

Pilbara Ports: Expansion Approaches to Ensure Tomorrow's Exports



Photo: The Australian

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BHP Billiton WA iron ore operations

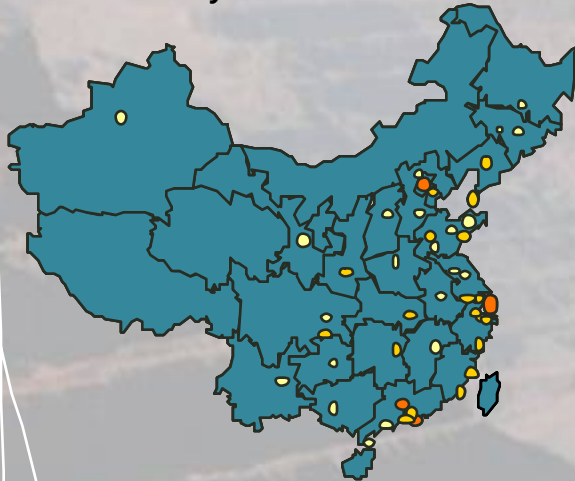
- Seven mines producing ~ 106 Mtpa;
- Total productive movement ~ 300 Mt;
- Integrated mine, port and rail operations;
- More than 7,000 permanent and contract employees in WA
- Multiplier effect: 21,400 jobs
- 8.7% of WA employees Indigenous (Jan 07)



Chinese urbanisation likely to lead to major city development

China's tiered city structure:

Today: 45 tier 1-3 cities



Total Urban Population (millions):
532

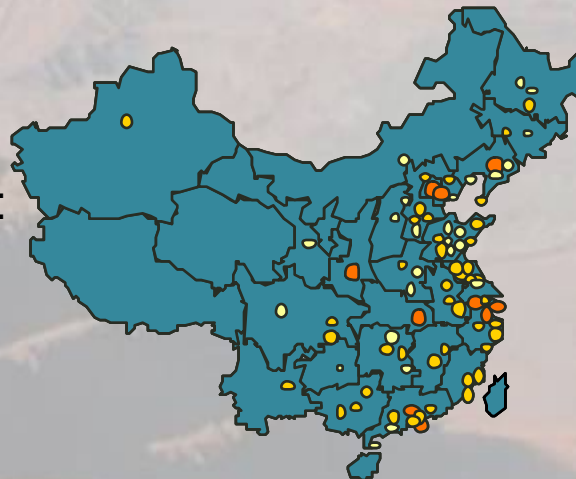
- Tier 1
- Tier 2
- Tier 3

2020: 147 tier 1-3 cities



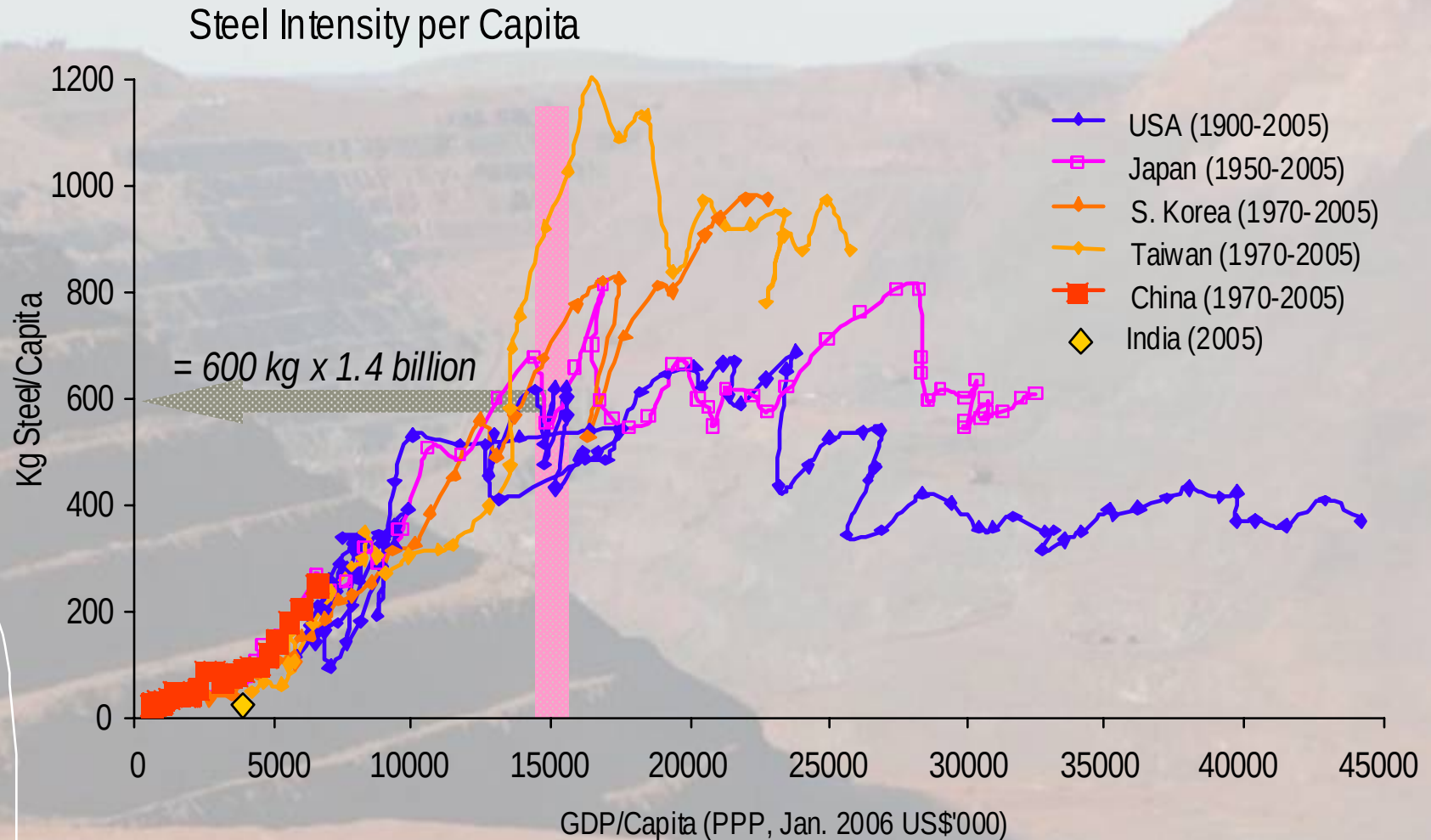
Total Urban Population (millions):
970

2010: 86 tier 1-3 cities



Total Urban Population (millions):
658

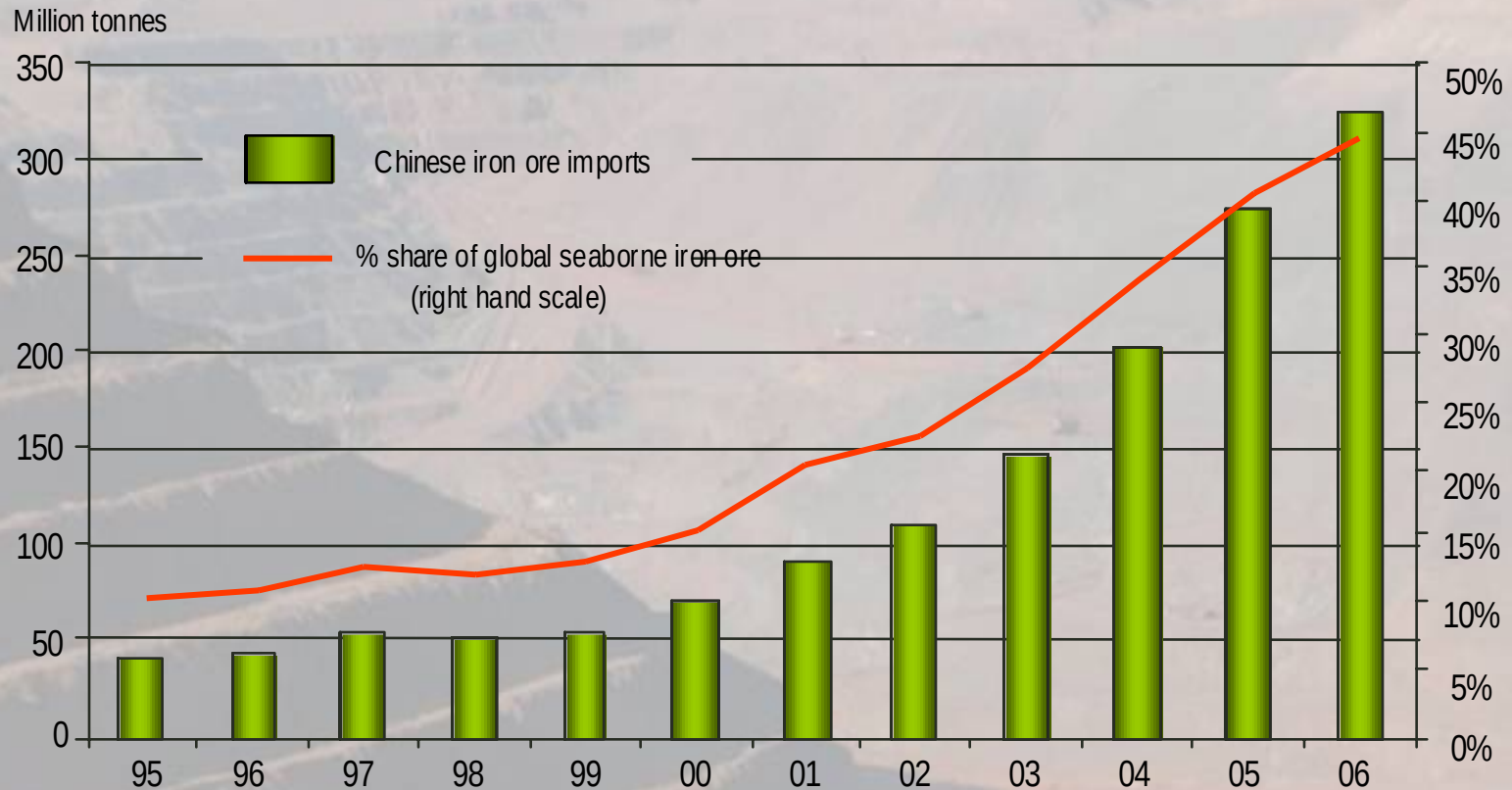
Which in turn will increase demand for steel...



