Q3 2013 Earnings Call

Company Participants

- Clovis Torres, General Counsel
- Jose Carlos Martins, Executive Officer
- Luciano Siani, Executive Officer
- Murilo Ferreira, CEO
- Peter Poppinga, Executive Officer
- Roger Downey, Executive Officer
- Unidentified Speaker, Unknown

Other Participants

- Alex Hacking, Analyst
- Andreas Bokkenheuser, Analyst
- Carlos de Alba, Analyst
- Garrett Nelson, Analyst
- Ivano Westin, Analyst
- Marcos Assumpcao, Analyst
- Renato Antunes, Analyst
- Rene Kliewag, Analyst
- Rodolfo De Angele, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. And welcome to Vale's conference call to discuss the Third Quarter 2013 results. If you do not have a copy of the relevant press release, it is available at the Company's Website at www.Vale.com, at the Investors link.

(Operator Instructions). As a reminder, this conference is being recorded. To access the replay, please, dial 55 11 46 88 6312, access code 9054979#. The file will also be available at the Company's Website at www.Vale.com, at the Investors section. This conference call and its live presentation are being transmitted via internet as well. You can access the Webcast by logging on to the Company's Website, www.Vale.com, Investors section, or at www.PRNewsWire.com.br.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of (1996). Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks, and other factors.

With us today are Mr. Murilo Ferreira, Chief Executive Officer; Mr. Luciano Siani, Executive Officer of Finance and Investor Relations; Mr. Jose Carlos Martins, Executive Officer of Ferrous and Strategy; Mr. Roger Downey, Executive Officer of Fertilizers and Coal Operations and Marketing; Ms. Vania Somavilla, Executive Officer of Human Resources, Health and Safety, Sustainability and Energy; Mr. Galib Chaim, Executive Officer of Capital Project Implementation; Mr. Peter Poppinga, Executive Officer of Base Metals and Information Technology; and Mr. Clovis Torres, General Counsel.

First, Mr. Murilo Ferreira will proceed to the presentation. And after that, we will open for questions and answers.

It is now my pleasure to turn the call over to Mr. Murilo Ferreira. Sir, you may now begin.

Murilo Ferreira {BIO 1921488 <GO>}

Good morning. Good afternoon.

In fact, Vale had a good performance in the Third Quarter of 2013 across the board -- with some across-the-board improvements.

They expected to recover in iron ore and pellets at the level of 83.6 million tons, as we said before in some calls. In fact, we note that now we reach the level that we could expect in our budget.

The cash cost of iron ore -- I'm talking about mine, plant, railway, and port facilities, after royalties, fell to $22, which is a number that, at this point of time, we consider competitive.

We are taking steps to build a lean organization with austerity plus simplicity looking for the efficiency in a low-cost environment.

We had some savings. In fact, we continue looking forward in order to decrease the operation cost, mainly SG&A, mainly in R&D, and the cost of production.

It's very important to point out that the adjusted EBITDA for nine months -- we reached the level of $16 billion, almost 9% higher on a year-on-year basis. And it was -- and we are proud that it was mainly devoted to cut costs and expenses -- more than offset the decline of $800 million in gross revenue. We continue to work hard in order to reduce costs in the whole company.

And it's very important that we note, as well, the ramp up in Salobo going extremely well and expected to conclude at the end of 2013. We are working roughly in the level of 70%, and we have room to continue in this (speed).

I think that we would like to emphasize that we wanted to go ahead with some plans to sell some noncore assets, as we did with VLI. We intended to conclude. We are under final negotiation with the consortium for the sale of sale of our stake and to reduce our stake to less than 40%.

In the end, we bring forth our policy to be very prudent with the de-leverage of the Company, and we have a (inaudible) to our shareholders.

Thank you very much.

Questions And Answers

Operator

(Operator Instructions) Carlos de Alba, Morgan Stanley.

Q - Carlos de Alba {BIO 15072819 <GO>}

The first question is -- Murilo, I would really appreciate if you can tell us what is the framework -- the negotiating framework or the analysis framework that the Company is using to decide whether to take (inaudible), the proposal by the government or not, particularly in line -- in light of the argument that Vale has given us for the last two years that the case of the Company for not paying the taxes was very solid or is very solid. I would like to understand how the Company is approaching this and whether the Company would make a decision before the STJ gives or turns its decision on the Company's case.

