



# A NEW STRATEGY FOR THE PLATINUM SECTOR

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# PGM SECTOR REMAINS ONE OF THE LARGEST COMPONENTS OF THE MINING INDUSTRY TODAY

IN 2018, THE PGM SECTOR:

**Largest**  
mining employer

Significant export  
**revenue**  
earner

Significant development,  
investment and  
transformation  
**footprint**



Contributed  
**R0.9 billion**  
in royalties



Exported around  
**89%**  
of metals produced

Produced around  
**270 tonnes**  
of PGMs

Earned around  
**R96 billion**  
in revenue

PGM sales amounted to  
around  
**R105 billion**  
(R94 billion exported)



Paid employees  
**R48 billion**  
in earnings



Employed around  
**168,000**  
people directly

# SOUTH AFRICAN ECONOMY HAS BENEFITED SIGNIFICANTLY FROM PGM MINING

## THE PGM INDUSTRY:



### Profits distributed to multiple stakeholders, principally across the South African economy

In 2006 the SA PGM mining industry:

- employed over 200,000 people
- produced 9.9Moz of PGMs valued at R65 billion (US\$9.6 billion)
- margins were typically above 30%
- capital expenditure was nearly R20 billion (US\$3 billion)



# VIABILITY OF PGM INDUSTRY IS UNDER SERIOUS THREAT



# AN INDUSTRY FACING SERIOUS HEADWINDS

**Most significant financial indicators** (return on assets, return on investment, gearing etc.) **have deteriorated significantly**

- By 2018 the SA PGM industry:



employed around 168,000 people



produced 270 tonnes of PGMs valued at R105 billion (US\$7 billion)



margins on average were negative and the industry made an aggregate loss



capital expenditure below R10 billion (US\$0.7 billion)

# INDUSTRY CHALLENGES

- Challenges in the platinum market resulted in sustained decline in the \$ price
- Structural changes in global supply and demand fundamentals include:



# ESKOM TARIFF INCREASES

At the end of 2018, more than 65% of PGM operations, representing 52% of PGM production were marginal or loss-making at prevailing prices

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Approximately 89,964 jobs are currently at risk **at these marginal operations**

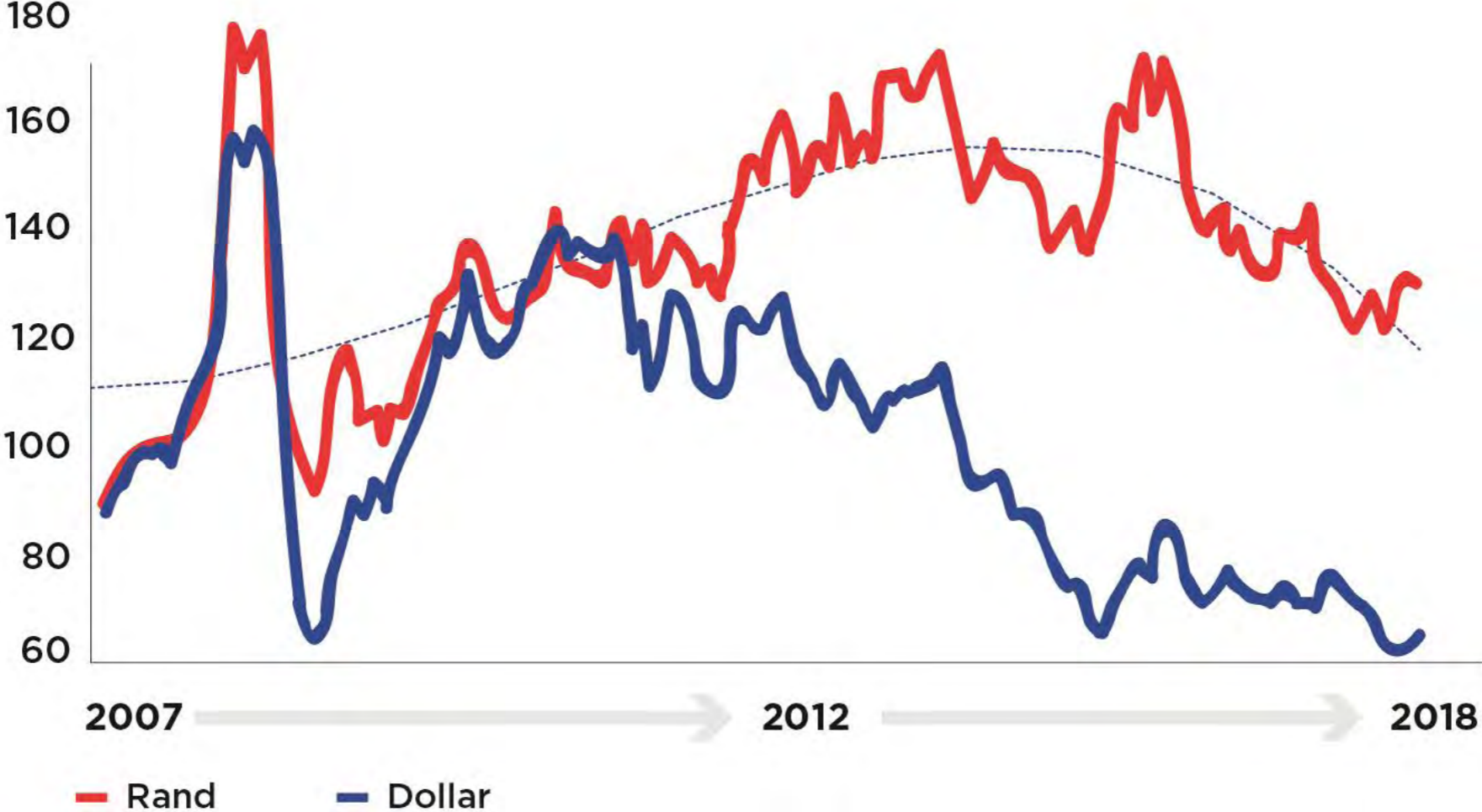
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On an aggregated basis, total industry production costs measured in tonnes milled will increase by 29.6% between 1 April 2019 and 1 April 2021

