



CHAMBER OF MINES  
of South Africa

# MEDIA STATEMENT

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## CHAMBER OF MINES PUBLISHES INTEGRATED ANNUAL REVIEW AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

**Johannesburg, 18 May 2016.** The Chamber of Mines today announced the publication of the Integrated Annual Review and Financial Statements for the year ended 31 December 2015. The reports may be accessed on the Chamber's website at <http://www.chamberofmines.org.za/industry-news/publications/annual-reports>

In the chief executive's review, Chamber of Mines CEO, Roger Baxter noted that:

"Our members have experienced progressively weakening commodity prices, rapidly rising costs, falling productivity and some regulatory issues that challenge their ability to sustain operations and to maintain employment levels. With an average of half the companies in lossmaking territory, the focus for many has been on restructuring for survival. And while we are gratified at the industry's improving safety trends (2015 being the best year on record), the early months of 2016 reminded us that we have no cause for complacency in our quest for zero harm."

He further highlighted the following key events and issues during the year:

### **Labour stability**

The gold and coal wage negotiations during 2015 were particularly challenging with settlement levels, as has almost invariably been the case previously, above the inflation rate. However, the two sectors should enjoy three and two years respectively of stability due to the multi-year agreements reached.

Wage talks will begin soon at the three largest platinum companies as the agreements reached following the five-month strike in 2014 reach their mid-year expiry date. Given the country's and sector's current straitened economic circumstances, together with the threat of a sovereign ratings downgrade, a repeat of the events around the previous wage round will be foolhardy.



### **Rising cost of electricity**

In March 2016, regulator NERSA awarded Eskom tariff increases totalling more than 24%, spread over three years. Eskom subsequently applied to the administrator for further increases that the electricity utility claimed were needed to recoup the cost of running open-cycle gas turbines and of reduced supply due to power outages. NERSA, disappointingly, revised the 2016/2017 increase up to 9.4%, though this was more palatable than the 16% increase for which Eskom had applied. The Chamber made a detailed submission to NERSA on the impact of Eskom's application on the mining sector.

### **Carbon tax**

A prospective cost pressure came into view towards the end of the year when the National Treasury published its draft carbon tax bill for public comment. The Chamber's opinion is that implementation of such a tax should be deferred for at least five years. A carbon tax would be an added impost on an industry already struggling with poor commodity prices and would not be in line with the countries with which South Africa competes in mineral export markets. Furthermore, it should be recalled that electricity tariffs have trebled in real terms in the seven years to end-2014, a more than adequate incentive for mines to optimise power consumption.

### **Restructuring across the industry**

As a consequence of economic conditions and indications from a number of companies of planned retrenchments, in early August, former Mineral Resources Minister Ngoako Ramatlhodi called key stakeholders together to address job losses through MIGDETT.

Some of the issues that producers put on the agenda were enhancing productivity, managing cost pressures, accelerating rehabilitation activity, promoting market development, looking at alternatives to job losses and support for mineworkers once they are retrenched. The Chamber contributed to the development of the 10 point Job Declaration and signed the document. It is disappointing that, to date, the focus has been on three points of the declaration while the other seven areas have been overlooked.

### **Mining Phakisa**

Taking a longer term view, the Mining Phakisa, called by the Presidency, was convened in November for a month of intense multi-stakeholder engagement on the future of our industry. The Chamber played a meaningful role.

### **Farlam report**

In June 2015, the Farlam Commission of Inquiry's report into the events at Marikana in 2012 was published, providing fresh insights into the events and conditions that led to the deaths of 45 people. The report's

recommendations provide much food for thought for our members and also, we trust, government and the unions in respect of the areas where their performance was found wanting.

### **Social instability in those areas that surround mining operations**

Disturbing, though, have been events on the Eastern Limb of the Bushveld Complex over the last year or two, where we have seen high levels of social instability, with the ire of sections of the community directed sometimes at mining operations and in some cases at traditional leaders for failures of consultation and of the equitable sharing of the benefits of mining. The industry and government need to be examining these issues closely.

### **Regulatory certainty**

With regard to the Mining Charter, we are disappointed that the extensive consultation by government with industry and other stakeholders in both 2002 and 2010 was not the approach adopted in the development of the revised charter, gazetted by the DMR in April 2016. We have been encouraged nonetheless by the Minister's commitment to consultation with stakeholders going forward.

It was with regulatory certainty in mind that the Chamber proceeded with its court case to seek clarity on the assessment of the ownership element of the Mining Charter, particularly in respect of the continuous consequences of previous BEE deals. The Chamber is continuing with the process, while at the same time remaining open to a negotiated settlement. We believe that resolving this issue will accelerate investment in mining and further increase the quantum of transformation in the mining sector.

In conclusion, Mr Baxter noted that: "The Chamber remains fully focused on implementing its strategic plan, working constructively with all stakeholders and getting the industry back on the 'front foot'."

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