

‘Resourcing an Innovative Industry’ - Minerals Week 2005

**address by
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‘The Minerals Sector & Indigenous Relations’



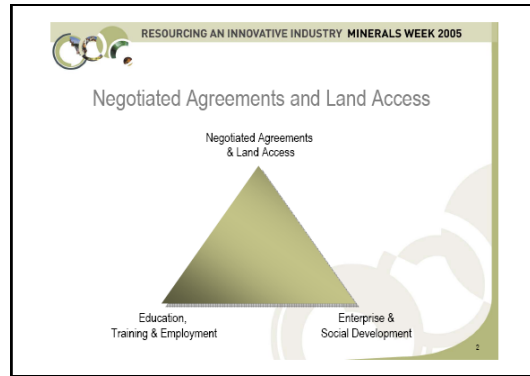
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Title

1. Introduction

These are buoyant times for the Australian minerals industry. Mineral prices and export tonnages have risen dramatically. Resource stocks are back in favour and many minerals companies are increasing the capacity of existing operations and planning new operations.

This unprecedented activity has exposed severe development constraints. Yesterday, you heard about the growing skills shortage within our industry. Later in this session you will hear Peter Coates on the problems being experienced with infrastructure.

However, there is another constraint that, in the long run, has the potential to limit the contribution mining and minerals make to our society. That constraint is the serious delays associated with exploration access where there is an Aboriginal land connection.



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Negotiated Agreements & Land Access

In addition to this, I also want to discuss Aboriginal employment in mining and then relate both access and employment to the concept of a sustainable minerals industry. In particular, I will suggest how miners working in remote areas can best create a mutually advantageous relationship between a mining operation and neighbouring Aboriginal communities.

In each area there is the need for changes to public policy: changes that could improve the situation of Indigenous Australians and, at the same time, strengthen what Christine Charles has referred to as the mineral industry's 'social licence to operate'.

2. Land Access

Rio Tinto Exploration currently spends around nine million US dollars a year on its Australian exploration programme. Access delays of between one and two years per tenement application are the norm and our exploration expenditure is about half of what it could be if the land access process were more efficient.



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A Decade of Agreements

These delays and associated costs are problems that affect the whole exploration sector. If anything, Rio Tinto's record of gaining entry to land is better than most. When it comes to native title matters, Rio Tinto seeks negotiated agreements, rather than drawn out and costly court procedures. The result has been more than 65 negotiated agreements in the last decade. Yet even this path remains frustratingly slow for reasons I will come to in a minute.

Let me say immediately that Rio Tinto does not have a problem with the native title statutory regime and kindred legislation. It supports their intent and has few concerns about the need for institutional representation created under those laws.

Where we do see a problem, however, is in the under capacity of the crucial native title representative bodies (NTRB) that negotiate access to Aboriginal land. This under capacity makes it hard for land councils to deliver timely and pragmatic agreements for the benefit of their clients and resource companies alike. Worse, it prompts them to use their powers under the Native Title Act or under the Cultural Heritage Act as commercial leverage in agreement negotiations.

Not surprisingly, this results in development proponents becoming an alternative source of funding for these bodies.

Again, I would stress this is not a blanket condemnation of NTRBs. They perform the essential task of initiating land title claims and acting on behalf of the claimants. Nobody has come up with a satisfactory alternative so we need to correct the under-resourcing and mismanagement.

Native title representative bodies were established by the Commonwealth Government as statutory organisations. They were expected both to represent Aboriginal groups in land claim hearings and to manage commercial access to Aboriginal land. Over the years, their officials have frequently and strongly criticised Government policies. The perception that land councils are highly politicised, possibly impacting their effectiveness, may have contributed to a reduction in year-on-year Commonwealth Government funding.

Whatever the rights and wrongs of the matter, it is in everyone's interest to create a globally competitive environment in Australia for resource exploration and development. The Commonwealth Government carries the primary responsibility for ensuring a transparent and efficient land access process.

