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HD **Anglo drops pre-election bomb**
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Anglo American has presented the NSW government with a pre-election problem in the form of a changed development plan for the Hunter Valley **coal** mine which was stopped in the name of thoroughbred health.

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The new Drayton South extension offered for approval has been reduced from four pits to two, with **mining** now pulled back beyond a second natural ridge that will ensure drag lines cannot be seen from one of two horse studs of international renown.

The redraft was presented to government this week and will be offered for environmental assessment early in the New Year.

In October, the NSW Planning Assessment Commission rejected Anglo's proposal for an extension of its existing Drayton **coal** mine, a decision that immediately put 530 jobs in peril.

Two weeks ago, Anglo management told workers that there would be no job cuts until March or April of next year. Beyond that, it will seek voluntary redundancies and from June, the exhausted Drayton operation will go into a long **wind**-down that would likely see the mine close by the end of 2015.

The reduction in scope required to further hide **mining** from the horses has halved the targeted production from the mine to 75 **million** tonnes and trimmed 12 years from the original 27-year life of the expansion project.

The two ridges that are proposed to stand between **mining** and horses sit on top of an estimated 130 **million** tonnes of **coal**. Direct economic loss

Anglo estimates that the direct economic loss to the state of the concessions forced by a recent regulatory rejection is about \$7 **billion**, even at this current low point of the **coal** price cycle.

That number includes a reduction of \$360 **million** worth of state royalties because of the 12-year reduction in the life of the mine and the loss of wages and other benefits to suppliers and the local community.

In its public commentary on the re-application to sustain the mine's 530 jobs, Anglo will observe that these concessions effectively represent a state subsidy to two horse stud **operations** that do not pay any taxes.

The **company** will call on the government to make good on its recent promise to industry to reform the planning process.

"This is not about Anglo American," Anglo **coal** chief executive Seamus French says in a statement that will be released on Thursday. "It is the people of NSW who miss out on the significant community and state benefits that have been forgone to appease the two horse studs."

Back in October, the PAC accepted that the Drayton South mine – as then proposed – would generate a net benefit to the economy and would do so within the hurdles designed to protect the health and amenity of local people. Not enough evidence of no harm to horses

But it rejected the proposal needed to secure Drayton's jobs, in large part, for want of evidence that **coal mining** does not hurt horses. Effectively, the regulator concluded that the mine was okay for people but not for horses.

The facts of that decision were that Drayton South would have reached within two kilometres of the Darley Woodlands and Coolmore studs.

Anglo spent "several **millions**" on studies that the original proposal would have no effect on nearby horses. But the PAC was motivated instead by the proposition that there was not enough scientific evidence to conclude that **mining** did not hurt horses.

The stakes were then raised with threats to move the studs out of the Hunter Valley as Drayton was extended. The thoroughbred industry claimed that would apparently rob the NSW economy of up to \$370 **million** annually.

The **coal** miners trumped that with analysis that valued the loss of Drayton at \$588 **million** in annual direct and indirect output and turnover; \$268 **million** annually direct and indirect value-add, \$86 **million** in direct and indirect household income and 785 direct and indirect jobs.

"We have fully addressed the PAC's specific concerns regarding proximity to the horse studs by moving **operations** back behind the PAC-prescribed second ridgeline, which means the mine will be more than two kilometres from both Darley and Coolmore's main operating areas and fully complies with the PAC's boundary requirements," the Anglo statement says.

"The really frustrating thing about all of this process is that every single part of that plan was worked through with the studs," French told the AFR on Wednesday.

"The original design was not ours, it was the horse stud's design, right down to the height and location of the bunding that will block the view of the mine from all but one point of the Coolmore stud." "Circuitous and tortuous" process

"We are never looking for a free ride or favours," French continued. "We are looking for an efficient, transparent and predictable approval process. All we are asking is for a fair, informed hearing. We have worked with everyone over eight years, we have complied with a circuitous and tortuous approval process and had the proposal rejected for reasons that made little obvious sense."

Anglo digs for **coal** across the globe but French rates NSW as the most difficult of his jurisdictions. "It is well behind even British Colombia," he said. "There at least people are more willing to work with us on solutions, rather than start from a position of opposition and a policy of non-engagement."

French warned that the changing of the cycle would bring with it immediate and longer term challenges for Australia generally and NSW particularly.

"The world of resource has changed significantly over the last 12 months, it has moved from a long period of plenty to an era of austerity, of reduced capital availability and of real choices over new projects," French said.

"People can no longer rely on development coming to them. They are going to have to work to attract investment. I am not sure this has sunk in yet. Governments will have to think a lot harder about how they are going to earn investment."

The relationship between Rio Tinto and its major shareholder looms critical to any designs Ivan Glasenberg might have for the Anglo-Australian.

China's Chinalco acquired a 9 per cent **stake** in Rio back in 2008 after being introduced to the register by a board and management desperately defending BHP Billiton's takeover offer.

Just more than seven years on, **China** Inc could well find itself sitting central to another debate over Rio's control.

If Glasenberg makes the move so many expect, **Chinalco** needs to find but another 1.1 per cent to block him. Or, alternatively, it can give the keys to Glencore.

It has been rumoured for some time that **China** Inc is anxious at the value that has been extracted from **Chinalco**'s special relationship with Rio. There is talk now that fissures have become fractures with the slow progress of the Simandou **iron ore** project in Guinea.

In 2010, **Chinalco** paid \$1.35 **billion** for a 47 per cent share of Rio's Simandou joint venture. While everyone else seems to have understood that progress would be slow, there is a sense **China** Inc expected a bit more a bit sooner.

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