

EQUIPPED FOR SPEED

The mining sector is taking matters of efficiency a lot more seriously now that the commodity boom is over, but data and insight are needed to find solutions. GBI Mining Intelligence has its expertise in the information they seek. CEO Graham Lumley tells *Brisbane Business News* how his business is in higher demand than ever



What is the importance of the data you provide to the mining sector?

I believe the transition of data to knowledge to innovation is extremely important. Benchmarking is a business tool which has been used by a range of businesses over a long period, and the value comes from absorbing the information and proactively applying it. If a mine does nothing then they will in fact be going backwards. We have measured that operators will individually lose 0.3 to 0.4 per cent in their performance per year due to loss of motor skills. Add to that losses in motivation, increases in complexity, ageing equipment, losses of older experienced people, and the need to keep creating knowledge from the data and innovating becomes obvious. On a more macro scale we have identified the huge differences between average and best practice for all mining equipment. The returns on capital are being reduced through sub-optimal use of the equipment and shareholders are not being made aware of it. This knowledge would not be available if we had not collected and analysed the data.

How was your business affected after the mining sector was hit by the end of the commodity boom?

In mid-2007 I predicted the end of the

boom although I didn't perceive it would come so quickly. We began changing the way we do business and prepared for a switch in the resource industry's mindset, from moving more at any price to moving only what they have to move for less. As the bust took hold last year we have found our turnover and demand has increased.

What changes are needed in the mining industry?

I have worked in this industry for 24 years and have seen many changes. What I would like to see is an acceptance that this is not a highly-efficient industry and major companies addressing this issue with shareholders, especially as many think it is efficient. Shareholders have been told by their boards that the changes in the industry from the mid-1980's to the late 1990's improved productivity mines which are now more efficient and profitable, but unfortunately they are incorrect and we have the data to prove it. For example the average mining truck must improve by 52 per cent to replicate best practice, average loading tools must improve by 32 to 42 per cent and the average mining drill still needs to improve by 270 per cent.

Are there any examples from experience that really show how vital the information

you provide can be for mining companies?

A mine in central Queensland had been trained to operate a piece of equipment in particular. The data GBI had suggested this mine was operating at about 40 per cent below best practice, so we advised them of this difference and how to improve. In the first month the mine increased productivity by 32 per cent and have continued to make gains. Twelve months later the mine has increased efficiency by 38 per cent, saving millions of dollars a year for the site.

What is your cost structure like and do you have any cash flow concerns?

Cash flow is the perennial issue for most businesses. I often have cash flow stress generated mostly by our operations in South Africa. Australian mining companies are generally very good payers but the systems in South Africa are not so good and it is very difficult to make cash flow predictions about what money is going to come in and when. Having said that we have reduced our South African receipts time from over 90 days to less than 60 days on average. Occasionally we get hit with something out of left field like the South African Reserve Bank freezing money leaving the country, but so far we have managed to resolve those issues.

How do you forecast the state of your own business over 2009 and further into the long term?

In the medium term I am cautiously optimistic. Our phone has been ringing off the hook from mines and suppliers who were too busy during the boom to consider the value of knowledge to their businesses. Many are contacting us because they are looking for a strategic advantage in a business where sales have fallen away dramatically. I said I was cautiously optimistic. I know that not all the contacts will result in work but the level of prospects is higher now than ever.

What are the biggest challenges for you?

My wife and I have 16-year old triplets in grade 12 who have to do 100 hours of driving lessons each and deal with formals, tests, schoolies and so on, so work challenges pale into insignificance. I have promoted an operations manager to chief operating officer to take some of the workload off me and as always the biggest challenge is balancing growth with cash flow.

How significant is your presence internationally?

We have clients in North America, Canada, Chile, Venezuela, Colombia, South Africa, Namibia, Tanzania and Australia. We have short term prospects in Brazil, Indonesia and New Zealand to add to this list. Our head office is in Brisbane, we have a regional office in South Africa and we have firm plans to open an office in Santiago (Chile) in the second half of 2010. I have always controlled growth and not really pushed growth overseas - the growth has come looking for us.