

Implats warns of job cuts as it tackles unprofitable shafts

Impala Platinum (Implats), the world's second-largest producer of the metal, is heading for turbulent times as it cuts jobs and tackles its unprofitable Rustenburg mines, the biggest contributor to group production and a major factor to its full-year loss.



Nco Muller, CEO: Implats. Picture: Robert Tshabalala /Financial Mail

Implats is the latest mining company to tackle its unprofitable old shafts and follows AngloGold Ashanti and Sibanye Stillwater, which are preparing to close decades-old shafts, and the closure of Bokoni platinum mine jointly owned by Atlas Resources and Anglo American Platinum (Amplats), cutting a total of 20,000 jobs.

The South African mining industry has cut 70,000 jobs in the past five years.

Given the political backlash from the government and unions when Amplats unveiled job cuts of 14,000 people four years ago, with threats made by then mineral resources minister Susan Shabangu against the company's mining rights, Implats has already started talking to the government and unions before unveiling its plans.

Implats could start by shedding up to 4,000 positions, keeping the number relatively low to avoid a backlash, and then progressively reducing the headcount until the company reached a sustainably profitable level of production of about 550,000oz from the Rustenburg mines, said Nedbank analyst Leon Esterhuizen.

The scale of job cuts is not yet known, but the R2.7bn loss incurred at the Rustenburg mines had forced an inevitable restructuring as the Implats board regarded the continued low platinum price as the new normal, new CEO Nico Muller said. The job cuts process is expected to start in the next few weeks.

Implats recorded a taxed loss of R8.1bn for the year to end June, compared with a R43m loss the year before.

A R10.2bn impairment against payments to the Bafokeng was one of the drivers of the loss. Its shares were among the worst performers, falling 7%.

The Rustenburg mines were scheduled to produce 830,000oz of platinum from 2020 as the company brought two new shafts into production. But the new plan expects the Rustenburg mines to produce 750,000oz in 2022 because of the earlier closure of old shafts and delays to the new 16 and 20 shafts, which need an additional R700m over five years to complete them.

The Rustenburg shafts - 90% of which are unprofitable - have been organised into three groups, with the old mines set to be harvested or mined with no further capital investment over the next two years before being shut.

These four old shafts will contribute 100,000oz in the current financial year before dropping to 50,000oz from then on.

Under Muller, who was appointed five months ago, the unprofitable and underperforming Marula mine was put on notice that if attempts to fix the problems, including cutting 980 jobs and stopping two underground areas, were not effective the mine would be shut. The mine will be monitored quarterly.

A similarly hard-nosed attitude was voiced by Muller for the Mimosa mine, shared with Sibanye in Zimbabwe, where the government will introduce a 15% levy on concentrate exports out of the country from 2018.

The intention is to force companies to improve the value of the metals leaving the country by at least smelting them.

Implats, through its 87% held subsidiary Zimplats, had conducted a study into building a smelter and the financial consequences of the levy, and Mimosa would be closed if either decision was forced on the mine, Muller said.

Source: *Business Day*

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