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Finding solutions for policy uncertainty

By Jonathan Veeran & Bruce Dickinson

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The policy uncertainty hangover, notably in the mining sector, from the previous administration continues to manifest itself is a stagnant economy.

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In recent months, economic pressure, declining demand for certain commodities, lower prices, ever increasing costs and regulatory limbo has been brought to bear on the South African mining industry. Lonmin are looking to lay off 12,600 miners, Implats has announced the restructuring of its operations which will result in 13,000 job losses, and GoldFields has announced the retrenchment of 1,560 workers as it tries to turnaround its loss-making South Deep operations.

Charter remains flawed

On this stage, Mineral Resources Minister, Gwede Mantashe, is seeking the final public consultation on the reworked third iteration of the Mining Charter. Since taking over from Zwane, Mantashe has made the cementing of this version of the charter a priority. To his credit, Mantashe has shown a willingness to engage and work with, labour, business, communities and other industry stakeholders to find solutions to challenging issues. Although the 'Mantashe' charter is an improvement on Zwane's, and laudable in its intentions; it remains flawed. It is divorced from economic reality and drafted without proper economic impact assessments. In the rush to get the charter ratified, perhaps feeling the pressure of a forthcoming 2019 election, there has not been enough thought directed towards the impact this legislation has on the economy as a whole.

Research clearly indicates that since the coming into effect of the Mining and Petroleum Resources Development Act (MPRDA) and subsequently the initial charter, the mining sector has shrunk significantly, with very little new or real investment into what has, in essence, become a "hand-me-down" sector, rather than what it should be, the backbone of the South African economy. Over the past 15 years, some nine-million people have lost their income or source of support as a direct or indirect result of this contraction in the industry. This staggering and sobering number calls into question whether or not the way in which the industry is being regulated benefits anyone, particularly those most affected by an industry in trouble.

Ownership and transformation

One key area where we believe government needs to re-evaluate its policy is around the issue of ownership and transformation. Two issues need to be remembered when we talk about equity. Despite popular rhetoric, the first is that ownership is often not the best driver of socio-economic change and transformation. Equity often only benefits a few elites and there are other (and better) means of achieving socio-economic transformation. Solutions also need to consider the long-term sustainability of communities. The second issue that should be addressed is that we are mining finite resources and mines have limited lifespans. Therefore, when policies are put in place they must take cognisance of how communities will survive once the mine that supports them is closed at the end of its life cycle.

We believe the best solution lies in formulating policies that move away from the focus on ownership and allow mining companies to redirect their resources more flexibly to more sustainable developments and projects like aggregated social and labour plans, investment into local infrastructure development, and socio economic upliftment for mining communities. We see this as being far more productive than throwaway terms like ownership with the free carry condition where people are led to believe that the floodgates of money will just open.

Breaking down silos

But for this approach to work, government needs to break down the silos in which it operates and create policy cohesion between various government departments. This issue is starkly highlighted by the misalignment between very stringent Department of Mineral Resources (DMR) codes versus the Department of Trade & Industry (Dti) codes. The DMR, through this charter, seeks to regulate industries that are not under its control, but that work within the sector. This lack of departmental cohesion is resulting in these laws having an unanticipated negative economic impact on the industry and the communities they are meant to benefit.

Our stance is by no means a pro-business agenda; rather we believe it is critical to seek a pro-South Africa solution. South Africa is struggling with increasing wage demands, some of the world's deepest and most costly mines to run, increasing infrastructure costs, and falling demand resulting in a reduction in the prices which our mineral resource offerings can demand. Instead of the DMR actively encouraging mining activities through initiatives that reduce the cost of doing business, streamline administrative processes, create a lite compliance regime for prospecting rights and allow for better market access and other enabling programmes, they have continuously chosen to beat with a stick, rather than entice with a carrot. As a country, and as an industry, we need to be asking: "How do we create an enabling environment which will encourage business to invest in South Africa?" The last two decades have seen very little foreign investment into the mining sector. Instead we have seen the shuffling of an ever-diminishing pool of local investors, while the big global players have left or are leaving.

We need to question whether the current model works or whether there is a better way to do business in South Africa. We need to find a better way forward and - although any government policy being pushed through before the 2019 general election may smack of politicking - what Mantashe has indicated is that if industry can offer innovative solutions, he is willing to talk. Now is the time for industry to step forward and bring workable solutions to the table for the benefit of all South Africans.

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