

Media Briefing

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RIO TINTO – WHAT’S YOURS IS MINE

Rio Tinto, an Anglo-Australian company, describes itself as a world leader in finding, mining and processing the earth's mineral resources. It is currently active in more than 40 countries, with operating assets of more than US\$16 billion [1]. Rio Tinto describes itself as a responsible corporate citizen, committed to conducting its mining “*activities in a manner that safeguards the natural resources in its care, be they water, air or land.*” It is a leading member of the industry-wide Global Mining Initiative.

The company operates mines on a major scale for a range of minerals including aluminium, copper, diamonds, gold, iron ore, coal, uranium and industrial minerals such as salt, talc and titanium dioxide [2].

Rio Tinto has long been the target of environmental and community campaigns around the world, from native Indian groups in Canada to Maori people in New Zealand. These campaigns have focused primarily on three areas of the company’s activities: land rights, human rights abuses and environmental pollution.

These days, Rio Tinto is only too aware that protests from local communities, desecration of the environment and human rights abuses can bring bad press and it has worked to improve its image as a socially responsible company. In 2002, then Rio Tinto chairman Sir Robert Wilson was awarded the 2002 ‘International award for responsible capitalism’.

But the impacts of such ‘responsible capitalism’ are not always apparent on the ground. Many of Rio Tinto’s operations continue to attract controversy and the impact on the environment is still being felt. In a recent interview, Rio Tinto’s Chairman, Paul Skinner, said the question of whether a company like Rio Tinto can operate sustainability as “an interesting philosophical question” [3]. But for the communities living nextdoor to Rio Tinto’s operations, the question is straightforward and the answer is “no”. The company faced fines of US \$126,000 in 2002 for environmental damage according to its own environmental and social review [4].

This briefing looks at two examples of the company’s activities which clearly illustrate why concerns about the company’s greenwash persist. The first examines a proposal to develop an ilmenite mine in south-east Madagascar, which will destroy two thirds of Madagascar’s unique east coast littoral forest. The second looks at an incident at the Gasberg mine in West Papua, Indonesia, which killed eight workers and injured five more.

Mining Madagascar

Summary

Rio Tinto's wholly owned Canadian subsidiary, QIT Fer et Titane is proposing to extract the mineral ilmenite, a titanium bearing material used in the making of paper, plastics and toothpaste, from the island of Madagascar. The mine would be the largest single development project ever undertaken in Madagascar in an area containing the last remaining fragments of Madagascar's unique littoral (coastal) forests that once stretched for hundreds of miles along the island's east coast.

Madagascar is the fourth largest island in the world, and is nearly two and a half times the size of the UK. It is also one of the poorest countries in the world, with 71 per cent of the population living beneath the poverty line [5].

The Project

Rio Tinto, operating through its wholly owned Canadian subsidiary QIT Fer et Titane [6], intends to dredge hundreds of millions of tonnes of mineral sands along a 6,000 hectare strip to extract the mineral ilmenite, a whitener used in paint and toothpaste. The mining equipment will consist of a dredger and separation plant based on a barge floating in an artificial lake created in the coastal zone. During the course of the project, sands will be dredged from one side of the lake, valuable minerals removed and waste sand dumped back onto the other side of the lake. Through this process, the mining equipment and lake will make its way along the coast and through the remnant forest habitat. Although Rio Tinto is promising to rehabilitate the environment after the mining equipment has passed, there are grave doubts as to how effective such restoration will be. The mining project could last 60 years.

Life will change utterly in the town most affected, the small coastal community of Fort Dauphin. The mine will require a new port and breakwater capable of taking large container ships. New roads will have to be built to carry huge numbers of vehicle movements and large numbers of migrant workers will come to the town. For the flora and fauna of what is classified as a bio-diversity hotspot with an ecosystem which could hold cures for human diseases, the impact will be dramatic.

The site

Madagascar became separated from the African continent at least 120 million years ago. As a result, it has developed its own unique and rich variety of flora and fauna. Of the estimated 200,000 plant and animal species, three quarters exist nowhere else in the world. For example, all of the island's 30-odd species of lemur are unique to the island, and already 14 have become extinct. The island plays host to more than 50% of the world's chameleon species and 1000 species of orchid. Ninety per cent of the country's primeval forest has been destroyed.

Dry coastal forests were once widespread on the eastern seaboard of Madagascar. They are now highly fragmented and are one of the most threatened habitats on the biologically diverse island. These forests are unique, representing a transition between rainforest and spiny desert environments. Much of the local flora and fauna is exceptional. Some 29 plant species are unique to the area and at least 16 could be threatened with extinction if the project proceeds. The project will also put pressure on adjacent ecosystems - the rainforest, dry spiny desert, rivers, freshwater lakes, estuaries and the marine environment.

