

Building the Future – South Africa and Mining

Cynthia Carroll

Gordon Institute of Business Science

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Good afternoon Ladies and Gentlemen and thank you all very much for being here.

Thank you also to our hosts at the Gordon Institute of Business Science.

GIBS is not only a fine institution of learning – it has also established a tradition of fostering debate on issues critical to South Africa's future – and I am very pleased that it is the venue for our discussion this afternoon.

I want to talk to you about the path forward – to set out my views about the future for the mining sector and the contribution it must make to the creation of a successful future for South Africa.

I plan to speak for twenty five minutes or so, after which I will be very pleased to answer your questions and to hear your thoughts.

Pause

I am sure you will all have seen the announcement that I will be stepping down as Chief Executive of Anglo American in 2013.

I am very proud of what we have achieved under my leadership, but, after six years at the helm and with firm foundations in place, I feel that it is the right time to pass the baton to a successor.

But even though I will be stepping down, I want to assure you that my passion – for Anglo American, for the mining sector and for South Africa – continues to burn brightly.

Anglo American is in my heart.

Pause

Mining is in my blood.

Pause

And South Africa is in my soul.

Pause

It is because I care so strongly about the future that I am here this afternoon with all of you.

The contribution to society that we make as individuals is only a small part of a much bigger picture.

But we each have a responsibility to speak out – to stand up for what we think is right and to say what we think should be done.

This is what I want to do this afternoon.

Let me talk first about South Africa itself.

This is a country that has achieved miracles.

Above all, the miracle of a successful transition from the dark night of apartheid to the new dawn of democracy.

And the leaders who guided the country through that transition had the wisdom to lay the foundations that remain critical to South Africa's future.

The bedrock of a constitution that enshrines the rights of all South Africa's citizens.

A free and fair electoral system.

An independent judiciary with a duty to uphold the rule of law.

A free press with the power to challenge abuse.

An economy founded on free enterprise.

An inclusive society - with the courage to face the truth of the past - and the grace to embrace reconciliation for the future.

The legacy of apartheid was never going to be easy to shed.

Discrimination had seeped its evil poison into every aspect of society.

Education, health and housing had all become instruments of oppression.

Apartheid sought to control how you worked, where you lived and even who you loved.

The founding fathers of democracy recognised that the transformation of the country was an absolute imperative, but that it would take time.

They knew that hope, determination and patience would all be required.

Decades of discrimination requires generations of healing and recovery.

So much has been achieved over the past twenty years.

But inevitably the challenges remain enormous.

The scourge of poverty.

The waste of unemployment.

And the injustice of inequality.

It is easy to see how the patience of today can turn into the frustration of tomorrow.

And it is easy to see how that frustration can boil over into anger.

The violence we have seen in the mining sector this year has its seeds in the legacy of apartheid and the underlying social problems that remain.

The curse of unemployment, which means that mine workers often have many other people who are economically dependent on them.

The consequence that many people are mired in indebtedness.

The history of the migrant labour system, which loosens the bonds of family life and dislocates communities.

The associated problems of poor housing in mining areas.

The legacy of illiteracy and poor education.

The brutalisation of human relationships that occurred under apartheid, leading to a culture in which human life was devalued and violence regarded as acceptable.

All of these factors can be seen in the turmoil and tragedy we have experienced this year.

And when one adds to those underlying issues the pressure created by bitter rivalry between established and emergent trade unions - and the political divisions underpinning that rivalry – we have perhaps seen the beginning of an explanation for what we have seen.

But whatever the frustrations - and whatever the underlying causes - there are several simple truths that must be recognised if we are to continue to make progress in addressing society's challenges.

The first truth is that there is no future for any society without law and order.

Public order is the bedrock without which civilisation collapses.

This year we have seen violence and unrest across the mining industry and in several other sectors.

Let me take our own experience in Anglo American as just one example.

In the illegal strike that affected Anglo American Platinum for over two months we saw:

People murdered.

Other people brutally attacked and humiliated.

Widespread violence and intimidation.

And extensive damage to property.

