

## **TOWARDS THE TRANSFER OF MINERAL WEALTH TO THE OWNERSHIP OF THE PEOPLE AS A WHOLE: a perspective on nationalisation of Mines.**

August 2010

### **INTRODUCTION**

1. The African National Congress (ANC) will be celebrating the 55<sup>th</sup> anniversary of the Freedom Charter in 2010 and turning 100 years in 2012. These anniversaries coincide with the ANC National General Council in 2010 and National Conference in 2012, but most significantly represent significant periods in the growth, political and ideological development of the African National Congress. These anniversaries should serve to give practical meaning and coherent actualisation of the Freedom Charter, which has since its adoption, inspired hope for majority of the people of South Africa. This discussion document, unlike many other economic transformation documents, is thematic and decidedly intended at influencing a concrete resolution on the Nationalisation of Mines in South Africa in line with the Freedom Charter's objective of people sharing in the country's wealth. The document is aware that various other strategic sectors of the economy should be transferred to the ownership of the people as a whole, yet thematically focusing on the transfer of Mineral wealth to the ownership and benefit of the people as a whole.
2. The attainment of the Freedom Charter objectives remains the strategic objective of the African National Congress. The Freedom Charter's clause on the people sharing in the country's wealth states,  
*"The national wealth of our country, the heritage of all South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the well-being of the people; all people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions<sup>1</sup>."*
3. It is against this background upon which a concrete position on the nationalisation of Mines is formulated in order to guide the ANC in the transfer of mineral wealth beneath the soil to the ownership and benefit of the people as a whole. This is to ensure that the "use of natural resources of which the state is the custodian of on behalf of the people, including our minerals, water, marine resources in a manner that promotes the sustainability and development of local communities and also realises the economic and social needs of the whole nation<sup>2</sup>", as resolved in the 52<sup>nd</sup> National Conference of the African National Congress in December 2007.
4. This document serves as a guiding framework to outline the ANC government's transfer of Mineral wealth and the actual process of extraction, processing, beneficiation and trade of mineral resources. For such a task, the document will do the following;

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<sup>1</sup> Freedom Charter

<sup>2</sup> ANC 52<sup>nd</sup> National Conference resolution on Economic Transformation

- a. Provide a conceptual foundation on the kind of Nationalisation advocated for in the document.
  - b. Provide information on the state of minerals resources and mining in South Africa.
  - c. Provide a brief political foundation within which Mines should be nationalised.
  - d. Illustrate the Freedom Charter as a foundation of the objective to nationalise Mines.
  - e. Provide and outline a case for nationalisation in South Africa. Why Nationalisation?
  - f. Identify and clarify possible challenges on the nationalisation of Mines.
  - g. Conclude.
5. It should be firmly stated in this perspective that the document derives lessons from various other models and attempts of ensuring that common ownership of strategic resources benefit the entire population. While deriving these lessons, the intention is not to blindly copy what happened in other countries, sectors, situations and periods, but to present a unique compelling case suitable for South Africa. Emphasis is once more placed that this is not a broad economic transformation perspective. The perspective specifically focuses on the Nationalisation of Mines, and acutely aware that other strategic sectors of the economy, such as banks and monopoly industries should be publicly controlled to benefit the people as a whole. The massive poverty challenges, unemployment and unequal spatial development realities calls for an urgent focus on mineral resources.

## **A. CONCEPTUAL FOUNDATION**

6. Before we consider the question of nationalising mines in particular, it will be important to begin by outlining the meaning of nationalisation in the context of this perspective. NATIONALISATION OF MINES means the democratic government's ownership and control of Mining activities, including exploration, extraction, production, processing, trading and beneficiation of Mineral Resources in South Africa. Minerals Resources refer to all the more than 50 non-renewable precious, industrial and chemical stones extracted from Mines in South Africa. This includes but not limited to Gold, Platinum Group Metals, Chrome, Coal, Manganese, Diamond, Copper, Metals, Aluminium, etc. The democratic government's ownership and control should happen through a democratic, open and decisive legislation of Parliament, which will ensure that all Mineral Wealth is used for the benefit of the people, development and growth of South Africa's economic activities. Components of this understanding of Nationalisation of Mines include the following vital components:
7. First is the understanding that nationalisation is not a be-all and end-all of economic transformation. In other words, having nationalised key parts of the economy does not automatically mean that indeed the entire wealth is in the hands of the people and that the people will benefit from such wealth. Nationalisation is not a panacea for South Africa's developmental challenges, but it should in the manner we are proposing it, entail democratising the commanding heights of the economy, to ensure they are not just only legally owned by the state, but thoroughly democratised and controlled by the people – their workplaces, their management, and decision-making process. The role of the revolutionary trade union movement and progressive professionals is critical in this regard.

8. Secondly, nationalisation should be accompanied by thorough transformation of state-owned enterprises. Much of the existing state-owned enterprises (SOE's) have much to be democratised and transforming such that they indeed benefit the people as a whole. In this context, the model of nationalised enterprises that are heavily bureaucratised is not attractive as does the existing SOE's corporatist models which tend to operate on similar values and principles of a private company.
9. Thirdly, nationalisation should help build strategic capacity of the state to unlock resources for development and growth path that is more inclusive and equitable and does not heavily rely on exportation of primary commodities and importation of almost all consumer goods and services. The strategic capacity of the state through public ownership enables the state to lead other sectors to achieve these broader societal goals. The kind of nationalisation proposed is not generalised nationalisation, even of industries that are of no strategic importance. The most strategic industries, tends out to be largely monopoly industries, but it is debatable if public ownership should be limited to this sector.
10. Fourthly, nationalisation, like its opposite, privatisation, can assume various forms: it can be 100% public ownership, or 51% or more owned by the state, or established through partnership arrangements with the private sector in which the state assume greater control. The sections below will outline the concrete models to be taken in the immediate as a programme of nationalisation of Mines.
11. Fifthly, depending on the merits of each case based on "balance of evidence", nationalisation may involve expropriation with or without compensation. The manner in which nationalisation will be approached will neither be generalised compensation, nor generalised expropriation without compensation. Expropriation without compensation should apply for Mines that are not profitable, laying off huge numbers of workers and in financial crisis.
12. Finally, nationalisation is not meant to bail out indebted capitalists, who because of the financial crisis are loosing profits due to declining consumption and demand of commodities. Depending on the merits of each case based on "balance of evidence", nationalisation may involve expropriation with or without compensation. The manner in which nationalisation will be approached will neither be generalised compensation, nor generalised expropriation without compensation. In any event, it will be pointless to nationalise a Mine that is barren simply because it is a Mine. Consideration of the strategic importance and potential of a Mine to contribute towards the development of the national productive forces will have to be brought to bear. The call for nationalisation is a principled one, not based on whether global commodity prices are up or down. Our call is based on strategic considerations, the need to empower the democratic state direct the development of our economy through direct control of resource allocation to priority sectors, the need to increase the capacity of the state to directly earn foreign exchange and to significantly stabilise the revenue side of public finances.

