INFRASTRUCTURE STRATEGY
MAY 2017
The Northern Territory Government is partnering with industry, businesses and the community to develop a comprehensive plan to grow and diversify our economy efficiently and sustainably.

Infrastructure investment is critical to stimulating economic activity, creating jobs, growing labour force skills and expertise, and making the Northern Territory welcoming and liveable. Government has a key role in supporting long-term infrastructure that catalyses economic development. However, the infrastructure task is too large for government alone to shoulder and the private sector has a significant and important role to play.

Infrastructure investment and development needs to advance greater levels of Aboriginal participation, create tangible and enduring opportunities for private investment, and connect our cities and regions to the rest of Australia and the world.

The Northern Territory Infrastructure Strategy has been co-developed by, and draws on, valuable industry, business and community feedback received through the 2016–17 Economic Summit engagement processes. Your feedback has enabled my government to finalise this co-designed road map for infrastructure delivery. The conclusion of the Economic Summit is the beginning of a journey to re-establish the Northern Territory as a partner of choice for business investment and an exemplar for community liveability.

The Northern Territory Infrastructure Strategy outlines the context for Northern Territory demand for infrastructure and articulates the government, industry, business and community expectations about what investing in physical infrastructure must deliver.

It recognises there is work to be done in the soft infrastructure space (policies and regulations) to create an economic and business environment that is stable, efficient and consistent. In this regard, I commit the Northern Territory Government to the actions outlined in this Infrastructure Strategy. Actions that Territorians and the business sector have identified as necessary to frame infrastructure development and secure increasing and enduring levels of strategically important private capital.

I look forward to continuing to work with all stakeholders to advance the Northern Territory.

HON MICHAEL GUNNER MLA
Chief Minister
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BACKGROUND

Infrastructure investment is critical to securing our future and creates the foundation for an agile and diverse Northern Territory economy.

The Northern Territory Government recognises that delivering appropriate and timely infrastructure is a key driver of business confidence, economic activity, private investment, jobs and living standards. However, improving and expanding our infrastructure base comes at a cost. An intelligent, strategic and coordinated approach to infrastructure planning, assessment, funding and maintenance is necessary to ensure scarce resources are spent on the right projects to maximise the broader benefits.

How we plan, assess, select, prioritise and invest in infrastructure needs to recognise the Northern Territory’s context and acknowledge the significant broader economic and social outcomes achieved by appropriately targeted investment in critical infrastructure.

Drawing from the Northern Territory Government’s vision outlined in the Economic Development Framework, the Northern Territory Infrastructure Strategy:

• sets the Northern Territory’s long-term infrastructure agenda
• progresses the discussion about how we will meet our long-term and strategic infrastructure requirements
• provides a clear framework for government to plan, assess, select, prioritise and invest in infrastructure
• aims to provide confidence to businesses and industry to invest in the Northern Territory, establish new industries, develop skills and take risk.

Figure 1 contextualises the Infrastructure Strategy, which takes its direction from and advances the Economic Development Framework – the Northern Territory Government’s blue print for economic growth and diversity.

A third document, the Northern Territory 10 Year Infrastructure Plan, provides a sector-based assessment of prioritised infrastructure investment, and planned and proposed infrastructure projects over a 10 year horizon.
Economic Summit themes
The 2016–17 Economic Summit process delivered clear themes related to infrastructure policy and delivery:

- investment in enabling infrastructure is critical to grow private sector investment and create jobs in a developing economy like the Northern Territory
- while government capital works program funding is fundamental to securing a steady state of infrastructure work, iconic and strategic infrastructure projects are necessary to deliver enduring growth in economic activity to create jobs, and strengthen and diversify the economy
- the private sector is willing and able to invest and deliver infrastructure in the Northern Territory when supported by the right policy and regulatory settings
- improving pre-development processes such as land access, capability and planning, will de-risk projects and provide certainty for businesses to invest in infrastructure.

These four themes are captured in the Northern Territory Infrastructure Strategy.
INTRODUCTION

The Northern Territory Infrastructure Strategy charts how and why government will undertake infrastructure investment. It establishes the government’s vision for infrastructure delivery, the broader economic and social objectives that infrastructure investment must achieve, and the underlying policies that support government to plan, assess, select, prioritise and invest in infrastructure initiatives.

