

2012-2013 Assessment Brief

Recommended rating:	Threshold
Status in 2012 report to COAG:	New submission
Initiative Name:	Tanami Road upgrade
Geography:	Northern Territory (southern and central west)
Proponent:	Northern Territory Government Department of Transport
Project description:	
<p>The Northern Territory Government is seeking Commonwealth funding towards upgrades of Tanami Road, a 703 kilometre road that links the Stuart Highway (19 kilometres north of Alice Springs) to the border of Western Australia.</p> <p>Objectives:</p> <p>The objective of the project is to upgrade the Tanami Road to improve access to support mining operations in the Tanami region, create opportunities for the Indigenous population and reduce costs to government of delivering and maintaining infrastructure and services in the communities.</p> <p>Problem:</p> <p>The key problems to be targeted by this project are stated as: limitations on economic development in mining, tourism and pastoral operations; high costs associated with travel times and repairs and maintenance to machinery; reduced incentives for employment and enterprise development for the Indigenous population due to significant transport requirements; and risks to health and safety for Indigenous peoples, transport operators and tourists.</p> <p>Solution:</p> <p>The proponent presented six options in its submission and identified one preferred option (Option 1c). The Office of the Infrastructure Coordinator has selected Option 1e for inclusion on the Infrastructure Priority List. The reason for this is that Option 1e has a substantially lower capital outlay than Option 1c – \$196.6 million compared with \$317.3 million – yet it is expected to deliver a similar social benefit score (Option 1e, 3.17; Option 1c, 3.46).</p> <p>This brief presents the Office of the Infrastructure Coordinator’s preferred option, Option 1e. This option is to upgrade the section of the road (302.5 kilometres) which is currently unsealed, to sealed double-lane.</p>	
Proponent’s capital cost estimate (\$M, nominal):	\$196 million
Contribution sought by Proponent including requests for project development funding (\$M):	\$126.6 million
Project timing Start/Completion by Proponent (month/year):	July 2014 to June 2019
BCR stated by proponent:	Social benefit score of 3.17 for preferred option (based on multi criteria and cost effectiveness analysis)

Strategic alignment summary

Alignment with Infrastructure Australia's Strategic Priorities:

The objectives of the project align with Increase Australia's strategic priorities to 'increase Australia's productivity' and 'improve social equity and quality of life'.

The submission aligns with the objectives of the Regional Infrastructure Fund and supports the Australian Government's objectives for 'Closing the Gap' for Indigenous communities.

Alignment with State Strategic Priorities:

The upgrade to the Tanami Road aligns with the Northern Territory's 'priorities for the future', specifically the target of 'year-round access to major towns and communities and tourism destinations'. Upgrading the Tanami Road by extending the seal is included under 'Specific roads' in the Northern Territory Government's 10 Year Infrastructure Strategy.

Alignment with Remote indigenous Infrastructure Policy Framework Principles:

Tenure and asset governance: The Tanami Road exists within a road easement owned and operated by the Northern Territory Government with direct oversight by the Department of Transport. Tenure issues are not expected to be an impediment to the successful delivery of the project.

Community master planning: through the Remote Service Delivery National Partnership Agreement the Northern Territory Government has developed 'Local Implementation Plans' (community master plans) for the communities of Papunya, Yuendumu and Lajamanu (communities that will be affected).

Indigenous employment opportunities: This project has been identified as an opportunity to develop employment outcomes for local Indigenous people, including providing construction work and reducing the existing transport barriers to employment.

The submission notes that the Northern Territory Government is committed to the employment and training of Indigenous people of the Northern Territory on its construction and maintenance contracts. The Department of Business requires an Indigenous Development Plan to be implemented through the whole of the contract period; this involves identifying Aboriginal employment and enterprise targets within the response to tenders and demonstrating how they will achieve the targets.

Problem assessment summary

The key problems to be targeted by this project are stated as limitations on economic development in mining, tourism and pastoral operations; high costs associated with travel times and repairs and maintenance to machinery; reduced incentives for employment and enterprise development for the Indigenous population due to significant transport requirements; and risks to health and safety for Indigenous peoples, transport operators and tourists.

The identified root cause of the problems is that the road surface is in a poor state. Over two thirds of the Tanami Road is unsealed with substantial sections being unformed. This surface has led to the development of significant ruts and corrugations from heavy vehicles. Through continual grading the road has dropped well below the surrounding land surface leading to increased flood damage and associated closures and safety risks. During the wet season the road is often impassable, resulting in delays to food and medical deliveries and services more generally.

The Office of the Infrastructure Coordinator recognises the validity of the problem. The submission provides quantitative estimates of the economic impacts of the problem; as well as qualitative descriptions of the social and environmental impacts associated with the poor surface of the road.

Solution assessment summary

Six options were considered to address the stated problems. The options presented consider different approaches to upgrading the road using bitumen sealing and cheaper upgrade methods; and different sections of road to be sealed and/or upgraded. A summary of the options is set out in the table below.

