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in Australia in the 1950s

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Rio Tinto Company's investments
in Australia in the 1950s*

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Summary

The purpose of this paper is to show the process of the Australian investments of Rio Tinto in the 1950s. The paper mainly consists of two parts. The first part deals with the process until obtaining a uranium mine in March 1955 by the company. The subject of the second part is the negotiation between Rio Tinto and the UK Atomic Energy Authority (UKAEA) on a uranium sales contract signed in February 1956. The main reasons of the success in the acquisition of the mine were the capability of finance and marketing of Rio Tinto. During the negotiation with local firms for obtaining the mine, the expected results of the sales negotiation of Rio Tinto and UKAEA could contribute to the success of the company.

* The author is very grateful to the Rio Tinto Company for permission to consult Rio Tinto Archives and thanks are also due to the staffs of the Information Section of the Company, especially to Ms. Emma Davies and Ms. Davina Parrott when I had occasions to consult Rio Tinto Archives. This work was supported by Grant-in-Aid for Young Scientists (B), 18730228, from Japan Society for the Promotion of Science (JSPS).

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Introduction

Rio Tinto Company, the subject of this paper, was established in Britain in 1873 as a mining concern. Now the company is doing business as a dual listed company in Britain and Australia. The purpose of this paper is to show the process how Rio Tinto entered Australia.

Through showing the process of Rio Tinto's investments in Australia, the author will try to consider the interaction between the reorganization of the external economic relations of Britain after World War II and the overseas business and competitiveness of British companies. The reorganization of British external economic relations means the shrinking of overseas interests of Britain as a whole and the expansion of the development of natural resources in British Commonwealth countries.

On the history of Rio Tinto, there are two books which deal with the whole history of the company from its establishment to 1954¹. One is C.Harvey, *The Rio Tinto Company*, 1981, and another is D.Avery, *Not on the Queen Victoria's Birthday*, 1974. A.D.Chandler, *Scale and Scope*, 1990², and G.Jones, *The Evolution of International Business*, 1995³, deal with the history of competition in mining industry as well as other major industries. On more narrowly focused topic, there is a paper, A.Sugawara, 'Rio Tinto Company's investments in Canada in the 1950s', *Japanese Business History Review*, Vol.42, No.2, 2007 (written in Japanese).

The structure of the paper is as follows; the first section, Rio Tinto Company in the 1950s, describes the performance of the company during that period and the company's investments in uranium mining in Canada and Australia. The second section, Obtaining of mining area in Australia, deals with the obtaining of the Mary Kathleen Mine by Rio Tinto from 1954 to 1956. The third section, Uranium Selling Contract with the UK government, shows the contents of the contract between Rio Tinto and the UK government in February 1956. In conclusion, we will compare the features of Rio Tinto's Australian investments with those of its Canadian investments and we will show points emerging after the study of this paper.

¹ 1954 was a turning point for Rio Tinto because the company sold the Rio Tinto Mine in the year as we will see later.

² Chandler also limited the analysis in the book until about 1950.

³ Jones gave the concise explanation on the history of Rio Tinto after 1954 as well as mining industry as a whole.

I. Rio Tinto Company in the 1950s

Figure 1 shows profits of Rio Tinto in the 1950s. As is shown in the figure, the operating profit was in a deficit during 1954 to 1956. The reason for this deficit was the sale of the Rio Tinto Mine in Spain in 1954. The Rio Tinto Mine was the birth place of the business of Rio Tinto Company. The Mine was sold to the Syndicate of Spanish concerns for £11 million in which £7.7 million was cash. After the sales, Rio Tinto Company held only a third of the shares in the Mine⁴.

Compared to the operating profit, investment income increased from 1951 to 1956. The reason for the increase of investment income from 1951 to 1953 was the increase in income from investments in Rhodesia. The reason for the increase from 1954 to 1956 was the investment income from the Rio Tinto Mine. The increase after 1959 was came from the addition of investment incomes from Canada and Australia⁵.

For Rio Tinto, the 1950s was the time of the sale of the Rio Tinto Mine which was the birth place of the company and the only operation place for the company before 1954. However, that decade for the company was also the time of the geographical diversification of its mining business started. Val Duncan, the managing director at that time, looked back to the 1950s in the annual report of 1960 and said that after the sale of the Spanish mine ‘the question arose as to whether we could profitably employ the active knowledge which had been a tradition for so many years in the Mines in Spain in the development of natural resources elsewhere in the world.’ He continued ‘Great opportunities to play our part in active mining, notably in the British Commonwealth, were presenting themselves at this period and we decided to follow these opportunities through the medium of subsidiary companies formed both in the United Kingdom and overseas.’⁶ As a summary, he said ‘the diversification has been both geographical and

⁴ On the sale of the Rio Tinto Mine, Hervry, *The Rio Tinto Company*, pp.302-305.

⁵ On the trends of investment incomes, the author estimated by using the data on investments by area and investment incomes in each year’s annual reports.

