

March 2008

A Publication of the Chamber of Mines
of South Africa

CONTENTS

MAIN ARTICLE

- Electricity Supply 1

TOPICAL ISSUES

- Implementation of the 2007 Wage Agreements 2
 - *Integration of MDA and TEBA Development* 2
 - *Training for Rock Drillers* 2
 - *Mining Museum and Monuments ..* 3
- NUM and Chamber of Mines Agreement on Health and Safety 3
- Bargaining Council 3
- Social Security, including Retirement 3
- Mineworkers Provident Fund 4
- Review of the NEDLAC Social Plan Agreement 4
- Chapter Six of the Companies Bill, 2007 4
- BCEA Earnings Threshold 4
- Rural Development 4

MAIN ARTICLE

Electricity Supply

The mining sector has been hard hit by the country's shortage of electricity generating capacity. The impact has significant implications for the economy and employment. One gold mining house has already publicly announced that a 10% reduction in power to its mines might translate into the loss of nearly 7000 jobs. Another, in an article published in the Mail & Guardian of 22 February, has indicated that 60% of its power supply is used to ventilate the shafts, pump water, cool air, provide lighting and transport operational equipment. Therefore operating on 10% less power has a 25% impact.

The mining sector, together with some other large industrial consumers, helped to bail out the country in the week of 25 January when South Africa faced the possibility of losing the entire electricity network. Mining and some large industrial consumers have continued to shoulder the burden in the subsequent period. Now that the electricity supply has been stabilised, questions are being raised about the need to share this burden more equitably.

The Chamber is of the view that mining and the other key industrial users have taken a disproportionate share of the burden of the crisis since 25 January, and, given its key role as a very large employer and as the largest net export sector, the situation at the most affected mines should be addressed as soon as possible.

Today, the mining sector remains core to the economy. In 2006, the mining sector exported R150 billion worth of primary minerals, which accounted for 32% of the country's merchandise exports. When secondary beneficiated products are added, total primary and secondary mineral exports rose to about R220 billion which accounted for 50% of total merchandise exports. Mining, while generating significant exports is also not an import intensive sector so that it is by far the country's largest net generator of foreign exchange.

Directly, the mining sector employs some half a million people. Indirectly, in industries that provide inputs to mining or which use mining output, another 155 000 jobs are created. Using the spending multipliers of mining combined with the associated industries a further 400 000 jobs are created in terms of the induced effect of mining. Therefore, some one million people have employment via the impact of mining. This is 12% of formal employment in the country.

The mining sector is committed to helping to stabilise the electricity supply situation and to play a role in finding solutions to the electricity challenges. Over the last 18 months mining has already saved some 200 megawatts in demand side management programmes which equates to a 4% saving on its total demand. The industry also played a significant role in 2007 in reducing demand via demand market participation to help Eskom.

What then can be done?

In the first instance, there has to be a move towards the more equitable burden sharing of electricity rationing across all users. Key criteria such as the relationship between electricity usage and production, the export and labour intensity of the sector should be used when making decisions about power rationing. Further, government programmes to encourage energy efficiency and demand side management should be put into place as a matter of urgency. The development of co-generation projects should be prioritised, provided that they do not materially raise the long-term cost of electricity in the country. Power stations which are out due to unplanned maintenance must urgently be returned to service and the programmes to refurbish "mothballed" stations and to bring on new base load capacity must receive high-level attention.

The Chamber has held a number of meetings with government and Eskom to discuss ways in which the impact on most affected mines can be mitigated as quickly as possible. At a meeting held on 29 January 2008, a heavy industry task team was created in order to ensure regular interaction between industry and Eskom. The Chamber has also been engaging the unions so that joint strategies to meet the electricity challenges can be developed.

The coal producers have committed to addressing Eskom's immediate coal needs and to improve stockpiles at power stations. The Department of Minerals and Energy, Eskom and coal producers have established a Coal Working Group which has been tasked, amongst other things, to formulate proposals to improve the low coal stock levels at Eskom's power stations. In particular, it will look at logistical synergies which are key to improving stock levels.

The electricity situation was also the subject of debate at a meeting of the Joint Presidential Working Group that took place in Cape Town on 29 February. All the parties again committed themselves to working together to meet the challenges that the country faces as a whole.