Then my second question is if maybe Martins could elaborate as to why the operating licenses for Carajas plus 40 Mtpy and also Conceicao Itabiritos may be a little bit delayed or when we could -- when the Company could obtain those licenses to assure the ramp-up for next year's iron ore volumes. Thank you very much.

A - Murilo Ferreira {BIO 1921488 <GO>}

I think that we are working hard in order to understand the whole process regarding the foreign subsidiaries tax liability. At this stage, and as we said previously, we consider that we have a solid case. But we must understand it's our duty to analyze carefully the whole subject. We are doing a strong and deep homework with (inaudible) in order to finalize some agreement regarding the future law that could be a good foundation regarding this subject for us. This is the most important is to have -- it's not good for us to solve the past and, the first day of next year, we'll be facing with the same problem. The aim is really very important in this regard to have a new law that can bring competitiveness in accordance with our competitors around the world.

Regarding the (inaudible), as you know, we have a new law in Brazil which is called MP 615 -- that we have some elements in order to analyze the process. But we have learned that people from the Minister of Finance -- they are analyzing deeply in order to provide a new, key element. Then what we need is to understand the big picture. We don't want to analyze just a portion. Regardless of the magnitude that we consider that we have in this subject, again, it's our duty to analyze deeply and strongly the whole picture.

Clovis Torres?

A - Clovis Torres {BIO 17711179 <GO>}

As Murilo was saying, the whole discussion at the Institute for the Development and Industrial Studies in Sao Paulo that comprises many Brazilian companies that do business abroad is taking into account not only the past but a law that increases and strengthens competitiveness of the Brazilian industry.

So we've been talking to them about, for example, vertical consolidation of P&L abroad -- that we can credit tax paid abroad to avoid double taxation -- and a relevant timeframe to bring the money into Brazil, which is very important. You see, the US tax on a cash basis. The UK does not tax foreign profits of its companies. And Brazil does on a (competence) basis, which means that we are really penalized when compared to our competitors.

So this has been an ongoing discussion. We have really improved a lot the current legislation, but it's still -- there's a lot of things missing. And we hopefully will have a position from the government on the next law, or MP, very, very soon, we hope. Then we can put it together with the conditions that have been enacted on (refis), the refinance, so that, as a whole, as Murilo said -- having the whole picture at hand, we've been able to make a decision or suggestion, a recommendation, to our board, so they can make a decision. Thank you.

A - Murilo Ferreira {BIO 1921488 <GO>}

Well about the preliminary license to operate both projects already, and we believe that, during this month or next, we are going to get the final one. But there is no -- there's only bureaucrat issues. There is no impending situations as far as the operation is concerned.

Q - Carlos de Alba {BIO 15072819 <GO>}

Thank you.

Operator

Alex Hacking, Citi.

Q - Alex Hacking {BIO 6599419 <GO>}

My questions are on the nickel business. Firstly, with regards to New Caledonia, I just want to confirm that the 40,000 tons next year would be in refined nickel. Then, secondly on

New Caledonia, do you have some estimate of the cost structure or the margin structure at 40,000 tons next year? Do you think it should be profitable?

Then a second question is related to Onca Puma. Is there a timeframe there with regards to repairing and restarting that operation? Thank you.

A - Murilo Ferreira {BIO 1921488 <GO>}

Please, Peter Poppinga.

A - Peter Poppinga {BIO 17245689 <GO>}

In fact, in VNC -- so we are making good progress and going to produce 20,000 tons, plus, this year, and, next year, like you said, the aim is to be at 40,000 tons. This is meant to be mostly refined nickel. There will be a small portion, probably, at the intermediate product but not like this year, where we had a 60/40 split. It will be a very much higher number in terms of refined nickel.

Regarding the cost structure in New Caledonia, as I said previously, we are working even on a similar price environment of this year, which we believe will be a little higher. But we are working that, with this 40,000-plus tons production and a higher product mix -- that we will be cash flow neutral.

Regarding Onca Puma, we just actually -- day before yesterday, we restarted the furnace, and we are pleased to say that we had the first metal. So far, everything is going smoothly.

We also have very positive news on the (inaudible) transfer, which also was optimized. And so we are very happy with Onca Puma, and we expect the ramp-up this year and next year to go smoothly with one furnace and, more or less, 15,000 to 16,000 -- 60-something percent of the capacity will be achieved for sure next year on Onca Puma. Thank you.

Q - Alex Hacking {BIO 6599419 <GO>}

Thank you.

