

Case Study: Rio Tinto – Local business partnerships in Western Australia

‘Social procurement is everyone’s responsibility in the organisation.’

Bernadette Harris, Local Business Principle, Rio Tinto Procurement

BACKGROUND

Rio Tinto is a leading global mining company with over half of its assets located in Australia.

Bernadette Harris, the Local Business Principal is responsible for facilitating commercial engagement with both Indigenous and local businesses in Western Australia. The top three objectives of this role are:

1. To improve Indigenous and local business capabilities supporting the social license to operate and land use agreements.
2. To facilitate local participation in Rio Tinto’s procurement and tendering opportunities.
3. To fulfil the requirements for seven regional standards under relevant Land Use Agreements, including a goal of directing 13.5% of spend through Indigenous suppliers.
4. To meet spend and supplier development commitments as part of the current Reconciliation Action Plan.

APPROACH

Rio Tinto Procurement (RTP) has pursued a combination of developing local suppliers, as well as enabling further participation and access to opportunities.

The following initiatives have gone a long way to addressing challenges in the local supply base:

1. The top 20-50 non-indigenous suppliers currently working for Rio Tinto are strongly encouraged to have an Indigenous engagement strategy in place.
2. Three road shows are conducted per year, focusing on building awareness of RTP processes, systems and requirements. The road shows reduce prequalification issues and improve the understanding of upcoming business requirements.
3. From September 2012 local suppliers have been favourably weighted based on proximity to operational areas and whether or not they are an Indigenous business.
4. To address existing capacity issues and ramp up capacity to meet opportunities, RTP issue Indigenous and local businesses with advance notice of upcoming tenders to enable adequate resource allocation, capability and relevant capacity to perform contracted works.



Ashoil. A social enterprise of the Ashburton Aboriginal Corporation producing biofuel.

IMPACT

In 2012, Rio Tinto exceeded its target of spending 13.5% of total Pilbara joint venture spend directly or indirectly with local Indigenous business, achieving an impressive 58% (approximately \$900M). RTP started with eight Aboriginal businesses qualified to work directly with Rio Tinto; they now have over 100 businesses that are either working directly with or committed to a development process to work directly with Rio Tinto. Whilst this has in some instances led to increased costs in goods or services, RTP has remained focused on understanding and documenting the realised value of social procurement through its service and innovation outcomes.

A recent litmus test for social procurement was the consolidation of spend on industrial cleaning cloths in 2013. A Perth based social enterprise employing 43 mobility-impaired staff, Windsor Wiper Sales won the tender despite coming up against a cheaper international supplier.

RTP identified that the additional cost required per annum was offset by the associated benefits of expanding the volume provided to the business by this social enterprise. The budget owners agreed and so did senior management.

Annual volumes have now risen to approximately nine tonne per annum, creating significant employment for supported employees.

LOOKING FORWARD

Rio Tinto is currently focused on progressing sustainable local and Indigenous engagement by developing an auditing and monitoring program to help improve participation across the business. The long term aim is for local businesses to be included in all relevant projects by mining and associated operations.