

Emerging Models of Community Engagement in the Australian Minerals Industry

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ABSTRACT

Traditionally, the community involvement of most Australian mining companies was largely unplanned or, in the case of purpose built towns associated with new operations in remote areas, primarily focussed on infrastructure provision. To a large extent community interaction, whilst unavoidable, was considered secondary to the technical business of running a mine.

Over the last several years however, there has been a concerted drive within the sector to change how mines interact with their communities. Most companies have made public commitments to engage on a much more informed basis with affected communities and other stakeholders on matters of mutual concern. A variety of formal and informal consultative processes have been established at the local level, and a growing number of operations are adopting formal community relations systems.

The primary business drivers for this enhanced attention to community engagement are a desire to better manage social risks and to achieve competitive advantage through self-regulation, community and employee endorsement, and reduced financial volatility. Progressive companies are adopting a sophisticated array of business systems to ensure their consistent attention and delivery in the social arena.

Introduction

This paper provides an overview of current trends in community engagement in the Australian mining industry with particular reference to the experience of Rio Tinto Australia. It begins by identifying the main drivers of change, proceeds to describe Rio Tinto's model for engaging with communities and associated performance assessment and assurance processes, and then illustrates deployment by reference to Rio Tinto's involvement in the East Kimberley region of Western Australia.

It should be noted that while the terms community and stakeholder are frequently used interchangeably in public commentary, they are not synonymous. In the mining industry the term 'community' is generally applied to the inhabitants of immediate and surrounding areas who are affected in some way by a company's activities; these effects may be economic and social as well as environmental in nature. 'Stakeholders', on the other hand, are "those who have an interest in a particular decision, either as individuals or representatives of a group. Including people who influence a decision, or can influence it, as well as those affected by it". Stakeholders include non-government organisations, governments, shareholders and employees, as well as local community members (Minerals Council of Australia 2004; Ministerial Council on Mineral and Petroleum Resources 2004).

¹ The authors gratefully acknowledge Rio Tinto for permission to publish and present this paper and point out that it represents the work and views of many colleagues. In particular, Professor Glynn Cochrane, recently retired from Rio Tinto, is acknowledged as the prime architect of Rio Tinto's Community Relations Framework. While the authors have relied on the work of colleagues in preparing this paper, they bear sole responsibility for the views, arguments and analysis presented.

About Rio Tinto

Rio Tinto was formed in 1995 by the merging, under a dual listed companies structure, of the Australian based CRA Limited and the United Kingdom based The RTZ Corporation plc. The Group is headquartered in London, has a corporate office in Melbourne, and has operations in some 20 different countries worldwide. Some 61% of its assets are in Australia and New Zealand. The company is predominantly engaged in the mining and smelting of minerals and metals and is a major producer of iron ore, coal, copper, diamonds, borax and aluminium. It also produces substantial volumes of gold, nickel, zinc, titanium oxide, uranium and industrial salt (<http://www.riotinto.com/>).

The Group's operating companies in Australia are Hamersley Iron, Robe Iron, Argyle Diamond Mine, Three Springs Talc and Dampier Salt in Western Australia; Ranger Uranium in the Northern Territory; Coal & Allied and North Parkes Copper in New South Wales; Rio Tinto Coal Australia and Comalco Aluminium in Queensland, plus Comalco's smelter in Tasmania. For the sake of convenience all references will be to Rio Tinto, although clearly much of the experience, learning and acknowledgment lies with its operating company, both within Australia and elsewhere in the world.

The Business Case for Community Engagement

The last thirty years have seen political and economic developments that have dramatically changed the world and the minerals industry. For miners, above all, changed public expectations of corporate environmental and social performance have driven the industry to reassess what it takes to be competitive in a global economy (IIED 2002).

In times past, mining companies, particularly those operating in frontier situations, tended to function as closed systems, largely insulated from the influence of public opinion. This was epitomised by the purpose-built mining town, where the company was the dominant employer, owned and provided most of the services (including housing), and managed the town as an essential element of the mine's production system. In this setting, companies were able to control and predict most variables affecting their operation, right down to issues of community administration.

Today, by contrast, mines must increasingly operate as open systems. This shift in focus is attributable to the intersection of a number of factors, including heightened stakeholder and community expectations, the glare of global scrutiny, the demise of the traditional mining town, and the growing influence of concepts such as 'corporate social responsibility', 'sustainable development' and 'triple bottom line'. Whereas central governments previously regulated the mining industry with little direct community involvement, communities have now become active participants in the process. In this emerging 'tri-polar' governance landscape, government remains a provider of mandate and a regulator, but communities now frequently represent themselves when dealing with business, whether through public forums, delegate bodies or the agency of Non Government Organisations (NGOs). This, in turn, has meant that corporate entities are now obliged to develop direct relationships with local community and local government, and are increasingly pushed to do so by communities with access to the communication and transactional enablers that are driving globalisation.

A critical challenge for companies operating in this new environment is to articulate a persuasive business rationale for enhancing corporate community capabilities. Companies are profit-making entities which need to be able to show that the activities in which they are engaged add value to the organisation. Unless corporate managers can show that there will be a return to the organisation from investing time and resources in voluntarily improving corporate social performance, they will be reluctant to make such an investment, especially if it involves substantial additional costs. Likewise, financial markets are unlikely to look favourably on companies that are considered to be under-performing financially, regardless of how well they might score in terms of corporate social responsibility.

