

**SE** Exclusive  
**HD** **Miners poised to protect capacity allocations as Western Australian ports go on sale block**  
**BY** Angela Kean  
**WC** 757 words  
**PD** 1 September 2014  
**SN** SNL Metals & Mining Daily: West Edition  
**SC** SNLMMDW  
**VOL** Issue: 81997  
**LA** English  
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Miners active in Western Australia's Pilbara region will likely be trying to gain an audience with the state government to gain certainty around their capacity allocations at Utah Point on the back of news that the port has been earmarked for **sale**.

The government revealed Aug. 28 that it will be selling the Utah Point bulk handling facility at Port Hedland, the Kwinana bulk terminal and the Perth Market Authority, with the three assets expected to fetch between A\$1 **billion** and A\$2 **billion**.

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These are the first assets to be sold off as the Western Australian government works to lower debt and regain its AAA credit rating.

"These assets are better placed in the private sector," Premier Colin Barnett said in a statement. "They are likely to be better run by the private sector."

Port Hedland's Utah Point bulk handling facility is one of four berths owned by the Pilbara Ports Authority. It includes a shiploader, two stockyard product storage facilities and supporting infrastructure.

In the 2013 financial year, the facility — which has a capacity of around 20 **million** tonnes per annum and ships **iron ore**, manganese and chromite — earned A\$86.5 **million** in revenue, with A\$44.1 **million** in expenditure.

The main exporters using these facilities include Atlas **Iron** Ltd., Mineral Resources Ltd. subsidiary Process Minerals International Pty. Ltd. and Consolidated Minerals Ltd.

Patersons Securities head of research Rob Brierley told SNL Metals & **Mining** that **mining** companies that use the facility will no doubt be making inquiries to the government to make sure their allocations are secure for the near term.

"I'm sure they would have a look at the data room or whatever is open to people just to see what was going on there," he said. "It would be remiss of them not to do so."

Atlas **Iron** and Mineral Resources were unavailable for comment.

While these companies will likely be watching closely to see how the **sale** unfolds, the consensus seems to be that the privatization of Utah Point will not have a significant impact on the **operations** of the users.

An analyst who did not want to be named told SNL that the contracted users will probably get "some sort of favorable treatment" if the port facility sells.

The A\$300 **million** Utah Point development was funded by the potential users of the port in exchange for capacity allocation.

"They had exclusive rights to a certain proportion of its capacity for a period of time," Patersons' Brierley told SNL. "I actually think they've got reasonably watertight agreements for the next couple of years."

While users will want to ensure the security of their allocations, it is unlikely they will look to buy the port, whether it be in partnership with someone else or on their own, according to industry watchers.

The analyst, who did not want to be named, told SNL that actual ownership of a port by a user is "pretty rare."

Brierley said the price tag for the asset is just too large for any of the users to consider acquiring the port on their own, estimating that it could fetch between A\$500 million and A\$800 million.

The port assets are likely to be sold as a long-term lease, according to Barnett, with the deal including the sale of the fee per tonne that the government charges each user, which could mean a potential hike in charges under new private ownership.

"It's always an issue. Whenever you privatize you're subject to the vagaries of market conditions, and at the moment the Port Hedland port is very full," Brierley said. "So in that case they may have some concerns in the medium to long term, but I don't think there's anything in the short term to worry about."

Meanwhile, interest in the purchase of the Utah Point bulk handling facility is most likely to come from pension or infrastructure funds and less so from Chinese buyers, according to Brierley.

"I think it's more attractive to an infrastructure fund or a pension fund that's looking for a return above their cost of capital," he said.

Brierley tips Australian freight logistics company Asciano Ltd., multinational property and infrastructure firm Lend Lease and logistics and infrastructure player Qube Logistics Holdings Ltd. as potential buyers. He also sees the Ontario Teachers' Fund or a private equity group as possible buyers.

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