## **B. MINERALS RESOURCES AND MINING IN SOUTH AFRICA:**

13. The discovery of minerals in South Africa heralded one of the most dynamic periods in the development of capitalism in South Africa. The discovery of the Witwatersrand goldfields in 1886 was a turning point in the history of South Africa. It presaged the emergence of the modern South African industrial state. The most brutal and fatal wars of conquest and resistance were intensified after the discovery of minerals in South Africa. The hardening of racial attitudes that accompanied the rise of a more militant colonial conquest coincided locally with the watershed discovery of mineral riches in the interior of southern Africa. The history of how Africans were coerced into wage labour through tax, abduction and forced labour defines how African communities were disorganised because of the discovery and extraction of minerals in South Africa. The emergence of the City Johannesburg, Kimberley, development of railway and various other sophisticated transport infrastructures in South Africa, and the corresponding growth of shanty towns are linked to the development of mining sector.
14. From the mid 19<sup>th</sup> century to now, South Africa developed to discover many other mineral resources. The department of Mining's South Africa's Mineral Industry 2007/08 booklet says that, "South Africa is a leading world supplier of a range of minerals and mineral products of consistently high quality. In 2005, about 55 different minerals were produced from 1 113 mines and quarries, whereon which 45 produced gold, 26 produced platinum-group minerals, 64 produced coal and 202 produced diamonds, all as primary commodities, with an increase of 120 mines from 2004<sup>3</sup>".
15. South Africa is home vital and most diversified minerals reserves in world, and this includes Platinum Group Metals (70%), Gold (40%), Manganese (70%), Chromium (70%) and 54 other minerals. Such advantage can never be subjected to the whims and directives of few investors elsewhere at the expense of local economic development. This in itself gives South Africa a strategic advantage to marshal the development of the economy, particularly industry around the Minerals Resources beneath the soil.
16. South Africa, like most of the other countries in the SADC region is highly dependent on minerals. Since the late 19th century, South Africa's economy has been based on the production and export of minerals, which, in turn, have contributed significantly to the country's skewed industrial development. Most industries that developed are interlinked with the supply side of the mining industry, with little diversification away from mining. In 1952 the Trade Union Organiser, Solly Sachs noted that, "It is abundantly clear to anyone who has the welfare of South Africa at heart that the future of the people and the whole country depends on extensive and intensive industrial development, and that the mining of precious minerals can serve the interests of the country only as a stimulus for the development of other branches of the national economy" Yet he concludes that "It has always been the policy of the Chamber of Mines to subordinate the entire economic life of the country to the selfish interests of the mine owners<sup>4</sup>".
17. In 2007, mining contributed R135,6 billion (\$19,2 billion) or 7,7 percent to the Gross Domestic Product, an increase of R16,2 billion over the previous year. Mining and quarrying contributed 8,9 percent to Total Fixed Capital Formation. South Africa's total primary mineral sales revenue increased by 15,2 percent to R223,9 billion in 2007. When

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<sup>3</sup> RSA Department of Minerals and Energy, *South Africa's Mineral Industry 2007/08*

<sup>4</sup> Sachs, S. (1952). *The Choice Before South Africa*. LONDON: Turnstile Press, pp. 102—103

the total sales and export sales are expressed in US dollars, the annual increases were 10,5 percent (from \$28,7 billion to \$ 31,7 billion), and 10,6 percent (from \$20,7 billion to \$22,9 billion) respectively. The major foreign revenue earners in 2007 were platinum-group metals (40,8 percent), followed by gold (22,2 percent) and coal (15,1 percent)<sup>5</sup>.

18. Domestic mineral sales value increased by 11,7 percent to R62,1 billion in 2007 but when expressed in dollar terms, the increase was much higher at 25,6 percent to \$10,3 billion. The major local income earner for the year was metallic commodities at 43,3 percent, followed by coal at 31,7 percent and miscellaneous mineral commodities with 12,7 percent, while industrial commodities accounted for 12,6 percent of local sales value.
19. The mining industry, excluding exploration, research and development structures and head offices staff, employed 2,9 percent of South Africa's economically active population, or 5,1 percent of all workers in the non-agricultural formal sectors of the economy. The average number of workers employed in the mining industry increased by 8,6 percent to 495 474 in 2007, as a result of expansion projects. Wage income amounted to R50,09 billion in 2007, or 22,4 percent of total mining revenue, an increase in nominal terms of 28,5 percent compared with that of 2006<sup>6</sup>.
20. Democratic change in South Africa during the 1990s resulted in the endorsement of the principles of private enterprise within a free-market system, offering equal opportunities for all the people. The state's influence within the mineral industry is confined to orderly regulation and the promotion of equal opportunity for all citizens. Discriminatory policies excluded a large sector of the population from full participation in the South African minerals industry during the pre-1994 period, before democracy was realised. The new Minerals and Petroleum Resources Development Act, legislates the official policy concerning the exploitation of the country's minerals. The restructuring of the South African economy and changing local and international circumstances were taken into consideration by the DME, which drafted the new Act.
21. The Act addresses many issues, including the following:
  - a. Transformation of the minerals and mining industry;
  - b. Promotion of equitable access to South Africa's mineral resources;
  - c. Promotion of investment in exploration, mining and mineral beneficiation;
  - d. Socio-economic development of South Africa; and
  - e. Environmental sustainability of the mining industry<sup>7</sup>.
22. Previously South African mineral rights were owned either by the state or the private sector. This dual ownership system represented an entry barrier to potential new investors. The current Government's objective is for all mineral rights to be vested in the State, with due regard to constitutional ownership rights and security of tenure. The MPRDA was also designed to release the monopoly stranglehold of five mining investment houses and allow entry by the aspirant black middle class entry into the mining industry. Thus instead of benefiting the population as a whole this limited 'nationalization' has benefited only a small comprador elite. These elite have entered mining in alliance with

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<sup>5</sup> RSA Department of Minerals and Energy, *South Africa's Mineral Industry 2007/08*

<sup>6</sup> Ibid.

<sup>7</sup> SAMI 2007/08

financial and mining interests from the USA, Canada, Australia, Russia and China, basically countering the noble intentions of the MPRDA.

23. The MPRDA does not put the state in a position to determine the use of natural resources. In other words, once those with licenses begin to operate, there is nothing that stops them from selling our mineral wealth to the highest bidder in global markets, even if national imperatives require that such resources be used to support national development. This point under-scores the perspective that this document advances—that the democratic state should directly own and control the production and use of raw minerals in order to guarantee the flow of resources to critical sectors in our economy, not in order to maximize profit as the current holders of licenses do. South Africa needs, for example, A-grade coal to generate electricity with lesser pollution in the short to medium term. Yet, such high quality coal has already been sold forward and will continue to be sold to the highest bidder, in the global commodity market.

### C. POLITICAL FOUNDATION

24. The perspective on the Nationalisation of the Mines is understood within the context of the National Democratic Revolution (NDR), which seeks to resolve the national, gender and class contradictions through the creation of a non-racial, non-sexist and democratic South Africa, and emancipation of the black majority and Africans in particular. The emancipation of the African majority fundamentally means that they should be capable and empowered to be at the cutting edge and control of the development of the national forces of production. The most direct route through which this can be achieved, within the framework of deepening nation-building and maintaining the unity of the motive forces of our revolution, is through democratic state ownership and control of the strategic sectors of the South African economy.
25. The perspective is further located within the context of the Strategy & Tactics of the African National Congress adopted at the 52<sup>nd</sup> National Conference in 2007, which in analysing the balance of forces says, “overall, since 1994, the balance of forces has shifted in favour of the forces of change. It provides the basis for speedier implementation of programmes to build a truly democratic and prosperous society. The legal and policy scaffolding for this is essentially in place. Most of society wants this to happen<sup>8</sup>”. It may also be added that the global crisis of imperialism has also exposed the bankruptcy of the ideology of market forces as a supreme arbiter in the trade-offs associated with resource allocation. On this basis, the relevance of state activity in the economy has occupied the centre-stage. The combined occurrence of the global crisis of capitalism and the veritable shift in the balance of forces as pointed out by the ANC cannot go to waste. It is opportune time to deepen the economic transformation implied by the national democratic revolution.
26. Elements of the understanding of a “prosperous society” are contained in the Freedom Charter. The ANC adopted the Freedom Charter in 1956 and hoisted it as a beacon of hope for the people of South Africa. In the process of its organisational configuration, what was subsequently launched as the South African Congress Trade Unions (SACTU, the forbearer of COSATU) in 1955 endorsed the process towards the adoption of the Freedom

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<sup>8</sup> ANC 2007 Strategy & Tactics, adopted by the ANC 52<sup>ND</sup> National Conference.

