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MINING RESOURCES INVESTMENT OUTLOOK

Governments must stay out of business

Mining congress told Africa needs to send out a consistent message

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POLITICAL developments in SA such as the formation of a state-owned mining company and talk of nationalisation in political circles were unnerving foreign investors, Canada-SA Chamber of Business president Bruce Shapiro said yesterday.

He told the two-day Africa Mining Congress in Sandton that although Africa was generously endowed with mineral resources, it was competing with other mineral-rich regions such as Russia and South America for foreign investment. Therefore, African governments needed to send consistent and positive messages to investors.

Other examples of investor-unfriendly government actions were changes in Zambia's tax laws and the Democratic Republic of Congo's recent review of mining licences to suit the current government, he said.

Tim Hughes, of the South African Institute of International Affairs, suggested current trends were towards increasing state involvement in the economy, with government bail-outs for banks and car makers in developed countries.

But Shapiro said the only reason for government involvement in those industries was that regulation had failed. Governments needed to extract themselves from private enterprise as quickly as possible. Once government was involved in an industry, businesses tended to withdraw from it since government did not compete on an equal basis, he said.

In the current downturn, Chinese companies were investing even more aggressively around the world in a number of sectors, Kobus van der Wath, MD of the Beijing Axis, told the conference. Resources was the most strategically important such sector.

In 2001, Chinese overseas investment was worth \$700m, which rose to \$56bn last year. This year, Chinese global investment was expected to be \$60-80bn.

Van der Wath said he did not subscribe to the theory that Chinese industrialisation and urbanisation would create a "supercycle" in demand for commodities, but he expected there would be a lengthy period of steady growth.

The central and western parts of China were extremely undeveloped and private consumption expenditure in the country was only 30% of gross domestic product, compared with 70% in the US. China's involvement in the global economy was only beginning and it would have a fundamental influence on geopolitics, markets and competition, he said.

The responsibility lay with governments to ensure that environmental, community and safety standards were protected rather than to ban Chinese investors.

Anglo Coal SA CEO Ben Magara said the company believed the downturn, though severe, was part of a normal economic cycle and it was important to plan beyond it and keep investing in the future. Anglo Coal's R4bn Zondagsfontein coal project, which was employing 4 500 people during the construction phase, was on schedule to start producing coal in the third quarter, he said.

The company was also planning the New Largo colliery, to come on stream in 2012-13, and the Elders mine. In the Waterberg, Anglo Coal had 4-billion tons of coal deposits and was assessing the size of its underground gas resources.

Its first coal-bed methane project was now generating about 0,2MW of power, which was being fed into the national grid.