

**Address by the Minister of Mineral Resources, Adv. Ngoako Ramatlhodi, MP, on the occasion of the Budget Vote 32: Mineral Resources National Assembly, Cape Town 15th July 2014s**

16 Jul 2014

Madam Speaker

Chairperson and Members of the Portfolio Committee on Mineral Resources

Honourable Members

Esteemed guests

It is indeed a rare honour and privilege to present my first Budget Vote before this august House.

The Department has been allocated a budget of R1, 47 billion for the 2014/15 financial year.

I present this Budget mindful of the central role of the mining industry within the South African economy. With over 1 600 mines and quarries, employing over half a million people directly, it remains a significant contributor to gross fixed capital formation and foreign earnings. In addition, it has a significant multiplier effect through its linkages with other sectors such as energy, manufacturing, services and transport. Current geo-scientific information corroborates the exploration and developmental potential of the mining industry over the decades ahead. Such development must be balanced with both social and environmental responsibilities, as inscribed in the supreme law of the country, the Constitution.

The industry has experienced numerous challenges in recent times, not only locally, but also globally. However, as we have maintained, these are short-term in nature, and should not detract from the immense development potential which exists.

We sit at a crossroads in the history of resources development in our country. The potential of the upstream petroleum industry, both shale gas and increasingly offshore deep-water oil and gas is profound, and if stewarded properly, has the potential to drive the development of our economy for all our people in a manner contrary to a historic injustice afflicted upon our people by the mining industry.

The potential of both the mining and upstream petroleum industries is located within the National Development Plan (NDP), which aptly provides the national vision leading to 2030, and the national guiding principles to realize this vision. The value chains of both industries play an important role in contributing towards the attainment of this vision. It is in our collective interest therefore to ensure that these industries are properly positioned to take advantage of opportunities which present themselves.

### **Historical Context**

Madam Speaker, one hundred years after its enactment, we are still grappling with the magnitude of the calamity afflicted upon African people by the Natives Land Act of 1913, which had such a devastating impact on our population across the country. The manner, in which this Act was implemented, along with other subsequent repressive legislation of the apartheid government, resulted in the exclusion of black people from participating in the mainstream economy of the country, other than as suppliers of cheap labour, and the subsequent creation of the migrant labour system.

Following the 1994 democratic breakthrough, Government began to rewrite the policies that had turned our people into slaves in their own land. Thus the mining regulatory reform for instance sought not only to correct 100 years of repression, but to balance this with the development of the mining industry in a responsible and sustainable manner.

The introduction of the Mineral and Petroleum Resources Development Act (the MPRDA) in 2004 did not only enunciate the Mining and Minerals White Paper of 1998, but represented a fundamental and qualitative turning point on sectoral transformational legislation. It did this by vesting mineral and upstream petroleum resources and control over their development in the hands of the State. What this means is that mineral and petroleum resources in South Africa are nationalised. Accordingly, my department issues mining licences to whoever may wish to harvest our mineral resources. We issue these with attendant conditions, which if not observed, expose the holder to possible revocation of the licence.

### **Legislation and Regulatory Framework**

Our country has a legislative framework that covers both our mining and petroleum industries. With this in mind, we engaged in the process of further enhancing and strengthening our legislative framework. Key to this involved the amendment of the MPRDA. This was initiated as part of efforts aimed at, inter alia, optimising contribution to national development priorities, improving the investment climate and ease of doing business, strengthening compliance, creating jobs, driving industrialisation through beneficiation and moving South Africa forward.

What we have come to realise through the amendment process is that the mineral and petroleum industries are at very different stages in their development.

### **Mining Industry**

Since my appointment, a number of concerns have been received by me from stakeholders both in the mining and upstream petroleum industries on some issues contained in the MPRD Amendment Bill. I have been consulting on these issues and as a result, an Inter-Ministerial Committee has been established to comprehensively evaluate and accommodate concerns through the development of robust regulations in order to provide greater certainty and to encourage continued investment in the mining sector, to give practical effect to the MPRD

Amendment Bill. We undertake to continue to engage with and to address the concerns of stakeholders throughout this process of strengthening the regulatory framework during the course of this administration.

Having spent time listening to stakeholders, and taking cognizance of the fact that under our Constitution, a Bill before the President can be referred back to Parliament if it cannot muster a Constitutional test, I am ready for any eventuality. In the event the current Bill is assented to in its form, I commit to a rigorous and transparent engagement with stake holders, on draft regulations.

The regulatory environment relating to mine health and safety is also being reviewed, as part of our programme to create a conducive work environment. The objective is, among other things, to ensure alignment with the MPRDA, remove ambiguities in the law, and advance the aims of decent employment in the mining industry. We will also collaborate with relevant departments to investigate ensure that the principle of equal pay for work of equal value in the mining industry is ascribed to. We are also aiming at “zero harm” in the mines, as well as to create an appropriate working environment for women mineworkers. The Mine Health and Safety Bill will be submitted to Parliament during this financial year.