The Infrastructure Strategy outlines a framework to deliver infrastructure, government actions to provide more efficient and consistent regulatory settings, and to deliver greater investment certainty.

Figure 2 below summarises the policies and concepts covered in the Infrastructure Strategy.
Economy

Relative to other Australian jurisdictions, the Northern Territory is a developing economy. It possesses minimal trade barriers and is significantly influenced by major projects. While located within a developed nation, it needs to be recognised that our economic characteristics are markedly different to that of the national economy.

One per cent of Australia’s population live here, dispersed over 17.5 per cent of Australia’s land mass. We are blessed with abundant natural resources, but production and logistics costs can be high. We have a relatively large public sector and Defence presence.

Darwin is the capital of northern Australia and we are well positioned as the gateway into Asia. There are 24 million people within five hours south of us and 400 million people within five hours north.

The Northern Territory economy has grown considerably over the past decade. Total gross state product has grown from $16.2 billion in 2005–06 to more than $23.6 billion in 2015–16, an increase of over 45 per cent. Population has increased by close to 20 per cent to over 245 000 and our labour force has expanded by over 30 per cent to nearly 140 000 workers over the same period.

A rapid expansion of the role that investment plays in driving the Northern Territory’s economy has seen investment contribute over 40 per cent of state final demand over the past five years compared to about 30 per cent previously. Following completion of the construction phase of the Ichthys LNG project and start of production, investment levels are expected to revert to historical levels.

Challenges and opportunities

The Northern Territory economy faces a range of challenges following a sustained period of record growth across most industries. As large resource based projects have moved beyond peak construction, business investment, employment and population growth is now moderating.

The resources sector currently plays a significant role in the Northern Territory’s economy. The Territory relies on several world-leading deposits that support established projects to export bauxite, manganese and zinc/lead. Prospective resource producers in the Northern Territory are increasingly focussing on higher-value resources such as copper, titanium, rare earths and phosphate that are expected to see continued global demand. Processing and refining facilities in the Northern Territory add value ahead of export.

The agriculture, forestry and fishing industry are also economically important. The industry has significant potential with a growing Asian middle class focussed on high quality produce. The agribusiness sector is vital in regional areas with relatively small investments having significant impacts.
Land use studies and actions to develop sustainable water resources are recognised as enablers for future growth and private investment. Equally, geological survey and mapping of Northern Territory mineral and petroleum resources are important references for private capital. Along with establishing strategically located physical infrastructure to secure efficient supply chains, initiatives to improve policies and regulations (‘soft’ infrastructure) are critical.

**Society**

The Northern Territory’s population is relatively young, with a median age of 32.5 years, compared with 37.4 years for Australia. Population growth is expected to be subdued in 2017–18, before accelerating to 1.2 per cent by 2019–20, slightly below the long-term average.

The proportion of population that are of working age is expected to decline over time. Consistent with this trend, a large cohort of working age Territorians are projected to form a growing group of senior Territorians. Significant increases in productivity and/or workforce participation are necessary to improve the living standards of Territorians.

Aboriginal people make up about a third of the Northern Territory’s total population, and about 80 per cent live in remote and very remote areas. While the Aboriginal population is young and growing – about 40 per cent are under 20 years old – there is projected to be a substantial increase in the number of older Aboriginal Territorians.

**Challenges and opportunities**

The Northern Territory Government recognises that liveability and lifestyle is important to secure long-term economic growth and development. Creating jobs is only one part of the equation. At the same time, the Northern Territory must enhance social and community infrastructure to build, attract and retain a dynamic and capable workforce.

Ensuring people in regional and remote areas have access to the same services available in comparable towns in Australia is essential to providing all Territorians with a healthy start to life, a good education and the opportunity for long-term employment. Providing infrastructure that enables business development is critical to increasing employment and private sector capacity in regional and remote communities. Sustainable economic development and jobs growth must come from private sector investment and entrepreneurship. Combining social services and economic opportunity is essential to improve liveability in regional and remote areas.

The Northern Territory Government has typically led the delivery of long-term infrastructure that catalyses wider economic development, to expand key industries and improve the liveability of regional and remote areas.