All designed to create a climate of fear that would deter people from going to work.

There can be no, no justification whatsoever for any of these evil and criminal actions.

We have to stand up – all of us – and say that violence and criminality are totally unacceptable and will not be tolerated by society.

Led by the Government and the authorities responsible for law and order, it is time for all right-thinking people to say:

Enough is enough.

Pause

The second truth I want to suggest to you is that anarchy in the workplace ultimately and it benefits no one.

It is in the interests of all stakeholders – employers, employees and trade unions – for there to be orderly and fair processes to regulate union recognition and collective bargaining.

It is the right of employees to decide who they want to represent them and to be able to make a free and informed choice.

And that choice can be best made within a clear and fair legal framework.

The Labour Relations Act provides that framework. It should be followed – not ignored.

And collective agreements freely negotiated should be observed – not torn up.

The rule of law is as important in the workplace as it is in every other aspect of society.

Pause

The third truth that I want to talk about is that none of us can defy economic reality.

Modern businesses operate in global markets. The laws of supply and demand determine what they can afford.

Businesses that cannot generate adequate returns ultimately collapse and die.

It is the responsibility of management – not just to shareholders, but also to employees – to ensure that companies remain economically competitive.

At times that requires tough choices.

In recent months we have seen intense pressure for pay increases that are economically simply not sustainable.

In the platinum sector, that pressure has been placed on an industry that is already in crisis.

We have seen several years in which levels of demand for platinum have fallen significantly short of the industry's expectations – in part because of depressed world economies and the consequential downturn in the automotive sector.

And the near term future shows no sign of respite.

At the same time, costs have continued to rise relentlessly – labour costs, energy costs and other input costs.

As a result, margins have been squeezed dramatically and the sector has not been earning adequate returns.

In the case of Anglo American Platinum, the Board and the management team have been very clear.

The position is unsustainable and we do need to take action.

In February of this year we announced a strategic review of Anglo American Platinum's business.

That review is drawing to a close and we expect to make the decision early in the New Year.

We will not shirk from telling the tough choices.

For the sake of all our stakeholders - we have to create a business that is competitive for the future.

A business with the right size and shape to compete successfully in the global market.

Pause

And the need to compete successfully is not only relevant to companies – but it applies to countries as well.

Which takes me on to the fourth truth I want to talk about this afternoon.

Like any other nation, South Africa will only succeed if it fosters an environment that is conducive to business and attractive to international investors.

And creating that environment starts with some of the issues I have already mentioned.

As can be seen from the international reaction to the turmoil of recent months, the maintenance of law and order and the restoration of stable labour relations are critical to perceptions of South Africa as a place to do business.

And international investors will not be comforted by well-meaning reassurances that fly in the face of the facts.

They will make their judgements on the basis of the reality they can see.

We need to change the reality to change the perceptions.

Pause

And law and order and labour relations are not the only areas in which stability is important.

Regulatory stability is also key to competitiveness.

And nowhere is this truer than in the mining sector.

We all know that mining is critical to South Africa's prosperity.

To quote just a few of the facts.

In 2011:

Mining directly contributed 9.2% of South Africa's GDP and helped to generate a total of 18.7% of GDP.

Mining companies paid 25.8 billion Rand in corporation tax and a further 5.5 billion Rand in royalties.

Mining exports represented 38% of the total value of goods exported.

The mining sector directly employed over 500,000 people and was indirectly responsible for a further 840,000 jobs.

And around 13,500,000 people were directly dependent on those mining generated jobs.

And the money the mining industry spends overwhelmingly benefits South Africa.

In 2011, out of a total South African mining industry expenditure of 437 billion Rand, no less than 89% was spent in South Africa itself.

Pause

Mining is at the heart of the South African economy.

It has a critical role to play in supporting the aspirations of the New Growth Path and the objectives of the National Development Plan.

And it is an industry with long term horizons.

When making investments, mining companies have to think decades ahead.

They need certainty as to the rules under which they will operate.

They will not invest if there is a fear of arbitrary and unpredictable regulatory change.

