

A Rough Road Ahead



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While Peabody Energy has achieved record safety and productivity targets and grown its global presence over the past few years, one of its leaders says that leaves no room for complacency.

Images by Julien Star Photography

As chairman of Peabody Energy's Australian operations, Eric Ford has played a pivotal role in the dramatic transformation of the company, growing productivity and encouraging innovation. During his time as chief operating officer in St Louis, and now as Brisbane-based head of Australian operations, Eric has seen Peabody grow as the world's largest private-sector coal company and a global leader in sustainable mining and clean-coal solutions.

Eric recently sat down with *The CEO Magazine* to discuss his views on Australia and its mining industry and the evolution of Peabody Energy.

***The CEO Magazine:* With more than four decades experience, what are the most important lessons you've learned over your career?**

Eric: Four decades; that's a long time. I was just 16 when I started, and at that age you don't know much at all. However, after working in the industry for a while, one starts to think, "Maybe I do know quite a lot."

I think one of the problems that we all face when we've been in an industry for such a long time is you have to learn to be patient and listen to people in order to

try to learn from them, because we don't know it all. I think we get less patient the further we progress in the industry, and we tend to pre-judge people's ability and experience and guess what they're trying to tell us, instead of listening.

For me, the biggest thing I've learned over my career is that you've got to actively listen to people, and the most effective way of achieving that is to try to avoid the distractions.

As a result, one of the things I've adopted in the modern era is that I don't take my mobile phone into meetings and I don't read a document if it is handed out in the meeting. I sit and watch the body language and the presenter's expressions and concentrate on listening. I might make a few comments and take a few notes to help me better understand, but my preference is to have the document a couple of days in advance to afford me the time to read and phrase any questions I might have and participate in the meeting.

What are some key lessons about communication you've learned?

Another thing I've adopted particularly with some of the more complex issues is to repeat back to the individual what I think I have heard, and it is amazing how often you don't get it right. That

helps me to not just listen but to participate in whatever's happening and avoid distractions.

I think the other thing that is also important—and maybe it's just part of the industry we find ourselves in—is that you need to know what management style will best suit the individual or individuals you're dealing with. You have to be able to adapt. It's not about managing upwards or downwards; it's about understanding and using the most appropriate management style with each person, because we are all different.

I know with some people, I need to 'hit them over the head' every five minutes to get them to understand. However, if you take that same approach and use it on another individual, you would get absolutely nothing from them. It's the ability to be able to look at people, read them, try to understand what and where their buttons are, what drives them, and whether or not to use 'the hammer'. I think that's how you get the best out of individuals.

My first assignment overseas when I left South Africa with Anglo Coal was managing a small Colombian joint-venture coal company. We were looking at growing the business, and, up to that point in my career, I'd done pretty well in >





South Africa and was a director of Anglo Coal. However, the prevailing management style at the time included a degree of arrogance with a distinct dictatorial element to it. That's what I was brought up on, and that was all I knew at that time in my career.

So when I went into my first management meeting in Colombia and applied that same management style, I was given a very rude awakening when all but one of my direct reports at the meeting threatened to resign. I didn't understand them, I hadn't listened to them, and I certainly didn't appreciate that they had a totally different culture to me. I apologised and committed to listen to my team, ultimately resulting in only one employee leaving.

It was a very steep and painful learning curve. As with all life experiences, you have to learn from them, otherwise you'll never grow or develop effectively. You have to take the cultural aspect into consideration when managing on the global stage.

You've studied and worked around the globe. How does the Australian business world differ from that of other countries?

The first time I came to Australia was in 1997 with a group of colleagues from South Africa; our company sent us across to learn from Australia. In the late 80s and through the 90s, Australia was renowned for being a leader in technology, systems, processes, and productivity. It was streets ahead of everybody else. Not only was it a great country to visit, but, from a business perspective, it was extremely worthwhile because there was a lot to learn.

Australia's got a really great history of getting things right. I've been back 15 months now, but when I think back 16 years and compare that to the industry I see today, to be honest, I'm worried. I've just spent five years in the United States, and they've definitely overtaken us. They've got a far better attitude towards productivity and delivery. I sincerely feel that we've become complacent, and that's sad to see because it means that projects that should happen won't happen. It's not just because the markets are

down or the exchange rate is high; it's a lot more complex than that. Fundamentally, it's because we've lost that competitive edge.

