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R18-Trillion Prize

Historic joint declaration to grow and transform what Citibank calculates to be world's most valuable minerals treasure chest* ▶ 8

*Citibank, which calculates South Africa's mineral wealth at \$2.5-trillion, puts Russia and Australia into distant second place

Mineral Resources Minister Susan Shabangu (centre) with (from left) NUM president Senzani Zokwana, UASA COO Leon Grobler, Solidarity president Steve Scott and Chamber of Mines president Sipho Nkosi, at June 30 mining strategy signing



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COVERSTORY



THE FULL SITTING

Mining stakeholders, represented by the Department of Mineral Resources; organised labour, including the National Union of Mineworkers, Solidarity and Uasa; as well as organised business, including the Chamber of Mines and the South African Mining Development Association

LEGISLATIVE FRAMEWORK

R18-TRILLION PRIZE

Historic joint declaration to grow and transform mining

MARTIN CREAMER | EDITOR

The South African government, three labour unions, big mining business and small mining business have clinched a historic 13-commitment accord to grow and transform South Africa's still-well-endowed mining industry.

While it has become a South African franchise for adversarial groupings to find common ground to mutual benefit, the June 30 signing ceremony was done against the background of a significant set of numbers, which came courtesy of the US financial institution Citibank, which calculates the value of South Africa's metals and minerals in the ground to be worth \$2,5-trillion – yes, trillion.

That puts South Africa in the number one value spot in the world. Russia and Australia fade into a distant second place – each behind by a trillion dollars.

"We've got to make sure that we grow this industry so that it makes South Africa a better country," Mineral Resources Minister **Susan Shabangu** told the meeting.

"Our mineral deposits are estimated by Citibank, a most reputable financial institution, to be worth \$2,5-trillion," Chamber

of Mines of South Africa (CoM) president **Sipho Nkosi** said.

"In US dollar value, Russia and Australia are rated a distant second to South Africa. Both have an estimated *in situ* resource value of \$1.6-trillion," Nkosi added.

But the minerals that are embedded in South African soil do not, in themselves, automatically extend a substantial competitive advantage over major rival primary-commodity countries. This dominance is critically reliant on a wide range of other circumstances that need to be prevalent, like those to which the tripartite alliance is now committed in its 13-part declaration.

The joint mining declaration over which Shabangu has presided is "a very important first step in the right direction", regulatory lawyer **Peter Leon** tells *Mining Weekly* (see also video interview).

Leon, who coheads law firm Webber Wentzel's mining practice group and who has an intimate knowledge of what it takes for a country to be competitive in mining, said that the important aspect of the historic 13-point declaration is that it is a government, labour

and business joint venture.

"The big change is that, in the past, the Department of Mineral Resources has simply told mining companies what to do through legislation and regulations. This is the first time, since the Mining Charter was agreed back in those difficult days of 2002 that the key players in the industry, including labour, have got together and agreed a way forward," Leon commented.

He did so minutes after Shabangu, Nkosi, National Union of Mineworkers (NUM) president **Senzeni Zokwana**, Solidarity president **Steve Scott**, United Association of South Africa (Uasa) COO **Leon Grobler** and South African Mining Development Association (Samda) chairperson **Nchakha Molo** agreed to grow and transform the industry that mines that R18-trillion endowment.

The 13 Commitments

Commitment 1: The first commitment is an all-embracing one that points out that the declaration aims to promote investment, enhance competitiveness and drive transformation objectives; mitigate constraints limiting sustainable growth and meaningful transformation; emphasise the mutual reinforcement of competitiveness and transformation; and commit to effective implementation of the strategy.

Commitment 2: The second commitment recognises that infrastructure is one of the



THE ANGST

It was not all plain sailing. The signing ceremony was delayed as horse trading took place, but the intense discussion reflected a new transparency

key drivers of competitiveness and that infrastructure has a material impact on its potential growth. This commitment further recognises that shortages of critical infrastructure – such as rail, ports, electricity and water supply – can constrain growth. The parties thus committed to:

- establishing an “integrated long-term infrastructure planning mechanism” for the mining sector;
- evaluating short- to long-term infrastructure requirements that underpin the envisaged growth of the mining industry through a process of engagement between industry and government;
- identifying areas that are industry responsibilities and that are government responsibilities, including shared responsibilities; and
- engaging with the relevant national processes that are committed to long-term integrated planning processes with specific emphasis on the mining industry’s infrastructural needs.

Commitment 3: The third commitment takes into account the importance of mining innovation through research and technology development, cost and management efficiency as well as productivity in driving meaningful growth and transformation, and the parties thus agreed to work towards the attainment of a research-driven and technology-based competitive edge, and committed to:

- assessing the mining industry’s current research and development landscape;
- resuscitating a research and development culture in the mining industry; and

• strengthening partnerships with research institutions, both locally and internationally.