Charter. In 1962, the South African Communist Party's political programme, the Road to South African Freedom said, "The main aims and lines of the South African democratic revolution have been defined in the Freedom Charter, which has been endorsed by the African National Congress and the other partners in the national liberation alliance<sup>9</sup>", and further that "The Communist Party pledges its unqualified support for the Freedom Charter<sup>10</sup>". The SACP 1962 programme declared its unqualified support to the Freedom Charter with an understanding that firstly, "the Freedom Charter is not a programme for socialism<sup>11</sup>" and secondly, the immediate programme for the Communist Party included, "demanding the nationalisation of the mining industry, banking and monopoly industrial establishments, thus also laying the foundations for the advance to socialism<sup>12</sup>". The Freedom Charter has since its adoption guided the Mass Democratic Movement in the struggle to emancipate the black majority and Africans in particular from social and economic bondage.

27. In the context of engaging the perspective on Nationalisation of Mines, all revolutionaries, activists and members of the revolutionary movement that adhere to the National Democratic Revolution should, as Dialego cautioned, avoid a "the tendency to overestimate the strength of the enemy so that the superficial appearances of the moment are mistaken for the deeper trends at work in historical reality. Indeed, legalistic illusions which stem from an insufficiently *dialectical* approach to politics, may even lead to the kind of unprincipled compromises which make short term gains, but weaken the movement as a whole<sup>13</sup>". We certainly should ground the perspective on revolutionary theory, such that the subsequent practice is not detached from our theoretical perspectives. The aim remains the attainment of the Freedom Charter and what happens after that is completely a different question.
28. The Nationalisation of Mines also happens within a context where the ANC is the legitimate and legal leader not only of government and the State, but of the South African society, Southern Africa Region and the African continent. Various other nations in the world look up to South Africa for leadership, innovation and readiness to break new ground. Despite the minor and insignificant, but necessary components of healthy political opposition, an absolute majority of South Africans accepts and appreciates the ANC's leadership of the State, government and society. Consequently, the people of South Africa have legitimate expectations on what the ANC can and should do to better their lives.
29. It is also important to highlight the fact that global markets have also penetrated the strategic sectors of the South African economy. The move to nationalise mines is bound to elicit some imperialist backlash. This calls upon the democratic movement to galvanise the majority of our people to stand ready to defend the revolutionary resolution that the revolutionary movement will take on this matter. This is not just a matter of debits and credits in the capital account; it is more a matter of politics and the balance of forces in

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<sup>9</sup> South African Communist Party 1962 Political Programme, The Road to South African freedom

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Philosophy and Class Struggle, Dialego 1975

the struggle. It is a question of giving coherent economic meaning to the concept of national emancipation.

#### D. THE FREEDOM CHARTER

30. The Freedom Charter is a document of the people of South Africa, hoisted by the ANC, SACP, COSATU, COSAS, SASCO, SANCO and all Mass Democratic Movement formations as the torchbearer that should lead South Africa to total political, social and economic emancipation of the black majority and Africans in particular. To the progressive Mass Democratic Movement, the Freedom Charter is a direct result of the two ANC Conferences before 1955 and a subsequent intensive, nation-wide consultative process led by the entire Congress movement with the people of South Africa. The Freedom Charter is therefore an expression of the social, political and economic will of South Africans, not personal intellectual property of the people who participated in its formulation.
31. The Freedom Charter was proposed by the CAPE ANC region and a direct resolution of the ANC 42<sup>nd</sup> National Conference resolution in 1953, which instructed the National Executive Committee of the ANC, “to make immediate preparations for the organisation of a CONGRESS OF THE PEOPLE OF S.A.<sup>14</sup>” whose task shall be to work out a “FREEDOM CHARTER” for all peoples and groups in the country<sup>15</sup>”. The resolution on the Freedom Charter was re-affirmed in the ANC 43<sup>rd</sup> National Conference in 1954, which said “This Conference declares its unqualified support for the great Congress of the People sponsored by the National Organisations of this country. In this connection Conference enjoins all National Organisations, Church movements and associations to support, join in and participate in the great Campaign for the calling of the mighty Congress of the People having as its aim the drawing up of a Freedom Charter embodying the aspirations of the people of South Africa for a future free, united, multi-national, democratic community in which oppression and exploitation will be a thing of the past<sup>16</sup>”.
33. The authentic Congress of the People adopted the Freedom Charter on the 26<sup>th</sup> of June 1955 in Kliptown in what is hailed as the greatest moment in the history of the National Liberation Movement in South Africa. Nelson Mandela says that “the intensive and nation-wide political campaigning that preceded it, the 2,844 elected delegates of the people that attended, the attention it attracted far and wide and the favourable comment it continues to receive at home and abroad from people of divers political opinions and beliefs long after its adoption, are evidence of this fact<sup>17</sup>”. The Freedom Charter heralded a heroic and dedicated struggle for the emancipation of the black majority and Africans in particular, and united all progressive forces against apartheid repression, oppression and exploitation. To this day, the clearest expression of the alliance’s common programme is the Freedom Charter.
34. Although adopted a year later, the ANC National Executive Committee report to the ANC 44<sup>th</sup> National Conference in 1955 said, “The Freedom Charter is the sum total of our

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<sup>14</sup> ANC 42<sup>nd</sup> National Conference resolutions, Queenstown, December 1953

<sup>15</sup> Ibid.

<sup>16</sup> ANC 43<sup>rd</sup> National Conference resolutions, December 1954.

<sup>17</sup> Nelson Mandela, (1956), *In our Lifetime*, Liberation, June 1956

aspirations, but more: it is the road to the new life. It is the uniting creed of all the people struggling for democracy and for their rights; the mirror of the future South Africa. The defeat of the Nationalists and the course of the Congress movement depend on every fighter for freedom grasping fully the meaning and significance, and the purpose of the Freedom Charter<sup>18</sup>". Notably, the Freedom Charter was extensively deliberated upon in the 1956 Congress and faced fierce opposition from within the African National Congress, not only as a policy perspective, but the ultimate strategic objective of the African National Congress.

