Delivering customer-focused, efficient and secure port services

Upgrade and expansion of Oldtown Port

Response Options Analysis

Option 1: Business as usual/Do nothing

This option involves no change to existing practice with minimal maintenance and security upgrades to existing facilities.

| Interventions | % |
| --- | --- |
| 1 | Undertake essential maintenance and security upgrades only of existing facilities | 100% |

| Benefit score | Capital TEI | Time range | Ranking | Options workshop required? |
| --- | --- | --- | --- | --- |
| 10.0% | $2-3 mil | 0-12 mm |  | No |

| Risks and Uncertainty |
| --- |
| 1 | Serious road accident involving fatalit(ies) (H) |  |
| 2 | Breach of maritime regulations & loss of port status (M) |  |
| 3 | Local economic growth, & its diversity, constrained (H) |  |
| 4 | Serious loss or damage to cargo or other assets, leading to customer loss (H) |  |

| Disbenefits |
| --- |
| 1 | Delays and costs to local importers and exporters unrelieved (H) |  |

| Interdependencies |
| --- |
| None |

Option 2: Close port and divert activities to Newtown Port

This option focuses on closing the Oldtown Port and diverting all demand to the Newtown Port. Additional capacity both at Newtown Port and along access roads will be built to cater for increased throughput and traffic. While the Oldtown Port will be decommissioned and assets sold the site and infrastructure will still require some maintenance and security improvements.

| Interventions | % |
| --- | --- |
| 1 | Undertake additional investment at Newtown Port to respond to diverted demand, and decommission and sell surplus Oldtown Port assets | 50% |
| 2 | Upgrade and create additional capacity on access roads to Newtown port | 35% |
| 3 | Undertake essential maintenance and security upgrades only of existing facilities | 15% |

| Benefit score | Capital TEI | Time range | Ranking | Options workshop required? |
| --- | --- | --- | --- | --- |
| 70.0% | $500-600 mil | 60 – 84 mm | 3 | Maybe |

| Risks and Uncertainty |
| --- |
| 1 | Decommissioning & sale of existing port assets do not meet financial objectives (M) |  |
| 2 | Efficiency savings for customers eliminated by additional freight costs to Newtown (H) |  |
| 3 | Diversity of local economy constrained leading to longer-term adjustment costs & adverse social impacts (H) |  |
| 4 | Scope of change and transition underestimated leading to cost & time overruns (M) |  |
| 5 | Net loss of capacity across the statewide port system requires Government to expedite its long-term plan for a second commercial port. |  |

| Disbenefits |
| --- |
| 1 | Higher local unemployment in short to medium term (M) |  |
| 2 | Government incurs costs of managing old site in short to medium term (M) |  |

| Interdependencies |
| --- |
| 1 | Sufficient capacity at Newtown Port |
| 2 | Willingness of port customers to relocate and change operations |

Option 3: Focus on traditional bulk commodities at Oldtown Port and divert new industries to Newtown Port

This option focuses on changing the demand at OldTown Port by diverting freight and commodities associated with new industries to the Newtown Port and making Oldtown Port a specialist bulk commodities Port. Oldtown Port will require some modernisation and improvements to security operations as well as some targeted improvements to access roads. This option will also require additional capacity to be built at Newtown Port.

| Interventions | % |
| --- | --- |
| 1 | Update site security zones, expand surveillance & streamline security operations | 10% |
| 2 | Implement targeted treatments to road design and signalling and reduce conflict points between freight and commuter vehicles | 20% |
| 3 | Undertake limited modernisation of port facilities and services to meet existing industry needs | 40% |
| 4 | Undertake additional investment at Newtown Port to respond to diverted demand, and decommission and sell surplus Oldtown Port assets | 30% |

| Benefit score | Capital TEI | Time range | Ranking | Options workshop required? |
| --- | --- | --- | --- | --- |
| 87.5% | $150-200 mil | 12 -72 mm | 2 | Yes |

| Risks and Uncertainty |
| --- |
| 1 | Decommissioning & sale of existing port assets do not meet financial objectives (M) |  |
| 2 | Efficiency savings for new industry customers eliminated by additional freight costs to Newtown (H) |  |
| 3 | Dissatisfied new industry customers relocate to interstate ports or use other freight methods (M) |  |
| 4 | Unexpected variability in global demand for traditional commodities impacts costs and revenue from Oldtown port and performance of Newtown port (H) |  |

| Disbenefits |
| --- |
| 1 | Port operations lack diversity in customer base (H) |  |

| Interdependencies |
| --- |
| 1 | Sufficient capacity at Newtown Port |
| 2 | State agribusiness policy & strategy |