We do not mean to suggest that companies are – or should be – oblivious to moral concerns. When it comes to health and safety, for example, companies clearly have an ethical –and not just a legal – responsibility to protect their employees and surrounding communities from harm. Similarly, the basic human rights of people in affected communities need to be respected not just because this is good business, but because it is ‘the right thing to do’. However, relying solely, or even primarily, on values-based justifications is unlikely to be sufficient to embed good community practices throughout a company, particularly in those areas where the moral imperatives are not as stark.

Within the minerals industry, a key driver for companies to improve their community engagement practices has been the desire to reduce the community risks associated with current and planned operations and smooth the path for obtaining access to new resources (Humphrey 2000, 2001; Brereton 2002). This is often expressed in terms of the imperative for companies and the industry more generally, to protect their social - as well as their legal – ‘licence to operate’. The time taken to plan, finance, insure and regulate any operation has increased substantially in the past few decades, particularly in the case of large-scale mines; in these circumstances, developing better community engagement processes has the potential to deliver real financial returns for a company.

Leading companies in the industry, Rio Tinto included, are now striving for competitive advantage in the communities arena, with the aim of becoming the ‘developer of choice’ for communities and governments, improving the corporate risk profile of the company and securing access to capital on more favourable terms.² This, in turn, has involved a shift away from the traditional narrow focus of companies on protecting corporate strategic assets, to a broader focus on developing a ‘sustainability capability’.

When it comes to strategic assets of any kind, the returns and the wealth that are generated will generally be fought over by different stakeholder groups. This is certainly true in the mining industry. Most ore bodies of any real value have at some stage been targets for attempted ‘misappropriation’ or ‘ransom’. This has frequently taken the form of nationalisation by sovereign governments, withholding of sanction by powerful stakeholders, or a challenge to specific minerals tenure by opportunists.

In jurisdictions where mining is governed by enforceable statute, the sovereign guarantee itself becomes the strategic asset and payment for it is by way of prescribed licensing, royalties and taxation. The primary skills that mining corporations need to operate in this environment are in fiscal management, handling public policy and legal argument. This will generally be sufficient to keep external threats at bay, as long as political and governance conditions remain unchanged. However, this traditional way of doing business is ill-suited to those situations where the institutions of the State are weak, there is a significant degree of social and political instability, or the consent of non-State actors (e.g. traditional owners) is required in order for mining to occur. Here the focus has to be on gaining and maintaining a ‘social licence to operate’, rather than just securing and protecting the company’s legal entitlement to mine.

Where social licence issues are to the fore, an entirely different set of skills is required, such as the ability to identify social issues and deal with them effectively. Moreover, the company, in order to manage the risk of losing access to land for exploration and developing mines, must make some decisions about expenditure beyond the technical scope of any project. Whereas formerly this was restricted to well-defined taxation and royalty payments to sovereign government, these days it may also involve negotiated contracts with other stakeholders to gain their endorsement. Concurrently, the company needs to develop sustainable capabilities in managing stakeholder relationships to the same end. These capabilities go far beyond what was sometimes thought of, rather dismissively, as public relations skills. What is required is the ability to work with people and communities pro-

² Increasingly, companies are also competing for staff. Arguably, one of the major attractors for staff, and it appears increasingly so for ‘generation Y’, is the ethical performance and reputation of the firm they work for.

actively and transparently, and convince them that it is in everybody's best interest for the company to develop the resource.

It is at this point that the other, more traditional, capabilities of the company come to the fore; its technical capabilities. Without them the ore would remain in the ground, or be mined less profitably, and nobody would benefit. Furthermore, it behoves the primary party to take responsibility for catalysing a set of relational contracts that maximises the added value of the venture to the greater benefit of all parties.

An 'asset' strategy and a 'sustainable capability' strategy both involve expenditure. Strategic assets can be defended over very lengthy periods, but may suddenly be at risk when there are changes in political and governance conditions. In contrast, the advantage of developing a sustainable capability is that it is pro-active and enhances the capacity of a company to understand, manage and minimise risk in an uncertain and changing environment. Relying entirely on administrative infrastructure in the form of government statute is fine during periods of minimal change, but a greater ability to manage your own destiny is needed in changing times.

Communities Architecture

At many mines in Australia, community relations is still treated as an add-on function that is marginal to the 'real business' of mining and processing ore. How the function is performed depends heavily on the qualities and motivations of individual community relations staff and the level of interest shown by the site general manager. When these individuals move on, as happens with a fair degree of regularity in the minerals industry, relations with the community are often disrupted and corporate memory lost. This has made it difficult for mines to maintain any kind of strategic focus in their interactions with local communities. Community relations personnel, for their part, have lacked clearly defined career paths and often have not been well supported by their organisations, particularly in terms of training and access to professional networks (Kemp, 2004).

Clearly, for any corporate capability to be sustainable it must be systemic; that is, it must be built into the organisation's standard methods and processes for 'doing business' and must be able to sustain changes in personnel. This recognition has led leading companies such as Rio Tinto to focus on developing comprehensive systems in the social arena, with the long term aim of embedding the same level of competency as exists in the corporation's technical and financial systems.

