

Vale committed despite dispute

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Brazilian mining giant Vale says its Australian coal business is still a priority despite a series of high-profile departures and an unseemly dispute with one of its joint-venture partners.

The Australian Financial Review revealed on Tuesday that four senior Vale executives in Australia, where the company's fledgling coal division is focused, had left since December. The most senior was Renato Paladino, Vale's former global managing director for coal based in Brisbane, who took up a position with Gina Rinehart's Hancock Prospecting. He was replaced by Decio Amaral.

Mr Amaral said in a statement yesterday that the recent change within the organisation had been "destabilising" but "necessary".

"Whenever there is a new business and new leadership, there will be a period of change while the business is set on a proper course," he said. "Sometimes the business priorities change substantially and, as a result, new structures are put in place with new personnel. This is normal. Vale has a commitment to be in Australia



The outlook for coal and iron is positive, which will benefit Vale. Photo: REUTERS

and in coal, and that is what we are doing."

Vale, the world's largest iron ore producer, owns a suite of coal assets in Queensland and NSW, most of which were acquired in 2007 through an \$835 million deal with investment group AMCI.

One of the Queensland assets was a 50 per cent stake in the Eagle Downs joint venture, near Moran-

bah, with Aquila Resources. Yesterday Aquila began legal proceedings in the Supreme Court of Queensland seeking damages from Vale after the Brazilian company refused to sign contracts giving the joint venture access to infrastructure for Eagle Downs.

Aquila executive chairman Tony Poli said Vale's stance, believed to be related to a desire to ship through a

KEY POINTS

- Vale is being taken to court by its joint venture partner, Aquila.
- The Brazilian giant says its Australian coal business is still a priority.

different port, could delay the \$1 billion project by two years or more.

Mr Amaral made no comment on the case in his statement yesterday, but Vale has told Aquila it does not agree it is in default of the joint venture agreement. Vale has committed \$50 million to project development in Australia this year and another \$22.3 million to coal exploration. As justification for this sort of expenditure, the outlook for bulk commodities such as coal and iron ore seems to be improving.

Goldman Sachs JBWere said yesterday there was upside risk to price forecasts for iron ore and coal based on expectations of 10 per cent growth in Chinese steel production. Anecdotal evidence from Western Australian iron ore companies suggests the Chinese are desperate for the commodity, driving the spot price up to about \$US140 a tonne.