

KEYNOTE ADDRESS

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WHAT DOES THE MINING INDUSTRY CONTRIBUTE TO THE SOUTH AFRICAN ECONOMY?

It seems to me that the past day-and-a-half have resulted in some interesting conversations.

My topic for today – *what does the mining industry contribute to the SA economy* – has in many ways been answered during the conference thus far.

So, we know that, even in 2016, which was one of the toughest years for mining during a tough decade for mining, the country saw:

- 424 billion Rand in mineral sales
- 25% of South Africa's exports in primary minerals. This rises to more than 40% when semi-beneficiated minerals are included.
- 457,698 direct jobs in mining. That is 7.9% of private sector employment. If the job multipliers of the mining sector are included, that amounts to 1.3 million jobs.
- 120 billion Rand paid in employees' earnings
- 20 billion Rand paid in corporate taxes and royalties
- 18% of private fixed investment by the mining sector
- 304 billion Rand contributed to GDP, representing a 7.3% direct contribution to GDP and about 18% of GDP if all the multipliers are added.

Simply stated, **mining is the flywheel of the South African economy.**

When mining does well, it lifts many other sectors, those who supply inputs into the industry and through the significant export revenue it brings back into the economy. The converse is also true – when mining struggles, most other economic sectors

also feel the pain. That has been the case in South Africa for 100 years and more, and is not likely to change in the foreseeable future.

In speaking of the industry's role as the historical foundation of the South African economy, we cannot forget the part it played in shaping our society. We need to be frank and acknowledge that our predecessors were party to the development of many of the ugliest features of our society, some of which remain with us today.

The migrant labour system (and other policies that discriminated against black workers, including inhuman hostel conditions) and the socio-economic underdevelopment in labour sending areas that resulted, is one of these. The barring of black people from skilled work, and the unequal treatment of black people when they actually performed this work, is another.

The huge human costs regarding occupational safety and health, some of which we are only grappling with today is yet another. Even though much progress has been made, such as the 88% decrease in fatal accidents since 1994, we remain too far from our goal of zero harm.

We recognise the continuing socio-economic legacies of this history. That was why, 20 years ago, the industry began talking to government about how best to remedy these.

We were – and remain - supportive of the new mineral rights regime that transferred the ownership of mineral rights to the custodianship of the state, and were integrally involved in the development of the first Mining Charter, aimed at achieving *“a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans.”*

We are not there yet by any means. We only need to look at the state of some mining towns and the composition of our workforces to know that the legacies have not been fully overcome. Similarly, we must acknowledge that South Africa is no longer viewed as a favoured mining investment destination, nor that our industry could be viewed as globally competitive.

But this doesn't mean there has been no progress, particularly in the transformation of the industry to better represent and benefit more South Africans.

The Mining Charter has been a very effective tool for addressing many of the industry's legacies. Although it has become fashionable for some protagonists to say that it has been a failure, the facts tell otherwise.

Let's take a look at some of these achievements.

- Until the late 1980s, skilled jobs were denied to black miners. The last piece of job reservation law to go was that applicable to the acquisition of blasting certificates – the most core mining qualification.
- It took 10 years for the proportion of skilled positions skilled by black miners to approach 20%. Since the advent of the charter in 2004 those numbers have risen to between more than 40% at senior management level (the current charter target) up to 75% of those in the core skills category. This employment equity change has been profound and is irreversible.
- Even by the end of the 1990s, close to zero goods and services were procured from black-owned companies. That situation today is significantly transformed.
- And it is not a long time since up to 18 black mineworkers shared each a bleak hostel room. The charter has taken us to a situation where, by 2014, in line with the charter target, almost every hostel dweller had his (or her) private bedroom or their own accommodation options.
- And today there is a large number of mainly black-owned mining companies that attest to real transformation over the years - African Rainbow Minerals, Seriti Resources, Royal Bafokeng Platinum, Kalagadi Minerals, my own Exxaro, and more. And this is above and beyond the shareholdings in other companies that black investment entities, employees and communities which has helped so many to build additional opportunity for themselves. In the 10-year period to the end of 2014, over R200 billion of value transfer had taken place. This is material in anyone's books.

So there is material and significant progress in the transformation journey, even as we acknowledge that there remains a long way to go.

Transformation is a process and not an event. And, we have much more work to do.

But, we will stand against being forced to do it in a way that we believe will destroy the industry and benefit only a narrow group of interests.

