

Extract from *Hansard*

Thursday, 28 May 2009

Budget Estimates Committee – State Development

Chairman; Mr Mark McGowan; Mr Colin Barnett; Mr Tony Krsticevic; Dr Mike Nahan; Mr Ian Blayney; Mr John Quigley; Ms Rita Saffioti; Mr Alan Carpenter; Mr Bill Marmion; Mr Eric Ripper

Dr M.D. NAHAN: I refer to the fourth dot point on the page. Does the minister think BHP Billiton will continue to expand its iron ore facilities in the Pilbara?

Mr C.J. BARNETT: I expect it to do so. Both BHP and Rio Tinto are pushing ahead with their mine, rail and associated port expansions. There has been quite a lot of discussion in the media recently about falling iron ore prices. In one year, 2007-08, they went up about 70 per cent. I do not think anyone seriously expected that to be sustained.

The current prices are basically in line with 2007 prices. That is why they have come down from that peak. The year 2007 was seen as a very good year for iron ore. The volume of iron ore exports has recovered and is now exceeding the level it was at before the September 2008 slump. The industry has bounced back.

Despite reduced steel production in a major market such as Japan, where it has come from around 100 million tonnes to about 80 million tonnes per year, Chinese production is basically back on stream. I would expect to see prices start an upward trajectory next year.

Dr M.D. NAHAN: A number of magnetite projects have been mooted, and some are being advanced. They are of a different magnitude in terms of facilities required, such as electricity. How does the minister see that playing out over the medium term?

Mr C.J. BARNETT: The hematite iron ore deposits are around 58 to 62 per cent grade. I think magnetite is about 35 to 38 per cent. Our magnetite tends to be extremely hard, so it takes an enormous amount of energy to crush it to increase the iron ore content as a feedstock. Once that is done, in many respects it is a preferred feedstock for many of the existing steel operations. It has huge energy requirements.

Magnetite projects are commercially more difficult to get underway. The CITIC Pacific project is the biggest of them. Most of the projects in the mid-west, while they are smaller mines, are magnetite oriented. I think they will always find it a bit harder. Clearly, the magnetite ore that people ignored for decades is now finding its place in the marketplace.

It is a bit like when Marra Mamba ore came onto the market in the 1990s. Everyone wondered what to do with this funny looking yellow stuff. It found its place in the market and I suspect magnetite will do so in due course.