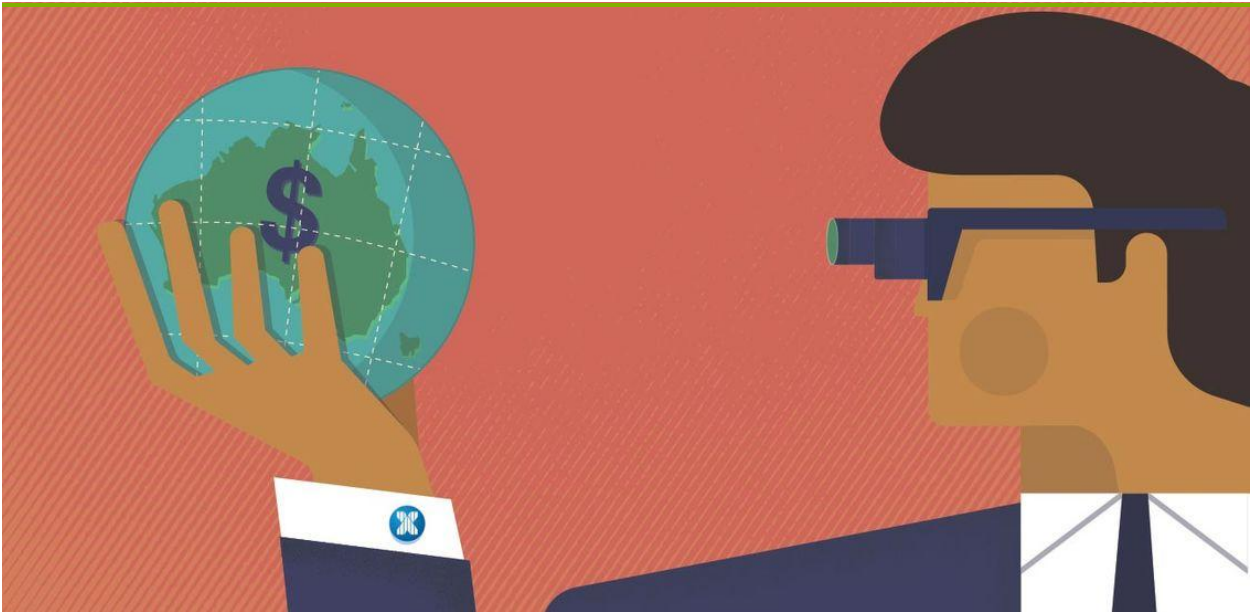


Jacques guilty of navel gazing

Rio Tinto chief executive Jean-Sébastien Jacques relied on dimmed memories of the industry's past to dramatise the challenges facing miners today at a recent mining conference in Australia.

John Robertson*



8 November 2018

Jacques invited the industry to focus on how to stay relevant in the 21st century. As he questioned whether the industry is strong enough to meet the challenges it faces today, Jacques hinted at an unprecedented but still ill-defined existential threat.

As Jacques spoke about adapting to change through technology, improving communication with stakeholders and building partnerships with governments and communities, I felt the strong tug of *deja vu*.

Through the 1970s and 1980s, especially, mining executives had spoken frequently and passionately about the threats faced by the industry. Damaging government policy interventions, the importance of reward for risk, building communities and how the mining industry could better communicate with its stakeholders were standard fare.

In 1986, former MIM Holdings chief executive Sir James Foots presented a keynote address to an international meeting of the Council of Mining and Metallurgical Institutions entitled 'The Twenty-First Century: mining for mankind - the responsibility is ours', pre-empting Jacques' preview of the century by three decades.

Sir James was an especially strong advocate of the industry's partnerships with educational institutions to ensure its commitment to leading edge technology. He had led establishment of the Julius Kruttschnitt Mineral Research Centre at the University of Queensland, which has since evolved into the Sustainable Minerals Institute.

Some of Sir James' ideas came through hard-won lessons from his involvement in the 1964-1965 workforce strike at Mount Isa, which provided important insights into how mining enterprises had to better manage their relationships with workers and the broader communities in which they lived.

Foots was always conscious of the near failure of the Mount Isa mine when funding dried up in the Great Depression and an overseas 'white knight' had to be found.



At least one of the industry's leaders lacks a strong sense of direction

Australian investors ended up holding just 5%. That was a cycle!

In the 1970s, when mining industry sales were subject to government price controls, the minister in charge of mining policy in a new left-of-centre government in Canberra declared there was no benefit in speaking with representatives of the industry. In the state of Queensland, the government was attempting to introduce an aggressive new royalty regime reckoned by MIM to threaten its commercial survival.

Internationally, once dominant European and North American mining corporates had been emasculated by a wave of asset nationalisation. The advent of so-called social metal preoccupied the industry amid worries it would lead to the demise of private investment globally. The US mining industry seemed on the brink of extinction as regulators toughened their stance against decades of environmental failings.

Are today's challenges really greater than these or are today's leaders simply more prone than their predecessors to wilt under pressure?

Jacques referred covetously to other industries such as media, motor vehicles and healthcare as having reinvented themselves. In others, including retailing and banking, change has been profound. But how meaningful are the lessons for mining?

At the margin, ways to dig more quickly, in a less costly fashion and with a lower impact on the physical environment will be needed but even the most open-minded futurist would downplay the possibility of extracting minerals without drilling and digging. Those industry activities that elicit the most controversy are also the moat which protects.

While Jacques' navel gazing was erroneously suggesting technological backwardness, event exhibitors were readying themselves to show a widening array of applications using augmented reality, new generation ore sensors with machine learning algorithms to drive continuous processing improvements, drones for access and remote monitoring for data analysis.

Many of these applications would have seemed bewilderingly revolutionary barely a few years ago and will, most likely, seem banal in a few years when bandwidth bottlenecks are loosened and the compulsion to innovate has propelled yet further advances.

Perhaps the most radical change for the industry in the coming decade, based on a survey of the exhibition hall, will be a widening access to technology.

Ironically, since he was representing one of the largest miners on the planet, Jacques did not question the future value of corporate size as rapidly falling technology costs benefit the smallest companies in the industry disproportionately.

Disappointingly, Jacques offered no leadership. Proclaiming "we are open to all ideas" is not a substitute for ideas. Summarising the possibility of new opportunities as "maybe, maybe not" suggests no greater insight than any other randomly selected individual.

Jacques' only positive recommendation, from what I could glean, was "to kick off a piece of work with partners like the World Bank, like Harvard University and others" in pursuit of "a brand new spirit of

partnership". Worryingly, that says at least one of the industry's leaders lacks a strong sense of direction.

There was also much in the Jacques commentary that seemed intent on exaggerating today's challenges. He referred at one point to "scientists from Boston to Perth, inventing materials to replace those that are mined today".

Efforts at substitution have been ongoing with perhaps even more severe repercussions in the past. Think about plastic versus copper piping or aluminium versus steel beverage containers or, more recently, optic fibre cabling in place of copper. This is the dynamic, technologically driven paradigm in which the mining industry has forever been engaged.

More efficient use of metals will hopefully continue, helping to prolong the life of the world's resources. New combinations of metals probably will emerge to meet new needs or perform tasks more effectively but the onus should be on Jacques to say which of today's mined metals may no longer be needed, if that is what he believes.

Brainstorming ideas is one thing. Wasting everyone's time by directing the industry into strategic cul-de-sacs is something else.

**John Robertson is the chief investment strategist for PortfolioDirect, an Australia-based equity research and resource stock rating group. He has worked as a policy economist, business strategist and investment professional for nearly 30 years, after starting his career as a federal treasury economist in Canberra, Australia*