

Regulatory environment threatens investment in mining

 By [Nicci Botha](#)

9 Feb 2018

After a tumultuous ride, the world economy pendulum is starting to swing in favour of commodities, but it's the current regulatory environment that is the real trial facing the South African mining industry.



Roger Baxter, CEO: South African Chamber of Mines

“The challenges of the regulatory environment in 2017 were arguably the worst the industry has ever experienced. The extent of the damage done to South Africa’s institutions, the economy as a whole and the mining industry in particular, has been immense. The unilaterally imposed revised Mining Charter resulted in a loss to South African listed mining companies of R51bn in one day,” Roger Baxter, CEO of the South African Chamber of Mines, told the Investing in Africa Mining Indaba.

This has eroded business and investor confidence. Baxter used the [Fraser Institute Investment Attractiveness Index](#) to illustrate the mismatch between prospective and current outcomes. The report ranks South Africa in top quartile for mineral potential, but lower than other mining jurisdictions in terms of best practice policy, legislation, regulation and operating environment.

Survey

“We, at the chamber know that the current policy and regulatory environment has been holding this industry back. But, we wondered, by how much. So, we asked our members: what would be the outcome in terms of mining investment if there was an improved policy and regulatory environment in South Africa?” he said.

In total, 16 entities representing member companies making up the bulk of mining production in South Africa across various sectors participated in the survey. “While this is a useful result, it does tell us that our estimates are under-reported, and that the figures report are likely to be significantly higher in reality,” he said.

The report points to the absence of a nurturing environment to stimulate long-term investment, exacerbated by a regulator which has failed to build partnerships for growth. “It should be no surprise that the ongoing policy and legislative uncertainty, with the publication of the deeply flawed June 2017 Reviewed Mining Charter, was the biggest blow to the industry in many years.”

Poor governance in the Department of Mineral Resources, with political interference in awarding prospecting and mining rights, allegations of state capture, unethical leadership, the hollowing out of capacity in the department, were also factor.

Infrastructure constraints were also cited as impediments to competitiveness and investment, as well as failing local authorities, which have exacerbated the lack of trust between business and society, and have had a very real impact on mining operations.

“From the survey, it is very clear that the uncertain political outlook, coupled with unprecedented low levels of business and investor confidence, act as disincentives for investment in mining in South Africa, but also in relation to other sectors,” Baxter said.

Capital expenditure

Another critical finding was the estimated currently planned capital expenditure over the next four years of R145bn (stay-in-business) capital could increase by R122bn (or 84%).

“This would have a significant direct and indirect impact on our economy and society, not least of which is the potential for job creation. Around 48,000 could be created in the industry, with both direct and indirect jobs created amount to around 150,000,” he said.

“There has been a resurgence in energy and confidence in the South African mining industry, and the rand. Of course, so much of our investment world is driven by perception and certainty, and we are not out of the woods yet. That said, the chamber and its members are cautiously optimistic about initial signals from new leadership of ruling party.”

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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