At present, a considerable number of government departments at both State and Federal level are concerned with Indigenous affairs. Inevitably, such proliferation leads to overlap, delay and inefficiencies.



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Strengthening NTRBs

Rio Tinto therefore feels that a first step in restoring the effectiveness of land councils would be a comprehensive review of the business systems of NTRBs, the National Native Title Tribunal and associated agencies.

We think there is a case for a clear separation of the advocacy and the procedural functions within NTRBs, with such separation clearly reflected in their organisations and their budgets.

We would like to see less litigation under the Native Title Act, more Aboriginal empowerment through negotiated agreements, and greater accountability to the communities that are represented. Rewarding good agreement making performance would help.

And, whilst preserving the independence of the NTRBs, the Government might consider absorbing NTRB staff into the Commonwealth Public Service or, alternatively, a secondment programme for public servants to assist NTRBs in making commercial agreements.

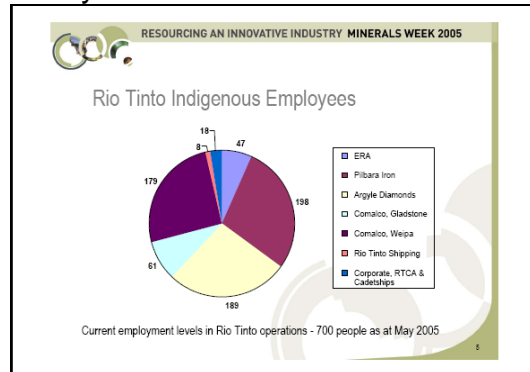
NTRBs need the resources and the will to focus on areas where they can add most value - consultation, strategy, co-ordination and ensuring that the voices of the community are fairly represented. They could outsource the technical activities of project management, commercial negotiation and the drafting of agreements to recognised experts with proven track records.

Another suggestion is to allow the Attorney General's 'third party fund' to act for unrepresented native title parties under strict guidelines.

Overall, the Commonwealth needs to commit greater resources to NTRB capacity development. These might include management scholarships for NTRB senior executives and professional development programmes for NTRB lawyers in, for example, international minerals policy and commercial mining law.

3. Aboriginal employment

Indigenous Australians are under represented in the workforce and the social and economic consequences of this simple fact are fairly well understood. One of the obvious benefits to flow from mining has been the marked increase in direct Aboriginal employment within our industry in recent years. Seven years ago, less than half a per cent of Rio Tinto's Australian workforce was identified as Indigenous. Today, that figure is about seven per cent. And we intend to increase that percentage substantially.



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Rio Tinto Indigenous Employees

However, it is proving increasingly difficult to do this for a variety of reasons. This at a time when our demographic studies tell us that, in another decade or so, every second Australian in remote and rural regions above the tropic of Capricorn will be proud to be of Indigenous descent.

4. Limited employment pool

Let me acknowledge that, to an extent, we miners are the victim of our own good fortune. As noted, the current resources boom has triggered a demand for skilled labour, and companies and contractors are under pressure to increase Indigenous employment. Rio Tinto's operations are finding that trained Indigenous staff are being poached. Not all employers have invested in the education, pre-employment training and career development of Indigenous employees - it therefore pays them to recruit from an existing, still small, pool of skilled employees.



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Hamersley Iron Apprentice

Rio Tinto has been working in partnership with the Australian Government and Indigenous communities since the 1990s. Skills training programmes, with funding assistance from the Department of Employment and Workplace Relations (DEWR), have increased recruitment and retention of Indigenous employees across all operations.



Programme	Commitment
Corporate Leaders for Indigenous Employment 1999-2002	Rio Tinto to increase Indigenous employment by 200.
STEP Programme Hamersley Iron	Forty Indigenous apprentices in mining, mechanical, engineering trades.
STEP Weipa	Employment increased from 5% in 2001 to >17% in 2005.
STEP Argyle Diamonds	Additional 150 trainees and apprentices. Indigenous workforce now 23%.

