

# **Nationalisation and the perceived consequences for a gold mine**

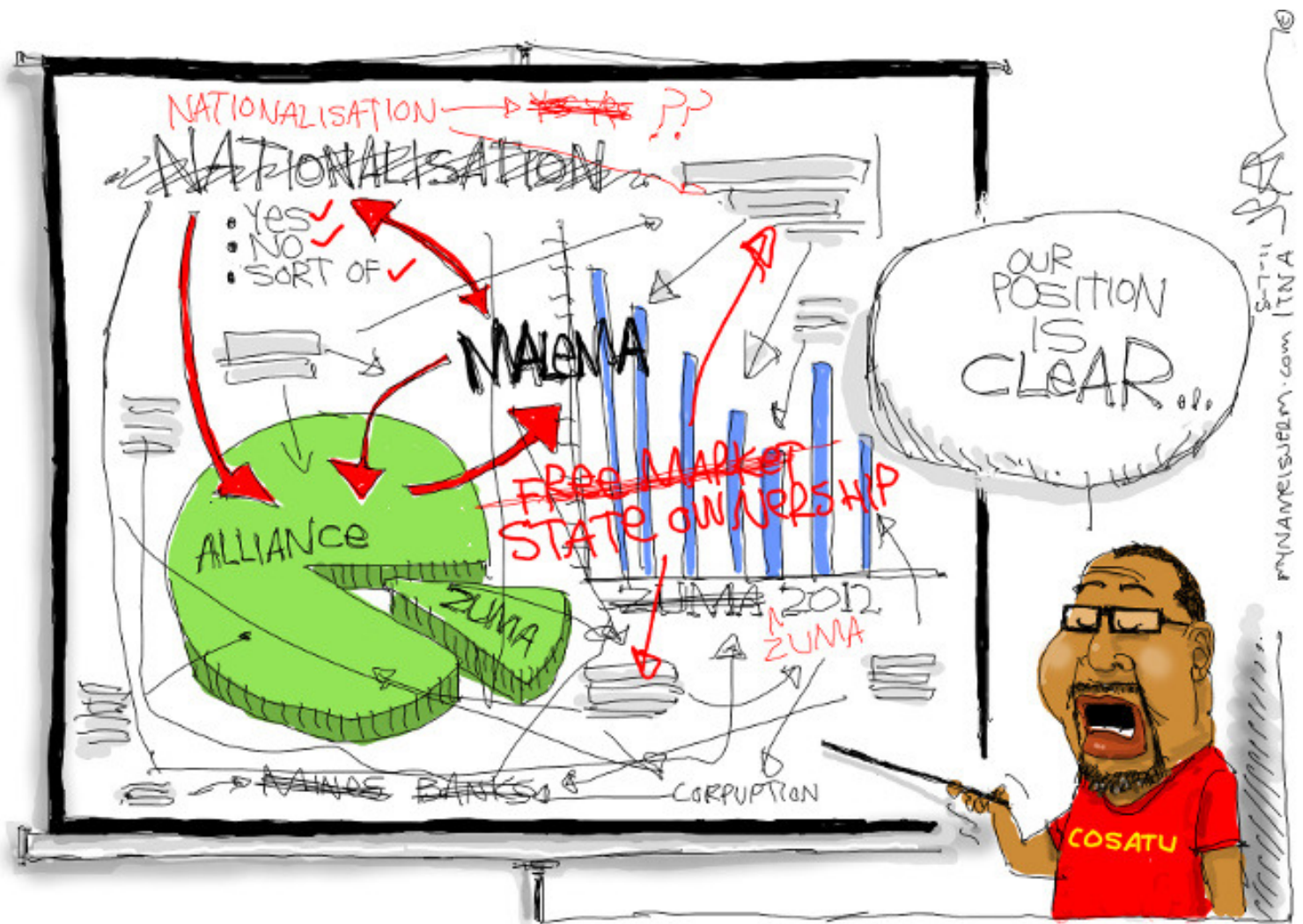
**Ronsard Louis Lazare**

**12379646**

Mini-dissertation submitted in partial fulfilment of the requirements for the degree ***Master of Business Administration*** at the Potchefstroom Business School, Potchefstroom Campus of the North-West University

Supervisor: Dr Christoff Botha

November 2012



“... nationalisation involves the acquisition of an existing asset and the transfer of its ownership into public hands. There may be a number of reasons for doing this. These include economic, financial, social, strategic and nationalistic reasons. These must offset the costs of nationalisation (financial, economic, political and reputational) if the act of nationalisation is to prove beneficial for society as a whole.”

- Keeton et al. (2011:6)

## **Acknowledgements**

The following people are thanked for making the MBA journey worthwhile:

- My family;
- My study group;
- The PBS and the various lecturers that has been involved the last 3 years;
- Dr C Botha & Mari van Reenen for the support in delivering this dissertation;
- AngloGold Ashanti for allowing & supporting my studies.

*All glory to God!*

## **Abstract**

**Title:** Nationalisation and the perceived consequences for a gold mine.

**Key terms:** Nationalisation, gold mine, mining sector, expropriation

Discussions and considerations around nationalisation of the mining sector in South Africa became more prevalent from 2009. There are certain implications or consequences related to these discussions, considerations or decisions that should be taken into account. The purpose of this study will be to determine what these consequences may be in a South African context by making inference from historic cases of nationalisation in other countries as well as testing the perceptions of respondents from a gold mine.

In order to achieve the purpose of this study the researcher will do an in-depth literature study on the concept, history, consequences and related aspects of nationalisation. The perceived consequences will be tested by doing an empirical study on a sample of a gold mine. An online questionnaire has been distributed to the selected sample. The results have been collected by the researcher and was analysed by the Statistical Consultation Services at the North-West University (Potchefstroom Campus). Conclusions have been drawn from the analysed data and are reflected in the document.

The results from the empirical study confirmed in most cases what the literature study has identified. The conclusions and recommendations have been provided by the researcher after taking into account the results of the literature and empirical study.

## Table of Contents

Acknowledgements .....	III
Abstract .....	IV
List of Tables .....	IX
List of Figures.....	X
List of Appendices .....	XI
List of Abbreviations .....	XII
CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT .....	1
1.1. Introduction.....	1
1.2. Background & Problem Statement .....	2
1.3. Research questions.....	4
1.4. Expected contribution of the study.....	5
1.5. Research objectives .....	5
1.5.1. General objective.....	5
1.5.2. Specific objectives .....	5
1.6. Research Hypothesis .....	6
1.7. Research design.....	6
1.8. Research method .....	7
1.8.1. Literature review .....	7
1.8.2. Interviews .....	7

1.8.3. Questionnaire and Measuring instrument.....	7
1.9. Limitations .....	8
1.10. Chapter division.....	8
1.11. Chapter summary .....	8
CHAPTER 2: LITERATURE STUDY.....	9
2.1. Introduction.....	9
2.2. Nationalisation and the history thereof .....	9
2.2.1. The Freedom Charter .....	9
2.2.2. The concept of Nationalisation .....	10
2.2.3. The history of nationalisation.....	10
2.2.4. Characteristics of Nationalisation .....	12
2.2.5. Arguments for Nationalisation.....	14
2.3. Contributions of the South African Mining sector.....	15
2.4. Nationalisation of South African Mines .....	19
2.4.1. Mining & Nationalisation .....	19
2.4.2. The Mining Charter.....	23
2.5. Consequences of Nationalisation and National interest .....	24
2.5.1. Economic consequences / implications.....	25
2.6. Nationalisation's effect on a Gold Mine .....	29

CHAPTER 3: EMPIRICAL STUDY & RESULTS .....	30
3.1. Introduction.....	30
3.2. The scope of the quantitative research.....	30
3.2.1. Sample group and size.....	31
3.3. Instrument (Questionnaire).....	32
3.4. Biographical Information.....	33
3.4.1. Home language .....	34
3.4.2. Age.....	34
3.4.3. Patterson grade.....	35
3.4.4. Years of employment in the gold mining industry .....	36
3.4.5. Highest level of education .....	36
3.4.6. Department.....	37
3.5. Overview of results for non-biographical responses.....	38
3.6. Statistical Analysis.....	40
CHAPTER 4: CONCLUSION & RECOMMENDATION .....	47
4.1. Introduction.....	47
4.2. Conclusion.....	47
4.2.1. Nationalisation.....	47
4.2.2. Nationalisation and national interest.....	47
4.2.3. Perceived Consequences of Nationalisation .....	48

4.3. Limitations .....	52
4.4. Recommendations.....	53
4.4.1. General recommendations .....	53
4.4.2. Future Research recommendations .....	53
4.5. Chapter Summary .....	55

## List of Tables

<i>Table 3-1: Section B info (Frequency distribution; mean &amp; standard deviation).....</i>	<i>39</i>
<i>Table 3-2: Constructs Cronbach Alpha.....</i>	<i>41</i>
<i>Table 3-3: Re-grouped frequency distribution table for Home Language.....</i>	<i>44</i>
<i>Table 3-4: ANOVA for Home Language.....</i>	<i>45</i>
<i>Table 3-5: Home Language Ad-hoc tests ( Games Howel &amp; Cohen).....</i>	<i>45</i>
<i>Table 3-6: Home Language Ad-hoc test Tukey B.....</i>	<i>46</i>

## List of Figures

Figure 2-1: Value added by mining sector.....	16
Figure 2-2: Components of South Africa's 'social contract'.....	18
Figure 2-3: Political views on Nationalisation.....	21
Figure 3-1: Quantitative research process followed.....	30
Figure 3-2: Home language frequency distribution.....	34
Figure 3-3: Age frequency distribution.....	35
Figure 3-4: Patterson Band frequency distribution.....	35
Figure 3-5: Years of employment in the gold mining industry frequency distribution .....	36
Figure 3-6: Department frequency distribution.....	37
Figure 3-7: Frequency Distribution for Question 1 – 14.....	38
Figure 3-8: Normal Q-Q plot of Q3.....	40
Figure 3-9: Department Box Plot.....	40
Figure 3-10: Frequency distribution of "perception" construct.....	42
Figure 3-11: Example of scatter pattern observed in data.....	42
Figure 3-12: Correlation & Significance between variables.....	43

## **List of Appendices**

*Annexure A: Nationalisation Timeline*

*Annexure B: Cover letter & Questionnaire*

*Annexure C: Language Editing*

## List of Abbreviations

AAC	Anglo American Corporation
ANC	African National Congress
ANCYL	African National Congress Youth League
BEE	Black Economic Empowerment
COM	Chamber of Mines
CSI	Corporate Social Investment
Cosatu	Congress of South African Trade Unions
DME	Department of Minerals and Energy
ETC	Economic Transformation Committee
GDP	Gross Domestic Product
HDSA	Historically Disadvantaged South African
ISCOR	South African Iron and Steel Corporation
JSE	Johannesburg Securities and Stock Exchange
MPRDA	Mineral and Petroleum Resources Development Act
MWU	Mine Workers Union
Nedlac	National Economic Development and Labour Council
NUM	National Union of Mineworkers
SADC	South African Development Community
SIMS	State Intervention in Mining Sector
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
Stats SA	Statistics South Africa
UN	United Nations
WWII	World War II



## CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT

### 1.1. Introduction

“**Nationalisation** is the act of taking an industry or assets into the public ownership of a national government or state, therefore transferring ownership from the private to the public. For an asset or industry to be viewed as nationalised it must have been owned by the private sector i.e., the property right must have belonged to the private sector.” (Coetzee, 2010:5)

Since the 2009 presidential elections, the so-called nationalisation issue has been a hot topic of debate in South Africa. The discussion was kick-started by Julius Malema, up until recently the leader of the youth league of the governing party, namely the ANC. Opinions are however divided at the highest level: Some cabinet ministers have pronounced views against the proposal, including ministers Gordhan, Manuel, Gigaba and Shabangu, as well as ANC Secretary General Mantashe.

A senior executive of the Chamber, Roger Baxter (Creamer, 2011:1) stated that: “the South African government, which already holds 45% of the total fixed capital stock of the economy, has accounted for only 29% of economy’s total net investment in the last decade.” In contrast, the total revenue of the South African mining sector was R420-billion in 2010 and its total expenditure R440-billion. Baxter observes that “economic rationality” is being neglected in the ANCYL’s “politically driven” documentation (Creamer, 2011:1).

The purpose of the intended research will be to indicate the consequences that arise from nationalisation and the effect it may have on a Gold Mine.

## 1.2. Background & Problem Statement

“The motives for nationalisation can be either political or/and economic” (Atud, 2011:2). “It is a central theme of certain brands of 'state socialist' policy that the means of production, distribution and exchange, should be owned by the state on behalf of the people or working class to allow for rational allocation of output, consolidation of resources, and rational planning or control of the economy” (Coetzee, 2010:5). Many socialists (e.g. Enrico Barone; Oskar R. Lange and Fred M. Taylor) believe that public ownership enables people to exercise full democratic control over the means whereby they earn their living and provides an effective means of distributing output to benefit the public at large, and a means for providing public finance. Common reasons for nationalisation (Coetzee, 2010:5) include:

- Delivery of critical infrastructure, i.e. the construction of roads, dams, or public buildings;
- Social and economic equality;
- Resentment of foreign control of major industries;
- Prevention of unfair exploitation and large-scale labour layoffs;
- Control of natural monopolies;
- Rescue or stabilise distressed or heavy subsidized companies;
- To keep the means of generating wealth in public control;
- Reduce the power of private capitalists;
- To allow the profits of business to be shared by the state.

“Nationalisation became very prominent during the post-WWII period until the late 1970s. In 1984 about 35% of the world's mines were under state control. This period was followed by a privatisation wave from the 1980s to 2007. By 2000 the proportion of nationalised mines had fallen to almost 15%. The privatisation movement has dramatically slowed down since the beginning of 2008, and the trend has even reversed again with the beginning of the financial crisis in September 2008.” (Coetzee, 2010:29)

The regulation of mineral rights has been changed fundamentally after 2004, in order to address the historic inequalities. The regulatory regime stood on three legs –

- the Mineral and Petroleum Resources Development Act, Act 28 of 2002 (MPRDA);
- Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry 2002 (the “Mining Charter”); and the
- Mineral and Petroleum Resources Royalty Act, 2008 (the “Royalty Act”).

Nationalisations and privatisations are repeated, cyclical phenomena, which often comes in waves common to several countries. Kobrin (1984:330) analysed expropriations in different developing countries over the period 1960-79. He found that expropriations grew in the 1960s, peaked in the early 1970s and declined afterwards. Minor (1994) and Sak (1996) furthered Kobrin’s study to include the period up to 1993. They found that in the late 1980s and early 1990s, as many as 95 countries around the world, experienced extensive privatisation processes. Most recently, however, Manzano and Monaldi (2008:93) report the opposite trend in the last few years, albeit in a smaller group of countries, mostly in Latin America. For them, the current wave of nationalisation is only the latest chapter of a repeating cycle, as they had previously experienced the nationalisations of the 1970s and the privatisations of the 1990s (Chang *et al.*, 2009:4).

From the above it can be concluded that debates around nationalisation have been around for decades, in different countries, over different commodities and industries. There will most likely be an on-going debate around the reasons why nationalisation should or should not be implemented. One thing is certain however, certain unintended consequences can be expected whether nationalisation is only considered by parties in government or if it has been decided on. The problem is determining or predicting these consequences and mitigating the effects thereof in order to limit the potential negative effects thereof.

