

HD Port push worth pursuing

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The \$1.4 **billion** takeover offer for Perth **company** Aquila Resources could prove to be one of the most strategically important developments in Western Australia for many years.

The main driver behind the takeover offer is the desire of joint bidders Baosteel and Aurizon to hasten development of the West Pilbara **iron ore** project.

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For Baosteel, it's the opportunity to develop new **iron ore** mines to secure future supplies for its steel mills in **China**.

For Aurizon, it's the opportunity to develop a 432-kilometre railway and a 40 **million** tonnes per annum port at Anketell Point, near Dampier.

At a likely cost of \$6 **billion**, it's a huge undertaking.

What makes it especially significant is the potential to unlock 'stranded' **iron ore** deposits held by junior miners at a time when most pundits had tipped the end of major new investments in the sector.

There was also good news for aspiring **iron ore** miners in the southern half of the state, after the state government selected a preferred consortium to develop multi-user export facilities at Esperance.

Rail **company** Asciano, construction contractor McConnell Dowell, and Japanese trading house Marubeni make for a very powerful grouping.

MacDow is currently building two wharves for the Roy Hill **iron ore** project. Once completed, the contractor will have built 10 of the 14 **iron ore** load-out wharves at Port Hedland.

The consortium has been tasked with designing, building, funding and operating the proposed facility, which would nearly double the port's export capacity to 20mtpa.

But it will only proceed if miners in the Yilgarn region can commit to supplying 10mtpa.

That represents a big challenge, and opportunity, for the likes of Cazaly Resources, Jupiter Mines, Radar **iron**, GWR, and Mindax.

The tough times facing some of these companies was highlighted by Mindax's announcement last month that its chairman, its chief executive and most staff would leave the **company** to cut costs.

If the economics of the Esperance port project start to look shaky, it will be interesting to see if new Transport Minister Dean Nalder is prepared to watch it fold.

That's what his predecessor, Troy Buswell, vowed 12 months ago.

"There is no guarantee that process will **lead** to an outcome in terms of investment in infrastructure," Mr Buswell told a ports conference.

"I hope it does but there is no guarantee.

"The role of government will not be to step in to that process to try and subsidise or shore it up."

Mr Buswell was right, for many reasons.

One reason is that, if the Asciano project - or indeed Aurizon's plans for Anketell Point - is unable to proceed, there are alternatives.

As Business News has previously reported, **Iron Ore** Holdings, Mineral Resources and Rutila Resources are working on transshipment ports in the Pilbara and at Kwinana.

These ports would provide a lower development cost and potentially proceed faster than traditional harbour construction projects.

The Barnett government has cautiously accepted the benefits of private sector investment in new port infrastructure, evidenced most clearly at Esperance.

It has also floated the possible **sale** of specific assets like the Utah Point berth at Port Hedland.

But why not go a step further and get the private sector to buy entire ports, as other states have done at extraordinarily attractive prices?

The Port of Newcastle was sold last month for \$1.75 **billion**, or 28 times underlying profit as measured by earnings before interest, tax, depreciation and amortisation (EBITDA).

A few months earlier, Sydney's Port Botany and Wollongong's Port Kembla were sold for a price equivalent to 25 times EBITDA.

At those sorts of multiples, the WA Treasury would reap about \$6 **billion** from selling Fremantle, Port Hedland and Dampier ports.

It's got to be worth a closer look.

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