However, the limited capacity for government to fund substantial infrastructure needs across the Northern Territory means partnerships between governments, the private sector and land holders are critical to accelerate development in regional and remote areas. Opportunities to explore new approaches to deliver social services and unlock economic development also extend to infrastructure delivery.

Across the Northern Territory, the growing and ageing population is expected to increase demand for health services and suitable accommodation and care options. With often volatile population growth, the Northern Territory must provide suitable opportunities for older Territorians to stay, live and play, to help build the population over time.
Defence

Defence infrastructure investment will play a significant role in the coming two decades with a planned infrastructure spend in the Northern Territory of $20 billion over 20 years identified in the Defence White Paper. In 2015–16, Defence spending of $1.66 billion in the Northern Territory accounted for 7.3 per cent of gross state product. This is expected to increase to an average of $2.5 billion per annum.

Defence personnel and their families are an integral part of the Northern Territory community. Defence currently base more than 5400 uniformed personnel in the Northern Territory, together with their families this represents some 12 000 people or five per cent of the Northern Territory population.

The Defence White Paper and its supporting documents identified infrastructure investment in northern Australia (particularly Darwin and RAAF Base Tindal) as a high priority. Multi-user infrastructure offers the opportunity to develop infrastructure that benefits other sectors as well as Defence. The barge ramp facility at East Arm is an example of multi-user infrastructure, jointly funded by Defence and Northern Territory Government.

Recognising increasing demand for marine industry services from Defence, Australian Border Force, the offshore oil and gas and commercial sectors, the Northern Territory Government is investing up to $100 million to develop a common user Ship Lift and Marine Industries facility. The facility will target expanded marine maintenance and repair expertise in the Northern Territory.

Challenges and opportunities

There are challenges for the Northern Territory to leverage the Defence presence and future investment in infrastructure. These include demonstrating the capability and capacity of our industry to undertake Defence work and working with the Australian Government to ensure local businesses are afforded the opportunity to compete for this work, securing enduring jobs in the Northern Territory.

Newly arriving Defence platforms, such as the Offshore Patrol Vessel and the Triton unmanned air vehicles, as well as existing platforms such as the Armidale Class Patrol Boats create significant opportunities for local industry to become embedded into the supply chains for these assets.

Implementing and aligning the development of these platforms under the 2016 Defence White Paper, with the northern Australia Development agenda and the Indigenous Advancement Strategy, provides a valuable opportunity to work together for the benefit of all stakeholders.

An alignment of the strategic vision for northern Australia would also increase the number of Defence Force personnel in the Northern Territory. Liveability and lifestyle are crucial to supporting the recruitment of defence personnel to the Northern Territory. Perceptions about the quality of healthcare and education services and infrastructure need to be addressed to support an increased Defence population.
THE STRATEGY

Vision

The Northern Territory Government’s vision is for infrastructure to be well planned and delivered efficiently. Infrastructure investment decisions must also advance economic development and diversity, and support increased living standards.

We have finite resources and there are opportunity costs associated with infrastructure investment decisions. Therefore, it is critical that scarce resources are invested to maximise economic and social outcomes, and investment is prioritised against clearly articulated outcomes.

The scope of infrastructure

Physical infrastructure can be categorised to reflect fundamental differences in demand, delivery, financing and funding profiles:

- Economic infrastructure promotes and is fundamental to enable economic activity and development. Essential services infrastructure is a subset that is necessary to support business activity. The private sector is generally prepared to contribute to the delivery of economic infrastructure, whether directly building, owning and operating the infrastructure or through user-pay models.
- Social infrastructure is the physical infrastructure that accommodates social services delivery to maintain quality of life and community living standards. Social infrastructure has historically been delivered by governments but there is increasing scope to consider a partnership approach to infrastructure investment and delivery. Sophisticated and innovative approaches are necessary to better leverage these partnerships.
- Civic infrastructure secures the liveability of a place. It enhances amenity, builds communities, provides opportunities to build stronger relationships in society, and encourages greater levels of social participation.

The distinction between different categories of infrastructure becomes relevant when infrastructure delivery frameworks, funding and financing options are considered.

A high level summary of the key infrastructure areas is outlined in Figure 3 below.

