



## Chile Codelco Names BHP's Hernandez at `Critical' Time (Update1)

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By Matt Craze and Ivan Weissman



April 21 (Bloomberg) -- Codelco, the world's largest copper producer, appointed **BHP Billiton Ltd.'s Diego Hernandez** as chief executive officer as the state-owned company seeks to boost output for a second consecutive year amid Chile's earthquake reconstruction efforts.

Hernandez, 62, president of **BHP's** base metals division, will assume the role on May 19, Codelco said in a statement posted yesterday on the Chilean securities regulator's Web site. He will replace **Jose Pablo Arellano**, 58, whose term ends, Codelco said.

Hernandez, named 2010 **Copper Man of the Year** by the Copper Club in New York, takes over as Codelco plans to invest a record \$2.3 billion in mines this year and an average \$3 billion in each of the next five years to develop mines. Chile is revising Codelco's expansion plans amid the need to spend cash on rebuilding roads and bridges after a Feb. 27 earthquake, Mining Minister **Laurence Golborne** said in an April 5 interview.

"Hernandez's mining background has been proven at the highest level of the industry," **Juan Carlos Guajardo**, executive director of Chile's Center for Copper & Mining Studies said in a telephone interview from

Santiago. "But he has little time as the company is at the most critical stage of its history."

Codelco increased production in 2009 for the first time in five years, reaching 1.78 million metric tons, the highest since 2006, boosted by a full year of output from the Gabriela Mistral mine. Output in 2008 was 15 percent less at 1.55 million tons.

The Santiago-based company spent \$2.2 billion last year to develop reserves to meet rising demand for power cables and electrical wire from China. Congress approved a corporate governance law last year that aims to improve Codelco's transparency and efficiency, removing ministers from its board.

### Expansion Plans

Chile will look at "creative" ways of raising cash for good projects, though selling a minority stake in Codelco isn't planned, Golborne said in the interview earlier this month. The government of billionaire **Sebastian Pinera**, which took office in March, will respond to a petition from Codelco for project financing in June, he said.

Codelco may dispose of its stake in Empresa Electrica del Norte Grande SA, the biggest power producer in northern Chile, as part of government efforts to pay for earthquake reconstruction, Pinera said April 12. Codelco unions including the Federation of Supervisor & Professional Unions opposed the sale of assets in statements sent after Pinera's comments.

"We will have to see what his position is," **Luis Callejas**, a union official at Codelco's Norte division, said in an interview at a Codelco workers conference in La Serena, Chile, referring to Hernandez. "If it isn't positive then everyone will get down into their trenches pretty quickly."

Vale, Rio

The price of copper fell today after China, the world's largest consumer, took further steps to control

economic growth. Futures for July delivery declined 0.5 percent to \$3.5185 a pound at 11:16 a.m. on the Comex in New York. Copper for delivery in three months dropped 0.7 percent to \$7,733 a metric ton on the London Metal Exchange.

Prior to joining BHP, Hernandez was executive director in charge of non-ferrous metals at Brazil's **Vale SA**, the world's largest iron-ore producer, and chief executive of the Collahuasi copper mine in northern Chile. He also held positions at **Anglo American Plc** in Chile and **Rio Tinto Plc** in Brazil.

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