

Task team to drive growth of mining

Top-level experts from the private and public sector will also make transformation a key priority, writes DAVID JACKSON

KEY mining industry stakeholders have put in place a coherent strategy to drive sustainable growth and meaningful transformation in SA's mining sector in the critical years ahead.

The initiative, being driven by the Department of Mineral Resources (DMR), SA's Chamber of Mines, the South African Mining Development Association (Samda) and organised labour, culminated in a summit meeting in March and a declaration of intent at the end of June.

Known as the mining industry growth, development and employment task team (Migdet), the initiative aims to put teeth into the mining industry's efforts to achieve its true growth and transformation potential, with obvious benefits to the South African economy in a period in which the country is facing grave energy security challenges.

A healthy and fully productive mining industry would also provide a much-needed fillip to SA's stuttering export drive.

Roger Baxter, chief economist of the South African Chamber of Mines — who chairs the competitiveness task area within the team — says: "Since the global financial crisis of 2008/2009 the prices of most commodities have recovered to, or above, pre-crisis levels. The critical issue now for major mining countries is how to participate in — and benefit from — the boom.

"SA's mining sector was not able to take advantage of the previous commodities boom from 2001-2008 and was a significant underperformer in that period."

In fact, the sector, from a gross domestic product perspective, shrank by 1% a year in dollar terms, although the global mining sector — in the form of the top 20 mining countries, including SA — had grown by an average of 5% a year, Baxter says.

In 2008 the DMR set up the task team. One of its objectives was to look at ways to mitigate the

effects of the global 2008/2009 economic crisis on the South African mining sector.

"We focused on a range of issues, such as trying to reduce the number of retrenchments and to cut cost pressures facing the industry. Job losses were reduced to about 50 000 compared with an expected 100 000."

Another objective was to position SA on a more sustainable growth trajectory to take advantage of the next up cycle.

"On competitiveness, we came to the conclusion that there was a lot of potential for the mining sector in SA not only to grow at a reasonably fast pace — 3% to 4% a year — but to play a major role in contributing to government's aims of reducing unemployment and growing the economy at a more sustainable and balanced level.

"A country such as SA, which is a fairly advanced economy in its own right, needs a much more balanced growth profile, with the consumer element of the economy

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growing in tandem with exports, but SA's exports have grown slowly over the past 15 years.

"This is where mining comes in, given that mining is a large export earner, accounting for — including secondary beneficiated minerals — about 50% of SA's merchandise exports. Mining also accounts for 35% of the market cap of the JSE.

"There is recognition that mining has a substantial role to play in creating a sustainable growth profile and in creating employment. The task team estimates that another 100 000 jobs are possible in the sector in the next 10 years, taking into account anticipated growth rates in the future."

Baxter says that according to a recent Citibank report SA has the largest value of in situ mineral resources in the world at about \$2,5-trillion, followed by

Russia (\$1,8-trillion) and Australia (\$1,6-trillion).

"This implies that we should be growing our mining sector and economy much more rapidly."

He says that electricity and rail issues are the two factors that have inhibited the ability of SA's mining sector to grow at a faster rate.

"With regard to the regulatory framework we've had five years of implementation of the new Mineral and Petroleum Resources Development Act and it has been a learning process on both sides — government and industry — with many challenges along the way.

"Clearly the stakeholders want to see that the regulatory processes are smooth and deliver results in a timely fashion."

The task team looked at skills shortages, innovation and research, development in mining and the volatility in the rand exchange rate, which has a big impact on the planning of mining projects.

On infrastructure, it has been agreed to look at setting up a long-term infrastructure planning mechanism for mining.

"We need to be as effective as possible in ensuring that the real infrastructural requirements of mining are on the agenda of all the different government departments in these different processes.

"We now have a declaration that gives more concrete action to the strategy for the sustainable growth and meaningful transformation of SA's mining industry. We have effectively agreed on a strategy to unblock the constraints that affect the competitiveness of the sector, in addition to the transformation imperatives. It is a strategy for the collective growth of an industry that can make a material contribution to SA's sustainable and balanced economic growth."

Baxter says that SA has the fifth-largest mining industry in the world. "Global mining companies want to grow their businesses here. SA has the mineral and human capital potential, and global industries want to invest and grow their businesses in the country.

"Africa is one of the last remaining substantial geological frontiers and can learn from the experience of SA.

"Over time, mining can have a material impact on the ability of Africa to industrialise, provided there is good governance in place," says Baxter.