⁶ *Managing Director’s Review of Operations: the Decade in Retrospect*, Rio Tinto, Annual Report, 1960, p.9.

functional. We now have interests in a range of minerals...'⁷ Figure 2 (Maps) shows the geographical diversification of Rio Tinto.

As is shown in the statement of the managing director, the geographical diversification of the company in the 1950s was accompanied by the diversification of the type of minerals which the company dealt with. Figures 3 and 4 show the types of mineral assets which the company held. Figure 3 shows the change in the types of mineral assets from 1950 to 1961. Figure 4 shows the detailed data on the types of minerals in 1961. Figures 5 and 6 show the profits generated by each mineral. Figure 5 show the change in profits of each mineral and Figure 6 show the detailed data of the profits in 1961.

Table 1 shows the result of the mineral type diversification in the 1950s. As a result of the mineral type diversification, uranium emerged as an important mineral added to copper which had been the most important commodity during the company's earlier history. In the mineral asset types, copper had been the largest and uranium followed it until 1960, but uranium took the place of copper in 1961. In the profits of minerals, copper had been the largest until 1960 and copper and uranium had same weight in 1961.

Table 2 shows the contributions of Canadian uranium production and Australian uranium production to the whole profit of the company. In both year of the table, 1958 and 1961, Canadian uranium production generated around 30% of the company profit. The profit of Australian uranium production was smaller than that of Canada, but the profit grew rapidly and increased from 9.2% in 1958 to 15.3% in 1961.

Looking at the result of the diversification of geography and mineral types from the view point of the contribution to the company profit, the copper production in Rhodesia and South Africa may be the largest contributor, followed by the uranium production in Canada as the second largest, then by the uranium production in Australia as the third largest. However, the company annual reports did not show the detailed data on the business in Rhodesia and South Africa.

⁷ 'Managing Director's Review of Operations: the Decade in Retrospect', Rio Tinto, Annual Report, 1960, p.10.

II. Obtaining of mining area in Australia

(1) Rio Tinto Company's entry into Australia

In December 1953, Rio Tinto started explorations in Australia. The purpose of the explorations was the development of uranium. Before starting the explorations, Rio Tinto tried to confirm the demand for uranium by the British government and asked for the support of the government in the explorations and developments of uranium in Australia⁸.

The places under explorations by Rio Tinto in 1954 were the following; Myponga (South Australia), Rum Jungle (Northern Territory), Pine Creek (Northern Territory), Slesbeek (Northern Territory), South Alligator River (Northern Territory), and Mary Kathleen (Queensland). Figure 7 (Map) shows uranium mines in Australia.

In Australia, Rio Tinto employed a local mining engineer who was a retired member of the Australian Bureau of Resources⁹, and collaborated with a local company¹⁰. The way which Rio Tinto operated in Australia was different from the way in Canada. After acquiring the majority interests in a South African exploration company¹¹, Rio Tinto asked the company to perform explorations in Canada. Rio Tinto did not have local partner because it entirely depended on the South African Company in its Canadian

⁸ Discussion on 21st December, 1953 with Representatives of the Rio Tinto Company, Note by Sir Edwin Plowden, the National Archives of the UK, AB16/1284.

⁹ In a letter, Duncan said 'we have secured the services of Matheson, a first class Australian geologist who has hitherto been in charge of the uranium exploration for the Australian Government.' Val Duncan to Sir Edwin Plowden, 24 March, 1954, the National Archives of the UK, AB16/1284. R.S.Matheson was a staff of Australian Bureau of Mineral Resources before employed by Rio Tinto. C.B.Champell, 'Preliminary Report on Uranium Deposits in Northern Territory, Australia', p.3, the National Archives of the UK, AB16/1284. Matheson was the Exploration Manager in Australia in Rio Tinto. Matheson to The Secretary of Rio Tinto Company, 27 July 1954, Rio Tinto Company Archives, RTC 120-B-45.

¹⁰ Duncan said that Western Mining Corporation of Melbourne had undertaken as Secretaries and Accountants for Rio Tinto's organization in Australia. Val Duncan to Sir Edwin Plowden, 24 March, 1954, the National Archives of the UK, AB16/1284.

¹¹ This was Weiss Geophysical Corporation headed by Oscar Weiss who was an expert mining engineer in Southern Africa. Sugawara, 'Rio Tinto Company's investments in Canada in the 1950s', pp.9-10.

explorations.

(2) Rio Tinto's search for mining areas

We see in sequence Rio Tinto's search for uranium mining areas in Australia in 1954. In July 1954, Rio Tinto joined the bid for The Mary Kathleen Mine but failed¹². In October, Rio Tinto could buy the majority shares of Sleisbeck Mine from a local company¹³.

However, in November a company geologist reported Sleisbeck Mine would not make as much output as was expected¹⁴. Therefore, at the end of November Rio Tinto started negotiations to obtain South Alligator River Mine¹⁵. But Rio Tinto failed in the negotiation¹⁶. South Alligator River Mine was bought by an American company¹⁷.