35. Writing about the Freedom Charter in 1956, Nelson Mandela said. "Never before has any document or conference been so widely acclaimed and discussed by the democratic movement in South Africa. Never before has any document or conference constituted such a serious and formidable challenge to the racial and anti-popular policies of the country<sup>19</sup>". In the ANC 44<sup>th</sup> National Conference in 1955, the National Executive Committee said, "The Charter is no patchwork collection of demands, no jumble of reforms<sup>20</sup>". Writing about the Freedom Charter in 1956, Nelson Mandela says, "The Charter is more than a mere list of demands for democratic reforms. It is a revolutionary document precisely because the changes it envisages cannot be won without breaking up the economic and political set-up of present South Africa<sup>21</sup>".
36. Various historical narrations point to the reality that the Freedom Charter is a product of intensive campaigns and engagement with the people of South Africa. The ANC NEC report to the 44<sup>th</sup> National Conference says that the Freedom Charter was adopted with "one million signatures: 450,000 in the Transvaal; 350,000 in the Cape; 150,000 in Natal; and 50,000 in the Free State". The million signatures appended to the Freedom Charter happened within a population of 12,5 million people in South Africa, and this illustrates the weight the Freedom Charter has and no one could ever think of undermining or misinterpreting the Freedom Charter. The Freedom Charter belongs to the people of South Africa and such will never change anytime soon.
37. To signify the vitality of the Freedom Charter in the African National Congress, the 1958 Constitution of the ANC declared that the Charter as one of the ANC's aims and objectives. Under aims and objects, the 1958 ANC Constitution commits the ANC, "to strive for the attainment of universal adult suffrage and the creation of a united democratic South Africa on the principles outlined in the Freedom Charter<sup>22</sup>". The ANC Constitution adopted in the 1991 National Conference reaffirms the same principle in saying that the aims and objectives of the ANC shall be "To end apartheid in all its forms and transform South Africa as rapidly as possible into a united, non-racial, non-sexist and democratic country based on the principles of the Freedom Charter<sup>23</sup>". Since 1991, the ANC compels all its members to sign a declaration upon joining the organisation to solemnly declare to "abide by the aims and objectives of the ANC as set out in the Constitution and the Freedom Charter<sup>24</sup>". What this means is that all members of the ANC

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<sup>18</sup> ANC National Executive Committee report, ANC 44<sup>TH</sup> National Conference, 1955.

<sup>19</sup> Nelson Mandela, (1956), *In our Lifetime*, Liberation, June 1956.

<sup>20</sup> *Ibid.*

<sup>21</sup> Nelson Mandela, (1956), *In our Lifetime*, Liberation, June 1956

<sup>22</sup> ANC Constitution, January 1958.

<sup>23</sup> ANC Constitution, 1991

<sup>24</sup> ANC Constitution, 1991, 1994, 1997, 2002, 2007.

currently joined the ANC to amongst other things, fulfil the principles of the Freedom Charter. The 1994, 1997, 2002 and 2007 Constitution re-affirms the principles of the Freedom Charter as aims and objectives of the ANC and obliges all members to abide by it's the Charter upon joining the African National Congress.

38. The vitality of the Freedom Charter in the Congress Movement cannot be overemphasised because it occupies a special space in the Congress movement. The Freedom Charter is the lifeblood of the Congress Movement and any attempt to replace it as a strategic vision has potential to turn the Congress alliance into a myopic formation. It is not only the replacement of the Freedom Charter which will impact on the ideological character of the Congress movement, but also attempts and actions that seek to give it a liberal interpretation.

### **Nationalisation vs. Ownership by the people as a whole**

39. In the ANC, “transfer of mineral wealth beneath the soil, monopoly industries and banks to the ownership of the people as a whole” was correctly understood as nationalisation, if the government that nationalises can justly claim authority and based on the will of the people. In the aftermath of the ANC’s adoption of the Freedom Charter, the ANC recurrently affirmed “transfer of ownership to the people as a whole” as amounting to a legitimate government’s control and ownership of the commanding heights of the economy or nationalisation.
40. In 1955, the revolutionary ANC secretary general, Walter Sisulu said of the Freedom Charter that, “ it [The Freedom Charter] is the basic law of our liberatory movement, a declaration of principles uniting all the people in our land, except for the few reactionaries, who see in the Charter the end of their long established domination and exploitation. The Charter is the picture of future South Africa, in which oppression and exploitation shall be no more<sup>25</sup>”.
41. Responding to a critique of the Freedom Charter by a Jordan K. Ngubane, who was against the economic clause of the Freedom Charter, President Albert Luthuli said in June 1956 that, “In modern society, even amongst the so-called capitalistic countries, nationalisation of certain industries and commercial undertakings has become an accepted and established fact. Only the uninitiated and ignorant would suggest that the Union of South Africa is going to Moscow because its Railways, Broadcasting and Post Office services are nationalised<sup>26</sup>”. President Luthuli further illustrated that nationalisation as called for in South Africa and in the Freedom Charter did not amount to the Moscow style command economy, and this point is categorically stated in the July 2009 ANC YL’s conceptual basis on nationalisation.
42. Again in 1956, a leader of the ANC, Nelson Mandela said, “It is true that in demanding the nationalisation of the banks, the gold mines and the land the Charter strikes a fatal blow at the financial and gold-mining monopolies and farming interests that have for centuries plundered the country and condemned its people to servitude. But such a step is

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<sup>25</sup> Walter Sisulu, (1955), *Forward with the Freedom Charter*, Fighting Talk Journal, 1955.

<sup>26</sup> Chief Albert Luthuli, A REPLY BY ALBERT LUTHULI TO MR. JORDAN K. NGUBANE’S ATTACKS ON THE AFRICAN NATIONAL CONGRESS, JUNE 5, 1956.

absolutely imperative and necessary because the realisation of the Charter is inconceivable, in fact impossible, unless and until these monopolies are first smashed up and the national wealth of the country turned over to the people<sup>27</sup>". There is absolutely no confusion on the understanding the leadership of the ANC had on the Freedom Charter, and the contemporary interpretations should not confuse us.

43. Former ANC President Oliver Tambo said in the 1969 political report of the National Executive Committee to the National Consultative Conference in Morogoro that, "At the moment there are vast monopolies whose existence affects the livelihood of large numbers of our people and whose ownership is in the hands of Europeans only. It is necessary for monopolies which vitally affect the social well-being of our people such as the mines, the sugar and wine industry to be transferred to public ownership so that they can be used to uplift the life of all the people<sup>28</sup>". In his first public address after release from prison, former President Nelson Mandela said, "nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our view in this regard is inconceivable<sup>29</sup>". Oliver Tambo, Walter Sisulu, Chief Albert Luthuli and Nelson Mandela played critical role in the consultation for the Freedom Charter and adoption by the ANC, and they could not be mistaken.

44. In 1955, South Africa's economy was monumentally dependant on the extraction, production and trade of Mineral Resources. Minerals beneath the soil, whilst prospectively useful, cannot be shared amongst the people because they are beneath the soil, not extracted, produced and traded. The only reasonable way to ensure that the people share in the country's wealth through transfer of mineral wealth beneath the soil to the ownership of the people as a whole had to necessarily happen through extraction, production, trade and beneficiation of these minerals. Reducing the "transfer ownership of mineral wealth beneath the soil" as literally referring to controlling of mineral rights is totally disingenuous and dishonest, and squarely falls within the liberal interpretation of what the Freedom Charter envisages.

## E. WHY NATIONALISE MINES?

45. Whilst the Freedom Charter says the democratic government should transfer minerals wealth beneath the soil to the ownership of the people as a whole, such cannot be the only reason why Nationalisation should be pursued now. Various reasons added to the Freedom Charter exist on why nationalisation of Mines in South Africa ought to happen in the current economic and political conjuncture. This includes but not limited to the following; a) Nationalisation to increase the State's fiscal capacity and better the working conditions, b) Nationalisation as a basis for industrialisation, c) Nationalisation as a means to safeguard sovereignty, d) nationalisation as a basis to transform accumulation path in the South African economy, and e) nationalisation to transform South Africa's unequal spatial development patterns. These reasons are equally important and should be concurrently pursued in the same manner the National Democratic Revolution seeks to concurrently resolve the national, class and gender contradictions.

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<sup>27</sup> Nelson Mandela, (1956), *In our Lifetime*, Liberation, June 1956

<sup>28</sup> ANC National Executive Committee Political Report to the 1<sup>st</sup> National Consultative Conference, Morogoro, 1969.

