



## **KEYNOTE ADDRESS AT THE JOBURG INDABA 2018:**

### **MXOLISI MGOJO, PRESIDENT OF THE MINERALS COUNCIL SOUTH AFRICA *WHAT HAVE WE ACHIEVED IN THE LAST TEN YEARS?***

**3 October 2018**

Honourable Minister Mantashe, invited guests, members of the media, fellow miners...

Good morning

In years, and even decades to come, our children and their children will look back at the decisions made today as those that have shaped our mining industry. In many ways, 2018 will be seen as a second watershed of our modern industry, the first being the promulgation of the MPRDA and the first Mining Charter in the period 2002 to 2004.

South Africa's mining industry has a long and complicated history.

On the one hand, it was the basis for our country's modern industrial economy. Very few other economic sectors would exist in their current developed form were it not for the impetus the mining industry gave to their creation and development.

Yet, as we also know, the industry was built at huge cost, particularly to South Africa's black population. For more than 100 years the industry was reliant on, and in certain respects, helped develop the systems of cheap, black labour; the social distortions resulting from the migrant labour system; and the economic-developmental schism in South Africa on a broader scale.



This history is, of course, the basis of much of our current regulatory system – that part of the system that seeks to right these wrongs of the past. Steps towards what we call “transformation” were first made in the 1990s in the earliest BEE transactions. It could even be argued that those steps began even in the early 1980s with the recognition of black trade unionism. But, it was given its legislative and other regulatory foundation in 2004.

The mining charter is the industry’s most important transformation tool. Yet, it is a delicate and complicated instrument.

The enormity of the apartheid legacy in mining means that we need to understand the continuing pressures for more transformation and higher targets in the charter. Yet, it is one of those unfortunate realities of economic development that trying to fly too high, too soon can cause, at worst, the entire structure to come crashing down or, at best, to stagnate.

This is the delicate balance that we, government and other stakeholders needed to reach as we sought to develop the charter in its third iteration.

And that is the balance that we as a country need to consider today. Will our legacy be an industry that will continue to shrink, and become less impactful in its contribution to GDP, in employment, and as a purchaser of goods and services, and in its investment in communities? Or, will it be an industry that is competitive and able to grow, and therefore make a meaningful contribution as it transforms.

We, as an industry, would be the first to admit that after 14 years of the charter and after 24 years of democracy, the mining industry is still a long way from achieving the vision of articulated in the first charter – “an industry that will proudly reflect the promise of a non-racial South Africa.”



Yet it is also the case that more has been achieved than our critics might acknowledge. In 1994, this industry had minimal senior black and women technicians and managers. Today, the majority are black and/or female. There were no black mining entrepreneurs at all. Today we see well known corporate names in our sector that emerged from a string of deals – African Rainbow Minerals, Royal Bafokeng Platinum, Seriti, Kalagadi Minerals and my own Exxaro, among many others.

These are among the foremost models of transformation, where ownership extends beyond a passive financial stake to active management involvement, control and entrepreneurship.

As regards the other mining companies, to the extent that their shareholdings are South African, they are owned by millions of South Africans through pension funds and investments, across all racial groups, including through the Public Investment Corporation and the Industrial Development Corporation.

Much of the remaining ownership of our mining companies is in the hands of foreign financial institutions through pension and other asset management funds investing on behalf of foreign savers. Those foreign investors own over half of the mining assets listed on the JSE. The mining industry is heavily dependent on those investors' funds.

There is notable transformation in other areas too.

Until the late 1980s, skilled jobs were denied to black miners.

It took 10 years from the establishment of our democracy for the proportion of skilled positions held by black miners to approach 20%. Since the advent of the charter in 2004 those numbers have risen to between more than 40% (which is the current charter target) and 75%, depending on category.

Yes, those proportions are still some way from reflecting the country's demographics. But, steady progress has been happening, and it will continue.

There are other areas of progress too. Even by the end of the 1990s, there were almost no black-owned companies supplying goods and services to the industry. That situation today is very substantially transformed.

