MINERALS COUNCIL
SOUTH AFRICA

MEDIA STATEMENT

MINERALS COUNCIL EXPRESSES APPRECIATION FOR A THOUGHTFUL BUDGET DELIVERED IN THE TOUGHEST OF CIRCUMSTANCES

Johannesburg, 20 February 2019. The Minerals Council South Africa has assessed the Budget delivered today by Finance Minister Tito Mboweni as well considered given the extremely difficult financial environment in which South Africa finds itself.

As expected, the centrepiece comprises the steps taken to rescue Eskom from insolvency, in the form of a R23 billion-a-year subsidy for at least the next three years. It is a measure that avoids various technical complications that may have arisen from a takeover of a large chunk of Eskom's huge debt while effectively assisting the electricity provider to fund the interest payments on that debt.

Particularly welcome is the structure being put in place where an additional layer of governance is being installed at Eskom and the other State Owned Enterprises (SOEs) requiring government bailouts, in the form of the envisaged Chief Reorganisation Officer and other restrictive rules. These are wise steps, though care will need to be taken not to create a dual governance structure that impedes rather than enhances operational and financial efficiencies.

The Minerals Council trusts that a further consequence of this taxpayer-funded subsidy will see Eskom withdrawing its demand to the National Electricity Regulator of SA for the 15.5% annual tariff increase.

The stated intention to shift a greater proportion of state spending towards investment and away from current spending is one the industry will support. Of course, it will be necessary to wait and see how this good intention is put into practice.

Part of achieving this is the planned early retirement programme for public sector employees in order to reduce public wage bill. However, care will need to be taken to ensure that this does not lead to a loss of key skills already in short supply in the government sector.

Minister Mboweni's recognition of the importance of fixing the education system as a first step towards further modernising the economy is welcome. Again, after many years of disappointments in this regard, we can but hope this good intention bears some fruit.

The decision to freeze the pay of legislators and SOE executives this year is a helpful gesture.

Still, with limited tax increases, relying mostly on bracket creep, we see the Budget deficit reaching an uncomfortably high 4.5% and debt servicing budgeted to increase by more than 10% a year for the foreseeable future. And it could be worse if the ratings agencies don't see all these efforts as constructive ones with a good chance of success. We believe that the government of the day does deserve that recognition.

For the mining industry in particular, the Minerals Council notes the passage yesterday of the Carbon Tax Bill and the Minister's recognition of the critical importance of the awaited trade exposure and benchmarking regulations. The industry will hope that these mitigate the generally negative impacts that the tax will have on the sustainability of many mining operations.

We applaud the increased allocation to human settlements development in mining regions.

Says Minerals Council CEO Roger Baxter: "South Africa is reaping the fruit of the decade of reckless governance that ended a year ago. We are grateful that the economy is now in hands that can be trusted. But we don't have any illusions about the difficult years that lie ahead."

For further information, please contact:

Charmane Russell
Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 372 5816
Email: charmane@rasc.co.za
Web: www.mineralscouncil.org.za