Overall, these systems can be usefully imagined as the 'architecture' of the corporation; they include clearly articulated values and policies, standards and guidance, communication and reporting systems, and methods of verification. The architecture is intended to enable the corporation to develop and sustain long-term proficiencies, and maintain its organisational knowledge. Just as importantly, it seeks to facilitate the open exchange of this information so the company can respond to emerging needs at all points of its compass.

The following discussion provides, by way of an example, an overview of Rio Tinto's communities architecture. Other mining companies, for example BHP Billiton and Newmont, have developed their own distinctive architecture, but the basic design elements are broadly aligned with what is described below.

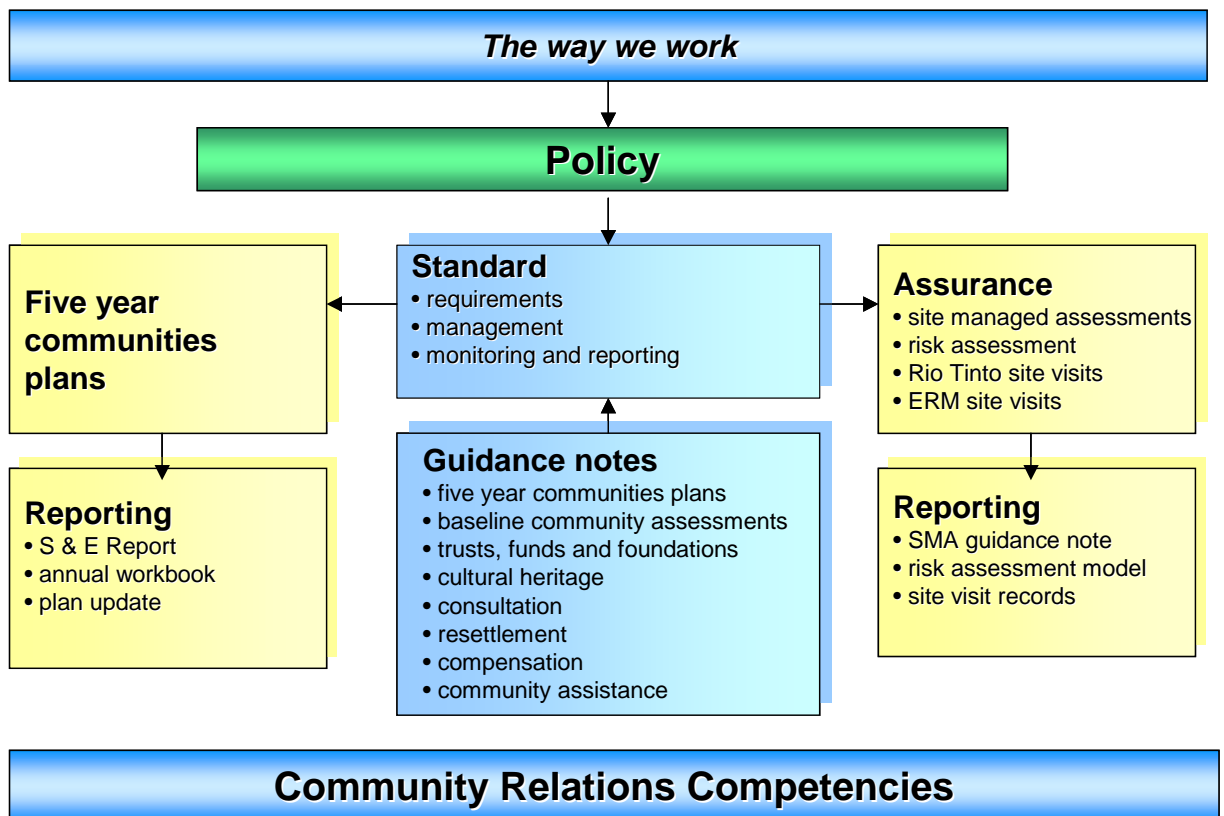


Figure 1 : Rio Tinto Community Relations Framework

The Framework includes:

- a set of overarching values-based principles, called The Way We Work, that guide operations and staff in their interface with colleagues, neighbours and the wider world;
- a specific communities policy that cascades to regional and operating companies' policies, consistent with each other and with local circumstances;
- a communities standard that describes a minimum set of policy implementation requirements;
- specific guidelines that advise and support the communities standard;
- criteria for operations to develop five year communities plans;
- a corporate assurance and reporting system that provides a means of ensuring that operations are actually doing what they say they do; and
- a comprehensive set of community relations competencies which provides the basis for expectations and development for operating staff and communities professionals within the Group.

Rio Tinto Communities policy is presented in Figure 2, below.

We set out to build enduring relationships with our neighbours that are characterised by mutual respect, active partnership and long term commitment.

Good management of community relationships is as necessary to our business success as the management of our operations. Good performance requires all of us to accept responsibility for community relationships. We detail local arrangements in rolling Five year communities plans which all operations submit and update annually. The plans are set within the context of this policy and apply throughout the life cycles of the Group's activities.

Mutual respect depends on our understanding the issues that are important to us. Wherever we operate, we do our best to accommodate the different cultures, lifestyles, heritage and preferences of our neighbours, particularly in areas where industrial development is little known. Our communities and environment work is closely coordinated and takes account of peoples' perceptions of the effects and consequences of our activities.