Another critical assessment of nationalisation is whether or not it is within national interest. Neo Simutanyi (2010) stated that: “Where the political elites have had a national interest in promoting these entities as business entities that are supposed to make money for the government, it has succeeded. There are successful state enterprises today in France, the UK, Japan, and even in the United States. They still have the post office, which is very efficient. The banks in the Netherlands are state-owned and efficient. So nationalisation per se is not a bad idea. However we need to look at the context in which we are discussing nationalisation. The context that we are looking at includes a leadership lacking in capacity to use state enterprises for public good.” (Wade, 2010:43)

Weighing the possible consequences that may arise from nationalisation and determining whether it will be in national interest, is an ambiguous undertaking and necessitates an in-depth theoretical study and comparisons to similar scenarios of nationalisation. This is also necessary to prevent a one sided argument that sets out the ideal and does not look at the reality of the proposed nationalisation. This is also reiterated by Du Plessis (2011:10): “. . . theoretical ambiguities leave no alternative if one wishes to avoid an outright ideological discussion”.

### **1.3. Research questions**

What is nationalisation, and the history thereof?

What are the contributions of mining in South Africa?

Why nationalise mines in South Africa?

What are the economic consequences/implications of nationalisation and is nationalisation of South African mines in national interest?

What is the effect of nationalisation on a gold mine?

#### **1.4. Expected contribution of the study**

The study will show the history of nationalisation and the effects that have been experienced in economies where it has been implemented. Determining whether nationalisation is in the national interest of South Africa will be one of the main considerations of the study. This will be done by researching examples of nationalisation in history and determining the benefits and/or disadvantages experienced and the consequences thereof. As part of the history of South African mines the researcher will determine the contribution that the Gold Mining sector in specific has made and the effect it has had within the different facets within South Africa.

From this point of departure the researcher will indicate certain consequences that have been associated with nationalisation and extrapolating from the research what can be expected from nationalising South African mines.

#### **1.5. Research objectives**

##### **1.5.1. General objective**

The general objective of this research is to take into consideration the unintended consequences that nationalisation may have on the different aspects within a country like South Africa, by basing it on similar occurrences.

##### **1.5.2. Specific objectives**

The specific objectives of this research are:

1. Defining nationalisation and presenting the history of nationalisation and where the concept originated;
2. Determining the economic consequences of nationalisation and why nationalisation is considered;
3. Indicating the contributions of the South African mining sector:
4. Extrapolating from the research how nationalisation will influence a Gold Mine;
5. Determining if nationalisation of the mining sector is in national interest.

## **1.6. Research Hypothesis**

There will be certain consequences, depending whether or not the intention behind nationalisation is political or economic. Determining the consequences for each country is the challenge. It is likely that one country will not react the same to nationalisation as another. These consequences could differ because of economic, cultural, political and other dynamics within a country. There are however general consequences that are experienced by all countries that have experienced nationalisation.

## **1.7. Research design**

The researcher will follow a combination of qualitative and quantitative research approach which may include, but is not limited to:

- Qualitative
  - Unstructured interviews – in order to reach the deeper discussion around the possible consequences regarding nationalisation;
  - Participatory research – because nationalisation is a current topic that is being researched by private and public parties from whom participation can be obtained in order to derive the objectives of the research. This information will be obtained through articles published while the researcher is conducting the study;
  - Analysis and comparison of statistical data – to show the perceived consequences/effects of nationalisation.
  
- Quantitative
  - Distribution of questionnaires to a sample consisting of the employees over different Patterson levels within the Gold mine.

It is imperative to confirm and expand on the quantitative data collected, by means of qualitative data, in order for the researcher to make the correct inferences and expand on the views of the sample group. A comparison will be made to which the researcher will attempt to defer similarities to possible

consequences that may be experienced in South Africa if the mining sector is nationalised.

## **1.8. Research method**

### **1.8.1. Literature review**

The sources that will be consulted include:

1. Journals;
2. Articles;
3. Historic research;
4. Legislation;
5. Internet.

The discussion around nationalisation in South Africa is currently on-going and therefore urges continued research. The aforementioned necessitates the researcher to follow the debates regarding the topic.

### **1.8.2. Interviews**

The interviews that the researcher aims to conduct include top management interviews.

### **1.8.3. Questionnaire and Measuring instrument**

A questionnaire was designed specifically for the employees of the gold mining company in order to obtain information regarding their perceptions on perceived consequences and reasons for nationalisation of a gold mine. A questionnaire consisting of two sections was developed. Section A consists of questions collecting the demographics of the respondents. Section B consists of fifteen questions designed to test the respondent's perceptions to statements regarding nationalisation.

Questions were answered based on a Likert format, varying from strongly agree to strongly disagree. The neutral option was removed in order to force the participants to give a definite opinion. Likert scaling is based on a bipolar scaling method.

## **1.9. Limitations**

Limitations that were expected included:

- Low participation from the sample group;
- Neutral answers because of the sensitive nature of the topic and questions;
- The limited inclusion of business units in the participating gold mining company;
- Limited access of entry level employees to computers and intranet.

## **1.10. Chapter division**

Chapter 1: Introduction;

Chapter 2: Literature review;

Chapter 3: Empirical study & results;

Chapter 4: Conclusion and recommendations.

## **1.11. Chapter summary**

The chapter allowed the researcher to explain the following: problem statement and research objectives; research method used; measuring instruments and the chapter division.

## **CHAPTER 2: LITERATURE STUDY**

### **2.1. Introduction**

In a Mineweb article published online, Filen (2012:1) quoted Tito Mboweni stating in his 2011 Chairman's letter for AngloGold Ashanti's annual report: "In Africa, as in much of the rest of the world (notably Australia among the other jurisdictions in which we operate) the resources sector faces pressures from states that believe that the relative share of benefits between host societies and shareholders has swung too far in favour of the latter".

The question that leads from the above statement and begs to be asked is whether nationalisation is in national interest. The writer will explore this question by further inference into the concept of nationalisation and where it originated. In the process it is necessary to determine what the contribution of mining is and what impact nationalisation would have in the South African context.

### **2.2. Nationalisation and the history thereof**

#### **2.2.1. The Freedom Charter**

The Freedom Charter signed and sealed in June 1955 stated that: "the people shall share in the country's wealth and more importantly the mineral wealth below the soil, the banks, and monopoly industries shall be transferred to the ownership of the people as a whole". Cronin (2009:1) explains that anyone who has the remotest acquaintance with the mid-1950s, the period in which the Freedom Charter was formulated and adopted, would realise that it was the heyday of nationalisation - not just in post-war Eastern Europe and China, but also throughout most of Western Europe, Latin America, and newly de-colonised countries like India and Egypt. (It was also a period, by the way, in which the apartheid regime was consolidating an extensive state-owned

sector). The framers of the Freedom Charter were most certainly thinking of some kind of nationalisation as a means to ensuring ownership by "the people as a whole".

### **2.2.2. The concept of Nationalisation**

Coetzee (2010:5) describes nationalisation as the act of taking an industry or assets into the public ownership of a national government or state. It refers to the transfer of ownership from the private to the public. Nationalisation is not a state owned enterprise or a public entity. For an asset or industry to be viewed as nationalised it must have been owned by the private sector i.e., the property right must have belonged to the private sector. Keeton & Beer (2011:6) concurs in their view that state ownership, or the existence of state-owned enterprises, is not the same thing as nationalisation. Historically the state has owned and operated enterprises in all economies whether they are mainly "capitalist", "socialist", or "mixed" economies.

### **2.2.3. The history of nationalisation**

Annexure A provides a table with an overview or timeline if you wish, that shows the history of nationalisation with the period and country that were involved. From this it could be derived that the concept of nationalisation has been known to exist from the late 17<sup>th</sup> century. Nationalisation is also not limited to any industry or sector of the economy. From this it becomes clear that nationalisation is a global concept that has influenced or has been experienced in almost all continents of the world. The writer's focus will be directed towards the South African context and mining in specific.

Dr. Qobo (2011:19) indicates that many of the emotions that influence current discussions on mining in South Africa have a great deal to do with history. The historical truth that the apartheid regime disadvantaged certain races continues to shape the attitudes of different stakeholders. The link between yesterday and today is too strong for the rust of time to erode. According to

Boegman, Venables & Van Wyk (2011:40) the Mining Charter in South Africa began to address some of the social issues and the development of local communities and economies, but still the industry generally finds itself on the back foot as taxes, royalties and nationalisation are being implemented/considered by the Government to address the economic development and upliftment of the entire population. According to Harrilall (2011:1) it is necessary for some sectors to remain nationalised, depending on its strategic importance to a country. This would ensure the regular supply of product or service (water and electricity as examples).

Meggison's (2001:323) research showed that expropriations grew quite rapidly in the 1960s, and peaked in the early 1970s. But in the late 1980s and early 1990s, as many as 95 countries around the world experienced extensive privatisation processes. More recently in Latin America, there have again been signs of nationalisation. Historically, justification for nationalisation may have included a variety reasons. What we do know so far from history is that any stage can be targeted for full or partial nationalisation if the justification can be found, says Baartjes (2011:2). Countries where nationalisation has occurred include the USA, Canada, the UK and Japan, all leading players in mining investment. It has also occurred in producer countries and consumer countries. In the case of Norway and Bolivia, nationalisation was to regain control of natural resources that would provide the necessary revenue to fund much-needed development. The nationalisation in Zambia had also been to increase government revenue that was supposed to lead to increased social spending, explains Baartjes (2011:1). During the 1970s there was a long period of decline of nationalised industries all over the world. But as it became clearer that public ownership produced inefficiency and stagnation rather than prosperity, first new nationalisations stopped in the old established economies and then, in the 1980s, the reverse – a policy of denationalisation or privatisation developed (Keeton *et al.*, 2011:9).

#### 2.2.4. Characteristics of Nationalisation

Chang *et al.* (2009:4-8) studied the cycles of nationalisation and privatisation in resource-rich economies and arrived at the following conclusions based on the historical experience of nationalisation:

- i. “Nationalisations and privatisations are repeated, cyclical phenomena, which often come in waves common to several countries.” Coetzee (2010:30) describes it as waves and elaborates that the first wave of privatisations occurred from the 1870s to 1920s. Nationalisations occurred in the 1930s in response to the Great Depression. A “tide of privatisations” occurred after World War II. But expropriations grew in the 1960s, peaked in the early 1970s and then fell. By the late 1980s and early 1990s 95 countries around the world were privatising assets. Manzano *et al.* (2008:93) report the opposite trend in the last few years in a smaller group of countries, mostly in Latin America. According to Spicer (2012:27) the cyclical nature of resource nationalism appears to be proven but, because mining takes place in many jurisdictions, it is clear that not all jurisdictions behave in the same way towards resource nationalism. This may be for a variety of reasons including a particular country’s dependence on the mineral sector, particularly powerful lobby groups advocating against resource nationalism, underfunded governments that find it difficult to implement legislative changes timeously since it would require a significant amount of research, and pro-investment members of various governments, etc.
- ii. “Nationalisation/privatisation cycles are inclined to occur more often in the natural resources and utilities sectors.” Chua (1995:299) also found that utility and natural resource companies in the majority of countries under analysis, are more likely to undergo the nationalisation and privatisation recurring cycle.
- iii. “Nationalisation of natural resource industries tends to occur when the price of the corresponding commodity is high.” Duncan (2006)

investigated the causes of expropriation in the mineral sectors of developing countries' exporters. The results indicated that price booms are meaningfully positively correlated with the instances of expropriation. High commodity prices can be a predictor of nationalisation risk. According to Spicer (2012:27) on resource nationalisation, since there is historical evidence to suggest that, where commodity prices are high, countries tend to want more of the natural resource pie, while, when commodity prices are low, countries tend to want to create a more favourable investment climate to attract companies to invest in their countries.

- iv. "Contracts for the exploitation of natural resources between governments and private companies are such that commodity price windfalls are mostly appropriated by private firms." Coetzee (2010:31) draws a relation between the aforementioned and why nationalisation occurs during price booms.
- v. "Nationalisation is more likely when inequality is endemic or worsens in the country, and especially when the rents from natural resource or utility companies are perceived as benefitting only a minority." Chua's (1995) research showed that nationalisation in Latin America and Southeast Asia was invigorated against not only outsiders but also domestic residents who were appearing as unfairly advantaged.
- vi. "Nationalisation is more likely in countries with low human capital, undiversified productive structure, and faulty public institutions." Minor (1994) remarked that countries that had experienced mass expropriations were those whose economies were heavily dependent on a few commodities.
- vii. "Privatised firms are more productive than nationalised firms due to their incentive-driven investment and labour policies; yet, when they are nationalised, the practices that lead to higher productivity are not kept."

All these variables may make one government's decision to follow a resource nationalisation agenda different to another government's decision to not follow a resource nationalisation agenda. At the Ninth International Mining History Congress, which was held at Johannesburg's Gold Reef City from April 17 to 20, historian Professor Bill Freund of the University of KwaZulu-Natal gave a presentation on the issue of nationalisation in South Africa. He argued that the issue of nationalisation is not a new one, but was raised in the late 1940s by a certain section of the Afrikaner elite, although their arguments were largely ignored by the more influential pro-capitalists on the Afrikaner spectrum, as published in *Mining Weekly* on 4 May 2012. "State intervention can be very positive and important but simple, straightforward nationalisation is not going to solve all the problems," noted Freund.

#### **2.2.5. Arguments for Nationalisation**

Theoretical arguments for state ownership, according to Coetzee (2010:6), include the following:

- Weaknesses of the free market/private sector – the free market price mechanism is too volatile/uncertain;
- Efficiency gains in a private enterprise can come at expense of the customer;
- Natural monopoly arguments - in the interest of consumers;
- Quality of service;
- Employment protection;
- Strategic justifications, e.g. nuclear power, airlines;
- Public sector can be a vehicle for macro-control:
  - Pay restraint;
  - Employment at different stages of the economic cycle.

"Very often the underlying reason for nationalisation is to generate a source of revenue for an impecunious government." (Keeton *et al.*, 2011:7)

### 2.3. Contributions of the South African Mining sector

“The South African mining industry primarily covers the area of activities from extraction of minerals like gold, platinum, chromium, diamonds, vanadium, manganese, uranium and iron ore to trading with foreign countries. The rich abundance of mineral resources enables South Africa as one of the leading mineral exporters in the world.” (Coetzee, 2010:8)

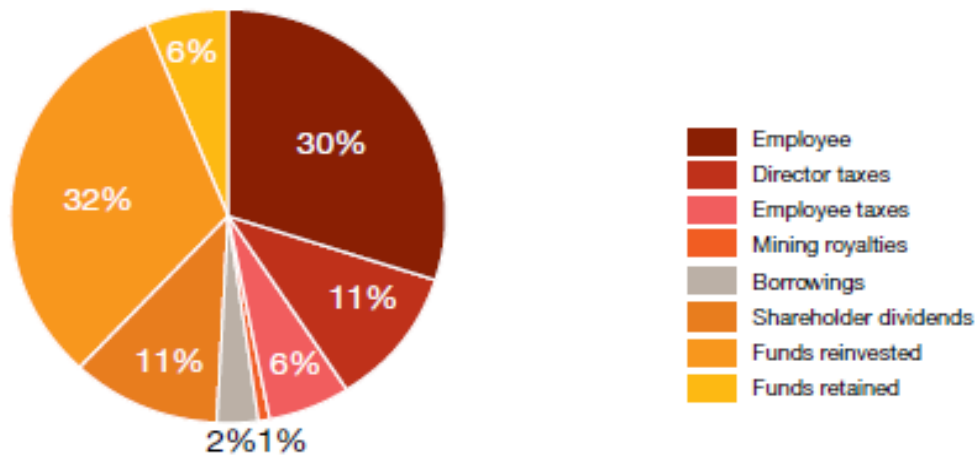
According to the SIMS report (SIMS, 2012:5) the mining sector has enabled South Africa to become the most industrialised country on the African continent. Directly and indirectly it provides more than one million jobs; it pays about R89 billion a year in salaries and wages; is responsible for more than 90 per cent of electricity generation through coal-fired power stations and consumes about 15 per cent of Eskom’s total power supply. Primary and beneficiated mineral sales account for more than 50 per cent of South Africa’s aggregated foreign exchange earnings and most importantly and contrary to popular belief, close to 90 per cent of industry expenditures are captured locally. Boegman *et al.* (2011:33), indicates in a recent report that was published by PricewaterhouseCoopers, that there is little doubt that the mining industry is adding significant value to the country and its people. The industry is already providing direct employment to more than 500 000 people and many more indirectly. The report further elaborates on the contribution mining has made and is also depicted in Figure 2-1.