Source: World Bank, OECD (GDP at Purchasing Power Parity); IISI

And for iron ore...

Chinese iron ore demand and % share of world demand



Source: IISI, China Customs, CRU, Tex, Clarksons & BHP Billiton

BHP Billiton has been growing to meet demand

Approved	Project	Cost (US\$M) ⁽¹⁾	Tonnes (Mt)
2002	Area C & PACE	564	15
2003	Accel. Expansion	50	7
2004	RGP1	111	10
2004	RGP2	575	8
2005	RGP3	1,529	20
2007	RGP4	2,100	26
TOTAL		4,929	77 ⁽²⁾

- Studying expansion options beyond 155Mtpa
- Potential to grow beyond 300Mtpa in next 10–20 years

(1) 100% basis

(2) Includes suspension of Goldsworthy Northern Area production (9Mtpa) as part of RGP3

WA is well placed to continue supplying growing demand

- Close proximity to Asian markets
- Efficient, low cost operations
- Realising this opportunity will require:
 - Large, high quality resources
 - Continued expansion of mining activities and investment in rail infrastructure
 - Investment in additional port infrastructure
 - Regulatory environment to facilitate timely brownfields expansions and encourage new investments

Port Hedland will meet current requirements

- Port Hedland has sufficient capacity to accommodate BHP Billiton's current expansions
- Increased exports from Port Hedland are also being evaluated
- Considerations include:
 - Cost of expansion
 - Dust
 - Noise
 - Tides
 - Stockyard space

Longer term a new port will be required

- A new port will mitigate single system risks and ease capacity constraints at Port Hedland
- Three possible options for a new port:
 - Mining company owner and user
 - Privately owned, multi-user port
 - Government owner
- Certainty around investment framework is required to underpin expenditure

Ownership structures affect timing of expansions

THE HERALD

14 April 2007

PORT'S COAL BOTTLENECK

The Courier-Mail

31 May 2007

ACTION TO OVERCOME CRIPPLING PORT CRISIS

Xstrata and Rio Tinto yesterday both pledged to devote more funds to infrastructure to try to ease the bottlenecks costing the Australian coal industry \$2 billion a year through missed exports, jobs and increased costs...

THE AUSTRALIAN

30 May 2007

RAIL DELAYS FORCE GIANT BUYER OVERSEAS

Australia faces the loss of multi-billion dollar coal export contracts to countries such as Indonesia and Mongolia unless the Queensland Government can clear a tightening bottleneck at its biggest coal port...