We promote active partnerships at international, national, regional and local levels. These are based on mutual commitment, trust and openness. Our relationships with communities involve consultation to open new facilities, to run existing ones and to close them at the end of their productive lives. In doing so, we support community based projects that can make a difference in a sustainable way without creating dependency. We also assist regional development and training, employment and small business opportunities. In developing countries, we are often asked to support health, education and agricultural programs and, in collaboration with others, we help where practical.

Figure 2 : Rio Tinto Communities Policy

The Communities Standard, in turn, supports the policy and states that all Rio Tinto managed activities, projects and businesses are required to develop their own, locally designed community relations programs. A minimum requirement is a five year communities plan that:

- describes the communities directly affected by the business;
- is developed and maintained as a result of baseline community assessments;
- reflects the results of consultation with communities as well as the concerns and priorities of the business;
- links to and supports the business' sustainable development framework;
- assesses community related risks and opportunities over a 3-5 year period;
- presents a rationale for initiatives that have been agreed with communities;
- outlines desired outcomes from the communities program over a 3-5 year horizon;
- details the business' communities budget, personnel and contingencies;
- is updated annually; and
- is discussed with senior management and signed off by the senior manager.

The Standard also requires that businesses undertake baseline community assessments that, amongst other things:

- detail the key social, environmental, and economic factors that shape life in identified communities;
- provide pertinent data on demography, family and individual well being;
- identify the drivers of social change in order to track trends that could result in significant changes, regardless of the presence or absence of the business; and
- identify potential risks and opportunities to communities from the presence of the business and indicate how these might be avoided or secured.

Mutually accepted and understood consultation with affected communities is required, and should be designed using baseline information and engagement procedures that are transparent, inclusive and culturally appropriate. The Standard specifies that consultation procedures should ensure that:

- community decision making reflects established conventions and protocols, supplemented if necessary by additional mechanisms for inadequately represented, marginalised or vulnerable groups;
- identified communities are as fully informed as practically possible about activities of the business and their possible effects;
- two way discussions cover community issues and priorities as well as the concerns and needs of the business; and
- mutual understanding and/or the positions and views of both the business and the community are reviewed.

Community assistance programs that build on baseline community assessments and community consultation are also expected. Any initiatives undertaken should encourage self help and avoid dependency and be focused on:

- educational, health or livelihood initiatives that address community priorities;
- the comparative advantage of the business to maximise local employment, small business and local contractor opportunities; and
- the building of long term skills and knowledge development in partnership with others, including government and NGOs.

The Standard includes minimum expectations of management, monitoring and review of all baseline assessments, community consultation and program assistance. Within this schema, considerable scope exists to deploy a wide variety of social research methodologies provided they adhere to scientific principles; that is, they are statistically robust, capable of independent review and testing, and the findings are repeatable. Equally, a diverse array of community consultation techniques is possible, so long as they are locally and cultural appropriate and take into account the views of marginalised groups. Actual program deployment can also take many forms; whether delivered through trusts, funds, foundations, partnerships or directly. The most critical point is that unilateral deployment rarely leads to sustainable outcomes; hence, the preferred emphasis is on multi-party delivery.

Another feature of the Rio Tinto framework is the requirement for a site managed assessment (SMA) to be completed against the standard every three years. This is an assurance procedure that seeks to demonstrate, in objective and verifiable ways, that sites are implementing The Way We Work and the Communities policy, as well as meeting international, national and local regulatory requirements.

In contrast to some other companies (for example, Newmont) which rely heavily on external auditors, Rio Tinto has opted to make the SMA a site managed activity. Rio's view is that this allows sites to tailor assurance to local community characteristics, better manage timing and resource requirements, select the appropriate level of site or multi site assessment and choose a frequency of review that lends itself to site specific needs.

The main rationale for this approach is that it is extremely difficult for external persons (particularly first time visitors) to pick up all that may be important in relation to community issues at a large, complex operation. The potential downsides include external credibility issues, standards slippage, covering up of issues and lack of external verification. As a means of dealing with these issues, Rio Tinto therefore requires that SMAs comply with a formalised scheme set out in a specific SMA guidance note. The scheme stipulates that:

- a team approach is used involving at least three people selected by the site, one of whom must be general manager of the site being reviewed and one of whom must be an external participant – it is also a requirement that the team not include anyone from the site with management accountabilities in the communities area;

- terms of reference and review team composition are signed off by the site's managing director and Rio Tinto;
- normal auditable standards of reporting are followed, setting out the terms of reference, resources, personnel, assessment methodology, findings and recommendations;
- a report is produced that references the site's previous SMA and its current Five year communities plan and identifies issues to be addressed in the next Five year communities plan;
- the final report is signed-off by the site's managing director and distributed to the site's chief executive and Rio Tinto.

The policy, standard, reporting, guidance and SMA elements described above are the 'hard-wired' requirements of community relations good practice. However, of themselves, they are not enough. They do not provide for the expanded thinking required by mining professionals to achieve real competence in sustainable community relations. Beyond hard-wired architecture, it is the specific recruitment and training of community relations professionals and socially competent mining executives that is needed for continuous improvement in social performance. In the absence of competent personnel there will be a ceiling on the improvement that can be expected from mechanisms such as reporting, reviews and audits. Hence, while values and policy provide the canopy for Rio Tinto's communities work, it is the development of community relations competencies that provide the foundation.

