

Kumba hails rights award as victory for institutions

Kumba Iron Ore's success in obtaining full rights to the Sishen iron ore mine following an eight-year legal battle has been hailed by the company and its parent Anglo American as a sign that SA's institutions do work to fight corruption, if businesses use them constructively.

This comes after the department of mineral resources granted the contested 21,4% in the Sishen mine to Kumba, which already owned the rest of the Sishen right, following a 2013 Constitutional Court ruling in Kumba's favour.



Source: Anglo American

The conditions placed on the granting of the stake will cost the Anglo American subsidiary about R100m to fulfil, and although these were agreed in talks between Kumba and the department within months of the court ruling, Kumba ultimately had to launch an internal appeal process in terms of the mining legislation to obtain mineral resources minister Mosebenzi Zwane's signature on the award.

Anglo American CEO Mark Cutifani said the granting of the share to Kumba was a positive outcome, even though it had taken longer than Anglo would have liked.

"It shows that institutions work if we back them," he said.

Cutifani said Anglo would do everything it could to back institutions and use them in the appropriate way. "That is the only

way we can fight corruption, is to use institutions constructively.

Cutifani added his voice to the CEOs who have come out in support of finance minister, Pravin Gordhan, following the summons by the Hawks, saying the summons was not in the national interest and Gordhan was critical to the business-government initiative because he had the trust of business.

Kumba CE, Themba Mkhwanazi, said while operationally nothing had changed at Kumba's flagship Sishen mine, the consequences of the award were far reaching for the mining industry. "We draw a lot of confidence from the fact that we knew we had done the right things and followed an extremely long and rigorous process in the courts and the Constitutional Court and stuck to our guns.

"We never relented to any pressure and so what we take from this is, if you are confident you have done all the right things, you've just got to go through the process," he said.

"In the current regulatory climate we're in, it shows there was a lot of work and effort and that through the DMR (department of mineral resources) we eventually got our approval."

The awarding of the right took the department three years after the Constitutional Court ruled in 2013 that a mining right could not be divided, meaning the 21.4% stake had to go to Kumba's subsidiary Sishen Iron Ore Company (SIOC), which owns the balance of the right.

While the conditions were agreed to within months, the three changes of mines minister from Susan Shabangu to Ngoako Ramatlhodi to Mosebenzi Zwane had delayed the process, Mkhwanazi said, forcing Kumba to lodge an internal appeal in terms of the mining act to force a signature from the minister.

The 21.4% stake in Sishen had been owned by steelmaker ArcelorMittal SA, but the right lapsed in 2004 after the company failed to convert it to a new-order right.

A little-known company called Imperial Crown Trading (ICT) then applied for the right ahead of Kumba, raising questions about political influence and impropriety at the department in accepting the application because ICT had links to the Gupta family, which is close to President Jacob Zuma.

Among the conditions the department attached to the awarding of the rights to the 21,4% stake was a commitment from Kumba to continue selling iron ore to ArcelorMittal SA at export parity prices.

Another condition of the award was SIOC's "continued support of skills development, research and development and initiatives to enable preferential procurement".

Mkhwanazi said these conditions would cost less than R100m and some aspects of the conditions were already in Kumba's plans and budget.

Source: I-Net Bridge