

**SPEECH BY MR SULEMANU KONEY, CEO OF THE GHANA CHAMBER OF MINES, AT THE 11TH QUADRENNIAL DELEGATES' CONFERENCE OF THE GHANA MINeworkERS' UNION AT GFG, TARKWA ON AUGUST 26 2015.**

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**Mr Chairman**

**The Executive Vice President of Gold Fields Ghana, Mr Alfred Baku**

**The Vice Chancellor of the University of Mines and Technology**

**The Secretary General of the Trade Union Congress**

**International Guests and National Unions**

**Captains of the Mining Industry**

**Ladies and Gentlemen**

On behalf of the Council of the Chamber I wish to thank the Ghana Mineworkers Union for inviting me to share the thoughts of the industry on the occasion of its 11<sup>th</sup> quadrennial delegates' conference. We are most grateful.

Mr Chairman,

First and foremost, I wish to place on record the traditional warm and cordial relations that the mining industry operating under the umbrella of the Chamber has cultivated with the Ghana Mine Workers Union over the years. The healthy relationship arguably accounts primarily for the harmonious business environment that has contributed largely to the buoyancy of the mining industry in the last few decades. The benefits of this have been positive.

Ladies and Gentlemen, the mining industry continues to be a bulwark of the economy; being the leading contributor to GRA's domestic collections in the last 5 years or so, the largest contributor to the country's gross merchandize exports – about 34 per cent in 2014, and the leading source of FDIs in the country.

Contrary to popular opinion, the mining industry returns a large proportion of its revenue to the country to run its operations and honour its commitments to various stakeholders including the state, employees, vendors and communities. In 2014 for instance, the mining industry returned approximately seventy seven per cent (77%) of its revenue to the country, with a large part of the remainder used for acquiring CAPEX and consumables.

By its very presence, the mining industry has spawned several service companies that not only supply its inputs but also serve other sectors of the economy; a complementary benefit to the larger economy.

**Mr Chairman,**

A recent study on the life cycle contribution of the mining industry to the economy showed that for each job created by the industry directly, a further fifteen (15) are created indirectly.

Furthermore, for every US\$1 million spent in the supply chain 105 jobs are created. Indeed, the report recommends among others that to optimize the benefits of mining, Ghana needs to deepen the integration of the mining industry in the local economy. In a sense, this implies that the country needs to harness the opportunities in its supply chain, especially for those that it has a comparative advantage to produce locally.

**Ladies and Gentlemen,**

The mining industry has a proven track record in this endeavour and it is positioned to assist the country to realize these benefits. However, this will require a change of mind-set, and as well as the need for other stakeholders, particularly government or the State and entrepreneurs to play their respective roles.

**Mr Chairman,**

The question of the optimal manner in which the fiscal benefits of mining could be shared among various interests, particularly the factors of production, has been the subject of notable theses. For sure, the tension that prevails regarding the appropriate rewards for various contributors to the mining endeavour is natural. As you would recall a few years ago, the phenomenon of resource nationalism was topical as host countries pushed for a larger share of mineral revenue through a change in fiscal regime or clawing back of incentives or both.

Prior to this, host communities had agitated for enhanced benefits from mining companies operating in their areas. Investors have been frustrated that the returns on their investments in the mining industry have been below par even during the so called boom years.

Not to be left out, suppliers of goods and services have angled for a larger share of mineral revenue through strong advocacy for local content policies and

legislations. In tandem with this desire, labour has also been agitating for a larger share of mineral revenue even to this day when mining companies are struggling to survive amidst depressed metal prices, particularly gold, the preponderant mineral mined in Ghana

As intimated earlier, the debate on the sharing of mineral revenue among stakeholders tends to be quite emotive. However, it is important to lay bare the facts to provide the basis for rational discussions on the matter. In 2014, for instance, the distribution of mineral revenue in Ghana was as follows:

State	11%
Employees	13%
Amortization	11%
CAPEX	13%
Community & General Public	1%
Power	8%
Diesel	9%
Local Purchases of goods & services	21%
Imports of Consumables	7%
Other Shareholders	3%

Whilst there may not be a formula for optimal distribution of mineral revenues, appropriate benchmarking with peers as well as measures of corporate performance over time will be useful to ascertain an industry's effectiveness or efficiency.