In line with this approach, Rio Tinto has recently mapped core competencies for its community relations professionals. This was developed through an exhaustive process of consultation and debate, with the aim of identifying what is required of individuals within the Group to excel in communities work. The competencies are intended to guide professional recruitment, selection, development and deployment, and provide the basis for feedback, coaching and performance recognition. Some other companies in the industry have undertaken, or are in the process of undertaking, similar exercises.

Case Study

The business case and the corporate response to enhanced community expectations of minerals companies have been presented thus far in dry abstraction. To enable a richer understanding, Rio Tinto's history in working with Indigenous communities in Australia over the past 15 years will be discussed, focusing particularly on the Argyle Diamond Mine in the East Kimberley region of Western Australia.

In the 1980s and early 1990s, in common with the rest of the Australian mining industry, Rio Tinto experienced trauma coming to terms with rapidly evolving community expectations over the control of exploration and mining access to land. For Aboriginal and Torres Strait Islander peoples these changes came to be reflected in the Mabo and Wik High Court decisions and Native Title legislation that recognised the pre-existing common law rights of Aboriginal and Torres Strait Islander people over land.

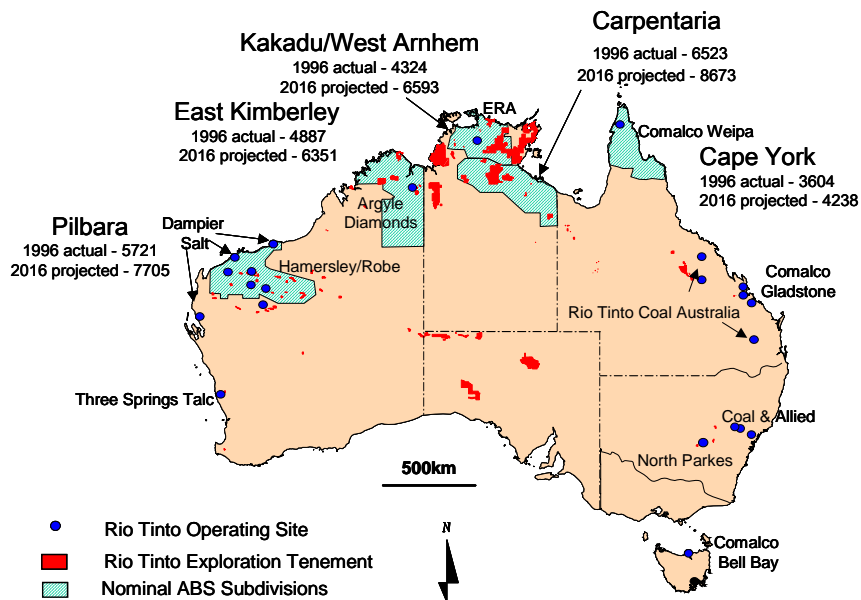
This history can be illustrated by reference to Rio Tinto's Argyle diamond mine, discovered in the late 1970s in the East Kimberley region of Western Australia. At the time of discovery, exploration teams encountered opposition from local and other Aboriginal people, but eventually an agreement to mine was signed with a group of traditional owners, despite the fact that the mine would necessitate the destruction of a significant ceremony site at what was known as Barramundi Gap. This so-called Glen Hills Agreement attracted adverse reactions, from the wider group of traditional owners and other Aboriginal groups and, for different reasons, from the Western Australian State Government. The nature of the agreement process and the destruction of the site at Barramundi Gap distressed the Aboriginal groups. The Government was concerned that an agreement outside of statutory requirement was reached with an Aboriginal group at all. In the early 1980s, the company's linkages with local communities, most notably Warmun, Mandangala and Doon Doon, became much more extensive. The Argyle 'Good Neighbour Agreement' became the vehicle for a number of largely unilateral programs aimed at improving the circumstances of local Aborigines (for a useful historical account of developments at Argyle see Howitt, 2000).

Protracted dispute with local Aboriginal people at Argyle was narrowly avoided, but residual resentment lingered as a result of 'unfinished business' between the mine and traditional owners. Elsewhere in Western Australia in the following decade development approval was gained under State enabling legislation, leading to greater antipathy. Similar experiences in other parts of the Group, and comparisons with its overseas operations where land rights recognition is a normal part of business, led Rio Tinto to reassess its Aboriginal land access and community relations approach in Australia.

In order to better understand trends that underlie potential emerging social disequilibrium, Rio Tinto and its operations now carry out baseline communities assessments. For instance, in 2002 Rio Tinto commissioned a study of Indigenous population projections out to the year 2016 for the hinterlands of its long-life mines and areas of exploration interest in northern Australia (Taylor and Bell, 2001). It is worth pointing out that census data from these regions do not reflect the true picture, and that future population scenarios by Government or other agencies have rarely been attempted for Indigenous groups at regional levels. Hence, significant difficulties were present in attempting the projections and the figures are likely to be very conservative.

The research made it very clear that in the Pilbara, Kakadu/West Arnhem, Gulf of Carpentaria, East Kimberley and Cape York regions, the momentum for population growth lies with Indigenous residents. A related and similarly striking feature was the degree to which the non-Indigenous population in each region is dominated by people of working age (ages 20-44), reflecting in-movement, frequently temporary, for employment purposes.

