

## **ANC Youth League submission to Parliamentary Portfolio Committee on Mining's Hearings on the establishment of the State Owned Mining Company:**

**26 May 2010**

1. South Africa is the richest country in the World, because of its mineral deposits and reserves. There is no credible research report in the entire world that disputes the fact that South Africa is rich with strategic, precious and industrial metals.
2. South Africa is known throughout the world as a treasure trove, boasts an abundance of mineral resources, producing and owning a significant proportion of the world's minerals.
3. South Africa's wealth has been built on the country's vast resources - nearly 90% of the platinum metals on Earth, 80% of the manganese, 73% of the chrome, 45% of the vanadium and 41% of the gold. Only crude oil and bauxite are not found in South Africa. The recent report outcome by Citigroup confirms that South Africa is the richest country in the world with mineral deposits worth more than 2.5 thousand billion US Dollars.
4. The richness of South African happens alongside high levels of poverty, unemployment and massive inequalities.
5. The single most important issue facing South Africa 16 years after the transition to democracy is breaking the grip of poverty on a substantial portion of its citizens.
6. There is a consensus amongst most economic and political analysts that approximately 40% of South Africans are living in poverty. with the poorest 15% in a desperate struggle to survive.
7. This means that approximately 18 million out of 48 million people have not experienced the benefits of our newly found freedom.
8. Young people are the most affected by the massive poverty and, unemployment and inequality challenges.
9. A substantial number of South Africans are poor and dependent on government funded social grants.
10. There are historical and real economic reasons why majority of our people continue to live in abject poverty in the sea of richness.
11. Joblessness is one of the major contributors to poverty, starvation and many other social ills.
12. The South African economy continues to exclude a substantial number of our people, while benefitting few previously advantaged individuals.
13. It is now common knowledge that the ANC Youth League has called for the country's Mines to be nationalised, as part of our political programme for total economic emancipation in our lifetime.
14. We said Nationalisation should be considered because it is the most practical way to open up opportunities for all South Africans, create more jobs and develop the South African economy through beneficiation and industrialisation of minerals.
15. Our document for nationalisation of Mines includes a concrete proposal that the State should establish a State Owned Mining Company.
16. We are aware that there is a difference between Nationalisation and establishment of the State Owned Mining Company. Parliament and the

Department of Mineral Resources should correctly go ahead with efforts to establish a State Owned Mining Company, and Nationalisation of Mines will be resolved on a different platform.

17. The State currently owns PetroSA, but it does not mean that the whole of the petroleum, gas and fuel industry is nationalised and the same applies to SAA, SABC, and other State Owned enterprises.
18. That is the reason why we are here to input substantively on the establishment of the State Owned Mining Company, and nationalisation we will discuss and resolve in the ANC because it is on the agenda of the ANC.
19. The ANC Youth League is of the view that a State Owned Mining Company should be established and the State lays a far much greater role in the extraction, beneficiation, production, industrialisation and Trade of Mineral resources.
20. But we also believe that the State Owned Mining Company can do the following.
  - a. Increase the budget of the State for social development purposes, e.g. Health, Education, Rural development, fight against crime and job creation.
  - b. Lay a very firm basis for the country's minerals to be locally beneficiated and industrialised.
  - c. Change the South African economy from over-dependence and reliance of exporting of natural resources and importing of finished goods and services.
  - d. Create new economic centres of development outside of Johannesburg, Durban and Cape Town.
  - e. Could improve the working conditions and salaries of Mine workers.
21. 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.
22. 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 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.
23. 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.
24. 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.

25. 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.
26. 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.
27. 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.
28. Nationalised Mines ought to lead to a Spatial Development Framework that should necessarily decentralise development.
29. 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, beneficiated and industrialised to enhance and harness economic and human development in these territories.

### **30. What is to be done?**

31. All Mineral rights should be transferred to the State Owned Mining Company, which will from time to time make partnerships with private corporations, where the State will hold a minimum of 60% shares, and for the remainder of the 40%, the private corporations should pay royalties and tax.
32. The State should impose a moratorium on the provision of Mineral rights, and a new mechanism developed on how new licences should be issued to the State Owned Mining Company.
33. 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:
  - 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.
  - f. **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.**
34. The State Owned Mining Company should be established through an ACT of Parliament, which should clearly define its tasks, responsibilities, accountability mechanisms.
35. 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.

36. 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.
37. **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.**
  - a. 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.
  - b. 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.
38. The State Owned Mining Company will within a broader Minerals Strategy ensure that all the beneficiation and industrialisation of minerals benefits all people.
39. 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.
40. 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.
41. 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.
42. The Department of Mineral Resources' Annual South African Minerals Industry (SAMI) says: "As a major mining country, South Africa's strengths include a high level of technical and production expertise as well as comprehensive research and development skills.
43. South African Universities continue to produce Mining Engineers and skilled strategic leaders of both the private and public sector.
44. The question will have to be how the State channels this expertise into the State Owned Mining Company.
45. Developing countries, e.g. Venezuela looking up to South Africa for the expertise and skill to mine.
46. The State should channel these capabilities and expertise to useful outcomes in the State Owned Mining Company.
47. State Owned PetroSA is a good lesson and comparison to the State owned Mining Company, because it is State Owned and does business in a highly competitive environment of oil. PetroSA is currently building a 400 000 barrel per day oil refinery and Coega and it is State Owned.
48. For sustainable socio-economic development and historical justice, this Parliament 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 State can change people's lives for the better.

49. 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 this Parliament. We therefore have a responsibility to change society for the better and ensure that all South Africans share in the country's wealth.
50. 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.
51. It is therefore the responsibility of this Parliament 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.
52. LIKE PARLIAMENT DID WHEN ADOPTING THE MINERALS AND PETROLEUM RESOURCES DEVELOPMENT ACT IN 2002, we believe that this Parliament will be decisive and pass the ACT of Parliament establishing the State Owned Mining Company.
53. 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.

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