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**By the end of 2021 Eskom tariff increases will result in 75%** of PGM operations being marginal or loss-making, **representing 67.2%** of production and threatening 111,766 jobs

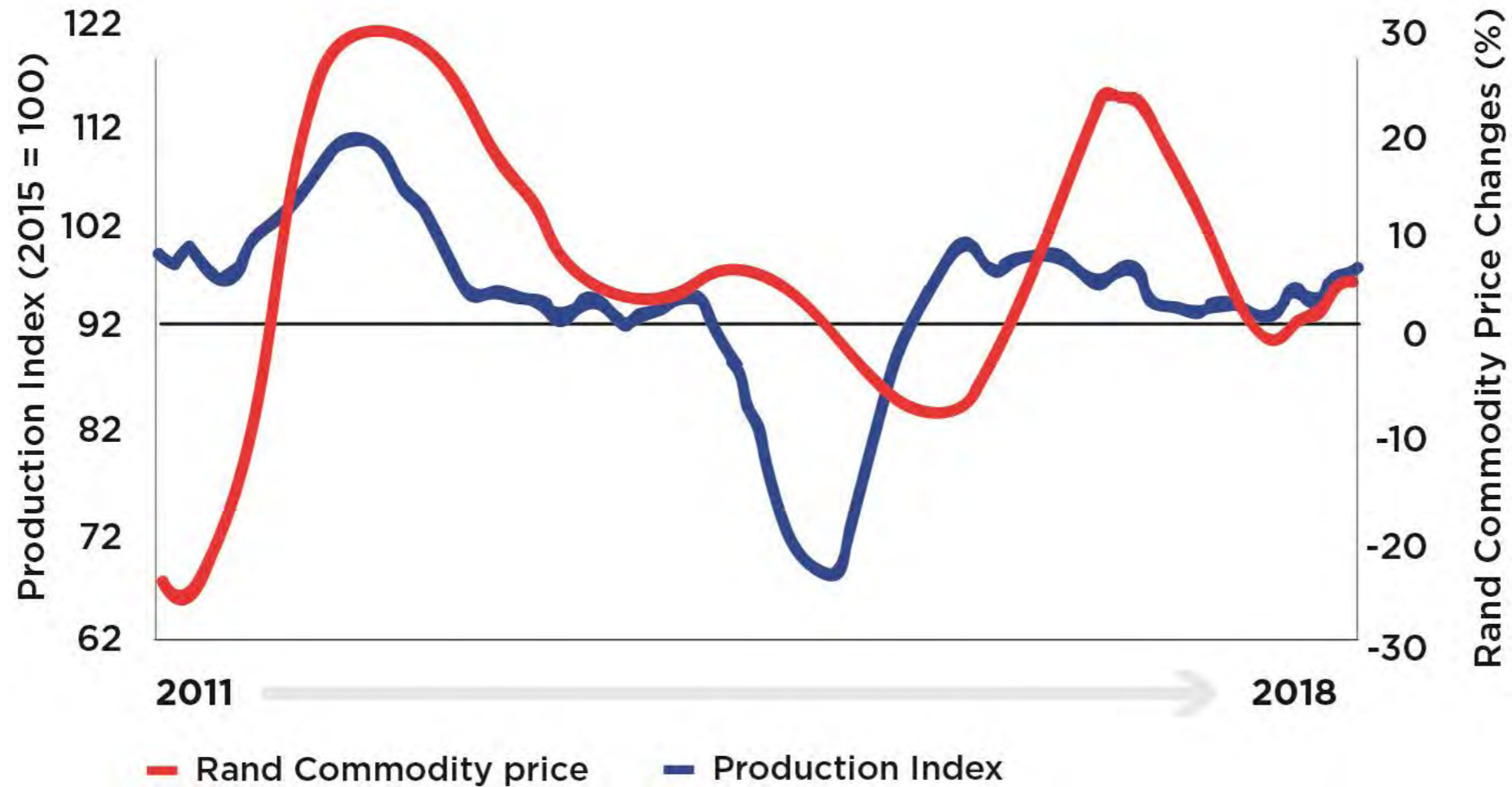
# PLATINUM PRICE MOVEMENTS (2007 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