In December, just after the failure to get South Alligator River Mine, Rio Tinto started a negotiation to obtain The Mary Kathleen Mine from a local company, Australian Oil Exploration (hereafter AOE), which was the owner of the Mine¹⁸. In early March of 1955, after the negotiation with AOE, Rio Tinto could obtain 51% of the shares in the Mary Kathleen Mine¹⁹.

(3) Rio Tinto Company and the British government

Before entering into Australia, Rio Tinto tried to confirm the demand for

¹² On Joining the bid, Matheson to The Secretary of Rio Tinto Company, 27 July 1954, RTC 120-B-45. On the failure in the bid, Cable from Lindsey Clark to Duncan, 18 August 1954, RTC 120-B-45.

¹³ Val Duncan to Sir Donald Parrott, 21 October 1954, the National Archives of the UK, AB16/1284.

¹⁴ Note of Meeting on 3rd November, 1954, Rio Tinto/Sleisbeck, the National Archives of the UK, AB16/1284.

¹⁵ Clarke to Forward, 30 November 1954, the National Archives of the UK, AB16/1284.

¹⁶ Lee to Clarke, Immediate, 22 February 1955, the National Archives of the UK, AB16/1284.

¹⁷ 'Atlas Corp.-Success in "Special Situation"', *The Australian Financial Review*, 29 April 1955, the National Archives of the UK, AB16/1284.

¹⁸ R.W.Wright to L.Tlotz (Petroleum Drilling Corporation Ltd), 29 December 1954, RTC 120-B-45. Note of a Meeting with Mr.Wright of the Rio Tinto Co. on Wednesday, January 12th, the National Archives of the UK, AB16/1284.

¹⁹ 'An Investors' Note- Rio Tinto Again', *Financial Review*, 3 March 1955, the National Archives of the UK, AB16/1284.

uranium by the British government and the support for development of uranium by the government. F.Byers, a director of Rio Tinto, said in a letter to Lord Cherwell on 10th December 1953 ‘what assistance we might expect from them (the British government: by the author) in developing anything which we might find’ and ‘whether the UK government is anxious to secure an independent supply of uranium.’²⁰

After obtaining the Slesbeck Mine in December 1954, Rio Tinto asked the support of the British government more concretely than before. Val Duncan, the managing director, said in a letter to Sir Donald Parrott of the UK Atomic Energy Authority (hereafter UKAEA) on 21st October 1954 ‘in these circumstances we felt justified in asking you in somewhat more detail what your attitude would be regarding loan capital than the previous more general conversations...’²¹

‘The previous conversation’ in the above letter was the meeting in December 1953 joined by Mark Turner, Val Duncan and F.Byers from Rio Tinto and Sir Edwin Plowden from UKAEA. In the meeting, the Rio Tinto staffs asked ‘a substantial contribution from Government funds: in the ratio they (Rio Tinto representatives: by the author) suggested of perhaps 75% from the UK and 25% from Australia.’²²

(4) Negotiation with AOE

In December 1954, Rio Tinto started the negotiation with AOE to obtain the Mary Kathleen Mine. The negotiator of Rio Tinto was Roy Wright, the overseas business director. Firstly, Wright did not approach AOE directly but a local partner firm of AOE, Petroleum Drilling Corporation (hereafter PDC). In the negotiation, Wright thought the finance for building a uranium treatment plant which would require £A.7.5 million was an advantage of Rio Tinto²³.

²⁰ Frank Byers to Lord Cherwell, 10 December 1953, the National Archives of the UK, AB16/1284.

²¹ Val Duncan to Sir Donald Parrott, 21 October 1954, the National Archives of the UK, AB16/1284.

²² Discussion on 21st December, 1953 with Representatives of the Rio Tinto Company, Note by Sir Edwin Plowden, the National Archives of the UK, AB16/1284.

²³ R.W.Wright to L.Tlotz (Petroleum Drilling Corporation Ltd), 29 December 1954, RTC 120-B-45.

Wright said to PDC, 'AOE are of the opinion (I gather from you) that to raise such loans in London or North America is straightforward. I must say quite bluntly and from experience that this is nonsense.' Then he said 'If you accept these arguments would you agree to me approaching AOE, with the proposition of Rio Tinto putting up the major finance on a loan basis and providing the technical and commercial management and know-how.' Wright added 'I have one good card to play in such talks with AOE and that is the oxide sales contract. I mentioned to you that I thought we were in a better position to obtain a really satisfactory contract than either you or AOE.'²⁴

Wright succeeded in the negotiation. On 10th January 1955, the shareholders of PDC agreed with the sale of 57% of shares in a uranium treatment subsidiary company of the Mary Kathleen Mine to Rio Tinto²⁵. Moreover, on 27th February 1955 AOE agreed with the sale of 51% of shares in the Mary Kathleen Mine to Rio Tinto²⁶.