To get mining back on track requires ethical leadership, good governance, and policy and regulatory certainty. But it also requires a statutory and regulatory regime that, while continuing the ongoing transformation journey based on realistic targets and a properly negotiated outcome, that the sector also needs to be competitive to attract investment and grow. Simply stated, transformation, competitiveness and growth are mutually reinforcing concepts that have to work in tandem. It is difficult to transform without competitiveness and growth and similarly it is difficult to be competitive and grow without transformation.

Roger Baxter has already dealt with some of the details relating to the DMR issues we are currently facing. But we at the Chamber of Mines are not sitting still while the legal processes we have put in place wind through the courts.

Chamber leaders are working hard at developing ideas on what a new charter could look like. And we are not talking only to ourselves. We are engaging with past Chamber Presidents who have been through the journey of Mining Charter 1 & 2. We are talking to civil society organisations; we are talking to the unions; we are talking to political and government leaders (apart from those we are dealing with through the courts). We will be talking to other stakeholders like the IDC, PIC, etc. We know that real consultation, engagements and partnerships are the key to a sensible transformation journey and outcomes.

We also know that there remain many legacy issues with which we have to deal with.

- The Chamber is working on the challenge of unclaimed retirement fund payments, both through opening an office to service inquiries by former miners and working with the retirement funds, the FSB and others.
- The Chamber is working with current and former gold companies in the Occupational Lung Disease Working Group on helping the new commissioner fix the ODMWA compensation fund, and towards a settlement of silicosis claims.
- We are dealing with a host of environmental issues relating to rehabilitation, to dust, to water, and so on.
- And we are working intensively, through our safety structures within the Chamber and within the MHSC, on continuing improvements to safety systems and performance.

And while in recent years we have not seen progress in respect the other part of the original charter's vision – the development of a globally competitive mining industry - we are working hard at this too.

The commodity leadership forums that were first mentioned by Neal last year remain hard at work in collaborating on key issues such as innovation, employment relations and market development. We take very seriously our role in enabling mining to realise its true economic and transformational potential in South Africa and are developing road maps for the industry as a whole, and each sector, at least until 2050.

The connections and commitments made during the Mining Phakisa process have been strengthened and have grown. The old COMRO campus in Richmond – now designated as a mining innovation precinct - has more than 50 full-time occupants focussed on making the industry safer, more efficient and more people-centric. Collaboration with government and quasi-government bodies is strong, although regrettably this does not involve the DMR. The allocation in the last national budget of R150 million by government towards mining R&D is in place. And, I was personally delighted to preside over my first Chamber Council meeting recently, where mining CEOs agreed to collectively allocate another R30 million towards this R&D. And this is at a time when many mining companies continue to be loss-making.

I want to refer back to the statements made at this same conference a year ago by my fellow office bearer Neal Froneman. Neal emphasised our belief that private sector-led growth in a free market economy is the pathway for South Africa to meet its social and economic development goals. And the mining sector has been, and must continue to be, a major contributor. But, he noted, the private sector requires a strong state with robust institutions, impeccable governance, and consistent policy and to create a climate in which business can participate meaningfully in support of our country's developmental agenda. If anything, our need and our resolve is even greater one year later than it was then.

I am also going to refer – as Neal did one year ago - to the African Mining Vision, which was adopted by Heads of State at the February 2009 AU summit. The basis of AMV is that, fundamentally, Africa needs to 'shift its focus from simply mineral extraction to much broader developmental imperatives in which mineral policy integrates with development policy.' What this means in practice is using our country's vast mineral resources as a catalyst for development, so that it can play a transformative role. And, in doing so, we need to mine with principles, and a conscience.

We, as the Chamber of Mines, representing our members, remain committed to this vision. And, as the Chamber, representing a significant portion of the industry, we will hold government to account and, in parallel, ensure that our own performance on governance is beyond reproach. We *will* hold our own members to account through our Chamber Membership compact, and ensure our own house is in order. At the same time, we will continue to call for ethical leadership and good governance in government, SOEs and in particular in the DMR. We will engage key stakeholders on this journey and where necessary turn to the courts to ensure outcomes that are in the national interest.

As the leadership of the Chamber we have drawn a firm line in the sand regarding our opposition to unethical leadership, bad governance and state capture. And we are doing what is necessary to ensure better outcomes for our sector and our country. The Chamber remains committed to finding workable solutions in the national interest. **But, no single grouping cannot do this alone.**

Thank you.

Chamber of Mines President, Mxolisi Mgojo