



**The Path to Prosperity**  
**Cynthia Carroll**  
**Mining Lekgotla – 6 June 2012**

Honourable Ministers

Partners from the Department of Mineral Resources, the National Union of Mine Workers and the Chamber of Mines

Distinguished Guests

Ladies and Gentlemen

It is an honour and a pleasure to be with you at this inaugural Mining Lekgotla.

We are at a pivotal moment in the history of the South African mining industry.

Following the publication of the SIMS report - and on the eve of the ANC Policy Conference - there could be no better time for the partners in the industry to come together in consultation about the future.

A successful future for the mining industry will herald a successful future for South Africa because, as we all know, mining plays a critical role in the economic life of the nation. For the last century, mining has been the engine room of the South African economy.

And it is still at the heart of the economy today.

In 2011, the mining industry generated 9.6% of South Africa's GDP and 35% of its export revenue. More than 500,000 people are directly employed in the industry, while at least another 500,000 jobs are indirectly dependent on mining. And mining is not just about the past and the present.

South Africa remains the country with the world's largest mineral endowment, with resources with an estimated value of \$2.5 trillion dollars.

The future opportunities are enormous. Creating that successful future will require true partnership between all the stakeholders in the industry.

It is therefore entirely appropriate that this Mining Lekgotla brings together three of the key stakeholders – the Department of Mineral Resources, the National Union of Mine Workers and the Chamber of Mines.

As partners, we all share the wish for mining to prosper for the benefit of all South Africans.

We all want to eliminate the triple evils of poverty, unemployment and inequality.

We all know that creating a prosperous future will require hard work and tough choices.

We have already shown that partnership works.

Our ground-breaking work in the Tripartite Initiative on safety and health in the mining sector has made a real contribution to the lives of the people who work in the industry and their families.

And, while we have a long way still to go, the work of 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.

It's not just that partnership works. In our industry, the truth is that partnership is the only approach that does work.

Tonight, as a contribution to this Lekgotla debate between partners, I want to share with you my own thoughts on the way forward.

The policy choices South Africa will make over the coming weeks and months will have a profound impact on the future of the mining industry. Those choices must be made wisely. We are at a crossroads. There is a clear path that will lead to prosperity and there are blind alleys that we must avoid.

Let me start with the blindest alley of all.

I have made clear many times my total opposition to nationalisation.

Other voices – most notably those of Minister Shabangu and our partners in the National Union of Mineworkers – have also argued consistently and courageously that nationalisation would be the wrong path for South Africa to follow. Yet there are still siren voices in the wilderness who argue for nationalisation as a miracle cure for all ills.

Indeed, only this last weekend, one of those voices called again for nationalisation - not just of mining, but in effect of everything!

The siren voices grow ever weaker and more desperate. They have lost the argument and now it is time for them to lose the battle. They must not be allowed to lead the mining industry and this great nation on to the rocks.

As the SIMS report itself has said, nationalisation would be “an unmitigated disaster for our country and its people”.

But with the threat of nationalisation behind us there will still be important policy choices to be made. In making those choices, government and political parties must be guided by the need to create a climate for mining that is globally competitive, making South Africa the destination of choice for mining investment.

The proposals contained in the SIMS report must be considered against that objective. In creating a globally competitive industry, the starting point is the need for policy stability and predictability.

Mining companies make huge capital investments for the long term. They simply will not make those investments if there is a fear of arbitrary and unpredictable regulatory change.

For policy makers, grappling with difficult problems, there is always a temptation to believe that policy reinvention will find the magic answers that have eluded us in the past. But so often the solution lies in implementing effectively the policies that are already in place, rather than tearing them up to make way for something new.

I firmly believe that this is the case in relation to the fundamentals of mining regulation in South Africa. A huge amount of work has been carried out by government - to create the Mineral and Petroleum Resources Development Act, to develop and then revise the Mining Charter and to put in place the supporting framework of Social and Labour Plans. We should build on those foundations – not change them.

In the words of Minister Shabangu’s speech yesterday:

“The fundamentals that we have built since 1994 have been correct. The building blocks are there.”

To change those fundamentals now, in the manner proposed in the SIMS report, would be extremely damaging to international perceptions of South Africa - particularly if the change involved tampering with the South African constitution.

The path to prosperity lies in completing the implementation of the regulatory framework already in place, rather than in creating something new.

A stable regulatory framework, fairly and efficiently applied, needs to go hand in hand with a simple, stable and fair fiscal regime.

The system of taxes and royalties needs to provide for a fair and appropriate sharing of risk and reward. It needs to encourage the responsible development of the mining sector and to recognise the long-term and capital-intensive nature of the investments the industry makes.

The SIMS report contains proposals for a new resource rent tax. It argues that the proposed new tax is necessary to ensure that the state benefits appropriately from the profits the mining industry earns.

Yet the existing royalty regime was introduced for exactly this purpose. Combined with the existing system of taxation, it already ensures a fair distribution of the benefits of mining. Further changes to the fiscal regime would create a grave risk of making South Africa internationally uncompetitive.

To quote Minister Shabangu again:

“Our current tax system is fair and competitive and it is working well. It is very important for us to continue to create certainty and stability in the mining industry.”

I wholeheartedly endorse those remarks.

With a stable and fair regulatory and fiscal framework providing the policy framework for success, the next important task is to ensure the provision of the physical infrastructure the mining industry needs.

For too long, the development of the South African mining industry has been hampered by infrastructure bottlenecks. To develop to its full potential, the industry needs adequate rail, port, energy and water supply. The potential to boost the production of coal, iron ore, manganese and other minerals is enormous if the right infrastructure can be provided.