The 2008 statistics published by SA Revenue Services indicates that 95 per cent of mining and quarrying taxpaying companies generate a turnover of R10 million or greater.

- By far the biggest share of value created consists of 30% received by employees, net of employee tax. This figure was even higher in 2010, at 36%, due to the relative fixed nature of employee costs even in the lower price environment;
- The state received 18% consisting of direct tax, mining royalties and tax on employee income deducted from employees’ salaries. The true

contribution received by the state is significantly higher, with indirect taxes like VAT, import and export duties, UIF contributions and skills development levies also being collected on behalf of the state;

- Funds reinvested in the form of acquisitions and capital additions made up 32% of total value added, leaving only 6% in funds retained;
- Not evident in Figure 2-1 are the funds paid to suppliers of goods and services, which amounted to 37% of total income received.



Source: PwC's aggregation

Figure 2-1: Value added by mining sector

The market capitalisation of listed South African mining companies on 9 June 2011 was R1.9 trillion (70% of GDP), but according to Keeton *et al.* (2011:41) this is exaggerated due to share held by international companies and double counting due to numerous subsidiaries. This would bring the total South African mining assets to R970 billion.

In a recent article a South African info reporter, anonymous (2011:1) elaborated on the contribution that the mining sector has made to the economy and pointed out that the relative contribution of mining to South Africa's gross domestic product (GDP) has declined over the past 10-20 years. Nonetheless, the industry is continually adapting to changing local and international world conditions, and remains a cornerstone of the economy, making a significant contribution to economic activity, job creation and foreign exchange earnings. South African info reporter, anonymous (2011:1) stated

that in 2009, according to the Chamber of Mines of South Africa, the industry contributed:

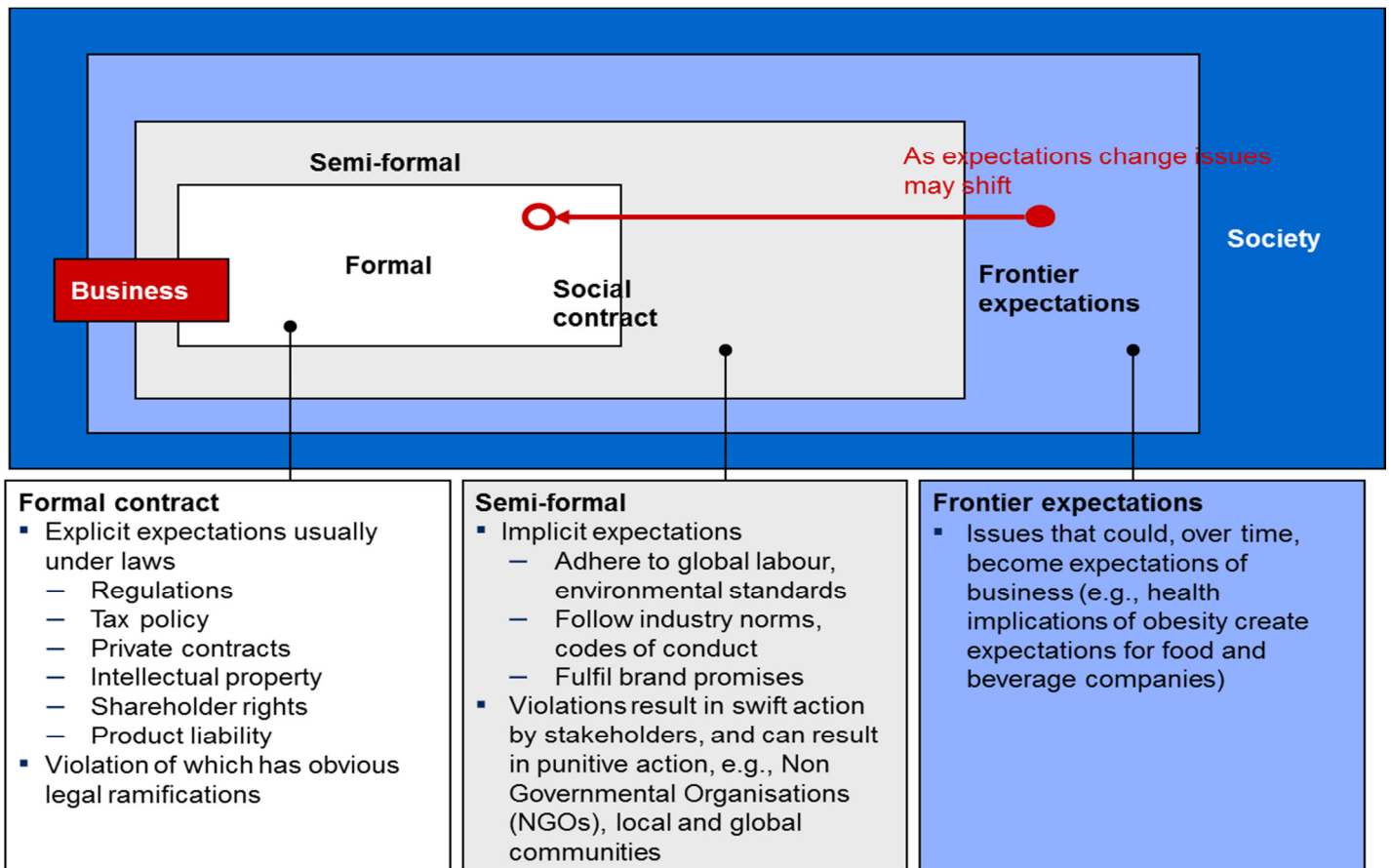
- 8.8% directly, and another 10% indirectly (due to the multiplier and induced effects of the mining sector) to the country's gross domestic product (GDP);
- Over 50% of merchandise exports - beneficiated mineral exports are included;
- About 1 million jobs (500 000 directly);
- About 18% of gross investment (10% directly);
- Approximately 30% of capital inflows into the economy via the financial account of the balance of payments;
- 93% of the country's electricity generating capacity;
- About 30% of the country's liquid fuel supply;
- Between 10% and 20% of direct corporate tax receipts (R33 billion in 2008, R10.5 billion in 2009) comes from mining;
- In 2009, South Africa's mining industry was the largest contributor by value to black economic empowerment (BEE) in the economy, in terms of the value of BEE transactions completed.

In a fact based presentation by Anglo American the aforementioned facts was confirmed on mining's contribution to the South African economy and society and added the following immeasurable and continuous contributions:

- Boost contribution of mining to development – maximise direct contribution of mining to economic growth and job creation;
- Capture more of mining industry value for South Africa – use mining to create broader economic development (e.g. beneficiation); increase the share of mining industry value creation that is captured within South Africa; ensure security of supply for strategic resources (e.g. coal);
- Share the benefits of mining more equitably – ensure local mining communities benefit from mines; manage economic and social dependency on mining (e.g. job instability from economic cycles);

- Increase state control over natural resources – fulfil political expectations post-election campaigns (related to Freedom Charter); facilitate the creation of a development state (with greater state control over resources).

The contributions made by the mining sector can be divided into three main components depicted in figure 2-2:



Source Anglo American Team Analysis

Figure 1-2: Components of South Africa's 'social contract'

South Africa's 'social contract' with the mining industry has 3 components:

- Formal contract – explicit expectations usually under laws;
- Semi-formal contract – implicit expectations from society such as adherence to global labour standards;
- Frontier expectations – issues that could, over time, become expectations of business.

Bown (2012:3) quoted Ms Tracey Henry saying: “Anglo American alone, disbursed R80 million in CSI funds during 2008 to more than 250 community projects and further approximately R400 million was spent by the company on other CSI initiatives via their operations. This is a substantial investment towards economic transformation in the country”. Tracey Henry is the CEO of Tshikululu Social Investments, a management agency of CSI funds for nine companies, mostly in the mining and financial sectors and managed CSI grant making funds of R495 million on behalf of client companies during 2009. Other empowerment initiatives include the Anglo Zimele enterprise development unit, supporting the creation of 228 businesses with a collective turnover of R1.3 billion and jobs for more than 10 400 people. Procurement deals are made with HDI’s (historically disadvantaged South Africans) to the tune of R24.6 billion a year. The African Rainbow Minerals company contributed R60 million (R19.3 million – CSI; R22 million - Social and Labour Plans (SLPs); and R28 million - LED) towards social investment in 2009, according to their 2009 annual report.

Not only does the mining sector use considerable services and inputs from the domestic economy, it also supplies many associated industries that use mining products to keep the wheels of the South African economy moving.

## **2.4. Nationalisation of South African Mines**

### **2.4.1. Mining & Nationalisation**

By its nature, the mining industry is especially prone to nationalisation. There are a number of reasons for this, according to Keeton *et al.* (2011:12):

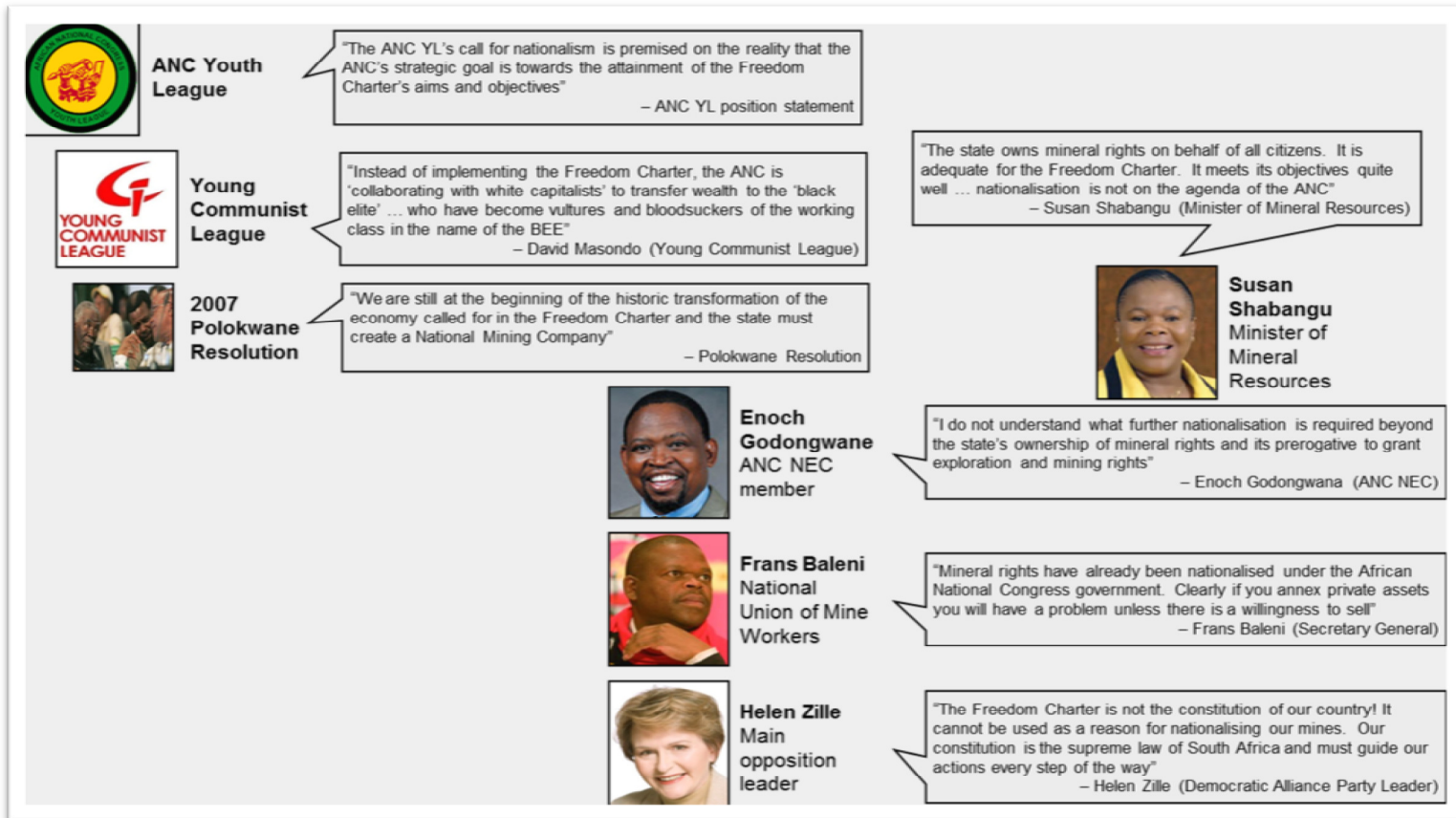
- i. “Mining involves the exploitation of a country’s natural heritage. The resources of a country belong to its people as the Mining Charter indicates. It therefore becomes a sensitive issue when these resources are extracted without benefitting the ‘people’.”

- ii. “Mines represent a concentrated form of economic ‘rent’. A country’s resource base is fixed and not as dispersed as in other industries making it easier to control concentrated source of value which the acquirers hope to use for social, economic, political or even personal advantage.”
- iii. “Mines are by nature location bound. This makes the industries and businesses easy targets as the operations need to be situated near the resources. They cannot change the nature of their business if threatened with nationalisation.”
- iv. “Commodity prices are cyclical. This may make the nationalisation lucrative at times when commodity prices are high and mine profitability is high, as it may provide additional funds to fund a country’s *fiscus*.”

Boegman *et al.* (2011:6) has indicated in a recent report published by PricewaterhouseCoopers, that there appears to be a common view that the mineral wealth of the country should benefit its citizens. While the debate as to how best to achieve this, continues, we believe that it is important to provide a stable and efficient operating and regulatory environment for mining companies. This will attract greater foreign direct investment into local mining ventures, which will increase the value added to the country and its people.

Resource nationalisation has been the subject of heated discussions in the press, as the South African National Congress (ANC) Youth League had been promoting the idea that the country’s mineral resources should be nationalised. In a recently published article by Creamer Media’s Mining Weekly - Davenport (2012:1) on nationalisation - the labour history comes under the spotlight as it states that mining has played a fundamental role in shaping South Africa’s economy and society; an association to further the understanding of the country’s mining heritage can only benefit society’s ability to understand itself and move beyond the ravages of the past.

Numerous views that are conflicting and vary greatly exist in the various political factions. Figure 2-3 below shows the different views of some of the stakeholders partaking in the nationalisation debate.