Option	description	Capital cost	7% discount rate	Weighted social benefit score
1a	Two lane seal from the Stuart Highway turn off to Yuendumu	\$89 825 000	\$81 657 000	2.93
1b	Two lane seal to Yuendumu & good gravel for rest of Tanami to the border	\$217 025 000	\$193 036 000	3.07
1c	Two lane seal to the Granites & good gravel for rest of Tanami to the border	\$303 825 000	\$275 087 000	3.46
1d	Two lane seal to Yuendumu & gravel for rest of Tanami to the border and roads running off Tanami to Papunya & Lajamanu	\$317 225 000	\$280 955 000	3.05
1e	Two lane seal to the Granites with first 128kms remaining one lane	\$196 625 000	\$179 402 000	3.17
1f	Two lane seal to the Granites & good gravel to border with first 128kms remaining one lane	\$249 425 000	\$225 731 000	3.32

A multi criteria analysis and cost effectiveness analysis were performed to determine social benefit scores for each option. This tool is consistent with the draft remote Indigenous Infrastructure Policy Framework, Infrastructure Australia's proposed approach for ranking options according to risk, social benefits and cost effectiveness.

The proponent has identified Option 1c as the preferred option, as this project has the highest social benefit score.

The Office of the Infrastructure Coordinator has selected Option 1e for inclusion on the Infrastructure Priority List. The basis for this recommendation is that Option 1e has a substantially lower capital outlay than Option 1c, yet it is expected to deliver a similar social benefit score.

The primary difference between these two options is that Option 1c involves upgrading the road to good gravel from the Granites to the Western Australian/Northern Territory border (Option 1c also involves expanding the 128 kilometres from the Stuart Highway turnoff from one lane to two).

Option 1e involves upgrading 302.5 kilometres of road from unsealed road to double-lane sealed road on the stretch between the Stuart Highway turn-off to the Granites (Newmont Mine).

Reform options have not been considered but do not appear to be appropriate to address the stated problem. The selection of the options and the assessment methodology appear to be reasonable.

BCR appraisal conclusion

The project meets the criteria to be considered under the draft remote Indigenous infrastructure policy framework. As such a traditional cost benefit analysis is not required.

A social benefit score has been calculated for each option based on a multi criteria analysis and cost effectiveness analysis.

This tool is consistent with the draft remote Indigenous infrastructure policy framework. The tool is Infrastructure Australia's proposed approach for ranking options according to risk, social benefits and cost effectiveness.

Infrastructure Australia Priority List Recommendation

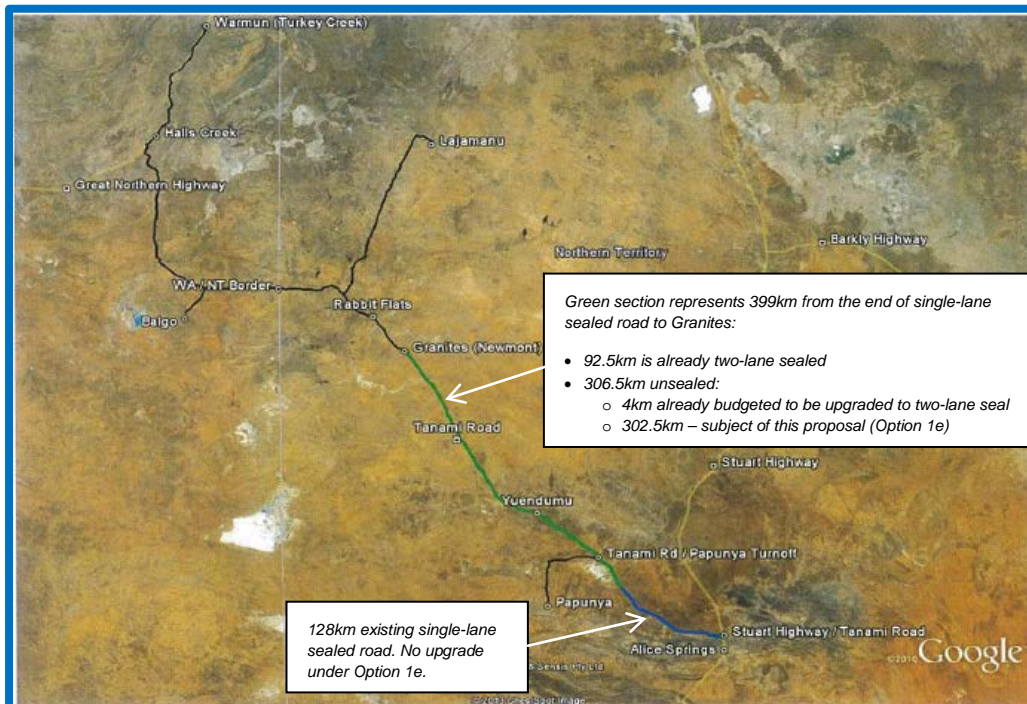
This project supports the Australian Government's objectives for 'Closing the Gap' for Indigenous communities.

It is recommended that the project is included on the Priority List at **Threshold**, with the following conditions:

- the proponent further develops the Office of the Infrastructure Coordinator's preferred option (1e); and
- the project be nominated for project development funding.

This project is eligible for funding from the Regional Infrastructure Fund.

Figure 1 – Map showing Tanami Road within the NT and main Aboriginal community links



'Option 1e – Two lane bitumen seal from the Stuart Highway to the Granites (Newmont mine), but leaving the first 128kms as one lane bitumen seal' (provided by the Northern Territory Government)