We over-regulate, our labour costs are expensive, and there are issues with the lengthy permitting processes that we have to go through. It now takes you around eight to 10 years to get a mine permitted. And I don't even want to talk about taxation. We say we're emulating the EU Emissions Trading Scheme, but why are our prices several multiples of theirs? And the whole argument about the MRRT [Mineral Resources Rent Tax] is that it's supposed to be a super-profits tax; so if your industry's not making super profits, then the tax should not be payable—which is exactly where we are today.

But because the MRRT hasn't raised as much revenue as forecast, we now see hysterical claims from many in the Labor government, the Greens, and the press that the mining industry is supposedly not paying enough tax. But how can you pay super-profit tax when you're not making any money? Plus, let's not forget that the MRRT is on top of the royalties and corporate taxes we have >

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“We are setting the standard and we are going to do what needs to be done, and do it properly.”

- Eric Ford

always paid and continue to pay. I think it's important for us to get back onto the productivity bandwagon and to start getting back into leading-edge technology.

Collectively, our industry has allowed itself to be divided and conquered. Thankfully, we're starting to see some progress in displaying a united front. However, we must try to work with the federal and state governments in order to prevent the state government putting up their royalties and the federal government putting up their taxes, both as convenient revenue raisers. At the end of the day, there's only one person who pays, and that's the consumer. And for those of us operating in global markets, the consumer has choices. If we price ourselves out of these markets, the consumer will simply go elsewhere, and Australia will lose jobs, investment, and be forced to settle for lower living standards.

I cringe when I read in the paper or hear on the radio about how dangerous the mining industry is because, if those same reporters took the time to look at the statistics, they'd find that it's safer to work down a mine than in some retail environments. I can accept that our statistics were not good in the past, but I think the industry has come a very long way in addressing its safety issues. Are we there yet? No, but we are nowhere near as bad as we are portrayed.

The industry in Australia, and particularly the coal industry, has a tough road ahead until the supply-and-demand equation becomes more balanced. Until then, we have got to return to what we used to do very well here in Australia, and that's to concentrate on productivity, processes, technology, and our people.

What plans and strategies do you have for Peabody over the next few years to increase productivity and gain back that competitive edge?

We're concentrating on what matters to our customers, our partners, the communities in which



we operate, and, most importantly, the people who want to work with us. We feel that safety and the environment are crucial differentiators for us as a company. We're all fighting for a very scarce resource: technical skills and experience. The younger generations today place a much higher emphasis on these important issues.

Therefore, getting the rehabilitation and environmental impact of our operations minimised is our main focus area after safety, and we have numerous successful examples both here in Australia and around the globe to showcase our expertise.

We are also making a concerted effort to demonstrate that we are different and hopefully better than

the rest. We are setting the standard and we are going to do what needs to be done, and do it properly. That obviously comes at a cost, but, at the end of the day, it's a short-term pain for a very long-term gain, and I believe it will help us attract and retain the best talent.

We've got to get our costs down and our productivity up, through all levels of the value chain. We're looking at transforming the business as we go forward because when that supply-demand balance comes back into our favour and the markets take off again—and they will—we'll have an extremely solid foundation upon which to manage and grow our business. >

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1 Dr. Willi Liebherr Drive
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With the recent boom, there's been an oversupply of new capacity which has adversely impacted the supply-demand balance, and that has not been well managed. This has been compounded by all the take-or-pay commitments that the industry has signed up for, which needs addressing urgently. That's what we as an industry all need to work on, individually and collectively.

How will you work with suppliers and strategic partners to bring about these changes?

Obviously, we have our joint-venture partners. That's a particularly standard model here in Australia, and I think it's a good model because a lot of our partners are potential customers or trading partners and they bring a lot of value to the joint venture.

One critical aspect is that you have to ensure your goals and business drivers are aligned. It's not just about taking anybody who has funds available, because

if you're not aligned, then you will have a fractured and unproductive joint venture.

You have to find the right partners so that you can work together to get the best out of the business, and then you've got to work on and develop that relationship based on trust. Unfortunately, when the drivers aren't aligned, trust becomes a real challenge.

Where the suppliers are concerned, trust is also extremely important, and I am in favour of having global relationships and global umbrella contracts, managed locally.

You can leverage that global usage, which assists you not only from a cost perspective but also from a technology perspective, as they will often come to you to ask, "We've got a new piece of equipment or a new technology we'd like to try; are you guys prepared to help us with it?" That is the exciting part for me. That's where the benefits of developing those relationships with

suppliers arise, and together you can help drive and develop that technology firsthand.

But one of the biggest issues engineers have—and I have an engineering background—is that we think we can design and build the best piece of equipment known to man, and, no matter how many times we try, we have a track record for getting it wrong more often than not. We have suppliers who spend millions of dollars designing, analysing, and building equipment which we then promptly buy and immediately start changing before we even put it to productive use.

