



# MEDIA STATEMENT

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## CHAMBER OF MINES WELCOMES 2016 BUDGET

**CEO, Roger Baxter:** *“Positive contribution to stabilising the economy, to maintain investment grade rating, and to create and stimulate partnership in pursuit of growth”*

**Johannesburg, 24 February 2016.** The Chamber of Mines welcomed the 2016 Budget Speech delivered by Minister Pravin Gordhan on 24 February 2016, and is pleased that the Minister acknowledged the role of mining (amongst other industries) and its contribution to overall growth and development.

CEO Roger Baxter noted that “the budget speech struck all the right notes – it represents a positive contribution to stabilising the economy, to maintaining an investment grade rating, and to creating and stimulating partnerships in pursuit of growth”.

While there remain many aspects of the budget that will be finalised through the Parliamentary budget process, and which we hope will maintain the clarity and purpose with which this speech has been delivered, the emphasis that has been placed on addressing policy certainty, the effect of protracted labour disputes, electricity supply constraints, regulatory barriers to investment and a commitment to good governance and rooting out corruption are particularly welcome.

The Minister’s initiatives to instil prudent macro-economic policy and reduce the deficit (particularly focusing on the efficiency of state expenditure) are to be applauded. We also appreciate the recognition that we need to tread a careful path between raising taxes that stifle investment and growth, and finding a direction that creates greater tax revenue, while enhancing investment and growth. Over time a shift from growth negative direct taxes towards growth-enhancing indirect taxation is necessary if South Africa is to achieve a sustainable higher growth rate.

The state’s commitment to improving the efficiency of State Owned Enterprises (SOEs) is important, and the inter-Ministerial committee focused on instilling good corporate governance in SOEs should expedite the work it has started. At the same time, the commitment to investigate opportunities for co-funding are sensible and timely.

Given the financial crisis facing the South Africa mining sector, the Chamber is pleased to see that no substantive changes have been made to mining taxation or the mineral royalty system. This is particularly important given the undertakings relating to policy and regulatory certainty and predictability. While there has been no royalty relief for loss-making mining companies, the Chamber welcomes government's agreement to offer the same tax deduction agreement for SLP expenditure in labour sending areas as is currently applied to employee-related expenditure. These type of partnerships will support and stimulate the delivery of benefits to affected communities.

The Chamber of Mines fully supports the country's commitment to addressing climate change and welcomes the fact that the draft Carbon Tax bill will be revised, taking into account public comments and further consultation. With the current economic conditions facing the industry, the mining industry will struggle to remain competitive if a carbon tax is introduced in the short term. Given that South Africa's carbon intensity per unit of GDP is already below the peak-plateau-decline line committed to by South Africa at Copenhagen in 2009, the specific merits of introducing a carbon tax right now are questionable.

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