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Collapse of the Nation's Iron Ore Deposit: A Case of Itakpe Iron Ore Deposit, Kogi State.

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ABSTRACT: NIOMCO (National Iron Ore Mining Company), Nigeria's iron ore mining company has been under the captivity of bureaucracy over years of its existence resulting to her zero performance. This paper identifies some crucial aspects or factors surrounding the company's zero existence and suggesting a reverse of these factors as a recipe for reviving the company, knowing the capacity of the mining sector in strengthening the nation's industrial base as exposed in some literatures.

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I. INTRODUCTION

Bridge (2008), summits that the mining industry have been viewed as key pilot of economic growth and development and its process, as lead sectors responsible for expansion which could possibly give rise to a higher strata economic welfare. Kogi is a State located in the Central region of Nigeria, blessed with abundance of Iron ore. The need to develop and utilize this mineral resource (Iron Ore) to strengthen Nigeria's industrialization gave birth to the establishment of NIOMCO (National Iron Ore Mining Company), situated in Kogi State. On February, 1987, the National Iron Ore Mining Company (NIOMCO) was established. The company was charged with the following responsibilities;

I. To manufacture and supply 100% of the iron ore requirements of Ajaokuta Steel Plant amounting to 2,150,000 metric tons per year of 63% to 64% Fe concentrates.
II. To produce and supply 40% of iron ore concentrates requirements of Delta Steel Company at Aladja in Delta State which amounts to 550,000metric tons per year, which should contain a minimum of 67% to 68% Fe super concentrates.
III. To adequately and continuously meet 100% requirement of local iron ore concentrate, taking into cognizance the installation of the primary steel plant for capacity expansion and for the exportation of iron ore concentrates to the international market after local needs have been satisfied.
IV. To promote the interest of the Central Government of Nigeria in foreign iron ore mining projects, for example in the Mifergui Nimba iron ore project in the Republic of Guinea where Nigeria has 16% shareholding.

According to Victor (2016), TyazhpromoExport (TPE), a Russian company carried out a geological investigation on the Iron Ore Deposit at Itakpe. Reports from the exploration showed that the iron ore deposit has a proven and estimated reserves of 250,000,000 and 400,000,000 million tons respectively. Nigeria being the 12th richest country in the world in terms of iron ore deposits, with over two billion metric tons and yet she imports an estimated \$3.3 billion worth of processed steel and associated derivatives. Despite the country's robust iron ore reserves, only 18 of the paltry 30 steel rolling mills are functional, producing 2.8 million metric tons per annum, using 100 per cent scrap metals. This is purely a case of gross under-utilization of Nigeria's iron ore resources and obviously very pathetic. It is therefore pertinent to expose factors that has made.

In fact, presently mining activities in the company is on hold. This is obviously not healthy economically, for a nation that seeks to strengthen and sustain her industrialisation base. It is therefore pertinent to project some factors responsible for the halt in mining activities at the company, as a measure to establish a way forward.

1. 1 AREA OF STUDY

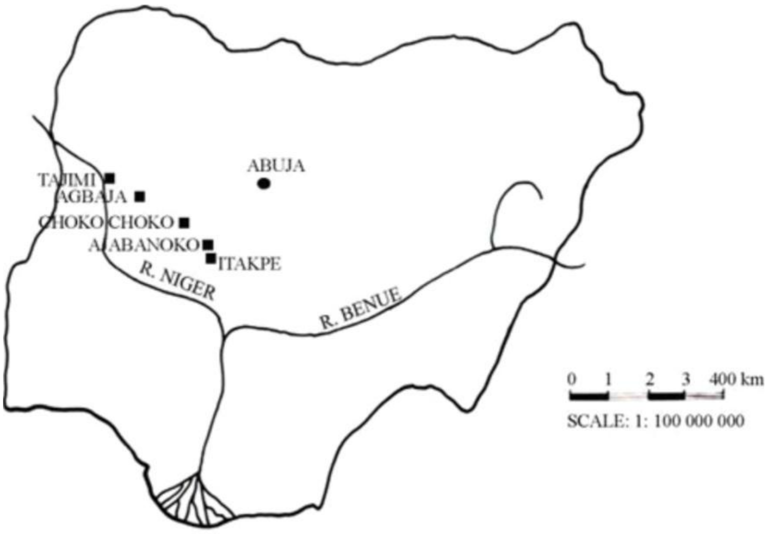

Figure 1. Location of the study area.
Source: Akande & Adebimpe (2011)