The Chamber and its members will continue their discussions with Eskom and the government to find sustainable solutions to the electricity supply constraints in a manner that is least disruptive for the mining industry and the economy as a whole.

FSB

TOPICAL ISSUES

Implementation of the 2007 Wage Agreements

Integration of the MDA and TEBA Development

The integration of the MDA and TEBA Development was first mooted late in 2005 and early 2006 in informal discussions between Mr James Motlatsi (Chairperson of TEBA) and Mr Gwede Mantashe (the then General-Secretary of the NUM).

The first formal engagement between the two organisations took place in early 2006 after which there was a lull in

engagement due to operational pressure within the two organisations. The parties then met under the chairmanship of Mr Frans Baleni (current General-Secretary of the NUM).

Subsequent to this meeting, the NUM placed the issue on the agenda for the 2007 negotiations on wages and conditions of employment in both gold and coal.

The appropriate clause in the Agreement struck with the gold producers reads as follows:

- "The Companies fully support an integrated and efficient development body for the mining industry and are willing to fund appropriate projects launched by this body, which projects are viable and in line with the Companies' Social and Labour Plans and with local development initiatives.
- The Companies believe that an integrated MDA and TEBA Development can play this role.
- This issue will be explored as part of the Gold Sector Project, and the facilitators for that project will be requested to make recommendations in the matter.
- The Companies commit to giving an integrated MDA/TEBA Development the opportunity to tender for development projects in areas where this integrated body is active."

The logic for assigning the task of exploring possible integration to the facilitators of the Gold Sector Project is that the primary objective of the Non-Mining Investment Task Team is to develop a '...long-term collaborative model...' to deliver non-mining investment activities. It was felt, therefore, that there was a natural link between this objective and the proposed integration of the MDA and TEBA and hence the co-facilitators of the Gold Sector Project were asked to assist.

The facilitators have held interviews with the Boards and senior staff of both organisations and both organisations acknowledge that a merger is desirable and logical. This is also a view that is supported by the leadership of the NUM and TEBA Limited.

A joint meeting of the Boards of the MDA and of TEBA Development was held on 29 February 2008 at the Chamber of Mines of South Africa.

The primary purpose of the meeting was to craft a 'shared philosophy' pursuant of moving towards the possible integration of the MDA and TEBA Development. The secondary purpose was to constitute a Joint Working Group tasked with investigating certain operational issues.

CG

Training for Rock Drillers

Clause 26.1 of the 2007 – 2009 Gold Wage Agreement states that: "The parties will pursue the objective of special training for machine drillers at a recognised institution that would ensure that drillers acquire the skills to ensure a quality blast".

On 1 February 2008 the MQA registered a Skills Programme for Rock Drill Operators in Underground Hard Rock Operations. The skills programme falls into the

further education and training band in the field of Manufacturing, Engineering and Technology (sub-field: fabrication and extraction).

A skills programme comprises an agreed cluster of unit standards (credits towards a registered qualification). A skills programme, when completed, can constitute credit towards a National Qualifications Framework (NQF) registered qualification. The Skills Programme for rock drill operators could be an end in itself, or could serve as a platform for obtaining credits towards the National Certificate in Mining Operations. The design, validation and approval of the Skills Programme through the MQA's processes involved, amongst others, employee and employer representatives at every stage of the process.

The MQA is assuming that candidates embarking on the Skills Programme for Rock Drill Operators have relevant knowledge and understanding of daily underground mining operations.

It should be noted that the MQA does not provide grants for skills programmes. Employers will be responsible for the costs of the training.

CG

Mining Museum and Monuments

During the 2007 wage review, agreement was reached in both the gold and coal sectors that the contribution made by mineworkers in the South African economy should be recognised by way of a mining museum in Johannesburg and monuments in mining areas. The Chamber has been participating in the initiatives of the Mayor of Johannesburg in order to ensure that a mining museum is established in Johannesburg.

A proposal for a preliminary study of the options for the celebration of the Miner and the Mining Industry in Johannesburg and South Africa is in the process of being compiled by a team of experts who are investigating issues such as:

- how to recognise and connect to the richness of the dispersed mining heritage in the inner city;
- the intentions of the owners of existing mining heritage attractions;
- components that could make up a Mining Museum; and
- the location or dislocation of the components of the museum.

