Botswana, reformed its mining law in 1999 to promote greater certainty and predictability, and has since reaped the benefits of what many regard as a world-class regulation.

• In Botswana, the granting of a mining licence under the Mines and Minerals Act, depends on clear and transparent criteria. In particular, applicants must show that they have adequate financial resources, technical competence, and the experience to carry on effective mining operations.
• The Fraser Institute’s annual mining survey for 2015 ranks Botswana second out of 109 countries for avoiding “uncertainty... in the enforcement of existing regulations”. South Africa, by contrast, is positioned 84th.
• Mining executives surveyed by the Fraser Institute about Botswana’s boom as a result of its mining strategy had this to say:
  - “Botswana’s mining policies are clearly defined and obtaining all required mining permits is relatively quick and straightforward compared to most countries worldwide”
  - “Botswana is pro-mining and has efficient bureaucrats, no corruption, reasonable and consistent regulations, and reasonable taxation”
  - “Botswana encourages and assists project development; it is the jurisdiction other African countries should strive to copy”

South Africa has $2.5 trillion in mineral resources, putting it way ahead of all other countries, including Australia and Russia with $1.6 trillion each. But South Africa’s mining industry shrank even during the global commodities boom of the early 2000s, which the National Development Plan (NDP) recognised as ‘an opportunity lost’. The NDP acknowledged that much of the fault lies with South Africa’s mining law, and urged that this be amended to align with international best practice.

If South Africa is to make the most of its mineral wealth, it must follow the NDP’s advice and make its mining law, like the Mines and Minerals Act in Botswana, ‘predictable, competitive, and stable’.
Interesting to know

CYBERLand: Looking through the lens of cybersecurity expertise

The demand for Cybersecurity expertise in the world of work today is growing at three times the pace of other IT professions. The Information Systems Audit and Control Association (ISACA) highlights that over 84% of organisations believe that 50% or less of the applicants they engage with for security jobs are qualified.

Some businesses are dealing with delays of over half a year to find the appropriate and qualified security candidates. In addition, many of those who are qualified or trained in this field are leaving the country to explore other employment opportunities.

INTERESTINGLY SO, THE CYBER SECURITY WAVE IS GAINING MUCH ATTENTION:

• More and more businesses are becoming aware of the looming threats and are enquiring about ways in which they can protect themselves.
• Cyber experts advise that it is important to find a partner or provider who can offer you the best solution, suited and tailored to your business model, as there is no “one size fits all” approach to security.
• The security approach needs to take into account a business’ infrastructure, applications and data as these differ from business to business.

Data security needs to become a top priority in all businesses, no matter the size or industry in which they operate. Consideration needs to be given to how best to face security challenges, both long and short term, and processes need to be established for dealing with security related emergencies. The time for updating outdated systems, or implementing new ones, is now.

Echoing the aforementioned statement is Graham Croock, Director of IT Audit & BDO Cyber Lab at BDO SA, who asserts that “as companies continue to bleed billions of rands due to cybercrime, there is still not enough being done by South African companies to ensure they are not the next victims. No company - from the largest banks to the smallest coffee shop – is invulnerable to cybercrime, and a more proactive approach is needed if companies are to avoid falling victim to the next attack”.

For more commentary, click here.
Wind and solar power
The renewable energy voice gets louder?

Considering the opposing views about nuclear energy by civil society groups like the Organisation Undoing Tax Abuse (Outa) and the promotion of alternative energy sources like renewables and gas by the South African Photovoltaic Industry Association (SAPVIA) and Greenpeace, the announcement by the Department of Energy regarding the updated Integrated Resources Plan (IRP) of 2010 has introduced interesting conversations, and brought about much debate.

According to SAPVIA, “the allocation of 17 600 MW for Solar PV in the 2016 IRP update is a step in the right direction, but falls short of the immense potential South Africa has to offer in this sector. Independent modelling, based on up-to-date figures from South Africa’s Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) bidding rounds confirm that renewables are the best policy choice in order to meet South Africa’s energy needs at the least cost, while still maintaining our carbon obligations.”

SAPVIA is of the opinion that the least cost path for South Africa gearing towards a sustainable, low carbon, high job creating energy mix is one that contains a large renewable energy component, supplemented with gas fire power. Global energy trends have seen the implementation of the renewables and gas scenario, which is gaining traction with other BRICS countries as well.

“SAPVIA is of the opinion that the least cost path for South Africa gearing towards a sustainable, low carbon, high job creating energy mix is one that contains a large renewable energy component, supplemented with gas fire power.”
In support of this view is Greenpeace, which is steadfast in pushing the environmental agenda, standing firm against the use of energy sources such as nuclear and coal as it perceives these as having a negative impact on the environment. In Morocco last month, the United Nations Framework Convention on Climate Change (UNFCCC) hosted the 22nd Conference of the Parties (COP), aimed at reducing greenhouse gas concentrations in the atmosphere.

Among the key aspects of the conference was the health of the planet, alluding particularly to prioritising the goal of keeping the global average temperature increases below 1.5 degrees Celsius, and how this can be achieved by investing heavily in renewables and looking at cutting out any proposed nuclear and coal scenarios. With this in mind, Greenpeace believes that “coal also uses immense amounts of water, and has massive impacts on people’s health, which means that it should not form part of our energy future. With some of the best wind and solar resources in the world, it is sheer common sense to follow the renewable energy route.”

Engineering News reports that since 2013, the assumptions detailed in the IRP 2010 have not received much support, as demand for these continues to fall. On the other hand, prices associated with onshore wind and solar photovoltaic technologies have fallen substantially, making renewables an attractive alternative. As a result, some commentators are calling for South Africa to consider moving to an energy mix that is primarily steered by renewables and supported by flexible generation technologies, such as gas. Under such a scenario, the role of nuclear would either reduce significantly when compared with the 2010 guideline, or fall away entirely.
Brain teaser

• Which year sparked the explosion of mining in South Africa, through the discovery of the first diamond on the banks of the Orange River?

• What triggered what is now called the South African War, or Anglo-Boer War, which led to the annexation of South Africa under the British Empire from 1910 to 1961?

• South Africa is regarded as the world's largest producer of which five metals?

• What is the deepest known operating depth at Mponeng mine?

Click here for the answers

Sources:
• Africa Mining IQ, accessed 2016/11/14
• Chamber of Mines South Africa, accessed 2016/10/31: 'Mining in South Africa: The Challenges and the Opportunities' by Roger Baxter
• Daily Maverick, accessed 2016/11/08
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• IT News Africa, accessed 2016/11/03
• Mining Weekly, accessed 2016/11/14
• SAPVIA website, accessed 2016/11/25
• Stats SA, accessed 2016/10/31
Brain teaser

• Which year sparked the explosion of mining in South Africa, through the discovery of the first diamond on the banks of the Orange River? 1867

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• South Africa is regarded as the world’s largest producer of which five metals?

• What is the deepest known operating depth at Mponeng mine? 3.9km

The potential for mining in South Africa, including the discovery of the world’s largest gold deposits in Witwatersrand Chrome, manganese, platinum, vanadium and vermiculite

Sources:
• Africa Mining IQ, accessed 2016/11/14
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