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Opening address at the Mining Indaba 2013 by Ms Susan Shabangu, MP, Minister of Mineral Resources of South Africa: Cape Town International Convention Centre

4 Feb 2013

Programme Director, Mr Jonathan Moore,
Honourable Ministers here present,
Members of the Diplomatic Corps,
Leaders of the mining industry,
The investment community,
International friends visiting our shores,
Delegates and distinguished guests.

I am pleased to be here, once more, to welcome you to this august gathering. The mining indaba has grown in stature and content since it made a modest start in 1995, two years after the adoption of the interim constitution of 1993 whose anniversary we celebrated yesterday. It is this constitution which mandated the government to effect the socio economic transformation of South Africa which we have done since the dawn of democracy in 1994.

The transformation was and still is aimed at addressing the evil triplets of inequality, poverty and unemployment. When we met here last year, there was a debate around the issue of nationalisation. At the time, I assured you that nationalisation was neither the policy of the African National Congress (ANC), nor that of government. The ANC's elective conference of December 2012 also re-confirmed that: nationalisation is not an option for our country.

As you can see from the screen, this is the resolution of the ANC elective conference on this matter. I trust that this will bring certainty to our mining industry. Let me therefore pause for all of you to have a look at it and absorb its contents. In this regard, I appeal to you not to try to resuscitate this debate in different forms and guises, which may invariably be marred by differently unhelpful interpretations.

I would like to affirm that our government is fully conscious of the reality that mineral development cannot happen unless capital is invested by the private sector. There is room for both private and public returns, indeed these are interdependent.

With regard to the State Owned Mining Company, African Exploration Mining and Finance Corporation, the process of hiving it off from CEF is at an advanced stage and should be completed during the first half of this year. We have also embarked on the process of strengthening the company by consolidating identified state mining assets into it.

It was indeed the ancient Greek sage Aristotle who said: "The whole is greater than the sum of its parts".

This year also marks a hundred years since the enactment of the Native Land Act, which created a system of land tenure that deprived the majority of South Africans of the right to own land, and eventually compelled Africans who had lost their land to join the mining industry as migrant labourers.

It is the remnants of this historical legacy of the migrant labour system, poor housing and living conditions, high levels of illiteracy, and low skills level that inevitably contributed to Marikana.

In order to deal with this urgent matter, government has appointed a commission of enquiry headed by Judge Ian Farlam whilst at the same time we are responding to the broader socio economic challenges through a package of measures announced by the President which addresses, amongst others, housing and living conditions of mine workers.

In order to achieve a lasting solution to these challenges the point of departure should be acknowledgement of the need to address the underpinning structural and historical elements and not just the symptoms as they occur. This requires mining stakeholders to work together in partnerships in order to obviate any prospects of the events of last year repeating themselves. The country and the industry cannot afford the prospect of another Marikana.

The Nobel Laureate Amartya Sen puts the point beautifully: "Poverty is not (only) a condition of low income and lack of assets. It is a condition of vulnerability, exclusion and powerlessness. It is the erosion of the people's capability to be free from fear and hunger and have their voice heard."

It is precisely for this reason that our transformation agenda is seeking redress the imbalances of the past and is assisting us in our quest to build a normal and inclusive society.

The landmark mining regulatory reform introduced in 2004 brought the South African mining industry in line with the international norm that recognises natural resources, including minerals, as a common heritage of the people. This reform further represented a "social pact of a special type" amongst mining stakeholders, namely government, business and organised labour.

As part of this, stakeholders committed themselves to a transformation window with targets to be achieved within a timeframe of 10 years ending next year. Yet transformation is a process and not an event and therefore it must not end in 2014. It is an intrinsic component of our industry and should be considered a business imperative, as opposed to being reduced to a compliance issue. Notwithstanding the remarkable progress we have made on the socio economic front, deep structural challenges still run deep and linger very much on the horizon.

As a result, we have embarked on a process of reviewing the mining legislative framework. Following Cabinet approval we have gazetted proposals on the amendment of the Mineral and Petroleum Resources Development Bill in December last year for further for comments. The Amendment Bill will be submitted to Parliament for further engagement and consultation with members of the public. We urge stakeholders and interested parties to make their submissions both formal and informal.

Let me reiterate that our focus on amendments is to, amongst others, remove ambiguities in the Act that previously created room for a multiplicity of interpretations - to ensure that the Act remains current and relevant; to align provisions of the Act with relevant legislation in other parts of government; and to strengthen administrative processes as well as provisions for enhanced sanctions for non-compliance. The intention is also to introduce provision for the Minister to determine the period for the lodgement of applications; to strengthen provisions relating to cession; to effect transfer and partitioning of rights, as well as to introduce a provision to promote the beneficiation of our minerals.

In evaluating the negative effect of a fragmented approach to licensing requirements for mining, we have initiated a process towards an integrated licensing approach in government, in conjunction with my colleague, the Minister of Water and Environmental Affairs. Our respective officials are already at an advanced stage of finalising modalities for an approach to licensing requirements for mining, which is aimed at rationalising this process to enhance turn-around time and the quality of licensing. This process also forms part of the amendments to the Mineral and Petroleum Resources Development

Act (MPRDA) and other relevant legislation.

The new process is expected to herald a significant improvement in service delivery, both in terms of certainty regarding security of tenure when mining or prospecting rights are issued.

This year, we also plan to introduce the amendments of the MHPA to ensure that mining takes place in a safe and sustainable environment and creates decent jobs.

