

# From Ken Court to Li Ping, Oakajee saga ongoing

Plans by a private Chinese group to revive the multi-billion dollar Oakajee port project add a new twist to a 45-year saga.



**LIMITED:** Geraldton port has little capacity to grow beyond current annual volumes of 16mt.

Photo: midwestports.com.au

March 25, 2010

Mark Beyer

mark.beyer@businessnews.com.au  
@AMarkBeyer

A NEW deepwater port has long been considered the key to opening up the development of Western Australia's Mid West.

The area holds vast deposits of iron ore and other minerals, but is serviced by a single port heavily constrained by its location next to Geraldton's city centre and unable to accept large Cape-class vessels.

Oakajee, a windswept spot about 20 kilometres north of Geraldton, was identified as the preferred site for a new port back in 1972.

One year later, the Labor government led by premier John Tonkin struck a deal with the first of many companies hoping to open up the region's iron ore reserves.

The Iron Ore (Murchison) Authorisation Agreement Act 1973 was designed to help the now long-forgotten Northern Mining Corporation develop a new port-and-rail link to planned iron ore mines.

The state agreement subsequently passed to Kingstream Steel, which spent all of the 1990s working on its plans for a steel mill.

Chaired by Ken Court, brother of then WA premier Richard Court, and led by chief executive Nick Zuks, Kingstream had backing from Taiwan's An Feng Steel Co.

It initially intended to develop a

small-scale project that would use the existing Geraldton port, but was urged to think big and pursue a larger project that would underpin development of the new port at Oakajee.

While the ambitious proposal initially raised hopes in the region, the 1997 Asian Financial Crisis and resultant collapse in steel prices doomed the project as An Feng reined-in its growth plans.

Kingstream went into administration in 2001 but re-emerged two years later after a major financial restructuring as Midwest Corporation.

Midwest and Murchison Metals, which was founded in 1997, were some of the Perth-based ASX stocks that rode the iron ore boom during the 2000s.

Each had ambitious plans – Midwest wanted to develop the giant Weld Range deposit, while Murchison sought to develop the Jack Hills mine.

The key problem for both projects was their remote location, more than 500km from the coast.

However, that issue was overcome as both companies gained heavyweight backing in the midst of the China-fuelled iron ore boom.

Japan's Mitsubishi Corporation partnered with Murchison, and China's Sinosteel Corporation outlaid \$1.2 billion to take over Midwest Corp in 2007.



This takeover arguably signalled the high point of 'China Inc' paying too much for Australian assets during the boom years.

Around the same time, another Chinese steel maker, Ansteel, was partnering with ASX-listed Gindalbie Metals to build the \$3 billion Karara iron ore project, inland from Geraldton.

In addition, there were several other groups seeking to develop smaller iron ore projects in the region.

Collectively, these projects were capable of producing more than 50 million tonnes of iron ore per year.

That's well above the capacity of Geraldton port, which handled 15.9mt of goods in the year to June 2008, including 12mt of iron ore.

The solution was Oakajee.

## Two bidders

At the peak of the boom in 2007, two consortia were competing to develop the new port and associated rail lines.

Their backers added a geopolitical overtone to the commercial bidding.

Yilgarn Infrastructure was backed by Chinese interests and was closely aligned with Sinosteel Midwest.

At one stage it claimed the 1973 state agreement, still held by Midwest, gave it the right to develop Oakajee, but that idea was quickly shot down by the state government, which said the agreement was well past its use-by date.

Japan's Mitsubishi was backing the competing Oakajee Port and Rail consortium.

In July 2008, the Labor government of Alan Carpenter selected OPR as its preferred proponent to develop Oakajee.

The early signs were promising.

In mid 2009, Ansteel said it planned to investigate the viability of a steel mill at Oakajee.

In early 2010, Sinosteel Midwest, Gindalbie Metals and Crosslands Resources – a joint venture between Murchison Metals and Mitsubishi – were selected as potential foundation customers of the port.

However, planning for the port ran up against multiple challenges.