Operator

Rodolfo De Angele, JPMorgan.

Q - Rodolfo De Angele {BIO 1541593 <GO>}

I just wanted to insist a little bit on the iron ore volumes. I think the whole thesis for Vale from a bottom-up perspective is getting pretty interesting in the sense that I think the actions from management are starting to show in the numbers. And in that direction, I think it's important to discuss, I think, two critical things, which are the volumes and on the cost side. I know the volume guidance for next year is going to be disclosed in the Vale day. So I'm trying to avoid putting management in a tough spot. I just wanted to ask you to discuss the ramp-up of the key projects in the short term, how things are coming along on the additional ($40 million) and also on the Itabiritos projects. And so that's question number one.

And the second is really on costs. There's $2 billion already in the pocket far year to date. If you could, comment a little bit more how you feel about how sustainable these $2 billion are looking forward and the cost opportunity into 2014 and 2015. Thanks.

A - Murilo Ferreira {BIO 1921488 <GO>}

Let's start with the second one with Luciano, and, later on, we'll do the first with Martins.

A - Luciano Siani {BIO 15951848 <GO>}

We believe that the cost structure of the Company has been simplified, and it is at a permanent lower level. So there should be no worries that we're going to give back the $2 billion on the pace in coming quarters. Actually, we believe that we still have more room to go on a short-term basis on SG&A.

On cost of goods sold, we believe also that, in fertilizers and nickel, we have immediate opportunities in iron ore the next -- we'll have maybe one or two quarters in which the ramped-up projects will (weight) a little bit on the average cost of iron ore. But we are working to offset that and maybe even go lower.

By the way, for planning purposes, just to let you know that we do all our analysis without considering the effect of the exchange rates. So we want to reduce costs regardless of the behaviors of exchange rate. So everything that I say on top of that -- if you believe that the exchange rates will provide a tailwind so we can count on that.

Our main target for next year is to have, really, the pre-operating and stoppage expenses on a lower level. This -- we believe that can be significantly lower for the reasons Peter already explained for VNC and Onca Puma, the absence of any (inaudible) expenditure. So we think, in terms of the size of the opportunity, percentage-wise, as well, this is the largest one.

So in going forward to the future, we think, in iron ore, the next step in terms of lowering costs will be twofold; first, the dilution of fixed costs over a larger volume. So if we can ramp up Conceicao Itabiritos to the plus 40 Mtpy, we should have an additional reduction in cost of iron ore. And also, if we make progress in terms of our -- the (inaudible) Valemax issue, the docking in China, there's another hidden opportunity for a few dollars per ton as we can operate more efficiently our supply chain off of the port. So these should be the events to watch going forward.

A - Murilo Ferreira {BIO 1921488 <GO>}

Martins, please, tell us about the distribution center in Malaysia as well, regardless of the Carajas and the plus 40 Mtpy.

A - Jose Carlos Martins {BIO 1715332 <GO>}

Okay. Yes. We are going to start the operation of our distribution center in Malaysia end of this year. The distribution will be ready to receive cargos, also Valemax ships. So that will bring us another flexibility as far as the issue of (inaudible) Valemax in China. So we have another alternative ready for us by the yearend. So this is very important.

And besides that, the distribution center will help us to mix different types of iron ore; so, by improving our average quality and also improving our price realization going forward.

As far as the plus 40 Mtpy project, it is already in operation. And as you know, we have two main constraints to ramp up this project to the total capacity, and one is relating to the (inaudible) that we have already discussed about. We are on the verge of getting some relief on this, but we cannot say for sure at this point in time. So that's the reason we are not delivering how much we can produce there.

Itabiritos is under ramp-up now. For the next year, this project will bring 12 million tons additional capacity when fully operational. But for next year, we expect to bring something around 6 million to 8 million tons, depending on the ramp-up.

I would say to you that we have a potential capacity available of 350 million tons of iron ore. Part of it is constrained because our railway in Carajas is not ready yet. So then, that will take something like 20 million tons of these 350 million out because, only by yearend, the railway will be ready to move all the volume. And around 20 million tons constrained based on the (inaudible) situation that we expect to have a better news to offer to the market by yearend. So then our capacity now, considering all the constraints, is 310 million but could be easily evolved if you get a good result of the (inaudible) discussions with the environmental agents.

So that's what we can tell at this point in time. But we hope that, the Vale day, we would be able to (disclosure) more clear information about that.

Okay, Rodolfo, you said you would not like to put us on a bad situation, but you really did.