The mining industry represents an important constituent part of the aspirational society defined in the National Development Plan. In this regard I call on the mining industry to consider how they will contribute meaningfully to the plan and to align themselves with the 2030 vision.

To date, the regulatory reform has unlocked the development potential of the mining industry in South Africa. For instance, the number of mines has increased from 993 in 2004 to almost 1600 today, while associated revenue generated grew astronomically in nominal terms from R98 billion in 2004 to R370 billion by the end of 2011. In the same vein, employment in the mining industry grew from just under 449 thousands in 2004 to marginally above 530 thousand in June 2012, before it started to regress slightly in the third quarter of last year.

This performance is factual and demonstrates the vibrant nature of the South African mining sector, which continues to provide opportunities for both local and international investment. We will continue to ensure that an enabling environment is created, while at the same time developing an environment that is responsive to the changing global economic environment and the dynamism of the contemporary mining industry. It is important for all mining stakeholders to be flexible and adaptable to the constantly changing environment to secure long term business sustainability.

As we encourage the mining sector to invest in this country and on the African continent, it is imperative that we work together by creating, amongst others, a competitive tax regime to ensure that our mining jurisdiction becomes a sector of choice for the investment in our economy and the rest of our continent.

We observe with concern the focus on short term gains which disregard the long term prospects of sustainability. These practices are not in the interests of any stakeholder, including the shareholders as these are based on the principle of "downsize and distribute" rather than "retain and invest".

We cannot over-emphasise the importance of partnerships premised on trust, shared vision 2030, and confidence. These partnerships must include workers as an integral part of the entirety of the mining value chain.

We stand ready to work with all of you to ensure that we build a mining industry that is resurgent, resilient and is able to function successfully to its full realisable potential. Our confidence in our ability to play our part is bolstered by the resourcing of efforts to enhance our administrative capacity.

We acknowledge the short term challenges facing the mining industry broadly and the PGM sector specifically, compounded by challenging global economic and financial growth prospects.

We are seized with these challenges through our well entrenched tripartite structure, Mining Industry Growth, Development and Employment Task Team (MIGDET)., and I am confident that the collaborative work of stakeholders will yield desired outcomes yet again. Through this forum, we are also working diligently with Anglo American Platinum, the Department of Labour and organised labour partners to engage constructively to find enduring solutions. These will find expression in platinum sector wide solutions, consistent with the principles of the Platinum Task Team which I established in June last

year.

A number of credible platinum analysts present views on the platinum outlook in a medium to long term that coalesce into a significant upside prospect for the sector. The resurgence of one of the companies that experienced the largest labour tensions and reached the lowest ebb in production unfolds a progressive business model that recognises the importance of all stakeholders inclusively, and corroborates the positive signs of recovery on the horizon.

This is both characteristic and reminiscent of the theme of the recent World Economic Forum aptly titled "dynamic resilience", which is a common feature of the mining industry's tripartisan establishment. This forum further recognised the promising position of South Africa and the African region, as we stand poised to be the emerging force driving global economic growth.

Let me hasten to encourage those mining companies that have worked to transform and grow the sector thus contributing towards national development, and at the same time appeal to those who have not progressed as well to accelerate their efforts towards achieving meaningful transformation.

Ours is a nation endowed with a young population and work force, the envy of many others. In order for us to leverage the population dividend for the growth of the economy generally and the mining industry specifically, we need to work collectively to design responsive skills development interventions.

Accordingly, we will work with our social partners and all relevant institutions such as the MQA and the Department of Higher Education and Training (DHET) to ensure that we plan for future training needs of the industry.

I am encouraged by the substantial increase in enrolment of both young females and males in engineering qualifications, with female enrolment doubling since 1996. This suggests that the base skill requirements for the sustainability of the industry are being built, but these skills must be nurtured and protected. There is a need for the industry to focus on the issue of skills as part of its long term strategic vision and this must include collaboration and support for research and development.

We are working to increase our exploration activities and investment. On our part, government has increased funding for the Council for Geoscience to enhance the geo-scientific knowledge and infrastructure of the country. The recent discovery of a noteworthy shale gas deposit is testimony to the value of geo-scientific knowledge and the potential value that still lies in South Africa for development.

Infrastructure is also a critical component of minerals and mining development, as a result of which it features highly in the Presidential Infrastructure Coordination Commission. This national infrastructure programme is a demonstration of our government's commitment to unlock the mineral potential of our country.

We are also mindful of the energy requirements of the mining industry and the effect of the rising prices on the economy. As government we are seized with this matter to ensure that this does not impact negatively on economic growth and job creation.

There are important international events in which South Africa continues to play a critical role. In August 2012, we took over the responsibility for the hosting, planning and management of the 35th International Geological Congress – "the world cup of geology" – to be held in 2016 here in Cape Town. I would like to make a special appeal to the exploration and mining industry in particular to support preparations for this important event and assist us to showcase the tremendous geological heritage of the African continent.

The international diamond community has reaffirmed its confidence in

South Africa by bestowing upon us the honour of chairing the Kimberley Process Certification Scheme (KPCS), which was conceived in South Africa, the "Cradle for Humankind" and has returned to its birthplace in its tenth anniversary.

In conclusion, I would like to highlight the fact that South Africa is heading for the fifth consecutive national election next year, confirming the stability of our hard-earned democracy. In our pursuit to protect this democracy and leverage the democratic dividend, government is committed to create a thriving and successful mining industry. I invite you to walk with us on this journey of partnership to build a mining industry of the future which will give practical meaning to our assertion that Africa's time has come. When you invest in Africa you are investing in the future.

I thank you.

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4 Feb 2013

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