

# Fortescue eyes new port with Rio's rail

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Fortescue Metals Group is studying plans for a second iron ore port in the Pilbara, within striking distance of Rio Tinto's flagship Cape Lambert operation, in anticipation of being allowed on to its rival's railway lines.

Plans for the second port, at Dixon Island to the west of Cape Lambert, are preliminary only. But they are understood to be part of Fortescue's best-case development scenario for its 1.5 billion-tonnes Solomon hematite deposit in the west Pilbara.

Solomon is surrounded by iron ore mines belonging to Rio and BHP Billiton and lies about 250km west of Fortescue's east Pilbara focus, the Cloudbreak and Christmas Creek deposits in the Chichester Range.

Although Fortescue has already identified a corridor in which to build a railway linking Solomon to its Cloudbreak-Port Hedland line, the miner's preference is to transport the ore directly north on Rio's Cape Lambert-bound route. All Fortescue would need in additional infrastructure would be spur lines at either end of Rio's Cape Lambert railway, first to connect to Solomon and then to redirect its trains to Dixon Island.

Fortescue's billionaire founder, Andrew Forrest, hinted at the port ambitions when the miner reported its full-year results last month. "We have plans for a second port which would feed our central and west Pilbara discoveries which are in many ways even more exciting than the massive operations in the Chichesters," he said, without expanding.

Fortescue is due to release its September-quarter report this month and is likely to use the occasion to expand on its Dixon Island ambitions. The Dixon Island plan remains contingent on Fortescue succeeding in its long-running and costly battle with Rio and BHP to force third-party access to their iron ore railway lines.

Mr Forrest will be one of several iron ore executives at the 46th Australia-Japan Joint Business Conference, which opens in Perth today.

The conference has traditionally served as the informal start to the annual iron ore price negotiations between Rio and BHP and their Japanese steel mill customers.

Although China's steel industry has led negotiations over the past two years, its Japanese counterparts retain substantial clout in the annual price talks and will have senior representatives at the conference, including Mitsubishi Corp chief executive Yorihiro Kojima and Nippon Steel chairman Akio Mimura. Rio iron ore boss Sam Walsh and his BHP counterpart, Ian Ashby, are also attending.

The conference comes amid turbulent times for the iron ore industry.

The spot price has halved this year and there are growing fears China's once-ravenous appetite for iron ore is waning, reflecting a slowing economy that is suffering the fall-out from turmoil engulfing the US and Europe.

Although senior figures within WA's iron ore industry have dismissed much of the negativity emanating from China as part of the Chinese steel industry's tactic to force a substantial cut in 2009's benchmark price, analysts have warned the risk of a marked slowdown is real, and that next year prices could tumble by up to 20 per cent and threaten the prospects of a raft of proposed mines, especially those in the Mid-West.

PETER KLINGER