<sup>29</sup> Nelson Mandela public addresses in Cape Town, February 1990

**a) Nationalisation to increase the State's fiscal capacity and better the working conditions:**

46. The government revenue that is generated from taxes will not be able to build better lives for all South Africans. Government cannot solely rely on taxes to deliver better services to majority of our people. South African will not be able to deal with the housing backlog, free education access, better healthcare, safety and security, employment of particularly youth if we are not in control of the key and strategic sectors of the South African economy. The wealth of South Africa should benefit all who live in it.
47. Botswana case study presents a case on why nationalisation of strategic minerals can benefit the South African State. In Botswana, the State is in a 50% each partnership with De Beers in a mining joint venture called Debswana Diamond Company Ltd. Debswana was formed as the De Beers Botswana Mining Company on June 23, 1969, after De Beers geologists identified diamond-bearing deposits at Orapa in the 1960s. Over the next five years, the government of Botswana increased its ownership stake from an original 15% to a full 50%. In 1991, the company changed names to Debswana Diamond Company Ltd and moved its headquarters to Gaborone.
48. Diamond mining activities have fuelled much of the growth in Botswana's economy, allowing it to grow from one of the poorest countries in the world when it became independent in 1966 to a "middle income" nation, with \$9,200 per capita income in 2004<sup>30</sup>. Largely because of this, Botswana is considered by two major investment services to be the safest credit risk in Africa. Diamonds account for fully one third of the nation's GDP, over 90% of earnings from exports, and 50% of government revenues. Debswana is the largest non-government employer in the country, employing approximately 6,300 people, of whom over 93% are Botswana citizens. Debswana is also the largest earner of foreign currency.
49. Despite the 50% government ownership and control, Debswana pays tax and royalties to the Botswana government. The Botswana government utilises the revenue generated from diamond mining to finance its socio-economic development, particularly the education of Botswana students in and outside the country. Whilst characterised by various other control and management weaknesses, the Botswana model of ownership and benefiting from its mineral resources is an important lesson, which should be considered in South Africa's transfer of minerals wealth to the ownership of the people as a whole.
50. In South Africa, De Beers complies to the MPRDA provisions of 30% of its shares and control being controlled by historically disadvantaged individuals. The weakness with South Africa's share model is that it benefits few individuals instead of large communities and the people as a whole. Whilst the intention to integrate historically disadvantaged individuals into mining is noble, it should not be pursued at the expense of the entire population and communities. The principle should forever be people sharing in the country's wealth. How such should be realised will be explained in detail below.
51. It is an open secret that ordinary workers in Mines are the least beneficiaries of mining in South Africa either as recipients of salaries and stakeholders in mining. Mineworkers in

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<sup>30</sup> Botswana's Economy—Encyclopedia of the World Economy

South Africa are underpaid and work under difficult conditions and unsafe Mines. Their workplaces and socio-economic existence expose these workers to fatal diseases and accidents. Nationalised Mines should be beacons of safer working environments and better working conditions, as they will not be in narrow pursuit of profits at the expense of community and human development.

**b) Nationalise to Industrialise and Create more jobs.**

52. The ANC 52<sup>nd</sup> National Conference says that “creation of decent work opportunities [should be] the primary focus of economic policies<sup>31</sup>”. Conference further committed to transform structures of production and ownership, including through an “active and well-resourced industrial and trade policy aimed at creating decent work through expansion of labour absorbing sectors, diversifying our industrial and services base, pursuing an active beneficiation strategy, building sustainable export industries, and expanding production for domestic and regional consumption<sup>32</sup>”. This is vital because the massive challenges of poverty and underdevelopment of our communities are somewhat dynamically and directly linked to the lack of jobs in South Africa. In line the Conference resolutions and 2009 ANC Elections Manifesto, the Nationalisation of Mines should be directed towards higher levels of labour-absorption.

53. With State ownership and control of Mineral Resources, South Africa will be able to attract industrial investors, who will contribute to the growth of the economy, transfer skills, education and expertise to locals and give them sustainable jobs. It can never be correct that an absolute majority of the Minerals we produce is exported to other countries, with very little efforts to build internal capacity to beneficiate these minerals. Nationalisation of Mines will lead to greater local beneficiation, industrialisation, growth of the economy and jobs for majority of our people. The industrial strategy adopted by government will never succeed unless we have State control and ownership of the natural resources. We need metals, iron ore, gold, platinum, COAL, chrome, manganese and many other minerals to industrialise. South Africa’s skills development efforts should be dynamically (not exclusively) linked to the industrialisation of minerals wealth.

54. South Africa also needs to produce more cheaper and affordable energy for the benefit of our communities and also attract more investors who will use our energy capacity. COAL is necessary in this aspect and we should be in control and ownership of majority of coal Mining in South Africa. The State should directly link energy production in ESKOM with coal Mining, such that the State owned and controlled coal Mining company directly provides coal to ESKOM without the hustles of the present coal mining corporations, who are always ready to qualitatively and quantitatively under-supply ESKOM in pursuit of bigger profits outside the country.

55. The United Nations Development Programme (UNDP) attributes the levels of mass unemployment in South Africa to two factors: “insufficiency in the rate of output growth” and “declining labour intensity of production in the formal economy”, (Pollin et al, 2006: 67). The UNDP argues concerning the first factor that economic growth was not sufficient to keep up with the growing population, particularly as it relates to job creation. Secondly,

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<sup>31</sup> ANC 52<sup>nd</sup> National Conference Economic Transformation resolution.

<sup>32</sup> ANC 52<sup>nd</sup> National Conference Economic Transformation resolution.

the UNDP illustrates the point that the number of workers utilised per output... fell by average of four percent between 1967 and 2001, (Pollin et al, 2006: 68). After making these observations, the UNDP projects that if South Africa proceeds along this approximate growth pattern for the next decade, it is estimated—using a series of reasonable assumptions about labour force growth and the ratio of informal/formal employment— that official unemployment will have risen to roughly 33 percent as of 2014” (Pollin et al, 2006: 17).

56. There are very strong elements of truth and reality in the UNPD study of massive unemployment patterns in South Africa, which should really shape developmental thinking and planning in South Africa over the next few years. This is not to underestimate other interventions proposed, but to highlight the fact that although there is a rigorous commitment to public infrastructural investment and skills acquisition within the developmental state trajectory, the point about employment creation and poverty reduction has been missed. Most of the employment opportunities that are State propelled through the Expanded Public Works Programme (EPWP) are largely in the Construction sector, and virtually always, a huge number of jobs in the Construction sector are low quality and unsustainable.

57. To effectively and practically address these challenges, (the) majority of South Africa’s employment should be derived from labour-absorptive and commodity producing economic activities that are linked to areas of our economic strength. The strength of the South African economy can be derived from the country’s potential control of strategic Minerals’ reserves such as platinum group metals, manganese, chrome, aluminium, gold and coal. South Africa government’s ownership and control of these strategic minerals, whilst dynamically linked to the world economy, can be used as attraction of industrial, instead of extracting investors. The labour-absorption potential of Minerals processing and beneficiation is not insignificant and can decidedly deal with our unemployment crisis. It is objective reality currently that “11 out of every 12 diamonds sold globally are cut in and polished in India, and employs more than a million people most of whom have little or no formal education”. This solely relates to diamond, not the other 53 Minerals found and extracted from South Africa’s Mines.