Source Anglo American Team Analysis

Figure 2-3: Political views on Nationalisation

The ANC's economic transformation committee (ETC) has investigated economic models applied in various countries, including Chile, Norway, Sweden, Finland, Zambia, Brazil, Venezuela, Namibia, Botswana, Malaysia, China and Australia. It seems that the Chilean model of co-existence between state-owned and private mining companies, is receiving preference. Boegman *et al.* (2011:32) indicated that significant income is already generated from mining companies on a 'risk-free' basis; it is hard to understand why the state should assume ownership. If made responsible for mining companies, the state would have to fund new developments with cash that could be used elsewhere and manage the industry with human resources currently not

available. It is much more important to provide a stable and efficient operating and regulatory environment for mining companies in order to attract more direct investment from mining companies, which would increase the value added to the country and its people.

Following the ETC report released by the Government, the ANC's National Executive Committee has launched an independent enquiry into the best utilisation of mineral wealth in 2010. This enquiry is also known as the SIMS (State intervention in the Minerals Sector) report. Different stakeholders from Mining companies to the Government institutions and the Chamber of Mines commented and made recommendations on this report. The SIMS report starts with the observation that South Africa is blessed with the most valuable mineral endowments in the world and should be seen as South Africa's best source of economic comparative advantage. The report also notes that historically it has been private mining companies who have explored, extracted and marketed this endowment. Anglo American agrees with both these observations.

Some of the proposals in the SIMS report include:

- Knowledge transfer over technology development especially the recognition that technology development and investment in skills, particularly in maths and science, is a prerequisite for a healthy, expanding, and labour-absorbing mining industry;
- Creating beneficiation hubs and the use of Special Economic Zones to pilot the viability of backward and forward linkages;
- Developing mineral technologies through increased investment in prototypes, in order to take advantage of upstream opportunities;
- Harmonising the national resource-based development strategy, and achieving greater co-operation between departments and national strategies;
- Ensuring that environmental compliance and monitoring systems are appropriate and tackling issues of environmental damage from mining;
- Reinforcing mining health and safety;

- Pooling mining companies' resources for Local Economic Development initiatives, to enhance the developmental impact on local communities;
- Enhancing industrial linkages by furthering regional economic integration and free trade in larger regional markets with competitive pricing; and
- Developing joint ventures between Transnet and rail users.

Professor Bill Freund in his presentation addressing the Ninth International Mining History Congress, argued that nationalisation of the mines was not necessary because South Africa was already an industrialised country and did not have to be concerned with the dominance of foreign firms. The main priority of a government was to address past social injustices, which could be achieved without nationalising a highly productive industry.

Boegman *et al.* (2011:33) sums it up in the conclusion that regardless of what political decisions are taken, it is essential that the Government and mining companies work together to ensure that the potential value of the industry is maximised and realised for the benefit of all stakeholders. Anglo American's report (2012:6) indicates that the SIMS report brings closure to the nationalisation debate which we believe has been damaging to South Africa's image as an attractive mining destination.

#### **2.4.2. The Mining Charter**

The purpose of the Mining Charter is to provide the framework to effect the entry of Historically Disadvantaged South Africans into the mining industry, and allow such South Africans to benefit from the exploitation of mining and mineral resources. The Mining charter outlines nine pillars designed to address the unequal ownership patterns in the industry, facilitate the entry of Historically Disadvantaged South Africans (HDSAs) into the mining industry at both management and equity levels, as well as advancing the social and economic welfare of South Africans.

Mining companies that apply for the right to exploit mineral resources have to comply with certain minimum conditions in order to continue participating in the country's mineral and mining sector, and a number of these conditions are encapsulated in the Mining Charter. The Mining Charter seeks to achieve the following six objectives:

- Promote equitable access to the nation's mineral resources to all the people of South Africa;
- Substantially and meaningfully expand opportunities for HDSAs including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources;
- Utilize the existing skills base for the empowerment of HDSAs;
- Expand the skills base of HDSAs in order to serve the community;
- Promote employment and advance the social and economic welfare of the mining community and the major sending areas; and
- Promote beneficiation of South Africa's mineral commodities;

## **2.5. Consequences of Nationalisation and National interest**

"Nationalising the mining sector in South Africa could take us down the slippery slide to oblivion." (Smuts, 2011:1) This is reiterated by Coetzee (2010:75) in that the collapse of the SA mining industry and the associated loss of international confidence and standing, will have far reaching and severe consequences for the national economy and therefore on equality and poverty. The writer will be exploring a couple of these perceived consequences or implications that nationalisation may have, while taking into consideration national interest.

According to the State Intervention in the Minerals Sector (SIMS) committee's report submitted to the Chamber of Mines (2012:4), "putting South Africa first" is the cardinal strategic imperative of mining companies, that are members of the Chamber of Mines. It is on this critical foundation that the Chamber seeks to engage with the ruling party, and the Government, on finding agreement on the most favourable policy enactments that will enable the mining industry to

sustain and enhance its well established contribution to socio-economic development in South Africa. Zogg (2011:7) explains that between the more radical and outspoken extremes, an increasingly intensifying debate has evolved around the political and economic consequences of nationalisation of particularly the mining sector. It is up to government and the ruling party as to whether nationalisation will be used to the benefit or demise of national interest. This has been illustrated in numerous cases of nationalisation.

Wrigly (2012:2) says that part of the problem of both nationalisation and privatisation is that the most passionate advocates believe that with nationalisation and privatisation most problems will be solved automatically. A good example is Sweden that nationalised an iron ore mining company, LKAB in 1950 - all surpluses from the enterprise was used to enrich the Swedish socialist system for better education, health care, social services, public transport, pension funds and so forth. Bown (2012:3) indicated that in contrast to this, a case from the United Kingdom, where coal mines were nationalised in 1947- four decades later unemployment rose, working conditions and safety plummeted and wages were frozen. By the mid-1980s a new authority was in place and privatisation of the mines commenced.

### **2.5.1. Economic consequences / implications**

Nationalisation (with or without compensation) requires a calculation on the cost and benefits (net present value) thereof, but to this must be added a comparison of how the asset would have performed if it had remained in private rather than state hands (Keeton *et al.*, 2011:6). In other words if for example, expropriation of an asset is worse off than if it had remained in private sector, the present value of nationalisation is reduced. If expropriation extends the life of a mine beyond what may have been the case in private ownership, the present value may be increased.

According to Schifferes (2008:1), an economics reporter for BBC news, one of the key lessons of previous nationalisations is that the nationalisation's effect

on the economy often depends on whether it has inhibited competition. Harrilall (2011:1) quoted Prof. J Grant of Finance and Economics at Libscomb University in Tennessee in the United States that said nationalised industries reduce the competitiveness of industries that rely on their goods and services. He points out that the tendency of nationalised companies to underperform their private counterparts is consistent and well recognised. The results presented by Coetzee (2011:35) suggest that countries with past expropriations can expect to have mining output growth of almost 10 per cent less than countries with no history of expropriations. Crivelli and Staal (2010:239), shows two arguments commonly used in changeover economics. "The first one, namely productive efficiency, claims that production is more efficient in a private firm, because better incentives can be given to managers and employees. The intuition is that private firms face a larger risk of liquidation than public firms, and managers thus face a larger risk of losing their job when choosing an effort level that is not high enough. The second argument, namely allocated efficiency, claims that public firms are socially more efficient because the Government cares about social welfare and internalizes externalities, whereas the private owners just maximize their pay-off."

In response to the SIMS report, according to the submission of the Chamber of Mines (2012:6), "the industry generally contributes between 13 per cent (in 2010) and 18 per cent (in 2008) to total corporate tax receipts. The trend last year was the same. Total mining corporate tax payments amounted to R25.8 billion, 17.2 per cent of total tax receipts. In addition just under R6 billion was paid in 2011 to the National Treasury in royalties." Coetzee (2010:75) states that the diminishing mining revenues and other company taxes to the Government will severely limit the ability of fiscal policy to stimulate the domestic economy. In section 2.3 it is stated that the total mining asset value is approximately R970 billion. To buy a 60% stake in these companies, as has been suggested by the ANC Youth League, would cost R582 billion. The net result derived at by Keeton *et al.* (2012:41) is R25.7 billion (R20.6 billion additional revenue minus R46.6 billion cost of debt) if commodity prices

remain high. If commodity prices should fall, this cost would rise as a result of the payback in relation to the cost of debt.

Smuts (2011:3), the South African unemployment rate has now risen from 22 to 26%, while 'BRICS' partner, Brazil, came down from 6.9 to 5.7%. The impact of nationalisation of mines will have on employment levels in this country, not to mention job losses by other SADC nationals working in the South African industry, should be considered. Smuts uses the following actual example to illustrate possible consequences of nationalisation. Coal is in high demand on world markets resulting from shortages and all-time record prices are foreseen as a result. South Africa cannot take advantage of the opportunity due to inadequate rail transport facilities and a collapsing road system, lack of skills and changes to employment laws that will make job creation and investment ever more restrictive. "One of many unintended (or more precisely, never thought-of) consequences of this will also be the total collapse of SADC as none of the other member states are strong enough to step in and hold up the others." (Smuts, 2011:1)

Baartjes (2011:2) mentions that a large investor concern is that nationalisation occurs quickly, e.g. by decree. This is also called expropriation. No one likes uncertainty, particularly investors, and to protect against this, some resource-rich countries migrate towards expropriation incrementally. Smuts (2011:4) shares a similar view in that nationalisation could have an effect on investment in a country and indicates that history is littered with numerous examples, several of these in Africa, of how nationalisation has impoverished countries. If nationalised, South Africa could be seen as an outsider by the global investment community. "Investment flows into the country would be substantially diminished, inhibiting economic growth, reducing employment opportunities and exacerbating already unacceptable levels of poverty." Coetzee (2010:75) concurs and adds that the country will experience a significant outflow of portfolio capital almost immediately and the Government will also find it more and more difficult to keep up investment. Malikane (2011:1) however opposes the aforementioned statement and says that the popular line is that nationalisation puts off investors which according to him is

a myth, and is problematic in that it is not sensitive to the political economy that continues to define the modern South African society. Du Plessis (2011:24) further elaborates that nationalisation without compensation needs the constitution to be amended by a two-thirds majority vote. The foreign investment treaties also do not allow expropriation without compensation. South African investors (mainly pension funds) would therefore be the only ones not being compensated for nationalisation.

The submission of the Chamber of Mines (2012:6) in South Africa, the industry also implements Social and Labour Plans (SLP) in terms of the Mining Charter. The implementation of SLPs is recognized as a key social good and members of the Chamber of Mines are committed to carry out these undertakings to the best of their abilities. In section 2.3 the writer showed that a significant contribution is made towards CSI which represents substantial investment towards economic transformation in the country.

According to Anglo American's report (2012:6) on the SIMS enquiry, South African mined minerals should be secured by state intervention for domestic use at cheap regulated prices. This, they hope, will catalyse large-scale minerals-based industrialisation, thereby netting more value for South Africa. Anglo American therefore notes that the overall intention of the authors is not to focus policy on growing mining itself but rather on using mining as a lever for developing other parts of the economy even if this must be compelled by way of regulation.

Smuts (2011:4) quoted the following statement issued by the Chamber of Mines: "Nationalisation has not worked in any country in the world and neither will it work in South Africa. History is littered with numerous examples, several of these in Africa, of how nationalisation has impoverished countries. If nationalised, South Africa could be seen as a pariah by the global investment community. Investment flows into the country would be substantially diminished, inhibiting economic growth, reducing employment opportunities and exacerbating already unacceptable levels of poverty."

## **2.6. Nationalisation's effect on a Gold Mine**

Coetzee (2010:28) indicates that nationalisation became very noticeable during the post-WWII period until the late 1970s, and adds that in 1984 about 35% of the world's mines were managed by the state. He continues to indicate that a privatisation wave followed from the 1980s to 2007 and by 2000 the proportion of nationalised mines had fallen to almost 15%. The privatisation movement has dramatically slowed down since the beginning of 2008, and the trend has even reversed again with the beginning of the financial crisis in September 2008, according to Professor Magnus Ericsson of the Raw Minerals Group consultancy.

Keeton (2011:14) asks the question: "Does the nature of the mining industry make it unsuitable for state ownership?" It is clear that, with few exceptions, nationalisation of the mines has not been very successful. There are some examples of successful state ownership of mines. Debswana is one, though it is an example of public-private partnership, not nationalisation. Codelco in Chile is another. Bown (2012:3) states that In Africa we have learned many lessons about the challenges of nationalisation – experiences from Zambia, Uganda and the DRC tell us that this just isn't a good fit in the mining industry where the deepest and most sophisticated mines require the highest level of expertise in engineering, management, marketing and care of assets.

The question now will be what the perceived consequences of nationalisation are for a gold mine. The writer will answer this in Chapter 3 by means of an empirical study.

## CHAPTER 3: EMPIRICAL STUDY & RESULTS

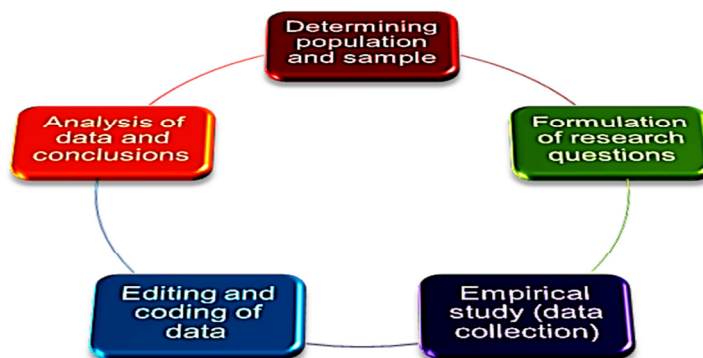
### 3.1. Introduction

In chapter 2 the history of nationalisation was given by the writer. It described the characteristics, arguments and possible consequences of nationalisation while taking into consideration the contributions of the mining sector.

In this chapter the writer will support the perceived consequences and possible reasons found in the literature study with quantitative research, and describe the research methodology used. There after an analysis of the results gathered through the quantitative research will be given in order to help meet the research objectives as laid out in Chapter 1. A questionnaire was designed for the survey (see Appendix C). The findings of the survey are presented.

### 3.2. The scope of the quantitative research

The empirical study focuses on the perceived consequences of nationalisation and tests the opinion of respondents as to their perception thereof. The possible reasons for nationalisation (economic/political/high commodity prices etc.) and the respondents' perceptions thereof are also tested. The following process has been followed and can be illustrated graphically as follows:



*Figure 3-1: Quantitative research process followed*

### **3.2.1. Sample group and size**

Ellis (2003:51) indicates that: an advantage of drawing a random sample is that it enables one to study the properties of a population with the time and money available, and therefore if the sample is not random the p-value (indicating significance) cannot be interpreted. “In random samples, as we increase sample size the chance each member of the target population has of being selected increases and consequently more segments of the population are likely to be represented”, according to Mora (2011:1).

A sample has been drawn from the target population in order to make a generalisation about the targeted population. The target population is a global gold company with the focus on its operations in the South African region. Due to the sensitive subject matter the target population has been restricted to Patterson grade D-Band and above. The selection nevertheless allowed the writer to gather perspectives of respondents (actual sample) over a broad spectrum:

- middle to upper management;
- education levels;
- ethnic backgrounds;
- different departments;
- years of industry experience;
- ages.

The quantitative research provided an availability sample, due to availability and the convenience of having access to the targeted population (gold mining company). The researcher is of the opinion that the sample is representative. This allowed inference into the perceptions of respondents and the larger target population. Participation in the study was voluntary.