Figure 3: Key infrastructure areas

<table>
<thead>
<tr>
<th>Economic</th>
<th>Essential Services</th>
<th>Social</th>
<th>Civic</th>
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<tbody>
<tr>
<td>Role</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Enables economic</td>
<td>Provides basic requirements for business investment, and stable, safe and healthy living standards</td>
<td>Maintains quality of life and community living standards</td>
<td>Community cohesion, social participation and liveability</td>
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<td>activity, businesses and industry to grow</td>
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<th>Sectors</th>
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<td>Transport and Logistics</td>
<td>Electricity</td>
<td>Education and Training</td>
<td>Arts</td>
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<tr>
<td>Tourism</td>
<td>Water</td>
<td>Health</td>
<td>Culture</td>
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<tr>
<td>Digital</td>
<td>Housing</td>
<td>Public Safety and Justice</td>
<td>Active Recreation</td>
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<td>Defence</td>
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<tr>
<td>Energy and Minerals</td>
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<td></td>
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<tr>
<td>Agribusiness, Fisheries and Aquaculture</td>
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Effective policy and regulatory settings to plan, assess, prioritise, deliver and invest in infrastructure provide the economic certainty required by business and industry to make investment decisions and take risk.

The Northern Territory Infrastructure Strategy focuses on the ‘soft’ infrastructure initiatives that complement the delivery of strategic physical infrastructure, which is outlined in the 10 Year Infrastructure Plan.

**Infrastructure objectives**

Infrastructure is a fundamental building block for growing private investment, creating jobs, enabling economic growth and building social inclusion. Drivers for infrastructure investment will provide greater transparency around how investment decisions are made, how taxpayer money is used, and what will ultimately be delivered.

Project planning, assessment, selection, prioritisation and investment decisions must consider projects against broader economic and social objectives. The strategic objectives outlined below are the elements that will guide the Northern Territory’s infrastructure delivery decisions.

**Growing and diversifying the economy**

Infrastructure supports private sector investment and innovation. Creating an environment that encourages increasing levels of business investment and diversification into new industries is essential to realising the Northern Territory’s economic growth potential.

Prudent infrastructure investment decisions will allow the Territory to improve its competitiveness in key industries, reduce the cost of doing business, build local capacity and boost productivity and create jobs. In doing so, the Northern Territory can leverage Australia’s advanced regulatory and social support systems, and our proximity to our major trading partners in Asia.

There is an opportunity to expand the Northern Territory’s productive capacity, however, infrastructure must align and enable swift and confident private investment. Infrastructure delivery is only one element of the matrix, and needs to be coordinated through partnerships with land holders, resource controllers and utilities providers to facilitate increasing business investment.

**Enabling greater Aboriginal participation**

Closing the substantial gaps in outcomes between Aboriginal and non-Aboriginal Australians is one of the Northern Territory’s, and Australia’s, key priorities. Partnering with Aboriginal landowners is critical for successful place based approaches to infrastructure delivery in regional and remote areas.

Infrastructure in remote areas of the Northern Territory is needed to support economic development and increased living standards. Improved infrastructure provides better access to services, facilities, health services, education and training, reduces the cost of goods and construction, and enables communities to better access economic opportunities. Securing an engaged labour force will enhance the productive capacity of the Territory, increase wealth and increase living standards.

**Creating jobs**

Increased and sustained private investment requires a strong, capable and agile workforce. Jobs are critical to securing and keeping such a workforce.

The Northern Territory Government recognises the need to support job creation to engage future generations of Territorians and bring in new generations of Territorians. Both government and the private sector have a role to play in job creation and providing training and apprenticeship opportunities.

Government policy settings must encourage innovation, encourage new industries, and support the private sector to access new markets. Government infrastructure investment will recognise the role that creation of physical infrastructure plays, not just in immediate job creation but also in providing the critical enablers for new business investment and therefore long-term job creation.
Northern Territory road, rail and gas infrastructure
Connecting our jurisdiction, regions and communities

Transport and telecommunications networks are critical for the Territory’s full potential to be achieved – for its industries to maximise growth, for communities to connect, for links with our major trading partners to our north and south to be competitive, and for Territorians to work and succeed. The Northern Territory has a key role to play in facilitating connectivity across Northern Australia and Australia more broadly. More than ever, effective telecommunications services, including broadband, are essential to efficiently delivering social services in regional and remote areas, and connecting businesses to markets.