Operator

Thiago Lofiego, Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

I have two questions, the first one on the Moatize project. How comfortable are you with the planned startup of the Nacala corridor project, considering that the project execution is at 30% of physical progress right now? So what is maybe the realistic startup date? Or second half of 2014 is something you're comfortable with? That's the first question.

The second question regarding the CapEx for this year, for 2013. You're running below your annualized run rate. Right now, it's below your guidance. So could we see this year's CapEx slightly below the guidance, or should we see some acceleration in the Fourth Quarter?

A - Murilo Ferreira {BIO 1921488 <GO>}

Mr. (inaudible) will answer your question regarding the Moatize project.

A - Unidentified Speaker

Good morning. Well let me explain about the Moatize project in the Nacala corridor. Nacala corridor has two parts. That means the greenfield part and the brownfield part. What we are looking for next year is just make sure that our startup will be for the green part. That means the Moatize link up to the Malawi border and also the greenfield for the Malawi railway and the port, of course, the Nacala port.

So what we are presenting to you is the physical progress of the greenfield project. That is our target for the next year, and we still have the same target. We are not moving. And we hope that, in September of next year, we are transporting the first cargo from Moatize mine to the Nacala port. That is our target. It is still there.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Okay. When should we effectively see the capacity of the system reaching 18 million tons (inaudible)? More towards 2016?

A - Unidentified Speaker

Yes. That will be the brownfield part of the Nacala corridor. That will take two years more. In 2016 or 2017, we'll have the full capacity for the entire Nacala corridor, including the port, of course. That is the same capacity that we are achieving for the Moatize expansion, considering that the startup for the Moatize expansion will be at the end of 2015 or 2016. There will be a ramp-up for the Nacala corridor.

A - Luciano Siani {BIO 15951848 <GO>}

On CapEx, we should see some acceleration of CapEx in the Fourth Quarter, as usual. But we will probably be slightly below budget. And we will probably run slightly below on sustaining investment. Probably going to make our commitments on the projects but run a little bit below on sustained investment.

Operator

Ivano Westin, Credit Suisse.

Q - Ivano Westin {BIO 17552393 <GO>}

The first one is on CapEx. You did a very good job in reducing CapEx in the first nine months of the year. But at the same time, in Q3, the board of directors approved the CapEx increase of $253 million for (inaudible). I'd just like to get a color or view on which projects you believe you could run risk of having additional CapEx overruns.

And the second question is on the potash business. In previous calls and releases, you have stated your positive, long-term view for the (inaudible). I would just wonder what is your long-term price assumption which would justify the maintenance of this positive view on the sector, given the latest change in the business. Thank you, so much.

A - Murilo Ferreira {BIO 1921488 <GO>}

Ivano, first of all, we'd like to point out that the problems that we have in Vitoria in Espirito Santo is related to two big events. The first one it was a strike; the second one a big problem that we had with contractors. And we don't think that we can spread in the whole company, just as you said, in (inaudible). It's a case that we are not happy, but something can happen during the implementation of any project.

And about potash, Roger Downey, please.

A - Roger Downey {BIO 7419641 <GO>}

Yes. The situation in the potash market is still quite unclear. However, it seems to be rebounding off a trough that we saw in the past few months. Brazil is still lagging the recovery in other markets. But we are very confident that we will see better markets in 2014, especially with the return of some very important buyers to the international markets, like India, whose rupee devaluation and the fact that their monsoons were late this year have kind of left them out of the market this year.

So we're still very much on track with the recovery in prices, and our appetite for potash remains. And we're going through our project portfolio and progressing with those -- with the review of the portfolio and with our development.

Q - Ivano Westin {BIO 17552393 <GO>}

Very clear. Thank you very much, Murilo and Roger.

Operator

Garrett Nelson, BB&T.

Q - Garrett Nelson {BIO 16460128 <GO>}

I have a follow-up to an earlier question on coal. Could you provide some information about where your Moatize cash costs per ton are currently and where you expect cost per ton to decline to when the project is completed and fully ramped?

A - Murilo Ferreira {BIO 1921488 <GO>}

Roger Downey again.

A - Roger Downey {BIO 7419641 <GO>}

In terms of our cash costs, I'm delighted to say that, for the whole of the coal business, we're below budget and below last year. Obviously, we're working towards improving the situation there in Moatize, especially given the fact that we have had -- we still find difficulty in bringing out the full capacity out from the mine due to limitations on the railway, meaning that we can't dilute our costs as much as -- as we would like to. But we are on track, and so I'm delighted to say that the turnaround in the coal business has been very good.