The regulatory debate in South Africa has been going on for a very long time.

And it is still not completely resolved.

The spectre of nationalisation has been laid to rest.

But the need to guard against damaging regulatory changes remains.

The SIMS report contains ideas that are sensible – but also ideas that are not.

To take just one example - the proposal for a new resource rent tax is both unnecessary and unwise.

The combination of the corporation tax system and the existing royalty regime also already ensures that the state takes its fair share from the profits the mining industry earns.

A resource rent tax - added to all the other burdens on the industry - that would make South Africa internationally uncompetitive.

This country has a world-leading mineral endowment.

And with the right policy choices it will retain a world-leading mining industry.

As policy makers approach the moment of decision, I pray that they will make the right choices for this great nation's future.

Pause

Law and Order.

Industrial Stability.

Thriving mining companies.

A sound economy and regulatory stability.

These are all essential if we are to make progress.

But we know that they represent just the beginning – not the end.

Deep-seated social problems remain and we will need to continue to tackle them with determination if we are to achieve lasting cohesion and prosperity.

As a company, Anglo American has always tried to do the right thing – with our work on safety, on health, on housing, on education, on the environment and on job creation.

Many others in the mining sector can make the same claim.

And we all have a continuing responsibility to contribute to South Africa's social development and transformation.

It is a responsibility that Anglo American eagerly embraces.

Pause

But the power we have collectively is far greater than the impact any of us can make individually.

We will only make the right progress if we work together, as partners for social development.

Within the mining industry itself, the role played by the Chamber of Mines is critical.

And mining companies need to work in partnership with their employees and trade unions – to move on from conflict and to build positive relationships for the future.

Partnership between business and government is also critical, particularly in ensuring that development objectives and initiatives are aligned.

Pause

We already have many case studies of partnership working in action.

The Tripartite Initiative on safety and health in the mining sector – bringing together industry, government and trade unions – has made a real contribution to the lives of the people who work in the industry and to their families.

The Mining Industry Growth, Development and Employment Task Team – MIGDETT – has shown the power of working together to develop solutions to the challenges the industry faces.

And the way that Government and the Chamber of Mines have engaged in constructive discussion about the SIMS proposals and the way forward is an encouraging example of using dialogue to inform decision-making.

Partnership builds trust and respect. It ensures that objectives are aligned and helps to generate better ideas than any of us could develop on our own.

It's not just that partnership works. For South Africa and the mining industry, the truth is that partnership is the only approach that works.

Pause

As we look to the future as partners, we need to learn from the past - including the conflict and violence we have seen this year.

It is time for us all to reflect with honesty and humility.

We all need to look in the mirror and to recognise that:

The social problems we have been tackling for decades have even deeper roots than we had thought.

The solutions we need to develop must be bolder and more imaginative than those we have developed so far.

The determination we need to demonstrate, both individually and collectively, is even greater than we have demonstrated in the past.

Pause

In June of this year, I had the privilege of speaking at the inaugural Mining Lekgotla, which in itself is a great example of partnership in the mining industry.

I proposed then that mining companies should all be prepared to make ten commitments, in a Pledge for South Africa.

Much has happened since June, but I believe that the commitments I suggested at the Lekgotla are even more relevant now.

Let me briefly outline those ten commitments again.

First, a commitment to re-double our efforts to achieve zero harm in the mining industry.

Safety is, above all, a moral imperative. We have made great progress in recent years, but we cannot rest until we have a mining industry in which everyone is guaranteed the ability to go home safe to their families at the end of the working day.

Second, a commitment to promote health in the workplace and in the broader community.

Good healthcare transforms lives. We have made great strides in tackling HIV/AIDS and we are now aiming to do the same with tuberculosis.

We can't do this alone – only last week, we brought together more than 60 CEOs of our contractor partners to discuss how we can best work together to achieve a step change in the health of our workforce.

The mining industry can be a key partner in the South African government's efforts to ensure good healthcare for all South Africans.

Third, a clear commitment to making mining a positive force in the environment.

