

Press Release

For immediate release

22 June 2018



South African Institute of Race Relations

The power of ideas

Media enquiries: Michael Morris Tel: 066 302 1968 Email: michael@irr.org.za
Kelebogile Leepile Tel: 011 432 7221 ext: 2018 Email: kelebogile@irr.org.za

Draft 2018 Mining Charter: Better, but still profoundly flawed – and a continuing choke on investment

'Transformation Trumps Sustainability', the latest report from the Institute of Race Relations (IRR), provides a detailed assessment of the 2018 Draft Mining Charter. The IRR warns that, though the draft is better than its predecessor, it still falls far short of the regulatory framework required for a thriving mining sector capable of boosting economic growth and job creation.

The 2018 Draft Mining Charter was gazetted on 15 June for comment within 30 days.

The IRR report acknowledges that the amendments introduced under new mining minister Gwede Mantashe make for a better draft than his predecessor's 2017 charter. However, the new document "still has many damaging features".

Given the damage the draft charter is likely to cause, 'Transformation Trumps Sustainability' makes the case for abolishing the BEE empowerment model – which does "little to foster growth or expand opportunities for the disadvantaged" – and replacing it with a "far more effective empowerment policy" that would "actively promote investment, growth, and employment" and "make growth more inclusive by helping to break down barriers to upward mobility".

This alternative policy is being developed by the IRR and is called "economic empowerment for the disadvantaged" or EED.

Author of the report, IRR Head of Policy Research Dr Anthea Jeffery, writes: "The 2018 draft is better than its predecessor in some material ways. It scraps the 51% ownership

requirement for new prospecting rights, gives more recognition to the 'continuing consequences' principle, and slightly reduces earlier procurement and employment equity quotas. In addition, it scraps the 100% compliance requirement for skills development and mine community upliftment, instead confining this onerous demand to the ownership element alone.

"However, the draft charter still greatly increases the regulatory burden on mining companies in South Africa. Its adoption of a 30% ownership target contradicts all the assurances earlier provided by the DMR that the 26% target was immutable and would not later be changed. "Now that the DMR has gone back on this pledge, the risk of the ownership target being raised once again – perhaps to 51% next time – looms all the larger."

Jeffery notes that, while some 50% of gold mining companies and 60% of platinum ones "are already battling to survive at current mineral prices", the draft charter "nevertheless obliges these struggling companies to do additional BEE deals and fulfil a host of costly procurement and other obligations".

These would only "push up their operating costs and increase the likelihood of shafts being shuttered and mineworkers retrenched".

The risk is that "companies thinking of investing in new mines will have yet more reason to stay away".

South Africa's "enormous mineral wealth is a major draw card", the report says, but this is offset by the country's "unattractive policies".

Writes Jeffery: "By contrast, if the regulatory environment were to be reformed, so as to give the country the benefits of certain, stable, and predictable mining policies, then new investment would double, 150 000 more direct and indirect jobs would be generated, and the mining industry would once again start playing a larger part in boosting the country's now dismal rate of economic growth."

The report recommends a shift to EED to achieve such outcomes.

"Under an EED mining charter, companies would earn EED points for their contributions in four categories: economic, labour, environmental, and community. Given the overarching importance of growth, their economic contributions would count the most."

By contrast, if the country continues with the flawed BEE model, South Africans "will reap a bitter harvest as the economy falters still further and joblessness worsens, thereby curtailing any realistic prospect of upward mobility and inclusive prosperity".

“By contrast, a shift to EED in mining (and elsewhere) would free the economy from the leg-iron of ever more damaging BEE requirements. It would also empower the majority of South Africans in a way that BEE interventions – and the 2018 draft charter, in particular – will never be able to achieve.”

Read the full report [here](#).

The IRR invites all South Africans to join it in striving for a better South Africa by SMSing their name to 32823.

Ends.