The Department will further enhance working relations with its entities, such as the State Diamond Trader and the South African Diamonds and Precious Metals Regulator, to focus on the review of both diamonds and precious metals related legislation to also ensure that it create greater benefits for South Africa as a whole. The review will, among other things, be informed by the outcomes of the Jewellery Consultative Forum held last year to identify impediments and appropriate strategies to develop the jewellery industry of the country.

### **Upstream Petroleum Industry**

With regard to upstream petroleum industry, our policy position is to enable an investor friendly environment, whilst securing vital state interests. Any legislation or agreement interim or long term has to conform to this formula. In the event that the MPRD

Amendments are referred back to Parliament. I intend to drive forward a full democratic process involving all stakeholders to develop this new foundation that underpins the profound potential for the upstream petroleum industry. In the event the Bill is assented to, I reiterate my commitment to a rigorous consultation on regulations.

Hence, in the coming weeks we will launch a platform to debate draft regulations already developed, which may provide an interim solution to enable the significant investment required to take place while the long term foundation is being laid. This interim solution has the benefit that it will afford us the opportunity to explore long term and sustainable solutions that can then be incorporated into the overall process. The interim solution is critical now because it allows us to harness the opportunity to capture the scale of investment in this window of opportunity that is available to South Africa.

### **State owned mining company**

One of the critical instruments of the democratic developmental state is greater participation by the State in the mainstream economy. The establishment of the state mining company represents a positive step in the right direction. In this respect, the African Exploration, Mining and Financing Corporation (AEMFC) was resuscitated as the nucleus for the establishment of the state owned mining company (SOMCO), currently a wholly-owned subsidiary of the Central Energy Fund. The company has already exceeded production volumes at its pioneering mine at Vlakfontein in Mpumalanga, and two further coal mines are expected be in production by 2017. This year, we will submit the SOMCO Bill to Parliament for processing, with the aim of establishing the entity as stand-alone company.

### **Establishment of a State-of- the Art Bourse in South Africa**

South Africa is regarded as a force to be reckoned in terms of the trade, manufacturing and marketing of diamonds worldwide, especially within emerging markets, its prevailing diamond exchange model does not measure up to our firmly established principle of home beneficiation and favourable pricing for industrialization. This has led to an investigation to explore possibilities of establishment of a Diamond Bourse in South Africa as a possible intervention. Obviously, this will be informed by our own developmental imperatives.

### **Skills Development**

Honourable Members, we all know that skills development and education are crucial in not only propelling sustainable development of the industries such as ours, but also in addressing the triple challenge of unemployment, inequality and poverty that our country faces. In this regard, the Department will enhance collaboration with the Department of Higher Education and Training (DHET) and

other stakeholders through the Mining Qualification Authority (MQA), to improve skills development of the youth and mineworkers. In partnership, we will place bursary-holders, interns and students at various universities and mining companies, to train future engineers, environmental scientists, surveyors and geologists.

We will also be implementing other programmes to provide learners in townships and rural mining areas with skills in core mathematics and physical science, as well as ABET training, artisan development, improving participation of women in mining, skills required for jewellery making and the training of health and safety reps and shop stewards using accredited institutions.

### **Stability of the mining industry**

The stability of the mining industry depends on a conducive operating environment. This environment has a number of influencing issues, including the mining regulatory regime, socio-economic factors and the industrial relations environment, which all interact with one another, as is evidenced by recent events in the platinum industry.

While the strike in the platinum belt has ended, there remains a need for introspection and analysis to ensure that the root causes are addressed in order to avoid a recurrence. In this regard, we support calls for a mining summit to be convened during this financial year. We are ready to participate in such a forum and to make a contribution towards sustainable solutions. I believe that this exercise will go a long way to building trust among all stakeholders which is a key ingredient in engaging constructively to build on our enormous potential.

### **Transformation**

#### **The Mining Charter**

Madam Speaker, we want to reaffirm our firm commitment to sustainable transformation.

The Mining Charter was developed as a tool to effect sector transformation, and is accompanied by a scorecard with clear targets. The implementation of the Mining Charter by right-holders is a non-negotiable legal and contractual imperative.

The mechanisms to monitor the implementation of the Mining Charter are prescribed by Section 28(2)(c) of the MPRDA, in respect of which the holder of a mining right must submit a report detailing compliance with the Mining Charter and the Social and Labour Plan. Companies that are found to be non-compliant in terms of implementing the agreed-upon targets will be issued with the necessary directives to ensure that they implement remedial action, failing which more stringent measures in line with the Act will be taken, including the possibility of suspension or withdrawal of their rights.

