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Distinguished fellow Kimberlites

My good friend Eli initially asked me to talk about the future of the KP but I chose to talk About Diamond Beneficiation in Africa – specifically in Namibia. I chose to speak about diamond beneficiation today because this is a subject close to my heart. I am proud to say that I was involved from the onset in setting up the diamond cutting and polishing industry in Namibia and continue to be involved in helping to nurture this industry with a view to ensuring that it is viable and sustainable going forward. We have heard here today that Diamond Development issues should form part of the objectives of the KP, though not a minimum requirement.

We have heard from the Honorable Minister that the communities from which diamonds are mined should also benefit fairly from the proceeds of diamonds and that corporate citizens must embrace a green industry which is responsible all the way from the environment, safety and empowering people to ensure that long after the diamond resources are depleted they leave behind a positive legacy – and not ghost towns and impoverished communities. The Ministers called upon industry to champion this noble cause and I agree that it should be a catalyst for development without Government arm twisting.

I want to talk about our experience with the diamond beneficiation agenda in Namibia, the challenges we and threats we are facing and the opportunities going forward.

We now have in place an enabling environment for a vibrant diamond cutting industry in Namibia. We got rid of the Diamond Industry Protection Proclamation of 1939 which was archaic and in its place we promulgated the Diamond Act of 1999 in the Year 2000. This Act was the major catalyst for the development of our cutting industry as it made provision for licenses for cutting, dealing, tool-making and research in diamonds. It also created a statutory position of Diamond Commissioner and removed the regulating authority from the Diamond Board – which was made up of captains of industry who were self regulating. In effect we leveled the playing field and paved the way for new entrants into the industry and the diversification of the industry from the downstream to upstream.

Before even the promulgation of the new Act we started with a new factory called Namgem – a joint venture between our Government and De Beers. Today we have established and commissioned 14 new factories- amongst them some of the biggest names in the business- such as Steinmetz, LKI, LLD, Tiffany, Schachter, Julius Klein, Trau Blau and now Pluczenik, amongst others. We had great success. We created more than two thousand jobs – a big number in a country of only 2.2 million and with unemployment figures of more than 40%- a big headache for the Government.

Then we were hit hard by the global financial crisis. Hundreds of jobs were lost and many companies kept their employees at home on full pay to avoid losing the skills they invested in with resources and much. At one point during the global financial crisis our main diamond mining company Namdeb did not sell a single diamond for up to six months. But things are now getting better as we are en route to recovery. But the recovery process is fragile as the liquidity crisis in India, the worsening economic situation in Europe, militant trade unions in Namibia and constrained supply to the factories continue to hamper the growth and potential of the sector.

Yes, we were told before that diamond cutting and polishing is not for Africa as we have high wages, have little or no skill base and are far removed from the market. But the DTC is now migrating to Africa and every sightholder is scrambling to acquire a cutting license in Southern Africa. We are also aware that not everybody that is rushing to our countries has the beneficiation agenda and development of Africa at their heart. We know that some people really just want to get their hands on the rough to trade and make quick margins whilst others want to send the rough elsewhere to cut and polish where the cost of labor is much cheaper. And some are really not interested in forming genuine win-win partnership with Africans but would rather have them as window dressing partners who know nothing about the running of the business and the bottom line. Most sightholders treat their cutting factories as cost centers and do not give a damn about profitability at the factories. To them the cut and polished stone is just a raw material with value to be added elsewhere. Some African partners in the process see the cut and polished as the pinnacle of beneficiation and want profits announced and dividends declared. But for most it has been a major disappointment because profits are elusive and dividends are nothing but a mirage.

Security of supply is a major stumbling block that hinders the growth of diamond manufacturing in Namibia. Yes indeed, we know that sightholders are never satisfied, and some say “you must never let the DTC see you smile otherwise they will cut into your margins.” But I also know that if we increase the supply to our factories they will become more viable and sustainable going forward. I know that if we increase the quality and stone size it would increase profitability and sustainability. Lately the number of sightholders in Namibia was increased from 11 to 13. And in Botswana from 16 to 21. Perhaps in Botswana the quantities of diamonds to sightholders were increased but in Namibia when I zoomed in closely on the figures I realized we are going backward and not forward. Most sightholders had their supply actually reduced and they are not happy campers at all. As the Diamond Commissioner they take out their stress on me as they did during the global financial crisis when they were convinced the goods were overpriced and left them on the table. With limited supply companies are barely keeping their head over the water and operating way below capacity. Of course we hope to engage our partners on these pertinent matters in good faith and hope that they live up to their commitment to beneficiation in our countries, otherwise this infant industry would quickly become a white elephant. I know that there is a shortage of supply throughout the pipeline, I think we can work together as suppliers throughout the continent to ensure security of supply.

When the President of Botswana came to meet our President to ask Namibia to support the Aggregation process in Botswana to advise the President if it would be prudent for us to do that. I told the President that it was the right thing to do. But only on a quid pro quo basis. Which means to give them our quality to lift theirs and in return we get back some quantity to generate more jobs and enhance the capacity and in turn viability and sustainability of our factories going forward. Unfortunately the quo has not followed the quid yet and I hope that we shall resolve these matters to our mutual satisfaction sooner than later.

It is a daunting task for me to continue to fight for more rough for the sightholders in Namibia when all some of them want to do is export rough in the unprocessed form, and especially if they engage in other unscrupulous activities. Because then the DTC says why should we give them more rough when they are not polishing it. Some want to export rough on the pretext that they want to prepare it abroad as they have no skills in-house. But this excuse is becoming all too tiresome. We now know how long it takes to train people in all categories. We want to see genuine transfer of skills and we are now clamping down on the export of rough. We now only allow exports when it is properly motivated and recommended by the Government Diamond Valuers-

Then we have the Unions. They have now declared war on the manufacturing sector – DEMANDING RIDICULOUS INCREASES IN WAGES. Everyone thinks the manufacturers make ridiculous margins. This is the misconception fuelled by the glamour and glitz that comes with diamonds. We already have tough competition from India and China and now they want exponential increases in wages.

The other challenge is poaching of workers from one factory to the other. New sightholders are inclined to poach because the NDTC requires one must have a working factory before they get a sight. So now the few trained and skilled workers are taking the factories to ransom like soccer clubs moving clubs for more money. This is bad for skills creation because we want each company to play their part to increase the skills base in the country. When the sightholders come up with a gentleman's agreement not to poach from each other the Union cries foul saying this is not in line with the labor act as it restricts the free labor market and hinders the right of workers to seek other jobs without restriction.

It all sounds like a bleak picture but I am an eternal optimist and I believe that for as long as diamonds are doing well in the market all we need to do is to learn from our mistakes and address the challenges we face head on. But we have to work together as stakeholders to make it work – That is, the Government, the Industry and the workers. But we need to collaborate as a global business to form true win-win partnerships. We are not saying that we must close down Surat, and Ramat Gan and Antwerp because they do not mine diamonds. All we are asking is that we get a fair share of the cake. And as the Minister eloquently said – we want the industry to champion this cause. We want you to be true believers in the beneficiation agenda. We want you to stop talking big and start acting big. To create a truly green industry.

We want you to genuinely transfer skills. We want you to teach our young people to manufacture jewellery. To brand our diamonds in a manner that gives our countries credit. We know brands are expensive but you can create sub brands under existing brands that make mention of our countries. We want you to hold hands with us and be partners in the development of our countries as good corporate citizens. That is the challenge I am presenting the industry today.

I thank you.