



Brigadier Stokes Memorial
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Reflections on the past 25 years in the mining industry

Con Fauconnier

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'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.'
These are the opening words of Charles Dickens' novel, *A Tale of Two Cities*, which is set in the time of the French Revolution in the late 1700s and in which Dickens was sympathetic to the overthrow of the French aristocracy but highly critical of the reign that followed. Looking back today one may be excused for thinking he was referring to the monumental events of 1994 that accompanied the dawn of true democracy in our country and, by extension, our industry and our august Institute.

It is fortuitous that the centenary of the SAIMM on 19 May, 1994 came a mere 22 days after the first democratic elections in our country, as the changes since then have impacted our country, our industry and our Institute in irreversible ways, mostly good but in recent years often less so. In the case of the SAIMM, I believe the way in which we were impacted by, and responded to, these changes has resulted in a more robust and representative industry body better reflecting the demographics of our country than in the past and steadfastly making an invaluable contribution to the well-being of our industry. I believe we continue to live up to the aspirations of the first President of our Institute, Mr W. Bettel, who 125 years ago, at his inaugural Presidential Address, expressed the aspirations of the Society as follows: *'It will be our endeavour to promote good fellowship among its members, and by social intercourse, exchange of ideas and research, ... enable us to keep abreast of scientific progress ...'*. Since our centenary we have continued to soldier on in this spirit.

1994 was a time of great hope and excitement for most South Africans, tempered by a modicum of understandable anxiety about the uncharted waters we were entering. The mining industry, as one of the major contributing industries to our national wealth, was no

exception. Today there is general agreement among most South Africans that we were blessed to have had in our first President, Nelson Mandela, a person who preached, practised, and promoted unity, tolerance, and nation building, and who steered us through turbulent change with calmness and aplomb.

However, the reality of 1994 was that change was necessary and inevitable and in many ways the mining industry was to become a forerunner in this regard. The reality of this revolutionary, yet peaceful change was fully entrenched with the adoption of the South African Constitution and its attendant Bill of Rights in May 1996 as the solid foundation on which change would be built. With this as background, the biggest change, to my mind, that would affect our industry and our country was the dynamic shift in the ownership, management, and development of the country's substantial mineral heritage as ultimately embodied in the *Mineral and Petroleum Resources Development Act of 2002 (MPRDA)* and its much-publicized Broad-Based Socio-Economic Empowerment Charter. The major impact of the Act, breaking with the past, was that the state became the custodian of all mineral rights in South Africa to facilitate the attainment of government's objectives for the industry.

While the MPRDA was preceded by normal regulatory processes, kick-started by the establishment in 1995 of a Mineral Policy Steering Committee by none other than the inimitable former Minister of Foreign Affairs, Minister Pik Botha, then Minister of Mineral and Energy Affairs (DMEA), the formulation of the new Mining Charter had a much more colourful and rocky history which remains disappointingly unsettled to this day. Section 100 (2) (a) of the MPRDA stated that the Minister of the DMEA had to, within six months from the date on which the Act took effect, develop a Broad-Based Socio-Economic Empowerment Charter to ensure the attainment of government's objectives of redressing social and economic inequalities of the past, as stated in the Constitution.

The government's first controversial draft of the Charter, dated 18 June 2002, was leaked to the press on 25 July 2002 via well-known journalist, David McKay of Miningweb. The main concern with this draft was the proposal that control (51 per cent) of all new mines would have to be in the hands of black business within ten years. To this day the source of the leak remains unknown but it set the proverbial cat amongst the pigeons. Investors unceremoniously dumped South African mining equities and within days some R50 billion was wiped off the market value of shares listed on the JSE. There was pandemonium and the industry, the financial markets, and the country were in turmoil. However, sometimes adversity brings to the fore the best in people, as the Roman poet Horace once noted: *'Adversity has the effect of eliciting talents, which in prosperous circumstances would have lain dormant'*. This proved to be the case when the fallout from the leaked Charter galvanized the main stakeholders in our industry into action. A comparatively small multilateral team, consisting of representatives from government (DMEA), large employers (Chamber of Mines of South Africa), emerging miners (South African Mining Development Association), labour (National Union of Mineworkers), and traditional communities got together under the Chairmanship of Sandile Nogxina, then Director General of the DMEA, and went into self-imposed lockdown at Mbulwa near Sabie in Mpumalanga, to try and salvage what they could from the crisis caused by the leaked Charter. Within days a new conceptual Charter, representing the consensus view of the main stakeholders in the industry, was drafted and formed the basis of further detailed negotiations, including the drafting of an appropriate scorecard for the Charter. On 11 October 2002, all parties signed the final document entitled *'Broad Based Socio Economic Empowerment Charter for the Mining Industry'*, which became the first Charter of its kind in South Africa. I was privileged to be part of the initial negotiating team at Mbulwa and eventually, in my capacity as Vice-President of the Chamber of Mines at the time, to sign the final Charter on behalf of the Chamber.

