

Tas McKee Memorial Address
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Coping with Success **— A Comeback for the Club of Rome?**

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The Issues for Examination

- Sustainability as a licence to operate
- The China Syndrome super cycle
- Our ability to gain from it
- Special ramifications for industry sustainability in Australasia

The Ever-Widening Circles of Responsibility for Sustainability

- Like the spreading ripples from throwing the mining rock into the community pool
- How far does our responsibility extend?
- How do we translate rhetoric and ritual into results?
- What are the comparative ethics for consumers compared with producers?
- Could “excessive responsibility” in Australia harm the national interest – and our members?

The Rolling Stone of Sustainability

Club of Rome's Limits to Growth

(Ability to supply resources from exhausting inventory)



Brundtland's Sustainable Development

(Availability of resources with environmental Integrity)



Hawke's ESD

(Maintaining environmental integrity and ability to supply)



GMI's MMSD

(Supply whilst meeting community values and expectations)



ICMM's Product Stewardship

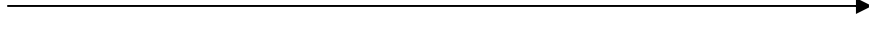
(Responsibility to society for lifecycle of product)



MCA's Enduring Value

(Responsibility to community beyond mining)

1970s



2005

Accreting Responsibilities for Corporate Sustainability



Then

“The
Future”

The licence to operate
is now too big to fit in your wallet
... but there is no alternative

Recent Unsustainable Trends for the Australasian Resources Sector

- Short-termism on exploration, R&D, recruiting
- Investment funds replace corporate leadership, question ethics of mining
- Relative decline of minerals based sector
- Disappointing financial returns (until recently)
- Corporate globalisation/rationalisation excesses
- Governments reluctant (“old tech, sunset, low employment, can look after themselves, etc”)
- Mature economies, higher recycling (good but weaken demand for new “hardware” commodities)

The Energy Conundrum for Australia

- Carbon-based energy “on the nose”
- Kyoto discriminates with “carbon tax havens” in developing countries (Chinese, Indians advantaged)
- Producers positioned to bear the economic brunt of energy taxes, not consumers (Europeans rewarded)
- Australian natural competitive advantage in export and domestic coal can be extinguished and transferred overseas (Greens gratified)
- Uranium capabilities in mining, processing under-exploited (Canadians delighted)
- Nuclear- phobic political and community attitudes block major potential
- Most “added value” is added energy (or IP)

“If China awakes the World will tremble” Napoleon

- China’s historic share of world economy to 1820’s estimated around 30% (India 15%)
- Now 12% but was down to 5%
- Overtaken due to Western industrialisation, rise of USA , colonial interventions, Japan, communism, etc.

.....What we are seeing now may well be “normal”

The China Syndrome ... is it Sustainable?

- GDP still small compared with major developed economies; eg less than Germany
- Intensive hardware phase for infrastructure, consumer goods, with 9% p.a. growth rates and world's biggest population numerator
- Impressive examples of commodity consumption abound
 - 38% of cement
 - 20% of world copper
 - 23% of world aluminium
 - 30% of world coal
 - 27% of world steel & iron ore
 - 50% of world pork
 - 30% of world fish
 - 33% of world rice

The China Syndrome ... is it Sustainable? (cont).

- Production also rising
- More iron/steel than US/Japan combined

Is the China Syndrome Different? – Yes!

- Order of magnitude more people (and area) than Japan, SE Asia
- Chinese exports are added value manufactures, not commodities (the world's factory)
- Top 2003 Chinese export to US was computer components
- Top 2003 US export to China was soy beans
- Produces 40% - 70% of world's apparel, P.C.'s, shoes, microwaves, DVD players, etc
- Heading for more than three times Australasia's aluminium output by 2007
- Adding equivalent of 30 large power stations p.a.

Key Characteristics of Chinese Growth

- China is attracting major international players
 - with leading sophisticated technologies
- Poor record in protecting I.P.
 - lowish but rapidly improving domestic technology and R&D capabilities
 - graduating more engineers than USA
- Happy to value add through energy; eg. aluminium
 - Kyoto free ride
- Huge domestic market for final products and refined inputs
 - product stewardship a long way off
- National raw materials inventory inadequate
 - pushing deeper minerals exploration
 - seeking control of overseas resources

The Other Side of the Chinese Resources Boom Coin

- China is a welcome and major trading partner
 - acting predictably in their own interest
- Australasian minerals expertise and I.P. will be in demand
 - exploration, metallurgy, systems, etc
 - how do we get fully rewarded as teacher/ provider?
- New adding value/further processing projects will happen in China - smelting/refining/forming
 - Australasia less attractive to globalised corporations
- Chinese demand will be focused on accessing our known raw materials inventory; gas, iron ore, bauxite

Possible Risks for Australasian Industry

- Transfer of expertise, education, I.P. is transitory
- Resources supply role regresses to the quarry (and the wellhead)
- Globalised corporations consider Australasia “too hard” for adding value
 - too many responsibilities, too far from customer
- Failure to “put back” in greenfields exploration
 - future exhaustion of the quarry option
- Treat as “cash cow”, move to greener pastures

Coping with Success

Are Current Corporate Responses to China Demand Sustainable?

- Current rush to increase supply capacities
- Rapidly depleting inventories
- Stimulating development/brownfields exploration of known mineralisation at the expense of greenfields exploration

Leading in turn to

- Increased (excess?) capacities
- Recession of supercycle prices towards previously declining “norms”
- Even though high demand continues
- Longer term falling mine outputs as fewer new orebodies discovered/developed in Australasia

Has the Club of Rome's Vanishing Resources Virus Mutated to Australasia?

- What will our inventory look like in 2030?
- Are we overdoing the Chinese Resources Banquet?
- Can we do more of the cooking not just supply the ingredients?

How can our Governments Provide an Antidote?

- Avoid de facto penalties from differential sustainability standards with national competitors
- Stimulate greenfields exploration, R&D, training, data
- Assist the juniors in the frontline to compete eg. Canada
- Refocus on adding value, reject artificial energy constraints
- Stress to the global corporations that the depleting quarry future is not an acceptable national outcome, notwithstanding shareholder returns