



“We are being proactive”

insight speaks to Veston Malango, General Manager of the Chamber of Mines of Namibia

I: Aren't government and the Chamber on a collision course over a number of big issues such as the mining royalty tax and value addition?

VM: I wouldn't describe it as a collision course but we have a difference of opinion. I am optimistic it can be resolved.

I: But what room is there for compromise?

VM: The issue is not that the mining industry doesn't want to pay royalty. That must be very clear. Our position is that we could pay royalty but then you have to look at the whole taxation system. Currently if you compare in the region our corporate tax is the highest at 37.5%. If you could look at a corporate tax rate that was much lower, then you could talk of imposing a royalty of between 1% and 5%.

I: Are you then in negotiations with government?

VM: We have agreed with MME what is the way forward to resolve the issue around the royalty tax. The Ministry has set up a committee headed by the Mining Com-

missioner which would invite operations to come and present and say why they cannot pay the royalty to that extent and to show the financial status of the operations. We have also agreed that the Chamber of Mines was to give the final presentation to the Minister to sum it all up. Now the importance of us coming last is because we appreciate the Minister doesn't want to restrict the presentations to operating mines. The royalty tax is creating serious problems for exploration companies. We as the Chamber will represent the exploration companies.

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I: But government has already pencilled in N\$30 million from this tax in the budget!

VM: Government is listening. It's a question of how articulate we are as a Chamber to drive these things home. My consolation is that we have such a wonderful

working relationship.

I: You say you have a wonderful working relationship but from the outside it looks more like the dialogue of the deaf?

VM: Of course, the manner in which the tax was announced is something else. In fact industry was surprised and dismayed and immediately contacted the Office of the Mining Commissioner. The biggest consolation is the fact that the Minister admitted that it shouldn't have been announced in the way it was and I think that is positive. I like to believe the Ministry erred just like anyone else.

I: But isn't government working on a new tax in the new Minerals Act?

VM: That's what I hear but a few weeks ago I received a letter from the PS of Mines inviting me to MME's Minerals Bill committee to work on the current Minerals Bill which I understand is with the legal drafters. We're going to relook at all these issues and to make sure that the interests of the industry are taken care of.

I: So is the Chamber convinced that the

industry is doing as much value addition in Namibia as is economically viable?

VM: Unfortunately that is the perception that is out there. We are very much aware of it. One of our main challenges is to change that perception. There are a lot of myths about value addition. My job is to demystify value addition.

I: Well, let's try and demystify it. What mining operations in Namibia have the potential for greater value addition?

VM: That's a good question. You have to look at it from the economic point of view. I'm now driving two concepts within value addition: mining beneficiation and manufacturing beneficiation. I'm simply saying there is an end line beyond which the mining industry cannot put anything further in terms of beneficiation. Anything that happens thereafter to our mineral products should be seen as manufacturing beneficiation.

I: Does the Chamber believe there is potential for more cutting and polishing of diamonds in Namibia?

VM: The Chamber supports all forms of beneficiation. I was involved in the Diamond Act which paved the way for diamond cutting and polishing and I'm very proud of that piece of legislation. There is a concern that the cutting factories are struggling to get the rough they need.

I: Because government hasn't invoked the relevant sections of the Diamond Act? All these companies have come here in the mistaken belief that they would have access to Namibia's rough diamonds.

VM: If the cutting industry is to flourish there has to be rough. The sections you are referring to were meant to make provision for this.

I: So why hasn't this happened?

VM: My understanding is that this is precisely what is being looked at in the negotiations that are going on. Government is working on that. I'm not privy to the outcome. My understanding from the media is that there is a stalemate.

I: But does the Chamber believe potential exists?

VM: There is potential. But the point I'm making here supports my concept of min-

ing and manufacturing beneficiation. Cutting and polishing is outside the ambit of mining companies. The point I'd like to make is that mining thrives on inherited comparative advantages – mineral resource endowment, land and low cost labour. Manufacturing thrives on competitive advantages – skills, knowledge, technology – which have got to be acquired or created. Our position is that we would like to assist the Ministry of Trade and Industry to advise how value addition based on our mineral products can be enhanced. Mining creates a platform for industrialisation.

“The Chamber has cautioned the Ministry that it should not go along the prescriptive South African route of empowerment”

I: But we've seen many countries with thriving mining industries, especially in Africa, not going that further step.

VM: That's my point. If you expect the mining multinationals to do the industrialisation for you then of course you are in for a big surprise. You've got to bring in other multinationals who are traditionally in manufacturing and that will depend on your economic environment. And that environment is what we are saying to Trade and Industry, we want to help the government to create it.

I: You mentioned Ongopolo but we know things are not going well there. Has the company been run on business principles? Does it have a sustainable business future?

VM: I believe it has a future. We've got resources. We need to do much more exploration. The results of all the money and government guarantees are there for all to see at Otjihase exploration drilling and Kombat shaft sinking project which is now complete.

I: Isn't the hard reality that Ongopolo was insufficiently capitalized when it was set up and we tried to do BEE on the cheap?

