Thank you, ladies and gentlemen, it is great to be with you today.

As the calibre of fellow speakers and guests attests, Australia and Japan have built a very strong, rich and mutually beneficial relationship in the past half century.

Much of that has been built through mutual respect, partnerships and a commitment to trade, a topic I will touch on later in my comments.

The aim of this forum is to have a dialogue rather than a lecture, so today I will seek to keep my comments brief, and cover three areas.

First, to provide some context, I’ll touch on Rio Tinto, our history and our strong links with Japan.

I’ll then provide our view on China and the ‘new normal’ - the implications of slower but better quality growth and sound long-term growth we see for Asia more broadly.

And then thirdly, I will talk about how Australia and Japan can continue to partner together to support that growth and remove impediments and trade barriers.

Now given my company background you might expect me to talk-up the potential for trade in commodities – be they hard or soft commodities.

But let’s not overlook the intangible assets, the services sector and technologies, and the most prized of intangibles - experience - that a long term partnership like that between Japan and Australia can bring.

So first of all, let me share a brief overview of Rio Tinto.

Rio Tinto is 142 years young. Formed in London to re-develop a copper mine in the south of Spain, our company has a long and proud association with Australia.

We can trace our heritage to;

- the Zinc Corporation and CRA in Broken Hill,
- uranium in Queensland and NT,
- the energy and steel-making coal of NSW and Queensland,
- bauxite, alumina and aluminium through names such as Comalco,
- diamonds at Argyle, and salt at Dampier in WA, and
- of course to the iron ore in the Pilbara – which I led prior to taking up my current role as head of Rio Tinto’s global Technology & Innovation group.
Today Rio Tinto operates in 40 countries, we have a market capitalisation of ~US$60 billion, and employ around 60,000 people.

We provide the;

- aluminium that might be in your Kirin or Lion Nathan can,
- iron ore for steel in your urban infrastructure, or your Toyota
- copper in your electricity network, powered by coal, and
- glass or silicate in your touch screen or solar panel.

And with the world’s population expected to increase by a third to almost 9.5 billion people by 2050 the world will need more of the minerals and metals that we provide that make modern life work.

I mentioned Rio Tinto is a global company, but our last 50 years have been very much tied to Asia’s growth, starting with Japan.

Back in the 1960s the Australian iron industry was in its infancy.

Japan was the foundation customer for our Australian iron ore business and the first with us in the Pilbara in 1966.

Today, we are the largest iron ore supplier to Japan.

From an original mine at Tom Price and a port at Dampier, we now have 15 mines, 1,700 kilometres of rail, four separate ports, extensive related infrastructure and a comprehensive customer base.

It is a system designed to seamlessly deliver to around 100 customers globally each with exacting requirements for quality.

And of all this is managed from our Operations Centre, located 1,500 kilometres away in Perth.

Last year the Japanese and Australian Prime Ministers visited the Pilbara, and next year we celebrate 50 year of operations there.

Japan is Rio Tinto’s second largest trading partner. A cornerstone customer for our premium-coal, iron ore, uranium, copper, titanium, salt and diamonds.

But our relationship is deeper than purely transactional.

As well as being a customer, Japan is a financier and increasingly our technology partner too.

We have more than a dozen joint ventures with Japanese partners and a number of technology collaborations.

Japanese companies are a key part of our global supply chain.

Names such as Bridgestone, Fuji Electric, Hitachi Construction Machinery, IHI, Komatsu and Toyota.

And we use rail steel from Nippon Steel and Sumitomo Corporation and JFE Steel.

We procure ships from Japanese shipping companies and often use Japanese shipping lines.
Initially the relationship was based on the provision of raw materials underpinned by Japan’s off-take contracts.

Now the provision of raw materials continues, but capital and technology have become the new driving forces, and in some respects a virtuous circle.

We use our partnerships to mine and supply raw materials.

These materials are then transformed into the machinery and technology we procure. This helps drive productivity.

It maintains our cost leadership so we can expand into new markets and grow together.

Let me give you an example and at the same time a peek inside the Mine of the Future™.

At Rio Tinto we are focused on harnessing new technologies to drive our leadership position in productivity.

We focus such an approach through what we call the Mine of the Future™.

We use autonomous trucks and autonomous drills, we test and trial new technologies such as drones, and we use big data to optimise productivity.

In our Australian iron ore business we have 69 automated trucks setting new benchmarks in efficiency and productivity.

It was our pioneering work with Komatsu on automated trucks that helped lead the way in our industry. We can now compare fully autonomous mines with a manned operation.

At our Nammuldi mine in the Pilbara we now have the largest autonomous truck fleet in the world.

This fleet outperforms the manned fleet by about 12 per cent and we have seen a commensurate saving in load and haul costs due to the greater efficiency.

The improved utilisation allows us to run the same mine using a smaller size fleet, which means lower capital expenditure.

At another of our Pilbara operations, at West Angelas we have the world’s first fully autonomous production drill site. You need to drill holes for production planning, blasting and grade control.

The seven autonomous rigs have drilled over 2.25 million metres – that is a lot of metres and costs. These drills have delivered productivity improvement of about 10 per cent, again translating to cost savings.

And let me touch on the power of big data for a moment. Across Rio Tinto we have about 900 haul trucks, each with about 200 sensors. In total they gather approximately 5TB of data every day.

Through the use of big data analytics we can compare operations site by site but also operations looks at the entire fleet to detect or predict impending equipment failure and thereby extend the component life of these assets by planning ahead.
In other words, we not only better manage our on-site performance and but also the capital side of the equation too, in terms of spares, and useful asset life or capital replacement.

