
INVESTMENT GUIDE — MINING THOUGHTS

JULIE BAIN



MISERABLE WAGES, MUCH ANGST

South Africa's mining companies are struggling to appease stakeholders, shareholders, government and employees. The five-month long platinum strike has left a bitter taste and labor relations are at their lowest ebb since the first democratic elections in 1994.

The environment is so challenging that in August the chairman of Chamber of Mines state intervention in the minerals sector (Sims) committee, Andile Sangqu, says the industry has to recognize it has a crisis on its hands.

Sangqu says the situation could change if all parties work together. If the parties can't achieve a more equitable relationship there will be further job losses, more violence and less tax revenue.

Government has tried before, but not hard enough. Kgalema Motlanthe, the country's former deputy president, established a framework agreement for sustainable mining. It was undermined from the start because the rising Association of Mineworkers and Construction Union (Amcu) did not sign up. Amcu spearheaded the platinum strike and many of its members were killed in the Marikana massacre more than two years ago.

The Marikana tragedy stands out as a pivotal moment in labor relations. It highlighted how far apart the actions of the companies and the wants of the workers were. Even with 34 miners dead, not much has changed aside from rises in salaries.

The miners were striking for more pay and improved working and living conditions. Many companies have provided housing and community

services, but the legacy of apartheid and the sinister parentalism of colonialism played a major role in the deterioration of relations. Many employees expected companies to provide much of what they needed, from houses to hospitals. In the past, miners lived in hostels. Wages were meagre but living expenses were less than those living in their own accommodation. Hostel living was abysmal and, as part of the Minerals Petroleum Resources Development Act (MPRDA), companies were instructed to phase out these lodgings.

The legacy of parentalism, cheap labor and exploitation led to the dramatic gulf in thinking between employers and employees. For miners who had no opportunity of a basic education, the ability to manage their money was a challenge. Many fell prey to unsecured lenders, lured by the prospect of furniture and appliances purchased on credit for an often-distant family. In August, African Bank, the biggest of the unsecured lenders, collapsed because clients couldn't repay their debts.

In trying to improve conditions for workers, the government may have left some in the lurch, changing the playing field abruptly with only limited ability to assess if companies were doing its bidding. The companies could have done more, but as the legislation changed, more back up was needed from the state. Companies were expected to develop community infrastructure, something that should be the role of government.

While some companies shirked their duties, others did provide non-hostel accommodation, education

programs and medical care. Still, many point the finger at companies for the breakdown of relations between worker and employer. They were given further ammunition when it emerged many mining bosses are paid salaries comparable to developed world rates while workers' pay mirrors that of underdeveloped countries. A Mergence Investment Managers study exposed the gulf. Anglo American Platinum CEO, Chris Griffith receives annual remuneration of \$1.6 million, 257 times higher than the company's lowest paid worker.

Much of the blame for the deterioration of relations lies with government and its inability to regulate mining companies' compliance with the mining charter as laid out in the MPRDA. It also failed to act when labor relations took on an overtly political and violent twist. And when it did act, the outcome was the Marikana massacre.

So, as Cyril Ramaphosa, the current deputy president and former non-executive director of platinum company Lonmin, is cast as the bad black capitalist at the Marikana enquiry, government is as quick to point the finger at companies and errant unions. It is effectively passing the buck when the fault lines lead directly to the Union Buildings.

The hope is Ngoako Ramatlhodi, the new mining minister who has been active since taking up his post, will be a catalyst for meaningful change. The first positive step he took was to become involved in the efforts to resolve the mining strike. This was in stark contrast to his predecessor Susan Shabangu. 