### **c) Nationalisation as a means to safeguard sovereignty**

58. In 1962, the United Nations General Assembly adopted resolution 1802, which amongst other things affirmed “the rights of peoples and nations to permanent sovereignty over their wealth and resources must be exercised in the interest of their national development and of the well-being of the people of the state concerned”. This was further re-affirmed in 1974 in the UN Declaration on the Establishment of a New Economic Order and the Rights and Duties of States, in saying that “Every State has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of its people, without outside interference, coercion or threat in any form whatsoever”. This is very important because post colonial control, subjugation and dominance, former colonies continue to be trapped in coloniser-colonised relationship rooted on the reality that the economies, particularly natural resources of former colonies continue to be controlled by former colonies.

59. Whilst important, investments are often used as a way to undermine countries' economic sovereignty. In South Africa, the African National Congress' good intention to construct a democratic developmental state might be undermined by the whims and needs of foreign investors who wittingly or unwittingly place conditionalities before investing. It is not uncommon for the political leadership in the ANC and alliance to defer or even avoid taking sovereign decisions in fear of investors and markets. A reasonable ownership and control over our natural resources will certainly give the people of South Africa through their responsible political leadership to guide and channel all foreign investment into the country's developmental agenda. Historically, the ANC has correctly said that political freedom without economic freedom is nothing.
60. Majority of Foreign Direct Investments are not devoted to new, job creating investment but to Mergers and Acquisitions which almost invariably result in job losses. In South Africa, the biggest FDIs in the democratic dispensation such as Barclays and Vodafone were mainly acquisitions and did not substantially alter the living conditions of our people through creation of quality jobs. This is not to say that FDI should altogether be disowned, yet a developmental state should have the necessary capacity to ensure that the investments are directed towards sustainable development, employment creation and betterment of the people's lives.
61. The Minerals and Petroleum Resources Development Act acknowledges the principle of sovereign States to control its natural and mineral resources. Under fundamental principles, the Act "recognises the internationally accepted right of the State to exercise sovereignty over all the mineral and petroleum resources within the Republic". The Act further declares an intention to "give effect to the principle of the State's custodianship of the nation and petroleum resources". This principle is not different from the ANC Youth League's 23<sup>rd</sup> National Congress resolution that "the State should be custodian of the people in its ownership, extraction, production and trade of mineral wealth beneath the soil, monopoly industries and banks".

**d) Nationalisation as a basis to transform the accumulation path in the South African economy:**

62. Although related to the above component, it is important to highlight the fact that the South African economy as it currently stands bears strong features of all colonial economies. Primarily, all colonial economies were positioned as sources and reserves of primary goods and services for the colonisers' economies. Post political independence, many if not all post colonial economies continued to function and operate in the same manner colonisers designed them—exporters of primary commodities and importers of finished goods and services. This pattern has a direct impact on the sustainability of post colonial economies as they are heavily reliant on the demand of their goods and services by former colonisers and bigger market economies.
63. Within this context, the South African Communist Party acknowledges the noble principle and objective that in South Africa, "the key question in the transformation of our economy is that of seeking to build an economy that breaks its CST character and take it out of its dependent-development path. The task is that of an economy that challenges and transforms the dominant power of the mining-energy-finance monopoly capital". In essence, this entails that our economy should break free from total dependence on the

power of the mining-energy-finance monopoly capital. This is important because minerals resources are non-renewable resources, which will be depleted with the passage of times. It is therefore a noble objective to growth and diversifies the South African economy in a context where the State is in control and ownership of the strategic sectors of the South African economy. The current property relations, wherein few corporations are in control of minerals resources does not provide a viable case and space for economic diversification because it is not in their immediate interest and benefit.

#### **e) Nationalisation to transform South Africa's unequal spatial development patterns**

64. Nationalised Mines ought to lead to a Spatial Development Framework that should necessarily decentralise development. The National Spatial Development Perspective developed by government's Policy Coordination and Advisory Services (PCAS) makes correct observations about South Africa's space economy, including the fact that "26 locations represent the engines of the South African economy, home to 77% of all people living under minimum living level in the country, 84% of the total population and generating 95% of the national Gross Value Added (GVA)<sup>33</sup>".
65. With these observations, the NSDP envisions to focus growth and employment in areas where it is purportedly effective and sustainable. The NSDP principled aims in localities considered to have low development potential is to focus government spending on providing social transfers, human resource development and labour market intelligence which would enable people to make choices: become more mobile and migrate to localities that are more likely to provide sustainable employment or other economic opportunities<sup>34</sup>. Whilst this might be a correct intervention, there should be consideration of creating incentives for minerals-centred Industrial Development Zones (IDZs) to spread out development and economic opportunities to localities that have high levels of poverty and unemployment and have beneath the soil, mineral resources and reserves which could constitute a basis for sustainable development.
66. For instance, Limpopo has poverty rate of 77% (HSRC, 2004), and unemployment rate (expanded definition) of 51,5% (StatsSA Labour Force Survey, 2006). Limpopo is home to reserves of various mineral wealth, and a deliberate developmental strategy could be enacted along these lines. With such rates of poverty and unemployment, it could not be wrong for government to provide incentives through cost reduction of labour absorptive production and beneficiation process of minerals. These are some considerations, which require a detailed assessment and consideration in altering the spatial economy. Agro-processing is one area that need specific attention and could lead to creation of quality sustainable employment.
67. Areas such as Sekhukhune, Rustenburg, Burgersfort, Emalahleni have far greater economic potential because of the mineral resources underneath the soil. These should be deliberately developed, benefited and industrialised to enhance and harness economic and human development in these territories. If Johannesburg could development into a modern city with a huge population and market within a short period of time on the backdrop of mineral resources, Rustenburg and Sekhukhune can be

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<sup>33</sup> RSA PCAS, National Spatial Development Programme, 2009.

<sup>34</sup> Ibid.

developed into cities. The development of other areas and territories into economic centres also assists in dealing with the congestion of poverty in very few cities in the country. In South Africa, more than five Provinces are almost totally reliant on Johannesburg for employment, opportunities and development. Such should be discontinued through a deliberate development and industrialisation of areas and territories with economic potential.

## **F. WHAT IS TO BE DONE?**

68. This section outlines a concrete process towards the nationalisation of Mines. Presented here are three different models, which on implementation and focus should be accorded equal focus and attention without compromising or giving much attention to any of the three components. In no preferential sequence, the ANC government should a) establish a State Mining Company; b) put in place a democratic, open and clearly defined expropriation (with and without compensation) model, and c) amend the Minerals and Petroleum Resources Development Act to allow greater State participation in the exploration, extraction, production, processing, trading and beneficiation of Mineral Resources in South Africa.

### ***a) State Mining Company***

69. The South African government should officially establish a State Owned Mining Company, which will under its control bring the currently State Owned Alexkor, State Diamond Trader and all State shares in mining activities, SASOL and Provincial Agencies. The State Mining Company will be under the direct supervision of the Department of Mineral Resources and fundamentally responsible for the following tasks:

- a. Own and control South Africa's mineral resources;
- b. Maximise the nation's economic gain from the mineral resources;
- c. Contribute to South Africa's social and economic development;
- d. Develop and maintain strong environmental and safety standards; and
- e. Develop the mineral resources in a careful and deliberate manner.

70. The State Owned Mining Company should necessarily operate differently to how most State Owned Enterprises, such as ESKOM, TRANSNET, SAA, etc., operate. The fundamental difference will be that it will not be run like a private business corporation whose extent of progress is solely measured through the amount of profit generated. The ANC 52<sup>nd</sup> National Conference already resolved that "a developmental state (which the ANC has committed to build) must ensure that our national resource endowments, including land, water, minerals and marine resources are exploited to effectively maximise the growth, development and employment potential embedded in such national assets and not purely for profit maximization".