Bryman and Bell (2007:196) recommend that the response rate be calculated as follows:

$$\frac{\text{Number of usable questionnaires}}{\text{Total sample – minus unsuitable or uncontactable members of the sample}} \times 100$$
$$\frac{290}{946} \times 100 = 31\%$$

Six hundred and sixty five of the individuals from the sample have submitted their completed questionnaires. All of the two hundred and ninety completed questionnaires could be used.

### **3.3. Instrument (Questionnaire)**

The aim of the questionnaire was to satisfy the objectives of the research as set out in Chapter 1. Questions were constructed bearing in mind the literature study that was done. The primary objective being to determine the perception of respondents on the key constructs of Chapter 1. This included the consequences of nationalisation for a goldmine as well as the possible reasons thereof. An example of the questionnaire (Annexure B) is attached.

The management of the gold mining company (on which the survey has been conducted) was approached for approval, due to the sensitive nature of the topic and the questions. Approval has been obtained from the vice president finance and the senior vice president human resources. It was agreed with management that the company's resources (time & intranet) could be used for compiling and gathering questionnaires.

An on-line questionnaire was used for collecting primary data because it is:

- Easy to distribute especially over a larger geographical area;
- A relatively cheap method of collecting data;

- The target sample all had access to the company's intranet which added to the convenience of completing the questionnaire;
- Automated and could be completed with minimal time and effort.

A structured questionnaire has been used to increase cooperation from the target sample and to achieve a higher response rate (31%). The first section of the questionnaire has been used to obtain the demographic information of the respondents. Section B of the questionnaire has been used to gather the perceptions of respondents with regard to nationalisation. The respondents have been requested to respond to the statements regarding nationalisation in Section B of the questionnaire on a Likert scale, from Strongly Agree to Strongly Disagree. Taking into consideration that the target sample consisted of middle to upper management, it implies that respondents should have an opinion regarding the matter of nationalisation since it has become a relevant topic. The neutral (no-opinion) option has been removed in order to get a definite answer/opinion from the respondents. Questions have been posed in positive as well as negative form as to avoid researcher bias. The questionnaire however contains one unstructured question to evaluate the respondents' general perception of nationalisation.

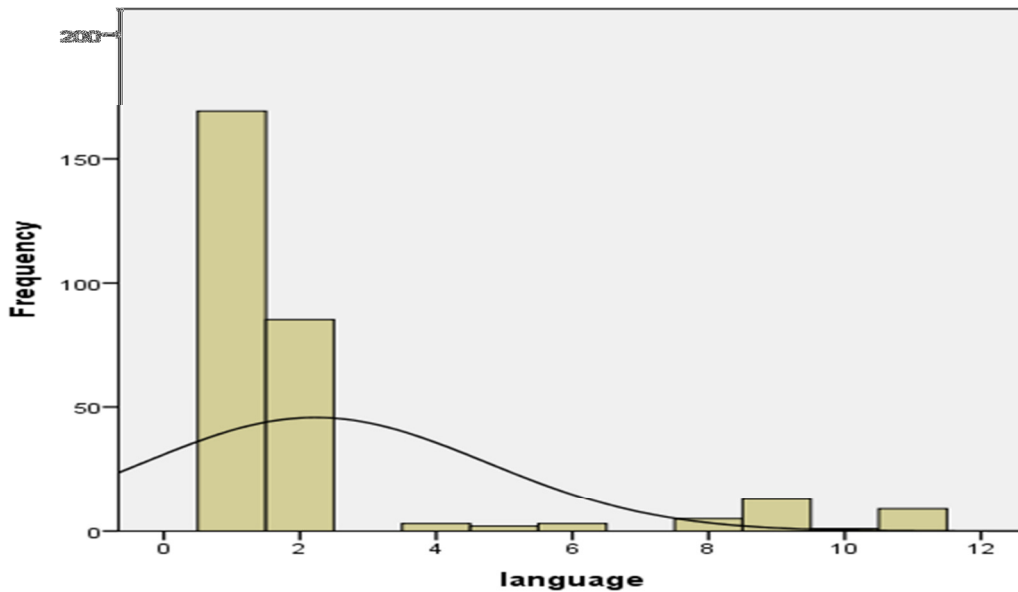
The questionnaire has been compiled around two constructs/factors, namely:

- Perceived consequences of nationalisation (will be referred to as perceptions) Questions 1; 2; 4; 6; 8; 9; 10; 11; 12; 13; 14;
- Reasons for nationalisation  
Questions 3; 5; 7 (will be referred to as reasons).

### **3.4. Biographical Information**

The following biographical information was requested from respondents:

### 3.4.1. Home language



*Figure 3-2: Home language frequency distribution*

**1.)Afrikaans; 2.)English; 3.)Hindi; 4.) Xhosa; 5.)Zulu; 6.)Venda; 7.) Ndebele; 8.) Sepedi; 9.)Setswana; 10.)Tsonga; 11.)Other.**

The largest portion of the sample consists of English and Afrikaans speaking respondents, with lower feedback from the other language groups. For comparison purposes Afrikaans; English and Other (Hindi; Xhosa; Zulu; Venda; Ndebele; Sepedi; Setswana Tsonga; Other) will be grouped.

### 3.4.2. Age

The age of the respondents range between 18 and 59 and has a mean of 43. This can be explained as the average age of middle to upper management is expected to be higher, and therefore also explains the high average number of years employed in the mining industry depicted in Figure 3-5. This is representative of the target sample that was identified.

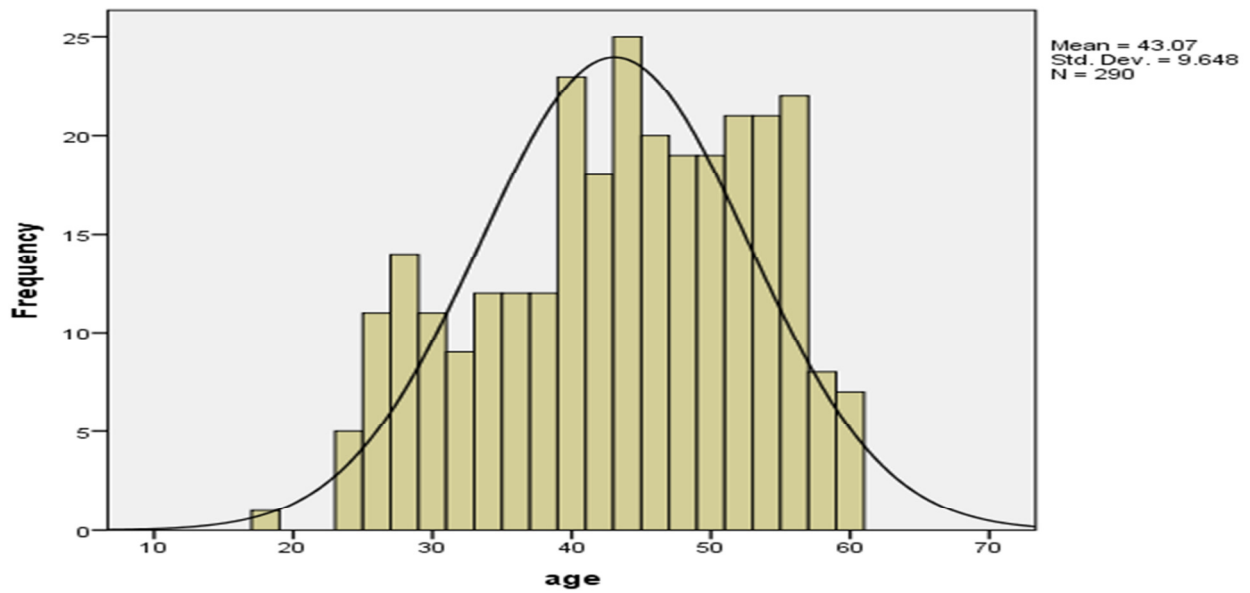


Figure 3.4.2-3: Age frequency distribution

### 3.4.3. Patterson grade

Patterson band is skewed to the right which is expected as a result of fewer respondents being in the upper management band than in middle management. The Patterson band has been included in the questionnaire to ensure that only D-band and above employees had access to the questionnaire as agreed with management.

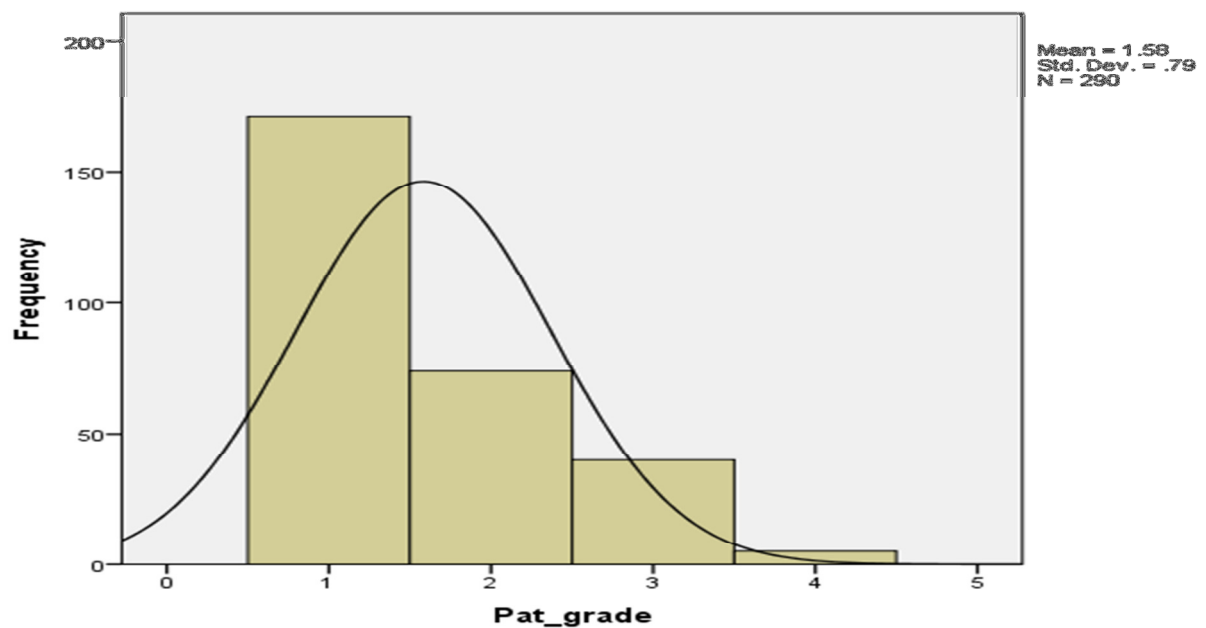
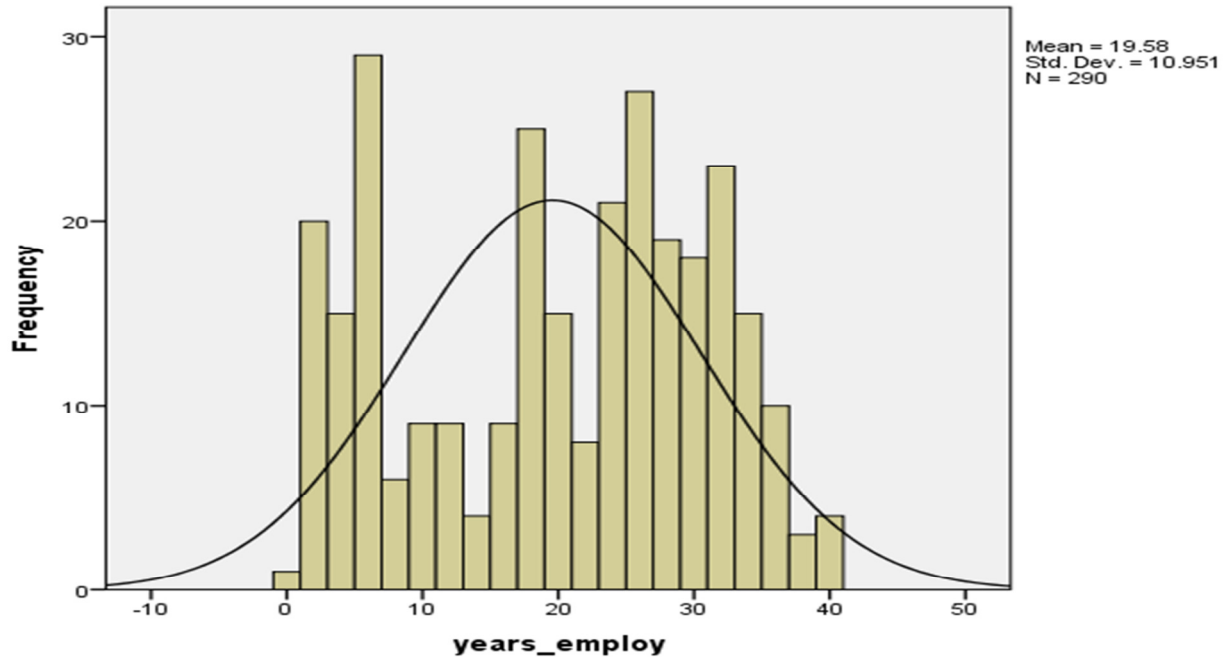


Figure 2-4: Patterson Band frequency distribution

### 3.4.4. Years of employment in the gold mining industry



*Figure 3-5: Years of Employment in the gold mining industry frequency distribution*

The years of employment is distributed from 1 to 40 years of employment in the gold mining industry. The average years of service being 20 also relates to the Patterson Band. It can therefore be assumed that the more years of employment an employee has in an industry, the more experience the employee has in the industry and the higher the likelihood of the employee being employed in a higher position. It can also be assumed that the respondents have a better knowledge of the industry and a better understanding of how nationalisation may impact a goldmine and related matters.

### 3.4.5. Highest level of education

From the data collected it can be seen the participants' education levels rang from a matric to PhD. Therefore all the participants have a formal education and more than half of the respondents have a degree or higher. The correlation between the Patterson Band and education level will be elaborated on in Chapter 4.

### 3.4.6. Department



*Figure 3-6: Department frequency distribution*

**1.)Information Technology; 2.)Metallurgy; 3.)Mineral Resource Management; 4.)Mining; 5.)Training; 6.)Engineering; 7.)Human Resources; 8.)Environmental Safety and Health; 9.)Finance; 10.)Asset Protection; 11.)Corporate Services.**

All the different departments have been represented in relation with the sample. This indicates that opinions and perceptions have been obtained of participants from a wide range of backgrounds and disciplines.

Looking at the figures (Home Language, Age, Years of Employment, Patterson Grade, Education and Department), the writer is of the opinion that the sample is relatively representative with regards to Age, Education, Patterson Grade and Department but does not appear to be representative with regards to Home Language.

