



# Major Infrastructure Proposal Assessment

Lumsden Point General Cargo Facility  
and Logistics Hub Project

Summary Assessment Report



## Infrastructure WA

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### **Acknowledgment of Country**

Infrastructure WA acknowledges the Traditional Custodians of Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures; and to Elders both past and present.

# Major Infrastructure Proposal Assessment Summary Report

## Purpose

This summary assessment report has been prepared in carrying out Infrastructure WA's (IWA) legislative function to assess and report to the Premier on major infrastructure proposals. The assessment is of the Pilbara Port Authority's (PPA) Lumsden Point General Cargo Facility and Logistics Hub Project (LP) business case (version dated September 2022), plus additional supporting information received, and consultation undertaken by IWA.

## 1. IWA observations

IWA considers that the Lumsden Point General Cargo Facility and Logistics Hub Project (LP) business case and supporting information, prepared by the Pilbara Ports Authority (PPA), contains sufficient information and is of a suitable standard to inform a government investment decision. However, the project is not without risks.

The proposal has a strong strategic merit and alignment with WA Government strategies to facilitate development of trade in battery and critical minerals and support the development of renewable energy and hydrogen production. Revenues are forecast to exceed the estimates of project capital and operating costs over the life of the assets. Beyond these financial results, broader economic benefits are also forecast including job creation and business investment, in addition to royalty and tax revenue.

The primary risks associated with the proposal relate to inherent risks to trade volumes driven by future commodity price fluctuations, the viability of new mining operations, and aspects of deliverability which remain uncertain or at an early stage of development. The project is likely to face the capacity constraints and workforce challenges that are currently impacting the broader construction market, which is a significant risk to the project timeline and budget. Progressing more detailed project design and cost estimation work, and further consideration of market conditions and challenges, would help to reduce key project risks.

## 2. Context

### 2.1 Project background

LP requires funding in the order of \$353 million for a program of works at the Port of Port Hedland to dredge a channel, turning basin and berth pockets, and build two multi-user berths to accommodate Handymax vessels; along with road works, laydown area, logistics hub and services and utilities to support port operations and provide for future leaseholders.

The project has received initial contributions from industry and the Commonwealth Government of \$82.5 million collectively, and a business case has been submitted to seek WA Government funding for the balance of \$192 million required to deliver the project. This is in addition to \$78.1 million allocated by the WA Government in the recent 2022-23 State Budget.

The Project will deliver a general cargo facility that will facilitate the export of battery metals including lithium and copper concentrates, the import of renewable energy enabling infrastructure, including wind turbines and blades to develop renewable energy and hydrogen projects and will support direct shipping to the Pilbara.

## 3. Strategic merit

### 3.1 Alignment

The Port of Port Hedland is a vital logistic hub for the east Pilbara mining industry. Due to its proximity to mineral resources and abundant sunshine and wind, Port Hedland and Lumsden Point in particular

are well positioned to provide key enabling infrastructure to support the WA Government's *Future Battery and Critical Minerals Industries* and *Renewable Hydrogen* strategies.

Import logistics in the Pilbara are highly reliant on public infrastructure including common user facilities at the Port for inbound sea freight and an integrated regional public road network for road freight. The Great Northern Highway's connectivity to Lumsden Point makes it an ideal location for road transport services accessing the Port.

Lumsden Point remains a strategic priority for additional general cargo facilities at the Port of Port Hedland and has been identified as priority project in PPA's strategic planning documents since 2013. The project forms a key component of a broader project currently listed on Infrastructure Australia's Infrastructure Priority List relating to increasing Pilbara Ports Capacity.

### **3.2 Problems and opportunities**

There are capacity constraints at the existing aging general cargo berths, which is creating increased ship wait times and higher demurrage costs, impacting commercial and economic productivity. This will also limit PPA's ability to cater for forecast trade growth in various commodities in the Pilbara region.

The increased trade forecast achieved from the development of Lumsden Point will result in financial and economic benefits for the state, including additional dividend, tax, and royalty revenue, along with associated employment and business investment.

## **4. Options assessment**

A detailed assessment of strategic options was not completed; however, the business case contains discussion on alternative options that were considered to inform the final LP scope. This includes potential development of general cargo facilities at other Pilbara ports, reallocation of incompatible trade volumes, or use of the existing multi-user bulk commodity berth for general cargo. Ultimately none of these options were determined to be viable, or to meet the full strategic objectives required from the project.

## **5. Societal impacts**

### **5.1 Economic and financial assessment**

The business case financial analysis forecasts a positive net cash flow of \$385 million (nominal) over 30 years, a positive Net Present Value of \$68.2 million, and a 15-year payback period, based on a \$192 million funding request. These forecasts are dependent on the future commercial viability and assumed export volumes of the proposed mining company and other users of the port.

Lumsden Point is projected to generate a net economic benefit of \$675.6 million and a Benefit-Cost Ratio of 2.51 over the 35-year assessment period, applying a discount rate of 7 per cent.

Economic benefits will be generated from associated resource sector business investment, construction, and operating jobs, along with royalties and broader associated revenues to the State.