The key finding was that by 2016 the combined Indigenous population in Rio Tinto's Northern Australian mine hinterlands is conservatively projected to increase by some 10,000 people, which represents an increase of 39%. This translates as an increase from 24,000 to 34,000 Indigenous people living locally.

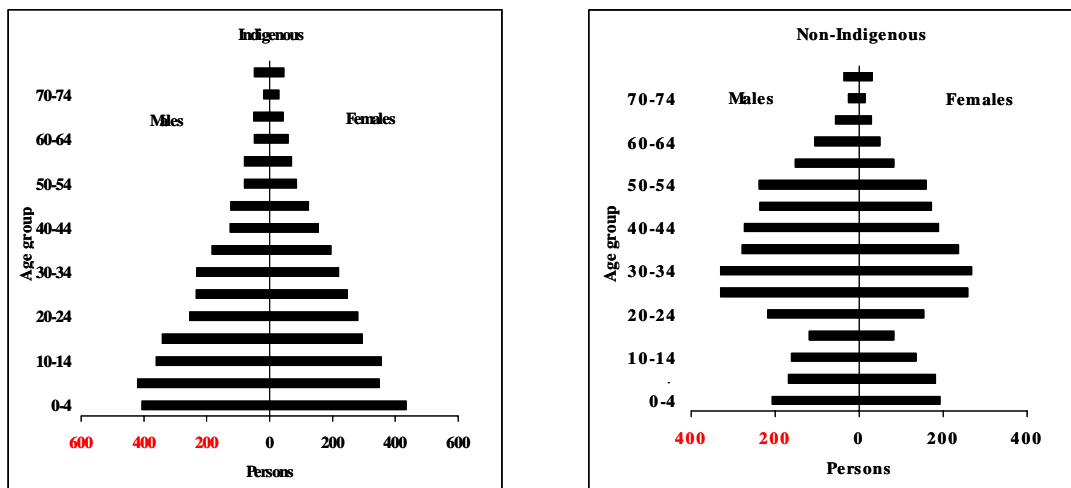


1996 census & 2016 projected Indigenous population (source: Taylor 2002)

Figure 3 : Indigenous Populations: Northern Australia

A second key finding involved the projected Indigenous population for each mine hinterland as a percentage of the projected total population. In each region studied the Indigenous population is expected to increase its relative weight to as much as 93% of total population. Overall, across all Rio Tinto mine hinterlands in northern Australia there is a 38% increase in Indigenous population compared to a projected increase of only 16% for the non-indigenous population.

A third key finding was that while the Indigenous population is expanding in all age categories, it is heavily weighted to individuals of prime working age. In 1996 there were 9,250 individuals aged between 25 and 64 years. By 2016, this group will have increased by 6,400, or 70%. The momentum of Indigenous population growth is all the more dramatic when compared to the non-indigenous population (Figure 4).



(after Taylor: 2004)

Figure 4 : Distribution of E Kimberley Indigenous and non-Indigenous populations

These data are vitally important for mine and closure planning, regional development and social services allocation. A detailed study commissioned by Argyle Diamond Mine for the northern East Kimberley region makes this clear (Taylor 2004). The study demonstrated that the region has a serious economic development problem. Taylor points out that “around one half of its resident adult population, representing the majority of its Aboriginal population, remains overly-dependent on welfare, structurally detached from the labour market, and ill-equipped to engage in it.

More disconcerting, perhaps, is a prognosis that these indicators will worsen as a consequence of rapid population growth if recent trends in the rate of Aboriginal job acquisition continue; this is even assuming that ADM targets for local employment are met. From a policy perspective, 'business as usual' is simply insufficient to meet the expanding needs of the regional population”.

These data show that even with the most optimistic Indigenous employment objectives, Rio Tinto mines cannot hope to employ anywhere near the rapidly expanding Aboriginal populations around its northern Australian mines. Sustainable development and mining in these regions is going to require a broad coalition of government, corporate and local interests to build regional economies with the range of enterprise and employment opportunity that can. Whilst not Rio Tinto’s sole responsibility, long-term corporate self interest demands that the company ensures that all stakeholders recognise the challenge and work to ensure sustainable development in these regions.

Planning for the future cannot satisfactorily progress without comprehensive consultation with those most affected; hence, the next stage of the Rio Tinto scheme - mutual consultation - is again illustrated by reference to the East Kimberley region.

Argyle Diamond Mine's difficult early history was described above. In 2001, Argyle committed to reviewing its 'Good Neighbour Agreement' and commenced a comprehensive process of consultation with traditional owners, leading to a new agreement. In September, 2004, after three years in the making, Mirriuwung, Gidga, Malignin and Wallar traditional owners, Argyle and the Kimberley Land Council signed the Argyle Participation Agreement (APA). The Agreement was registered as an Indigenous Land Use Agreement (ILUA) under the Native Title Act in April 2005.

