



CHAMBER OF MINES OF SOUTH AFRICA

Putting South Africa First



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MEDIA STATEMENT

FOCUS ON MINING SECTOR FOR 2015 THROUGH PROJECT PHAKISA

The Chamber of Mines notes with much encouragement the national budget presented by Minister Nhlanhla Nene this afternoon.

This first budget review for Minister Nene, demonstrates a continuity in disciplined and prudent fiscal stability. This is critical for investor confidence, especially in light of the credit downgrades experienced recently.

The mining industry is encouraged by the prioritization of the Mining Phakisa Lab which will see the sector and government working together intensively to resolve constraints and hurdles that hinder the growth of the mining sector. "The South African mining sector needs to get on to the front foot not just nationally but internationally. Minister Nhlanhla Nene in today's budget review, highlighted the focus on the mining industry through Project Phakisa initiative. This demonstrates the significance of the mining sector to the effective implementation of the National Development Plan.", said Mike Teke, President of the Chamber of Mines.

The GDP outlook, having been revised lower to 2% for 2015, highlighted the need to ensure the electricity constraints are appropriately resolved. While the mining sector continues to participate in large scale electricity demand reduction programmes, the increased expense to the sector from the higher electricity levy will result in further cost pressures. Although the diesel refund system and electricity tariff incentive increase is welcomed, it is not likely to sufficiently off-set the levy increase. The Chamber continues to emphasise the need for collaboration with private sector, through IPPs, to bring an urgent and sustainable solution to electricity supply growth that is needed. Through private participation, the funding burden and risk of further fiscal pressures are reduced.

The recognition of the weakening commodity prices, pointed to further risk of decreased revenues for the budget. It should be noted that mining industry too is grappling with, in some instances, significantly reduced revenue outlook. In light of this, the Chamber remains opposed to the implementation of the carbon tax. The mention of transfer pricing we highlight as

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regulated practice, with South Africa leading global best practice in this regard. Addressing any transfer mis-pricing is closely regulated and the mining industry would continue to engage the relevant stakeholders on this matter.

The industry notes the increase to the DMR budget on Mineral Policy and Promotion, specifically the R2.7bn allocation to promote investment in mining and petroleum beneficiation projects.

Minister Nene has aptly placed the need for the country to, “intensify efforts to address economic constraints, improve our growth performance, create work opportunities and broaden economic participation”, as the mining industry this further confirms government’s commitment to the implementation of the NDP as the blueprint to achieve its objectives to the benefit of all South Africans.

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