

RIO TINTO STRIKES WHILE THE IRON IS HOT

Iron Dukes and Duchesses at Work in Western Australia

By

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When our company first started consulting with the super-majors in China in 2000 I was quickly dubbed Crisis Master or Wei Ji Chu Li Lao Shi for our manner of engaging their Crisis Management Teams containing national executives and international managers alike. To our bemusement and other's chagrin when we returned on our next task, the title had evolved somewhat to become Crisis Monster; a reflection of everyone being a little nervous in not knowing what abnormal business scenario that would have to confront on this occasion. But it did not matter as being nervous is normal.

What follows is an article based upon Rio Tinto's experience in overcoming uncertainty and dealing with business failure from the Boardroom through to the rock face. It shows how all mining executives in any country emerge with cohesion when they participate in extreme leadership sessions and prove that they can align their communications with the operational response. The moral of the story is that information is just knowledge. Experience is everything and confidence is being able to apply that experience.

"Keep it simple," Dave Smith told David Bailey in early 2004, and with that instruction the management project to harden the Iron Ore Group's resilience to disasters got underway. David Bailey had only recently moved to Perth as the crisis champion in the *IronSafe* team with the charter to update the system of Disaster Management and Recovery to keep pace with the many changes that were taking place.

What a year it was as we initially feverishly put together plans that would implement the Incident Control System at mine sites, and which would allow flexibility for an array of customised Management Teams to be invoked in Perth subject to the nature of the exact problem. The Incident Command System is used by Emergency Services throughout the State and it allows for interaction should their support be required.

The first major test of the system involved a simulated Fly In-Fly Out aircraft crash at Paraburdoo that practiced Emergency Response on site and the Incident Management Team at the mine, all the way through to the Pilbara Iron led Crisis Management Team in Perth augmented by Support Teams from External Relations and Human Resources. The plans withstood the test and with total confidence the rollout got underway at every other site over the next year.

The Health & Safety Superintendents and Emergency Management Advisers banded together to assist each other with scenario preparation and role play, much to the oft delight and sometimes chagrin of unsuspecting Registered Mine Managers who were confronted with a range of very vivid problems. Major accidents involving trains, tunnels, haul packs, structural failure and human error dominated the early exercises. As

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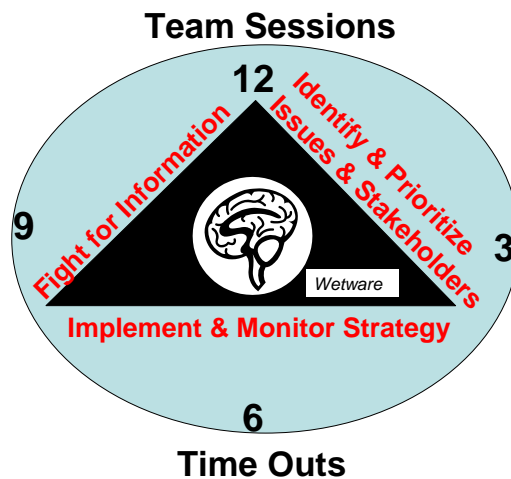
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the site simulations increased in sophistication, power failures, oil spills, all manner of camp and bushfires, evacuations and like situations presented even more complex problems to be solved in the heat of the moment.

In every instance the Incident Management Teams rose to the occasion and they emerged with even greater cohesion from their exposure to what amounted to an extreme leadership event. All groups have agreed on that point, and there is now an ongoing program of simulations to work through all credible scenarios that can cause disruption to business. Employees are also encouraged to access the *IronSafe* web site which is a repository of information about prevention and the system of Disaster Management & Recovery.

Equal focus was afforded in 2005 to scenarios requiring the leadership of the other Business Units in the Iron Ore Group, to test their mettle and in ensuring that simple Business Continuity plans were in place that actually aids the resumption of operations should outages occur for whatever reason.

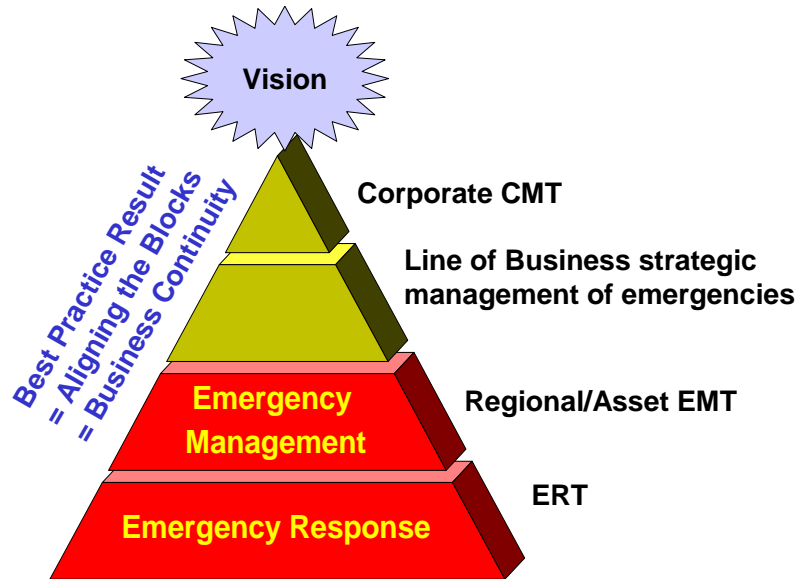


By mid 2006 we were ready for the penultimate test to practice the interfaces with Rio Tinto corporate in London and Melbourne. It all started with a General Manager in Dampier advising the Managing Director in Perth that a group of protesters had effectively blocked the main iron ore export shipping channel through misadventure. Their demonstration had gone terribly wrong and Rio Tinto faced the prospect of 10,000 employees being out of work for three months, in addition to a trading halt and a substantial change in the material position of the company.

The business situation could not get any worse than that for any global entity and over the next three hours the Crisis Team fought back in a display of effective leadership and teamwork resisted by actors from other senior staff representing an array of government and corporate stakeholders. This was a deadly game, played in earnest.

Where does it go from there? Of course, the focus must and always firmly on risk prevention. As Wellington, the original Iron Duke, said, "All the business of war, and indeed all the business of life, is to endeavour to find out what you don't know from what you do," or as he added, "guessing at what is on the other side of the hill."

There is no doubt that businesses must take risk to achieve greater reward. There is equally no doubt that companies who are positioned to manage these risks will remain market leaders. Overall, the purpose of these exercises is to ensure that the systems, knowledge and leadership are in place to manage any serious situation that arises and most importantly discovers what gaps that require rectification and continuous improvement. Ultimately from a safety perspective, an appropriate focus on systems of Crisis, Emergency and Business Continuity Management have a significant flow back effect on saving lives, minimising damage to the environment and protecting property.



THIS MAKES SENSE....but how do we put it all together?