### **5.2 Social assessment**

A key positive social impact will arise from the increase in local jobs at the port and the mine sites that will be facilitated by the port expansion, however these are not detailed.

Increasing local jobs can help to boost local population and achieve greater economies of scale for service delivery. It can also help to reduce reliance on Fly-In Fly-Out employment by local firms and residents, which can have additional social benefits on local communities. IWA notes that availability of local accommodation and housing are areas for further consideration as planning for the project progresses, given current pressures.

PPA plans to apply local procurement principles, and to utilise a compiled list of Aboriginal businesses to ensure that head contractors activate local Aboriginal business engagement opportunities.

### **5.3 Environmental assessment**

PPA has environmental approval under Ministerial Statement 967 and consent from the Minister for Aboriginal Affairs under Section 18 of the Aboriginal Heritage Act 1972 for the development at Lumsden Point.

The project is within the current port boundaries, which is likely to have less impact than a broader expansion. However, there will still be marine impacts related to dredging and potential impacts outside of the port related to increased truck traffic.

Environmental issues such as climate change mitigation and adaptation, are not discussed in the business case however PPA has a Coastal Hazard Risk Management Plan (CHRMP) and Port Development Guidelines which includes climate change, which will be taken into consideration at the design stage.

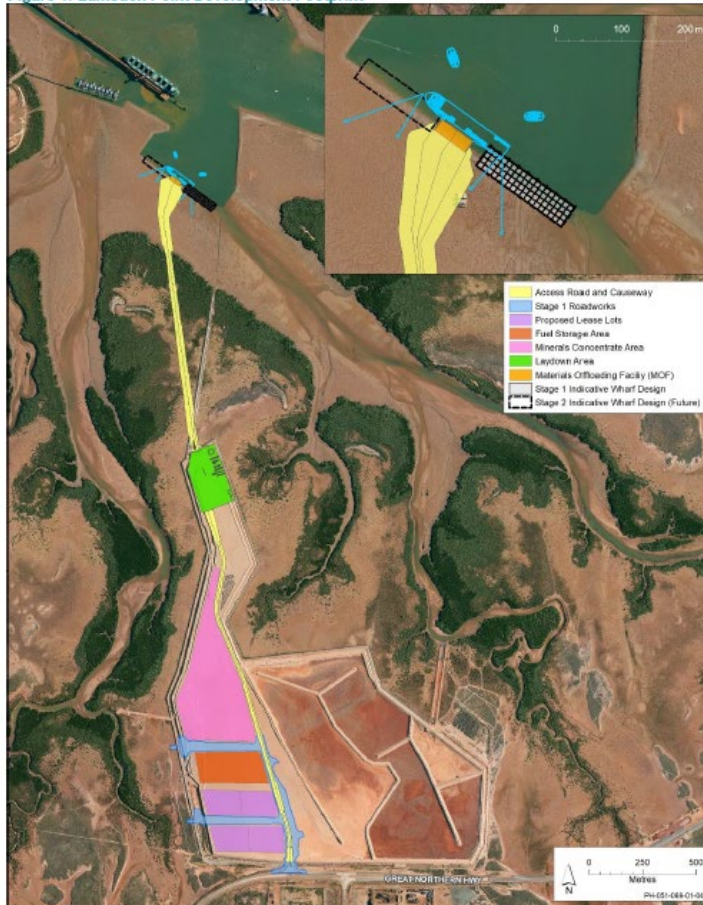
While IWA acknowledges that the infrastructure sector is in a transitional phase and is still determining how best to respond to and quantify outcomes relating to recent State and Commonwealth government climate/net zero target commitments, project decisions made in the meantime will have long lasting implications. As such IWA expects proponents to start making best endeavours to consider and articulate intended outcomes as part of their project proposals. In the case of Lumsden Point it is recommended that further project planning should be undertaken to quantify the expected carbon emissions of the project, how opportunities to reduce impacts have been incorporated, and other actions proposed to contribute to net zero targets.

## **6. Recommended option and project definition**

The Lumsden Point General Cargo Facility and Logistics Hub includes the following marine and landside infrastructure;

- construction of bund walls and sea walls to enable deposit of dredge spoils;
- dredging of an approach channel, turning basin and berth pockets;
- multi-user berth to accommodate Handymax vessels;
- an access causeway and behind wharf laydown connecting to logistics hub area;
- a road corridor connecting the wharf, laydown area, and logistics hub area to the Great Northern Highway;
- a logistics hub area intended to be available for a combination of common user access and long-term leasehold arrangements; and
- services and utilities to support port operations and provide for future leaseholders.

Figure 1: Lumsden Point Development Footprint



## 7. Deliverability

The deliverability content in the business case is limited, although further design and cost estimation has progressed since earlier drafts. The project is likely to face the capacity constraints and associated cost escalation that are currently impacting the broader construction market, and this is a significant risk to the project budget. This includes labour, materials and accommodation for workers during construction and operational phases. Further work on project risk mitigation, and stakeholder consultation will assist in delivering the project successfully and achieving forecast project benefits.