And, it is not a long time since up to 18 black mineworkers shared a single bleak hostel room. [That was horrific!] The charter propelled us to a situation where, by 2014, in line with the charter target, almost every hostel resident had his (or her) private bedroom. Yes, there are housing issues in many of the newer mining towns – as there are in many other parts of South Africa. These are issues where mining companies, in partnership, with local and provincial government have a lot of work to do.

There is also the issue of mining communities. Clearly there is a significant amount of hostility towards mining operations in some areas. At the very least, some communities see their wellbeing compromised by the adjacent mining operations. We also often find ourselves as the target when communities have been let down by the failure of local authorities to carry out their responsibilities effectively.

Some tensions were a function of the wording of previous charters which made compliance dependent on following approaches that did not necessarily produce optimal outcomes. One example is the provision that the regulator interpreted in a way that did not recognise co-operative projects between different companies. The new Charter explicitly recognises this. Now it is up to the companies to devise developmental projects that take advantage of economies of scale to deliver more.

Another issue that has been a source of tension with communities is the requirement that engagements, and also community ownership transactions, be carried out with leaders who may not carry legitimacy among all in the communities. Again, the new charter explicitly requires us to recognise a broader range of legitimate representatives.

That is an important step forward. However, in making use of this opportunity, it will not be easy for mining companies to balance conflicting community interests in developing BEE transactions or developmental community projects. There is a great deal of new learning that we will need to undergo.

However, it may be that in some cases the causes of conflict between mining operations and communities is due to a lack of care on the part of the mine operators. We need always to be aware of, for example, the impacts on communities of blasting, dust, access to social infrastructure when it is affected by mine logistical measures, changes in water quality and the like.

There are no better ways of monitoring any actual or potential such impacts than through mutually respectful engagement with community representatives.

On balance, the Mining Charter has been an effective tool for addressing at least some of the industry's legacies. It is a tool that mining companies have largely complied with.

There are areas where there must be natural progress until the legacies of the past have been fully addressed, such as in the field of employment equity. There may also be areas where the new charter can take us on a new route to more effective transformation.

What we need to avoid are measures that lead to further decline or stagnation.



The new Charter was published on Thursday last week. The Minerals Council is busy studying its content in detail, and pursuing a detailed consultation process with members. We have published our initial take on this document. In a nutshell, the Minerals Council, on behalf of its members, welcomes the publication of the Mining Charter and broadly supports its intentions and content. This new Charter is the product of substantial engagement between key stakeholders and is a compromise that reflects different difficult choices that have been made. It provides a better balance between the mutually-reinforcing concepts of promoting competitiveness and transformation.

The Mineral's Council understands that no negotiation process can end with all parties being satisfied with all aspects of the final product. That said, while the new Charter has addressed certain of the provisions that were likely to stifle investment, it still contains provisions that raise concerns around the economic consequences that will ensue.

It is also clear that, in respect of certain provisions, the implementation guidelines that still need to be developed will be crucial in determining the ultimate impact of the new charter on transformation, development and growth of the industry. The Minerals Council hopes to be consulted on their content in the period ahead.

We acknowledge Minister Gwede Mantashe's more engaging approach in his interactions with the Minerals Council over the development of the Charter. The Minerals Council understands that he and his team have had a difficult task balancing the inputs from the various stakeholders.

I do not want to end this address without dealing with the critical issue of mine safety. Our industry has made very significant progress in reducing safety rates over the past two decades. We saw an 88% improvement in fatality rates in the 20 years up until the end of 2016. Despite the improvements taking us closer to the ultimate goal of Zero Harm, we knew even then that the 73 deaths in mining accidents that year were 73 too many.



That this improving trend has seen reversals since last year is a matter of particularly deep concern to the industry, and to the Minerals Council South Africa in particular. The Minerals Council and its members are absolutely committed to addressing safety issues, and we trust you will see the product of these efforts in the period ahead. We recently launched a National Day of Safety & Health in Mining, with the support of the DMR and unions, and every one of our members is currently involving each and every manager, union member and employee in a renewed commitment to safety and health.

In conclusion, we have taken note of President Ramaphosa's call to the private sector to be a part of the country's economic recovery plan. We are supportive of his call, and intend to play a constructive role in reviving South Africa's economy.

I thank you for your time, and hope that when we meet here again a year from now we will be celebrating a good year for the industry.