### 3.5. Overview of results for non-biographical responses

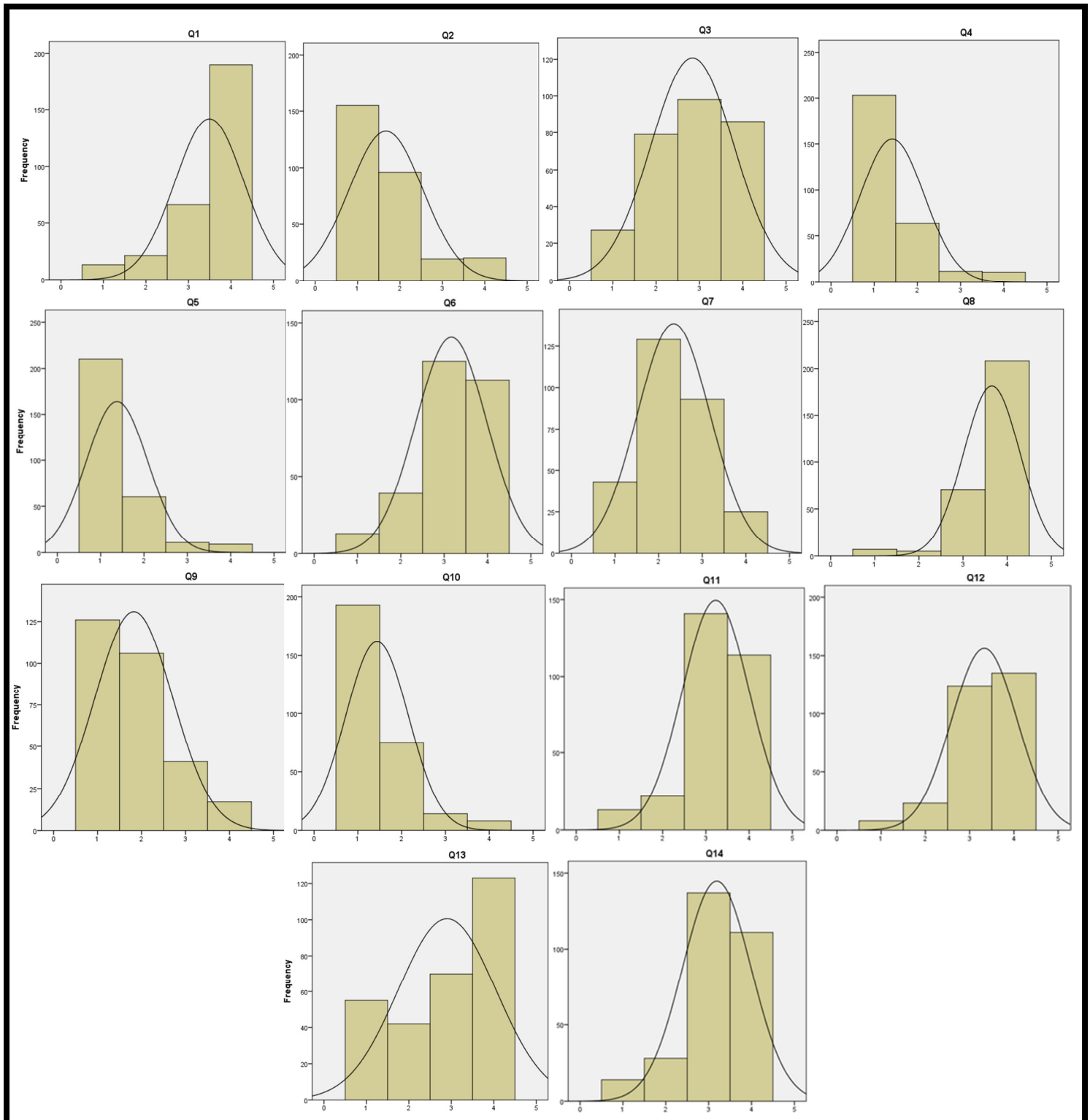


Figure 3-7: Frequency Distribution for Question 1 – 14

1.) Strongly Agree 2.) Agree 3.) Disagree 4.) Strongly Disagree

Q Nr.	Question Description	Strongly Agree		Agree		Disagree		Strongly Disagree		Mean	Standard Deviation
		Freq	%	Freq	%	Freq	%	Freq	%		
1	Nationalisation of mines <b>is</b> in National interest	13	4	21	7	66	23	190	66	3.49	0.82
2	Nationalisation <b>wont allow</b> the maximisation of mineral resources and the benefits thereof for South African's	155	53	96	33	19	7	20	7	1.67	0.88
3	Nationalisation <b>is</b> motivated by a country's economic circumstances	27	9	79	27	98	34	86	30	2.84	0.96
4	Nationalisation of the mining sector <b>will negatively affect</b> the stability of SA's economy	203	70	64	22	12	4	11	4	1.42	0.75
5	Nationalisation <b>is</b> politically motivated	210	72	60	21	11	4	9	3	1.38	0.71
6	Nationalisation of mines <b>will allow</b> further processing of minerals domestically (within SA's borders)	13	4	39	13	125	43	113	39	3.17	0.82
7	Nationalisation of mines <b>is considered</b> more prevalent when commodity prices (gold, coal, iron etc.) is high.	43	15	129	44	93	32	25	9	2.34	0.84
8	Nationalisation of gold mines <b>will increase</b> gold mining's output (production)	7	2	5	2	70	24	208	72	3.65	0.64
9	Nationalisation of SA's gold mining industry <b>will be detrimental</b> due to gold mining's technical nature	126	43	106	37	41	14	17	6	1.82	0.88
10	Nationalisation of gold mines <b>will hinder</b> foreign investment in gold mining companies in South Africa	193	67	75	26	14	5	8	3	1.44	0.71
11	Nationalisation of gold mines <b>will increase</b> social investment by the gold mining industry	13	4	22	8	141	49	114	39	3.23	0.77
12	Nationalisation of the gold mining sector <b>will increase</b> employment opportunities in this sector	8	3	23	8	124	43	135	47	3.33	0.74
13	Nationalisation of the gold mining sector <b>will increase</b> the cost effective operation of a gold mine	55	19	42	14	70	24	123	42	2.91	1.15
14	Nationalisation of gold mines <b>will allow</b> further processing of gold domestically (within SA's borders)	14	5	28	10	137	47	111	38	3.19	0.80

*Table 3-2: Section B info (Frequency distribution; mean & standard deviation)*

*\*There were no missing values*

### 3.6. Statistical Analysis

In order to use parametric tests, which are known to be more powerful, there are certain assumptions which need to be met. Normality, homoscedasticity/equal variances are the most relevant.

Normality was assessed using the Kolmogorov-Smirnov- & Shapiro-Wilk-tests for normality. However both tests indicated significant deviation from normality. Ellis (2003:51) indicated that statistical significance tests have a tendency to yield small p-values (indicating significance) as the size of the data sets increase. For this reason graphical inspection was also used to evaluate normality. QQ plots did not show severe deviation from normality, see Figure3-8. Furthermore, because more than 30 respondents completed the questionnaire by the central limit theorem, normality can be assumed. Also, since the responses were limited to a 4-point Likert scale, the impact of outliers is limited.

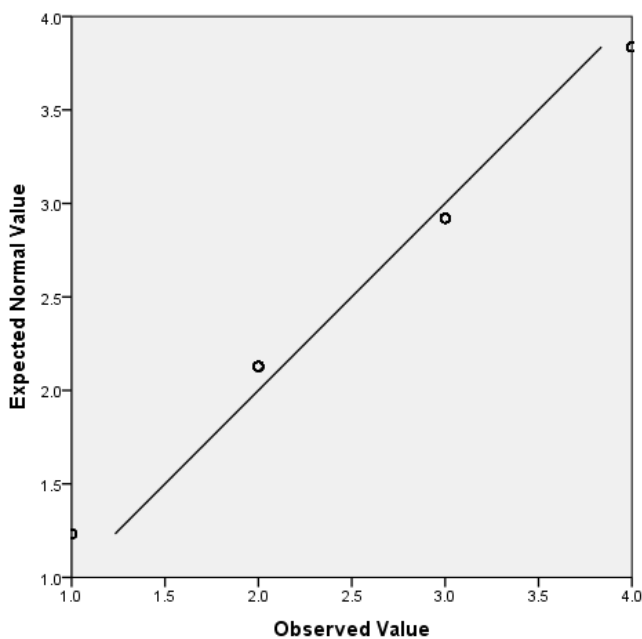


Figure 3-8: Normal Q-Q plot of Q3

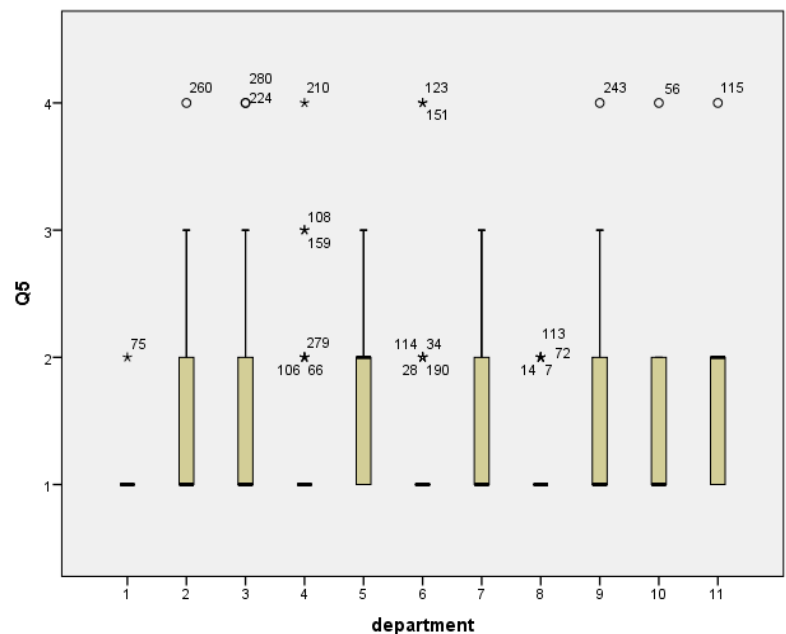


Figure 3-9: Department Box Plot

Equal variances were evaluated for each ANOVA test performed (to be discussed next) using Levene's test as well as box plots. Both indicated some heteroscedasticity. Therefore parametric tests were used to analyse the data.

Robust tests were also performed to validate findings, though ANOVA is known to be robust against unequal variances (Tabachnick, 2007:34).

The constructs (discussed in 3.3) validity or reliability was evaluated using Cronbach's Alpha ( $\alpha$ ) coefficient. Please note that some questions (Questions 2; 4; 9 & 10) were stated in the negative which required reversal.

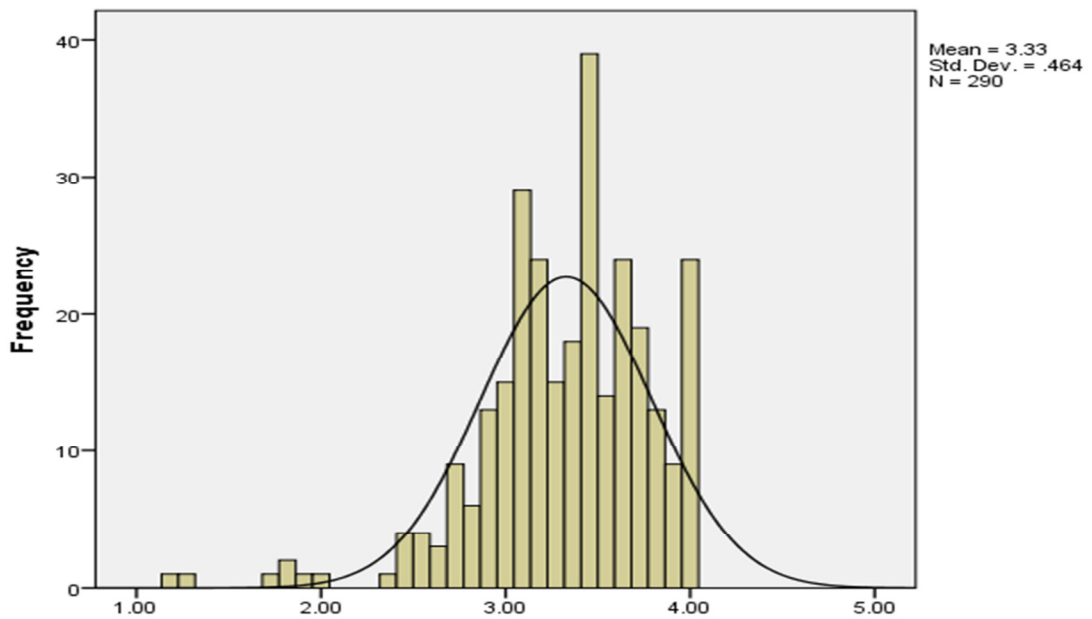
<b>Construct</b>	<b>Questions</b>	<b>Cronbach's Alpha</b>
Perceptions	1; 2; 4; 6; 8; 9; 10; 11; 12; 13; 14	0.784
Reasons	3; 5; 7	-0.034

*Table 3-2: Constructs Cronbach Alpha*

Kline (1999) notes that: "although the generally accepted value of 0.8 is appropriate for cognitive tests such as intelligence tests, the cut-off point of 0.7 is more suitable for ability tests. He continues by saying that when dealing with psychological constructs, values below even 0.7 can, realistically, be expected because of the diversity of the constructs being measured." (Field, 2009:675)

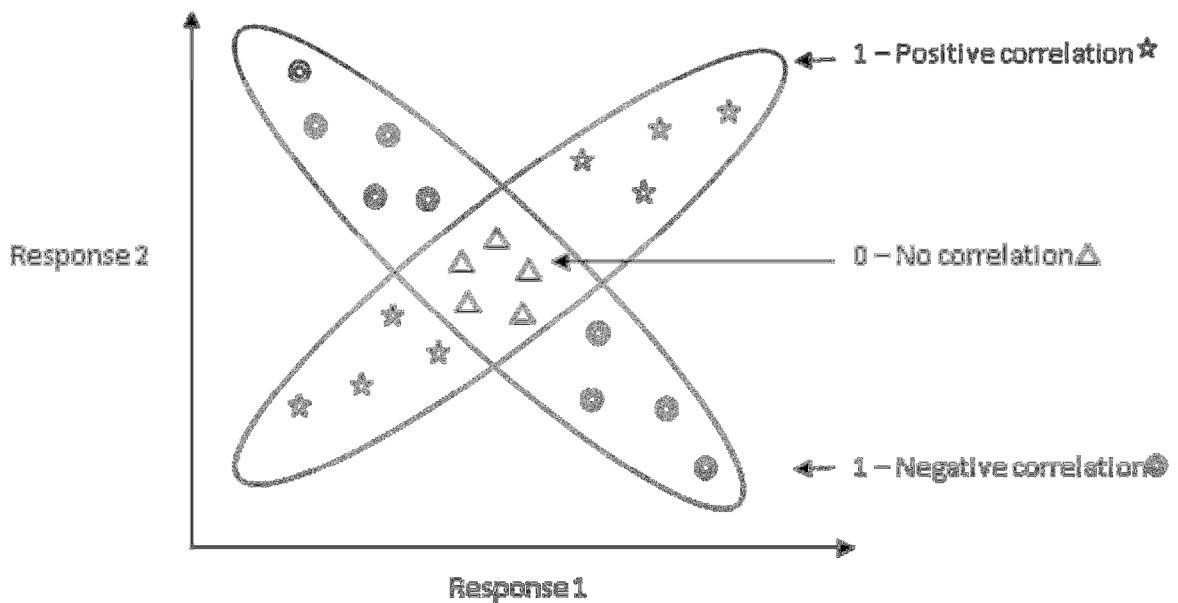
The "reasons" construct (Questions 3; 5; 7) proved not to be reliable. However this is to be expected since one reason will take priority over others. Therefore the remaining analysis was performed on the "perceived" construct (Questions 1; 2; 4; 6; 8; 9; 10; 11; 12; 13; 14) and the questions 3; 5 & 7.

