

Orica CEO: It's critical to keep mining exports going



Orica CEO Alberto Calderon. Picture: David Geraghty

Orica boss Alberto Calderon has been charting the global spread of coronavirus on a daily basis from his deserted office in east Melbourne.

With operations in over 100 countries, staying a step ahead is proving no small feat.

“It’s been crazy,” Calderon tells *The Weekend Australian*. “Governments around the world are making decisions and the consequences could not be any bigger.”

As Australian corporates scramble to draw up emergency plans to deal with business shutdowns, Calderon has been focused on ensuring the explosives maker can keep operating through the market turmoil.

Half of Australia’s mines depend on Orica to keep their production running through its supply of bulk explosives and detonator systems.

In recent days Calderon has spoken to his former colleague Mike Henry at BHP, Rio Tinto’s Jean-Sebastien Jacques and Newcrest Mining chief Sandeep Biswas to trade the latest intelligence on the global mining market.

The nation’s big resources players have been tracking COVID-19 closely since its emergence in China, given the country accounts for half the world’s commodity demand.

Calderon has also been working to match up each country’s official virus data with anecdotal reports from his 12,000-strong workforce scattered across the globe. Encouragingly, many of the world’s major mines — including Australia’s iron ore, coal and gold industries — remain open and at peak production with backing from the federal government to operate as an essential service.

Orica says it’s critical the flow of mining exports and supply chain routes can keep trading their way through unprecedented volatility.

“I’m in permanent communication with our big clients. We have said to the government we understand we need to keep people safe but we also need to keep this industry open or the whole thing will collapse,” Calderon said.

“And if mining collapses there’s not much more.”

Orica’s Nicholson Street headquarters is virtually empty, with his staff working from home. Oddly enough, that has allowed Calderon to still go in the office each day and act as a central point of contact for his team. In Australia that includes its Kooragang Island ammonia plant in Newcastle and Yarwun facility near Gladstone. “I have people in our plants 24/7 and I made a promise to them I would come into the office every day,” he says.

From there he has started to roughly map how he sees the pandemic playing out to get a sense of possible impacts on its European, US and Latin American operations.

Calderon sees three distinct phases for governments the world over to juggle: the immediate suppression over the next two months, a medium-term response running for the next two to six months, and long-term planning beyond September.

For miners, the next few months is about keeping essential services open and Orica says the industry is well equipped to operate with a focus on safety, running separate teams and keeping tight controls on external access to mines.

The next phase will likely see governments make some tough decisions on segregation, according to Calderon.

“If indeed the case virulence of this for younger people is somewhat close to the flu, the governments need to accept segregation,” he says. “That’s going to be the big conundrum: what happens in the two to six months range. Is there going to be some flexibility around that? And for those who have already had the coronavirus, are they allowed in the workforce, and then after that suppression phase can governments do something about it?”

Still, solutions will need to be tailored to each country. Orica is facing disruption to its operations in Europe and Latin America, but for different reasons. Its quarry business in Europe has largely been halted due to the advanced spread of the virus while in Latin America its mining clients in Chile, Peru and Columbia are at a much earlier stage.

“Europe overtook China and the sheer volume of cases is posing problems as their health systems struggle to keep up. Latin America is way behind in the curve and really things are just starting. But they do not have the wealth or the health services or the safety net to be able to deal with this. So they have gone to a more extreme mitigation and we have been impacted there too.”

Calderon says the real test for the economy will be the long-term ramifications of big decisions being made now. “It’s one thing for quarterly GDP to be dropping 10 or 15 per cent but if you drop double that you have a different problem. So that balance in the next two to six months is very important to maintain,” Calderon says.

One bright spot? China, the initial epicentre of the pandemic, is heading back to work and ramping up production of its key commodities. “As a sector we are looking okay because China is coming out of the worst of it and they alone are half of demand. So that’s why our sector is surviving. It’s a bit like 2008 when Australia was saved basically because of China demand.”