



TAXPAYERS LEAGUE GHANA

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SUSTAINABILITY OF MINING BUSINESS IN GHANA:-HOW THE INCOMPETENT NDC GOVERNMENT IS DRIVING AWAY INVESTORS.

Most successful organizations have cultures that encourage multiple sensing and analyzing mechanisms which enable quick reactions to changing environments. The management of the mineral resource industry conducts forecast in economic parameters in their feasibility studies before mining projects commence. The forecast explicates the need for careful risk management. This is due to the fact that mining projects are subject to high risks because of its size, uncertainty, complexity and high costs. The projects are associated with substantial irreversible commitments and high probabilities of failure. Changes in economic parameters that lead to high costs during operations negatively affect project's profit and hence, companies either lay off employees or shut down completely. Typical examples are the folding up of some mining companies in different parts of Ghana, including Prestea, Dunkwa, Akwatia, Teberebie (Tarkwa), Bonte (Esaase), etc.

Mining companies as organizations have developed systems that are highly relevant to the industry's paradigm in strategic decision making, as the need for risk management has been widely recognized. Before any mining company invests in foreign countries, the senior management evaluates risks in distinctive ways and hence categorizes the level of risks in each country. Countries considered as low risks are then chosen for the subsequent business establishment. Some of the factors that are considered in mining risks evaluations include political stability, taxes, exchange rates, commodity prices, access to good infrastructure and the general cost of doing business. Recent falling metal prices have affected lots of mining companies in their attempts to operate profitably with their initial price estimates, during the feasibility studies. Most of them across the world are currently sustaining because of the falling crude oil price that has also reduced their operating costs. Fuel cost is one of the major costs in the mining business and its falling price has positively influenced the industry's sustainability.

Why has Ghana's fuel price increased as against global fall in crude oil prices? In Ghana, mining companies are currently facing intensifying economic challenges under this NDC government and hence, the management of these natural resource companies must forcibly incorporate more complex scenarios into their strategic plans as means to sustain their businesses. This is because of the soaring fuel prices in Ghana, high taxes, power outages that have led to low productivity, high electricity costs, high volatility of prices of goods, etc. Mining companies now struggle to operate in Ghana as against their initial plan of smooth operations. In their attempt to sustain operations, these companies are downsizing their employees to reduce costs. Taxpayers League Ghana is disappointed in President Mahama and his government for killing businesses in this sector.

As commodity prices in the country keep on surging high and "what goes up does not always come down" in terms of commodity prices, the management of various organizations including the mining companies are thinking of pulling out from Ghana and consider other neighbouring countries for their businesses. No wonder AngloGold has temporarily shut down, Randgold pulled off and other companies are continually laying off workers. Current report from Goldfields Gold Corporation reveals that over 400 employees of its Damang Gold Mine in the Western Region of Ghana will be rendered redundant by the end of February, 2016. According to the company's CEO, Nick Holland, the redundancy has become necessary as the Damang project looks to cut down its operating costs amidst falling gold prices on the world market, rising cost of utilities in Ghana among other factors (that were not mentioned). Damang Mine has already laid off over 160 workers in 2013. The sister company, Goldfields Tarkwa Mine, also laid off over 350 workers in 2013.

The Ghana Mineworkers Union's data revealed that between January 2013 and March 2014, it lost three thousand and eighty members (3080 workers) through retrenchment. In 2015, AngloGold laid off about 5000 workers as the mine was temporary shutdown. Newmont Gold Corp in the Brong Ahafo Region laid off over 500 employees in 2014. Perseus Mining, operating in Ayanfuri in Dunkwa area, also laid off workers in 2014. Other mining contractors, including MBC, Sandvick, Boart Longyear, AMS, Group5, etc, have also laid off employees. From 2013 till now, over 10,000 jobs have been lost in the mining industry in Ghana. These include the mining companies, their contractors, sub-contractors and suppliers. Adding their wives, kids and other extended family these employees support, an estimated number of fifty thousand people (50,000 dependents) have been affected by these retrenchments.

Some mining companies operating in Ghana may also lay off workers if the government fails to address the soaring cost of operating in the country. Kinross Gold Corp

(Chirano), Golden Star Resources (Bogoso, Prestea and Akyempim), Adamus Resources (Nzema), etc, may follow suit.

Taxpayers League Ghana wants to bring to the attention of the NDC government to understand that these companies doing businesses in Ghana identified the country as stable, considered the economics of the previous mining projects in the country, brainstormed on the financial risks before they made strategic decisions to operate in the country. The current chaotic commodity prices and the economic shifts alongside high taxes, power outages, rising fuel costs, insecurity leading to assassination of prominent people are seriously affecting these companies and their stakeholders. The government should sit up and put in pragmatic measures to address these problems in order to boost investor confidence in the country.

Enough of unemployment in the country!

Reduce fuel prices and taxes to sustain these businesses to reduce unemployment.



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