The APA represents a comprehensive and legally constituted form of consultation and agreement and is the most advanced in Australia to date. It formally sets out a shared vision for regional development, including traditional owner ceremonial responsibilities associated with the mine lease area and their approval for the mine to proceed underground if commercially feasible. Benefits to traditional owners, to be governed through community controlled trust structures, will provide for present day and post-mine programs in, amongst other things, health, education and culture. Eight management plans for on-going traditional owner consultation and participation in non-operational mine business also support the agreement. The management plans cover:

- Aboriginal site protection and heritage clearance work;
- training and employment programs for greater direct Aboriginal participation in the mine;
- cross cultural training for all mine employees and contractors;
- traditional owner access to non operational areas of the mine lease;
- once a year traditional owner land management inspection of country and water;
- traditional owner participation in planning eventual closure and decommissioning options;
- business development opportunities associated with the mine; and
- provision of specific attention, with its own management plan, to Devil Devil Springs, a heritage site of prime importance that has been affected by mine activities.

Significantly, the APA benefits extend beyond local traditional owners into the broader East Kimberley, a critical component of Argyle's localisation program and its contribution to sustainable regional development. Argyle is to decide in late 2005 whether or not to proceed with an underground mine. The current open pit operation is due to close in 2008; an underground operation would extend mine life to 2024. The APA secures local traditional owner approval and participation in the activity of either option. In effect, the APA says how traditional owners and Argyle will work together from now on for the life of the mine, whether it be 2008 or 2024.

Rio Tinto's third element of sequential deployment, community agreed assistance programs, can also be illustrated by reference to Argyle. In the vast majority of its dealings on Aboriginal land in Australia, Rio Tinto is consistently told by local Aboriginal people that they have no in-principle objection to mining on their lands, provided they are assisted to participate in the economic activity it engenders. The assistance has to be at a level that overcomes the disadvantage suffered as a result of history and the on-going deficit in health, education, infrastructure, training and employment. This message and request for assistance was (again) relayed and secured during negotiation of the Argyle agreement.

As it happens, Argyle moved immediately on the employment aspiration and worked to substantially increase the number of its Aboriginal employees during the period of the three-year APA negotiation. From 5% Aboriginal employment in year 2000 it progressed to 24% by April 2005 (Figure 5). Furthermore, Argyle has set a target of 40% local Aboriginal employment should it proceed with underground mining. Let anybody think that such achievement is of no substance and comes at no cost, the overall rate of employment for Aboriginal people elsewhere in the mining industry is less than 5%. The additional cost of pre-employment, recruitment and retention beyond 26 weeks for local Aboriginal employees is estimated by Argyle to range from \$50,000 to \$80,000.

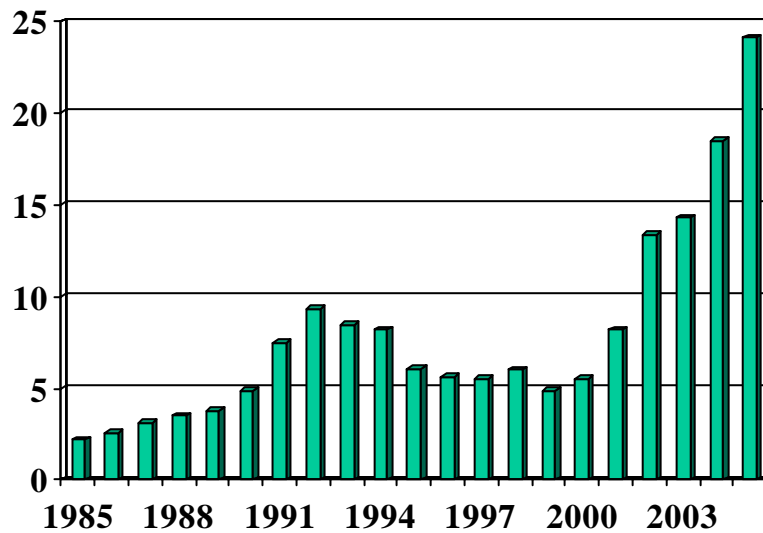


Figure 5 : Aboriginal % of Argyle Workforce

The key elements of Argyle’s Aboriginal employment strategy are:

- work readiness programs, inclusive of: relationship development, individual mentoring, school-based enrichment programs and rigorous feedback to unsuccessful applicants;
- recruitment systems involving: face to face application processes, four day assessment workshops, drug and alcohol mentoring and individual case management;
- retention systems, involving: individual training plans, assignment of workplace mentors, and life skills and family support.

The assistance programs agreed to under the APA are in line with the latest thinking on international community development and also reflect Rio Tinto’s desire to support sustainable community activities. The philosophy of the company – and of Argyle Diamonds management - is that the best chance for community program success comes with a business driven approach, whereby the comparative advantage of the operation is harnessed, the skills and knowledge of all employees are engaged, the management skills of the mining operation are deployed, and there is an insistence on results and profitability. This represents a significant departure from past practice, where expenditure was often in areas where the mine had no comparative advantage, a very small number of personnel were engaged, top management was not directly involved and the emphasis was on expenditure and subsidy rather than economic results, profitability and self sufficiency.

To place this case study in perspective, it should be acknowledged that Rio Tinto is a large and diverse organisation which operates in a variety of contexts, ranging from remote regions with large Aboriginal populations (such as the East Kimberleys) through to provincial industrial centres and settled agricultural areas. Specific aspects of the approach taken by Argyle are unlikely to be transferable to these other contexts. Moreover, there has perhaps been a stronger imperative – as well as a greater opportunity – for Argyle to re-focus its approach to community relations than has been the case for some other Rio Tinto operations. Nonetheless, the case study is a good example of what is possible and helps to illustrate the new direction now being taken by Rio Tinto and other leading mining companies.