III. The contract between Rio Tinto and the British government

Before Rio Tinto obtained the majority of shares in The Mary Kathleen, UKAEA had already decided to purchase Australian uranium from Rio Tinto. In a letter to UKAEA, the British Treasury said 'we agree that having regard to Rio Tinto's experience and interests, their holding of the options, their reported acceptance by the Australian Government and their possession of a satisfactory geological team, Rio Tinto should be selected as the contractors.'²⁷

The uranium sales contract between Rio Tinto and UKAEA was ratified on 8th February 1956²⁸. The main contents of the contract were as follows; the sales quantity was 4500 tons of uranium oxide. The shipment would start from 1959. Rio Tinto had to ship more than 300 tons in 1961 and more than 400 tons in 1962²⁹. The price was £ A.40 million for 4500 tons of

²⁴ R.W.Wright to L.Tlotz (Petroleum Drilling Corporation Ltd), 29 December 1954, RTC 120-B-45.

²⁵ Cable from Tlotz to Wright, 10 January 1955, RTC 120-B-45.

²⁶ Cable from Duncan to Byers, 27 February 1955, RTC 120-B-45.

²⁷ D.R.Sherpell (Treasury) to E.S.J.Clarke (UKAEA), 26 January 1955, the National Archives of the UK, AB16/1284.

²⁸ Draft Agreement dated 8 February 1956, MKU-UKAEA, RTC 120-B-19.

²⁹ Draft Agreement dated 8 February 1956, MKU-UKAEA, RTC 120-B-19.

uranium³⁰.

The contract also included a loan from UKAEA to the Mary Kathleen Mine. UKAEA would make a £A.5 million loan for the building of a uranium treatment plant. Rio Tinto would invest £A.2.25 million in the plant³¹. In January 1955, UKAEA had already decided to make the loan as well as to select Rio Tinto as a contractor. At that time, UKAEA also required Rio Tinto to invest in uranium development facilities³². Therefore, in January 1955, during the negotiation with AOE, Rio Tinto had secured a buyer and finance and the company could take advantage of the decision of UKAEA in the negotiations for the Mary Kathleen Mine.

Conclusion

There are four differences between Rio Tinto's investments in Canada and its investments in Australia. The first point is the ways of exploration. In Canada, Rio Tinto asked a newly acquired subsidiary to explore and in Australia the company directly employed local mining engineers. The second point is the relationship with local companies. In Canada, Rio Tinto did not collaborate with local companies but in Australia the company collaborated with a local one from the beginning of its entry into the country. The third point is the buyers of uranium. The Canadian uranium was sold to a Canadian company which was owned by the country's government. Australian uranium was sold to the British government. The reason for the differences was the difference in the policies of each government. The fourth point is finance. In the Canadian uranium development, the issue of bonds was used as the way to finance things. In Australia, the British government made a loan for the development of uranium by Rio Tinto. The reason for difference was also the difference in policies of each government³³. However, in the Canadian development finance, the Commonwealth Development

³⁰ 'Uranium from Queensland', Times, 29 December 1956, the National Archives of the UK, AB16/1284.

³¹ Draft Brief for Commonwealth Relations Office, Mary Kathleen, no date, the National Archives of the UK, AB16/1284.

³² Clarke to Sherpell, 25 January 1955, the National Archives of the UK, AB16/1284.

³³ The Canadian government did not allow other governments to finance uranium development in Canada directly. Sugawara, 'Rio Tinto Company's investmensts in Canada in the 1950s', p.17.

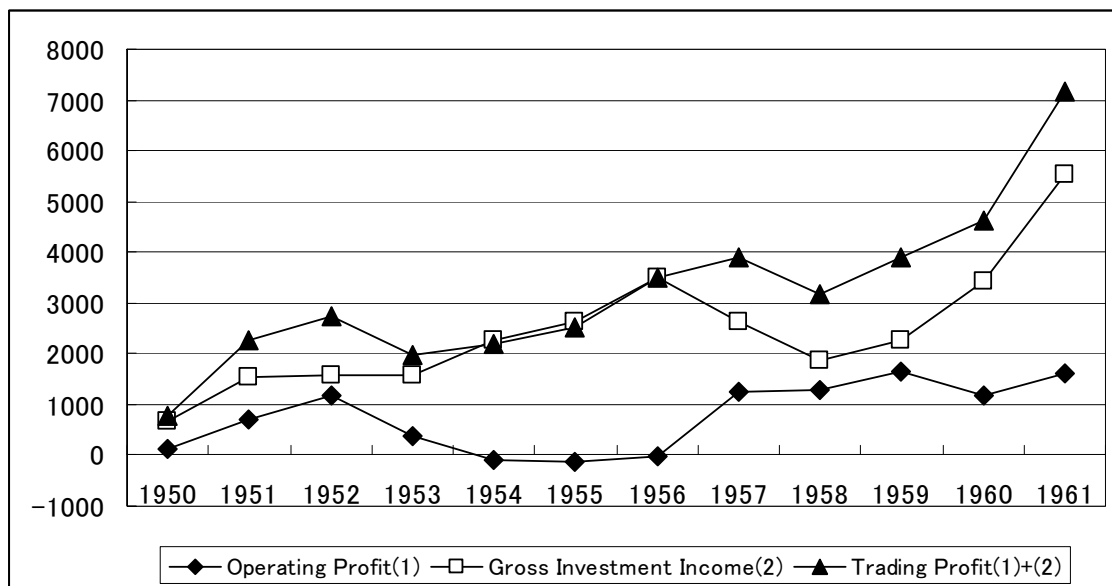
Finance Corporation in which the Bank of England partly joined underwrote 15% of the bonds.

