

Stephan Högstättner



Richard Spoor Community will end up with nothing

MINING/ENVIRONMENT

Digging up trouble

Two ministries are at loggerheads over whether to permit mining on the Wild Coast

The application by Australian heavy metals producer Mineral Commodities (MRC) to mine the Wild Coast has given the director of SA's mining titles office, Rebone Nkambule, endless trouble.

In the year since the document landed on her desk, her department has faced a storm of protest from a vocal green lobby because the mine site, Xolobeni, lies at the heart of the Pondoland centre of endemism, which contains more plant species than the UK. The greens argue that excavating 313m t of titanium feed-

stock will destroy an ecological treasure of international importance.

Earlier this year the department of environmental affairs & tourism (Deat) weighed in, warning the minerals & energy department (DME) that the mine's visual impact and damage to ecosystems would be permanent and irreversible.

The matter has also created deep divisions among inhabitants, which could turn violent. The DME received several petitions from locals who wanted Nkambule to reject the application, fearing they would lose rights to ancestral land and become squatters on a mine dump.

On the other hand, business leaders from the area organised two pro-mining demonstrations in Pretoria and held meetings with DME director-general Sandile Nogxina, this month handing

him a petition with 4 200 signatures demanding approvals be fast-tracked.

A final decision that was scheduled for February has been postponed to July. Nkambule denies that stiff opposition from environmental affairs could sink the project following an amendment to legis-

lation that will make it the final appeal authority for mining applications.

"The amendment will not apply retrospectively, neither for this application nor for those that are in [the] process [of being dealt with]."

Meanwhile, the Human Rights Commission (HRC) is investigating a complaint that abuses perpetrated by mining supporters were rife during public participation hearings in Pondoland. Earlier this month the HRC subpoenaed minerals & energy minister Sonjica Bulelwa after her officials failed to supply

WHAT IT MEANS
 ▶ DME has final say over mining licence
 ▶ BEE company's credentials questioned

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documents requested, opening her department to criticism that it did not take the social impacts of mining seriously when considering applications.

"This is completely off the mark," says Nkambule. "The social and labour plan submitted will be critical to any decision."

Complaints include intimidating and victimising mining opponents and refusing to disclose financials relating to the deal struck between MRC and Xolco, the local empowerment company that's supposed to represent the community.

The mineral that MRC seeks to mine at Xolobeni is titanium, mostly used in paint pigments and aircraft manufacture. The DME has identified it as one of six base metals driving the world commodity boom, largely because of demand from China, where consumption is expected to more than double between 2005 and 2011.

SA has the world's second-largest titanium reserves, and ranks second in production behind Australia.

Xolobeni contains the world's 10th-largest deposit, worth an estimated R11bn. To DME it must seem absurd not to mine it at a time of low world inventories and high demand. The de-

partment clearly hopes approving Xolobeni will set a precedent for several other rich titanium deposits along the Wild Coast.

Local benefits are harder to quantify.

Claimed spin-offs at Xolobeni include more than 557 permanent direct and downstream jobs, 60% of which must go to locals; R1,25bn in wages; a procurement contract giving preference to local entrepreneurs, and improved water, road, electricity, health and education infrastructure.

MRC MD Mark Caruso insists environmental dangers are grossly exaggerated. He told the *FM* last year all ecologically sensitive areas were being excluded and dune rehabilitation would actually halt damage being done to estuaries and coastal thickets by bad farming practices.

MRC hailed its BEE deal with Xolco for giving locals a stake in the project. Xolco claims all its shares will be distributed among eight trusts mandated to spend dividends on community projects; that its directors are appointed by trustees elected at annual meetings; and that there is transparency in how the money is spent.

On closer inspection, however, most of

these claims collapse. Late last year MRC dropped a smelter from the application, citing cost concerns, which means jobs and wages are slashed by half.

Neither MRC nor Xolco could supply the *FM* with any evidence of preferential treatment, including procurement, for local businesses.

Xolco's complex, opaque share deal raises more disturbing questions. For a start, the community will pay R135m for its 26% stake, compared with R46m previously pledged by Ehlobo Heavy Minerals for a 50,5% stake in Xolobeni. Ehlobo unexpectedly pulled out early last year and has never disclosed reasons.

There is no clarity regarding when Xolco will see a cent of mining revenues, and Caruso's commitment to dedicate 40% of dividends to communities is not reflected in the shareholder agreement.

Moreover, there is no evidence of a legally binding agreement obliging Xolco's shares or any revenues to be ceded to the community trusts. Xolco did not provide any supporting documents.

