

**KEYNOTE ADDRESS**

**BY**

**CHAMBER CHIEF EXECUTIVE,**

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**TO THE**

**NGM MINING SUMMIT**

**AT THE**

**ARABELLA COUNTRY ESTATE**

**ON**

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Good evening ladies and gentlemen.

I am deeply honoured to have been invited to present a keynote address at the start of this NGM Mining Summit. Tonight's audience is full of familiar faces – friends, colleagues and representatives of companies that are members of the South African Chamber of Mines. It is a pleasure to extend a warm welcome to you and also to those delegates' who have travelled to this beautiful part of our country from elsewhere on the continent of Africa and the rest of the world.

I am particularly delighted to acknowledge the presence of the honourable Mr Maxwell Mwale, the Zambian Minister of Mines and Mineral Development, as well as Mr Jurgen Eigendall and Ms Joyce Aryee, President and Chief Executive respectively of the Ghana Chamber of Mines. To them and all our other foreign guests, thank you for taking the time to come to South Africa to attend what I am sure will be a most rewarding and gratifying few days.

Ladies and gentlemen, our country and its internationally acclaimed mining industry are going through some very exciting times. In less than a month, hundreds of thousands of football fans from all over the globe will arrive in South Africa to enjoy the Soccer World Cup. Right in the middle of that spectacular event – the end of June to be precise – is the target date for the conclusion of an intensive stakeholder process that is aimed at the consensual development of a

number of strategic priorities designed to ensure the sustainable growth and meaningful transformation of the mining industry.

For the benefit of the foreign dignitaries who are with us this evening, our national soccer squad is affectionately known as Bafana Bafana and, although I rate myself as an ardent supporter of the team, I have to confess that the mining sector stakeholder initiative I have just mentioned is far more likely to produce a successful outcome than we South Africans can realistically expect from Bafana Bafana's participation in the world's most spectacular sporting event.

That, of course, is a most unfortunate situation for someone like me who as both an avid soccer supporter and committed mining industry executive, could wish for nothing better than seeing the FIFA World Cup staying behind in South Africa at the end of the tournament while celebrating the simultaneous successful conclusion of an exercise that will promote the growth and transformation of our country's primary industrial sector.

Like so many other optimistic South Africans, I can do little else than take comfort in the thought that miracles do happen and that Bafana Bafana will deliver an unexpected exceptional performance that will fill millions of South Africans with a great sense of national pride.

A critically important fact that escapes the recognition of most of our countrymen is that it is the contribution of the mining sector to the development of sophisticated infrastructure that has made it possible for South Africa to qualify as a successful candidate to host the 2010 Soccer World Cup. Without wishing to degrade any of our continental neighbours, many of whom I regret to admit have better football teams than our's, it is nevertheless interesting to ask how many of them would be considered suitable to accommodate an event like the World Cup. In my view probably very few and for the simple reason that they do not have comparable levels of acceptable infrastructure established primarily by a thriving and dynamic mining industry.

While the role of mining tends often to be underestimated, it is clearly evident that it is a key foundation industry that has enabled South Africa to become the most industrialised country on the African continent. In a South African context, there is huge relevance in the comprehensively accurate statement which says that if you can't grow it, then you have to be able to mine it.

For this evening's distinguished audience, I believe it is relevant to spend a few moments exposing just some of the contributions that the mining industry makes to the South African economy.

It accounts for more than 50 percent of the country's merchandise exports and is by a large margin South Africa's biggest earner of foreign exchange. Directly

and indirectly it employs more than one million people and is a major domestic and foreign investment target. The mining industry accounts for about 35 percent of the value of the Johannesburg Stock Exchange and maintains its profile as a significant contributor to the development of infrastructure, quite frequently in deep rural areas of South and Southern Africa where very little other economic activity takes place. In the areas of secondary beneficiation and final fabrication, about R200-billion of value is added to South Africa's minerals with the country being self sufficient in steel and cement as well as being a major producer of ferro-alloys, chemicals, plastics and synthetic fuels. These initiatives save the country some R20-billion in imports and about 90 percent of South Africa's total electricity generation is derived from power stations that are fuelled by locally mined coal. In addition, Sasol produces from domestic coal supply some 30 percent of national liquid fuel consumption which saves the country about R30-billion that would otherwise have to be spent on extra, refined product imports.