For me this first Charter was one of the major events/turning points in our industry in the past 25 years. It was

also a very positive time for our industry under the capable guidance of Minister Phumzile Mlambo-Ngcuka. The aftermath of the leaked Charter and the creation of the first Charter left us with a spirit of cooperation, common cause, and a willingness to resolve industry issues through positive discussion. Unfortunately, much of that spirit has been lost in recent years in the attempts to create Mining Charter III. This was particularly discouraging during the Zuma presidency, especially so during the tenure of Minister Mosebenzi Zwane whose actions amounted to nothing less than a Faustian farce which turned speculation into a fine art and inflicted incalculable damage on our industry and country. It is my hope that the current regime of President Cyril Ramaphosa will lift us from this nadir of despair and restore mining to its former glory and its ability to contribute positively to our national prosperity.

On a more personal note, the biggest change for me over the past 25 years came in the form of the unbundling of the iconic Iscor Limited in 2001 to create Kumba Resources Limited and the subsequent unbundling of Kumba Resources in 2006 to create Kumba Iron Ore Limited and Exxaro Resources Limited, the latter as one of the most successful black-empowered companies today.

I joined Iscor in late 1995 when the change of 1994 was gaining momentum and propelling us to an uncertain future at seemingly breakneck speed. Iscor, for various reasons, was in the thick of things. The inimitable Hans Smith, then Executive Chairman of Iscor, and the late Ben Alberts, Past President of our Institute and Managing Director of Iscor Mining, persuaded me to join Iscor at a time when the company was in dire straits financially due to severely depressed steel prices, ageing infrastructure, and a bloated workforce, a legacy of its parastatal past. Iscor had been privatized only six years earlier in 1989 and Hans Smith, who in 1993 was appointed as its first Managing Director from outside the company, realized that drastic action was necessary. He immediately started with a programme of infrastructure renewal in the steel mills and offering voluntary severance packages to employees over the age of fifty as emergency actions. It was also decided to limit steel

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production in its existing plants and to develop its mining arm as the growth vehicle for the company for the future, hence my appointment in 1995 as General Manager, Business Development for Iscor Mining.

The above actions, although necessary and helpful, were insufficient to stem the tide and in 1996 we embarked on a comprehensive re-engineering programme for the whole group which, by the year 2000, had resulted in the retrenchment of some 30 000 people out of a workforce of about 56 000. Amazingly this reduction was achieved without any labour disruptions but, as can be imagined, it was not a pleasant time for anyone in the company. However, it had to be done and the net result was that the company not only survived but prospered through events that followed.

On the positive side, during all this turmoil, Iscor and the IDC in a joint venture decided to proceed with the construction of a modern, state-of-the-art steel plant in Saldanha Bay, which was designed to produce high-quality ultra-thin gauge product, using as underlying steelmaking technology a combination of a Corex liquid ironmaking unit and a Midrex direct iron reduction shaft, with the latter using surplus Corex off-gas as a reducing agent.

Although the existing steel plants had improved their productivity tremendously through re-engineering and there was the excitement of new steel capacity at Saldanha on the horizon, mining was still the mainstay of earnings for the group. Despite this, Iscor was regarded as a steel company and treated as such by investors. As mining stocks were generally more favourably regarded by investors, the

board of Iscor in early 2001 decided to proceed with the unbundling of Iscor into a mining and a steel company in order to unlock value for its long-suffering shareholders.

In the course of 2001, the unbundling of Iscor was mapped out and on 26 November 2001 Kumba Resources Limited was born as a new mining company and listed on the JSE, while on the same day Iscor Limited was re-listed as a pure steel company. I was privileged to be the first and only CEO of Kumba Resources, as 5 years later, on 27 November 2006, we unbundled Kumba Resources to list its iron ore assets as Kumba Iron Ore Limited and merged its non-iron ore assets with Eyesizwe Coal, a black empowerment group headed by Siphon Nkosi, to form and list Exxaro Resources Limited as the largest black-owned mining company in the country. I was appointed CEO of Exxaro for the first year of its existence, after which I handed the reins to my good friend and colleague, Siphon Nkosi who very ably led the company to greater heights until his retirement in 2016 when he passed the baton to Mxolisi Mgojo, the current CEO and member of the original Eyesizwe Coal team.

One of Shakespeare's plays has it that *'All's well that ends well'* and so it is with the SAIMM and the progeny of Iscor today, having survived and prospered despite the turbulence of the past 25 years. The SAIMM is stronger than ever and the original Iscor, which had a market capitalization of some R8 billion before unbundling in November 2001, today has in Exxaro Resources, Kumba Iron Ore, and Arcelor Mittal SA (Iscor renamed) a combined market capitalization of some R140 billion. Good memories indeed! *



Con Faucommier and Siphon Nkosi at the JSE on the day Exxaro Resources Limited was listed on the JSE (27 November 2006)