**STATEMENT ISSUED ON BEHALF OF:**

AngloGold Ashanti | Gold Fields | Rand Uranium | Harmony Gold
Evander Gold Mine | Sibanye Gold | Village Main Reef

collectively representing the gold producers who are represented in wage negotiations by the **CHAMBER OF MINES**

# GOLD PRODUCERS CLARIFY STANCE ON WAGE IMPASSE

***Johannesburg, 29 August 2013***: Harmony chief executive Graham Briggs, speaking on behalf of the gold producers represented by the Chamber of Mines of South Africa, addressed the media in Johannesburg today. The briefing comes two days after the gold producers' (AngloGold Ashanti, Gold Fields, Rand Uranium, Harmony Gold, Evander Gold Mine, Sibanye Gold, Village Main Reef) final offer to all unions in respect of wages and other terms and conditions of employment, and its rejection by the unions today. The employers have received a certificate of non-resolution from the CCMA.

The following contains extracts from the briefing:

Mr Briggs noted that, despite the fact that the deadline for acceptance of the offer has passed, the employers remain open to conversation. "Our final offer is just that – a final offer – and it remains on the table. It is an offer that has been well considered and debated at length and is, in my view, a good offer. Our approach since the onset of wage negotiations has been to align our offer with inflation, and to recognise greater need at entry level. We have done so.

Briggs outlined the final offer on the table, which was made to all unions – namely AMCU, NUM, Solidarity and UASA – as follows:

- an increase in basic wages of 6.5% for Category 4 and 5 employees (including rock drill operators);
- an offer of 6% on basic wage for Category 6 to 8, as well as to Miners and Artisans, and Officials; and
- living-out/accommodation allowances will be increased in accordance with CPI.

In addition, the employers have offered all employees within the bargaining unit the opportunity to earn an additional 1% on basic wages by way of a 'Gain Share' proposal. Harmony is proposing a continuation of its 1% profit share agreement.

The offer is for a two-year period, with the same increase offered for the second year. The proposed increase offered brings the average monthly guaranteed benefit for an entry level, underground employee in the gold sector to R9,170 per month. This includes the basic wage, the employer contribution to provident fund, the cost of a medical benefit, a housing benefit or allowance, a holiday leave allowance and a food allowance or benefit. It excludes UIF and other statutory contributions. Average overtime and bonus income would amount to R1,750 per month, bringing the total monthly package – on average – to around R10,920 per month.

“Given that entry level employees in the gold sector would typically be new to the industry, we believe this number compares well when compared to other sectors:

- an entry level semi-skilled worker in the civil engineering sector would be earning a minimum wage (i.e. a basic wage and excluding other aspects of guaranteed pay) of R 3,994 per month;
- in the manufacturing sector he/she would be earning a minimum wage of R4,534 per month; and
- entry-level secondary school teachers earn approximately R9,000 per month.

“We cannot allow the union posturing and rivalry to be the determining factor in these negotiations. If we do not settle and get on with the business of gold mining, we are going to continue to slip in international rankings – South Africa is now the sixth-largest producer in the world. In 2012, South Africa’s gold production was at its lowest level since 1905. Ironically, South Africa still holds the largest gold resources in the world – something which should be viewed as a great national asset.

**No individual settlements**

“We would also like to make it very clear that the industry **is not prepared to settle individually with different unions.** We have been inclusive in our approach, inviting and welcoming all unions who represent significant numbers of employees to the table.

“The industry is not prepared to enter into mine-specific agreements on wages and conditions of employment because it truly believes in the appropriateness of expeditious and fair centralised bargaining. And although there may be company-related variations that come about as a result of certain specific economic or operational circumstances, they will be based on similar principles.

“Any union holding out for a separate deal is going to be disappointed. Separate deals will only increase rivalry, serve to incite violence, and result in an unworkable outcome. These outcomes are untenable to us.

**Comparisons are spurious**

“While I referred earlier to **comparisons** of wages with other sectors, I do want to caution against blanket comparisons. The looming settlement reached in the automotive industry has been held up as a benchmark. There are many things fundamentally flawed with this comparison, but two that I would specifically like to point out:

- The first is that the gold industry is a price-taker. We, as producers, have no influence on the gold price. We cannot simply pass on inflation or input cost increases to our consumers.
- And in many respects our industry is a cost-taker too (electricity, consumables and labour costs). The only real influence that we have is in the efficacy of production – how much gold we can produce and by how many people.

“In 2003 labour costs were R32,767 per kilogram of gold produced. By 2012 this figure had risen to R138,193 per kilogram. This is an increase in labour costs per kilogram of 240% in 10 years. Last year in July the gold industry gave increases of between 7.5% and 10%, there were also many other conditions that were improved which obviously have cost implications. Last year in the September quarter, in an attempt to break the cycle of industrial action, further increases were given of 1.5% by Harmony Gold and 2% by AngloGold Ashanti and Gold Fields. In addition the category 3 was rolled up into category 4.

“Also, in the gold sector, labour accounts for up to 55% of total costs as opposed to only 15% in the automotive sector.

“A critical factor is, of course, the significant decrease in gold production which is partly due to declining grades and greater difficulty in accessing deeper resources. I repeat, we have no control over the gold price but we have some control over our gold output. We need to produce more gold, safely and economically; we need to mine efficiently and reduce work stoppages.