Commitment 4: The fourth commitment is to sustainable development. Acknowledging the importance of balancing economic benefits with social and environmental concerns without compromising the ability of future generations to meet their needs, the parties committed to:

- implementing a national action plan for the management of acid mine drainage;
- adopting a regional approach in dealing with integrated and cumulative environmental impacts resultant from mining;
- embarking on research and development initiatives directed towards the sustainability of mine closure and mining environmental legacies;
- establishing a multistakeholder forum on derelict and ownerless mines;
- implementing mine health and safety tripartite action plans;
- establishing a task team to develop mechanisms for accelerating exploration investment;
- strengthening linkages of mining with other industries, such as infrastructure, upstream and downstream value addition, technology, services and manufacturing to ensure sustainable mining ‘beyond a hole in the ground’;
- working towards the development and

effective implementation of a ‘Mining Vision 2030’; and

- adopting an integrated development approach through the pooling of resources.

Commitment 5: The fifth commitment is to beneficiation and recognises the importance of translating South Africa’s comparative advantage in mineral resources endowment into a competitive advantage to fuel further industrialisation and value addition to our minerals before they are exported, which resulted in the parties committing to:

- supporting local beneficiation in order to unlock the intrinsic value of South Africa’s minerals;
- considering the establishment of a national beneficiation agency to drive downstream, upstream and sidestream beneficiation as well as all industries associated with mining; and
- enlisting the support of strategic international partners to facilitate skills and technology transfer for the benefit of local beneficiation.

Commitment 6: The fifth commitment is to a competitive regulatory framework. Noting that an internationally competitive regulatory framework is a key instrument to promote sustainable growth and meaningful transformation of the mining

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PETER LEON

A ‘very positive step in the right direction’

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industry and that negative perceptions about the regulatory framework have adverse impacts on the promotion of foreign investment, the parties committed to:

- strengthening the Mineral and Petroleum Resources Development Act (MPRDA) architecture to improve its efficiency and effectiveness by 2011;
- strengthening the enforcement, monitoring and evaluation of the regulatory framework;
- streamlining the administrative processes to eliminate inconsistent application of the overall mineral regulatory regime;
- harmonising the mineral regulatory regime with other related legislation impacting on the mining industry;
- finalising the review of the Mining Charter by August 2010;
- messaging a positive regulatory framework to promote South Africa's ranking as an investment destination of choice;
- exploring the option of a single authority regulating all environmental issues;
- transparent and results yielding compliance; and
- promoting greater cooperation and coordination between the Department of Mineral Resources, its agencies and other governing bodies.

Commitment 7: The seventh commitment is to the development of human resources. Recognising the current shortage of requisite skills and that human resource development constitutes an integral part of competitiveness and social transformation of the workplace and the creation of a knowledge-based industry, the parties committed to:

- conducting at least two skills audits by 2014 and assessing institutional absorptive capacity by no later than December 2010;
- investing a percentage of annual payroll in all skills development activities, but excluding the mandatory skills levy: Target for 2010: 3%; Target for 2011: 3.5%; Target for 2012: 4%; Target for 2013: 4.5%; Target for 2014: 5%; and
- ensuring that mechanisms for directing the mandatory skills levy are in place.

Commitment 8: The eighth commitment is to employment equity. Acknowledging that diversity and equitable representation in the workplace remain a catalyst for social cohesion, parties committed to:

- creating a conducive environment that promotes diversity in order to increase and retain requisite skills;
- ensuring demographic representation of historically disadvantaged South Africans (HDSAs), with a minimum target of 40% by 2014 at top management board level; at senior



THE HANDS OF COOPERATION

The hands of the signatories to the June 30 signing ceremony

management level; at executive committee level; at core and critical skills levels; at middle management level; and at junior management level.

Commitment 9: The ninth commitment is to the development of mine communities. Recognising that mine communities form an integral part of mining development, the parties committed to:

- developing guidelines and adhering to the community consultation processes; and
- developing a partnership approach towards mine community development and considering the establishment of regional social development funds for effective implementa-



MINISTERIAL SCOPE

Shabangu's economic adviser, Dr Iraj Abedian, during a video interview with Mining Weekly Editor Martin Creamer

tion of social and labour plans.

Commitment 10: The tenth commitment is to housing and living conditions. Noting that a mine community includes both a near-mine host community as well as major labour-sending areas, and that mining operations are, in most cases, located in remote areas with often less than salubrious facilities for the workforce, the parties committed to:

- attaining the occupancy rate of one person per room by 2014;
- upgrading or converting hostels into family units by 2014; and
- promoting home ownership.

