

2010-2011 Project Assessment Brief

Status as at 17 February 2011	Threshold
Initiative Name and IA ID No.:	Port of Darwin Expansion
Location (State/Region/City):	Northern Territory, Darwin
Proponent:	Northern Territory Government
Project Description:	<p>The East Arm Port expansion in Darwin aims to accommodate future increases in the export of iron ore and other minerals (e.g. manganese, copper concentrates and phosphate). The proposed project involves the development of:</p> <ul style="list-style-type: none"> • a second rail dump station (for the discharge of mining products via new rail spurs); • stockpile storage facilities; • an additional 22 hectares of land reclamation; and • conveyors (on land, at the wharf and for a shiploader). (Map attached). <p>The submission was not updated in 2010-11, with the Northern Territory advising that “due to a number of recent changes in the global economics of resource based projects the timing for the initially identified extension of the rail loop line at the Port is no longer optimal.” The Northern Territory Government instead has recently provided a submission on a marine supply base proposal (a separate project). The Northern Territory Government has advised that the marine supply base will free up capacity for bulk exports at East Arm Wharf. This may reduce the urgency for the Port of Darwin expansion project.</p>
Capital Cost by Proponent Outturned (\$M):	\$336M
Contribution sought by Proponent including requests for project development funding (\$M):	Not stated. The Australian Government committed a \$50M equity injection, subject to Infrastructure Australia assessment. The Northern Territory is now seeking to have these funds redirected to the Marine Supply Base project (see separate brief).
Start/Completion by Proponent (month/year):	Not stated

PROFILING

Infrastructure Australia Profiling Assessment Summary:

- *National Significance:* Darwin is a nationally significant port. The need for added capacity at the Port is potentially a nationally significant issue so as not to act as an impediment to minerals development and export in the Northern Territory.
- *Alignment with Infrastructure Australia’s strategic priorities:* Aligns with a number of Infrastructure Australia priorities, including ‘Building on Australia’s global competitive advantages’ and ‘Developing our cities and regions’.

- *Application of Infrastructure Australia's Reform and Investment Framework:* The initiative is consistent with Northern Territory planning priorities. Should the Northern Territory proceed with a Marine Supply Base, there may be an impact on project timing as it will free up some capacity at the existing Port facilities.
- *Conclusion:* Darwin is a nationally significant Port. The project aligns with a number of Infrastructure Australia's priorities. Further clarification of the timing and need for the project is required in light of the Northern Territory decision to focus its project development effort on a potential marine supply base.

APPRAISAL

Infrastructure Australia Appraisal Assessment Summary:

- Economic analysis presented with the 2009-10 submission requires updating to take account of recent advice noting that the timing of the initially identified project is no longer optimal due to recent changes in the global economics of resource based projects. Cost estimates in economic analysis are also being updated to more appropriately account for risk.

DELIVERABILITY

Infrastructure Australia Deliverability Assessment Summary:

A number of key areas have been identified at the workshops with the Northern Territory Government including:

- The need to undertake a financial analysis of the proposal to better understand the business case and the scope for recovering capital costs through user charges;
- The need to undertake a risk analysis to better understand risks and costs of the project;
- Consideration of the delivery strategy for the project; and
- Consideration of governance arrangements, particularly in relation to any possible Commonwealth equity injection.

