



**DEPARTMENT OF MINERALS AND ENERGY
OF SOUTH AFRICA**

**Speech by the Minister Lindiwe Hendricks
At the
Portfolio Committee on Minerals and Energy**

17 October 2005

1. INTRODUCTION

Chairperson, honourable members, ladies and gentlemen, allow me to introduce my department's response to issues emanating from the public hearings on the Diamonds Amendment Bill. I know that this sitting has attracted a lot of attention judging from the press coverage of the past few days. I have also been informed that no other hearing recorded the amount of patronage that this particular one did. We can therefore conclude that the issue at hand is very important to a lot of the South African populace. The issue is indeed important to government and the whole industry, and it is a matter that can no longer be put on hold.

I am also told that within this same house, there were a number of diverse opinions and views that were deliberated upon. At some point I understand, things got heated, which is also understandable, as this shows how passionate South Africans are about this precious stone, which is said to be a girl's best friend.

Diamond mining was the first type of organised mining that was started in South Africa in Kimberly. This makes Kimberly the fore runner of the wealth that we see in towns like Johannesburg where the proceeds from the diamond industry were channelled to develop

the gold mining sector. It is a pity that unlike Johannesburg, Kimberly today is a sore sight of yester years where there is no meaningful development that can keep that town afloat. It is for such reasons that we are now together developing this piece of legislation to redress some of those past atrocities so that we do not ever again experience such dilapidation.

It is also a pity that African countries, with their combined production of diamonds are nowhere near being the diamond centres of the world. Perhaps like us, other diamond producing African countries were discouraged from exploring the downstream side of the diamond industry. Some of the myths associated with this industry are as we have heard during the hearings the following: South Africans cannot cut, polish and manufacture diamonds and that our style is not acceptable internationally, that it is not economically viable to cut and polish diamonds in South Africa, and that diamond producing countries should not become polishers and manufacturers and should only concentrate on producing, leaving the downstream to other countries. The scariest of them all is the one about the loss of thousands of jobs in the production side, should beneficiation be encouraged. I am pleased that the honourable members had during the hearings asked whether assurance could be given that the jobs would be sustained if the Bill is not passed and that the response was no. There is therefore no guarantee that there will be no job losses.

Honourable members, the time has come that these be exposed as what they are, nothing but myths.

The objectives of the Diamond Amendment Bill are, amongst others for us as a country to be able to drive the beneficiation of diamonds, as we are one of the largest producer of diamonds in the world ; provide for the local supply of diamonds so to ensure that diamonds are beneficiated here in South Africa; to ensure that cutters and tool makers obtain regular supplies of unpolished diamonds and to create more jobs in the beneficiation of diamonds locally, thus cushioning the impact of job losses anticipated upstream.

In this regard there are therefore, as government, obligations that we cannot compromise on. These are:

- The restructuring of the current South African Diamond Board (SADB)
- Establishment of the State Diamond Trader (SDT)
- Establishment of the Diamond Export and Exchange Centre (DEEC)
- Non distinction of “cuttables” from “non-cuttables” and
- Duty on export of rough diamonds.

2. THE RESTRUCTURING OF THE SOUTH AFRICAN DIAMOND BOARD

The current SADB has been made to be toothless and unable to further the aims and objectives that are imperative for this country to achieve the main objectives of this country, namely beneficiation. The Board has been the custodian of both regulation and promotion of this industry, an objective they are unable to achieve, hence the separation of the two functions in this Bill. The South African Diamond and Precious Metals Regulator will have the sole purpose of regulating the both the diamond and the precious metals industry and the promotion function will lie with the State Diamond Trader. The two entities will be able to focus in what they are mandated to do and the player and referee concept will not be an issue. The Board of the Regulator will consist of lesser number of people from the industry to avoid the situation where the industry is self regulating.

3. ESTABLISHMENT OF THE STATE DIAMOND TRADER (SDT)

The SDT will acquire and supply unpolished diamonds to local diamond beneficiators and promote the industry through the necessary research, support and development as deemed necessary from time to time. I have to emphasise that the SDT will put whatever portion of the production cycle deemed to support local beneficiation at competitive market price. Because we are confident

that we will not compromise the producers, we have built in mechanisms to resolve disputes by taking the word of an independent valuator, who will be hired and paid for by the SDT and the aggrieved to be final. I can assure you that there will be no so called “*cherry picking*” as feared by some of the industry players.

4. ESTABLISHMENT OF THE DIAMOND EXPORT AND EXCHANGE CENTER (DEEC)

All rough diamonds that are to be exported will go via the DEEC for control purposes and to allow local producers to buy if they can utilise them. Here, foreigners will be allowed to purchase the goods they want for export purposes. Under certain conditions like when we have an oversupply in South Africa, rough diamonds could be exported directly without being offered to be bought at the DEEC. The regulator has the right to declare any place as a Diamond Export Exchange Centre as it deems fit. Therefore, the DEEC is not a fixed premise that is in Johannesburg but could be premised anywhere the regulator deems fit.

5. NON DISTINCTION OF “CUTTABLES” FROM “NON-CUTTABLES”

The issue of “cuttables” and “non-cuttables”, we believe, is a *non-issue* for now. We have yet to be convinced that certain categories of rough diamonds cannot be cut in South Africa. We would like to allow ourselves to compete with Antwerp and even the Indian

centres for technology. The Indians have followed diamonds where they are, which is at present in places like Antwerp, and I don't think there is anything stopping them from following them to South Africa to cut and polish them here. They will have to bring their technologies here if they need our diamonds. Therefore, until we have proof that some diamonds are "*uncuttable*" here in South Africa, we will not discriminate and will therefore not have the word in our vocabulary.

6. DUTY ON EXPORT OF ROUGH DIAMONDS.

This, I am told, has been a contentious issue of serious debate, with its unconstitutionality being touched upon. I can assure you that we cannot scrap duty on rough diamond exports as this will be a deterrent of exporting our precious commodity without being benefited closer to source. However, as this falls under the jurisdiction of Treasury we are engaging them with regards to develop a Money Bill that will run concurrently with the implementation of the adopted amendments to this Bill. They have given us their word that the matter will be debated in Parliament early next year.

7. CONCLUSION

The above are the principles that we cannot deviate from because if we do we would have failed the people of South Africa especially those who were denied access into this industry. These amendments

will guarantee equitable access to diamonds which has been denied to the majority of the people of our country for many years. The amendments will also go a long way in developing skills and in assisting South Africa find its niche in the industry.

Honourable Members, allow me to take this opportunity to thank you for the attention you have given to this Bill. Allow me to also thank all the diamante's, and all other stakeholders who took time to interrogate the Bill and shared their opinions to enable us to make it something that we can all live with, without pointing fingers at each other. Most importantly let me thank those minds who put their heads together to come up with legislation aimed at enabling South Africans to do something that it was denied eons ago, that is to develop cutting, polishing and manufacturing skills of these precious diamonds. Imagine where this country would be if these minds existed when the first diamond was discovered in 1867 in Hopetown, Kimberley.

Some view this amendment as killing the diamond industry, the contrary is obvious, we are not killing the goose that lays the golden egg, nor are we nationalising through the back door. All what we are doing is to transform an industry that has remained the same for a very long time. By so doing we intend to diversify the South African mining sector in order to ensure it long term sustainability. You will recall that those who were opposed to the MPRDA

claimed that then Bill would have the effect of nationalisation and its implementation has proved them wrong.

Chairperson, thank you once again for this opportunity.

I thank you.