

Does the SA mining industry have a future?

By  Danette Breitenbach

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Over the past decade, local mining's financial performance has been stable, but there's been no growth and the cost side of the business has increased.



Photo: mining-technology.com

"From a capital expenditure point of view, we are concerned that the industry is not really investing in new projects. Presently this is a big concern, especially when you consider mining is a long-term game. This causes concerns for the future long-term sustainability of the industry."

Despite this, Andries Rossouw, mining assurance partner and project leader, PwC, is optimistic about the local industry's future. "The mining industry works on a long-term basis, and therefore there is a long-term future for it."

He acknowledges that the industry is struggling at the moment, but he says there has been a recovery in iron ore and gold prices."

"In the previous year there was a massive decrease in bulk commodity prices those prices. This year we are seeing some increases so hopefully those price decreases have bottomed out and we can start to see further increases in those prices," Sizwe Masondo, director and PwC mining assurance partner adds.

Rossouw and Masondo were presenting the ninth edition of *SA Mine* from PwC in Johannesburg, Gauteng.

Change the way we mine

Both agree that for the industry to move into the future, South Africa has to change the way it mines. "A conventional mine cannot be converted to a modern mine overnight; it just doesn't happen. But if we get new technologies in place to mine at deep levels at a more efficient and more practical basis, then there is a future for the mining industry," says Masondo.

While mines are investing in technology, they need to reconsider the way they're mining. There are companies that are starting to do it now, he says. "While it is just not worth it on the current basis, that doesn't mean there's no long-term future for mining. As soon as your price incentive for it is big enough then the investment will follow."

Stable regulatory environment

Apart looking ahead to technology, we should be creating an investor friendly environment, with a stable regulatory environment, he adds. "South Africa has got fantastic infrastructure and that's a huge benefit along with our fantastic resource base. It does give us a competitive advantage. If you price investment in South Africa because you don't have to supply the infrastructure, it's there already, it makes a huge difference versus doing something in, for example, the DRC."

If we look forward in terms of what needs to happen, I think it goes without saying that the industry needs to have more certainty, says Masondo.

"It is a very risky industry, that is a very capital-intensive industry, and to attract investors you need to make sure you provide them with the confidence that the money they put in will be realised over time."

Therefore, he adds, there is a need for the industry, together with government, to get together and create more certainty around the industry.

"Regulatory uncertainty is pricy. Any investor making an investment decision factors it in, and if there's uncertainty they just add the margin that they need before they start investing to make the decision," concurs Rossouw.

"While 2017 was positive, with the start of increases in earnings and that's positive and we need to see more of that to ensure the long-term sustainability of the industry," says Masondo.

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Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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