

MINING LEKGOTLA 2014

Speech by the Jeff Radebe, Minister in the Presidency responsible for planning, monitoring and evaluation

Director of the Programme;
Cabinet Colleagues;
Captains of the Mining Industry;
President and CEO of the Chamber of Mines;
Organized Labour;
Organized Business;
Civil Society Organizations;
Honoured Guests; and
Ladies and Gentlemen.

Allow me to convey the apology from the President who was initially was scheduled to address this very important occasion, but due to some urgent matters could not do so. On behalf of the President, allow me to convey his deepest wishes for the success of the Mining Lekgotla as government considers this sector a very important integral of our economic development plans and that being the NDP.

For the mining industry to come together to chart a way forward for itself as the major contributor to our country's GDP is both timely and appreciated.

The role of mining in the economy of South Africa has changed over the past 60 years, from being perhaps the biggest employer, and contributing 21% to GDP in 1970 to 8 or 9% today. Employment trends have also dropped from 800,000 workers in the early 90's to about 500,000 workers today.

However, this does not deviate from the critical role that this sector plays in our economy. It has many linkages with the rest of the economy, including manufacturing, transport, financial services and energy, among others. Estimates of total GDP contribution including indirect and multiplier impacts and sectors that rely on mining activities, range between 15% to 18%. It remains a critical source of investment. As a proportion of total gross fixed capital formation, mining's share was at 12% in 2012. Mining commodities accounted for 46% of exports in the 4th quarter of 2013, and downstream mineral related manufacturing exports account for another 14%.

Needless to overstate the facts, the mining industry is closely linked to the history and economic development of our country. The sustainability of this industry, and its continued contribution to our economic development should, of necessity, be of interest to all South Africans.

Last week, Government released the Medium Term Strategic Framework (MTSF) as part of the implementation of the National Development Plan. The role of mining has been clearly defined in this national plan and I am sure the *lekgotla* will be seized with how it can positively respond to the achievements of the goals that had been laid out in the MTSF. The NDP envisages a vibrant economy which still has a mining sector playing a crucial role. This includes exports and foreign direct investment, production of commodities for energy and/or manufacturing, beneficiation and procurement. There are a number of mining specific recommendations in the NDP and in the strategic projects of

the Presidential Infrastructure Co-ordinating Committee – such as opening the Waterberg, building infrastructure; ensuring a fair and equitable tax that is balanced in terms of providing sufficient incentives; ensuring certainty over property rights; strengthening labour dispute resolution institutions; improving relations between the private sector and labour unions; and addressing what might be seen as the underlying causes of labour relation issues. These include increased service delivery and addressing of backlogs especially in rural areas, better public education and health outcomes, and better opportunities for employment and self-advancement.

In the past this industry was characterized by the divisions and the power distances that were emblematic of both the Apartheid and colonial dispensations. To view a kaleidoscope of people across the South African demographic spectrum as present at this dinner is reassuring that we are moving towards the right direction. I am also not oblivious to some of the efforts of the industry to respond to a variety of socio-economic needs of our people even before the attainment of our freedom in 1994. But because minerals by definition belong to the people as a whole, it is imperative that we are seen as ensuring that this indeed becomes as reality on how this industry embraces equity across race and gender. The dividend of mining minerals must ultimately accrue to the whole economy and by extension to the people as a whole.

Thus not out of kilter with post-liberation expectations, the industry was expected to accelerate its role after 1994 to reflect the democratic transition of 1994. In 2002, the Mineral and Petroleum Resources Development Act (MPRDA) was passed. There have been several amendments in response to the concerns that have been raised. To accelerate the process of the transformation of the industry, a collective document, the Mining Charter, was developed and accepted by Government, Labour and Industry in 2004. The revised charter sets a target of 26% black ownership of South Africa's mining assets by 2014, as before, and adds that all levels of management of mining companies should constitute 40% of the total.