Rio Tinto's investments in Canada and Australia have three points in common. All of the points were related to the obtaining of mining area. The first point is the way of obtaining mining areas. In both Canada and Australia, Rio Tinto obtained mining areas not through exploration in green-fields but through acquisition of mining areas from local firms. The second point is the way of acquisition of mining areas. In its acquisitions of mining areas, Rio Tinto firstly committed to finance development of the mining area. The third point is also part of the way of acquisition. To secure the right of management in a mine, Rio Tinto used the advantages in technology and marketing to the local company³⁴.

Finally we will try to show the points emerging after the study of this paper. The new point which we have to deal with is the competition in each market. From the view point of Rio Tinto's business, there are three kinds of competitors; local firms, American firms, and British firms. In this paper, we showed a case of competition with a local firm in which Rio Tinto had the advantages in finance, technology, and marketing. In competition with American firms, there was a case in Canada in which the ill feeling of a Canadian company to an American one in a bid for the former from the latter gave Rio Tinto the chance to acquire the former. In Australia, we saw a case in which Rio Tinto lost to an American company in a bid for a mine. To know whether there is competition between Rio Tinto and other British firms in Australia is a question that remains.

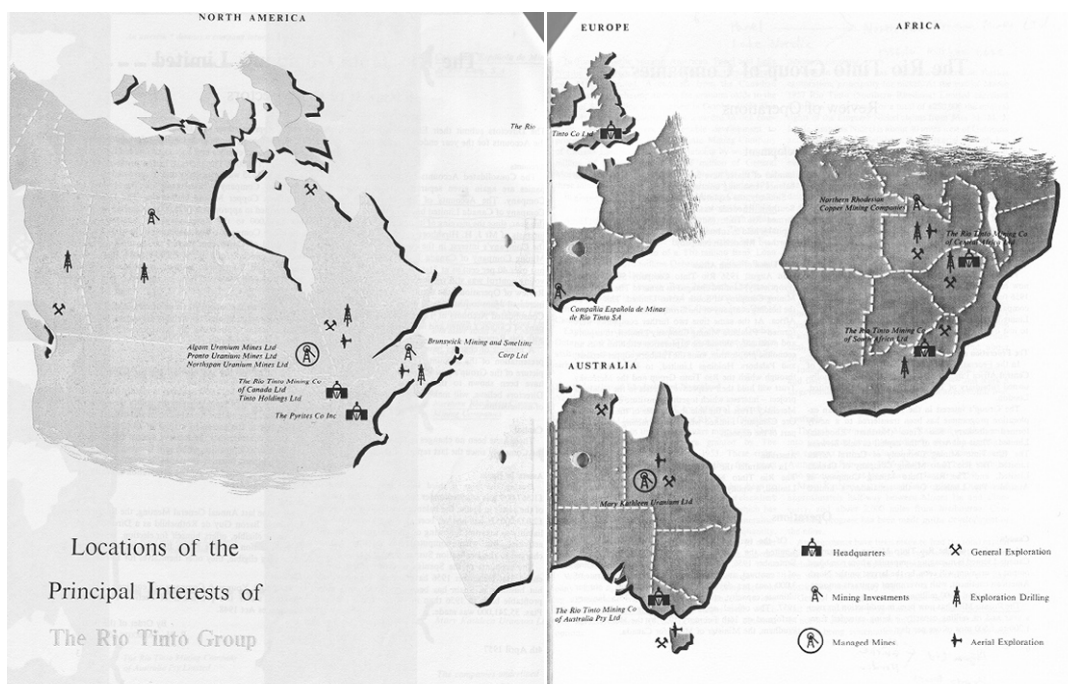
³⁴ In Canada, to acquire the majority shares in the Algom Uranium Mines Rio Tinto take advantage of finance and technology. In Canada, Oscar Weiss emphasized the layout of mine as a technological advantage. Sugawara, 'Rio Tinto Company's investments in Canada in the 1950s', p.13.