A score of 1 indicates a positive perception on the outcome of nationalisation while a score of 4 indicates a negative perception on the outcome of nationalisation. Figure 3-10 indicates that the general perception of respondents is grouped around a mean of 3.33 with standard deviation of 0.4:



*Figure 3-10: Frequency distribution of "perception" construct*

According to Pallant (2007:132) the correlation (strength of relationship) between two variables may range from -1.00 to 1.00. A value of 0 will show no correlation and value of -1 shows a negative correlation, while 1 shows a positive correlation.



*Figure 3-31: Example of scatter pattern observed in data*

Pearson's product moment correlation coefficient was used to assess the strength of the relations between variables. The correlation coefficient (r) may be used to assess practical significance. The effect size is independent of sample size and is a measure of practical significance.

**Correlations**

		age	Pat grade	years employ	education	Q3	Q5	Q7	Perception
age	Pearson Correlation	1.000	0.135*	0.836**	-0.265**	0.020	-0.088	0.001	0.061
	Sig. (2-tailed)		0.022	0.001	0.001	0.740	0.137	0.999	0.303
Pat_grade	Pearson Correlation		1.000	0.088	0.270**	-0.122*	0.121*	-0.106	0.108
	Sig. (2-tailed)			0.134	0.001	0.039	0.040	0.071	0.066
years_employ	Pearson Correlation			1.000	-0.438**	0.054	-0.091	0.089	0.101
	Sig. (2-tailed)				0.001	0.359	0.121	0.132	0.087
education	Pearson Correlation				1.000	-0.103	0.086	-0.123*	-0.023
	Sig. (2-tailed)					0.079	0.142	0.037	0.693
Q3 Economic	Pearson Correlation					1.000	-0.206**	0.053	0.374**
	Sig. (2-tailed)						0.001	0.370	0.001
Q5 Political	Pearson Correlation						1.000	0.126*	-0.436**
	Sig. (2-tailed)							0.032	0.001
Q7 Commodity price	Pearson Correlation							1.000	-0.036
	Sig. (2-tailed)								0.544
"Perception" Construct	Pearson Correlation								1.000
	Sig. (2-tailed)								

\*. Correlation is significant at the 0.05 level (2-tailed).  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).  
 /r/ > 0.3 Practical visible effect  
 /r/ > 0.5 Practical significant effect

*Figure 3-42: Correlation & Significance between variables*

A statistically significant positive correlation is present between:

- Age and Years of employment in the gold industry;
- Age and Patterson Grade;
- Patterson Grade and Education:
- Economic Reason and Perception of nationalisation.

There was a statistical significance assessed between respondents' perceptions on the outcomes of nationalisation and their perception that economic/political circumstances drive the decision not to nationalise. Political reason has a negative correlation to the Perception of nationalisation, while Economic Reason has a positive correlation to the Perception of nationalisation. Therefore,

respondents who believe that nationalisation will have a negative impact also believe that nationalisation is politically motivated. Respondents, who believe that nationalisation will have a negative impact, tend to disagree that economic circumstances is a reason for nationalisation.

By using a one way ANOVA, it is possible to analyse the variance to test the equality of three or more means. The writer therefore used the one way ANOVA omnibus test to determine if Home Language could account for variation in response. Robust tests were performed since heteroscedasticity was present to some extent. The number of respondents from languages other than Afrikaans and English was small and were grouped together as “Other” for making comparisons meaningful.

		Language			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 - Afrikaans	169	58.3	58.3	58.3
	2.00 - English	85	29.3	29.3	87.6
	3.00 - Other	36	12.4	12.4	100.0
	Total	290	100.0	100.0	

*Table 3-3: Re-grouped frequency distribution table for Home Language*

The table below shows only statistical significant results ( $p < 0.05$ ). Therefore, statistically significant differences were found between the mean perceptions for the different language groups. Statistically significant differences were also found between the mean economic reasons for the different language groups.

Question	Home Language	Mean	Standard Deviation	P-Value		
				ANOVA	Welsh	Brown Forsythe
Perceptions	Afrikaans	3.420118	0.3555488	0.0001	0.0001	0.0001
	English	3.286631	0.5089722			
	Other	2.994949	0.6218928			
Question 3	Afrikaans	3.047337	0.8851328	0.0001	0.0001	0.0001
	English	2.588235	0.9672509			
	Other	2.444444	1.0266296			

*Table 3-4: ANOVA for Home Language*

Post hoc tests, the Games Howel & Tukey's b-tests, have been performed to investigate differences between the individual languages. Cohen's d-value was also calculated to assess practical significance as well as practical visibility.

Statistical significant differences in Perception of nationalisation have been found between:

- Afrikaans vs Other speaking respondents
- English vs Other speaking respondents

Statistical significant differences in Economic Reason for nationalisation have been found between:

- Afrikaans vs English speaking respondents
- Afrikaans vs Other speaking respondents

Question	Compare	Games Howel P-Value	Cohen's d-value
Perceptions	Afrikaans vs English	0.0809	0.2623
	Afrikaans vs Other	0.0008	0.5873
	English vs Other	0.0418	0.4690
Question 3	Afrikaans vs English	0.0010	0.4746
	Afrikaans vs Other	0.0056	0.5873
	English vs Other	0.7547	0.1401

*Table 3-5: Home Language Ad-hoc tests ( Games Howel & Cohen)*

If  $p < 0.05$ , the test is statistically significant.

If  $d > 0.5$ , there is a practical visible difference

If  $d > 0.8$ , there is a practical significant difference

### Perception

NewLang	N	Subset for alpha = 0.05	
		1	2
Tukey B <sup>a,b</sup> 3.00 - Other	36	2.9949	
2.00 - English	85		3.2866
1.00 - Afrikaans	169		3.4201

### Q3 : Economic Circumstances

NewLang	N	Subset for alpha = 0.05	
		1	2
Tukey B <sup>a,b</sup> 3.00 - Other	36	2.44	
2.00 - English	85	2.59	
1.00 - Afrikaans	169		3.05

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 65.993.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I

*Table 3-6: Home Language Ad-hoc test Tukey B*

Tukey B groups Home Language with statistical significant differences, at 5% significance level, together. This however differs in responses with regard to question 3 (Economic Circumstances) & Perception. It can be seen from the table above, that home language Afrikaans and English do not differ significantly with regard to perception. However statistically significant differences have been found between Afrikaans vs Other and English vs Other with regard to Perception.

Other and English do not differ significantly with regard to question 3 (Economic Circumstances). However statistically significant differences have been found between Afrikaans vs English and Afrikaans vs Other with regard to perception.

## **CHAPTER 4: CONCLUSION & RECOMMENDATION**

### **4.1. Introduction**

The purpose of this study is to give insight into nationalisation and to the perceived consequences it has for a gold mine. This chapter discusses the conclusions that can be drawn from the literature review and the empirical study, in relation to nationalisation and the perceived consequences thereof for a gold mine. The writer will convey the limitations of this study and provide recommendations for considerations with regard to nationalisation and recommendations for future research as well as limitations experienced.

### **4.2. Conclusion**

#### **4.2.1. Nationalisation**

The concept of nationalisation has been around since the 17<sup>th</sup> century. The discussion around whether nationalisation of the South African mining industry will be considered or dismissed is an on-going one. It has however recently become more prevalent in South Africa and could be attributed to a number of reasons according to Keeton *et al.* (2011:6). The debate will remain relevant and will always be considered over different industries and in different countries as it is seen as a cyclical phenomenon, as described by Coetzee (2010:30).

#### **4.2.2. Nationalisation and national interest**

The biggest question is whether nationalisation of the South African mining industry will be in National interest and benefit the greater South Africa. This is also the objective of the Freedom Charter as discussed in Chapter 2 under point 2.2.1., which states that “the people shall share in the country’s wealth and more importantly ‘the mineral wealth below the soil’.” It can however be argued that the people of South Africa are benefitting from ‘the mineral wealth

below the soil' (The South African mining industry). These benefits (set out in Chapter 2 point 2.3) include: contribution to state coffers that includes direct tax, mining royalties and tax on employee income deducted from employees' salaries; indirect taxes like VAT, import and export duties; UIF contributions and skills development levies also being collected on behalf of the state. The funds collected by the above means contributes toward government's *fiscus* and delivering basic education, infrastructure, healthcare, employment opportunities, social investment etc.

Taking the above into consideration, it can be seen that the mining industry contributes a great deal to the economy and development of South Africa and that the people of South Africa are benefiting from the mineral wealth of the country. There is however always further room for improvement and the Mining Charter, according to Boegman *et al.* (2011:40), also aims to address some of the social issues and develop local communities and economies on an on-going basis. Other areas that can be revisited include beneficiation of mineral extracted within South African borders, in order to multiply the value of minerals extracted and in the process creating employment opportunities. This will also help keep the value added to processed minerals within the borders of the country, increasing the GDP of the country and limiting the lost margin on imports. Beneficiation hubs have been one of the proposals of Anglo American in a fact based report. Respondents to the distributed questionnaire have been of the perception that nationalisation will not achieve this. The mean (3.17) of the responses to question 6 (Nationalisation of mines will allow further processing of minerals domestically (within SA's borders)) indicated that respondents did not agree on the statement that nationalisation will increase beneficiation of minerals within South Africa's borders.

#### **4.2.3. Perceived Consequences of Nationalisation**

The literature study presents different cases of nationalisation over different countries and industries with various failures and successes. It should be taken into account that the economic, cultural, political, social and legislative

circumstances of every country differs. It is therefore also important to take into consideration that neither nationalisation nor privatisation automatically resolves problems, as indicated by Wrigly (2012:2). There is however certain implications associated with nationalisation that can be determined from the different historic cases. The writer identified consequences from the literature study and has compared it with the perceived consequences as indicated by respondents in the empirical study.

## **Economic**

### *Nationalisation hinders competition - Schifferes (2008:1)*

The literature study clearly indicates that the contribution of the mining industry is significant and is made possible by profits from the industry. In contrast, the objective of the Government is not profit but rather the national interest and upliftment of the South African Economy and its people. This includes social upliftment. It would therefore be beneficial for the mining industry to remain privatised and therefore encourage efficiency and profits that will benefit the greater economy.

The response on question three (Nationalisation is motivated by a country's economic circumstances) of the empirical study that has been conducted, resulted in a mean of 2.84. This shows that respondents did not perceive economic circumstances of a country to be a reason for nationalisation. The mean (1.42) of question 4 (Nationalisation of the mining sector will negatively affect the stability of SA's economy) however showed that respondents did perceive the proposed nationalisation to be detrimental to the stability of the South African Economy. The following points (investment, production & efficiency, employment and national interest) could be contributing factors to this perception. This is also indicated by the relatively strong positive correlation between the perception of nationalisation and effect on stability of the economy and each of the below mentioned points (investment, production & efficiency, employment and national interest)

## **Investment**

*Nationalisation inhibits investment - Coetzee (2010:75)*

Talks of nationalisation do not only discourage investment in the mining industry but also in other industries. This contributes to the instability of the economy as mentioned in the previous point regarding economic perceptions. Baartjes (2011:2) mentions that a large investor concern is that nationalisation occurs quickly and the fact that nationalisation and talk thereof deters investment is supported by numerous examples in chapter 2 point 2.5.1.

The empirical study conducted by the writer shows that most respondents agreed with the statement under question ten (Nationalisation of gold mines will hinder foreign investment in gold mining companies in South Africa). This is indicated with a mean of 1.44 to question ten.

## **Production & Efficiency**

*Production is more efficient in a private firm - Crivelli and Staal (2010)*

As mentioned it is not a government's prerogative to be profit driven and as a result it is not focused on production or driven to maximise efficiency. This has also been indicated by Harrilall (2011:1) namely, that Nationalised companies underperform private counterparts.

The respondents from the actual sample taken showed agreement (mean 1.67) to the statement under question two (Nationalisation won't allow the maximisation of mineral resources and the benefits thereof for South African's). Question two presented a significant positive correlation to question nine (Nationalisation of SA's gold mining industry will be detrimental due to gold mining's technical nature). It could be interpreted that nationalisation won't allow maximisation of mineral resources due to mining's technical nature. The mean (3.65) of response to question eight (Nationalisation of gold

mines will increase gold mining's output (production)) further supports the perception of respondents that nationalisation will not benefit production.

### **National Interest**

*Nationalising the mining sector in South Africa could take us down the slippery slide to oblivion, Smuts (2011:1).*

The literature study did indicate countries that achieve a workable model of nationalisation. These include Debswana (public-private partnership); Codelco in Chile is another. The cases where nationalisation did not succeed exceed the success cases by far. Keeton *et al.* (2011:9) showed that privatisation or “denationalisation” was a strong movement in countries that applied nationalisation. This was mainly as a result of the fact that nationalised industries/companies show stagnation and inefficiencies. Chang *et al.* (2009:4-8) also confirms this and adds that practices that induced productivity is lost with nationalisation.

The literature study showed the extent of social investment that the mining sector makes. This includes direct contributions in terms of corporate social investment and community upliftment, as well as indirect contributions through taxes collected and distributed through the allocated government budget. Increase in social investment will prove difficult if profits are less due to lower production or inefficiencies. The mean (3.23) perception of respondents to question eleven’s statement (Nationalisation of gold mines will increase social investment by the gold mining industry) concurred with the literature study in terms of social investment.

Nationalisation of the mining industry will not be in national interest if it leads to these perceived consequences highlighted in the literature and empirical study.

### 4.3. Limitations

The topic of nationalisation is a highly debated. Different individuals and groups have varying opinions and theories on the concept and perceived consequences of nationalisation. Nationalisation is therefore not a straight forward concept and has a number of considerations that need to be taken into account, including the different forms of nationalisation, conditions of nationalisation etc. This leads to the first limitation which is more related to the empirical study. Respondents, of the empirical study conducted, relay their opinions/perceptions of nationalisation without necessarily taking the aforementioned into consideration.

Nationalisation is a sensitive topic, especially in South Africa with a history of social injustice and inequality. It has therefore been decided that employees D-band and above will be included in the empirical study conducted by the researcher on the gold mining company. This has been done in order to keep the target sample as small as possible in order to prevent sparking an internal company debate regarding nationalisation. The concern has been to caution against a risk of the debate getting out of hand and becoming a human resources issue. This has been communicated and agreed on with management. The limitation in this regard has been the fact that it was not possible to include the entire gold mining company and only the perceptions of a select group could be gathered.

The participation of other language groups (Hindi, Xhosa, Zulu, Venda, Ndebele, Sepedi, Setswana, Tsonga) has been limited. For unknown reasons the response of the target sample has not been representative of the demographics of the targeted population with regard to home language.

As discussed under the first limitation, there are different considerations regarding the debate of nationalisation. The writer covered the different forms of nationalisation and considerations in the literature study. The empirical study has been directed toward the concept of nationalisation and the perceived consequences thereof. Respondents' perceptions will mostly hold

bearing to the current considerations of nationalisation in a South African context.

#### **4.4. Recommendations**

##### **4.4.1. General recommendations**

The literature study indicated that nationalisation of a country's: companies, industries, resources etc., can send a country down a slippery slope of economic, social and political instability. The ideal will be to have a situation where value is created and a solution is formulated that is beneficial to all the involved stakeholders (the larger South Africa and its communities, Government, foreign investors, companies and their shareholders etc.). There are however cases where nationalisation has been successful and it will be useful to determine the factors that contributed towards the success.

Other alternatives should be considered if it is found that nationalisation will not be the best option for the South African context. These alternatives can include legislative, fiscal and change in form/extent of nationalisation. The ANC's economic transformation committee (ETC) indicated that the Chilean model of co-existence between state-owned and private mining companies is receiving preference.

