MINERALS COUNCIL
SOUTH AFRICA

MEDIA STATEMENT

MINERALS COUNCIL NOTES FINANCE MINISTER'S 2021 BUDGET SPEECH

"A positive signal on the path to competitiveness and growth under incredibly tough circumstances"

Johannesburg, 24 February 2021. In presenting a plan for stabilising government debt at 88.9% of Gross Domestic Product (GDP) in four years' time, and stressing the importance of fiscal discipline, the Minerals Council South Africa believes that Finance Minister Tito Mboweni has offered a glimmer of hope that South Africa can avert falling off the threatening fiscal cliff.

Minerals Council CEO Roger Baxter notes that "This budget statement is a positive signal on the path to competitiveness and growth under incredibly tough circumstances.

"Minister Mboweni was today faced with one of the most difficult Budget speeches he and his predecessors have had to grapple with in recent history. Setting the fiscus on the right path is a first step, but there is a great deal that needs to be done if the ambitions of this budget are to be achieved. The South African mining industry is ready and willing to work with government to turn to account South Africa's mineral wealth in the ground, and in the skills and knowledge of the 450,000 miners that it employs.

"An illustration of the potentially transformative impact of a vibrant mining sector is the significant contribution it made to the recovery of royalty and corporate tax income owing to its resilience in managing the constraints of COVID-19, including a lockdown for some weeks."

The Minister's sentiments on the need for structural economic reform is welcomed, but more detail is required, in particular in relation to unlocking private sector investment in energy, rail and ports. The commitment of R791 billion expenditure on infrastructure is welcomed, but collaborative partnership between the government and private sector is key to unlocking these investments. The Minerals Council has regularly proposed much greater private sector involvement in the network industries, and the budget statement did recognise the importance of unlocking private sector investment in embedded or self-generation. The Minerals Council knows of at least R20 billion worth of projects committed by mining companies, but these are currently delayed in administrative red tape. Encouragingly, the Minerals Council and Department of Mineral Resources and Energy (DMRE) are in discussions to unlock these projects. Collaborative work is also being done to unblock investment in self-generation projects, which are also delayed by the complexities in the approval processes. But, it is disappointing too that proposals for a flow-through share regime for exploration financing did not get a mention by the Finance Minister. We believe this is key to helping unlock much greater investment into greenfields exploration in South Africa.

The Minister's pro-growth signals were refreshing and in line with what the Minerals Council had been advocating for some time. The reduction of the corporate tax rate, to 27% was one step towards bringing South Africa's company tax regime closer to international norms. Raising the personal tax threshold by somewhat more than the inflation rate is also a positive step, in keeping the cost of human capital competitive.

There are simultaneously strong signals that policing of corporate and public tax compliance will be strengthened. The recommitment to zero-based budgeting, too, is welcomed. Further, the Minerals Council welcomes the commitment that the SA Revenue Service is to take steps to restore the institution's specialised audit and investigative skills that were dismembered in the Zuma era. We also welcome the strengthened focus on the abuse of transfer pricing, tax base erosion and tax crime. Also to be welcomed is the government's commitment to address the ambiguity around issues related to carbon capture and budgeting in respect of the carbon tax which is likely to impact on the industry's competitiveness.

The Minerals Council recognises that economic inclusion is a fundamental cornerstone of social cohesion and trust. Nonetheless, Minister Mboweni's ambitious fiscal plans rest unambiguously on government's ability to resist union pressures of the public service wage bill, and similarly on the poorly performing state-owned enterprises that regularly require bailouts. These risks are not new and with a growing economy over the next number of years, there is a higher probability of managing the risks.

In conclusion, Mr Baxter noted: "Mining is a labour-intensive sector and has huge investment, inclusive growth and employment spin-offs for the economy. The health and safety of our workforce and the communities around mines are therefore of paramount importance. The urgency of a roll out of a vaccine programme for mineworkers and mining communities cannot be over-emphasised. A delay of access to vaccines sourced by government into the third quarter will put the workforce at risk and further delay recovery to full production, and we urge expeditious attention be given to the procurement and rollout of an effective vaccine programme. Again, in this regard, the mining industry has offered government is firm support."

For further queries:

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