

Oakajee port's prospect are sound: Barnett

June 24, 2011 - 2:35PM

<http://www.smh.com.au/business/oakajee-ports-prospect-are-sound-barnett-20110624-1giwv.html>

West Australian Premier Colin Barnett says he expects a reshuffle of the partnerships behind the giant Oakajee port and rail project but remains confident it will go ahead.

China's Sinosteel yesterday announced it was shutting down its \$2 billion Weld Range iron ore project in WA's Midwest until uncertainty around the \$4 billion Oakajee development was resolved.

The move by one of the project's major foundation customers has put the already-troubled development in question.

Sinosteel said delays in getting the project started were costing it \$100 million a year.

Oakajee was originally due for completion by 2012 but that has been stretched out until 2015 and the project has been hit by cost blowouts.

Mr Barnett said today that he understood Sinosteel's position but it had not walked away from Oakajee, only put its mine on hold.

He told ABC Radio the project would go ahead but he expected there would have to be some realignment of the partners.

"The fundamental economics of developing that mineral province in the Midwest and the deepwater port in the southern part of the state are sound," Mr Barnett said.

"What we've got to do is align the partners better and bring in some of the major balance sheets and major financial resources.

"I suspect you'll see some reorganisation of the shareholding or partnerships within Oakajee Port and Rail (OPR) over the coming weeks."

OPR, a joint venture between Murchison Metals and Japanese company Mitsubishi, has come under increasing scrutiny following the cost blowouts and reports Mitsubishi intended to pull out of the deal.

Mr Barnett said that Mitsubishi, one of the world's largest companies, could certainly fund and build the project but it might be "a stretch" for Murchison to keep up its share of the agreement.

"You may see other companies come in."

Mr Barnett said OPR had until the end of December to bring the whole project together.

"They have six months to do that. If they don't, it will be reorganised."

The premier said Oakajee had always been a difficult project, involving several mining companies and low-grade iron ore deposits.

"The way in which this was set up, first, setting China in competition with Japan, was not a good idea," Mr Barnett said.

"Also, setting up the proponents for the rail and port who also have a direct interest in the mine immediately creates conflicts for other miners and that's what's playing out."

Mr Barnett said the federal government's proposed mineral resources and carbon taxes had also made things difficult for Oakajee, and senior Chinese government officials had raised that with him in recent weeks.

But he said billions of dollars had already been invested in mines in the midwest and the state and commonwealth governments had committed to putting \$680 million into building and owning the port.

The premier said he still considered Oakajee the most important development project for WA, benefiting Geraldton and other midwest centres and providing thousands of jobs for people in WA's south.

He said the state's investment was a commercial one to underpin the development and generate income from port charges to benefit WA for the next 50 to 100 years.