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Partnership with Government

Rio Tinto's successful Indigenous Cadetship program has enabled the Group to foster twenty-four cadets in a range of tertiary studies, including law, mining engineering and business administration. There have been ten graduates to date, all of whom are now employed professionally, five of them with Rio Tinto operations.



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Indigenous Cadets

With this history, it is not surprising that Rio Tinto does not see 'cherry picking' as good for the industry. We think that it discourages long term efforts to bring a broad base of Indigenous Australians into the permanent workforce.

Nor is it the best option for Indigenous people, because it means that many don't pursue careers which would enable them and their communities to fully benefit from the strong growth in the mining sector.

There are two fundamental facts that say that our industry (and everyone else) needs to take a long term view of Indigenous employment. The first is that the social and educational barriers to employment will not respond to a 'quick fix'. The second fact is that Indigenous population increase is both an extraordinary opportunity – and a potential problem if it isn't adequately anticipated by government and employers.

5. Education

Insufficient education is not the only barrier to employment, but it is one of the most important. On a modern Australian work site you have to be literate. You need at least Year 10 level literacy in order to comprehend the health and safety rules. Relatively few Indigenous candidates initially meet this standard.



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The Literacy Hurdle

At present there is no comprehensive adult literacy program that can be readily accessed by Indigenous people. It has been difficult to source adequate training through the TAFE sector. Government programs available through the Department of Education Science and Training (DEST) are usually not suited to large groups of Indigenous employees.

Argyle Diamonds, for example, has paid the local TAFE up to \$1,300 per person for a 10 week literacy program. It seems unreasonable that the cost of systemic literacy problems should be borne by the private sector.

The centralised nature of the TAFE system is not suited to Indigenous Australians. The standard funding formula means that most training in communities near Rio Tinto's mines is deemed uneconomic. State and Territory divisions sometimes stop people attending the nearest institution and, even where opportunities are available, the TAFE calendar ignores the preference that Indigenous people have for training in the wet season.

Moreover, when adult literacy training is available through TAFE, some of the content – and the delivery – are not appropriate for an Indigenous audience.

In short, we believe there is an urgent need to develop appropriate training material within TAFE, with funding from DEST, to ensure Indigenous employees obtain effective literacy training.

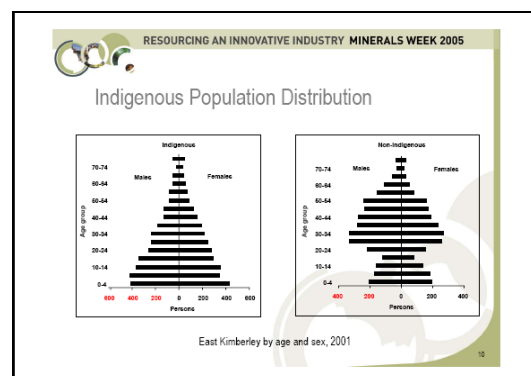
My time available today does not allow adequate discussion of the broader problem of Indigenous educational standards. I do know however, that where Group companies have worked in partnership with local schools, the results have been promising. Comalco's Weipa bauxite mining operation works closely with the Western Cape College to provide opportunities to indigenous students. Comalco is involved in school based traineeships and apprenticeships and its programmes have helped to increase indigenous employment at the mine from 5% to 17% over the last 4 years.

The Gumala Mirnuwarni program in WA has been operating for six years. It aims to help Indigenous students to participate successfully in further education, training or employment. Pilbara Iron, DEST, DETWA, Woodside and Dampier Salt have a partnership with the Polly Farmer Foundation to operate the program.

A total of 78 students have been involved in the project and 25 are currently involved. Of the 52 students who have completed to date, eight have gone on to university, 16 have gone on to traineeships, and six have gone on to technical college, employment and scholarships.

Many of the problems confronting Rio Tinto operations would almost disappear if the education system could retain Indigenous students and provide them with higher levels of education. Realistically, this requires close collaboration with a range of community and family services. This is not, therefore the time to cut official funding of such initiatives.