Before you know it, you have a completely different piece of equipment that can add 20 to 30 per cent to the capital cost. With suppliers, we need to trust them so that when we ask, "That's the scope of the work we need to accomplish; what's the best piece of equipment you have to do that work?" Then we need to hide the engineers until that piece of equipment is delivered and operating. >

"Peabody was professional and fair to deal with. This is not always the case with large tenders and contracts. Peabody is a customer who we would like to work with again, and look forward to a long relationship together." - Steve Turner, Sales & Marketing Manager, DT Australia



If we find that it's not quite up to specifications as we use the equipment, then we can look at changing it; but that has to be done with and through close cooperation with the supplier. They have the expertise and we have the experience; combined, it can be a potent mix if used correctly.

Besides trust, what are the vital components in any supply relationship?

As I said, you need to have the same drivers. You need to be aligned and you need to complement one another, otherwise friction can develop, affecting productivity and the relationship. Transparency is also extremely important.

Since joining Peabody Energy in 2007, what have been your major achievements?

When I joined Peabody, it was at an interesting time because the

company had begun to implement its global strategy. I think that's why they were looking for a COO who had a global perspective and had worked around the world. I feel that I was able to bring that experience to the Peabody team and help drive and develop that global perspective. I don't think we're 100-per-cent there yet, but we've come a very long way in a short time.

My family lived in Colombia with me, and my daughter went to school there; I didn't just go there on my own as an ex-pat. And although it had challenging aspects to it in the late 90s, it was a tremendous experience for us all. I look at my daughter who, at 21, has seen and experienced a tremendous amount, and it has been really great to see how those experiences have helped shape the woman she is today.

My focus was obviously on the operations, which were quite diverse—not just here in Australia



“When I started down the mines and working my way up through the ranks, I was involved in real manual labour alongside my colleagues.”

- Eric Ford



but also in the United States—which were managed on a regional basis, reporting through separate structures back into St Louis. I think what I've managed to do over the past few years is bring them together to form a very cohesive and productive group.

Peabody has the most productive mines in the world by orders of magnitude. That's not just because we have the best resources, because we don't necessarily do, but by the way we do things and how we've built mines over the years. It's all down to the people and technology. Yes, we have had to move a couple of people on, but the real nucleus of the people left were already there before I joined, with the help of a few additions. It was about identifying the right people and giving them the right roles, with clear responsibilities and accountabilities to match.

Through that process, we've not only got a very cohesive team who gladly help each other around the globe, but we've also developed a very strong pipeline of talent. As a result, the vast

majority of our senior operational roles will most likely be filled as a natural part of our internal succession-planning process.

For me, the real progress has been the development of the global attitude, the cohesive and highly productive team that cares about people, particularly the younger generation of miners, developing them and giving them global opportunities.

At the end of the day, the reason I know that we've been successful is quite simple. In the six years I've been with Peabody, we've had record safety results as a company globally for five of those years. Record safety and productivity go hand in hand and don't happen by accident. They happen as a result of getting the right people in the right places with challenging roles, with the appropriate support and development structures to assist them.

Together, we've built seven greenfield mines around the world and developed North Antelope Rochelle mine, not only as the most productive mine in the world, but also the first mine to produce over 100 million tonnes of coal in a year. It's been an incredible journey to see and be a part of.

Obviously, I haven't done all of this on my own. I believe I've just been the catalyst, with tremendous support from the executive leadership team at Peabody. I do think I have a unique sense and gut feeling for identifying good talent and getting them to work effectively. People will tell you I can be a real challenge at times, and it's true, but we continue to be successful together as we share common goals and purpose.

When I started down the mines and working my way up through the ranks, I was involved in real manual labour alongside my colleagues. Those experiences have been invaluable in enabling me to better relate to our employees at all levels of the organisation. I can empathise with their highs and lows and understand the challenges they're going through. I can speak their language, and I believe that helps not only with understanding and relating to people but also getting the most out of them.

Our industry is a tremendous industry populated by great people who deliver the needs for the energy-hungry world, no matter the challenges and barriers that are continuously thrown at us—and I am extremely proud to be a part of it. ●

“We find Peabody Energy a dynamic company that thrives on innovation. They deliver on their commitments and allow us to work together in a common manner across different countries and cultures. As such our values and vision are aligned.” - Andy Tooth, Commercial Director, South-East Asia and Oceania, Earthmover Product Line, Michelin



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