

CHAPTER 5:

SOCIO-ECONOMICS

DRAFT REPORT

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CHAPTER 5. SOCIO-ECONOMIC ENVIRONMENT

5.1 INTRODUCTION

Over the past few years, Namibia has experienced an unprecedented interest in the uranium deposits in the Erongo Region. This resulted from a sharp increase in demand and the resultant increase in the price of uranium oxide. A number of predominantly international mining companies commenced with exploration and development of new mines, mostly in the Erongo Region.

The Erongo Region provides the service support infrastructure to the marine component of the proposed phosphate project, is the second most affluent region in the country, after the Khomas Region. It had an unemployment rate of 34 % in 2001, 63 % of the population resided in urban areas, has a very low population density which is largely concentrated in the coastal towns of Swakopmund, Walvis Bay, Henties Bay and Arandis and two thirds of its population derive their livelihoods from wages and salaries from here. Social services are relatively well provided for and the region is second only to the Khomas Region in terms of health indicators such as infant and under five mortality rates.

The full scope of the project socio-economic implications will be discussed in the terrestrial component of the project EIA. Separate but co-dependant Environmental Contracts will be established for these components.

5.2 PROJECT AREA AND SOCIO-ECONOMICS

The establishment of Namibia's first phosphate mining project will have significant short, medium and long-term socio-economic benefits for Namibia. The benefits to the economy include taxes and employment as well as the opportunity for a variety of local service providers to support this project. It will also raise Namibia's profile as a country with currently the seventh largest reserves of phosphate in the world and, at full production of 3 million tonnes of export quality phosphate, places Namibia amongst the top ten world producers.

Due to the highly skilled nature of the mining (dredging) process, immediate employment opportunities onboard the dredger are limited. However, the vessel operators are committed to using local crew with the appropriate certification and work experience.

5.3 SOCIO ECONOMIC CONTRIBUTION

The economic model that supports this project has been established using a 'discounted cash flow' methodology. The model and its outcomes are robust, given the reasonable assumptions of

the model and its conservative application. The operation will significantly contribute to Namibia via:

- Company tax;
- Mining royalty, and
- Employee taxation.

To date Namibian Marine Phosphate has invested US\$ 4.1 million in exploration and project related development work. The project Scoping Study (2010) indicated a capital cost of approximately US\$ 140 million for establishment of the shore facilities, which include the coastal buffer pond, pipelines, processing plant and ancillary works. In the Scoping Study, operating costs are estimated to be approximately US\$ 330 million per year. These costs will be refined in the Definitive Feasibility Study, which is expected to be completed towards the end of the first quarter of 2012.

The dredger has a minimum manning requirement of 10 persons and a dredging operational team of 27 persons. Of this total complement (37) 11 positions can be assigned to Namibians who have suitable certification and work experience.

The dredger requires the operational support of a 1000 HP tug. It is intended that the tug be sourced and manned locally, i.e. it will be based in the Port of Walvis Bay.

The marine operation will make extensive use of local suppliers and contractors; pay ongoing port charges and corporate taxes, thereby bringing significant benefits to the community of Walvis Bay and to Namibia as a whole.

The terrestrial component of the project will employ between 300 and 400 workers during the construction of the onshore processing plant and it is expected to have a final workforce of 135 persons. Details of this will be provided in the terrestrial component EIA.

5.4 SUMMARY OF THE SOCIO-ECONOMIC ENVIRONMENT

The potential positive impacts are:

- Sustaining world production of phosphates (fertilizer) and sustaining world food production;
- Increased employment opportunities for Namibians, both during the start up and operational phases of the project;
- Training, skills development and educational advancements;
- Increased economic opportunities for support service industries;
- Establish Namibia among the world leaders in the production of phosphate;
- Contribution by taxation to the GDP;
- Taking technological applications to new levels of performance;
- Limited (relatively) capital expenditure to establish the marine mining project, and
- No significant impact on existing infrastructure in the marine application.

The potential negative impacts can be described as follows:

- Contributing to the continued influx of opportunistic work seeking;
- The increased risk of spreading HIV/AIDS and other diseases;
- Medium and long term impacts to the marine benthic fauna;
- Access restrictions (impacts) to other marine users, particularly the fishing industry, who formerly may have operated in the vicinity of the now active mining area. This will also apply to the vessel discharge mooring site. This point is provisionally located approximately 1 km offshore, immediately south of the Mining Licence Area of the Salt Works;
- Loss of fishing area / opportunity due to the mining of up to 3 km² of seabed per year. This translates to a maximum physically disturbed area of 60 km² over the 20 year life of the mine (duration of the Mining Licence); and
- An exclusion zone will be declared around the active mining area, this area is envisaged to be a block – 23 x 9 km.

The benefits envisaged from the proposed mining operation are significant in terms of the Namibian economy and in particular with respect to playing a significant role in the contribution to the stabilisation and securing of world food production.