**Mr Chairman,**

The tension regarding the allocation of mineral revenue brings into sharp focus, the pertinent concerns of the industry. For instance, mining companies pay a premium of US\$5 million per month on their diesel purchases, which is used to subsidize the cost of social products such as premix for the fisher folk. A similar situation applies for the pricing of power to the mining companies in the regulated market. Therefore in a developing economy the imperfections in the

market pricing mechanism for goods and services makes comparisons without appreciating the nuanced underlying factors quite simplistic.

How much an employee has to be paid in a given endeavour and in a particular economy is always debatable. However, transnational firms do not generally transfer the remuneration packages from one operating country to another. Typically, a transnational firm may as part of its policy on remuneration, aim at being positioned within say the top 10 best paying jobs in a host country, which will often go with the requisite productivity expectations from employees. Companies will normally ensure that they retain the required positioning by conducting regular remuneration surveys. This is to ensure that it not only attracts the best skills and competencies to achieve its objectives but also able to retain talent to sustain its competitiveness.

**Mr Chairman,**

It will be uncanny for transnational firms to do otherwise as the prevailing conditions in each operating country are different. In the case of the mining industry, to expect a harmonisation of remuneration across countries is to, for example, expect the transposition of the nature and the grade of ore from one country to another. Obviously, this is not feasible.

Furthermore comparing headline salaries across countries without factoring in other benefits, including provision for severance pay in such a dynamic industry whose viability is quite fluid is certainly not a worthy proposition.

**Ladies and Gentlemen,**

That said, whilst it is not unexpected that the GMWU will agitate for enhanced remuneration for its members the Ghanaian should not be resigned to be an employee in perpetuity irrespective of the opportunities in the sector. It is in this regard that I wish to share my own thoughts on the theme of the conference; *“Rethinking the Remuneration Landscape in the Mining Industry: Critical Perspective(s) for Change”*.

**Mr Chairman,**

For far too long, we have pigeon-holed ourselves into believing that formal mining could only take place through FDIs. We need a rethink and reorientation towards a situation where we ask the defining question, *“How can the GMWU be a player and facilitate entrepreneurship in the mining industry?”* After

over a century of mining, and having cultivated a wide range of local professionals, it is about time we changed the narrative.

**Ladies and Gentlemen,**

In my estimation, the Ghana Mineworkers' Union is uniquely positioned to lead this national reorientation for creating local entrepreneurs in the mining industry. Among the GMWU's membership are professionals, from many engineers to financial analysts. In fact, virtually all the competencies required to set up and run a mine are within the fold of the GMWU.

The recent foray of the GMWU to offer financial services, though a feather in your cap should be an impetus to providing mining finance in the long-run. In this regard, I wish to urge the GMWU to consider this proposition in its plans as we continue to sensitize other actors on their respective roles for the transformation of the small-scale mining segment of the sector. I have no doubt that the yet to be out-dooed national mineral policy will reflect some of these ideas.

Mr Chairman, in the recent past we have watched helplessly as the informal segment, which normally accounts for about 35 per cent of national gold production, begs for formalisation.

**Mr Chairman,**

I would therefore like to reiterate my call on GMWU to reposition itself to help find solutions in our industry. I wish to assure you that on this journey, you will not be left alone. The Chamber will be a credible partner as we collaborate to transform the mining sector to deepen its contribution to our economy.

**Mr Chairman,**

On this note, I wish to salute the members of the Ghana Mineworkers' Union on this auspicious day and wish you all a fruitful and successful conference.

Long live the Ghana Mineworkers' Union!

Long Live the Mining Sector!

Long Live Ghana!

May God Bless Us All