

Mining after COVID-19

Adaptation needed to ensure safety

South African mining companies will have to adapt their operating models to ensure safety and sustainability as they work to recover from the impact of COVID-19. This is according to a report by the **Boston Consulting Group (BCG)**.



Mining sites in South Africa have been among the hardest hit by country lockdowns, suffering significant production losses. "Our current scenario modelling estimates that 15% to 25% of South Africa's 2020 output and resultant ramp-up of production was lost due to lockdown," says Tycho Möncks, MD and partner at BCG.

According to Möncks, government and mining companies' continued priority needs to be workforce protection to avoid any further spread of COVID-19. Numerous digital and other solutions could help, especially for contact tracing. And while some mining companies have taken decisive steps, full coverage is not yet in place. Companies should also not let their guard down, and plan for how they can help to deploy vaccines for their workforce and communities once those are available.

As part of a structural reform package, BCG has identified eight priority actions to improve mining competitiveness in South Africa. These are:

1. Regulatory reform

South Africa should continue to rethink its regulatory framework to enforce regulation in a more permanent, stable and predictable manner.

2. Industry modernisation

Through technology, mechanisation and digitisation, mines can improve operational performance, cost efficiency, safety and productivity – extending the life of the mine, increasing production and creating new and improved job opportunities.

3. Reliable energy supply

Complementing generation, either through self-generation or independent third-party generation, is the key to mitigating the risk of unreliable energy supply. Government should further ease the regulatory burden and process barriers to self-generation.

4. Infrastructure development

Bottlenecks in South African rail and port infrastructure inhibit the export of

certain minerals. A detailed feasibility study needs to be commissioned to address the immediate bottlenecks, which includes increasing the Saldanha railway capacity to 87 Mt and allowing private concessioning of the Lephalale–Maputo railway line, targeting 15 Mt of additional capacity.

5. Intensified community development

All new projects should be conceived with inputs from government, industry, and communities, building long-term development plans on what communities should look like in future.

6. Exploration strategy

Mining companies should develop a comprehensive exploration growth strategy, remap high potential geographical areas, improve the quality of the geomapping platform, and encourage risk capital through a flow-through share scheme similar to the Canadian model.

7. Government–industry task force

A joint government–industry task force should be created to oversee and fast track all processes required to improve mining competitiveness in South Africa. This task force should be made up of all relevant decision-makers to ensure effective, joint and hence true value accretive and quick decision-making.

8. Investment promotion

Government and key industry stakeholders should develop a consistent narrative on mining in South Africa as an attractive investment destination. Crucially, this narrative should be underpinned with actual reforms to address some of the real concerns many investors have. **MRA**