

Press Release

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South African Institute of Race Relations
The power of ideas

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Fundamental choices will shape the future of South African mining

‘Sunset or Sunrise for Mining in South Africa’, the latest report from the Institute of Race Relations (IRR), examines the prospects for an industry that is vital to the future of the country, but faces ongoing uncertainty arising from flawed policies and ideological hostility.

As the report points out, there are two ways of looking at the sector. It could become “a sunset industry beset by rising costs, technical challenges, adverse policies, and political hostility”. It could also prove to be “a sunrise industry that is able to transcend its current difficulties – and take on a whole new lease of life with the help of the country’s enormous mineral wealth”.

The report explores these ‘Sunset’ and ‘Sunrise’ scenarios against the background of 16 driving factors that are particularly important to the future of mining in South Africa. The bulk of these factors fall within the regulatory sphere set by the government.

Each of the two scenarios tells the story of what mining could look like in 2028, ten years from now. How the industry fares will depend primarily on the policy decisions that are taken between now and then. The one narrative is one of shrinking jobs and declining revenues, the other is a story of expansion and rising prosperity.

The first of the policy choices the country confronts is the content of the mining charter. If the 2018 draft charter, released last week, “denotes the direction of mining policy, then the mining industry is in for a tough time in the coming years”, as the IRR noted yesterday.

There are some significant improvements in the 2018 draft over the 2017 charter that prompted such widespread dismay. But the new charter still “does not provide a framework for a competitive and sustainable industry”, as the IRR cautions. Hence, if the draft charter is

adopted in its present form, this will be another policy misstep that puts the mining industry further down the path to the 'sunset' outcome.

Author of the scenarios report, IRR Head of Policy Research Dr Anthea Jeffery, writes that "nobody can predict how the future of the mining industry will play out over the next ten years ... But scenario planning helps us to identify the forces or trends that are shaping the sector's future and are likely to have the greatest impact during the next decade.

"We can draw on these key driving forces to sketch the two most likely scenarios for the industry. Each of these describes a plausible future for mining in 2028."

South Africa's mining resources are an extraordinary treasure trove. As the report points out, the country has "virtually unparalleled mineral riches" – estimated in 2010 as being worth \$2.5 trillion.

South Africa has the third largest gold reserves in the world, some 80% of known platinum resources, more than 50% of platinum group metals, an unusually high concentration of diamondiferous kimberlites, and very large reserves of chromium, iron ore, manganese and other industrial metals. Though its coal reserves are relatively small (at a mere 3.5% of the global total), they are large enough to supply the country's needs for another 100 years at current production rates.

Soberingly, however, the report begins with a bald question: "Does mining in South Africa have a future?"

The stark reality is that "a rich geological heritage is not enough in itself for a thriving mining industry".

Mineral resources are often difficult and risky to reach and extract. Input costs – particularly the costs of labour, electricity, and transport – are also "vital to mining's viability, and, in South Africa, these costs have risen rapidly over the past decade, while commodity prices have often failed to keep up".

Critically, mining policy "has a vital bearing on the competitiveness and sustainability of the industry". If the wrong policy choices are made, investors will increasingly stay away and the country's rich resources will largely remain below the ground. If the right policy choices are made, investment will increase and the industry will expand and thrive.

Ultimately, it is only if the policies adopted promote competitiveness and sustainability that the mining industry will be able to generate more desperately needed jobs, add to export earnings, boost tax income, bring in foreign direct investment – and help generate the

business and consumer confidence without which there can be no economic growth or inclusive prosperity.

Read the full report [here](#).

The IRR invites all South Africans to join it in striving for a better South Africa by SMSing their name to 32823.

Ends.