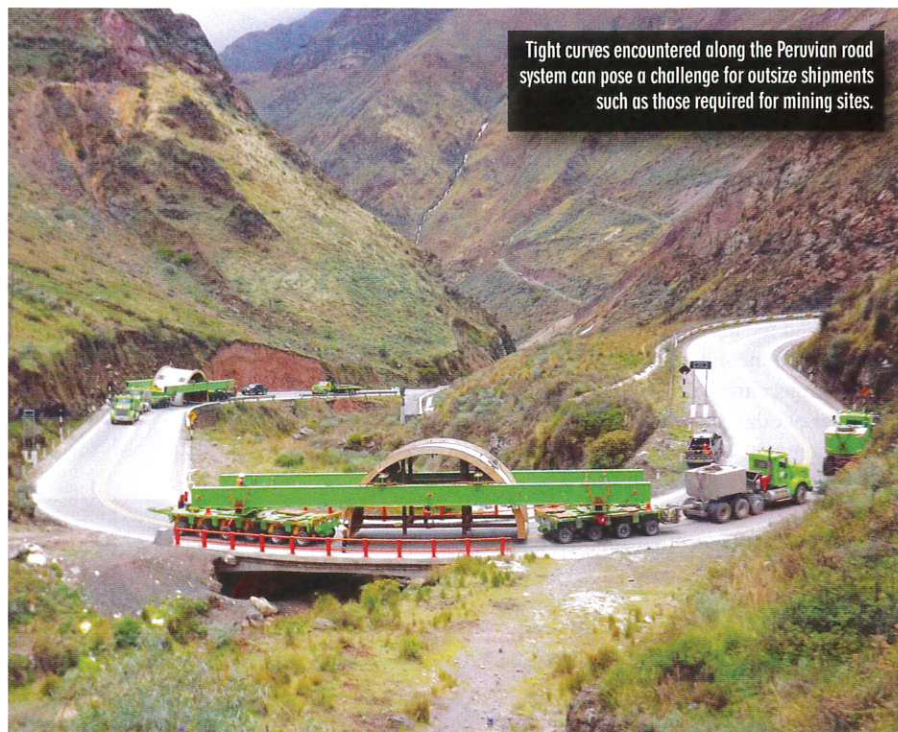


Project logistics in Peru continues to thrive on the back of the country's strong mining industry, which in turn could not function without heavy lift transport providers – but various factors, not least pressure from environmental groups, could cause growth to falter in the years ahead.



Mutual support helps search for precious metals



Megan Ramsay,
our roving reporter in

LATIN AMERICA



Extractive industries – including mining for metals such as copper, gold and zinc – account for around 15 percent of Peru's gross domestic product, and make up over 50 percent of the country's exports. The main destinations for the country's exports are North America and China, with the latter being hungry for imported raw materials to supply its manufacturing sector.

There are currently a number of projects relating either to new mines or the expansion of existing ones. It is expected that 2014 will bring an increase in the production of copper with the opening of the state-owned Aluminum Corporation of China (Chinalco) USD4 billion Toromocho mine, the Constancia site of Hudbay (Hudson Bay Mining and Smelting Co), the USD5.9 billion Las Bambas project

(currently due to open late next year and up for sale by natural resource giant Glencore Xstrata), and the expansion of Freeport Macmorran's mine at Cerro Verde. Peru is already one of the world's top copper producers – and energy and mines minister Jorge Merino is reported to have forecast a 17 percent rise in production next year.

Ongoing projects

With regard to other metals found in Peru, such as gold, silver and zinc, numerous projects are under way. For example Santander is working on a polymetallic mine, and El Brocal is developing its activities further – the company is involved in the production of silver, lead, zinc and copper in the Pasco region of Peru. Towards the end of 2014, the Inmaculada mine

owned by Minera Hochschild Mining will begin production, which is expected to increase Peru's production of silver by 10 million ounces (283 tonnes) per annum.

Supporting this industry is a logistics community that specialises in moving the sort of heavy and outsize pieces of equipment necessary to keep extraction operations running. Some of the problems faced by these forwarders in Peru pertain to a lack of adequate infrastructure in the country, a problem common to many parts of Latin America. José Antonio Valle, managing director of US headquartered MIQ Logistics' Latin American operations (based in Lima), commented: "It is the copper mines that need to move the largest items out of the whole mining sector due to the fact that the production processes involved require large machinery such as SAG mills, autoclaves and atmospheric flash vessels.

"These items pose a tremendous challenge when it comes to transporting them in Peru, due to the difficulties we face with our highways and roads linking the mines with our ports. As a result, it is

necessary to carry out very detailed logistics plans well in advance.”

For example, MIQ and its partners were awarded the contract to provide end-to-end logistics relating to Chinalco’s Toromocho mine back in 2009. The planning process began two years before the project started, taking into account each piece of equipment that would be involved, the mine’s scheduled start-up date, weather and traffic patterns, and the infrastructural difficulties that might be encountered.