Option 4: Expand port operating hours, minimal infrastructure

This option focuses on improving the productivity of the Oldtown Port. It aims to increase utilisation of the Port infrastructure and services through expanded resources and operating hours. This will require a significant upgrade to security operations. Investment in access improvements and road design will make freight throughput safer and journey times more reliable.

| Interventions | % |
| --- | --- |
| 1 | Update site security zones, expand surveillance & streamline security operations | 30% |
| 2 | Improve land side access for port users & separate freight and commuter traffic | 20% |
| 3 | Apply additional resources (staff & outsourced services) to support expanded operating hours | 50% |

| Benefit score | Capital TEI | Time range | Ranking | Options workshop required? |
| --- | --- | --- | --- | --- |
| 67.5% | $10-20 mil | 12 – 24 mm |  | No |

| Risks and Uncertainty |
| --- |
| 1 | Insufficient staff skills & resources available (M) |  |
| 2 | Mismatch of demand & resource allocation leads to inefficient and expensive operations (M) |  |
| 3 | Without capital investment, port services become less competitive over time & less viable (H) |  |

| Disbenefits |
| --- |
| 1 | Adverse environmental & amenity impact of 24/7 road traffic (M) |  |
| 2 | No capacity to scale up in future (H) |  |

| Interdependencies |
| --- |
| 1 | Industrial agreements can be negotiated at cost-effective levels |
| 2 | Willingness of port customers to adjust schedules and operations |

Option 5: Build capacity for future growth in demand

This option focuses on expanding capacity of Oldtown Port and building new infrastructure to manage forecast demand and growth. Port facilities will be modernised, road access improved considerably and a major upgrade to security capacity and operations across the expanded Port site and perimeter.

| Interventions | % |
| --- | --- |
| 1 | Achieve better alignment between port capacity & forecast demand | 20% |
| 2 | Modernise port facilities & services to meet current & projected user needs | 50% |
| 3 | Improve landside access for port users & separate freight and commuter traffic | 15% |
| 4 | Update site security zones, expand surveillance & streamline security operations | 15% |

| Benefit score | Capital TEI | Time range | Ranking | Options workshop required? |
| --- | --- | --- | --- | --- |
| 90.0% | $100-150 mil | 12-48 mm | 1 | Yes |

| Risks and Uncertainty |
| --- |
| 1 | Appropriate zoning for port-expansion land not obtained (H) |  |
| 2 | Insufficient flexibility built into upgrades to warehousing and infrastructure to respond to volatility in future demand & industry shifts (H) |  |
| 3 | Timing and locational uncertainties relating to Government’s long-term requirements for a new, additional commercial port in the state impact the future demand for Oldtown port services (H) |  |
| 4 | Impacts of climate change on physical infrastructure results in frequent system failures and compromises capacity of the port (H) |  |

| Disbenefits |
| --- |
| 1 | Long-term growth of Newtown Port constrained (M) |  |
| 2 | Increased maintenance and asset liability for port enterprise (M) |  |

| Interdependencies |
| --- |
| 1 | State economic & transport policy |
| 2 | Continued growth in freight volumes as modelled |

Overall assessment

Option 1 is the 'business as usual' approach with a modest amount of additional resources being applied to essential security and safety upgrades but no other improvements in services or capacity. This has low benefit delivery and fails to respond to immediate demand, security and economic growth imperatives. It largely defers a more substantive decision to further down the track. Option 2 represents a substantial change in the port provision in the region by consolidating all services in one location. This option has relatively high benefit delivery but would be costly and timely to implement and has uncertain wider economic impacts. Option 3 focuses on creating 'specialised' ports for the region which has strong benefit delivery but may limit longer term flexibility and economic diversity in the region and for the ports' longer term operating model. Option 4 is a relatively short-term tactical response which is relatively cheap and speedy to implement. In common with Option 1, it effectively defers a more long-term decision on the port's future whilst eroding its asset base and competitiveness. This option has lower benefit delivery than Options 2 and 3. Option 5 focuses on upgrading and expanding current capacity to meet expected demand without a fundamental change in the overall port provision in the eastern region. This option provides strong benefit delivery and represents good value for money with a manageable risk profile. However, the scale of investment and the risks and uncertainty around the long-term demand for, and timing and location of, a second container port means that a real options analysis is required.

Recommendation

Option 5 is the preferred option – it has strong benefit delivery and the risk profile can be managed. It is recommended that this option be developed through a full business case. Oldtown port is, however, operating in an environment of some uncertainty particularly in respect of the impact of climate change on agricultural production in the region and uncertainty associated with the timing and location of a second container port. As a result, it is recommended that a real options analysis workshop occurs during the business case development. Options 2 and 3 are not without merit and more detailed analysis of these options should be undertaken. Either may become viable if key assumptions and estimations for Option 5 cannot be validated during business case development.