The company claims its proposals are "sustainable" and have included proposals to leave untouched a conservation area totalling 10% of the mined area, in each of the three proposed mining sites. The company would also restore another 10% of forest and plant fast-growing trees, such as eucalyptus, to provide charcoal and timber for local people. Rio Tinto hopes that it "*will help create ecosystems from scratch.*" It aims to recreate a forest created over millennia, by saving top soil from the dredger and planting trees.

Social concerns

As well as posing a major threat to Madagascar's unique environment, the proposal has also raised social concerns. Local people are concerned that they will see little benefit from the mine, and will not receive adequate compensation for loss of land. Some 4-6,000 people live in the forest area designated for clearance, with many practicing subsistence farming. Local fishing is also at risk, as

the mining operations could affect the salinity of near Lake Ambavarono. There are also concerns about demand for fresh water, which is already in short supply.

The project will introduce around 800 migrant workers to an area raising concerns about the possible spread of HIV. Recent work by a UN research institute reported how the location of extractive industries in Africa has been a factor in the spread of HIV/AIDs [7].

Although mining would provide some jobs in the short-term, and contribute badly-needed foreign exchange to the Malagasy economy, such unsustainable development does not represent a sound solution to the economic, social and cultural needs of the Malagasy people in the long term. The project would cause widespread damage to the local environment, and reduce its long term potential in other areas, such as tourism or benefiting from its unique biodiversity.

What now?

In response to criticisms, Rio Tinto has produced a Social and Environmental Impact Assessment (SEIA) and claims the mine will be a model of green capitalism. It was submitted to the Malagasy Government last year, but Friends of the Earth submitted a detailed critique of the SEIA accusing Rio Tinto of using camouflage to mask the real impacts, while dressing up the green claims. The SEIA failed to include critical data, failed to undertake studies on some potential negative impacts, and relied on highly speculative assertions which were not backed by firm evidence.

What is more, the SEIA neglects to examine the worst case study scenarios; to assess the actual benefits for the government and people of Madagascar; and severely underestimates the likely impacts of the dredging project on biodiversity and forest loss. The "stakeholder" process, much vaunted by the company, was not properly conducted and the views of the local community were not fully reflected in the report.

The Malagasy Government gave the go-ahead for the project in December 2001 and so far has spent \$41m (£24m) in anticipation of work starting in 2005 [8].

Rio Tinto will decide whether to go ahead with the mine later this year, but given the huge amount already invested in the proposal, it is thought likely that they will go ahead, regardless of the environmental, social or indeed economic factors.

Within the next few months, representatives from the British Government's International Development Committee will visit the site. Friends of the Earth is urging the visiting MPs to put the real questions to their hosts on this trip by:

- asking to see plans for accommodating 800 exterior workers who will come to Fort Dauphin
- asking to see plans for increasing the water supply and managing a supply that will be needed to feed the mine and the whole of the local population
- asking to see the plans for the road that will take the ilmenite to the new port. If the intended road will go through the town, ask how they intend to help protect people from the dangers of the increased traffic
- asking to see plans for protecting the town from the increased risk of HIV. Particularly, how much finance Rio Tinto itself (as opposed to NGO or NGO alliances, who should not have to mop up the problems of a private companies' activities) intends to devote to this.

Friends of the Earth wants to see an independent assessment of the impact and needs of the directly-affected local communities.

Mining Disaster in Indonesia

Summary

On the day of Rio Tinto's AGM last year, WALHI (Friends of the Earth Indonesia) published a detailed report warning of the social and environmental impacts associated with Rio Tinto's operations in the country [9]. The report emphasised the environmental damage caused by the mine.

Evidence shows that little has changed, and since last year's AGM, the poor standards at the mine have had their toll.

On 9th October 2003, a spill at the Freeport-Rio Tinto Grasberg gold and copper mine in West Papua, left eight workers dead and five injured. The incident triggered an angry response from environmental and community groups, which had previously warned of unsafe practices at the mine.

The project

The Grasberg Mine in West Papua is jointly owned by USA-based Freeport McMoran and Rio Tinto, Rio Tinto has a 40% stake. As part of operations at the mine, several hundred thousand tonnes of mine tailings are tipped directly into the Aghawagon River every day. Satellite analysis shows that tailings have contaminated the Lorentz National park, a World Heritage Site, and marine pollution 10km out to sea. The mine is also associated with human rights abuses by Indonesian state authorities.

The problem

In 1997, the Indonesian Government approved a request from Freeport to raise its production capacity to 300,000 tons of ore per day. The increase was funded in large part by Rio Tinto Ltd, in return for a share of the increased mine profits. But even at the lower production level, Freeport's operations have resulted in huge environmental impacts. Destruction caused by the Freeport mining operation covers a vast area from the 4,000 metre high mountaintop all the way down to the coast and the Arafura Sea to Australia's north.