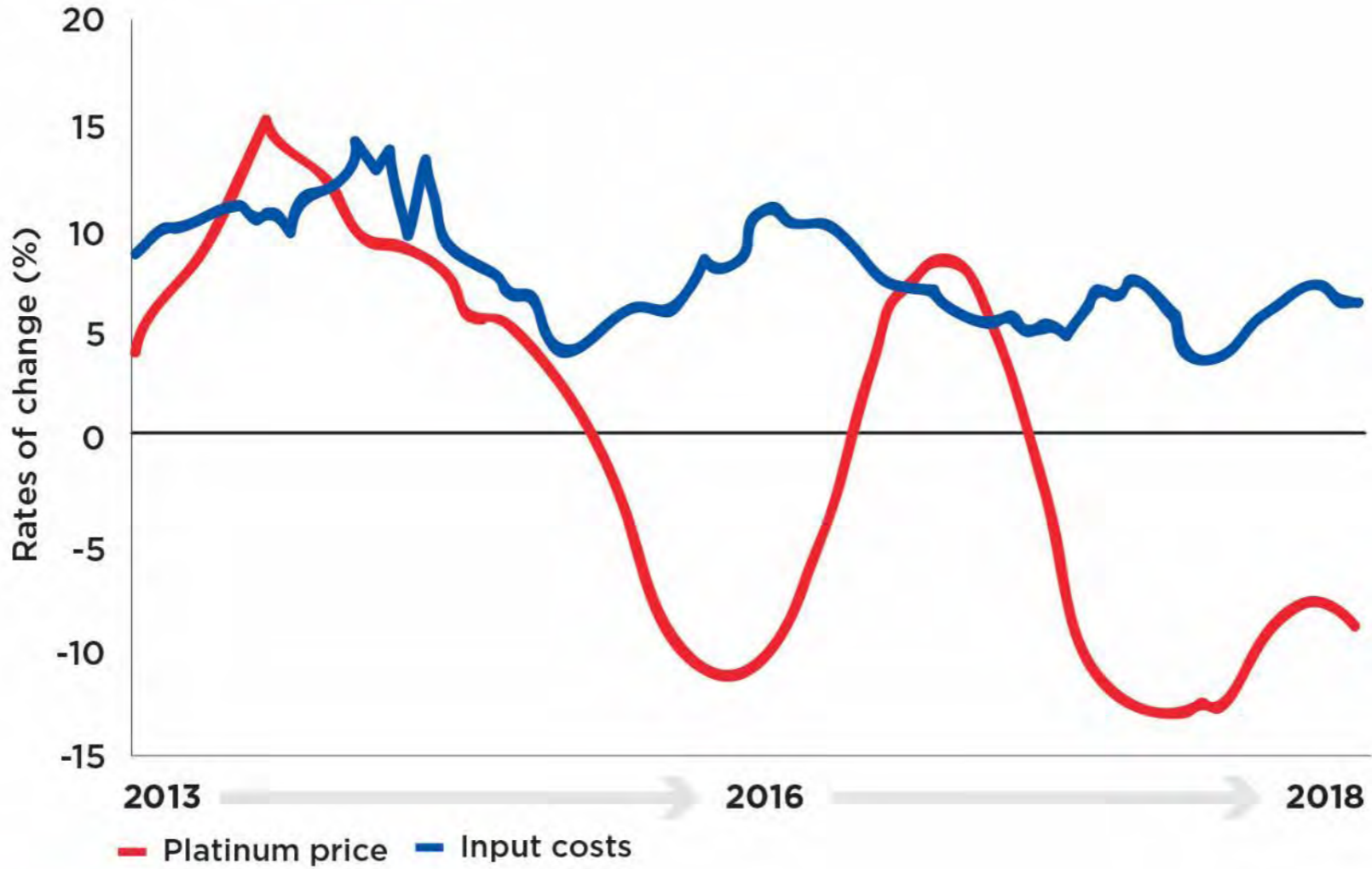


# PLATINUM PRODUCTION (2010 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

# PLATINUM PRICE AND COST CHANGES (2013 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

# NATIONAL PLATINUM STRATEGY FOR SOUTH AFRICA

- Viability of SA platinum industry under threat
  - **Bold action required to ensure industry achieves its full potential**
- Economic, taxation, investment, employment and transformational impact of realising potential would be game-changing for South Africa
- National Platinum Strategy for South Africa is aimed at:
  - addressing the current crisis
  - preventing further erosion of the economic capacity of the industry
  - ensuring that the world's largest PGM resource realises its full value



**1 MILLION**  
ADDITIONAL JOBS

**R8.2 TRILLION**  
CONTRIBUTION TO  
SA'S ECONOMY  
BY 2050

## **ESSENCE OF THE STRATEGY AND ACTIONS REQUIRED**

### **THE STRATEGY WOULD:**

Identify key  
“Leadership Champions”  
among stakeholders  
to populate the public-private  
steering committee to drive  
the vision, process and  
implementation of the strategy

Develop strong and  
focused partnerships  
between key stakeholders  
and role players, including  
all relevant government  
departments

Identify the opportunities for short-term interventions  
aligned with long-term strategic goals, including market  
development in all platinum and PGM demand segments and a  
specific focus on fuel cell electric vehicle market share growth

# ESSENCE OF THE STRATEGY AND ACTIONS REQUIRED

## ACTIONS REQUIRED INCLUDE:

Agreement on the critical need to promote platinum and to increase demand on a global scale

Agreement by government, platinum mining industry and other key stakeholders (labour and fabricators) on critical need to develop and implement a proper National Platinum Strategy for South Africa