Building on projects like the Emalahleni water purification initiative, which provides thirty million litres of clean drinking water a day, mining can make a positive contribution to solving the problem of water scarcity in South Africa.

And technology development - for example, in relation to fuel cells and clean coal - can make the South African mining industry a world leader in the battle against climate change.

Fourth, a renewed commitment to employment equity in our industry.

Across the industry, mining companies have been working to achieve the Mining Charter targets.

It is time for us to deliver on what we have promised and to move beyond compliance to true transformation.

Fifth, a commitment to support education and skills development in the broader community.

After twenty years of democracy, South Africa is still battling to overcome the legacy of the prior decades of conscious underinvestment in education for the majority population.

The mining industry has a crucial role to play in helping to accelerate the development of the skills society needs – for example, through support for Further Education and Training colleges.

Sixth, a commitment to use the power of mining to create jobs.

Unemployment is a tragedy that must be tackled. The youth of South Africa deserve a better future.

The mining industry will continue to be a significant direct source of jobs, but must also work to achieve the constant productivity improvement that global competitiveness requires.

It is therefore critical that the benefits of mining help to create a broad-based and robust economy beyond mining itself.

Beneficiation has an important role to play, provided it is based on a sound business case and focuses on sectors in which South Africa can have a competitive advantage.

This country has a world-class mining industry. But it does not follow that South Africa is well-placed to compete in all the industries that make use of the minerals the country mines.

Pause

Mining companies also have a critical role to play in job creation outside the sectors related to mining and minerals.

To use Anglo American as an example, Zimele has already created almost 20,000 jobs and our 31 business hubs are constantly driving that number higher. Thirty-six percent of the beneficiaries of Zimele are women and forty-eight percent are young people.

But there is much more to be done, beyond the target of 25,000 jobs we have already set, particularly by fostering the creation of medium-sized enterprises.

Working together, the mining industry can do even more.

Seventh, a commitment to complete the transformation of the ownership of our industry.

Across the mining industry, companies are working to achieve the 2014 Mining Charter targets for BEE ownership.

At Anglo American we are going beyond compliance. Through our groundbreaking Project Lefa La Rona – a 3.5 billion Rand

commitment - we are further extending the benefits of ownership not just to our host communities, but also to our key labour-sending areas.

The whole mining industry needs to live up to the ownership commitments we have all made – with honesty and transparency.

Eighth, a commitment to improve housing for our employees.

The mining industry of the past has left us with a housing legacy of which we cannot be proud.

We cannot redress that legacy overnight, but we need to work with determination to achieve good housing conditions for all our employees.

Across the Anglo American businesses in South Africa, we have committed to build over twenty-three thousand houses and to convert our remaining hostel accommodation to single-person occupancy by 2014.

But as a company and as an industry we now need to think beyond the issues directly related to housing.

We need to work with our employees, our trade unions, our host communities and our labour sending areas to discuss openly how the migrant labour system can be changed to create more sustainable lives and communities.

Ninth, a commitment to use local procurement to support South African businesses.

Local procurement makes good business sense, both for the mining industry and for host communities.

A one per cent increase in local procurement would be equivalent in amount to a doubling in community social investment.

And tenth, and finally, a commitment to be transparent and to hold each other to account.

The standards of the best mining companies are the standards of which the mining industry and South Africa as a nation can be justifiably be proud.

But we all know that there remain companies in our industry who do not represent the best. Those companies impede progress towards transformation and damage the reputation of the mining the sector as a whole.

Driving progress is not just the role of government. It is time for mining companies to hold each other to account. We have a responsibility to hold the mirror up to each other, to make the standards of the best the standards of the entire mining industry.

Pause

My love and respect for South Africa and its people will never change.

As I said at the beginning of my remarks this afternoon:

South Africa is a country that has achieved miracles.

In my role as CEO of Anglo American, I have always regarded myself as an ambassador for this great country.

And - wherever the future takes me - an ambassador for South Africa I will always remain.

The naysayers and the doomsayers constantly forecast disaster.

In response, I say to you all – loud and clear.

South Africa has done it before.

It will do it again.

Thank you very much.