

Press Release

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South African Institute of Race Relations
The power of ideas

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Mining could contribute much more to SA with less government interference – IRR

Less government interference in the mining industry will enable it to contribute much more effectively towards overcoming South Africa's three critical enemies of poverty, unemployment and inequality.

This is the key thrust of the latest report from the Institute of Race Relations (IRR). *The September 2018 Mining Charter: An improvement, but transformation still trumps sustainability.*

The report argues that it is through the business of mining – exploiting the country's rich and largely untapped mineral resources – rather than by meeting onerous empowerment and other obligations that the sector will be capable of making a much greater contribution to growing the economy, creating jobs, and enabling South Africans to have better lives.

It acknowledges that while the 2018 charter is considered an improvement on its predecessors and will 'surely help' to attract some new investment, 'it is nonetheless doubtful that the new Mining Charter will provide that huge capital injection which mining and the wider economy so badly need'.

The key test, writes author of the report, IRR consultant Peter Fabricius, is not how the 2018 Mining Charter measures up against previous versions, 'but against the context of a real-world economy in which population growth has outstripped faltering economic growth for some five years, leaving unemployment at an unsustainable level of 27% or more'.

And by this measure, the new charter falls short, because it 'still imposes a substantial BEE burden which will very probably discourage many foreign investors particularly', and because 'it does not seem to have gone far enough in erasing the prevailing uncertainty and unpredictability generated by repeated revisions to the original Mining Charter – which came into effect in 2004 through the Mineral and Petroleum Resources Development Act of 2002 – and other rules'.

These requirements fall outside mining's 'core business of digging valuable minerals out of the ground', which, if it is left to succeed at what it does best, is the primary source of the sector's potential contribution to the economy and the country as a whole.

The report notes that although the relative importance of the mining industry has declined over the past few decades, 'it remains vital to the economy'. Taking in related and dependent industries, its contribution still amounts to 17% of the economy, and it contributes more than 10% to the economies of four of the country's nine provinces – Northern Cape, Mpumalanga, Limpopo and North West.

'Its importance as an employer is even greater. Nationally, over half a million people are working in mining. Adding indirect employment generated by the industry, the number rises to about 1.3 million. Mining also accounts for a large share of South Africa's exports – about 25%, rising to 40% when beneficiated minerals are included.'

Thus, the report argues, 'mining remains critical to tackling South Africa's three key economic enemies, as identified by the ANC; poverty, unemployment and inequality.'

But if it is to 'play a meaningful role in that fight, mining needs a huge injection of investment, local and foreign'.

The report acknowledges that there can be no question that historic wrongs in the mining industry need remedying, but cautions: 'It is not helpful to do so in ways which harm the economy and lead to poorer South Africans losing work and income'.

'The fundamental question then is whether mining companies would better serve the whole country by essentially doing more of what they are good at, i.e. mining, rather than by being obliged to try to help engineer a larger black middle class.'

The report argues that it is now 'widely acknowledged that BEE ... has not worked (as it has) largely made a small rich elite richer while mainly leaving the majority of the black population still in poverty'.

The answer would be to move the 'focus of empowerment away from race entirely and towards eradicating poverty – where it surely should be' via a policy, such as the IRR's Economic Empowerment for the Disadvantaged (EED), which would address disadvantage directly and award points on an EED scorecard to companies which, among other things, invested more, created more jobs, paid more tax and generated higher foreign earnings.

This approach, the report argues, 'should correct the distortions both of the past and of the mining Charters by stimulating more investment in mining and also by spreading much more of the wealth derived from our huge mineral reserves to the neediest members of our society'.

Read the full report at <https://irr.org.za/reports/atLiberty/liberty-the-september-2018-mining-charter-an-improvement-but-transformation-still-trumps-sustainability>

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