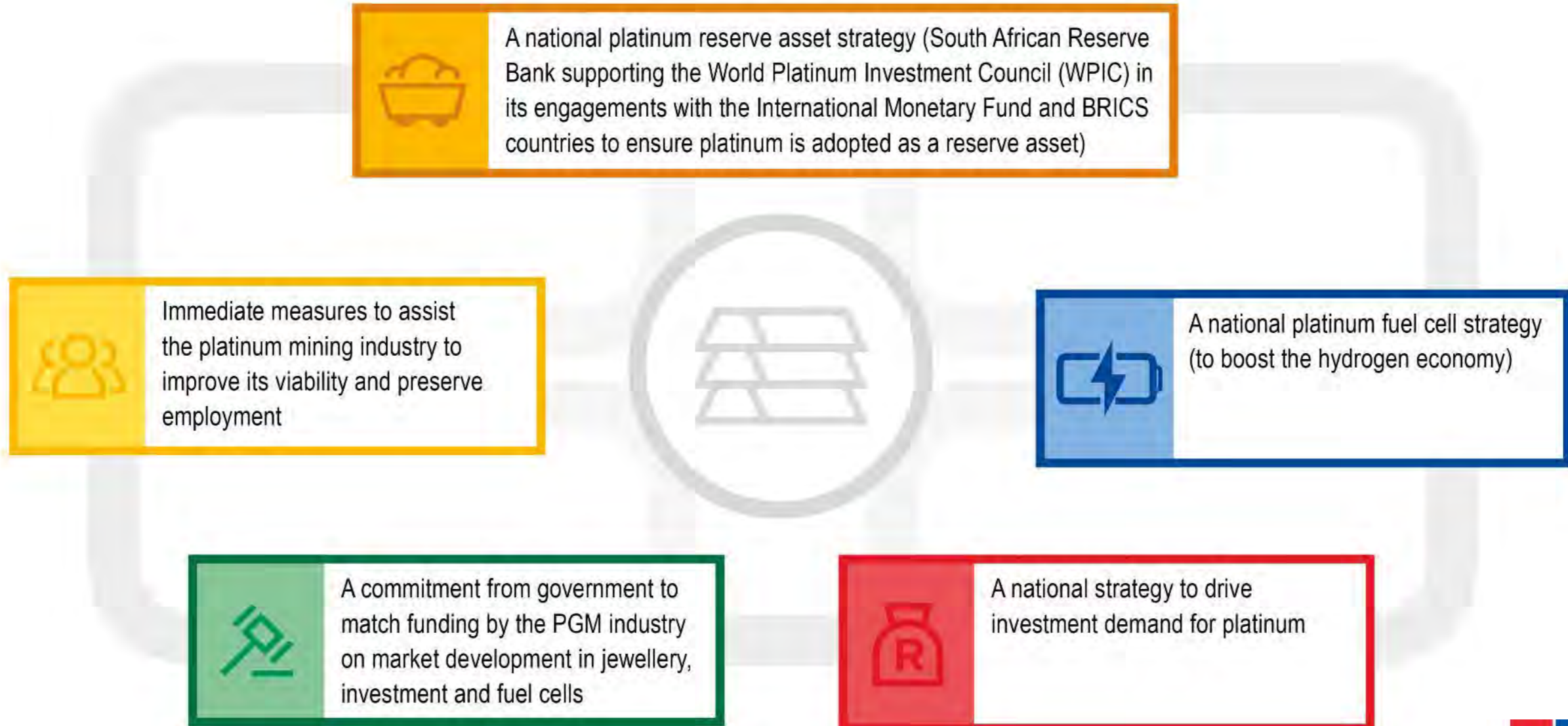


Establishment of a leadership public-private steering committee, urgent announcement of a National Platinum Strategy and actions that will be taken to support it and implement it to secure an economy changing future

Five key areas that the National Platinum Strategy should focus on

**Milestone Plan** to ensure the effective implementation of the National Platinum Strategy

# Five key focus areas



# TWO POSSIBLE SCENARIOS



# Two possible scenarios

## The “Bumble Along” scenario:

- Global PGM demand remains flat/declines as a result of limited market development and loss of market share
- Rapidly escalating costs, falling productivity and limited cooperation between stakeholders, as primary supply fails to grow in line with flat demand
- Limited use of new technology
- Production remains flat
- Investment declines
- Lower grades and increased mining depth
- Strong correlation between people employed and tonnes milled – employment numbers remain flat or decline
- By 2050:
  - no annual growth in PGM supply
  - value of PGMs produced (in 2015 average price terms) is US\$168 billion
  - total direct employment declines to around 132,000 from around 188,000





# Two possible scenarios

## The “High Road” scenario:

- Strong leadership, bold action and coordinated cooperation between all South African stakeholders results in recovery in short-term viability and increased collaborative investment in market development
- Increased investment achieves growth in all demand segments and the FCEV strategy can be supported as a long-term strategic aim
- FCEVs gain significant market share, jewellery sector and investment demand grow
- PGM production grows at a similar pace to match growth in demand
- Gradual modernisation of mining methods leads to employment growth of 2% per annum
- Rising productivity enables 2.54% growth in South African mine production
- By 2050:
  - PGM supply grows by 2.5% annually
  - Value of PGMs produced (in 2015 average price terms) is US\$273 billion
  - Total direct employment increases to around 376,000 from around 168,000