One of the key requirements of the Mining Charter is for mining companies to implement ways of improving housing and living conditions of mineworkers and to achieve a set of targets by 2014, which include the conversion of all hostels into family units. As part of the support to the President-led Framework Agreement for a Sustainable Mining Industry, housing and living conditions of mineworkers and surrounding communities have been prioritized for development. Accordingly, the Mining Charter will play an important role in the attainment of these critical commitments in the Framework Agreement. Implementation of projects in the prioritised mining areas, such as the Bojanala District Municipality, has duly commenced.

Government is also conducting a study of the migrant labour system, aimed at addressing some of the socio-economic challenges facing the mining industry today.

The MPRD Bill has created an environment to augment the contribution of the mining industry to community development. This is intended to enable mining companies operating within a District Municipality to pool their resources and align their Social and Labour Plans with the Integrated Development Plans, in order to optimise the development impact in communities within which mining takes place.

To this extent, the notion of Social and Labour Plans is engraved in our regulatory framework as a social license to operate, in order to enable the contribution of the industry to social development, especially in communities proximal to operation and the major labour-sending areas. Madam Speaker, communities rightfully have an expectation that the presence of mines in their areas should result in inclusive economic growth and development.

Linked to this is the call on mining companies to treat our communities with respect, value their culture and traditions and strive for sustainable relations with them.

The mining charter as a transformation tool is a subject of evaluation of progress of implementation during this financial year, the results of which will be published later this year. The findings of this evaluation will inform the review of the charter immediately there upon.

### **Research and Development**

In the World Economic Forum's Competitiveness Report, South Africa's innovation pillar features eminently for the quality of research institutions and spending on research and development (R&D). Mining innovation straddles R&D, cost efficiency, productivity and management, all of which impact on sustainable growth and meaningful transformation of South Africa's mining industry. Stakeholders have a common objective towards sustainable mining informed by the preservation of our environment, whilst encouraging innovation through the development of exploration technology in a manner that is cost and energy efficient, globally competitive as well as adhering to health and safety standards.

In Government, our research is undertaken by research Councils, whose mandate is largely focused on fundamental research across the mining value chain. Accordingly, the Council for Geoscience will ensure that its research programmes are refocused towards major mapping initiatives, in respect of onshore and offshore research. The objective is to modernize South Africa's geological infrastructure to ensure that the country is competitive with regard to exploration and attracting investment in the mining sector. Our plans to host the International Geological Congress in 2016 are on track. The Congress will create a further impetus of the geo-scientific research in South Africa and the continent.

In addition, Mintek will continue to undertake research in mineral processing to promote the optimal development of South Africa's mineral resources.

We have also established a strategic relationship with the South African Bureau of Standards to leverage their vast technical expertise to protect national economic sovereignty from the development of mineral and upstream petroleum resources. The SABS relationship will explore mechanisms to assist the department in affirmation of both quantities and qualities of mineral commodities being exported. This partnership will accelerate our contribution towards the radical economic transformation programme of Government, giving effect to the President's pronouncement during his State of the Nation Address.

### **International Programme**

The South African mining and upstream petroleum industries operate in a global environment, in which we operate as equal partners. I will continue to champion our international and regional integration programmes, which include our participation in the Kimberley Process Certification Scheme, the meeting of African Ministers Responsible for Mineral Resources Development under the auspices of the African Union and the African Diamond Producers' Association (ADPA). During the democratic dispensation, we have established bilateral relations with a number of countries, in which we pursue mutually beneficial relationships. Our programme commits to building and strengthening these.

### **Delivery capacity**

Honourable Members, I acknowledge the need for improvement in respect of human capital, business processes and financial resource requirements. I assure you that every effort is being pursued to accelerate our organisational readiness to deliver on our mandate, notwithstanding prevailing economic conditions and fiscal constraints.

As part of the review of the regulatory administrative framework, I have directed the Department to conduct a comprehensive assessment of the organizational structure and business processes, including information systems infrastructure. The result of this assessment will contribute immensely towards strengthening our capacity as well as improving and revamping our licensing system, to ensure efficient service delivery. This will also ensure that the granting of prospecting and mining rights as contemplated in the Amendment Bill are streamlined with the environmental and water authorisation, to ensure that all are issued within a maximum of 300 days.

With regards to the capacity in the Mine Health and Safety Inspectorate, we have together with MQA, commenced with a learner inspector programme. Already 50 graduates have been placed at different mines to undergo experiential training and to be assisted in the attainment of the Government Certificate of Competency before they become fully qualified inspectors.

### **Conclusion**

Honourable Members, as I conclude, I appeal to all stakeholders across the board, including in this house to work together with us as we embark on an unprecedented path towards the economic emancipation of our people, and towards the restoration of their human dignity.

Madam Speaker, I hereby present our Budget Vote before this House.

I thank you.

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