Press Release

For immediate release

06 February 2018

IRR
South African Institute of Race Relations
The power of ideas

Media contact: Michael Morris Tel: 066 302 1968 Email: michael@irr.org.za
Kelebogile Leepile Tel: 011 432 7221 ext: 2018 Email: kelebogile@irr.org.za

"Mining and People: The Impact of Mining on the South African Economy and Living Standards"

The latest @Liberty report from the Institute of Race Relations (IRR) – "Mining and People: The Impact of Mining on the South African Economy and Living Standards" – is a comprehensive survey of mining's critical role in the economy and in the lives of people, both in mining communities and far beyond them.

The report, released to coincide with the 24th annual Mining Indaba in Cape Town, presents the industry as one "well positioned for a new lease of life". It also cautions, however, that "without an absolutely fundamental improvement in the policy environment, mining will continue its slow decline, attracting substantially less investment than the country's resources and technical expertise warrant".

"Mining and People: The Impact of Mining on the South African Economy and Living Standards" covers the key political, social, technical, and economic factors affecting the industry. It examines mining's complex and important history, as well as its role in South Africa today.

But the focus is squarely on the future.

The report suggests that newly appointed president of the ruling African National Congress Cyril Ramaphosa – who "cut his teeth" as a unionist in the industry – has a key part to play in "(replacing) the present hostile environment with policies that welcome and encourage this vital industry".

Author of the report, IRR Policy Fellow John Kane-Berman, writes: "There are two ways of looking at mining in South Africa. The first is to see it as a sunset industry plagued by rising costs, technical difficulties, and political hostility. The second is to see it as an industry well positioned for a new lease of life despite all the vicissitudes. Even though the attractiveness of South Africa for mining investment has declined, the country still has the world's richest reserves of precious minerals and base metals. Companies both large and small would like to exploit these. Some are doing so despite the political threats. Even more will do so if the threats can be effectively managed or reduced. According to the Chamber of Mines, investment over the next few years could almost double in the absence of threats."

The @Liberty analysis cites the PricewaterhouseCoopers (PWC) Mine 2017 report as saying that "after years of pulling back on investment, and exploration, the world's largest mining companies are ready to move ahead. They have reduced debt, strengthened balance sheets, and taken the necessary impairments. They find themselves in step with an awakening global demand for most commodities".

But will South Africa benefit?

The report highlights pervasive pessimism in an industry in which "major companies have long since shifted their primary listings from the Johannesburg Stock Exchange to other stock markets; some have shifted their headquarters out of South Africa; and many have also reduced the proportion of their income or assets that is dependent on South Africa, a process of divestment from South Africa which continues”.

Despite being judged by Citigroup some years ago as having the richest unmined ore deposits in the world, South Africa’s hostile regulatory environment “is one of the reasons” why South Africa ranks so low on the index of attractiveness for mining investment compiled by Canadian research house, the Fraser Institute. South Africa’s ranking here has dropped from 53rd out of 64 in 2004/2005 to 74th out of 104 in 2016/2017.

A mining executive quoted in the report warned that there was “next to no exploration happening”. This created a risk that “most of the (country’s unmined) assets would remain in the ground because there was no funding, investors having been kept away by government policies, regulatory uncertainty, and a hostile labour regime”.

Tellingly, the report indicates what would be possible if this were to change.

A recent Chamber of Mines poll of mining companies’ investment intentions showed that potential additional capital expenditure “in a more certain and conducive environment” could be as high as R122 billion. If this were achieved, capital spending would be 84% higher than currently planned spending of R145 billion, much of which is of the “stay-in-business” kind. A further R122 billion in capital investment would generate jobs for nearly 48 000 people.

Kane-Berman writes: “On the average monthly mine wage of R23 147 quoted by Stats SA for August 2017, the 48 000 additional jobs would translate into R13.3 billion in additional annual income. Some of this would be spent in communities surrounding the mines, and some would be sent to families in rural areas. The indirect jobs that the additional investment would create (estimated at 150 000) would substantially increase that figure of R13.3 billion.”

The report concludes: “Even though investment is much lower than South Africa’s mineral riches warrant, there is still life in South African mining. Crises over costs and slumps in commodity prices are nothing new. Nor is industrial unrest. Time and again the industry has demonstrated the ability to adapt and survive. Whether it is now able not merely to survive but to thrive and grow rests mainly in the hands of a man who cut his teeth as a trade unionist in the mining industry, Cyril Ramaphosa. He alone has the power to replace the present hostile environment with policies that welcome and encourage this vital industry.”

Ends.