**Check against delivery**

I start by acknowledging the Traditional Owners of this land, the Whadjuk people of the Noongar nation, and pay my respects to their elders, past and present.

I would also like to share my strong support, as well as that of Rio Tinto, for the campaign to recognise Indigenous Australians in our Constitution.

Good morning everyone. It’s a great pleasure for Rio Tinto to once again present at this conference. A lot has changed in our business since last year’s conference.

Of course we have a new Rio Tinto chief executive, Jean Sebastian Jacques - JS. And Chris Salisbury has moved from Rio Tinto’s coal and copper business to lead iron ore here in Western Australia.

As our business moves from a period of massive growth to its run phase JS and Chris have set a very clear strategy that prioritises value over volume and focuses our individual and collective efforts on maximising mine to market productivity.

Today I will talk about what we mean when we talk about prioritising value over volume and mine to market productivity.

As Managing Director for Planning, Integration and Assets, I’m accountable for new iron ore developments in the Pilbara, sustaining capital, materials management, technical services and technology.

Each of these levers plays an important role supporting our people to optimise value, improve productivity and reduce costs.

For example, the decisions we make about the ore we mine sustains the value of our premium Pilbara Blend products. The sequencing of our mine developments impacts costs. And the way we then run our assets affects productivity.

Let’s start with prioritising value over volume.

For a long time now we’ve talked about our growth programme in the Pilbara delivering infrastructure capacity of 360 million tonnes per annum.

Our business is now less on volume and more on how we can best apply the system to deliver optimal value.

Every decision we make prioritises value over volume.

In the Pilbara we are optimising the entire system based on the combination of three things: revenues; operating costs; and capex.
As an example, Silvergrass is not the lowest operating cost mine, but it enables the blending of high phosphorus material from other mines, creating additional value.

Our aim is to maximise free cash flow through the cycle by making the decisions that take account of revenue, operating costs and capex. And volume is an outcome, rather than the driver.

The decisions we make within our business are obviously influenced by major trends influencing the iron ore market.

China’s crude steel production and profit margins were solid during 2016. This has been driven by renewed stimulus in the form of looser credit and monetary policy, new infrastructure targets and property sector improvement.

As China enters into the next economic growth phase, we expect to see an acceleration in the replacement cycle of the already installed steel base.

Over the next 20 years this will lead to increased scrap steel generation, which will increase scrap usage in the steel making process, although starting from current low levels.

We are also seeing a restructure within China’s steel industry that is being driven by the government’s commitment to reducing pollution and improving steel mill profitability.

This is resulting in the shutdown of smaller, less efficient, more-polluting blast furnaces. With production expected to then refocus on the newest and largest blast furnaces.

Rio Tinto is well placed to adapt to these changes given it will drive demand for our high quality products. When it comes to iron ore prices, a key question is whether improved prices will result in a restart of Chinese iron ore production that has been mothballed.

Addition capacity in Brazil and Australia is already reflected in iron ore prices. So, the potential reboot in Chinese iron production is the main source of uncertainty and, therefore, the likely factor that would result in price volatility.

Over the longer term, we believe there is still room for Chinese steel production to grow. This will be driven by manufactured goods such as automobiles and machinery, and increasing replacement requirements.

Steel production in other parts of the world is expected to continue growing with capacity expansions in India, the Middle East and ASEAN coming to fruition and stronger macroeconomic conditions in other key steel markets.

The importance of paper markets has increased markedly over the last few years with a very significant increase of volumes changing hands on the Dalian Exchange. On some days up to 900Mt of iron ore is traded.

These volumes are not just being driven by market speculators. Increased market volatility has resulted in some market participants using paper markets to manage price risk.

As I said in my introduction, our business has a strong focus on mine to market productivity.

Our iron ore business has now delivered US$1.4 billion of cumulative savings compared with the 2012 base.
And further efficiency improvements in 2016 reduced the Pilbara cash unit costs to US$13.7 per tonne.

It is very pleasing that a culture of cost efficiency is now fully embedded across our iron ore business.

This is demonstrated by our pipeline of more than 2,000 initiatives that are focused on sustainable cash improvements.

But we are doing more than looking at costs. We recognise that increasing the productivity of our asset base is the highest return available to us.

We are taking advantage of every opportunity to generate value, from mine right through to market.

Our ongoing investment in innovation and technology is helping us to deliver superior performance.

Our autonomous haul trucks are running well, and we are now starting to really leverage the potential that can be delivered.

Last year, on average, each of our autonomous haul trucks operated an additional 1,000 hours and at 15 per cent lower cost than conventional haul trucks.

Working in an autonomous pit is all about improvements. Not only is safety improved the AHS system enables accurate reporting of near miss information and has rich information for incident investigations, which enables continuous improvement and releases leadership time to manage the operation.

We are also seeing improvements in maintenance from a reduction in property damage events and an ability to move to more condition based maintenance for the trucks.

Autonomous drills at West Angelas operated for an average 1,000 more hours per drill compared with conventional drills. Autonomous drills are now being deployed at Yandicoogina and we have completed 3 million metres with the autonomous drills.

