

Opening remarks

Rio Tinto is a leading international mining group, combining Rio Tinto plc, a London listed public company headquartered in the UK, and Rio Tinto Limited, which is listed on the Australian Stock Exchange, with Australian Headquarters in Melbourne.

The Group finds, mines and processes the earth's mineral resources - metals and minerals essential for making thousands of everyday products that meet society's needs and contribute to improved living standards.

Rio Tinto focuses on the development of first class ore bodies into large, long life and efficient operations, capable of sustaining competitive advantage through business cycles.

Wherever Rio Tinto operates, health and safety is the first priority. Group businesses also put sustainable development at the heart of their operations. They work as closely as possible with host countries and communities, respecting their laws and customs. For Rio Tinto it is important that the environmental effects of its activities are kept to a minimum and that local communities benefit as much as possible.

Rio Tinto is a major investor and a major tax payer in Australia. Our tax rate has been independently verified at over 35 per cent over the last decade. Over this period we reinvested a billion dollars more in Australia than we made in after tax profits from our Australian operations. That amounts to an investment of \$38.4 billion in addition to paying \$20.3 billion in taxes and royalties. Since July this

year we have announced a further \$7.2 billion of new investment in Australian projects.

In addition to this capital investment, we also provide work for tens of thousands of employees, contractors and small businesses at more than 30 sites and communities across Australia. I particularly want to note and record that Rio Tinto is the largest private sector employer of Indigenous people in Australia.

Naturally we work for the benefit of our shareholders – many thousands of whom are Australians – but we also work hard to make the benefits of mining reach people in every corner of the country.

We are, and always have been, prepared to pay our fair share of tax to ensure that this happens.

Much has been made of the so-called mining boom and there is no doubt that Australia is very well placed to benefit from the rapid industrialisation taking place in places like China and India.

But Australia is not automatically in this enviable position simply because we happen to have mineral resources. The fact is that Australia does not have a monopoly on deposits of iron ore, or coal, or anything else. Australia is in the position it finds itself in today because decades ago a number of visionary individuals and companies like Rio Tinto had the foresight and the appetite for risk to invest in mining projects in places like the Pilbara.

Over the decades there have been good times in the mining industry - and there have also been very tough times. The companies that took the early risks and were bold enough and efficient enough to survive through the bad times went on to become successful, even global players.

These companies reinvested back in to the further expansion of Australia's production capacity. They captured market share for Australia in the face of intense global competition.

Today Australia is in a position to benefit from the rapid growth in demand for commodities because we have had this history of investment. We now have the infrastructure platforms, the technical know-how and experience needed to expand rapidly.

The efficiency of our operations – itself a product of sustained investment in technology and innovation – allows us to compete, on behalf of Australia, against the most efficient and lowest cost producers in other resource-rich countries and regions.

So Australia's golden opportunity is not simply a fortunate accident of geology. It has been decades in the making and is built on the shoulders of companies like Rio Tinto.

If there has been a single factor that we might regard as the historical key to unlocking this wealth it has been Australia's long and hard-earned reputation as a stable, predictable and safe place to invest.

The development of the Australian mining industry has relied on our ability to attract very large amounts of foreign capital. The transparency and predictability of our taxation regime has been crucial in this regard.

There is no doubt that the announcement of the RSPT came as a shock not just to the mining companies but also foreign investors.

What they saw was a proposal that raised the overall tax rates applying to Australian mining investments to internationally uncompetitive levels and that applied retrospectively to investments that had already been made.

There are a number of important mineral resources taxation principles that Rio Tinto and the mining industry generally has advanced. These are that a tax must be:

- 1. Prospective**
- 2. Internationally competitive**
- 3. Differentiated**
- 4. Mineral resource-based**
- 5. Equitable and efficient**

In our view the original RSPT failed all five tests.

The history of what led up to this and what then ensued has been fairly well documented and I don't want to unduly dwell on those events here. What I will say is that the Heads of Agreement entered in to by the then Government and the three mining companies in our

view begins the process of rebuilding Australia's reputation as a predictable place to invest.

On this basis Rio Tinto has recently made a number of significant investment decisions. These reflect our expectation that the terms of that Heads of Agreement entered into with the Government will be honoured in full.

This includes the crediting of all state and territory royalties, including future increases. This is vital to ensure that the overall rate of taxation remains internationally competitive over the long haul. It also includes the use of market value to mitigate the effect of retrospective application.

Chairman we are happy to answer questions. I should caution that we are not in a position to discuss matters that might be market sensitive, particularly matters that relate to internal price or volume forecasts, nor will we be able to speculate on how much tax we might expect to pay at some time in the future.

Other than those sorts of matters we will try to be as helpful to the Committee as we can.