Figure 1 Profits of Rio Tinto



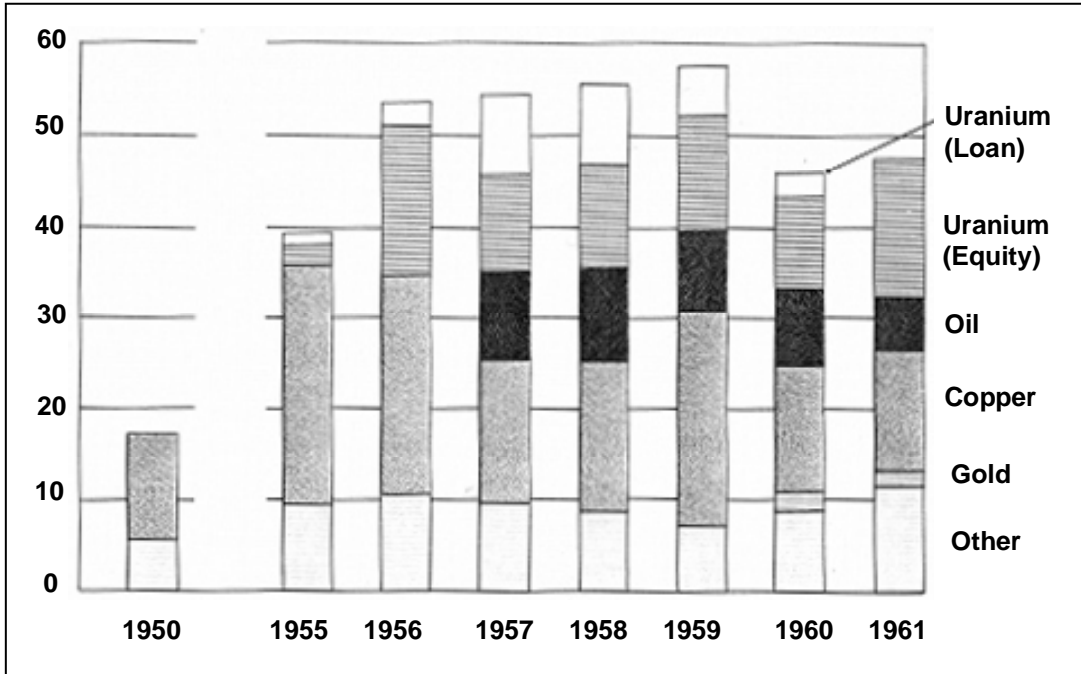
Source: Rio Tinto, *Annual Reports*, 1960 and 1961.

Figure 2 Rio Tinto's geographical diversification, 1956



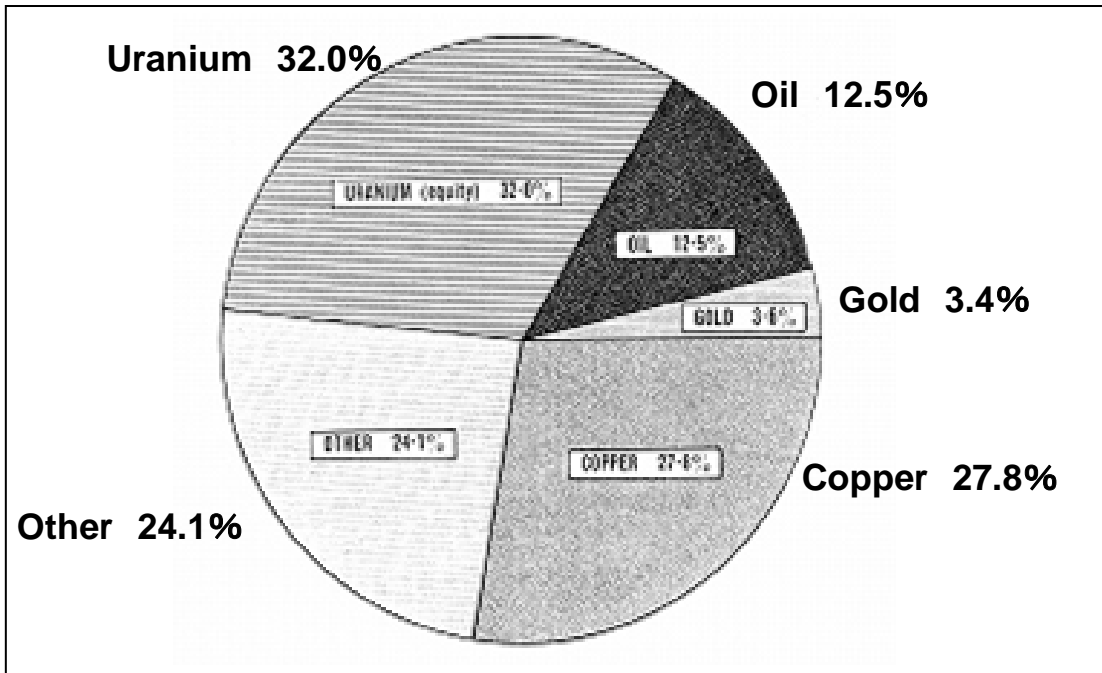
Source: Rio Tinto, *Annual Report*, 1956.

