

Benchmarking productivity
21 August 2009

In the last column I provided some data on the overall performance of the Australian mining industry. If I can reiterate; worldwide best practice excavator performance is up to 41% higher than what is currently being achieved on average. The same can be said for shovel performance where best practice is 37% higher than what is currently achieved on average; best practice trucks - 57%, draglines - 36% and drills - 286%. I have the empirical data to prove it.

So why do mines continue to ignore what others are doing with the same piece of equipment?

If the best practice for a 28 CuM class excavator is 22Mt per annum and the average is 17.5Mt, why don't mines do something about it? Is the \$7 million lost from the bottom line of no consequence? The chasm between average and best practice remains partly through ignorance of what best practice is and partly because it is just too difficult for some.

Consequently, many mine engineers and management find excuses for poor performance and benchmarking their performance against others is definitely not on the agenda.

"But my operation is different". It is the standard response when talking about benchmarking mining equipment. Sure, every operation is different. Some dig deep and others are shallow. Some dig ore and some dig prestrip. Some have hard digging and others soft digging. Some have long hauls and some are short. Comparing with other mines won't answer all questions. In fact it will raise quite a few questions which will need to be answered. The key to benchmarking is to take the glass half-full attitude. What can I learn about areas for improvement? What are others achieving which I should be able to do? Many mines are shocked by first time benchmark results and dismiss it through "But my operation is different. We can't do much better than we are now." These mines are consigned to mediocrity.

I am given many reasons for mines not benchmarking their equipment performance against best practice. The following are not common but they are excuses I have heard. At least they are honest.

- Stock Exchanges – don't the mines already use benchmarking techniques?
- Executive Management and Boards of Directors – we don't compare ourselves against others because we don't want our shareholders knowing we are losing so much money through inefficiency;

Head Office
Unit 2,53 Brandl Street
Brisbane Technology Park
Eight Mile Plains Q 4113
Australia
Ph: +61 7 3147 8300
Fax: +61 7 3147 8305
Email: gbi@gbimining.com
www.gbimining.com

South African Office
8 Corridor Crescent
Building B Ground Floor
Route N4 Business Park
Ben Fleur X11 Witbank
1035
South Africa
Ph: +27 13 656 4114
Fax: +27 13 656 4114



- Mine Managers – don't let the Executive Management and the Board of Directors know how we are really performing; just don't take the risk.
- Superintendents and Engineers – we are doing better than last year; don't give the company any reason not to promote me.
- Consultants – we don't have the actual performance data so we don't support real rates being used in our analyses; besides if we use real rates rather than the fictitious numbers we usually use, the client may not be happy with the result.

Productivity is more than having the right equipment and processes, it is about the people, it is about you. You can continue to be mediocre – just keep doing what you have always done. But the day will soon arrive when this industry will no longer accept mediocrity. We have entered another period of mining companies struggling with low prices. In fact my crystal ball says that the next boom won't be before 2023. The previous extended downturn from the mid 1980s to around 2002 was characterised by mines improving output per person, (ie. getting rid of excess people). People are now pretty thin on the ground and the next downturn, which we entered last year, will be characterised by those mines and companies which survive through improvements in equipment efficiency. If mines want to survive, they won't have a choice. They can't keep cutting employee numbers to give an illusion of improved efficiency. Mines will have to stop making excuses and follow the lead from that group of mines which actively compare themselves against others and use the knowledge to actively implement change.

I would like to recount the experience of a truck and loader operation here in Australia. A new manager stepped in and refused to accept the way the fleets were run. They contracted a trainer to help them improve and they did. In fact they doubled annual output. A new pit layout, a new focus on utilisation, new dippers, etc. GBI benchmarked their performance against best practice from around the world. They were amazed when they found that their equipment was still on average 38% below best practice. That was three years ago and we have worked with them since then. In 2008 this mine achieved best practice across all of their fleets.

It is up to you. There is a lot of knowledge out there so acquire it, absorb it and apply it.

Head Office

Unit 2,53 Brandl Street
Brisbane Technology Park
Eight Mile Plains Q 4113
Australia
Ph: +61 7 3147 8300
Fax: +61 7 3147 8305
Email: gbi@gbimining.com
www.gbimining.com

South African Office

8 Corridor Crescent
Building B Ground Floor
Route N4 Business Park
Ben Fleur X11 Witbank
1035
South Africa
Ph: +27 13 656 4114
Fax: +27 13 656 4114