FINANCIAL REVIEW

SE Companies and Markets

HD **Directors quit as iron ore price falls again**

WC 885 words
PD 27 November 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 19
LA English

LP

Former Rio Tinto chief Tom Albanese says weak **iron ore** prices will stay longer than expected and "volatility is the new normal".

On a dramatic day for the industry, **iron ore** crashed below $US70 a tonne on Wednesday, extending its fall to almost 50 per cent since January.

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The price crunch forced Pilbara junior **iron ore** miner BC **Iron** to trim three directors from its board to cut costs.

BC **Iron** is in the big pile of Australian juniors with costs that render its production unprofitable at current prices.

Outgoing non-executive director Mike Young – BC **Iron**'s founding managing director – said cutting the board to five members was a "good symbol".

It seemed "a bit rich" for the board to talk internally to staff about cutting costs and still have that many directors on its board, he said.

Mr Albanese told The Australian Financial Review from India prices would stay under pressure while supply outstripped demand. A recovery hinged on how quickly high-cost **Chinese** production exited the market.

"As long as there is a large amount of new supply you are going to have a much softer pricing world than people would have anticipated, for at least a couple of years."

He said the ditching of the benchmark pricing system in 2010 had transformed the market.

"The new normal is volatility – for the past five years we've had to accept a high level of it, post the collapse of the benchmark pricing system.

"While it's fun on the way up, it's painful on the way down."

At the beginning of the year BC was a **billion**-dollar **company** but now its market capitalisation was just over $100 **million** – and falling.

BC **Iron** boss Morgan Ball said last week the **company** could be feasible at a price of about $US71 a tonne, subject to cutting costs from the business, the exchange rate and discounts.

On Wednesday Mr Ball told the Financial Review he was not surprised to see the **iron ore** price hovering below $US70 a tonne.

He said the **company** was "pulling all the levers we can" to shore up the **company** in a depressed environment.

Mr Albanese said it was difficult for smaller players to maintain confidence amid "just so much negative price momentum".

A huge wall of production was entering the market, as the four iron ore majors – Rio Tinto, BHP, Fortescue Metals Group and Brazil's Vale – ran dramatic expansions.

Mr Albanese offered some support for the controversial expansion strategies.

"It is in a company's individual best interests to put more supply in when costs are low – although that may create collectively an oversupplied situation," he said.

The price falls of 2014 differed from the collapse in 2008, which were demand-driven, and then reversed with government stimulus, led by China and the United States.

"Now it's a price drop that is supply- driven – that's harder to rectify."

Mr Ball tipped the price could rebound to about $US80 a tonne after the Chinese New Year.

The miner had spent the past six months trying to shore up the business to cope with prices of about $US70 a tonne.

Mike Young and fellow non-executive directors Malcolm McComas and Peter Wilshaw resigned effective immediately on Wednesday, leaving the board with a chairman, managing director and three non-executive directors.

But the decision to step down did not seem to upset Mr Young, who said he had been considering the move for some time.

"[Chairman] Tony and I have been chatting about it for a while now but with the Iron Ore Holdings transaction. I didn't want to step down in the middle of that. Being the chief executive of Energy and Minerals Australia and the chairman of Cassini, it's bloody busy."

BC Iron wrapped up its acquisition of Iron Ore Holdings last month, in a $250 million deal.

"The company has grown and it is time. It's like being a parent and having your kids still living at home when they are 26; it can just be time to go," Mr Young said.

The miner has also flagged reducing fees for the remaining directors from January 1.

Mr Ball said the softening Australian dollar could provide junior miners with some relief.

He expected the local currency would fall further over the next six months.

Citigroup this month moved to slash its forecasts for the commodity for the next two years to $US65 a tonne, from an average $US80.

BHP Billiton head of marketing Mike Henry said in October it was unlikely iron ore would eclipse $US100 again.

ANZ head of commodities Mark Pervan also said iron ore was unlikely to breach $US100.

As for Mr Albanese's views on whether iron ore would again breach the price of $US100 a tonne, he said: "All I can say is that the new normal of volatility remains well in place – markets still have the ability to surprise on the upside."

He said predicting the point of supply-demand balance was a work in progress.

"I think we are still sorting out where the supply-demand equilibrium [will be]. I don't think it's quite as precise as economists would like to think."

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