I am also aware that in her May Budget Vote this year, the former Minister of Mineral Resources spoke about the "*parochial amnesia in terms of their responsibilities*" that grips stakeholders when it comes to the issue of the revised targets. We have been assured by the Department of Minerals and Energy that they are currently assessing and evaluating how the industry has performed in this regard. I am sure this lekgotla will also be seized with this issue as we await the outcomes of the assessment and evaluation from the DMR.

Ambitious in their targets, lofty in their ideals, and transformative in their intent, it is sad to note that not all industry players have stuck to the letter and spirit of the Mining Charter. Our Government is open to persuasion about all policy discussions and regulatory frameworks which will lead to shared economic growth; the alleviation of poverty; the reduction of inequalities and the creation of sustainable employment.

Finger pointing as to who is responsible for what has in the past years shown us the catastrophic effects of doing nothing thinking that the challenges that we face will disappear by themselves. We are in this together, as the Mining Charter and the recent engagements with the sector clearly indicate.

Our reference to the Mining Charter as a point of departure is also informed by the fact that it was the precursor document for all the transformative Black Economic Empowerment policies that followed. While this clearly reflects the point I made earlier about the contribution of the mining sector to the GDP of our country, it also indicates that the success of the Charter will be a boost to the success of other sectors' transformative policies.

In my budget speech in July I announced that we will be implementing a new programme called Operation Phakisa, in order to speed up the achievement of our objectives. Operation Phakisa draws on the experience of the Malaysian government in improving the performance of its government and economy. It involves getting all the stakeholders who need to work together to achieve an objective into a process of intensive detailed collective planning to agree on what needs to be done to realise the objective. Implementation of the detailed action plans which result from this process are then rigorously monitored.

We are currently in the middle of the first Operation Phakisa with the aim of growing the ocean economy from an estimated GDP contribution of R54 billion in 2010 to R129-R177 billion by 2033, and to increase the number of people employed in the ocean economy from approximately 300 000 people 2010 to 800 000 - 1 million by 2033. I would like to take this opportunity to indicate that we will also implement an Operation Phakisa for the mining sector, with the aim of similarly realising the potential for increasing the contribution of the mining sector to GDP. We will be planning this Operation Phakisa in consultation with all the key stakeholders, including the Chamber of Mines and organised labour

It is precisely for this reason of engaging in new areas of the economy as we have done with the Malaysian model that the Mining lekgotla should come with bold suggestions, as well as clear implementation plans and timelines about what can be achieved and by when. Because the industry has to be proud of its place in the hierarchy of the transformation of our economy, it is my view that the postponement of the Charter targets, or the revisions thereof, will delay the transformation which many now view as seriously behind schedule.

The conditions under which mining takes place in our country is one of the most challenging. I am aware that some mines go 3.km deep and the extraction of minerals is more difficult than in some mining environments in the world. In spite of these difficulties, this industry is lauded for its research, technical and productive expertise by its global competitors. Playing in the global market, there is attendant need for our companies to reflect the realities of human resource development practices in other parts of world.

It would be in the interest of our mining sector, that the standards by which their produce in other regions across the world are also reflected in our country. It will be a show of their commitment to our continent that the practices which occur in our country are also reflected in the mining operations by South African mining companies in the continent. It would benefit this Mining lekgotla to tease out these issues for the benefit of the industry.

The migrant labour system has continued to be the bedrock upon which labour for the mining industry is based. The number of employees in this sector alone means that a disturbance which would be of less significance to other sectors of the economy gets amplified in the mining sector. This system needs to be rigorously attended to, to assess whether the sending communities benefit from it as they should.

I am not for a moment saying the system was best in the past but it now faces certain amounts of stress. cursory experience without any scientific study shows that it can break family structures, and that remittances which sustained the sending communities in the past are increasingly being expended for the purposes they were not intended due to new social dynamics in the mining communities

The mining industry should be complemented for partnering with Government in the conversion of single sex hostels to family units. These have brought dignity to our people. We believe that this work should be continued with a clear vision of making

these family units even more liveable and homely. Mining as a key economic driver must result in the creation of sustainable communities as opposed to the single sex hostels of the past.