Commitment 11: The eleventh commitment is to procurement. Realising that procurement provides an important market oppor-

tunity for goods and services and that lack of access to market is a major impediment to growth and expansion of enterprises, the parties committed to:

- adhering to fundamental principles of enterprise development, irrespective of the mining company's turnover; and
- developing mechanisms for multinational suppliers of capital goods to the mining industry.

Commitment 12: The twelfth commitment is to ownership and funding. Realising that equity ownership provides an effective means of incorporating HDSAs into the mainstream economy and that ownership can afford

HDSAs an opportunity to influence the direction of a business, the parties committed to:

- a minimum target of 26% ownership by 2014 to enable meaningful economic participation of HDSAs, which include black economic-empowerment (BEE) transactions being concluded with clearly identifiable beneficiaries in the form of BEE entrepreneurs, workers and communities;
- ensuring that some of the cash flow accrued to the BEE partner throughout the term of the investment, barring any unfavourable market conditions. (For this purpose, stakeholders will engage financing entities in order to structure the BEE financing in a manner where a percentage of the accrued cash flow is used to service the funding of the structure, while the remaining amount is paid to the BEE beneficiaries. Accordingly, BEE entities are enabled to leverage equity in proportion to vested interest over the life of the transaction in order to facilitate sustainable growth of BEE entities.)

- BEEs have full shareholder rights, such as being entitled to full participation at annual general meetings and the exercising of voting rights; and

- ensuring that ownership vesting within the agreed timeframes of the BEE structure, taking into account the prevailing market conditions.

Commitment 13: The last commitment is to the monitoring and evaluation of the 13-commitment strategy. Realising that monitoring and evaluation (ME) play a vital role in assessing the effectiveness of a strategy in terms of achieving its intended aims and that ME results can highlight existing gaps and inconsistencies, the parties committed to:

- adhering to the effective implementation of the strategy;
- complying with the annual progress reporting requirements; and
- monitoring and taking into account the impact of constraints beyond the stakeholders' control that may result in not achieving

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set targets.

"South Africa is a land endowed with incredible possibilities and, through collaborative efforts of relevant stakeholders, it is contended that much more can be achieved, the declaration's preamble states.

The NUM's Zokwana advocated that what could become a "resources curse" be turned into a resources blessing. He backed Shabangu's contention that the hostel system should be brought to a speedy end, and said: "We're committed to walk the talk." He also made the point that "the world is watching."

The CoM's Nkosi said the endorsement of the declaration was another example of the capacity of South Africans to overcome differences and to arrive at positive conclusions.

"This amounts to a fundamental acknowledgement that the future prosperity of South Africa is inseparably linked to the ongoing successful operational imperatives of this country's world-class and dynamic mining.

"Growth and transformation are interdependent and the successful achievement of these two vital objectives will ensure that South Africa is well positioned when the next global commodities boom is upon us," Nkosi added.

Solidarity's Scott said that his labour union saw the declaration as a starting point for

a country with incredible mining industry possibilities. He advocated that past wrongs be righted.

Samda's Moloj said he would like to see more junior-mining development, greater involvement of the financial services sector in the joint industry activities and far more emphasis on exploration investment.

Uasa's Grobler said that the declaration process had been a tremendous opportunity for his labour union to be part of the emergence of a strategy for sustainable growth and meaningful transformation.

"This should allay investors' concerns, and the economic growth of the industry that results from this will reflect positively on South Africa's gross domestic product," Grobler said.

Shabangu's economic advisor, Dr **Iraj Abedian**, said that the transformation of the mining industry could not take place without mining industry growth and that South Africa had the capability to regain its global competitiveness.

"We have been losing and, therefore, all the stakeholders have to collaborate and deal with the issues, both soft and hard, in order to regain our global competitiveness and be among the top quartile," Abedian told *Mining Weekly* in a video interview.

Leon said that the declaration confirmed that the MPRDA would be "significantly amended" during the Parliamentary session

next year to give effect to the joint agreement.

"One of the very important things that this document recognises is that the architecture of the MPRDA, and not just its implementation, is defective. There is now an admission by everybody, including government, of the need to go back to the drawing board and fix the issues in the Act, like Ministerial discretion and lack of compulsory time periods for licensing," Leon said.

While the Mining Charter review would be agreed only in August, Charter-related housing



To watch a video on Minister Shabangu and regulatory lawyer Peter Leon, go to www.mining-weekly.com and click on 'Multimedia' and then on 'Video Clips', or watch it on the Mining Weekly App on your iPhone, or on m.mining.com on your cellphone.