Deat has also rubbished MRC's environmental claims. In a letter to DME it warns mining will cause "irreparable damage" to ecosystems and become a permanent eyesore for the neighbouring Nkambati reserve and Wild Coast Sun.

Most locals the *FM* interviewed at Xolobeni don't care about pristine dunes. Their poverty and desperation could rival any corner of Zimbabwe's. All they want is development. But none was invited to take part in trustee elections or Xolco appointments. Many are worried local elites with political connections are intent on feathering their own nests with the director's fees and service contracts that are sure to come their way.

The project has strong backing from local ANC heavyweights, including district mayor Zoleka Capa, voted 62nd on the ANC's national executive committee at Polokwane. "Limpopo and Mpumalanga are famous for their tourism and mining," she says. "Why can't we have mining here, where there is so much poverty?" She insists she has no commercial interests at stake in the matter.

But at least one close associate of Capa's does have. Zamilé Qunya, a former ANC mayor from Xolobeni who refers to himself as a businessman and politician, owns several catering, construction and transport companies and



Stephan Hofstetter

Mkhambati coastline Under threat from mining

General malaise



works mostly for the Eastern Cape government. He apparently still calls the shots with local councillors. "They have to toe the line or lose their ANC position," says one local.

Qunya is a founding member of Xolco but claims to have no remaining interests since resigning as a director last year. "Otherwise the approval would have been granted long ago."

But recently appointed Xolco chairman Zeka Mnyamana refers all queries to Qunya, who still represents the company at high-level meetings, including in Pretoria. Within three days of one held in December, two cabinet ministers, Bulelwa and Zola Skweyiya of social development, were dispatched to Xolobeni.

Xolco is accused of bypassing legitimate structures. "I would support this process if the people in power talked to those directly affected," says Lunga Baleni, the traditional leader for all five mining blocks. He has yet to be consulted and wasn't invited to the promising mission to Pretoria. No elections for trustees were held locally, Baleni says, which means they lack legitimacy. He also believes the mining petition was a fraud. "Those people thought they were signing for jobs and electricity."

Human rights lawyer Richard Spoor, who was consulted on a possible court challenge to the application, says Xolco's lack of transparency should set alarm bells ringing for mining authorities.

"They need to look at the share deal to see if it holds any value for the community, but they lack the capacity," he says. "It's obvious the only revenue will go into large directors' fees, and the community will end up with nothing."

Stephan Hofstätter

A three-month strike at a US components supplier has forced General Motors SA (GMSA) to suspend manufacture of the Hummer offroad vehicle at its Port Elizabeth assembly plant.

Though the strike at American Axle officially ended at the weekend, GMSA officials say it will be at least mid-June before it has enough supplies to resume production.

GMSA has capacity to build 10 000 Hummers annually, most for export. The company, which spent R600m on tooling and equipment for the third version of the 4x4 — based on a Humvee US army vehicle — expects to earn R18bn from the export programme, which began late-2006. Local sales began mid-2007.

Employees at American Axle — which provides axles and other components to GM plants around the world — walked out at the end of February.

GM said at the weekend the strike, over pay and conditions, had caused a production loss of 330 000 vehicles and cost the motor company about US\$2,82bn. Though some delayed sales will still happen, GM says many more will be lost to competitors' products.

SA companies relying on components from the US, Europe and the Far East usually keep large stocks on hand to counter possible disruption to long lead-times. As a result, GMSA had sufficient stock to continue production in PE for several weeks into the American Axle

strike. However, the company finally ran out of axles and propshafts and stopped building Hummers on May 9.

The SA subsidiary, which before the suspension was building 35 Hummers daily, says lost production so far amounts to nearly 500 vehicles. Though some local orders may take longer than usual to fulfil, GMSA says it hopes to avoid any loss of sales to SA customers.

The timing of the shutdown comes at an awkward time for GMSA. The company has two production centres: the modern Struandale assembly plant and the 80-year-old Kempston Road plant.

Hummer is the only vehicle currently being built at Struandale, which is being upgraded in readiness for new vehicle ranges. Everything else has been shifted to Kempston Road, which is straining under the temporary weight of increased production.

As a result, the only Struandale production line is standing idle and though the company has tried to minimise the impact on the 180 hourly-paid Hummer workers through redeployment and training, many are likely to lose out financially.

A company spokesman says there will be some overtime to catch up once production resumes, but workers are unlikely to recoup all their lost wages.

Struandale is one of about 30 GM vehicle and components sites around the world thought to have been affected by the American Axle strike. US reports say that to help achieve a settlement, GM offered American Axle \$215m for worker packages.

David Furlonger



Hummer Customers will wait longer