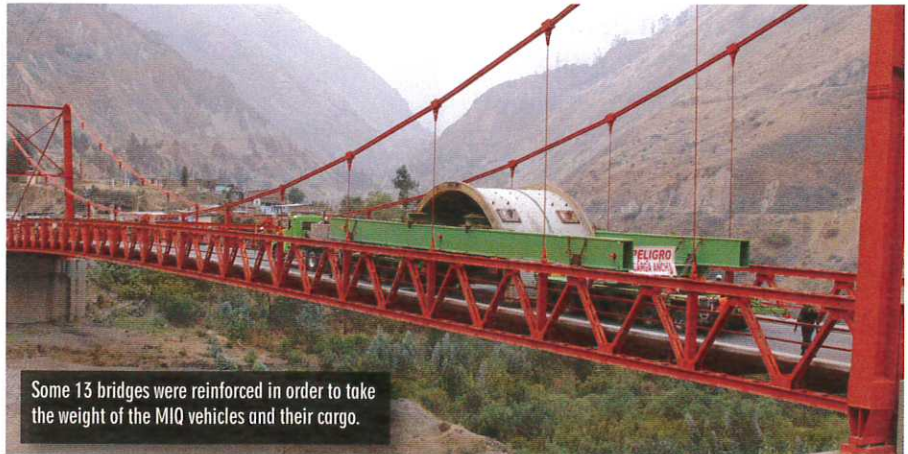
The project involved MIQ working with a number of other parties to ensure the safe and efficient transport of 3,714 outside items from 17 different countries (including China, Brazil and Spain) by sea and transporting them by road from their port of entry (most items arrived at Callao) to the site.

The Toromocho site is located 4,600 m above sea level and the only viable access route was the country’s central highway, which had to be cleared of traffic while the large, heavy loads were transported along it. Other challenges included steep slopes, tight curves, and the need to raise the Tambo de Viso railway bridge by 20 cm to allow the passage of the tallest shipments – an unprecedented event. In addition, some 13 bridges were reinforced in order to take the weight of the vehicles and their cargoes, which in the case of the ball mills and SAG mills reached a total of 100 tonnes. Some of the shipments required specially designed vehicles to transport them while other, sensitive items had to be stored in air-conditioned tents to preserve their integrity before they could be moved to their destination.

Delays and opposition

As far as new mining projects go in the longer term, there appears to be a slowdown in investment across the sector. Peru’s mining industry is worth around USD57 billion, making it one of South America’s strongest producers of mineral products (only slightly behind Chile); but a fall in mineral prices, changes in administrative processes such as the introduction of consultations, high costs and a lack of financing are all affecting the sector.

Some believe that the expansion of Peru’s mining activities could falter over the coming years. Projects such as La Granja, Quellaveco, Michiquillay, Conga and Galeno could suffer delays, meaning they may not start production until 2017 or 2018 – and the industry’s growth could, as a result, be hindered. This would mean a deceleration in



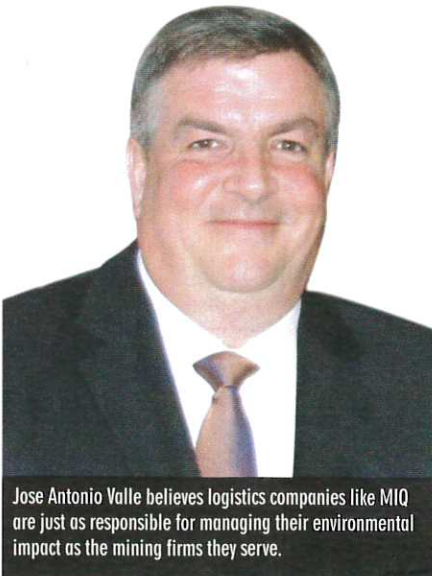
Some 13 bridges were reinforced in order to take the weight of the MIQ vehicles and their cargo.

mining-related business for project logistics providers and an increase in competition for tenders, potentially driving down profit margins for those forwarders that deal principally with mine-related shipments.

The mining industry faces continuing opposition from local communities and environmental groups. The controversial Conga mining project is a case in point: clashes between police and anti-mining protesters in the Cajamarca region led to several deaths and the suspension of the project earlier this year.

Noting the inevitable effects of modern life on the environment, Valle considered: “The challenge lies in finding responsible ways to ensure that the processes involved in extraction of minerals have as little impact as possible on the environment. In legitimate mining, this mitigation of environmental impact is carried out very responsibly: these days, financing automatically comes with this sort of obligation and legitimate mining companies are clear that the environment is very much worth looking after.”

According to Valle, the big problem in



Jose Antonio Valle believes logistics companies like MIQ are just as responsible for managing their environmental impact as the mining firms they serve.

Peru is the large amount of illegal mining that goes on – miners that use extraction methods involving chemicals that not only affect the environment but can even destroy it completely. “Today we can see significant parts of our forests totally devastated and rivers completely contaminated. The irresponsible use of heavy machinery is the biggest problem in Peruvian mining and it affects legitimate mines as well, which invest huge quantities of money in environmental initiatives but are tarred with the same brush as the illegal mines,” he said.

Environmental responsibility

“As for whether logistics companies have a responsibility for the environment, I would say definitively that yes, we do,” Valle continued. MIQ personnel received 864 hours of training for the Toromocho project, covering safety and environmental issues. “We are all responsible for the environment and any logistics company that is not clear on the need to minimise the environmental impact of its transport, stevedoring and packing processes and so on is an irresponsible company just like the illegal miners.”

On a more positive note, Southern Copper’s USD1 billion Tía María project near Arequipa could be given the go-ahead early in 2014, allowing the company to start production in March, according to reports. This undertaking was suspended in 2011 after violent protests, but Southern Copper has been working to reach a compromise with locals and anti-mining groups in order to gain a licence to operate. The firm’s latest environmental impact assessment was submitted at a hearing in December and it is expected that the project will soon be approved. The Tía María mine could produce up to 120,000 tonnes of copper each year – and projects such as these will keep heavy lift logistics providers busy.

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