##### **4.4.2. Future Research recommendations**

The considerations surrounding nationalisation is vast and complicated. The writer touched on certain of these aspects and some needs to be researched further to gain a better understanding of nationalisation. Some of the proposed research topics surrounding nationalisation include:

##### **The different forms of nationalisation**

The definition of nationalisation according to Keeton *et al.* (2006:11) involves the acquisition of an existing asset and the transfer of its ownership into public

hands. This transfer of ownership to public hands could be done in a number of ways. These may include expropriation with or without compensation. Other considerations may also include the sector or industry that is nationalised and whether it is considered to be of strategic importance for a country. What are the considerations and impacts surrounding these different forms of nationalisation? If the majority of the proceeds derived from a resource of the country go toward the benefit of the country and its people, can it be considered to be a form of nationalisation?

### **Alternatives to nationalisation**

It could be concluded from the literature and empirical study that nationalisation is necessarily the solution to what a country want to achieve, whatever the reason might be. There are a number of alternatives to nationalisation that could be considered and could be researched. These include but are not limited to:

- Creating beneficiation hubs;
- Collaborations between private sector and state;
- Compulsory social investment and local economic development projects;
- Introduction of super tax on mining.

How will the proposals, other than nationalisation, be structured to benefit the people of South Africa? If the majority of the proceeds derived from a resource of the country go toward the benefit of the country and its people, can it be considered to be a form of nationalisation?

### **Successful cases of nationalisation**

When it comes to the handful of success cases of nationalisation, it is important to understand what contributed toward the success of nationalisation in these rare cases.

There will be a number of considerations that will have to be taken into account including but not limited to:

- Political climate of a country;
- Economic climate of a country and the state of world economy;
- Fiscal policy;
- Legislation and treaties involved;
- History the country;
- The industry, resource or company nationalised;
- The strategic significance and characteristics of the nationalised resource etc.;
- The reason for nationalisation;
- The terms and steps involved in the process of nationalisation;
- The benefits or consequences of the nationalisation.

### **Economic consequences**

In most cases of nationalisation it was unsuccessful and lead to re-privatisation. The economic consequences of nationalisation are far reaching. The purpose of the research would be to establish the cycle of economic consequences and the knock-on effects of decisions taken by referring to similar cases of nationalisation in the history and how it influenced the different economic aspects of a country - foreign investment, currency strength (exchange rate), inflation, interest rates, contribution to gross domestic product, amendment of fiscal policy etc.

## **4.5. Chapter Summary**

This chapter contains conclusions made (from the literature and empirical study conducted) as well as elaborate on limitations identified and provide recommendations for consideration as well as future research proposals.

## References

Anonymous. 2011. South Africa Info : Mining and minerals in South Africa

<http://www.southafrica.info/business/economy/sectors/mining.htm> Date of

access: 16 July 2012.

Atud, V. 2011. Nationalisation case studies: Lessons for South Africa. Free

Market Foundation [http://www.miningweekly.com/print-version/chamber-of-](http://www.miningweekly.com/print-version/chamber-of-mines-2011-06-22)

[mines-2011-06-22](http://www.miningweekly.com/print-version/chamber-of-mines-2011-06-22) Date of access: 16 February 2012.

Anglo American. 2012. Submission to the African National Congress by Anglo American in response to the recommendations made in the State Intervention in the Minerals Sector report.

Baartjes, N. 2011. Nationalisation: A global perspective. TALKING POINT.

Boegman, H., Venables, S., Van Wyk, A. 2011. SA Mine Review of trends in the South African mining industry. PricewaterhouseCoopers.

Bown, A. 2012. Nationalisation of SA Mines and the Nonprofit Sector?

Or While Nero Fiddles, Rome Burns.

Bryman, A. & BELL, E. 2003. Business Research Methods. 2<sup>nd</sup> ed. New York: NY Oxford University Press.

Chamber of mines of South Africa, 2012. Submission to the African National Congress by the Chamber of Mines of South Africa on recommendations made by the committee appointed to investigate state intervention in the minerals sector.

Chang, R, Hevia, C. & Loayza, N. 2009. *Privatization and Nationalization Cycles*. World Bank Policy Research Working Paper, 5029. World Bank, Washington, D.C.

Chua, A.L. 1995. The Privatization-Nationalization Cycle: The Link between Markets and Ethnicity in Developing Countries. Columbia Law Review

Coetzee, C. 2010. The proposed nationalisation of mines in South Africa – A critical Assessment. Province of KwaZulu-Natal Provincial Treasury IGR Unit

Creamer, M. 2011. Chambers conducting nationalisation research  
<http://www.miningweekly.com/print-version/chamber-of-mines-2011-06-22> Date of access: 15 January 2012.

Crivelli, E. & Staal, K. 2010. Nationalizations and Efficiency. International Atlantic Economic Society

Cron, J. 2009. Should we nationalise the mines?  
<http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71654?oid=15145> Date of access: 28 February 2012.

Davenport, J. 2012. Nationalisation, labour history come under the spotlight at Joburg jamboree. Creamer Media – Mining Weekly.  
<http://www.miningweekly.com/print-version/conference-highlights-nationalisation-an> Date of access: 16 July 2012.

Duncan, R. 2006. Price or Politics? An Investigation of the Causes of expropriation. The Australian Journal of Agricultural and Resource Economics. 85-101.

Du Plessis, S. Nationalising South African mines: Back to a prosperous future, or down a rabbit hole?  
<http://zunia.org/uploads/media/knowledge/39921321768788.pdf> Date of access: 12 January 2012.

Ellis, S.M. & Steyn, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values). Management Dynamics. 12(4): 51-53.

Field, A. 2009. Discovering statistics using SPSS. 3<sup>rd</sup> ed. London: Sage Publications. 821 p.

Filen, C. 2012. Resource nationalism a delicate balancing act - AngloGold Chair <http://www.mineweb.com/mineweb/view/mineweb/en/page34> Date of Access: 04 April 2012.

Harrilall, K. 2011. Should we Nationalise? Witness. SA Media – The university of the Free State

Keeton, G. & Beer, M. 2011. MIASA position on state participation in mining. Report for the Mining Industries Association of Southern Africa <http://ebookbrowse.com/nationalisation-miasa-position-on-state-participation-in-mining-2012-pdf-d312733307> Date of access: 5 July 2012

Kobrin, S. J. 1984. "Expropriation as an attempt to control foreign firms: trends from 1960 to 1976." International Studies Quarterly.

Malikane, C. 2011. Nationalisation of mines – A necessary step toward economic liberation. Date of access: 16 July 2012.

Minor, M. S. 1994. "The demise of expropriation as an instrument of LDC policy, 1984-1992." Journal of International Business Studies.

Monzano, O. & Monaldi, F. 2008. The Political Economy of Oil Production in Latin America.

Mora, M. 2011. Sample Size Matters. <http://relevantinsights.com/sample-size-matters> Date of access: 25 September 2012.

Pallant, J. 2007. A step by step guide to data analysis using SSPS for windows. 3<sup>rd</sup> Edition. McGraw Hill Publishers.

Qobo, M (Dr.). 2011. The role of the South African State in Mining. CPR Press

Schifferees, S. 2008. The lessons of nationalisation.

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7250252.stm> Date of access: 12 January 2012.

Simutanyi, N. 2010. Conference convened by the Centre for Policy Studies and the Southern Africa Resource Watch, held at the Sunnyside Park Hotel Johannesburg on 30 – 31 March 2010.

Smuts, W. 2011. Quo vadis? Regional Focus. Southern Africa

SIMS report. 2012. Submission to the African National Congress by the Chamber of Mines of South Africa on recommendations made by the committee appointed to investigate state intervention in the minerals sector.

South Africa Info. 2011. Mining and minerals in South Africa

<http://www.southafrica.info/business/economy/sectors/mining.htm> Date of access: 16 July 2012.

Spicer, D.L. 2012. How the mining sector incorporates wildcards into its strategic planning. University of Stellenbosch. (Dissertation – Masters)

STATS SA. 2008.

Tabachnick, B.G. & Fidell, S. 2007. Experimental Design using ANOVA. Duxbury. Brooks/Cole. Belmont, CA: Duxbury

Wade, P. 2010. Nationalising the Mines in South Africa: Prospects, Challenges and Lessons from the SADC Region. Southern Africa Resource Watch

Welman, C., Kruger, F. & Mitchell, B. 2005. Research Methodology – 3<sup>rd</sup> Edition. Cape Town, Oxford University Press Southern Africa

Wrigly, C. 2012. Nationalisation and Privatisation in Britain's Coal Mines  
National advance and private gain?

<http://www.imhc.co.za/assets/pdf/papers/Nationalisation%20and%20Privatisation%20in%20Britain-Wrigley.pdf> Date of access: 16 May 2012.

Zogg, P.E. 2011. A historical analysis of the relationship between the state and capital in the South African mining industry. University of Stellenbosch. (Dissertation – Masters).

# **Annexure A**

**Table 1:** Examples of Nationalisation: By country and period perused?

<b>Current and since 2000</b>	<b>Argentina</b> (2009) renationalisation of airline; <b>Portugal</b> (2008) banks; <b>Malaysia</b> – talk only; <b>Bolivia</b> (2006) national gas; <b>USA</b> (2001) airport security after September 11	<b>Channel Islands</b> (2003) airlines; <b>New Zealand</b> (2001, 2003, 2004, 2008) railways, air carrier, etc.	<b>Germany</b> (2008) renationalisation of the federal print office <b>The Netherlands</b> (banks) <b>Namibia</b> (partnership in mining and recent talks to nationalise future mineral discoveries)	<b>Ireland</b> (2009) banks, (2010) other companies <b>Zimbabwe</b> (2004) <b>Iceland</b> (2008) renationalisation of commercial banks <b>Sri Lanka</b> (2009) Seylan Bank	<b>Latvia</b> (2008) banks <b>UK</b> (2009) railways and bank-mortgages only <b>Venezuela</b> (2007, 2008, 2009, 2010) oil, cement, steel, rice production, six supermarkets, etc
<b>1990s</b>	<b>Russia</b> (1998) Gazprom	<b>UK</b> – Docklands light railway			
<b>1980s</b>	<b>France</b> (1982) banks, etc, most reprivatized in 1986	<b>Israel</b> (1983) banks <b>Norway</b>	<b>Mexico</b> (1982) banks <b>Spain</b> (1983) Spanish Rumasa – later privatised	<b>UK</b> – Telekom created	<b>USA</b> – lots of failed savings loans <b>India</b> – more banks
<b>1970s</b>	<b>Canada</b> – Potash Corporation <b>UK</b> – Rolls-Royce, gas, national enterprise board, Leyland motors.	<b>Greece</b> (1974) airlines – later privatised) <b>Botswana</b> – mines state-private partnership	<b>India</b> (1973) coal and oil companies, (1972) 106 insurance companies <b>Malta</b> (1974) banks <b>Sri Lanka</b> (1972) mines, tea and rubber plantations, (1975) Stirling plantation	<b>Pakistan</b> (1972) all major industries <b>Chile</b> (1972) copper mines	<b>Portugal</b> (1974) banks, insurance, petroleum and some industries
<b>1960s</b>	<b>India</b> (1969) 14 banks <b>Sri Lanka</b> – oil,	<b>UK</b> (1960s) busses, water, British petroleum, post office	<b>Zambia</b> (1968) coal and some other firms		
<b>1900-1959</b>	<b>Argentina</b> (1918) universities <b>Iran</b> (1953) oil <b>Canada</b> (1918) railways; (1944) Hydro-Quebec, <b>Soviet Union</b> (1981) all manufacturing, rail, banks, etc) <b>Australia</b> (1949) attempted to nationalise banks) <b>Spain</b> (1941) railways	<b>Cuba</b> (1959) Castro's government gradually nationalised all important industry <b>Sri Lanka</b> (1958) bus transport. <b>USA</b> (1900s) railways	<b>Egypt</b> (1956) Suez-Canal <b>Ireland</b> (1940s) railways <b>Poland</b> (1946) all enterprise with more than 50 employees <b>Czechoslovakia</b> (1945-48) all manufacturing <b>Mexico</b> (1938) petroleum <b>Romania</b> (1948) all private companies, (1950) confiscation of private houses, land etc	<b>France</b> (1938, 1945) Renault, electricity, gas, etc <b>South Korea</b> (1946) railways <b>Sweden</b> (1939-48) most private railway companies, (1957) LKAB mining company nationalised	<b>India</b> (1949) reserve bank, (1953) airlines, (1955) Imperial bank <b>UK</b> (1912) inland telephone, (1916) liquor trade, (1926) electricity, (1927) British broadcasting, (1933) London transport, (1938) coal, (1939) most companies under government control, (1940s) inland rail, electricity, gas, (1951) iron and steel
<b>1860-1900</b>	<b>Israel</b> (1905) railways <b>Japan</b> (1906) railways	<b>UK</b> (1868) telegraphs, (1875) Suez Canal	<b>USA</b> (1862) monetary system, (1863) banking system		

# **Annexure B**

**Nationalisation involves the acquisition of an existing asset and the transfer of its ownership into public hand**

Please complete all questions and then click the "Submit" button at the bottom of the web page.

A. Demographics	
Home Language:	Afrikaans ▼
Age in years:	<input type="text"/>
Patterson Grade:	D lower ▼
Years employed in Gold Mining industry:	<input type="text"/>
Highest level of education:	None ▼
Department:	Information Technology ▼

**B. Questions**

Please read carefully and indicate to what extent you agree with the following statements, by choosing one of the options:

	Strongly Agree	Agree	Disagree	Strongly Disagree
1. Nationalisation of mines is in National interest	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Nationalisation <b>won't allow</b> the maximisation of mineral resources and the benefits thereof for South Africans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Nationalisation is motivated by a country's economic circumstances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Nationalisation of the mining sector <b>will negatively affect</b> the stability of South Africa's economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Nationalisation is politically motivated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Nationalisation of mines <b>will allow</b> further processing of minerals domestically (within South Africa's borders)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Nationalisation of mines is considered more prevalent when commodity prices (gold, coal, iron etc.) is high	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Nationalisation of gold mines <b>will increase</b> gold mining's output (production)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Nationalisation of SA's gold mining industry <b>will be detrimental</b> due to gold mining's technical nature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Nationalisation of gold mines <b>will hinder</b> foreign investment in gold mining companies in South Africa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Nationalisation of gold mines <b>will increase</b> social investment by the gold mining industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Nationalisation of gold mining sector <b>will increase</b> employment opportunities in this sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13. Nationalisation of the gold mining sector <b>will increase</b> the cost effective operation of a gold mine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. Nationalisation of gold mines <b>will allow</b> further processing of gold domestically (within SA's borders)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

This question is not compulsory

In your opinion, will Nationalisation of South African Mining sector be advantageous to a gold mine and why / why not?

State Reasons other than above if any?

**Submit**

# Annexure C

# Taalversorging

Louwstraat 113  
POTCHEFSTROOM  
2531

Wilma Pretorius  
Sel: 082 562 8788/Tel: 018 294 4758  
E-pos: pretorius.apie@gmail.com

Postbus 5206  
KOCKSPARK  
2523

## Vir wie dit mag aangaan|

Hiermee verklaar ek, Wilma Pretorius, dat ek die skripsie van RL Lazare taalversorg het vir die November 2012 indiening.

Vriendelike groete,

*W.Pretorius*

**WILMA PRETORIUS**  
**6 November 2012**