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Business Unity South Africa (BUSA) Submission on the Charter for the South African Mining and Minerals Industry (Mining Charter), 24 August 2011

The Mining Charter requires mining companies to substantially contribute to society in a number of ways including, through BEE ownership requirements, procurement requirements, employment equity, training, community development, housing and so forth.

BUSA is aware that competitiveness and transformation are very important in the economy in general and the mining sector in particular. We encourage our members to meaningfully implement the spirit of transformation.

Our Transformation Policy Committee promotes broad-based Black Economic Empowerment by:

- Promoting diversity on all BUSA structures and outside bodies;
- Facilitating capacity building of previously disadvantaged business organisations;
- Proactively identifying sectors which lag behind in transformation matters and working with them to promote transformation;
- Influencing the regulatory and legislative arena to promote transformation;
- Monitoring progress on transformation and the implementation of B-BBEE in the country;

CURRENT CONTRIBUTION OF MINING

BUSA recognises that mining contributes much more to the local economy and to the fiscus than is generally realized due to its indirect contribution. The mining industry will continue to be an important pillar of South Africa's economy for the foreseeable future.



The main contributions of this sector are:

a) **Creating decent work and sustainable livelihoods**

The mining sector directly provides more than 6% of all formal, non-agricultural employment in the economy. It is the 5th largest contributor to formal employment and a major employer of semi-skilled and skilled workers. In 2008, more than 1 million people were directly or indirectly employed as a result of mining.

b) **Addressing the legacy issues of the past**

It is well-recognised that in the mining sector more has to be done to overcome the legacy issues of the past (e.g. through broad based ownership schemes such as ESOP's and so on).

c) **Strengthen the skills and human resource base**

Mining companies in South Africa spend in excess of 5% of payroll on skills development in terms of training and education, well above global and national benchmarks of 3%.

d) **Sharing benefits of economic growth**

In 2008, mining, through various multipliers and the induced effect of mining was the 2nd largest contributor to GDP at 18%; manufacturing being the largest at 19% direct contribution.

e) **Supporting the tax base**

The mining sector is a significant tax contributor, with direct taxes (R32bn) in 2008 equating to around 20% of total corporate tax revenues in the country.

f) **Transformation**

The industry is the largest contributor by value to black economic empowerment in the economy (in terms of the value of BEE transactions completed). A third of all Black Economic Empowerment (BEE) deals in terms of numbers in the past 11 years have been in the mining sector, with the total value of these deals worth over R200bn.

g) **Beneficiation and sharing the benefits of economic growth**

Not only does the mining sector use considerable services and inputs from the domestic economy, it also supplies many associated industries that use mining products to keep the wheels of the South African economy moving. For example, 98% of the country's cement supply, 20% of the world's platinum catalytic converter fabrication, more than half of the country's steel supply, and significant other key feed-stocks such as bitumen (for road surfacing), plastics, polymers, chemicals and so on, would not have existed without mining.

The evolution of the Charter for the South African Mining and Minerals Industry

Initial charter of 2002

- A draft Charter was leaked in 2002, which resulted in R50 billion lost on the JSE.
- Thereafter, the stakeholders began negotiating the original Mining Charter in 2002.
- The intention was to give effect to the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA).
- The 2nd Charter in history – ground breaking: signed by all primary stakeholders.
- Learnt from the mistakes of the 1st charter.
- The charter was drafted in a relatively short period of time.

Revised charter of 2010

- Amendments done after a comprehensive assessment of progress made and a number of shortcomings identified.
- Launched with a vision to “facilitate sustainable transformation, growth and development of the mining industry”.
- Effective September 2010.
- The charter was issued as government Gazette.
- It is not aligned to the BBBEE Codes of Good Practice (Codes). This means some companies will have to double report to comply with both the codes and the charter. However, it also has the advantage that the Charter is much more mining-specific, for instance to cater for issues such as accommodation, beneficiation, health and safety and the environment.
- There is no requirement for verification of the scorecard by an independent body.
- Human Resource Development and Sustainable development have highest weighting out of all the elements and account for 54% of the total scorecard.
- Reporting is now done annually – this is a positive development.

It is expected that these changes will bring about a much improved implementation of the charter, thus ensuring that the original intention of the charter is achieved, i.e. mining provides greater benefits to society.

The New Growth Path and Mining as a job driver

- NGP document has this to say on Job Drivers

“Achieving this goal will be the key target that informs the annual employment and growth targets that will be set. We can reach this target

if we focus consistently on areas that have the potential for creating employment on a large scale and securing strong and sustainable growth in the next decade. Most of the projected new jobs will come from the private sector”

- The NGP has specifically identified mining as one of the MAIN economic sectors with a high potential of creating the much needed jobs; - projected 140 000 jobs by 2020 and 200 000 by 2030 (excluding the downstream and side stream effects)
 - The discussion on the Mining Charter should not be in isolation but in line with the objectives of the NGP.
 - The focus areas of the NGP are interdependent, if one of them doesn't succeed, the rest will be negatively affected.
 - The NGP is targeting more labour-absorbing activities across the main economic sectors – the agricultural and mining values chains, manufacturing and services.
 - It is a positive step that our government will prioritise efforts to support employment creation in the mining and other sectors

Other factors impacting on the mining industry

The mining industry depends on other sectors of the economy. Therefore, it is important for the economy to function well for the sector to thrive and be more competitive. These are:

- Transport and infrastructure
 - E.g. Efficient railway system
- Electricity supply
- Regulatory issues
- Labour laws
- Availability of skills

In conclusion

Mining is a long-lead time industry on investment decisions – rules should be given a good chance and enough time for implementation to have an impact before being changed. Rules should be consistent.

BUSA remain optimistic that the mining and other sectors will meet their transformation targets.