Challenges

Companies such as Rio Tinto face a number of challenges in rolling out their new communities architecture and embedding this into existing organisational structures and processes. In this section we briefly discuss three of these challenges and outline how Rio Tinto is seeking to address them.

1. Securing site-level buy in

While the business case for strengthening and systematizing the community relations function is generally quite well understood at the corporate level, this is not always the case at the operational level. Some site-based managers are fully cognisant of the importance of the community relations function, but others retain the traditional short-term focus on maximising production and minimising costs. Persuading this latter group of managers to improve their community systems can be a challenge, particularly if there are no local issues 'on the radar'. A complicating factor here is that the main benefits of improving management systems are often collective in nature (improved corporate reputation, etc) whereas many of the costs of implementing these improvements are borne by individual operations. In an industry where there is a very strong focus on cost containment, this can create incentives to engage in 'free riding'.

Rio Tinto is endeavouring to address these and related issues by defining clear minimum standards for all operations and building this into performance monitoring processes. It also has an ongoing internal communication program aimed at promoting organisation-wide understanding of the business case for improving corporate social performance. However, it will take some time to embed these new ways of thinking throughout the different layers of the company and to align the various internal drivers of management behaviour so that operational managers receive consistent signals from the organisation about what is important.

2. Getting the right people

To state the obvious, systems are ultimately only as good as the people who operate them. This is particularly so in the area of community relations, where personal trust, empathy and intuitive knowledge are key determinants of effectiveness. Community relations personnel who are ill-suited to the role can de-stabilise relations between a mine and its community quite quickly, as can site-level managers who lack skills in this area. Arguably, companies such as Rio have done as much as they can with their systems architecture to improve community engagement. The real constraint on improving performance is not a lack of will or failing to embrace the right techniques, but rather a lack of good hands-on people. Currently, neither industry, universities nor other agencies can assure a reliable supply of knowledgeable, competent communities professionals.

As described earlier in this paper, Rio Tinto's strategy for dealing with this issue is to align its personnel management strategies (recruitment, deployment, development, career progression) with an agreed set of competencies for community relations staff (and for other personnel whose roles involve significant interaction with 'the public'). Some other companies have initiated similar processes. Over the longer term, this strategy will hopefully generate an expanded pool of competent practitioners with transferable skills and knowledge, but in the short to medium term finding the 'right people' (for what can be very demanding roles) will remain a challenge for the industry.

3. Getting the architecture right

Systems are an efficient means of storing information and help to provide focus, consistency and continuity, but they also have some potentially dysfunctional aspects. For example, there is a risk that organisations become overly process-focused, such that complying with the requirements of 'the system' becomes an end in itself rather than being a means to achieving better outcomes. Management systems also need to be carefully designed so that they leave space for innovation and adaptation. This is particularly so in the area of community relations, where a 'one size fits all' approach to dealing with diverse communities will almost certainly

not work. The challenge for organisations such as Rio Tinto, therefore, is to ensure that they get the balance of their systems right so that sites retain the capacity to adapt to local circumstances where required, while ensuring that sites act consistently with core corporate requirements. It will also be important for companies to monitor and review the operation of these systems at regular intervals to guard against unintended and potentially counter-productive behaviours.

Conclusion

Plainly stated, the successful minerals company of the future needs to be more than just technically and commercially proficient; it must be just as competent in social science, relationship management and community development as it is in engineering, financial planning and environmental science. This is increasingly being recognised in the minerals industry and we are now seeing companies that once had an overpowering engineering culture coming to accept the validity of new values and the worth of community development skills (Harvey 2002).

The addition of social skills to the mix of engineering virtuosity, effective management and commercial savvy has clear benefits at the operational and business unit level, but does not necessarily generate corporate competitive advantages such as enhanced reputation and associated access to financial capital on preferred terms. For there to be a corporate benefit, these enhanced capabilities must be seen to be embedded in the corporate structure itself, rather than just residing in individual components and 'showcase' sites. In a global environment of constant scrutiny, corporate guarantee is now as important for risk management as sovereign guarantee. In seeking self-regulation, corporations have accepted the arbiter of global scrutiny and market appraisal. The added value of the corporate whole is its reputation for multiple bottom line delivery and its ability to secure finance for operational investment at better than average market rates. Sound business architecture provides the basis for this guarantee by setting up a network of internal contracts, maintaining the corporate knowledge base, discouraging ad hoc behaviour and fostering consistency of delivery. Equity and debt finance are equally attracted to the associated reduction in risk.

While product branding adds considerable value to the marketing of actual products, corporate branding adds its value through the guarantee of social integration, acceptance and self-regulation. Hence, progressive companies, such as Rio Tinto, have staked their reputation and their future access to development finance on comprehensive business architectures that aim over time to build seamless and effective community engagement systems. The challenges in effectively implementing these systems should not be underestimated, but companies that are able to meet these challenges will be well placed to reap substantial rewards through competitive advantage in land access and development approvals, lower costs of capital, and reduced risk exposure.

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