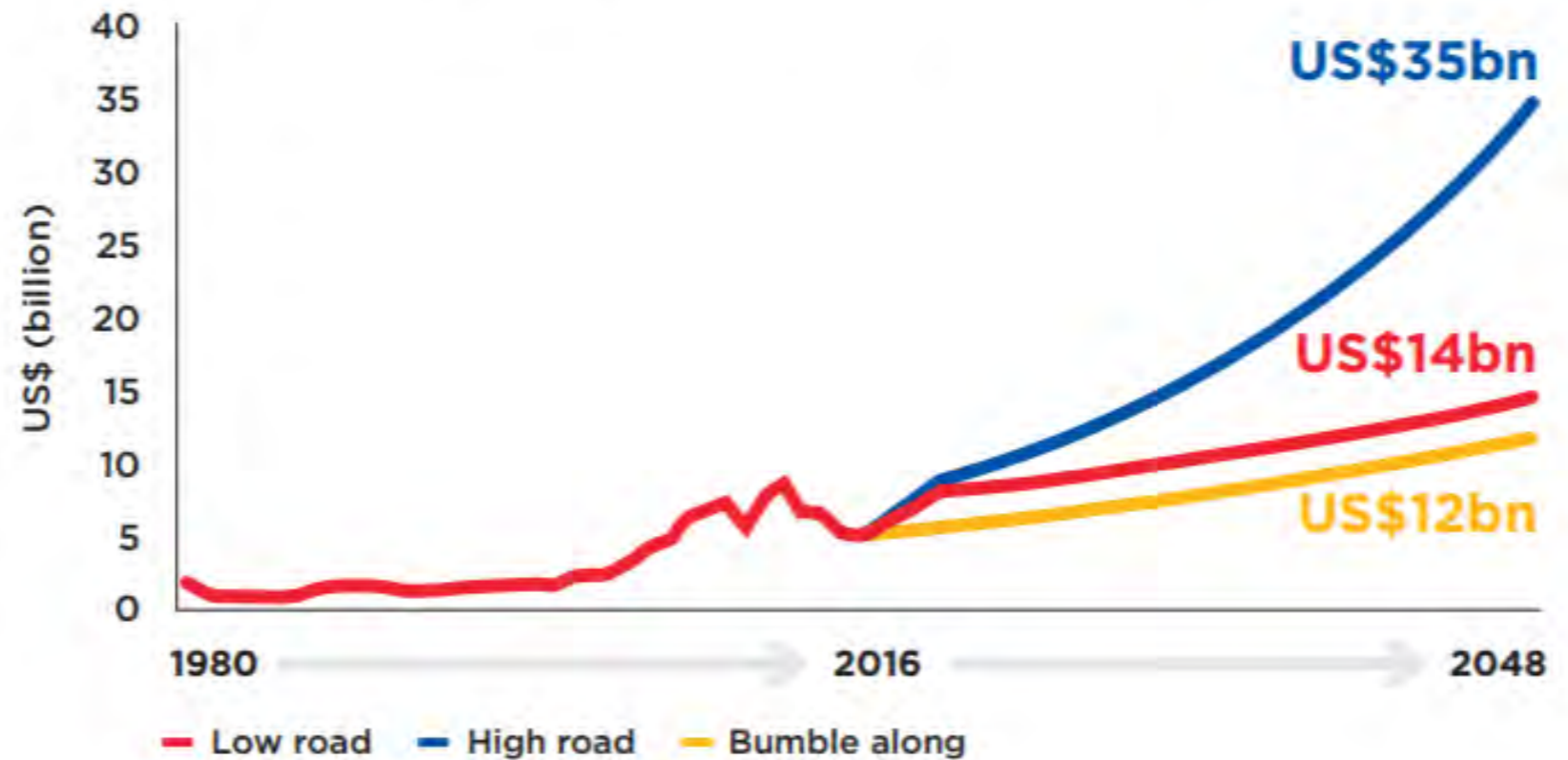
# ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY



# ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY

If PGM industry is enabled to achieve its full potential the economic and social benefits for the country would be material

US\$ value of South African platinum scenarios



# ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY

By 2050:

- **PGM production** and **GDP** would more than double (**up 141%**)
- **Total direct and indirect employment** would rise to **one million people**
- **Salaries and wages** paid to employees would **increase**
- **Supplier industries** would **more than double** sales to PGM sector
- **Growth** would attract **new investment** in PGM and associated industries
- **Economic transformation** would receive a **major boost** from growth in the sector, helping overcome legacies and driving positive societal change (through ownership, skills development, procurement, etc.)
- **Export earnings** from PGMs would **rise** substantially, creating significant export earnings for the country
- **Tax revenue** would **increase** which could in turn support the national budget priorities



Impala Platinum

# Thank you

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