Itakpe is a town in Kogi State, Nigeria. The Hills in and around the town of Itakpe contains very pure deposits of Iron Ore. The National Iron Ore Mining Company is located here, as indicated in the map above. Also on the map are other areas in Kogi State with Iron Ore such as ChokoChoko, Ajabanoko, Agbaja and Tamiji. The Iron Ore deposit in these areas have not being mined till date.

1. 2 ORGANIZATIONAL CHART OF NIOMCO

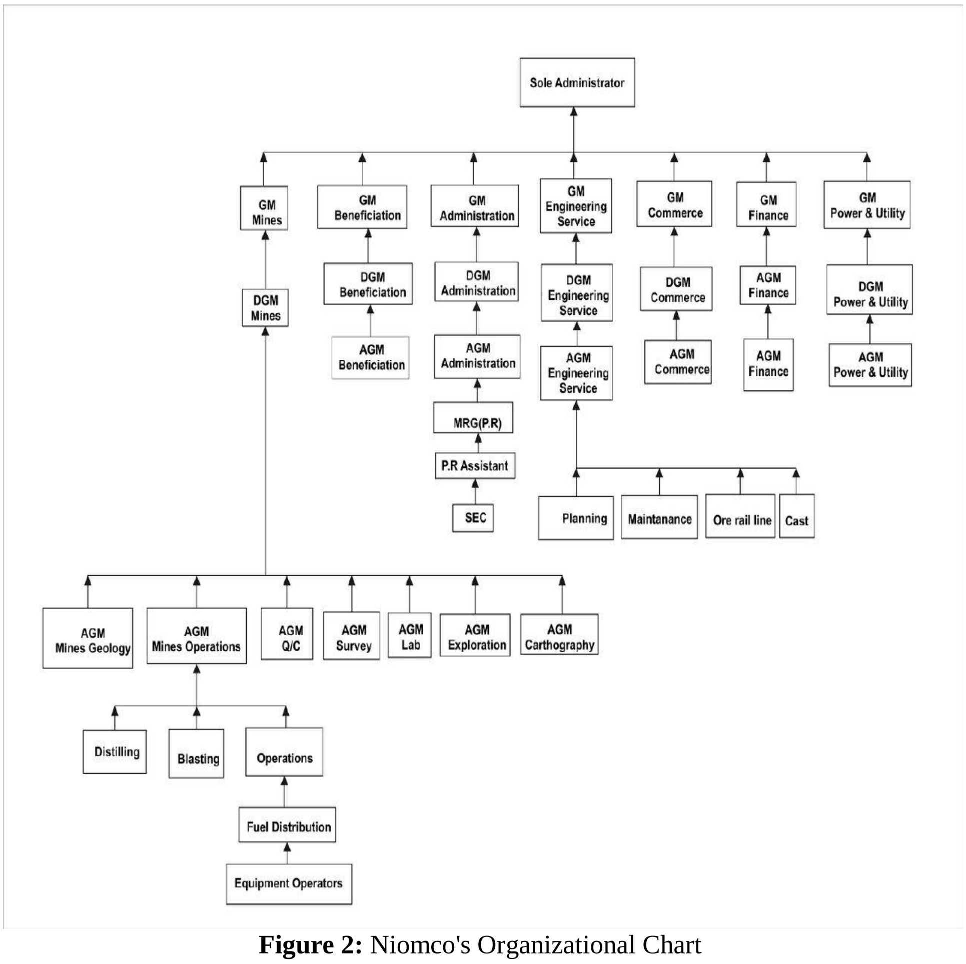

Figure 2: Niomco's Organizational Chart
Source: National Iron Ore Mining Company

The above organogram shows the hierarchy of workers at the iron ore mining company in Itakpe, Kogi State. Every staff in the chart reports to the sole administrator. The Sole Administrator oversees the entire affairs of the company. Second in hierarchy are the General Managers (DGMs) of various departments, in the company. Third class of workers are the Deputy General Managers (DGMs). The DGMs report to the general managers directly. Fourth on the hierarchy are AGMs (Assistant General Manager). They report directly to the DGMs while other artisan are subordinates to the AGMs.