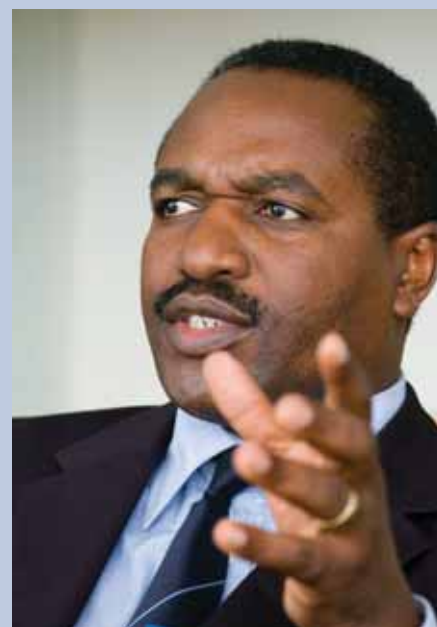
VM: Certainly Ongopolo needed much more money to do the exploration but who would give the money? My understanding is that government has sanctioned the deal between Ongopolo and Weatherly International. No one wants to see Ongopolo fail.

I: Is Weatherly a good strategic partner?

VM: Weatherly is not the best option but you see, we've got a situation where we've got to choose between two devils. It's either Weatherly or Ongopolo falls down. Ongopolo is in such a situation that you can't bargain from such a weak position. If Ongopolo had had discussions even six months ago I think we would have had a better deal.

I: From the outside the Chamber has always seemed a rather sleepy organisation with a very low public profile. As new GM will you do anything differently from your predecessors?

VM: We are looking at a new Chamber. My position is that it has to be revamped to meet the challenges of today. The Chamber's members are expecting much more than before. We want to be proactive. We now have a Chamber website which makes information available. People are excited. They phone me up from all over the world. Secondly the Chamber and government have no choice but to work together in promoting Namibia. We made a resolution to promote Namibia jointly. This year we were there at the mining indaba in Cape Town for the first time ever and by the way we had a joint booth – government through MME and the private sector through the Chamber. It can't be better than that! We are even sharing the costs. The thrust of the new Chamber is service delivery. I want the members to see that it pays to belong to the Chamber. I must tell you I'm very happy with the response that I'm seeing. I'm actu-





ally keeping people at bay from joining. I'm saying you wait until you get your mineral rights then I will table your application to the Chamber's council. We are a very slim Chamber, but we are trying to do so much.

I: Are you happy with the performance of the Ministry of Mines and Energy?

VM: It is very clear that Chamber members are not very happy with the performance of the Ministry. But when the industry says it is not happy it's on one issue – licensing and the Office of the Mining Commissioner. It is the slow pace at which mineral rights are processed. On other matters such as geological data, it is world class. The Mining Commissioner has told us of the problems they are having. It starts with qualified staff to do the vetting of applications. His cry is that if he is given two or three additional qualified and experienced geologists, he can do wonders. We are asking government to recruit more qualified staff.

I: But isn't the truth that you as an industry pinch all the people from the Ministry? Government pays to train all these people who then go off and get much nicer jobs with industry?

VM: I don't think so. I think what industry does is good for government. The Mining Commissioner needs geologists who have experience in the field not young students straight out of university. The best the Ministry can do is to allow graduates

to go on job attachments. That is what the Mining Commissioner needs.

VM: If government lets us do what we are doing right now we will take this country to greater heights. The investment climate as far as mining is concerned has been very good since independence. Our position is that we don't want government to destroy what we have enjoyed since independence. The situation we are having with the royalty issue has the potential to basically disrupt the successes we have built to date.

“We don't want government to destroy what we have enjoyed since independence.”

I: You say we've been successful under the Minerals Act but the hard fact is we've only seen one new mine open.

VM: As a success factor you can use the number of mines opened since independence but that's not the only factor. We've seen a lot of reinvestment in existing operations –Rössing, Okorusu, Navachab – which is basically like opening another mine! But coming back to your question, commodity prices we are enjoying now have stimulated interest in exploration but investors stayed back during periods of bottom metal prices. Another point which is rarely talked about is the issue of technology. Skorpion was not there be-

cause the technology was not there to extract zinc from an oxide ore body.

I: Is the industry putting enough money into bursaries?

VM: Yes big time. Rössing alone is funding over 80 bursaries at NIMT alone. We have a big shortage of artisans. The executive director of NIMT is now on the Chamber council. NIMT itself is a product of the mining industry! The Chamber itself had to sell the residence of the General Manager in an up market residential area and put the proceeds in an investment account. All interests generated are used to finance bursary students at NIMT every year. We've got to do much more than before. There's another threat. If we're not careful we'll even start losing our artisans to South Africa.

I: Does the Chamber have a view on how a BEE policy should be pursued by government?

VM: A few years back we were requested to draw up a mining charter. What the Chamber did then was to look at all aspects of empowerment. Consequently the Chamber has come up with what we are calling the seven pillars of empowerment: ownership, literacy and numeracy, education and training, employment practices, community development, procurement and beneficiation. That proposal was presented to the Minister of Mines. In fact I have now been contacted by the PS of Mines to join the Ministry to refine the various ideas including ours to produce the mining charter. At the same time the Chamber has cautioned the Ministry that it should not go along the prescriptive South African route of empowerment. We're privileged to be able to learn the lessons from South Africa. Whilst the intentions are good, from what we hear the results are not what was intended. Empowerment is driving away investment. But again we are being proactive because as you are aware there is no national policy and legal framework on BEE. The southern mines of Namdeb, Skorpion and Rosh Pinah together formed an association for driving empowerment through procurement. The Chamber has endorsed this initiative and together with MME, the Namibia Preferential Procurement Council was launched in early December 2005. My job is to encourage other Chamber members to join the NPPC because we believe it offers an excellent opportunity for empowerment. 