The company has claimed that various disasters which have occurred in its area of operations are the tragic result of natural events. For example in 2000, a landslide of waste rocks at Lake Wanagon killed four subcontract workers. But the company is operating in an area with high rainfall and seismic activity, and the risks are well-known. This has not prevented the company from raising production capacity in the scramble for maximum profits.

In 2000, WALHI-Friends of the Earth Indonesia filed a lawsuit against Freeport for failing to provide correct and accurate information about the incident in Lake Wanagon. The first-tier court and the court of appeal found Freeport guilty as charged. The case is now in the National Supreme Court.

In October 2003, another landslip at the mine resulted in the deaths of a further eight workers [10]. An Indonesian Government official commented that the accident in October was the "likely result of management negligence".

What now?

Walhi – Friends of the Earth Indonesia is demanding that the company lower its production targets and a clean up of all its mining operations. It also wants to see an investigation into the allegations of human rights abuses; and an end to all payments to the military, with details of past payments revealed; a public apology for involvement in human rights abuse and violations; and fulfilment of its obligations to all the victims who have suffered from its operations.

The group is also calling on the Indonesian Government to implement a moratorium on new mining operations in Indonesia and a comprehensive review of the Government's policy on extractive industries in Indonesia.

Friends of the Earth's demands

Friends of the Earth is a shareholder in Rio Tinto and will be attending the company's AGM in London on Wednesday 7th April to question the company's record in Indonesia and its intentions for the site in Madagascar.

But Rio Tinto's record in claiming green credentials while continuing to damage the environment demands far more than questions from shareholders. The company provides a clear illustration of

why voluntary measures to implement social and environmental reporting are inadequate, and why legislation is required.

Friends of the Earth is a founding member of the Corporate Responsibility Coalition (CORE) which pulls together environment, human rights and development organisations, think-tanks, progressive companies and trade unions to campaign for changes to UK company law. Members of the coalition include Amnesty International (UK), Christian Aid, GMB Union, National Union of Journalists (NUJ), New Economics Foundation, Oxfam, Traidcraft, Unison and Unity Trust Bank.

The CORE Coalition is campaigning for changes to UK company law so that financial obligations are counterbalanced by social and environmental concerns. Specifically, the Government must introduce:

- Mandatory reporting – requiring all UK companies to report annually on the impact of their operations, policies, products and procurement practices on people and the environment both in the UK and abroad
- New legal duties on directors – to take reasonable steps to reduce any significant negative social or environmental impacts
- Foreign direct liability – to enable affected communities abroad to seek redress in the UK for human rights and environmental abuses resulting directly from the operations, policies, products and procurement practices of UK companies or their overseas subsidiaries

These measures would make a real difference to Rio Tinto's social and environmental performance. A Duty to report on the significant negative impacts of business operations and products would force Rio Tinto to produce technical reports on what still needs to be done to improve core business operations rather than glossy reports that cover superficial issues. A duty on directors to take reasonable steps to reduce these impacts would force Rio Tinto's board to address the issues raised in the technical report.

And, perhaps most importantly, Foreign Direct Liability would provide local communities that have been or may be negatively effected by Rio Tinto's operations (e.g. in Indonesia or Madagascar) the right to seek redress by bringing a case in the UK courts.

For more information on the CORE Coalition, and the Corporate Responsibility Bill see:

www.corporate-responsibility.org

Notes:

[1] See www.riotinto.com

[2] See http://www.riotinto.com/library/reports/PDFs/2002_Financial_dataBook.pdf for full details.

[3] Guardian 07/02/04 See: www.guardian.co.uk/business/story/0,3604,1142961,00.html

[4] See www.riotinto.com/library/microsites/SocEnv2003/enviro/320_incidents.htm

[5] 1999 figures - <http://www.countryreports.org/content/madagascar.htm>

[6] Rio Tinto's wholly owned Canadian subsidiary, QIT Fer et Titane, is developing the plans in a joint venture project with the Malagasy Government. QIT has delegated its responsibilities as operator to QIT Madagascar Minerals Ltd et Cie (QMM), a QIT subsidiary established in Madagascar for the purpose of managing the project on behalf of the joint venture partners.

[7] 20% of coal miners and 30% of gold miners are HIV+ - these prevalancy rates are 17% higher than base population – the mining sector is particularly affected by HIV. See:

<http://www.worldbank.org>). Collins and Rau (2000) blamed companies for their use of migrant labour.

[8] Mining giant threatens to scar island paradise, Rory Carroll, Monday June 23, 2003, The Guardian

[9] Copies available at www.walhi.or.id/English/reports/riotinto2003.pdf

[10] Photographs of this incident are available from the press office Friends of the Earth.

For more information on Friends of the Earth's activism at AGMs see:

www.foe.co.uk/resource/media_briefing/agmseason2004.pdf