Ladies and gentlemen, my primary purpose in making the observations on the industry's position as an invaluable contributor to the national economy, is to let you know that these are just some of the facts that have been taken by the Chamber and its members into current engagements with major stakeholders – specifically Government and organised labour – that I referred to earlier and which are absolutely vital to the future of the business of mining in South Africa.

The Director General in our Department of Minerals Resources, Sandile Nogxina, has refreshingly described the current tripartite engagement process as a “New Approach” in which there will be no space for “holy cows”. He has done this while at the same time acknowledging the impressive record that mining industry stakeholders have established in reaching agreement on many contentious issues that have needed to be confronted since our country’s transition to democracy in 1994. The no “holy cows” rule is vital because it helps us as stakeholders to put our individual interests aside and try to reach conclusions that are in the wider interests of the industry as a whole.

The “New Approach” initiative got going towards the end of the January with a Principals’ Plenary at which it was agreed that mining sector growth and transformation would be dealt with in two separate structures within the Mining Industry Growth, Development and Employment Task Team, or MIGDETT as it is more commonly known. Extensive and intense stakeholder discussions and negotiations on the two critical areas of focus culminated in a Mining Summit that took place in the Drakensberg region of KwaZulu-Natal on 30 and 31 March.

At the end of the two-day Summit the Minister of Mineral Resources Susan Shabangu described the event as a significant milestone in ensuring that the industry repositions itself as the most meaningful contributor to South Africa’s growth and socio-economic development. Summit participants made a commitment to conclude agreements on all unresolved issues on or before the end

of June 2010. We are all striving to meet the deadline, but it is becoming apparent that the volume of work that needs to be done may require an extended target date.

It is an unfortunate reality that the South African mining industry failed to extract maximum benefits from the international commodities boom that endured from 2001 to 2008. There are many reasons that have been identified by the Chamber for the industry's inability to match the exceptional growth that competing mining sectors in countries like Australia, Canada and the United States were able to record during the eight year period at the start of the 21<sup>st</sup> Century.

All of these constraints have been taken into the MIGDETT engagement process where the mining sector, as represented by the Chamber of Mines, is emphatically committed to arriving at a mutually acceptable strategy that will ensure the growth and transformation of the mining industry. As a principal stakeholder it is the industry's considered view that growth and transformation are peas that share the same pod. They are dependent upon each other and if the industry does not grow and is not globally competitive, acceptable transformation will not be possible.

In spite of the fact that it has the world's largest deposits of platinum group metals, manganese, chromium and several other commodities, and it was the mainstay of the economy for most of the 20th Century, relative to other South

African industries and global trends, mining is lagging in terms of general growth. Between 2001 and 2008, global mining grew by more than five percent per annum while South African mining decreased by one percent. Research commissioned by the Chamber has revealed that had our country's mining industry grown at the same rate as its global competitors over the relevant years, the direct value-add would have been 8-billion US dollars. Growth of this size would have created more than 45 000 new mining jobs.

It is this kind of upward growth trajectory that our ongoing MIGDETT stakeholder process must adopt as its cardinal objective. As a country we stand on a solid foundation as evidenced in the 2009/2010 World Economic Forum Competitiveness Report. In this Report, South Africa is ranked in position six of 135 countries for financial market sophistication; number six again for the soundness of banks; position two for the regulation of security exchanges and number nine for the strength of measures that are in place to protect investments. These are all world class rankings and they reflect the benefits of sensitive macro-economic policies that have been formulated and adopted by our Government.

Insofar as the mining industry is concerned, its attraction as an investment destination has been enhanced in recent months by emphatic statements by the President, the Deputy President and the Minister of Mineral Resources that the State has no plans to nationalise the industry. Nationalisation talk by some members of the South African political architecture quite understandably creates

uncertainty among investment fund managers. The Chamber and its members welcome the rejection of nationalisation proposals that have been expressed by our country's most prominent political leaders.

In brining my address to conclusion, ladies and gentlemen, I want to point out that nowhere in its long and sometimes troubled history has the South African mining industry turned its back on challenging issues that have required attention. It is an industry that has always been led by individuals of considerable quality and one that has consistently overcome problems and challenges that have threatened its operational and strategic imperatives.

Nothing has changed and it is my firm belief that the South African mining sector will emerge from the current MIGDETT process with stakeholder agreement on the most appropriate interventions required to ensure sustainable growth, meaningful transformation and enhanced global competitiveness.

Arriving at those critically important destinations, the industry will expand its potential to assist Government in the achievement of major public policy objectives which include higher levels of economic growth, job creation and the alleviation of poverty.

I thank you all for your kind attention.