Figure 3 Rio Tinto's Mineral Assets (£ million)



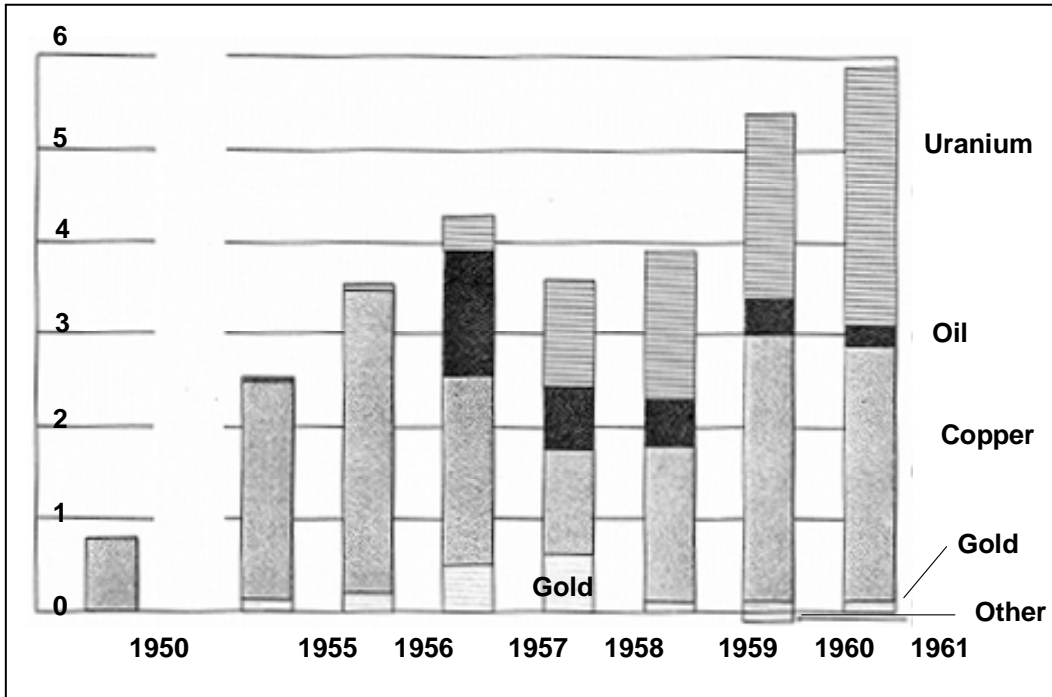
Source: Rio Tinto, *Annual Report*, 1961.

Figure 4 Rio Tinto's Mineral Assets, 1961 (£ million)



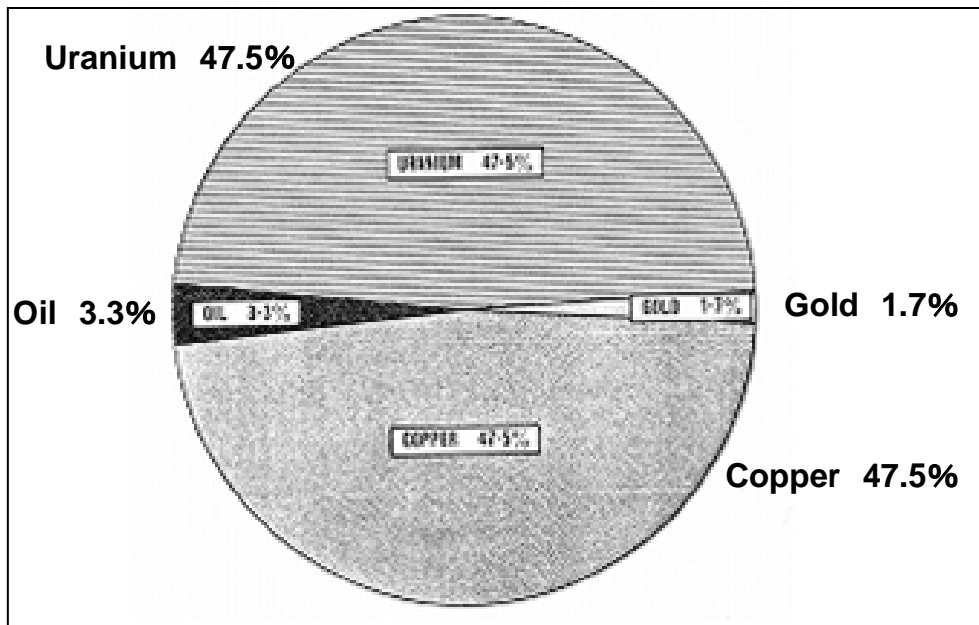
Source: Rio Tinto, *Annual Report*, 1961.

Figure 5 Rio Tinto's Profit by Commodity (£ million)



Source: Rio Tinto, *Annual Report*, 1961.

Figure 6 Rio Tinto's Profit by Commodity, 1961 (£ million)



Source: Rio Tinto, *Annual Report*, 1961.

