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S. Africa Nationalization Talk May Cut Output, Impala Says (1)
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(Adds Nogxina comments in fifth, ownership law in sixth.)

By Carli Lourens

June 29 (Bloomberg) -- South African mine production may drop as foreign investors get "cold feet" following a call from the youth wing of the ruling African National Congress to nationalize the industry, Impala Platinum Holdings Ltd. said.

"There is definite worry around this particular topic" among European and U.S. investors, David Brown, chief executive officer of Johannesburg-based Impala, said in a speech in the city yesterday. Impala is the world's second-largest producer of platinum, accounting for a quarter of global output.

"Investors, the traditional suppliers of risk capital to this industry, are getting cold feet," Brown, 48, said. "The risk associated with future investment in South African mining has increased considerably as seen from the outside world" because of nationalization and other concerns, he said.

The ANC agreed in September to study nationalization following demands from Julius Malema, leader of the party's youth arm. South Africa is the biggest producer of platinum, used in devices to cut vehicle emissions and in jewelry, chrome and manganese. It also produces gold and is the biggest supplier of coal to European power plants.

The mining companies have caused the debate by not doing enough to sell stakes to black investors, foster development in communities around mines and develop their mainly black workforces, Sandile Nogxina, the outgoing director-general of the country's Department of Mineral Resources, said, Johannesburg's Business Day reported today, citing an interview with the official.

Seize Banks

Mining companies operating in South Africa are compelled by law to sell 26 percent of their assets to black investors by 2014 and boost the number of black managers to help make up for discrimination during apartheid.

Malema, 30, said last week the government should also take control of lenders such as Standard Bank Group Ltd. and Nedbank Group Ltd. He wants to increase the role of the state in the economy to combat youth unemployment, poverty and inequality.

"One of things we will see as it begins to flow through is in terms of hampering future investment decisions," Brown said of the nationalization debate. "If we're going to start impacting the flow of investment, then I think we'll see some significant issues around declining output from South Africa."

'No Answer'

South Africa's Chamber of Mines started lobbying ANC members for their support against mining nationalization, Business Day reported yesterday, citing the chamber. Business should have spoken out on the issue sooner, Bobby Godsell, AngloGold Ashanti Ltd.'s former CEO, said last week, according to a June 26 report by Sake24.com.

"Nationalization is not the answer," Brown said. "Wholesale nationalization would certainly undermine the country's economic base, especially if banks and land are next," Brown said.

Brown said that while he doesn't foresee "classical nationalization," even partial privatization could lead to "a severe reduction in output."

Impala shares rose 1.38 rand, or 0.8 percent, to 182.38 rand, as of 9:47 a.m. Johannesburg time, giving the company a market value of 115 billion rand (\$16.8 billion). Platinum for immediate delivery rose \$12.63, or 0.8 percent, to \$1,703.50 as of 8:50 a.m. in London.

Anglo American Platinum Ltd., which is based in Johannesburg, is the world's largest producer of the metal.

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