Lessons from the Investing in African Mining Indaba 2015

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This research note aims to draw some lessons from discussions at the Mining Indaba that are relevant for discussions not only on mining, but also the South African nation brand.

From a national competitiveness and reputation point of view, mining remains a critical feature of the South African economy:

- South Africa still holds the world’s most valuable deposits of mineral resources, this presents a massive opportunity for growth & development;
- Following the above point it can be indicated that the mineral endowment in South Africa is valued at US$4.71 trillion. This is dominated by the Platinum Group Metals contributing 49% of the value;
- According to the Chamber of Mines, mining accounts for 12% of total investment in the South African economy. When indirect multipliers are considered, the total fixed investment in the SA economy flowing from mining activity reaches a significant 25% of total investment;
- To this should be added the fact that in both direct and indirect employment mining creates 524 632 and 841 260 jobs respectively. If a multiplier effect of 1 to ten is used, mining impacts on the lives of more than 1.3 million South Africans.

From a nation brand perspective mining remains a critical sector that supports and impacts indirectly on range of related sectors. This is also part of the reason why reputation challenges in the mining sector have a bearing on how the nation brand is perceived in the domestic and international environments.

Two key lessons drawn from the 2015 Mining Indaba:

1. The need for multi-stakeholder engagements to ensure sustainability in African mining - a perspective from HE Graca Machel;
2. South Africa’s competitive advantages in terms of the mining sectors.

Lesson 1

The need for multi-stakeholder engagements to ensure sustainability in African mining: A perspective from HE Graca Machel.

On Thursday 12 February HE Graça Machel (President of the Foundation for Community Development) presented a keynote address during the Sustainable development day that closed the 2015 Mining Indaba. Dr Anthony Hodge, president of International Council on Mining and Metals, facilitated this session.

From a contextual point of view Ms Machel indicated that natural resources are a national endowment. This endowment is entrusted to a private company to develop the resource on behalf of the nation. A mining company therefore gets a license to develop the resource, which means that the endowment is in that way transformed into wealth.

In the process of allowing private corporations to develop a natural resource, with the goal of transforming it into wealth for the corporation as well
as the nation, it is critical to acknowledge four parties/stakeholders with an interest in the development of this national endowment. These include: labour; communities; government; national corporations/multinationals.

Keeping to the theme of the session Ms Machel indicated that sustainability of the extractive industries is to come from an agreement between these four stakeholders. In this regard she noted with some concern that extractive industry operations impact on livelihoods and communities especially in cases where people have to be relocated to make way for mines.

In the above context she indicated a need to establish community funds that can take care of current and future needs of the communities directly impacted on by mining operations. However, she also warned that communities are not homogenous thus creating the need to understand particular realities that shape communities and their interests. In communities there are several interest groups such as traditional & religious leaders, economic/local business interests, women, and youth leaders that have to be brought together to interact with government, business, and labour to represent diversity of interests in the community.

The above means that sustainability in mining is not merely a technical exercise, but essentially has to address the needs, aspirations, and concerns of the four key stakeholders involved in, or impacted on by mining. This requires the development of relations of trust,

with the ultimate vision for African development being that no one should be left behind.

HE Ms Machel also challenged delegates to the Mining Indaba to integrate the corporate conversation on mining with civil society. This was a specific reference to the Alternative Mining Indaba hosted by civil society organisations in Cape Town every year at the same time as the Investing in African Mining Indaba.

The lesson from this session is that multiple stakeholders have a role to play in shaping the future of mining, particularly in a context like South Africa where, as the lesson below will indicate, the country has tremendous competitive advantages in the mining sector.

Lesson 2

South Africa’s competitive advantages in mining

Minister Ngoako Ramathlodi opened this year’s Investing in African Mining Indaba on Tuesday 10 February. Following on the official opening, the Departments of Trade & Industry, Mineral Resources, and Brand South Africa hosted a dialogue session that included representatives from the Chamber of Mines, National Union of Mine Workers, and Solidarity.

The themes that emerged from Minister Ramathlodi’s opening address include the global phenomenon of a growing gap between the rich and poor. At the same time, and more focused on the macro-economic conditions that impact on the mining industry, minister Ramathlodi indicated that the world is in a difficult phase as it pertains to plummeting commodities prices.

Multiple factors impact on the outlook for commodities. An explanation for this dynamic came from a keynote
presentation by Jim O'Neil, formerly from Goldman Sachs. He indicated that the commodities super cycle that pervaded much of the first decade of the 21st century was by and large driven by Chinese demand. China's consumption of resources will continue to be an important driver of demand, however, there is a consensus that the commodities super cycle will probably never return. In a warning to governments he indicated that it should not be assumed that commodity prices will rise. In fact he warned that economies overly reliant on mining (and of late oil & gas) will have to carefully analyse the impact shifts in global commodity consumption patterns will have on national economies.

With the global commodities dynamics in mind it may seem as if it positions South Africa at a difficult crossroads.

During the dialogue session hosted by the DMR, DTI, and Brand SA, interesting perspectives not only on the mining sector, but particularly the question regarding the competitiveness of the mining sector emerged.

Minister Rob Davies argued that South Africa has to look for competitive advantage in the mining sector in the whole mining value chain. This means that South Africa's opportunity in terms of mining, and that impacts directly on the positioning of the brand, pertains to beneficiation, the unique service sectors that have grown around mining, and advanced manufacturing. Here it is necessary to be reminded of the fact that South Africa has a mining sector older than a century. Over this time the country has developed significant technological, machinery, services, and human resource capability in the mining value chain.

In terms of beneficiation Minister Davies indicated that two Special Economic Zones currently under consideration will focus on Platinum Group Metals (PGM). An example of this is the development of hydrogen fuel cells and experimental technologies that will form the basis of small scale electricity generation stations based on platinum catalysts. Government and private sector partners are also conducting research on adding value to titanium resources found in the country.

It is from this perspective apparent that South Africa is not only a country that extracts resources by digging holes in the ground. The country offers opportunities for growth and increased competitiveness through the whole mining value chain. This is additionally supported by the extensive investments in infrastructure and the goals of the NDP.

South Africa and Zimbabwe together produce nearly 80% of the world's platinum. The critical challenge the African continent faces pertains to the need to add value to mineral resources. This implies according to Minister Davies that South Africa’s competitive advantage in mining is linked to mining technology, machinery and equipment, while on the other hand it relates to the ability to add value to resources extracted from the nation's soil.

From a national competitiveness and nation brand positioning point of view, one key lesson from Minister Ramathlodi’s opening address, and the interactive dialogue, is that in addition to developing and exploiting mineral resources in active mining operations, South Africa is well positioned to develop competitive advantage in the whole mining value chain.

In terms of other issues that impact on the mining sector in South Africa, consensus emerged during the dialogue session that rivalry for membership between unions have contributed to uncertainty. However, it was noted by
other panellists that since taking the helm of the department, Minister Ramathlodi has been doing significant work to reach out to industry, and labour stakeholders. The minister furthermore emphasized that South Africa is a country that resolves issues through dialogue and interaction.

The above point was emphasized by Ms Chichi Maponya, Brand SA’s chairman in her concluding remarks when she pointed out that the dialogue session is an example of active interaction between government, business and civil society. According to Ms Maponya this is an example of how South Africans engage in dialogue to understand challenges, and to chart an inclusive path for the development of the country in the future.