71. The State Owned Mining Company's progress should be measured as per its ability, capacity and coherent determination to create jobs, maximization of the country's gain from mineral resources, contribution to socio-economic development and assistance of communities where mining happens. This will conspicuously require greater levels of accountability, openness and engagement with communities, workers and other important stakeholders in the determination of the responsibilities of the Company.

Additional to high level management team which will give direction to the State Owned Mining Company, it should legislatively be compelled to recurrently consult and collectively take decisions with mining communities, workers and other vital stakeholders. The involvement of communities, workers and other stakeholders is meant to avoid the top-down bureaucratic model which might take mining decisions inconsistent with the interests of people who should benefit from mining.

72. This perspective is fully aware of the existence of the State-owned African Exploration Mining & Finance Corporation (AEMFC). The functions and mandate of the AEMFC should consistent with the principle established here, be integrated into the State Owned Mining Company whose responsibilities are outlined above. Importantly, the State Owned Mining Company should attract the best of skills, expertise and knowledge on how best minerals are extracted, produced, beneficiated and traded for the mineral resources in South Africa.

### ***b) Expropriation Model***

73. Section 25 of the Republic of South Africa Constitution (known as the Property Clause) protects private property, but also calls on the State to “take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis”. This is within the basis of a subsection that says, “Property may be expropriated only in terms of law of general application... for a public purpose or in the public interest”. Furthermore, the Property Clause says that “no provision of this section (Property Clause) may impede the state from taking legislative and other measures to achieve land, water and related reform, in order to redress the results of past racial discrimination, provided that any departure from the provisions of this section is in accordance with the provisions of section 36(1)”.
74. Whilst consistent with the spirit of the Constitution, the ANC’s interpretation of the section 25 of the Constitution should not be narrowly legalistic, and in the process falling into the scope of counter-transformation and reactionary Constitutionalists, whose interests is to solidify the imbalances and inequalities of the past. Nationalisation of Mines in South Africa is not only in the public interest, but decisively redresses the historical injustices of dispossession, forced labour, disorganisation of indigenous people through forced migrant labour and taxation. The ANC government should within this context decisively utilise political power in a responsible, transformative and developmental manner in ensuring that the injustices of the past are redressed.
75. Concretely, the African National Congress should utilise its capacity to lead society, parliament and government to re-introduce the Expropriation Bill in Parliament, which clearly spell out how the State should expropriate Mines and other property in the public interest without or with compensation, depending on the balance of probabilities. The expropriation bill should be consistent with the ANC’s Strategy & Tactics that “since 1994, the balance of forces has shifted in favour of the forces of change” and that such “provides the basis for speedier implementation of programmes to build a truly democratic and prosperous society”.

76. The Expropriation Act will guide the State's nationalisation of existing Mines and mining activities. This should necessarily be done in a manner that guarantees socio-economic development, without disrupting the operations and employment of workers in the Mines that should be nationalised. Depending on the balance of probabilities, the State can expropriate not less than 50% of the existing Mines. This effectively should result in the State controlling, benefiting and taking liability of the existing Mines' operations and functionality whilst complying with the country's taxation and royalties requirements and provisions.

***c) Amend the Minerals and Petroleum Resources Development Act***

77. The Minerals and Petroleum Resources Development Act compels the applying for Mining Rights to have not less than 30% equity ownership and control by historically disadvantaged individuals. Whilst not eroding the initial intention, the MPRDA should be amended to say the Corporations applying for mining in South Africa should be in partnership with the State Owned Mining Company, wherein the State owns not less than 60% of the shares and right of determination.

78. The amended Act should apply to new mining licences and all those who seek to renew their licenses. In order to have a clearer regulatory framework on this principle, the South African government should place a moratorium on the issuing of licences until the Act has been amended. The process to amend the Act should be an open democratic process involving all stakeholders and should happen immediately after the ANC has officially resolved on the perspective in the 53<sup>rd</sup> National Conference in 2012. The ANC National General Council in September 2010 will give concrete guidelines on how certain process should unfold.

79. The amended MPRDA should not undermine and rubbish legislations regulating the Minerals and Petroleum industry in South Africa, but should decidedly be directed towards total alteration of property relations in South Africa. The other legislations that should be upheld include the Section 24 of the Constitution, which calls for the nation's mineral and petroleum resources to be developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development. The principle that the "mineral and petroleum resources are the common heritage of all the people of South Africa and [that] the State is the custodian thereof for the benefit of all South Africans" should underpin all legislations about the country's mineral resources.

**G. WHAT ARE THE POTENTIAL CHALLENGES?**

80. There expectedly is going to be a certain degree of opposition to the principle and practice of nationalisation of Mines. Opposition to Nationalisation of Mines has various ideological, political, technical, capacity and subjective undertones seeking to protect political and private interests.

81. The State capacity to manage enterprises is doubted, often in comparison to the State's oversight or lack thereof of key State owned enterprises such as the South African Airways (SAA), ESKOM, SABC and Denel. The comparison is not fair because in most instances, these have failed due to sheer criminality, mismanagement and patronage which

characterised the most of these entities and very weak accountability systems. The capacity of the State to decisively intervene in SAA and ESKOM for instance was inhibited by lack of proper systems and legislative framework concerning the extent of interventions the State can make alongside Boards of Directors.

82. In the management of vital resources such as minerals and Mines, a need will certainly arise for strong accountability systems and legislative guidelines of how Mines are operated, buttressed by strong public accountability mechanisms. With the lessons derived from SAA, ESKOM, DENEL, and countries that are in Minerals extraction partnerships, South Africa is suitably located to could propose a more effective, efficient and durable mechanism, systems and legislative framework to manage Mines more efficiently. So the failed cases of SAA and ESKOM should not serve as a discouragement to the State's control and ownership of Mines, but as a lesson of what should be done moving forward.
83. Most of the Black Economic Empowerment (BEE) beneficiaries of The Minerals and Petroleum Resources Development Act and various Mining Charters are neither mining experts, nor engineers. An absolute majority of Mines' shareholders are not mining experts and engineers, and some do not even know where the actual mining is happening. What shareholders do is put in place proper systems for the running of mines, yet is the biggest beneficiaries of mining in South Africa. The South African post democratic administration is maturing and could be able to own mines and utilise the existent skills and capacity to ensure that as many people as possible benefit from mining activities. Majority of South Africa's mining engineers are produced by South Africa's institutions of higher learning.
84. There is sufficient capacity amongst people who are currently running Mines to operate Mines on behalf of the State. Nationalisation does not mean that the people currently operating private Mining activities will be demolished; it instead means that ownership will change. With the State as a major shareholder, then the proceeds of Mineral wealth will be directed towards development of Mining communities and contribute to the national budget for other useful expenditures such as education, health, rural development and beneficiation of these minerals. One vital point to mention is that performance of companies is not just a function of private or public ownership, but mainly a function of control. For instance, PETROSA, TRANSNET, ACSA have been doing well, and there are so many privately owned companies that are badly managed, so the whole narrow neo-liberal approach of linking public ownership with inefficiency does not apply.
85. Despite these realities, a substantial question should be asked as to the intended developmental success indicators expected from State owned enterprises as opposed to private enterprises in the context of a developmental state. This is important because that State's participation in Mining should never be about profit maximisation. The State's role should be about creation of quality jobs, development of skills, knowledge and expertise about Mining and mineral resources in South Africa. The success of the State's ownership and control of Mines in South Africa should be measured as per the number of quality jobs created, skills produced, and certainly the revenue generated for further development of Mining and communities.

