



**ADDRESS BY MINISTER OF MINERAL RESOURCES, MOSEBENZI
ZWANE (MP) AT THE BLACK BUSINESS COUNCIL (BBC)
BUSINESS BREAKFAST, 18TH AUGUST 2017**

President of the Black Business Council, Dr Danisa Baloyi

All the BBC office bearers

The Acting CEO and Executives

Business associations, chambers and professionals affiliated to the BBC

Distinguished guests

Ladies and gentlemen

Let me begin by thanking the President of the Black Business Council (BBC), Dr Danisa Baloyi, for extending this invitation for me to address you this morning.

The subject of Radical Economic Transformation is one that has occupied the public space in recent times, raising vigorous debate about what it is, and what it intends to achieve for the South African economy. Radical Socio-Economic Transformation goes beyond being just a buzzword or populist term. The economy must undergo a fundamental change, in order for the majority of South Africans to meaningfully participate.

The mining sector has been one of the sectors at the centre of this debate, more especially since the 2017 Mining Charter was gazetted in June this year. The Charter brings about the much-sought policy certainty that the investment community and the mining industry have been requesting from Government since the review of the Charter began. The targets and timelines are clear and we believe they are realistic and achievable.

We engaged with stakeholders for over a year after the draft Charter was gazetted in April 2016.

Through our engagements with black entrepreneurs, mining communities and workers operating in the mining space, we have been able to note, amongst others, the following challenges:

- No meaningful economic participation and integration of Black Persons into the mainstream economy.
- The majority of South Africans do not own even a quarter of our mineral resources.

- The ones who are participating will never realise full ownership of these resources.
- Access to meaningful mining opportunities is still limited to a few.
- Mining operations have a tendency of directing non-core mining opportunities to black-owned companies, whilst critical core mining opportunities are reserved for white-owned firms.
- The majority of black entrepreneurs battle to access capital required for mining ventures.
- Communities in mining towns are still living in abject poverty.

We welcome the support we have received from most quarters of society, who have said to us – you are on the right track in terms of sustainably transforming this critical sector of the economy – in fact, some have said to us that 30% is not radical enough on the ownership element, why not 50% or higher. We are clear that we do not want a continuation of what has occurred in the past, where deals that were structured only left the black shareholders in debt, with no real benefit being realised.

Only one stakeholder has voiced their opposition to the transformation of the mining industry, and the matter is currently before our courts.

The history of the mining industry

South Africa is renowned worldwide for its mineral wealth. For over 100 years our country has been a significant producer of minerals including gold, platinum and chrome, to name a few. The industry has been the bedrock of the economy. This mineral wealth has, however, translated to real wealth for only a few. The vast majority of South Africans, who happen to be black, have been excluded from meaningfully participating

in the mining industry. In the past, they were considered merely as cheap labour to supply the industry. In 1994 when the ANC-led Government took over, we were profoundly conscious of the need to develop and implement policies and legislation that would begin to turn this around. The transformation of the economy is therefore not a concept that we have come up with in the last year or two. It has been ingrained in all our economic policies since the advent of a democratic dispensation in our country.

As an integral part of the second phase of the transition from apartheid to a national democratic society, there's a need to accelerate growth and intensify the programme of economic transformation. Government will continue to strengthen the laws regulating mining and mineral resources and ensure that same are developed for the benefit of the people.

The Mineral and Petroleum Resources Development Act (MPRDA) and Section 100 thereof – the Mining Charter – are being implemented in this sector of our economy to ensure the sustainable growth, development and transformation of the sector, which remains a significant contributor to the economy, through GDP and employment creation, among others.

Our policies are not static. They are adapted from time to time to take into account various issues.

The 2017 Mining Charter

It is our firm belief that the 2017 Mining Charter gives practical expression to the meaning of radical economic transformation.

It is a decisive and deliberate action by the Government to reverse the sustained negative impact of apartheid policies on the people and economy of South Africa.

The Mining Charter, 2017 requires that every holder of a mining right must have a minimum of 30% black person's ownership. This 30% includes workers and communities at 8% each, and BEE Entrepreneurs at 16%. The Mining Charter further requires that black person' shareholding must vest within a maximum period of 10 years.

A holder of a mining right is further required to pay a minimum of 1% of its annual turnover to the black person shareholders prior to, and over and above, any distributions to the holder's shareholders.

Where dividends due to the black shareholders are not sufficient to ensure full vesting within the prescribed period, the amount remaining shall be written off by the holder or the vendor.

The black persons' shareholders shall directly and actively control their share of equity interest in the empowering company, including the transportation as well as trading and marketing of the proportionate share of the production.

Black persons' shareholding is only transferrable to other black persons as per the prescribed categories.

The holder of a mining right must ensure that any reduction of shareholding by existing shareholders through the issue of new shares does not amount to a reduction of black persons shareholding.

The BEE Entrepreneurs shall only be allowed to dilute a maximum of 49% shareholding in the right holder on condition that 100% of proceeds from the dilution will be used to develop another asset.

The procurement element of the Charter provides a policy tool to optimise benefit realised from the development of the country's mineral wealth by strengthening the linkages between mining and local manufacturing of capital goods, consumables and services. This element supports and is aligned to the Black Industrialist policy and requires certain percentages of mining goods and services procurement budget to be set aside for 50% plus 1 vote black-owned and controlled companies, companies owned by black women as well as youth-owned companies.

The Mining Charter provides for increased percentages across all the various employment levels. These increased targets are for black employees across all levels of management, and must be reflective of national and/or provincial demographics. There's a new introduction of 3% for employees with disabilities. The Charter further makes provision for employee and non-employee skills development. Better alignment of, and transparency of SLP projects is also highlighted. These are to be linked to municipalities' IDPs, and finalised in consultation with all relevant stakeholders, including traditional leaders.

The objective to transform the structure of the South African economy from one that is dependent on raw mineral exports dependent, towards a producer of high-value goods, through beneficiation, remains a key component of our radical economic transformation agenda, as it will provide opportunities for further industrialization, employment, technological advancement, skills development, foreign currency earnings and entrepreneurship.

Government will consistently advance the beneficiation programme to ensure that minerals become available, at supportive prices, to beneficiation projects in South Africa by utilising policy and legislative instruments, whilst also collaborating with the private sector stakeholders to achieve this key objective of mineral beneficiation.

These are but some of the highlights of the 2017 Mining Charter, which I'm sure most of you have read.

Conclusion

As black business, your voice has been largely missing in the debate on radical socio-economic transformation. This needs to change. As the Black Business Council, the attainment of this transformation can only be to your members' advantage, and will bring in the millions of South Africans who are currently marginalised and have no real participation or benefit from the economy.

Our objective of sustainable economic growth and development requires all hands on deck from all sectors of society. It is not just the responsibility of Government. As Government, ours is to create a conducive environment for the economy to thrive. We are doing that, and we require you to do your part, so that we can together move, not only the mining industry - but the economy as a whole - forward, for the benefit of all South Africans.

I thank you.