II. AGENTS RESPONSIBLE FOR THE DECLINE OF NIOMCO (NATIONAL IRON ORE MINING COMPANY)

Flooding of labour: According to Solow (1956), labour is identified as a crucial factor to foster growth in any nation. Nevertheless employers of labour should be very sensitive to making decision as regards the boundary of employment (employment of workers) in an any organization or establishment. NIOMCO should stand as a tool economically to achieve a target variable which is real employment. Rather it has been taken as the target variable. In the case of NIOMCO, there are aspects of the work force in NIOMCO that are ceremonial to the existence of the establishment. In line with the figure 2 above, the positions of the General Managers found across each departments as shown in the diagram above are positions which have attracted huge ceremonial cost as far back as 1987 when it was created. Rio Tinto a multimillion Australian based company ranks one of the largest companies in the world responsible for producing aluminum. As shown in Rio Tinto (2014), it has only six units (Finance and Logistics, Engineering& Pot line Services, Human Resources, HSEQ & BI, Maintenance Services and Potrooms & Sunna) with only one General Manager, only one human relations personnel, has no provision Deputy General Managers, every other staff reports to the human relations personnel, while the human relations personnel reports to the general manager. Despite this relatively concise work place hierarchy the establishment (Rio Tinto) still sustains its production activities.

Pause On The Delivery Of Iron Ore Concentrates To Ajaokuta, Delta Steel Companies and Rolling Mills: After the year 1995, the management of Ajaokuta & Delta Steel Companies and the three inland rolling mills in the country (Nigeria) stopped production for reasons best known to the management. The halt in Production defeated NIOMCO's existence, which was to deliver super iron ore concentrates to these companies and rolling mills in the country. Nevertheless, the mining company (NIOMCO) carried on with mining activities (production of iron ore) being optimistic that operations in the steel and rolling mill industries will start off in no distant time. Production progressed until the company's 40,000 tonnes storage yard capacity was filled. This left the company no option than to off load the iron ore concentrates outside the storage yard. This was a period of huge loss of revenue to NIOMCO.

Turndown Of The Request For The Expansion Of Storage Yard: Owing to the delay in the resumption of the steel and rolling industries, the management of NIOMCO in the year 1998, made a request to the Federal government through the supervisory ministry officials for the release of funds to expand its storage yard. This request was turned down on the platform of inadequate funds by the federal government. This response gradually plunged NIOMCO's production to a standstill. In all, a total of estimated 294,000 tonnes of iron ore concentrates was produced prior to the privatization of the company to an Indian company GSHL (Global Steel Holding Limited), on April 2005.

Inadequate Technical Know-how: CAT an European company which specializes on the manufacturing of earthmoving equipment such as bulldozers, wheel loaders, excavators. Since the inception of the company, CAT has being the major supplier of majority of NIOMCO's earthmoving equipment for mining operation. The company's knowledge to fix major breakdown of earthmoving machines remains inadequate as it employs technicians outside the country. This accumulated heavy debt to the company over the years it was in operation. According to the chairman house committee on steel, the huge indebtedness is one amongst other factors that made privatization an option to be considered for the company's revival. In other words, importing earthmoving equipment for which the company has limited knowledge on its technicality remains a factor of great concern.

Autonomy Of The Company: Adams Smith (1776), posits that government should play no direct role as regards firms adjustment towards profit maximization in the market. By implication prices should be controlled by the forces of demand and supply not the government. In addition firms should be accorded the space to take decision as regards price changes in the market. This principle was theoretical in NIOMCO's case. The years 2004 to 2005 saw an increase in the international market price of iron ore concentrate. In fact NIOMCO estimated a return of N2 billion from the sale of iron ore concentrates. Therefore the company made a request to the government for permission to sell during this period. This request was granted but for a short while, which saw the sale of 30,000- 90,000 tonnes of iron ore concentrates (Yinka, 2009).