Research will be undertaken during February and early March 2008. Initial drafts of the component reports will be provided to the Chamber and other stakeholders by Friday, 21 March. The final report - contextualising the individual reports within a "big picture" overview and recommending and estimating the costs of ways forward - will be presented by 18 April.

CG

NUM and Chamber of Mines Agreement on Health and Safety

At the end of November 2007, the Chamber and the NUM concluded an agreement on health and safety. The parties were in agreement that there is much to be done drastically to reduce the number of accidents and fatalities on the mines. They committed themselves to engage early in 2008 in order to develop pledges and actions that will, among

others, strengthen and complement initiatives agreed at the Mine Health and Safety Council. The pledges and actions would attempt to address various issues, including, but not limited to, the following:

- the better utilisation and empowerment of the health and safety representatives;
- co-operating with union structures that deal with health and safety matters;
- analysis of all existing Safety in Mining Research Committee research material that has not yet been analysed, and also recommendations made, including recommendations from the Leon Commission;
- regular stakeholder meetings at executive level to report and discuss health and safety matters, with a proposal that the Minister chairs the meetings and that the Mine Health and Safety Council play a facilitating role;
- possible new research on the impact of new work organisation on the health and safety of workers on the mines, including trends and types of accidents;
- strengthening the regulator;
- how to deal with the outcome of the Presidential audit; and
- ensuring safe behaviour by all.

A facilitator will be identified to guide the process forward.

From the side of the Chamber, this matter is being addressed by the Chamber's Safety Adviser.

CG

Bargaining Council

Talks about a bargaining council in the industry have resumed. A meeting with the unions took place on 26 February. Consideration was given to a survey of contractors engaged in mining activities and also to a number of outstanding issues of principle.

Agreement has been reached that the parties will hold a workshop in mid-April to which non-Chamber member gold and coal companies will be invited, together with diamond and platinum producers.

EMLS

Social Security, including Retirement

In mid-December 2007, the National Treasury hosted a workshop on social security. Government itself does not as yet have a unified position on social security and papers on the subject have been released by the National Treasury and the Department of Social Development. While there are some areas of agreements in the two Departments' papers, it is clear that in some instances they have different objectives, priorities, philosophies and views on social security generally, and retirement specifically.

Treasury indicated at the commencement of the workshop that the purpose of the workshop was to "exchange views and to share knowledge" which would further inform the deliberations of the inter-governmental task team seized with the mandate to develop a unified government position on social security reform. For this reason, a number of presentation slots had been allocated to national and international experts who had been contracted by

Treasury, the Department of Social Development (DSD) and the Department of Labour (DOL) to do research on various topics pertinent to social security and retirement. Most of the research papers that these experts talked to during their presentations can be accessed on Treasury's website at www.Treasury.gov.za/publications/other_documents/SocialSecurityRetirementReform/.

The main proposals of the two Departments relate to the following:

- a state old age pension for all citizens upon reaching a certain age, with a possible abolition of the current means test;
- a mandatory national retirement fund, probably on a defined benefit basis (with the possibility of industry funds being excluded on certain conditions);
- mandatory contributions to private funds, probably on a defined contribution basis;
- the provision of risk benefits such as death and incapacity benefits; and
- the strict regulation of the withdrawal of fund credits by employees.

An inter-Departmental Task Team is in the process of harmonising the government's position and intends to place a unified position before NEDLAC by the middle of 2008. This will then be subject to a process of tripartite negotiation. In the interim, the Chamber is participating in a BUSA Task Team that will develop a unified business position on government's proposals. The BUSA task team, which comprises both service providers and other BUSA members, will have to develop a business position. The service providers and the other BUSA members might well prove to have different views on some of government's proposals. Issues which might be problematic must be identified. In addition, discussions with the inter-governmental task team should be held in order to discuss issues with the task team while it is still in the process of developing the collective government position on social security.

EMLS

Mineworkers Provident Fund

The Mineworkers Provident Fund (MPF) has advised that it has appointed TEBA Bank Limited as the second financial service provider to service its members with regards to Provident Fund backed home loans, and to assist its members with financial and housing-related awareness programmes and the state housing subsidy linked to Provident Fund backed home loan programme.

The MPF has recommended that all participating mines assist TEBA Bank with payroll deduction facilities to enable interested members of the MPF to acquire home loans from TEBA Bank.