Government and the industry are also working jointly with some district and municipalities as part of the Presidential Package. Government also plans to sign a new social compact with the Chamber of Mines. It is envisaged that government will drive the process of improving living conditions for mine workers, with financial support from mining houses. We are encouraged by the willingness we have already noted from mining houses in this regard- the donation of land for housing by Lonmin is a case in point.

The Mining Stability Framework has already achieved much in restoring stability to the mining sector. The Framework Agreement identifies both short-term and medium to long-term measures required to stabilise South Africa's mining sector and place it on a sustainable footing. The recent meeting also noted progress in fulfilling some of the medium to long-term commitments include reviewing the migrant labour system, annual assessment of the implementation of the Mining Charter and the re-skilling of workers to achieve competitiveness and sustainable growth of the mining sector.

Details of progress on these achievements will be released after further consultations on all the relevant issues have been done between all the stakeholders.

We have learnt with alarm that the relaxed environmental controls of the past licencing procedures have rendered large sections of our closed mines a health risk to the populations near them. We all live in the era where stringent global regulations now exist where there should be sustainable development of economies for the benefit of future generations. I believe that the lekgotla should also be seized with this issue so that solutions to mine dumps, acid waters and dolomitic residential areas are dealt with jointly and timeously. A delay in the implementation of appropriate measures may be too ghastly to contemplate for the fiscus of our developing country which has many competing demands

The strength of the mining industry in our economy should also be reflected in the manner that it creates trust in the whole economy by listing on our national stock exchange. This will bring assurance to the supporting industries and other sectors that our economy, supported by the prudent fiscal and financial policies, is solid. Faced by the global meltdown, our economy has been affected but not to the same extent that it would have been had our fiscal and financial policies been weak. If the mining industry shows confidence in the South African economy, we believe it will have positive ripple effects for its own growth and new foreign direct investments across all sectors of the economy.

The role that has been played by the research units of the mining houses has benefitted other areas such as medicine and security scanning and many others. We believe this scope still exists and the expertise that the mining companies have in the areas of research should be of national benefit. We encourage professionals in this mining sector to consider the teaching of Mathematics and Science to disadvantaged communities as part of their overall contributions to the development of mining communities. The education system of the past was deliberately not equipped to deal with these crucial subjects and all of us, including the mining industry, are suffering the consequences of this neglect.

It would be amiss if I do not direct the deliberations of this lekgotla towards the issue of Mine Health and Safety. Much progress has been made since the promulgation of the Mine and Safety Act of 1997. There has been a decline in the fatalities from an excess of 400 per annum to below 100 in 2013. This decline is coming on the back of the triple

growth in the mining operations over this period. Our point of departure should be that even though we are aware of the occupational hazards of this industry, there is a need for co-operation between all role players. One fatality is one fatality too many.

To be alone and stranded in the bowels of the earth is not a welcome experience for any miner. That today you are recognizing the brave role that is played by mine rescuers during seismic shifts and other geological influences in our mines, is appreciated. These are often unsung heroes and heroines but their selfless dedication to their work is part of the success that should be included in the rich South African mining story.

In conclusion, the unresolved tensions between the role players in the industry will need consideration by this lekgotla. Trust building, constructive negotiations and arriving at amicable solutions are, in my view, a good recipe for the avoidance of protracted industrial action. All these should take into account the interests of workers, the companies, the communities and the economy. Differences of opinions and views, driven by the needs and the interests of the constituencies we serve are part and parcel of a democratic society. We believe that engagement rather than avoidance, mutual respect for one another's' views, and the interest of our country's economy will be of benefit to all South Africans.

As government it is our duty to ensure that this sector is seen to be living to the Freedom Charter declaration that the minerals beneath the soil will be owned by the people as a whole, not only in word but indeed! As licensed companies to extract these minerals, I trust you will continue to appreciate that beyond profits is the ultimate development of our people as a whole. And this can only happen through continued mutual engagement as directed by the Mining Charter and the general thrust of the NDP.

I Thank You.