



26 April 2016

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Hon Robyn McSweeney MLC  
Chair, Legislation Committee  
Legislative Council  
Parliament House  
WEST PERTH WA 6005

Dear Chair

**Pilbara Ports Assets (Disposal) Bill 2015**

Thank you for your letter dated 24 March 2016 inviting Consolidated Minerals Pty Ltd to provide a written submission to the Standing Committee on Legislation's Inquiry into the *Pilbara Ports Assets (Disposal) Bill 2015*.

The Association of Mining and Exploration Companies (AMEC), of which Consolidated Minerals is a member, will also be making a submission to the Inquiry. Consolidated Minerals fully supports the points made in the AMEC submission and makes this submission to provide additional context specific to Consolidated Minerals and to outline those matters which are of particular importance to us. It is intended that this submission be read in conjunction with the AMEC submission.

I would be pleased to appear before the Committee, in conjunction with representatives of AMEC, to expand on the attached submission as well as on any issues raised in the AMEC submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Muller', is written over a light blue horizontal line.

Paul Muller  
Managing Director



**CONSOLIDATED  
MINERALS**

Submission to the WA Legislative Council Standing  
Committee on Legislation re:  
*Pilbara Ports Assets (Disposal) Bill 2015*

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## 1. INTRODUCTION

Consolidated Minerals Pty Ltd (CMPL) is one of the existing users of the Utah Point Bulk Handling Facility in Port Hedland. As such, CMPL has a direct interest in this Bill and of its economic and social consequences on the existing and future users.

CMPL is a manganese producer with a mine at Woodie Woodie, some 425 kilometres south-east of Port Hedland. Manganese was first discovered at Woodie Woodie in the 1940's with exports commencing from Port Hedland in the 1950's. CMPL currently relies on using Utah Point to export its manganese ore. CMPL is one of the foundation users of the Utah Point Facility and, together with other users, assisted in the initial funding for the construction of the Facility.

Manganese ore is an essential raw material for the production of alloys (such as silicomanganese and ferromanganese), which are mainly used in the production of steel to improve its hardness, abrasion and elasticity. The ore mined at Woodie Woodie is recognized as a premium product in the international marketplace because of its relatively high manganese content and relatively low levels of impurities.

Due to its use in steel making, there is a broad correlation between manganese pricing and iron ore pricing. The percentage fall in manganese prices has, however, been greater than the percentage fall in iron ore prices over the past few years. Between the end of 2014 and late 2015 / early 2016 manganese prices fell by more than 50%. As a direct result of the then record low price for manganese ore, CMPL was forced to suspend operations at Woodie Woodie and commence a transition into care and maintenance with effect from 2 February 2016.

It is CMPL's intention to recommence mining operations when manganese pricing increases to a level that is sustainable and at which the mine can be operated profitably.

It is essential that, in order to be in a position to recommence mining operations, Utah Point port facilities are available for the export of CMPL's manganese ore. There must be certainty as to the pricing and access regimes that will apply at the Utah Point Facility post-privatisation.

## 2. KEY ISSUES

As detailed in the AMEC submission, the existing Utah Point users (which includes CMPL) support the sale of Utah Point in principle, however are of the view that the Bill needs to specifically provide details of the pricing and access regimes that will apply to the Utah Point Facility post any disposal to a third party operator.

The fact that CMPL's Woodie Woodie manganese mine is currently on care and maintenance makes it even more imperative, from CMPL's perspective, that the parameters for privatised operation are detailed in the legislation itself, rather than be the subject of subsequent regulations.

Of particular importance are the following:



### **Issue 1: Utah Point to remain exclusive to Junior Miners**

Currently Utah Point is the only port facility in the Pilbara region that is available for “Junior Miners”. Indications from Treasury are that a Junior Miner will be defined as an entity that is not a major miner (being BHPB, Rio Tinto, FMG, Roy Hill or any entity specified by the Minister, a related entity of any of those or any associate of those).

The original rationale for the establishment of the Utah Point Facility, which was co-funded and co-founded by Government and the junior miners, was to provide an export facility exclusively for the junior miners. This exclusivity must be maintained. In the event that a major miner gains access to Utah Point, the area to which it has access will be permanently lost to junior miners. As junior miners progressively fall away, the material economic and social benefits junior miners deliver to the State of Western Australia will end.

### **Issue 2: Pricing**

In mid-May 2015, the State Government introduced a temporary cost relief package for those existing Utah Point users who exported iron ore over Utah Point (namely, Mineral Resources and Atlas Iron) that would be in place between 1 July 2015 and 30 June 2016 (**Cost Relief Package**).

In summary, the Cost Relief Package provides the existing iron ore producers using Utah Point with a \$2.50/tonne reduction on the fees and charges otherwise payable to the Pilbara Ports Authority. For the reasons outlined in the AMEC submission, we are of the view that this reduction is not a handout, but operates to wind back some of the unjustifiable increases imposed by the Pilbara Ports Authority in 2012/13.

Despite representations to the responsible Minister, the Cost Relief Package was not extended to CMPL, notwithstanding that, as a bulk commodity producer, its operations are substantially similar to those of the iron ore producers.

It is essential that the pricing regime that is to apply to Utah Point post-privatisation is enshrined in the legislation for the disposal of Utah Point and that it is consistent for all Utah Point users.