Table 1 Result of Rio Tinto's Overseas Investments

	Assets		Profits	
	Uranium	Copper	Uranium	Copper
1959	22.0%	41.0%	41.0%	44.0%
1960	27.4%	30.7%	37.0%	53.7%
1961	32.0%	27.8%	47.5%	47.5%

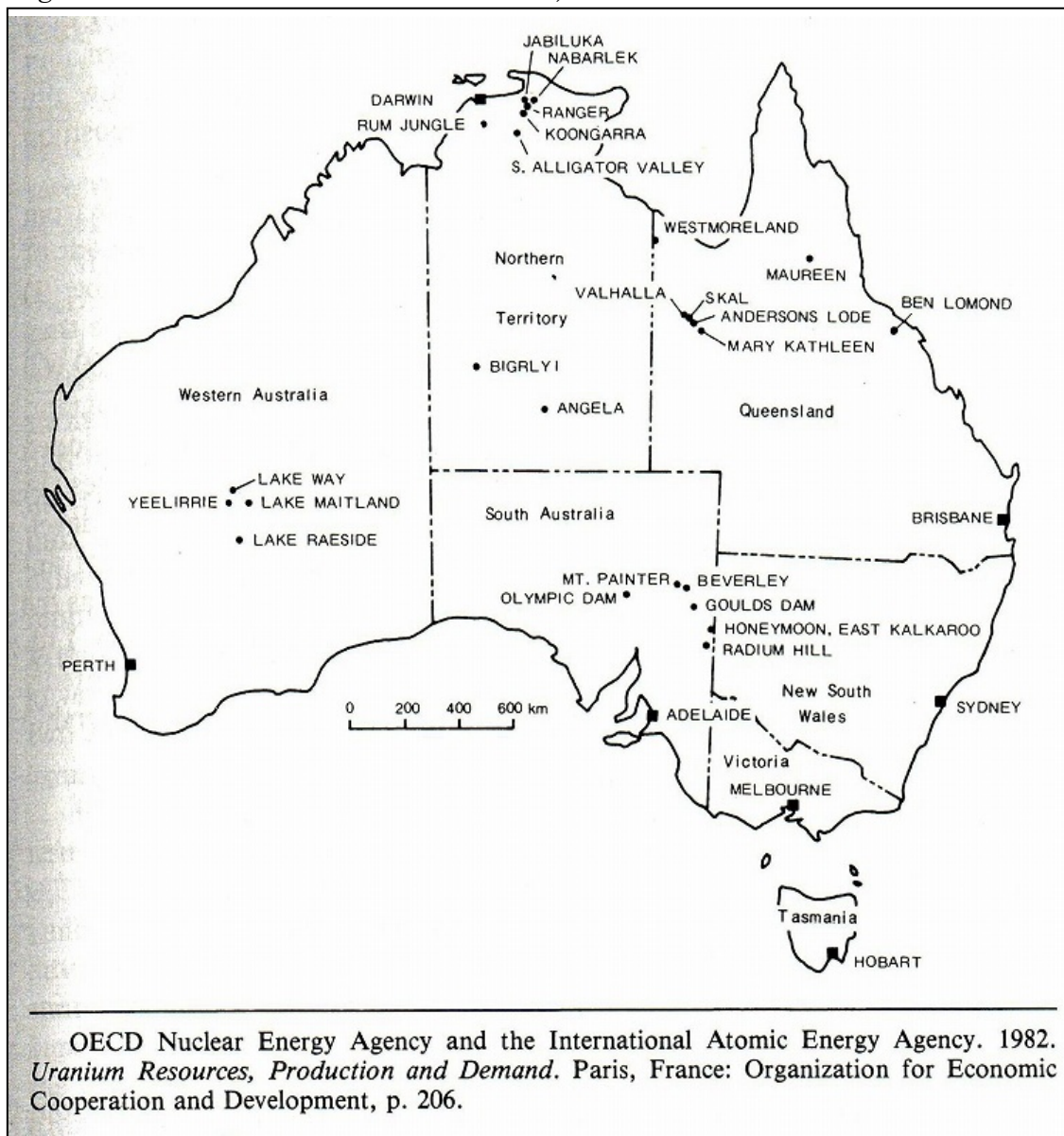
Source: Rio Tinto, *Annual Reports*, each year.

Table 2 Rio Tinto's Profits from Uranium (£ 1000)

Year	Total Profit	Profits from Uranium		
		Canada	Australia	Canada + Australia
1958	3157	910	289	1199
		28.8%	9.2%	38.0%
1961	7150	2309	1091	3400
		32.3%	15.3%	47.6%

Source: Rio Tinto, *Annual Reports*, 1958 and 1961.

Figure 7 Uranium Mines in Australia, 1982



Source: T.L.Neff, *The International Uranium Market*, Ballinger Publishing Company, Cambridge, Mass.,1982, p.115.