ENN

Review of the NEDLAC Social Plan Agreement

A review of the Social Plan Agreement is currently underway in NEDLAC. A representative nominated by the Chamber is representing business on the NEDLAC Task Team dealing with this issue. The purpose of the original Social Plan has been to regulate large-scale retrenchments and the current Plan only requires reporting in

respect of employers which are retrenching 500 or more employees or 10% of their workforces.

Government has proposed that, because employers have not in the past advised the Department of Labour regarding proposed retrenchments, that section 189 of the Labour Relations Act be amended to impose more stringent obligations on employers to inform the Department in the event of retrenchments. Business is arguing that this should not apply in respect of smaller companies for which it would be unduly onerous.

New proposals from government regarding the threshold to trigger a social plan intervention, migrant workers and future forums are also being discussed by the NEDLAC Task Team.

CG

Chapter Six of the Companies Bill, 2007

As was indicated in the November 2007 edition, chapter six of the Companies Bill which deals with business rescue has implications for industrial relations. The Chamber previously developed a position on the Companies Bill, including chapter six, and this has been incorporated into the BUSA position on the Bill.

Currently, the NEDLAC Task Team dealing with this matter is finalising the NEDLAC Report on the Bill which will be submitted to the Minister and to Parliament. The Bill is scheduled to be tabled in Parliament in March 2008. BUSA is in the process of subjecting the Bill to a cost benefit analysis.

EMLS

BCEA Earnings Threshold

The Minister of Labour has in terms of section 6(3) of the Basic Conditions of Employment Act, 75 of 1997 (BCEA), made a determination that all employees earning in excess of R149 736 per annum be excluded from sections 9, 10, 11, 12, 15, 17(2) and 18(3) of the BCEA with effect from 1 March 2008. However, it appears that the Department of Labour has erroneously omitted sections 13, 14, 16 and the rest of section 17. Following an enquiry to the department, the latter advised that the error would be corrected in a future *Government Gazette*.

ENN

Rural Development

In his capacity as the new Chamber representative on the TEBA Development Board, the Chamber's Assistant Industrial Relations Advisor was in November 2007 invited to participate in several rural development project visits in the Ntabankulu and Lusikisiki areas of the Eastern Cape.

This project visit started on 14 – 15 November 2007 and commenced with the Abalimi Phambili Farmers' Day in Ntabankulu, OR Tambo District Municipality.

This function was preceded by visiting the Masakhane Women's Project in Tonti village, Ntabankulu, which involves about 21 women and youth in a vegetable garden project. This project involves the planting of BP1 potatoes, Mnandi potatoes, cabbages, spinach, etc. The Chamber was requested to deliver few words of support at the event and the speech was very well received. Thereafter, the

delegation visited Zinokhanyo Junior Secondary School in Ntabankulu where Lonmin has funded the building of three classrooms and toilet facilities. The school principal and some members of the School Governing Body (SGB) expressed deep appreciation for the assistance.

In Lusikisiki a thriving Lusikisiki Nursery funded by the Abalimi Phambili Project was visited, as were the Lungelo and Lutshaya junior secondary schools in the area - Harmony and AngloGold Ashanti have funded the building of classrooms at these schools. At Lungelo Junior Sec School, Harmony has also provided water facilities, toilets and vegetable gardens. AngloGold Ashanti has also provided 11 computers to the Lutshaya Junior Secondary School, which are assisting learners with computer skills. The teachers, principals, members of the SGB and school children were very thankful to the mining industry for building decent face-brick classrooms at the schools. Children in these schools are now able to attend lessons in better conditions compared to the "mud-and-sticks" classrooms they had before. However, in all cases principals indicated that there is still more demand for classrooms as enrollment is increasing every year.

The group also visited a former mineworker who is on TEBA's Home-Based Care programme in the Lusikisiki area. He had worked in the mining industry since 1978 and was medically boarded in April 2006. He was quite appreciative of TEBA Development's assistance with the delivery of medication to his house and the setting up of a vegetable garden in his yard.

TEBA is currently planning to put together further project visits in Lesotho and Mozambique in 2008.

ENN

CONTRIBUTORS

Frans Barker (FSB)
Elize Strydom (EMLS)
Eric Nwedo (ENN)
Corinna Gardner (CG)

DESIGN AND LAYOUT

Reneé Wicks

If you would like your name to be added to the Labour Policy Digest mailing list, kindly email your details to:

<rwicks@bullion.org.za>