As the example with Komatsu and automated trucks highlights, the best innovation happens in partnerships and collaboration.

In many respects Japan’s thinking in machine automation and technologies have driven our iron ore business to its industry cost leadership position.

And it is that leadership position that builds resilience during times of market change or volatility.

It is that embedded resilience that ensures we can provide Japan, Asia and the world with the metals and mineral they need.

Which is a good juncture to talk briefly about global growth and opportunities.

As I am sure the Nikkei team here would know, there are as many views on China as there are financial commentators. Each day there seems to be a new take on China and global growth.

But rather than get fixated on the short term, it is important to look at the long-term trends.

I was in Sydney last month with the Rio Tinto economics and iron ore team and we presented to the investment community on China and the ’new normal’ and our outlook for iron ore and steel.

So what is our take on ’the new normal’?

In essence: ”slower but higher quality growth”.

Yes, China’s GDP will decline from recent growth rates of about seven per cent a year to between 4-5 per cent on average through to 2030.

But let’s keep this in mind: in the next 15 years China will go from being the second largest economy in the world to the largest, effectively doubling its economy from its current base.

So GDP growth rates are slowing from their peak, but this growth is from a much larger base, and the China and the world continue to urbanise.

Over the past 15 years, 320 million Chinese moved into an urban environment. In the next 15 years we expect 220 million new urban residents.

Now at first glance it might look as if the rate of urbanisation is slowing, but this urbanisation will be at a higher steel intensity.

That is because China will need new, taller and reinforced buildings and deeper penetration of urban infrastructure – such as, say underground rail.

All this adds up to increased domestic steel intensity and China will also export a lot of finished steel products to developed and emerging economies.

So China’s economic growth will moderate, which is to be expected.

But there are many parts of Asia or ASEAN, ready for double digit growth.
We anticipate Asia excluding China will grow at 5-6 per cent a year over the coming 15 years. And urbanisation is accelerating as it did in China.

On current trends, 250 million people will urbanise over the next 15 years in India and the ASEAN region.

And keep in mind the steel and material use in these economies is currently relatively low.

For example, finished steel intensity in the ASEAN region is about 120 kg per capita and in India it averages only around 70 kg per capita.

By way of comparison that 70 kg per capita in India compares with per capita consumption of 550-600 kg in China and Japan, and 1,100 kg in Korea.

Over the next 15 years steel demand in the rest of the world (that is excluding China) will grow at 65 per cent.

And the world will consume about three billion tonnes per annum of iron, up from 2.2 billion tonnes per annum currently.

So I hope that puts into context why we at Rio Tinto have invested heavily in the Pilbara.

The $14.7 billion we’ve invested as part of infrastructure expansion to 360 million tonnes of annual iron ore production is with a clear focus on the long-term.

It is that combination of geographic proximity plus our cost and technology advantage - aided by partners such as Japan - that defines our leading position. And I think other industries could probably do the same.

So in this context, how can we work together in a new era of Asian growth?

This will no doubt be explored in the panel discussion shortly (with ANZ, Mitsui and PT Telekomunikasi).

Australia and Japan’s deep connections can be used to advantage in the Asia century.

As I’ve mentioned let’s not overlook the intangible value of the experience partnership that Japan Australia can bring.

Collectively Australia and Japan offer a powerful partnership model to invest and grow in Asia together.

We offer a number of advantages with our;

- Natural advantages - the land, water, hard and soft commodities for growing populations
- Our finance - we have sophisticated financial systems and trading houses. A topic I am sure ANZ Bank and Mitsui will explore in a moment
- The people - we have the people and trust
- Experience - as partners in many ventures from resources, to agribusiness, to services.

What we need to do is to build on the bi-lateral trade relationships we have with Japan and take them more broadly into Asia.

Despite the benefits of trade liberalisation, we must recognise that the public does not always see the virtue of removing the barriers - be they physical or intellectual - to open trade.
Trade’s valuable consequences are not always transparent, immediate or understood.

The current debate about the China-Australia Free Trade Agreement (CHAFTA) is a case in point. It is good for our nation and will create opportunities for all Australians. Just as the Trans Pacific Partnership (TPP) will do.

Implementation of CHAFTA is critical this year: if the deal does not commence before the end of calendar year 2015, Australia will miss the chance for a number of near-term tariff reductions.

It can further strengthen the $80 billion minerals and energy trade, and many other sectors as well. We should lend it our full support.

Now while the CHAFTA is very topical in Australia, let us not lose sight of the groundbreaking Japan Australia Economic Partnership Agreement (JAEPA) signed earlier this year.

As you know Japan is Australia’s second largest export market, and Australia is Japan’s third largest market.

JAEPA is the most liberalising bilateral trade agreement that Japan has ever concluded.

And Australia is the first major agricultural exporter to conclude an EPA with Japan.

Let’s look at the terminology of the EPA which is quite important.

It is not couched as an FTA – a Free Trade Agreement

It is an EPA - an Economic Partnership Agreement.

It reflects the fact that trade also involves services, intellectual property, technology, finance.

It provides the partnership platform to work together bilaterally, and work hand-in-hand in Asia more broadly.

Despite our many decades of trade and partnership, the JAEPA is still young.

It is less than a year old.

Let’s not be complacent or take it for granted, let’s make use of it.

Because the speed of collaboration and innovation, as it has always done, determines not only industry leadership but national prosperity.

So our partnership has blossomed.

Initially as a customer. Today it is deeper. As supplier, collaborator, economic partner.

Partnerships are intangible but they can have great worth.

Let’s ensure we prize and value it, but most importantly build upon it.
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