

Living in La La Land

By  Danette Breitenbach

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Is South Africa still an investors' dream or are we living in La La Land?

Mining in this country is the most devastated industry - without a world war. A major reason is South Africa's uncertain regulatory environment, and despite the quality resources in the ground, no investment will take place until a stable regulatory environment is established.



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The previous political regime meant that the country could not get international finance and commodity prices were terrible. Everything was against it. Yet, today, everything is in our favour, yet we still can't crack the mark.

This was the consensus of delegates attending The Joburg Indaba Commodities Breakfast.

While there is some optimism globally, with exploration increasing in Africa, this is not the case in South Africa. "We are consistently on the back foot and it is a high probability that we will be there again. Policy certainty would be one way to avoid going down this road again," Abrie Olivier, strategy & innovation leader, Deloitte points out.

He adds that it needs to be noted that countries with a much higher risk profile than South Africa are seeing investment. "Why are investors going to the DRC for example and not South Africa? We need to examine this and be innovative in

addressing it.”

Policy change

“The DRC wrecked their industry, then reverted that decline through policy change. The fall and rise of Zambia’s copper belt tells the same story. Chile is another example. In 1980, they had a policy change in face of facing copper prices and it saved their industry,” says Peter Major, director, mining, Cadiz Corporate Solutions.

“South Africa was once an investor’s dream. Maybe it can be again, if we have policy change,” he adds.

Henk de Hoop, business development director, Rand Merchant Bank says the industry has for too long over promised, so investors are skittish. “The best projects are behind us and the ones left are hard work. A large number of smaller projects will also not hold up the mining industry, so it is unlikely we will see reinvestment into the country.”

A perfect storm

We are building on marginal projects and projects that were previously not possible, now are, says Deshnee Naidoo, CEO, Zinc International and CMT, Vedanta Resources. “Mining companies need to carry on with their efficiency drives.”

She adds that the country’s mining industry has not used the commodities crisis wisely. “There is a lot more that the industry could have done to set itself up for the price reprieve, despite prices still not being great. However, there has been some progress in terms of technology.”

Naidoo says the industry is experiencing a perfect storm, citing cut production, Brexit, the United States elections, weather patterns and strikes globally on the supply side, while on the demand side there are still huge inventories on the ground. “The opportunity the perfect storm offers is that the debt markets are bit more open so we will see M&A activity starting now.”

Costs, safety and production

Paul van Zijl, executive director, Sub-Sahara Africa Natural Resources, JP Morgan, says we should focus on what we can control. “In theory, we should be able to control costs, safety and production and they need to be a key focus of the industry.”

The optimistic voice in the room belonged to Jacques Erasmus, global head of mining, KPMG. “Chaos always creates opportunities, so it is about figuring out how and where these are.”

ABOUT DANETTE BREITENBACH

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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