

# Minister suspends Glencore licence

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The Department of Mineral Resources took the rare step on Tuesday, 4 August, of suspending the mining licence of Glencore's Optimum Colliery, coinciding with the news that Glencore was putting the mine into business rescue because of an uneconomic contract with Eskom.



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Optimum, which employs 1,500 people including contractors, halted production of export coal earlier this year because it was no longer profitable. The decision affected 1,067 jobs.

After talks with the trade unions, forced retrenchments were reduced to 359. Another 267 chose voluntary retrenchment and 86 were employed at other Glencore units.

Mineral Resources Minister Ngoako Ramatlhodi said the retrenchments were "inhumanely conducted" and "disregarded all the legal prescripts". He said other mining companies should follow the law on retrenchments if they did not want to suffer the same fate as Optimum.

Slumping commodities prices and cost pressures are causing mining companies to haemorrhage jobs. Anglo American said last week it would reduce its global workforce from 150,000 to below 100,000 by 2017, through disposals and retrenchment, and Lonmin could cut up to 6,000 jobs as it suspends uneconomic shafts at its Rustenburg operations.

National Union of Mineworkers (NUM) acting spokesman Livhuwani Mammburu said it welcomed the minister's decision because Glencore failed to comply with the law relating to companies' commitment to social and labour plans.

Clinton Ephron, head of Glencore Coal SA, said Optimum complied with all legal requirements for retrenchment, including all key consultations.

The decision to seek business rescue arose because of a fixed price contract signed with Eskom in 1993. Optimum had to supply Eskom with 5.5-million tonnes of coal a year. Ephron said Eskom was paying less than half as much as it cost Optimum to produce coal because as the mine aged it went deeper and further from infrastructure. He declined to disclose the price that Eskom was paying but he said the cost of producing this coal was more than R400/tonne.

Ephron said Optimum had tried for several years to renegotiate the contract at a mutually acceptable price.

It also wanted to extend the contract from its current expiry date of 2018 to the end of the estimated life of Hendrina power station in 2023. Over the past year Optimum shareholders had lent the mine about R900m to continue operating.

Optimum said Eskom declined in June to renegotiate the agreement and last month asserted its rights to claim historical and future penalties because Optimum could not meet the specifications in the supply agreement. These penalties would result in Optimum supplying coal to Eskom at an effective price of R1/tonne.

"While Optimum is disputing the Eskom claims, the continued financial hardship of Optimum means that Optimum cannot continue operating the mine and supplying Eskom on this unsustainable basis."

Eskom said it had become aware of the situation through the media and Optimum had not yet given it official notification.

"Eskom has an existing coal supply and offtake agreement with Optimum and we expect the terms to be honoured," it said.

Ephron said Glencore was not walking away from Optimum. It retained ownership and was willing to provide postbusiness rescue funding.

*Source: Business Day*