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CITY FOCUS: The other face of Glencore mining that investors never see

By [Rob Davies In Mufulira, Zambia](#)

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Imagine a vast factory that spews choking clouds of sulphurous gas over a town the size of Oxford. Toxic rain has withered plant life, the air tastes of rotten eggs, and locals report chronic breathing difficulties.

The notion of such an industrial carbuncle being tolerated in the UK for five minutes, let alone years, would be scandalous.

Yet this is the reality in Kankoyo, a destitute district of the Zambian copperbelt town of Mufulira (translation: place of abundance).



Sad sight: Children standing near the Glencore smelter in the town of Mufulira

Mining is the lifeblood of the Zambian economy and Mopani Copper Mines – 70 per cent owned by commodities trader Glencore – is its beating heart.

This faraway place is connected to thousands of Britons since Glencore floated in London earlier this year at a stock market value of £37bn, putting it straight in the FTSE index in which many automatically invest.

The London-listed giant has ploughed more than £345m into Zambia this year and employs 16,560 people in Mufulira, who in turn have more than 100,000 dependants.

Yet Kankoyo, a dense cluster of modest homesteads huddled in the shadow of Mopani's gargantuan sulphur-belching copper smelter, is struggling to feel the benefits.

As the Daily Mail reveals today, Glencore has a morsel of good news. Completion of a multi-million dollar investment to increase the capture of sulphur dioxide gas from 50 per cent to 97 per cent has been brought forward to the end of 2013, 12 years since Glencore invested in the asset after privatisation.

In the meantime, town clerk Charles Mwandila doesn't buy the argument that the employment the smelter

creates is worth it.

'That [Glencore CEO] Ivan Glasenberg can sit enjoying his money after exploiting mineral resources and leaving serious health problems – he is a total disgrace.'

Mwandila points out that the benefits to the community are partially offset by a reluctance on the part of other companies to invest in the midst of Mopani's sulphurous fug.

Miners too, typically paid a relatively high £3 per day, dispute the extent of their financial gain.

Decent wages by local standards are diluted by the toxic effect of sulphur, which prevents crops from growing and forces families to buy them at market instead.

The company provides 50 per cent of what clean water there is here, but several townspeople report ill effects after drinking it and children often resort to the open, rubbish-filled sewers instead.

I am nonetheless pleasantly surprised to find that Mopani chief executive Danny Callow has a genuine enthusiasm for social projects.

He shows off a well-appointed school and a gleaming hospital with a state-of-the-art accident and emergency wing, and thriving HIV/AIDS programme. The hospital is free for non-contract staff to use. But as a company chaperone concedes: 'If they're not Mopani employees then it might be a bit hard for them.'

Of the 16,400-strong workforce who toil six-and-a-half days a week in the rock underneath Mufulira, 50 per cent are 'not Mopani employees' but contractors.

Chris – a painfully thin but jovial contract worker in his 40s – hasn't been paid for three months and tells me he is barred from joining a trade union at pain of dismissal.

And then there is tax.

Earlier this year Mopani stood accused of tax avoidance, a charge Glencore has brushed off due to the 'flawed' nature of the audit report that first raised concerns.

Because Glencore does not publish details of what it pays on a country-by-country basis, it is impossible to know whether Zambians are getting a good deal.

As Dr David McNair, tax expert at Christian Aid, puts it: 'If companies like Glencore refuse to be transparent about how much tax they pay on their Zambian profits, we have to ask, have they got something to hide?'

Zambia's vice president Guy Scott, speaking to the Mail at his heavily-guarded farm just outside Lusaka, paints an equally disturbing picture.

The Zambian Revenue Authority is simply unable to keep up with the tricks that multinational companies employ to slash their tax bills, he says.

'I'd be happy to see 40 to 45 per cent of the benefit of mines accruing to the Zambian people, but how do you stop the greedy pushing this down to 20 per cent? The question is: how good is your tax collection? We want to hire the poachers and turn them into gatekeepers, but it takes time.'

His boss, the new president Michael Sata – nicknamed King Cobra for his sharp tongue – has already hiked the mining tax to raise £120m, funding tax breaks for ordinary people.

Just 24 hours earlier I had been treated to a close-up view of Zambia's natural wealth, deep in the belly of the Mufulira mine, 1407 metres below sea level.

The cloying heat inside this labyrinthine feat of human engineering is stifling, intensified by overalls, wellington boots and a hard hat.

A 715-mile tunnel network is traversed by huge trucks, some capable of carrying 55 tonnes of copper-bearing rock around on wheels taller than a man. From here it passes through the white-hot smelting and refining process, before the purified copper is whisked to the London Metals Exchange, ending up in the electrical cables that keep the world's lights on.

This is a commodity that was worth less than \$2000 per tonne when Glencore got hold of Mopani, but brings in more like \$7500 today.

It is almost embarrassing to think that our creature comforts depend on a process with such a questionable environmental record.

It is even harder to swallow when one puts what Glencore gives back to Zambia in perspective.

Mopani spent £10m on social projects last year, against first-half revenue up 81 per cent to £380m.

Zambia's new mining tax will raise £120m, but Glasenberg is worth £6bn and can expect a £100m dividend by way of a Christmas present.

It is naive to be surprised by the gulf between the super-wealthy of the European business elite and the grinding poverty of southern Africa's townships.

But those of us who invest in 'Big Mining' by way of tracker funds and pensions are often an unwitting part of a system that transfers wealth to the rich and then boasts when the beneficiaries allow destitute families the crumbs from its table.

Politicians in the US and Europe are belatedly moving towards legislating for more transparent reporting standards.

For now, the people of Kankoyo will not be ungrateful for their modest participation in the wealth expropriated from beneath their feet.

But they deserve more.

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Typical, predictable deluded drivel appealing to tree huggers, global warmists and champagne socialists. If it were not for companies like Glencore, the African mining industries would collapse, leaving over 16000 men jobless from Mopani alone. The African continent's record of exploiting their own natural resources unaided is less than impressive and without the guiding influence and expertise of companies like Glencor, Zambia could become another corrupt bankrupt hellhole like DRC or Zimbabwe etc.

- ex expat, The Real World, 22/11/2011 12:27

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