We are therefore fully supportive of the announcement of massive investment in infrastructure made by President Zuma in his State of the Nation Address in February.

Anglo American stands ready to partner with government and with others in the private sector to make those plans a reality.

The recognition in the SIMS report that partnership between the public and private sector is crucial to future infrastructure development is timely and welcome.

Likewise, the SIMS report is absolutely right to highlight the importance of skills development, particularly in maths and science.

The “soft” infrastructure of education and skills is just as important to the future of our industry as the “hard” infrastructure of rail, ports, energy and water.

With the right policies and infrastructure in place, I am convinced that the private sector can be relied upon to develop a mining industry that continues to grow its contribution to South Africa’s development.

This does not preclude government from also being an active participant in the industry. We are supportive of the development of the state-owned mining company – as long as the playing field is level.

And the SIMS report’s idea of a sovereign wealth fund also has merit, provided that it is funded from existing taxes and royalties and is structured as a mining development fund focusing within South Africa. But government should be very wary of swimming against the tide of the global market in determining the sectors in which South Africa can best compete.

This country has a world-class mining industry that can compete with the very best. 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.

Anglo American is very positive about beneficiation. We have clear strategies in place to add value to all the minerals we mine – to take just a few examples, the development of fuel cell technology in Platinum – which has the potential to create a whole new industry, generating many thousands of jobs -, the use of technology to create higher value iron ore products in Kumba Iron Ore and the development of clean technology to monetise discard coal in our Thermal Coal business.

But the critical point is that beneficiation always needs to be based on a sound business case. It is vital that the benefits of mining should help to create a broad-based and robust economy beyond mining itself. But this can only be done by allowing the market to focus on sectors in which South Africa has a genuine competitive advantage.

South Africa’s policies must take account of the reality of global competition. The SIMS report sometimes loses sight of this fact. Similarly, elements of the report are based on a false dichotomy between mining for export and mining for the domestic market.

The truth is that South Africa has plentiful mineral resources which are more than capable of both growing exports and providing the commodities for which there is a real demand domestically. A thriving export business is in fact essential to support investment in domestic supply.

Restrictions or taxes on exports would simply harm the mining industry without contributing to broader economic development. Taken as a whole, the SIMS report has praiseworthy goals for the development of the mining sector and the broader South African economy. But the road to ruin may be paved with good policy intentions.

Existing legislation and policies, if combined with the right investment in infrastructure and skills, already support the achievement of the SIMS goals.

We must avoid being diverted down blind alleys through pursuing new policy initiatives that would cause serious damage to our industry.

The path forward to prosperity is already clear.

Pause

We all have a right to say what we believe others should do, but equally we have a responsibility to make clear what we ourselves will commit to do.

Having commented on the path I believe government should follow, I now want to make clear the commitments that I believe Anglo American and the mining industry as a whole should make.

I will be inviting the Chief Executives of the other major mining companies in South Africa to join me later this month, to reflect on the outcome of this Lekgotla and to discuss the path forward.

I will be proposing that together we should make ten key commitments, in a Pledge for South Africa.

Let me outline those ten commitments.

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

Safety is, above all, a moral imperative. The last twenty years have seen South Africa striving constantly to redress the historical inequities that existed in society. Whatever progress we make on economic issues, we will never be able to say that we have produced a truly just society 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.

At Anglo American we have extended our world-leading HIV/AIDS testing and treatment programme to target the additional scourge of tuberculosis. Also, as you have seen, we are very active in supporting community healthcare initiatives. Good healthcare transforms lives. Our health programmes continue to expand. Together with the rest of the mining industry, we believe that we 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 to 80 000 people each day demonstrating that, mining can make a positive contribution to solving the problem of water scarcity in South Africa.

And technology development - for example, in relation to 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.

At Anglo American in South Africa, fifty five per cent of our managers are now from HDSA backgrounds and nineteen percent of our employees are women. Across the industry, mining companies have been working to achieve the Mining Charter targets. But we must do more, particularly for women in mining.

It is time for us all 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.

Eighteen years after the dawn 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. As the student Dumisani Mavuso said, in the video you saw a few minutes ago, in investing in education we are “not only enriching minds but also empowering the nation.”

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.

With the right policy framework in place, the growth of the mining industry will itself create jobs. And mining companies have a critical role to play in creating jobs beyond the mining sector.

Anglo American 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.

There is much more we can do, 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.

At Anglo American, we have already met the 2014 Mining Charter targets for BEE ownership. Since 1994, we have completed BEE transactions worth over 60 billion rand.

And now we are going beyond compliance. Through our groundbreaking Project Lefa La Rona, 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.

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



In 2011 Anglo American spent over twenty-three billion rand in procurement from BEE suppliers in South Africa.

We are committed to local procurement as a core part of our business and to developing skills in the South African economy through partnerships between local and international suppliers. Local procurement makes good business sense, for us and for the mining industry as a whole. Tenth, and finally, a commitment to be transparent and to hold each other to account.

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

It is time for the mining industry to stand up and to be counted.

Pause

South Africa has everything it takes to lead the world in mining, beginning with its people. If we are all committed and we all work together in true partnership, I firmly believe that the future will bring enormous success, both for the mining industry and for South Africa as a whole.

At Anglo American we have a profound belief that it is both our responsibility and our privilege to partner with the people of South Africa. There can be no higher cause than to make a real difference to a country so important to our business and so close to our hearts.

Thank you very much.

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