**Gain share - Sharing the benefits**

We hear much about a need for the industry to share the benefits of mining. It is of great personal disappointment to me that the proposed **Gain Share** scheme has not gained any traction, and has indeed been almost universally dismissed by our unions. We urge them to reconsider.

“The Gain Share may take different forms at different companies, but what it effectively does is provide a mutual cause – a sharing of risk and reward – between employees and the company.

“The example of the Harmony profit share that was implemented in 2011 is a case in point: employees’ share of profits have effectively added around 1.5% of basic wages to the category 4 worker.

“I draw your attention also to calculations undertaken by Sibanye Gold which indicate that Cat 4
- over the last six months if employees were part of the proposed 1% gain share scheme, this would have translated into a gain share increase of between 1.7% and 3% for Category 4 to 8 employees.

“I really believe that the Gain Share component of this year’s offer has been sadly overlooked, and provides an ideal vehicle to share the fruits of our labour.

## Industrial action

"A strike in our industry is not necessarily a foregone conclusion, and we have not received strike notices from any of the unions. It goes without saying that our aim, as an industry, is to avoid industrial action, which is damaging at so many levels:

- Producers lose production, revenue, profit and the confidence of the markets; some may even have to shut down shafts, possibly forever. That is a very real possibility in the current gold mining environment, with more than 60% of shafts incurring losses.

- Employees do not get paid while they are on strike as the 'no work, no pay' principle applies. Straitened economic times and recent strikes in the industry have left many employees in dire financial circumstances, providing ample opportunity for scurrilous loan sharks, and creating even higher levels of employee indebtedness.

- Further, if one registers that the gold sector currently employs around 140,000 people, and accepts the point that every mine employee contributes to the livelihood of to 10 dependents we are talking about 1.4 million people experiencing some level of hardship.

- Strike action is bad for pretty much everyone in a country as dependent as ours on gold mining. Support industries and the people working in them are under threat; the fiscus takes a knock because there is less revenue earned, less tax paid; so there is less money for infrastructure investment – housing, schools, hospitals, roads etc. and our reputation internationally as an investment destination is affected. And the impact of the balance of payments and the plight of the rand in recent months have served some unpalatable home truths. For every month the gold mining sector is on strike South Africa will lose more than R5 billion in foreign exchange that will never be made up.

- Strike action often leads to ratings downgrades in the international markets. This makes it even more difficult for companies in the sector to raise finance for new projects, create jobs.

**Counting the costs**

"Using 2012 figures as a base, a single day of strike action across the gold industry would have the following financial implications:

- daily revenue losses of around R349 million;
- daily salaries and wages lost to employees amount to around R100 million per day;
- the loss to the economy of R43 million spent on a daily basis on stores;
- electricity paid for and not productively used of around R29 million per day; and

- taxes lost to the state of some R9 million per day.

“The total economic cost is closer to R597 million per day.  Last year unprotected strike action in the gold sector last year cost around R5 billion.

**The way forward**

“As producers we need to work towards normalising the situation. We are currently engaged in the third set of wage negotiations within the last 18 months. Agreements reached less than a year ago in respect of rebasing entry level wages are simply being dismissed.

“As gold producers we would prefer to avoid industrial action; the companies are prepared – operationally, financially and with resolve – to **act in a responsible manner and at the behest of their shareholders** and in the interests of all shareholders.

“Our shareholders – and here I speak on behalf of Harmony, AngloGold Ashanti and Sibanye – have indicated clearly that they will not entertain above CPI increases in labour costs.

“Increases above CPI will destroy value and will result in more resources becoming uneconomic; this will result in the exit of capital and the loss of jobs.

“The industry has reviewed its options and will seek to pursue its rights in respect of the options open to us. And we will do so to preserve the sustainability of the industry in the long term, and to protect our assets and ensure the safety of our people.

**Gold and South Africa**

“In conclusion, I want to flag a reminder about the true value of gold in our economy.

“It is true that the gold mining industry’s production is at its lowest point ever, and jobs are at their lowest point since the 60s.

“Yet, the gold industry remains a **significant contributor to the South African economy**, and to communities.

“In 2012, the gold mining industry:

- was the largest mineral exporter at R72 billion (above platinum group metals and coal);
- produced 167 tonnes of gold valued at R77 billion;
- employed 142,193 employees, paying them R22 billion in salaries/wages;

- paid R2.1 billion in corporate tax;
- spent R13.6 billion in capital expenditure; and
- paid R1.2 billion in dividends.

"It has a future, but it needs to be nurtured to meet its potential.

"You may ask: what is the way forward? The industry's future lies with us – the leadership of the gold companies and the unions. This leadership will determine the way forward by sitting down and understanding the perilous state of the industry and seek long term solutions, industrial action will not help the situation when there is no more to put into an offer. The gold industry is at stake and with it we believe that South Africa is at stake.

"I have no doubt that the government is acutely aware of this fact, and I refer here to the comments made by the Deputy President at the mining lekgotla earlier this week, and will support dialogue not only for short term benefits but also for the longevity of this economically and socially critical industry."

**Queries:**

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