

# Kumba proposes iron-ore supply deal

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KUMBA Iron Ore is proposing supplying iron ore to a government organisation at below market prices and is willing to help set up of a 5-million ton-a-year slab steel plant on the coast.

These proposals are included in a document submitted by Kumba's parent, Anglo American, to the African National Congress (ANC), which is debating a new policy for SA's mineral sector.

Anglo's document, which in large part rebuts proposals in the ANC-sponsored study called the state intervention in the mineral sector (Sims) report, also makes proposals for its platinum and thermal coal businesses in SA.

Anglo has warned that the Sims report, if implemented, could damage SA's mining sector and constrain growth in an industry the ANC wants to use to form the base for industrialisation and job creation.

Kumba, which is 65%-owned by Anglo, is willing to supply 6,25-million tons of iron ore to the domestic market at the all-in cost to mine the steel feedstock as well as a 20% contract mining fee, which would still leave the price well below the market price.

The condition is that Kumba has 100% ownership of the Sishen mine. Currently, there is a dispute over a 21,4% stake in the mine that is before the courts.

ArcelorMittal SA used to own the stake but it did not apply for a new order mining right over it. It



reverted to the state and another company, Imperial Crown Trading, was granted a prospecting right over the stake.

A court ruling recently said a mining right could not be divided. Imperial and the Department of Mineral Resources have appealed against the decision.

When ArcelorMittal forfeited the stake, Kumba cancelled a cost-plus-3% supply arrangement with SA's largest steel maker for 6,25-million tons a year. The matter is in arbitration. Kumba said its supply of cheap ore to the state was conditional on an arbitration decision going its way.

"Kumba's role will be limited to supplying this quantity to a

government-organised initiative, which will have allocation responsibility to a developmental steel mill. This is designed with a view to preventing the favouring of any single steel producer, while ensuring that the value is transferred for developmental ends," Anglo American said.

The government has long been critical of ArcelorMittal, arguing that its favourable iron ore agreement had not led to cheaper steel in SA. The state has identified iron ore, coal, platinum and a host of other minerals as strategic, as it seeks to secure cheap commodities to encourage an industrial and manufacturing economy.

Anglo said the government's

desire to have another steel mill would best be served by setting up an export-orientated mill on the coast with capacity for 5-million tons of slab steel a year, with the critical proviso that the mill secured a long-term buyer in Asia for the product to ensure the plant could survive the steel cycle. "This would require significant government support in the form of requisite infrastructure and concessionary finance," Anglo said.

Kumba wants to explore new technologies to handle fine iron ore, which is put on waste dumps, and cheaper thermal coal instead of expensive coking coal, which is largely imported.

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