THE AUSTRALIAN

27 March 2007

COAL SHIP QUEUE TO LAST FOR MONTHS

A queue of nearly 70 giant coal ships waiting to be loaded off Australia's largest coal port is unlikely to be cleared until the middle of the year and could cost coal producers up to \$460 million...

THE AUSTRALIAN

21 April 2007

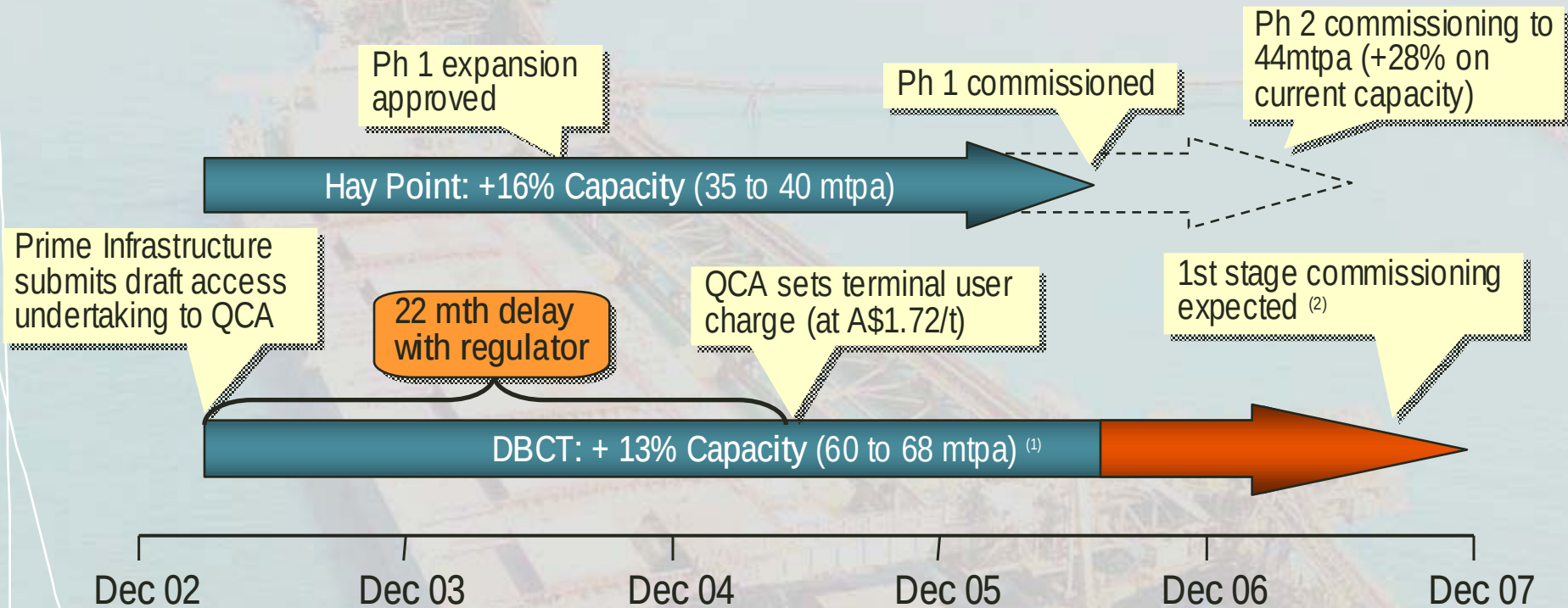
C&A blames bottleneck on red tape

THE AUSTRALIAN

21 April 2007

The Howard Government moved yesterday to tackle a critical bottleneck at the nation's biggest port, committing \$45 million to upgrade the rail connection for freight entering and leaving the port of Melbourne...

Hay Point vs. DBCT – A case study



Effects of Delay at Dalrymple Bay Coal Terminal:

Foregone sales of **A\$1 billion** pa + demurrage

(1) Nameplate capacity – actual increase likely to be less

(2) Timing of expansion is under pressure

Criteria for assessment of options

- Economic development
- Fiscal policy
- Competition
- Environment
- Safety
- Security and planning

Conclusion

- Longer term we believe that a new port will be required
 - Ronsard Island is a strong option however we are exploring others to reduce time, risk and cost
 - A second port will mitigate single system risks at Port Hedland
- Developing a greenfield port site requires:
 - Long lead times to secure relevant approvals
 - Certainty around the investment framework to underpin considerable expenditure
- Efficient development and management of port infrastructure will be critical to Western Australia's ongoing export success



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