We are continuing to make very good progress with the automation of our trains. This will deliver a step change in the safety controls and productivity of rail operations.

We are already seeing the AutoHaul system deliver improvements to average train speeds.

We expect to progressively expand the use of AutoHaul this year, with full implementation by the end of 2018.

As automated systems become more common across mining and other industries there will be a demand for different jobs such specialists in computing systems and diagnosis but also field technicians that can monitor and replace the communications systems.

We will also need to upskill our maintenance people to service and maintain this new technology.

It’s critical that governments, industry, schools, TAFE colleges and universities work together to ensure we are equipping people with the skills needed to work in the mines of the future.

We also need to encourage more and diverse people to study the science, technology, engineering and mathematics to help solve tomorrow’s challenges.
Over the past three years the business has done a tremendous amount of work to squeeze down on costs.

Cost savings initiatives have included optimising system maintenance shut intervals and improving contracting arrangements.

For example, last year we entered into a ten-year integrated facilities management agreement that will deliver more than US$75 million cash benefits in its first two years.

Some of our productivity improvements included increasing effective utilisation across the Pilbara fleet, increasing payloads and reducing ore car dumper cycle times.

The productivity improvements drive sustainable increases in cash flow and are consistent with our continuous improvement culture.

Our premium Pilbara Blend products have played an important role delivering value to both our customers and our business.

For most people iron ore is iron ore – but not all iron ores are equal.

The value of Pilbara Blend, apart from being a high iron and low contaminant product, is the low variability.

The variability between our shipments is very low. That’s because we blend our Pilbara Blend products from across our system to the customer’s specification.

What does that mean for the customer? High variability for them is the same as it is for our business. It’s the enemy of the production process.

Our customers want a reliable product, delivered to their stockyard, at the time they want it, with the lowest amount of variability.

For customers it means they don’t have to turn the dial up or down due to variations between shipments.

That allows them to squeeze out the efficiency of the processes they are running. And that’s how they derive their revenue.

It also saves working capital, as instead of buying multiple cargoes to blend themselves, they can buy a pre-blended cargo direct from Rio Tinto.

Essentially, we are seeking to best apply the resources in a systemic way. Blending ore from different mines to create products that give customers what they’re really looking for.

Connecting our iron ore and our customers are the people and physical assets that dig up the ore, process it, rail it to our ports, blend the ores from different mines and ship the end product to our customers.

I’m firmly of the view that the people in the business are our greatest asset. They are the ones who know the business best. They know where the challenges and opportunities lie.

We want to have engaged employees and contractors in our business who absolutely understand how they individually add value to the whole system.
It’s very easy to underestimate the individual value offered by every one of our employees and contractors when you are running a very large and complex network.

We want our people to know the job they have to do, but also to be looking for opportunities that will improve the overall performance of the system.

We have a flexible set of mines, an integrated privately owned rail network, we are a leader in automation, and we are collecting terabytes of data.

All of that flows through to our Perth Operations Centres where we have system-wide visibility.

These are wonderful assets. And as we’ve emerged from the growth phases it’s given us an opportunity to take stock of these assets and set out a pathway to deliver a step change in system productivity.

Our business continues to follow a disciplined and value-driven approach to expanding our Pilbara operations.

Last year, we fully commissioned the Nammuldi Incremental Tonnes project which provides 10 million tonnes of high-grade, low-phosphorus ore annually.

The final capital allocation for the full Silvergrass project was approved in August last year. It will add a further 10 million tonnes of capacity.

Construction of Silvergrass mine ramped up this quarter and first ore is expected in the second half of this year.

Mines like West Angelas Deposit F and Yandi Oxbow, which are presently in development, provide high quality, low cost options to sustain existing production levels.

Both of these developments benefit from adjacent existing infrastructure. For example, West Angelas Deposit F will use existing processing plant and infrastructure, while Yandi Oxbow will use existing facilities, including the Yandi automated truck fleet.

One option for our next major greenfield replacement mine is Koodaideri, which could underpin the Pilbara Blend and continued low cost operations.

Our present view is first ore to be available around 2021, however we are continuing to look at other brownfield options.

There is no doubt that Rio Tinto’s iron ore business in the Pilbara is in great shape. But there is no room for complacency. We must ensure our business is resilient in all market conditions.

As I have said, we have been through a great deal of change over the past 12 months.

The business is emerging out of the growth phase now into the run phase.

We have new leadership in JS and Chris and a focus on prioritising value over volume and mine to market productivity.

Sure there is still the focus on costs, but we believe there are opportunities to further improve our commercial excellence and our asset productivity.
While we are likely to see further volatility, we remain confident about the long-term fundamentals that underpin global steel and iron ore markets.

I would like to finish by returning to the importance of our customers.

At Rio Tinto, we are extremely happy that our customers are pleased with the products we provide. But we want them be delighted, and not just with the product.

We want to provide customers with the product that best meets their needs, delivered at the right time, every time.

Thank you.
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