6. Population growth



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Indigenous Population Projections

In 2001, Rio Tinto commissioned research into the demographics of Indigenous communities near its operations in northern Australia. By 2016

the population in this region was projected to grow 2-4 per cent per annum, with the 15-45 age group expanding by more than 50 per cent.

The message is clear: we must plan for this growth or the present problems will intensify and we will miss future opportunities.

7. Mining – a catalyst for regional social and economic development

Obviously mining, a capital intensive activity, cannot present itself as a panacea for Indigenous unemployment in outback Australia. But, it can make a significant contribution over and above the numbers it employs directly.

Its most effective contribution will not come from lavishing dollars on programmes that replicate government functions. Far better to deploy those technical and commercial skills that are the basic strengths of our industry. The economic activity generated by mining operations is a major factor in regional growth and employment.



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Mining – a catalyst

Most importantly, our aim must be to contribute intelligently to a common assault on Indigenous disadvantage.

In partnership with, firstly, Indigenous communities themselves and, secondly, other resource companies, other industries and governments at all levels, a mining company can make a difference.

The starting point is to look beyond the mine boundaries and to realise the regional effects – social and cultural as well as environmental and economic – of our activities. Once those effects are grasped, we can leverage our contribution to communities and also start to plan for eventual mine closure.

The ideal is surely to minimise the negative impacts when that day comes, and to maximise the positive legacy by leaving behind strong independent communities able to choose from a number of economic options.

This ideal, ultimately, is the basis for talking about a sustainable minerals industry, one that transforms, over the life of an operation, resource capital into human capital. Note, however, that achieving sustainable solutions post closure provides real challenges because of the loss of regional economic activity associated with any mine closure.

We can employ more and better technology to reduce environmental impact throughout the development, operations and closure phases. We can also change the way we manage the social impact of our mines and their infrastructure. Eventually, however, a particular resource will become uneconomic and an operation will close.

When that happens, we should be able to show that our activities have enriched the lives of those who remain. We also need to show that people are healthier, better educated and better able to build new enterprises and cope with the challenges that they will, inevitably, face.

How do we do this?

Firstly, as I have already intimated, we recognise that mining engineers are not social engineers. It is not our job to determine how others should live. As responsible developers we do, however, have a commitment to working in partnership with communities to develop sustainable solutions. So, it is important to tackle socio-economic issues with the same attention that we apply to our technical and commercial planning.

Secondly, where communities manifestly want to change their circumstances by increasing their economic independence, then we should be prepared to use our strengths to facilitate Indigenous economic enterprise. And the only way we can do that effectively is through building lasting relationships with our neighbours so that everybody agrees that it is in everybody's best interest for the resource development to proceed. As partners, we all have obligations:

- Communities need to support mining projects and help expedite processes for land access and development.
- Mining companies need to integrate community aspects into their planning to provide opportunities and to encourage community development.

Thirdly, we leverage our contribution to regional development by working with others. Unilateral deployment rarely leads to sustainable outcomes, hence an emphasis on mutual obligation (through formal agreement if necessary), local ownership and management and multi-party delivery. Obviously there are shared obligations in this area, with communities also needing to contribute through commitments to capacity building and responsible business development.

And most importantly, we accept that the journey begins within ourselves.



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Aboriginal and Torres Strait Islander Policy

By that, I mean that a company must start with internal change. Here I am talking about clear policies and the systems and processes that give effect to those policies; nothing less, in fact, than a change in corporate culture.

A sustainable mining industry, one that enjoys the support of all Australians, must accept that it will be required to modify many aspects of its operations – from recruitment to remuneration; from project planning to mine closure.

It may seem a tall order, but I can see no other way to win the support of Indigenous Australians. Once we have that support and it is demonstrated through improved land access for miners and opportunity for Indigenous communities, the mining sector will experience a period of renewed exploration and growth. That outcome will ensure that the minerals and energy sector remains central to the social and economic progress of our nation. And, in the process, we will have made this a fairer society.

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