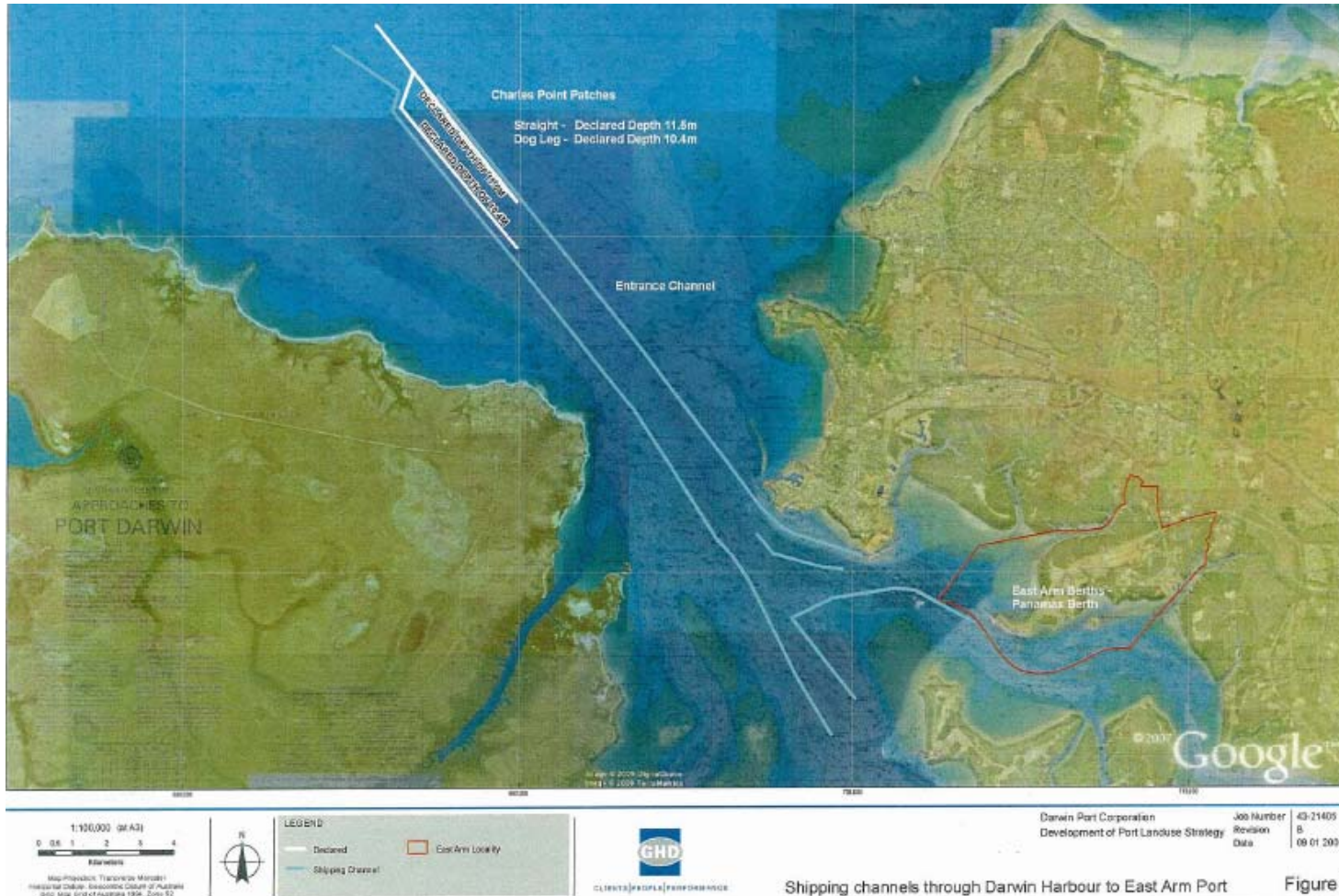
The Northern Territory Government has engaged consultants to address issues raised in the deliverability assessment above. It is unclear when this information will be provided to Infrastructure Australia.

OVERALL RECOMMENDATION

Infrastructure Australia Priority List Recommendation:

- The initiative is recommended to remain in the infrastructure priority list as a 'Threshold' project. The initiative addresses a nationally significant problem. While an extensive amount of project development work has been undertaken, there are a number of specific issues to be addressed before the project could be considered 'Ready to Proceed'.

Map of Port of Darwin Environs



Shipping channels through Darwin Harbour to East Arm Port **Figure 5**

Source: Northern Territory Government submission to Infrastructure Australia