86. The ANC 52<sup>nd</sup> National Conference resolved to strengthen “the role of state-owned enterprises and ensuring that, whilst remaining financially viable, SOEs, agencies and utilities - as well as companies in which the state has significant shareholding - respond to a clearly defined public mandate and act in terms of our overarching industrial policy and economic transformation objectives”. This should be effected within the State Owned Mining Company.
87. The other potential challenge to the Nationalisation of Mines will come from those who have private interests in Mining. These include the established mining corporations and recent past beneficiaries of mining activities. These interests should altogether be dismissed as they have potential to undermine the thoroughgoing pace of the National Democratic Revolution. No amount of narrow private interests should be allowed to block the long overdue nationalisation of Mines in South Africa.
88. The last potential challenge to nationalisation of Mines in South Africa will be the lame reference to the failed State Owned Copper Mines in countries such as Zambia. The Zambian Copper Mines failed because copper as a strategic commodity in the world economy gradually lost value and significance, and that does not apply to the strategic minerals underneath South Africa’s soil, such as Gold, Diamond, Platinum, Chrome, Coal, etc. The model and approach to nationalisation of Mines should not ignore the failed cases of State ownership and control, but should instead derive lessons on best the State can guide economic and human development through State control of the economy’s strategic sectors.

## **H. CONCLUSION**

89. For durable socio-economic development and historical justice, the African National Congress should responsibly use the political power it holds on behalf of the people to exert progressive change. The 16 years of South Africa’s democratic dispensation has come with lots of challenges, but also lots of lessons on how better the ANC can change people’s lives for the better. South Africa remains one of the most unequal societies in the world with massive unemployment and poverty challenges and the key towards unlocking such lies with the will of the people, which has been temporarily given to the African National Congress as leaders of government. The ANC has therefore a responsibility to change society for the better and ensure that all South Africans share in the country’s wealth.
90. Minerals resources are non-renewable resources and the further we extract these resources, the further we deplete South Africa’s potential wealth and strategic economic importance and significance in the world economy. It is therefore the responsibility of the ANC government to ensure that minerals wealth is utilised in an environmentally friendly fashion and economically durable manner for the benefit of all people. All the big Mining corporations that currently benefit from South Africa’s wealth were built on the foundation of poor people’s sweat and blood as cheap labourers, slaves and underpaid workers in the Mines. The people of South Africa should share in the country’s wealth. The mineral wealth beneath the soil, monopoly industries and banks should be transferred to the ownership of the people as a whole.

## **DRAFT RESOLUTION OF MINERALS AND NATIONALISATION OF MINES:**

### **Believing that**

- The Freedom Charter remains the strategic objective of the African National Congress and a beacon of hope for the absolute majority of South Africans.
- All economic transformation perspectives and resolutions of the ANC are guided by the Freedom Charter's clarion call that "The people shall share in the country's wealth"
- The freedom charter's commitment and objective that "the mineral wealth beneath the soil, banks and monopoly industries shall be transferred to the ownership of the people as whole" is understood in the ANC to mean amongst other things, nationalisation of Mines.
- the legacy of colonialism and apartheid continues to reproduce patterns of development and underdevelopment in our society,
- Minerals are at the strategic centre of South Africa's economic, political and social development,
- The central and most pressing challenges we face are unemployment, poverty and inequality. In this regard, we commit to move with speed to transform the economy and realise the objectives of the freedom charter,
- The assertion of the ANC Strategy & Tactics that "overall, since 1994, the balance of forces has shifted in favour of the forces of change. It provides the basis for speedier implementation of programmes to build a truly democratic and prosperous society".

### **Noting that**

- That South African continues to export a substantial majority of its mineral resources with little and no efforts for beneficiation and industrialisation of the mineral resources
- Legislation that govern Minerals in South Africa, particularly the Minerals and Petroleum Resources Development Act, which acknowledges that:
  - minerals are non-renewable resources and they belong to the nation with the state as the custodian
  - there is an obligation to ensure their sustainable development and to protect the environment
  - Results of past discrimination should be redressed through, among others, equitable access and promotion of local and rural development.
- The history of oppression premised on the extraction of Minerals in South Africa,
- Since 1994, the ANC government has achieved many social transformation objectives, but has not decisively transferred wealth from the white minority to the black majority,

### **Therefore resolve to**

- Nationalise South Africa's Mines for the following purposes
  - Increase fiscal capacity for developmental purposes, particularly the funding of education, healthcare, housing, and infrastructure development,
  - better working conditions of Mineworkers including through increasing of Mineworkers' minimum wage
  - Transform South Africa's accumulation path in a manner defined in the discussion document
  - Industrialise and beneficiation of minerals resources extracted from beneath the soil.
  - Transform spatial development patterns inherited from the past
- The Nationalisation of Mines should be underpinned by the following keys principles and actions:
  - Development of Minerals Strategy which will clearly define the State's interests and participation in minerals development and mining in South Africa.
  - Establishment of a State Owned Mining Company, which will be the custodian of all State's interests in mining, including the existing ones in Alexkor, AFMC and LimDev.

- The State Owned Mining Company should assemble and consolidate all State interests, resources and capacity into a single entity, which will extract and trade minerals on behalf of the State.
- Passing of an Expropriation Act, which will clearly define the State's public interest expropriation model and practice with or without compensation,
- Amendment of the Minerals and Petroleum Resources Development Act to include a clause that compels all Mining Corporations to partner the State on a minimum of 60 to 40 percent arrangements for all mining activities.
- Establishment of a State Bank, which will finance all Mining operations and development projects around the State,
- Development of a concrete social and labour development model, which will ensure that communities around the Mines are developed out of the proceeds of Mining,

#### **STATE OWNED MINING COMPANY**

- The State Owned Mining Company should be established and be under the direct supervision of the Department of Mineral Resources (not Public Enterprises) and fundamentally responsible for the following tasks:
  - Own and control South Africa's mineral resources;
  - Maximise the nation's economic gain from the mineral resources;
  - Contribute to South Africa's social and economic development;
  - Develop and maintain strong environmental and safety standards; and
  - Develop the mineral resources in a careful and deliberate manner.
  - **Develop strategies for Skills development in the Mining sector, including through establishment of Mining colleges for low, intermediary and high intensive skills development of all people.**
- The State Owned Mining Company should be established through an ACT of Parliament, which should clearly define its tasks, responsibilities, accountability mechanisms.
- The SOMCO should necessarily gather all the State's interests in Mining including those in Allexkor, African Exploration Mining & Finance Corporation (AEMFC) and various other Stakes which government holds through Provincial parastatals and shares in bigger mining corporation.
- A Minimum of 60% of the Mineral resources extracted by the State Owned Mining Company should be locally beneficiated and industrialized, and 50% of such beneficiation and industrialization of minerals should happen in the Mining Communities.
- **Strong accountability mechanisms should be instituted to guide how those who work for SOMCO do not redirect its resources into their individuals benefit and progress.**
  - Strong Community involvement and National Accountability Forum on the management of the Mining resources. There should be an annual Stakeholders' Mining Conference to discuss the direction and content of the SOMCO activities, including its finances, community development programmes.
  - Those involved in the running of the State Owned Mining Company should be closely monitored and processed for honesty purposes. Assessment of SOMCO should include all employees of the Company.
- The State Owned Mining Company will within a broader Minerals Strategy ensure that all the beneficiation and industrialisation of minerals benefits all people.
- Importantly, the State Owned Mining Company should attract the best of skills, expertise and knowledge on how best minerals are extracted, produced, beneficiated and traded for the mineral resources in South Africa.