

RTIO Independent Enquiry into Aboriginal Contracting Practices

Enquiry Team

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Terms of Reference

- Background of Rio Tinto Policies and Taylor/Scambary Report
- RTIO Managing Directors' vision for normalcy
- Currency of comprehensive agreements
- 'Best Practice' report
- Interview Pilbara contractors, RTIO and RTP staff, Aboriginal leaders, EPCMs
- Review other practices

Interviews

The Enquiry was conducted by interviewing a number of stakeholders in the following categories:

- Pilbara Aboriginal contracting companies;
- Selected non-Aboriginal contractors including EPCM contractors;
- Some Aboriginal community leaders;
- Representatives of government agencies;
- A cross-section of RTIO managers involved in the decision-making train on contract awarding (MDs included);
- Rio Tinto Procurement senior staff; and
- Selected RTIO Communities and OHSE personnel.

Analysis Techniques

- Identification of Critical Issues
- Systems, Symbols and Behaviour
- Application of the McKinsey 7S Model
 - Shared Values
 - Strategy
 - Structure
 - Staff
 - Skills
 - Systems****
 - Style

Findings

- There is clear intent within the organisation to engage and assist Aboriginal contractors, although this is not systemic
- Contracting decisions lack strategic Communities Division input and the Aboriginal business development function is under resourced
- There is a sound base of Aboriginal contracting capability in the Pilbara, however, there was no evidence that RTP considers Aboriginal contractor engagement and development a priority.

Findings

- RTP priorities and systems are aligned with efficiency and price functions and procurement systems such as *Procuri* are not geared for community relations considerations and therefore can limit Aboriginal access
- EPCM and major contractor Aboriginal engagements are taking place in minor and piecemeal ways due to client expectation but these lacks social and strategic drivers within those companies.

Recommendations

1. The CEO and his Executive Committee make an unequivocal commitment to the support of Aboriginal businesses throughout the RTIO business in Australia.
- Exco provides a leadership statement on the particular issue of Aboriginal business development and RTIO's engagement.
 - Policy and Guidelines, based on existing drafts, are formalised with signed-off CEO ownership.

Recommendations

2. Establish management systems to drive engagement of Aboriginal contractors in RTIO.
 - Establish a Standing Committee of MDs and senior leaders to engage in the work of Aboriginal economic sustainability.
 - Establish KPIs and targets to drive Aboriginal contractor engagement through the business plan
 - Incorporate KPIs and targets in major contracts

Recommendations

- Implement appropriate management reports to monitor progress.
- Allocate resources to manage Aboriginal contracting matters, provide central knowledge on contracting options and contractor capabilities, mentoring and business development.

“SYSTEMS DRIVE BEHAVIOUR”

Leadership Issue

Sam Walsh-Supplier Recognition Program 2/'10

“This was the \$200 million contract to develop and operate the Western Turner Syncline deposit, with a JV formed between NRW and the Eastern Guruma Traditional Owners. It has been quite deliberately designed to see business skills such as project management transferred to those with such strong ties to that land.

And this comes on top of the \$110 million we spent with Indigenous contractors last year.

Such positive initiatives are not before time in our industry, as many of you would agree. We will do everything we can to see these types of initiatives continue, and I can only urge you to consider the benefits of such innovative steps wherever possible. Like safety, it matters.”

Some Results

- The MDs responsible for Operations, Expansion and Communities now drive the contracting practices in close consultation and carry through to Exco
- GMs and Ops Managers, Communities GM and RTP meet monthly to consider all tenders, Aboriginal contractor capability to be involved and what is required to increase capability if it is lacking

Some Results

- KPIs and metrics have been incorporated into plans and reporting systems
- EPCMs and major contractors have lifted their performance and are now routinely involved in Pilbara based discussions

Some Results

- The business development function within Communities has been enlarged
- A Standard has been established as a part of current negotiations (see next)
- Practice is not waiting for conclusion of negotiations but assuming agreement
- 2009 performance exceeded the target set

Business Development and Contracting Standard

- Based on RTIO's Pilbara business spend
- PABs (25% ownership) receive preference for equally competitive bids
- PABs advised of tenders in advance
- Annual business development budget
- Maintenance of this budget till target spend with PABs achieved
- Three yearly consultation with regional body

Leadership

Sam Walsh-Pilbara Cities Launch

“We spend in the Pilbara alone more than \$120M annually on Aboriginal contracting, enterprise development and capacity-building.

And why we wouldn't we do this- it makes such good business sense to develop local resources.”

A Communities Staff Quote

“Your work with Kevin and Marcia was supported by RTIO to assist us internally to develop improved processes. The commitments are not just policy but embedded in our contractual obligations and commercial agreements with Traditional Owners of the Pilbara who have been at the forefront of driving this work.”

Janina Gawler. General Manager Communities
February 2010