Other operations

One of Rio Tinto Marine's ocean carriers, transporting bauxite to Gladstone in Queensland for processing.

Kennecott Land (Rio Tinto: 100 per cent)
Kennecott Land was established in 2001 to capture value from the non mining land and water rights assets of Kennecott Utah Copper. Kennecott Land's holdings are around 53 per cent of the remaining undeveloped land in Utah's Salt Lake Valley. Approximately 16,000 hectares of the 37,200 hectares owned is developable land and is all within 20 miles (32km) of downtown Salt Lake City.

The initial Daybreak community encompasses 1,800 hectares and is entitled to develop approximately 20,000 residential units and nine million square feet of commercial space. Kennecott Land develops the required infrastructure and prepares the land for sale to home builders. The project is well advanced, with over 1,650 home sales completed since opening in June 2004. At full build out, the community will house 40,000 to 50,000 residents. Revenues in 2007 were US$48 million.

Kennecott Land is in the process of studying development opportunities for the remaining landholdings. Development potential is approximately 163,000 residential units and 58 million square feet of commercial space. Securing entitlement is a long term public process that will culminate in a plan being submitted for approval by the Salt Lake County Council in the next few years.

Sari Gunay (Rio Tinto: 70 per cent)
In November 2007, Rio Tinto signed a final and binding sale agreement to divest the whole of its interest in the Sari Gunay gold project in western Iran. On the completion of this transaction, which is expected in mid 2008, Rio Tinto intends to close its office in Iran and will cease to have any interests in Iran.

MARKETING

Marketing and sales of the Group's various metal and mineral products are handled either by the specific business concerned, or in some cases are undertaken at a product group level.

Rio Tinto has numerous marketing channels, which include electronic marketplaces, with differing characteristics and pricing mechanisms depending on the nature of the commodity and markets being served. Rio Tinto's businesses contract their metal and mineral production direct with end users under both short and long term supply contracts. Long term contracts typically specify annual volume commitments and an agreed mechanism for determining prices at prevailing market prices. For example, businesses producing non ferrous metals and minerals reference their sales prices to the London Metal Exchange (LME) or other metal exchanges such as the Commodity Exchange Inc (Comex) in New York.

In 2007, Rio Tinto continued to focus on improvements in its marketing capability, with a small central marketing team based in London and Australia working collaboratively with business based sales and marketing teams to disseminate leading marketing practices across the Group. The team supports the Group's businesses by helping to identify analytical tools, approaches and strategic frameworks to help identify the value to Rio Tinto of meeting customers' needs.

MARINE

Ocean freight

Ocean freight is an important part of Rio Tinto's marketing. It is managed by Rio Tinto Marine, with a head office in Melbourne, to provide Rio Tinto with a comprehensive capability in all aspects of marine transportation, global freight markets and the international regulatory environment. In 2007, Rio Tinto Marine handled over 78 million tonnes of dry bulk cargo, a 13 per cent increase on 2006 volumes transported.

Rio Tinto Marine leverages the Group's substantial cargo base to obtain a low cost mix of short, medium and long term freight cover. It seeks to create value by improving the competitive position of the Group's products through freight optimisation, and does not seek to trade freight as a stand alone activity. Rio Tinto Marine sets and maintains the Group's HSE and vessel assurance standards for freight and is one of three equal shareholders in Rightship, a ship vetting specialist, promoting safety and efficiency in the global maritime industry.

During 2007 Rio Tinto Marine took possession of the first of five new bulk carriers, the RTM Wakmatha. These vessels will be used principally for carrying bauxite from Rio Tinto Alcan's mine at Weipa, Queensland, to Gladstone for processing. In addition, an order has been placed for the construction of three 250,000 deadweight tonne ore carriers to transport iron ore from Rio Tinto's operations in Western Australia to customers in China and elsewhere. These ore carriers will be delivered from late 2012 to help Rio Tinto build on its natural freight advantage in Asian exports.

Freight market

Sea freight rates reached unprecedented levels in all segments during 2007. Strong demand for commodities, combined with supply constraints and port congestion, resulted in increased long haul trade and reduced fleet availability.

The Baltic Dry Index (BDI), an index of dry bulk shipping rates, more than doubled in 2007, increasing 110 per cent during the year. The Capesize vessel segment had the greatest upward impact on the BDI, with average daily freight prices increasing by 132 per cent during 2007, closing at US$157,128 per day with a November peak at US$194,115 per day. The Panamax, Supramax and Handysize indices also increased substantially, each registering gains of 93 to 95 per cent during 2007.

With spot markets at record highs, charterers turned to the period market to cover cargoes, pushing timecharter rates higher and increasing opportunistic re-let activity. Shipyard order books swelled in the second and third quarters of 2007, resulting in a large tranche of new vessel capacity for delivery from late 2009 through 2011. Long lead times for new vessels has seen large premiums paid for second hand vessels in all segments.