

# Press Release

## For immediate release

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South African Institute of Race Relations  
*The power of ideas*

**Media contact:** Terence Corrigan, Project Manager, IRR Tel: 066 470 4456 Email: [terence@sairr.org.za](mailto:terence@sairr.org.za)

**Media enquiries:** Michael Morris Tel: 066 302 1968 Email: [michael@irr.org.za](mailto:michael@irr.org.za);  
Kelebogile Leepile Tel: 011 482 7221 ext: 2018 Email: [kelebogile@irr.org.za](mailto:kelebogile@irr.org.za)

#### **A mining ‘renaissance’ is possible, but will require significant reforms – IRR**

The latest @Liberty report from the Institute of Race Relations (IRR) – *Steering Mining into the Future: can the mining industry prepare itself for a reinvigorated tomorrow?* – analyses the state of the country’s mining industry, what current trends reveal about it, and how it might be rejuvenated.

The report argues that a ‘mining renaissance’ – with considerable benefits to the national economy – is possible, but would require significant reforms not only in South Africa’s notoriously burdensome mining regulatory framework, but also in other spheres that shape the ecosystem of mining, including infrastructure such as electricity supply and rail networks, and education, which is critical to nurturing the skills needed in supporting the technological advances on which successful mining will depend in future.

Author of the report, IRR Project Manager Terence Corrigan, writes: ‘If mining is no longer the foundation and backbone of South Africa’s economy, it remains an enormously important contributor to the country’s prospects. With a multi-trillion-rand trove of minerals, there is the potential – in theory at least – for a mining renaissance.

Properly handled, this could mean a new lease on life for the industry and its sustainability into the future.'

He argues that 'the revival and future progress of mining in South Africa will require action in many of those areas that are susceptible to domestic reform. That which is within the control of the country – whether the mining industry or government – needs to be optimally arranged for the sustainability of the industry'.

The report notes that mining's importance to the national economy is borne out by the fact that 'mining activity constitutes an economic anchor for four provinces, contributing between 20% and 30% of their economic output: the North West, Northern Cape, Mpumalanga and Limpopo. It is even more significant for the economies of a number of rural towns.'

Mining remains 'a key source of investment', with South African Reserve Bank figures revealing gross fixed capital formation in mining and quarrying amounting to some R91.1bn in 2018 – equivalent to some 10.3% of the total in the economy.

Moreover, minerals 'account from over a quarter of South Africa's merchandise exports, making them critical to the country's foreign exchange earnings, and therefore to its macroeconomic health. Around a fifth of foreign investment in South Africa is in the mining industry. Mining, in a very real sense, balances the country's books.'

Yet, 'mining is strained, and indications for the future are not encouraging'.

Says Corrigan: 'Attending to the regulatory hindrances besetting mining is necessary, but it is unlikely to be sufficient for a revival of the industry's fortunes. Much in the broader governance and societal ambit has a bearing on the industry, contributing to the costs of operations, and the desirability of undertaking operations in South Africa.'

Left unattended, the country's infrastructural failings, for instance, 'could prevent a turnaround for the industry, if not accentuate its decline'.

In the wider business environment, the government's commitment to embarking on a process of expropriation without compensation (EWC) is an investment deterrent. Corrigan notes that while EWC 'does not appear to have registered as a major

concern' for the mining industry, it 'may in the future', as a 'depressed business climate will not be attractive for any investment'.

'Perhaps more importantly, such a climate will find it difficult to take advantage of the benefits of any mining investment. Government should desist from making such imprudent choices.'

Corrigan adds: 'On government's shoulders rests the considerable responsibility of ensuring that the various elements of the broader economic and societal "ecosystem" that enables business to flourish are kept up to minimum standards.

'This entails areas as diverse as education, healthcare, policing, roads, and electricity and water supply. The significance of a basic level of functionality and competence in the state ... is all the more important when it is borne in mind that South Africa's authorities have consciously sought to retain such responsibilities for the state, and have often been suspicious of input from elsewhere.

'The time is at hand to deliver a "developmental" performance'.

**Ends**