



Submission No 106

Review of Australia's Relationship with the Countries of Africa

Name: Lyall Howard
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Organisation: BHP Billiton Limited - Answers to Questions
on Notice

21 February 2011

Ms Sonya Gasper
Foreign Affairs, Defence and Trade Committee
House of Representatives
Parliament House
Canberra ACT 2600

Dear Ms Gasper

REFERENCE: AUSTRALIA'S RELATIONSHIP WITH THE COUNTRIES OF AFRICA

I refer to BHP Billiton's appearance before the Foreign Affairs, Defence and Trade Committee on Tuesday, 7 December 2010 at the Sydney Masonic Centre - Corinthian Room, 66 Goulburn Street, Sydney. At that hearing BHP Billiton took three questions on notice. I am pleased to provide answers to those questions:-

Question: *With the development particularly of iron ore resources in West Africa, you are getting very large bulk carriers now, up to 400,000 tonnes where, with minimal manning the effective cost of transportation to, say China, is very little more than it is from, say, north-western Australia. Would you care to comment on the impact of development of those resources in West Africa, particularly given that some of those resources are richer resources than we have got in Western Australia, on the potential impact of that competition with Australian mining operations?*

Response: Africa hosts significant iron ore deposits, including some high quality deposits which are similar to deposits currently being mined for export in Brazil. Hence in the future, African exports can be expected to compete with Australian exports in a similar manner to exports from Brazil. In the past, the high quality of Brazilian exports has offset the higher cost of freight to key Asian markets, making Brazilian supply to Asia competitive with Australian exports. The impact on the Australian iron ore industry of African development and technological advances in iron ore carriers is expected to be manageable if Australia remains competitive in relation to African and South American exporters. Issues such as the MRRT and the ability of Australian agencies to approve infrastructure and mining developments in a timely manner will determine the level of Australia's competitiveness. Anything that makes development in Australia more difficult or costly indirectly supports the development of our competitors, including the African industry.

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Question: *Do you receive any support through EFIC?*

Response: BHP Billiton does not receive any support through EFIC. If the Guinea Alumina Project on the west coast of Africa is project financed EFIC may be one of the financiers. We maintain an ongoing dialogue with them.

Note: In 2007 BHP Billiton entered into a joint venture partnership with Global Alumina, Dubai Aluminium Company and Mubadala Development Company to form Guinea Alumina Corporation (GAC) to deliver the Guinea Alumina Project on the west coast of Africa. The project includes the design, construction and operation of a 10 million tonnes per annum (mtpa) bauxite mine, a 3.3 mtpa alumina refinery and associated infrastructure. The project is within the world's largest known bauxite region, and will support a projected mine life of more than 50 years.

Question: *I am interested know to whether or not you feel as though the absence of a close sort of government-to-government relationship built around some kind of investment structure has been an inhibitor or frustration in your undertaking your business in Africa. Has there been a problem that you can think of?*

Response: In general, government-to-government relationships built around an investment structure should be beneficial to developing countries as they assist in terms of attractiveness to foreign investment and provide clarity on issues such as withholding taxes. However, it is not necessarily the case that such structures will mitigate country risk. There are no specific cases where a lack of such structures has been a problem for BHP Billiton.

Should you wish to discuss any aspect of our response please don't hesitate to call.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Lyall Howard', with a stylized, flowing script.

Lyall Howard

Senior Manager Government Relations