Production across the board in coal has been stable quarter on quarter but quite much higher year on year. And I think I have to say here that Australia, especially in the past quarter and in the past year, have delivered 38% in production year on year. So that's remarkable. And it's all part of one big effort to optimize and deliver our existing operations and the growing Moatize operation.

Q - Garrett Nelson {BIO 16460128 <GO>}

Okay. That's good information.

But do you have maybe any internal projections regarding where -- based on the seam thickness and geology of Moatize and when Moatize II is completed, where your cost per ton might shake out when that, just for modeling purposes -- when you're fully ramped at that operation?

A - Roger Downey {BIO 7419641 <GO>}

Well we are at coal seams of thickness of about 30 meters. So it is really a remarkable mine. I mean, we have always spoken that this is a mine that could operate below $60 per ton at the mine. We have been on target the best part of this year. And like I said, we are aiming for something a lot better than that, and we could certainly reduce that considerably once we get the full-scale operation out at about 11 million tons a year and then (22). So there is a lot of upside in terms of costs. Looking at the costs today is almost misleading because we're running only at about 3 million or 4 million of met coal. So it's a little bit misleading.

Yes. It is a mine that has -- as you all know, it's open cut with a lot of room to move big trucks. So we've got state-of-the-art what we would call world-class operating conditions at the mine.

Operator

Andreas Bokkenheuser, UBS.

Q - Andreas Bokkenheuser {BIO 7182883 <GO>}

Congratulations on a good set of results.

Just returning quickly to Carlos' question earlier on the licenses, you mentioned that you expect to get the license for Carajas 40 by November or December of this year. What would you say is the cutoff date before your 2014 production target actually becomes at risk? Are we talking basically December 31 here, or do you have a little bit more leeway? Thank you.

A - Murilo Ferreira {BIO 1921488 <GO>}

Let's start with, first, the license to operate the plant. It has not to do with the (production) itself. We have already preliminary license to operate the plant, and the plant is operating.

The second question is about the mining area that we can mine. And that is the constraint that we are suffering because the mining area now is needed to solve the issue of (inaudible). And it's completely independent from the plus 40 project. The plus 40 project is a mine installation. And the license to mine is relating to the case. And that is the one that we're taking a little bit more time than we first realized.

So as I told you, we are in the process of classifying all the case. And this is a forward and back situation because we needed to present the data to the environmental agents. Sometimes they ask more data for us. Then we needed to make additional investigations in the mining site in the case. And that is the issue that's taking a little bit more time.

But as far as plus 40, all the licenses to this project to operate, it's okay. The question is the license to mine the area that will fit the installations that we already put in operation.

I expect that I was clear now for you.

Q - Andreas Bokkenheuser {BIO 7182883 <GO>}

Right. I guess my follow-up is more pertaining to -- I understand that it's taking time to negotiate with the government. But presumably, at one point, if you haven't got the license, then your production target for 2014 on the mining side becomes at risk. So I'm sort of wondering at what time -- at what point do you basically reach the level where, essentially, you no longer can achieve your production target for 2014 on a monthly basis. I mean, what are we talking? Are we talking this year? Could you get the license by next year and still meet your target? What's your initial impression of that?

A - Murilo Ferreira {BIO 1921488 <GO>}

In parallel that what we had this year and quarter, we are not able to explain very well. In the beginning of next year, as we have a season mainly in the north of Brazil -- a wet season in the north of Brazil, we'll (tend) to produce in accordance with the weather conditions. But then, for sure, the production in the First Quarter of next year will be reduced comparing with the potential for the mining that we have as of volume for next year.

To be very precise, we needed to, and we promised you, to give all the clarification in the Vale day. (inaudible) spread the production in a quarterly basis in order to give a good clarification for everybody.

Q - Andreas Bokkenheuser {BIO 7182883 <GO>}

Thank you.

Operator

(Operator Instructions) Marcos Assumpcao, Itau BBA.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Congratulations for the strong results.

First question, still regarding production. And I would say the positive highlights, as well, during the quarter was Carajas' increased production during the quarter. And you mentioned in the press release that there were some evolution on the mining plans at Carajas. My question here is -- all the problems that you were facing before are solved already. Can you elaborate a little bit on the production of Carajas going forward as well?

