

## LETTER FROM THE PRESIDENT



There are times when our industry and our primary regulatory authority, the Department of Mineral Resources (DMR), become so caught up in the immediacies of today that we do not afford ourselves the opportunity to step back and assess dispassionately where our industry, which remains an important foundation of our society and our economy, has come from and where it is going.

The tough negotiations over Mining Charter III took a great deal of time and energy, including emotional energy from all sides, during the year under review, and continued into 2017. These included the launch – originally by agreement with the DMR, with the action held in abeyance pending negotiations – of an application for a declaratory order on the so-called “once empowered, always empowered” issue in respect of the interpretation of the Charter’s black economic empowerment (BEE) ownership provisions.

At the time of writing, these issues had not yet been finalised. It is our hope that they will be resolved on a mutually satisfactory basis.

But as my term as Chamber president comes to a close, I would like to reflect on the industry, its challenges, its achievements and what remains to be done.

The issues of safety, volumes and costs will always be with us. Right now, we appear to have survived the worst of the recent commodities downturn, in almost all cases, thanks only to difficult restructuring exercises which came at significant human capital cost in terms of jobs, which our country dearly needs. Around 69,000 mining jobs were lost between 2012 and 2016 as mining companies battled to remain viable. Now, for many of us, prospects are looking somewhat better. Are we heading for that summer I often refer to?

The industry’s safety record has improved substantially since 1994, with the number of fatalities down by some 87% and the fatality rate having fallen by around 75%. Much excellent work has been done, not least by the Chamber’s Chief Executive Officer (CEO) Zero Harm initiative and the strength of the tripartite structure of the Mine Health and Safety Council (MHSC). That said, we cannot allow a repetition of the 73 fatalities that occurred in 2016. We mourn with the families, colleagues and friends of our departed colleagues.

### MIKE TEKE

President

Mining remains an important foundation of our society and economy.

# LETTER FROM THE PRESIDENT continued

Our safety record is perhaps a good illustration of other social and socio-economic challenges. We have made great strides towards transforming the situation. But we need a radical transformation. Yes, radical, well-communicated and coordinated.

We hear the calls for radical economic transformation. For our industry, that should ring many bells. For us it is not merely a political slogan. It is a clarion call to speed up and intensify that which we have been doing, since 1994 and especially since the Mining Charter came into being in 2004. Our view is that this country needs higher levels of inclusive growth, which is the real meaning of radical economic transformation.

This was an industry that once had no more than a handful of skilled black workers and women in its ranks. Black and female managers were equally scarce. By 2004, their numbers had grown, though they hardly equated to the South African demographic. Today, the majority of managers and skilled workers are black and/or female.

Similarly, in 2004, there were a handful of black mining entrepreneurs who had emerged from the earliest pre-Charter BEE deals. Today we see well-known corporate names in our sector that emerged from a string of deals – African Rainbow Minerals, Exxaro, Royal Bafokeng Platinum and Kalagadi Manganese, among others. Admittedly as well, there have been deals that were not so successful and we should learn from those experiences.

We also need to get away from the mistaken idea that the other mining companies are hence “white-owned”. The era where shareholdings in the industry were dominated by individuals or families is long gone. Today, more than 50% of the industry is owned by millions of South Africans, through pension funds and investments, across all racial groups, including the Public Investment Corporation (PIC) and the Industrial Development Corporation (IDC). The bulk of the remainder is owned by foreign pension and other asset-management funds, on whose investment dollars we are very dependent.

Notwithstanding all of this, South African mining companies still need to do much more to transform themselves and our country, and especially our workforce, before they reflect South Africa’s overall demographic. It remains the case that the average black household earns substantially less and owns a great deal less than that of their white counterparts. While this of course is not something the mining industry can fix on its own, these racial inequalities will continue to blight our society and our economy until they are largely remedied.

The NDP remains the lodestone of South Africa’s development path. The mining industry owes it to our society to walk that road energetically and to focus on the issues already discussed, contributing optimally to the development of economic and social infrastructure, and generally operating efficiently and profitably. We can contribute to more inclusive growth.

We can do no less.

Regrettably, I need to end this letter by commenting on the chain of events that culminated in late March and early April with the firing of Finance Minister Pravin Gordhan, along with his deputy, and the downgrade of the country’s debt status to junk by, at the time of writing, two rating agencies so far. The impact of these actions will only hamper government’s and the economy’s ability to achieve the transformation so desperately needed. We remain painfully aware that a big milestone in this chain of events was the Public Protector’s report on state capture which, as we know, focused on events in the mining industry. Those events were and are the antithesis of radical transformation!



**‘Radical economic transformation’ is a clarion call to speed up and intensify that which we have been doing since 2004.**

**MIKE TEKE**

President

12 May 2017