Bureaucratic Bottleneck: According to Aminu Shehu Shagari, Chairman House Committee on steel, identified that the low capacity utilization, huge indebtedness, industrial disharmony, uncompleted NIOMCO's plan and accumulated unpaid salaries of workers, were issues on ground which made the former President Olusegun Obansanjo's administration concession the mining company (NIOMCO) to an Indian based company

known as Global Steel Holding Limited (GSHL). All the above mentioned issues are outcomes of bureaucracy in the system. The discovery of crude oil in Nigeria in 1956 and its glut in the 70's played a role in promoting bureaucratic bottleneck. According to Olalekan, Afees & Ayodele (2016), the discovery of crude oil in the year 1956 accompanied by its glut in the 70's had a negative effect on the growth of the solid mineral sector in Nigeria. In fact, the contribution of the solid mineral sector to GDP was at a low of 0.5% in the year 2009.
In other words, the discovery of crude oil diverted took the government's towards development of the solid mineral sector of which NIOMCO is a major stakeholder.

2. 1 CONCEPTUAL ISSUES

Different authors over time have given their definition on some concepts a Studies on iron ore deposit over time have given definitions to some concepts geared towards the promotion of iron ore investment. Some of which are highlighted below;

According to Osemenam (1986), he identifies iron ore reserve as a figure balanced by various economic exercises with a positive return of investment when fully recovered. Therefore it should not be seen merely as a mineral. In addition, this study identifies factors such as exploration pattern, adequate equipment selection for mining activities, adequate analysis of the characteristics of ore deposits, Adequate assessment of production equipment and working conditions, sensitivity to equipment selection most appropriate to certain mining operations, proper assessment of the technical features or attribute of mine equipment, calculation of ownership and operation cost per hour, attention to equipment selection based on its performance and decision on choice of labour were issues identified as factors that must be in place for the realization of a successful mining investment.

Akande (2011) in his treatment of engineering economy of Itakpe iron ore deposit (NIOMCO) focused on the profitability of the iron ore deposit in Kogi State. He identified the iron ore venture to be a lucrative venture and urged the government to improve its mining policy as to attract investors.

In another study,Nwosu &Nwankwoala **(**2012), defines the cut- off grade as a grade at which potential revenue balances all costs. identified the influence of some economic parameters on the cut- off grade during mining activities at NIOMCO. It also identified the different pits that constitutes the deposit. They stressed on the fact that the controlling variables in the determination of cut- off grade and ore reserve are the price and production cost of iron ore concentrate. It submits that the management of the company (NIOMCO) should respond actively to variations in price to cost ratios by lowering cut- off grade with increasing price and costs.

In conclusion, as used in this study, 'collapse' implies the identification of some factors which contributed to the halt in mining operation at NIOMCO (the nation's iron ore deposit).

III. DISCUSSION AND CONCLUSION

NIOMCO is an 'icon' of discussion in today's Nigeria, due to its dual attribute. It is an establishment which is micro in build up but has a macro outlook. The aforementioned woes in NIOMCO's existence are issues of serious concern, as the government journeys through the path of diversification, thereby giving attention to the solid mineral sector. In other words these issues should not be treated lackadaisically or delayed any further due to its burden on welfare. Exploring the above factors x-rays that the brain behind NIOMCO's collapse is bureaucratic.

In conclusion, this paper calls the attention of the government to issues surrounding the downfall of NIOMCO's. For the company to stand firm as it was established initially to be, accumulated unpaid salaries of workers should be cleared, the company's plan layout should be completed, employment of labour should be very discreet, Ajaokuta and Delta Steel companies should be functioning, managerial autonomy should be promoted or permitted. Lastly, capable internal or local technicians should be employed and possibly exposed to more training in top industrialized nations to cut-back labour cost and sustain productivity.

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