

State pressure prompts Amplats to halt job cuts

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Mining company Anglo American Platinum (Amplats) has bowed to pressure from the African National Congress (ANC) by agreeing to postpone its plans to retrench up to 14,000 employees for 60 days to allow for "detailed consultation".



Image: GCS

Amplats is the second company to buckle under political pressure. Last week, First National Bank apologised to the ANC for its advertisements in which children expressed their hopes and fears for South Africa. The ANC took umbrage at the adverts which it said were an attack on the government.

Amplats, which is 80% owned by London-listed Anglo American, faced fierce criticism from the ANC and Mineral Resources Minister Susan Shabangu when it unveiled a proposal on 15 January to suspend production at four loss-making shafts in Rustenburg, mothball some processing plants and restructure its Union mine before selling it.

Shabangu called Amplats' chief executive Chris Griffith "arrogant" and threatened a review of all of Amplats' mining rights.

ANC secretary-general Gwede Mantashe said the mining rights over mines that were not producing should be auctioned so that others could buy them and keep the operations running.

Griffith and Shabangu first met on 17 January to discuss the retrenchment plans. The Department of Mineral Resources, four unions representing mineworkers and Amplats met on Monday (28 January) to discuss the company's plans.

"The tripartite members recommitted to engage constructively for the benefit of all stakeholders and will communicate progress updates as and when appropriate," the parties said in a joint statement.

The consultation process will start on Wednesday (30 January) and take no longer than 60 days. The Association of

Mineworkers and Construction Union, which claims to represent 26,000 workers at Amplats - more than half the workforce - was at the talks on Monday.

"We feel the whole issue of retrenchments should have been cancelled altogether, but we will participate in the consultations," its spokesman Jimmy Gama said.

Amplats has warned that it expected to report a headline loss per share for the year ended December of between R4.91 and R6.28 from the previous year's headline earnings of R13.65.

The loss stems in large part from an unprotected strike last October and November that shut its Rustenburg, Union and Amandelbult mines.

Amplats lost 306,000oz of refined platinum because of the strike and the slow return to former production levels afterwards.

It has further experienced above-inflation electricity tariff increases and higher labour costs in a platinum market where the price for the metal remained stagnant for much of last year because of platinum surpluses and weak demand from European motor vehicle manufacturers. Platinum is used to make catalytic converters used in motor vehicles.

Several smaller platinum miners last year suspended mining or delayed expansion plans because of the poor state of the market and continuing labour difficulties.

Amplats said earlier this month it would write down R6.6bn in the carrying value of a number of projects and assets that were "considered not economically viable in the current market environment".

Its decision to suspend its retrenchment process was not unexpected.

"We expect the group to face significant political pressure to reverse or water down its plans. We also expect further strike action and disruption at other facilities throughout the process, which could harm production in the near term," rating agency Fitch said in recent note.

Platinum miners warned the departments of mineral resources and labour that they were experiencing great difficulties in continuing to operate mines.

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