And the last point. If Martins could comment a little bit on the different pricing systems' evolution. We saw during the Third Quarter a little bit of an increase of sales volumes on the current prices and a little bit lower volumes on the future prices -- if he sees that as a trend. How does he see the different pricing systems evolving? Thank you.

A - Murilo Ferreira {BIO 1921488 <GO>}

Marcos, I know that you are a bright guy and very smart and very intelligent. But given some key elements, for sure, you'll be able to build the volume for next year. We apologize, but we enforce that we'll present the Vale day.

And the second point, Martins?

A - Jose Carlos Martins {BIO 1715332 <GO>}

As far as the planned system, we do not see any structural change. The very fact is that, normally, you have a different set of customers, not only China but outside China. And the mix can change from one quarter to the other. So I do not see any big changes in the basket of different pricing systems that we are applying from now on. I think the average of this year could be a good (inaudible) for next year.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

All right. Thank you very much.

Operator

Renato Antunes, Brasil Plural.

Q - Renato Antunes {BIO 17439917 <GO>}

Just quickly going back about the CapEx (inaudible), looking through the release, we notice that the expected investments for 2013 in some projects was increased, although the total budget for the project did not increase. I just wanted to get more color on why that happened. Is it possible that Vale is actually moving faster than expected in some projects? Is that it? That's the first question.

And the second question about Salobo. You guys mentioned in the release about a high operating rate already in October. I just wanted to get a view on how much more we could see in terms of better costs once Salobo reaches its full capacity. Thanks.

A - Luciano Siani {BIO 15951848 <GO>}

On CapEx, yes, you're right. We have taken the opportunity to accelerate some projects. So the increases on the forecast for the year do not mean that we are going to change the budgets going for the multiannual basis. In fact, if you see, there were some reductions as well, a few of them -- some reductions. One which I would like to point out is Salobo II. If you see the reduction then because the project is approaching completion, I believe, that, in this case particularly, it's an indication that we will -- we shall have an opportunity to end up below the last approved budget for the project, which is $1.7 billion.

A - Murilo Ferreira {BIO 1921488 <GO>}

On Salobo, Peter, please.

A - Peter Poppinga {BIO 17245689 <GO>}

Salobo costs, of course, are not representative right now because we are still ramping up. We are forecasting costs very competitive for Salobo in the First Quarter, for sure. And once Salobo has ramped up fully, we are expecting the cost to be below $3,000 without byproducts. If you take into account the gold, it will be below $2,000 per ton. So it's very cost competitive. But it will only happen next year.

Q - Renato Antunes {BIO 17439917 <GO>}

Thank you very much.

Operator

(Rene Kliewag), Deutsche Bank.

Q - Rene Kliewag

Congratulations on the numbers.

Just a quick one. And apologies. I jumped on from another call halfway through. So if you've touched on this already -- But what are you able to tell us before Vale day as regards the opportunities for synergies and cost reductions around the nickel operations in Canada with Glencore? And do you expect to be the operators of those assets, or will be there be a JV company that's set up with staffing from both companies? Just any color you can provide on that. And apologies if you've discussed it already.

A - Murilo Ferreira {BIO 1921488 <GO>}

I think that we are analyzing, and deeply, all the opportunities, synergies, that we can trace in Sudbury as we did in 2006 right after the acquisition of Inco. We don't have any conclusion. But our discussion is mainly based in having an unincorporated joint venture, not a joint (venture).

Please, Peter, could you give some further information in this regard?

A - Peter Poppinga {BIO 17245689 <GO>}

Well yes, indeed, we are studying potential synergies in the mining, in the milling, and in the smelting in the Sudbury Basin. And it makes a lot of sense, as you know. We are finishing the mapping stage now. And the negotiation phase will start next year.

So there is nothing more to add other than that this exercise actually is being done every year. Last year, we already had small operational synergies identified, and we executed it. It was around the mine and access.

And so we have -- we are very optimistic that, this time, we will put something together, like Murilo said, in the format of an unincorporated JV, and things are going well.

A - Murilo Ferreira {BIO 1921488 <GO>}

Okay, Peter.

Thank you very much, everybody. I think that we had a great chance to discuss with you and to receive your comments, your alerts, and, mainly, to see the merits and demerits for the next coming years. Thank you very much for your support.

Operator

Thank you. That does conclude Vale's Third Quarter 2013 results conference call for today. Thank you very much for your participation, and have a good afternoon.