Regional economic development is constrained by a lack of infrastructure, which affects development costs, contributes to project risk and impacts the ability to get products to markets. Regional connectivity; critical to deliver health, education and other key services, and to secure appropriate living standards. Regional supply chains underpin economic growth and competitiveness, and ensure projects that would otherwise be profitable are not left stranded by access and cost constraints.

Enhancing liveability

Improving the liveability of the Northern Territory is critical to attract and retain a skilled population to develop and grow the economy.

While our small population could constrain industry development, we are unique and need to capitalise on this uniqueness to create an environment that is attractive to singles, young families, professionals and retirees. Improved access to cultural, recreational and telecommunications infrastructure, as well as high quality education, health services and employment opportunities, all improve liveability. Public and private investment in this type of infrastructure is vital to attracting broader investment and underpins long-term prosperity.

Social infrastructure such as health and education facilities and affordable housing enhances community wellbeing and helps make the Northern Territory an attractive place to live and invest. Infrastructure investment decisions must recognise that some communities require specific investment to address social, economic, cultural and locational disadvantages.

Underlying policy drivers

Developing new infrastructure is costly, and selection and prioritisation policies need to result in efficient and effective infrastructure delivery. Business confidence is critical for infrastructure investment to unlock private investment and generate economic growth. New infrastructure must be necessary, appropriately designed, well-timed and meet business and community needs. The Economic Development Framework sets the broader actions and policies needed to support sustainable economic development and leverage public and private sector infrastructure investment.

The key drivers to ensure this occurs in the Northern Territory context are discussed below.

Establishing a new Northern Territory Project Development Framework is proposed to ensure these policy drivers are captured during project selection, development and delivery. The proposed Northern Territory Project Development Framework is discussed further on page 24.
**Pre-emptive infrastructure investment**

The Northern Territory requires a flexible approach to timing infrastructure investment. Where demand can be clearly identified, infrastructure selection and investment can be supported by robust information. These infrastructure solutions are generally low risk and there is substantial capacity and interest from private capital. Such opportunities are limited in the Northern Territory, often due to the uncertainty of demand in a relatively small economy.

Accordingly, infrastructure is often required before there is sufficient certainty to fully support private infrastructure investment. This pre-emptive investment is necessary to reduce the investment risk profile for business and to make the Northern Territory competitive. Such investment positions the economy to take advantage of opportunities that might otherwise be lost because of an inability to deliver infrastructure with the certainty needed to secure private investment.

The Northern Territory Government recognises it has a role in delivering or facilitating delivery of long-term infrastructure that catalyses wider economic development, potentially in circumstances where the investment decision may not make financial sense in the short term.

**What we will do**

- The government will make or facilitate investment in infrastructure ahead of secured demand where assessments indicate that investment will position the Northern Territory to capture new markets or opportunities.
- The government will review current traditional approaches to assess and prioritise projects and investigate alternative approaches to evaluating the broader strategic and social benefits associated with enabling infrastructure in regional and remote areas.
Make the most of what we have

Much of the infrastructure we will use in the future has already been built. How we use and maintain these assets will impact how much new infrastructure we need to build. Developing new infrastructure is costly, complex and may not necessarily be the most efficient solution.

Major existing economic infrastructure linking the Northern Territory to national and global markets, like the Northern Territory’s rail and port infrastructure, have current capacity for further growth without significant new investment. There is an opportunity to increase asset utilisation and put downward pressure on the cost of services by unlocking investment around existing infrastructure and supply chains.

Where infrastructure is approaching capacity, a range of options to potentially defer the need to construct new infrastructure could be considered, including:

- ensuring service delivery is as efficient as possible using regulation that is appropriate and fit-for-purpose
- encouraging behavioural change with policy settings or by improved price signals
- increasing private sector involvement in delivering and operating infrastructure to access innovative and efficient approaches to manage demand.

Considering alternative service delivery options is essential to ensure the best and most efficient approach to meeting a need, or leveraging an opportunity, is adopted. Pursuing alternative delivery approaches allows government investment in infrastructure to be more efficiently and effectively targeted.

What we will do

- Introduce a requirement for creativity and innovation in the approach to the design and use of infrastructure as part of the infrastructure project planning and delivery framework.
- Leverage new technology to increase the productivity and efficiency of our existing infrastructure networks.
- Consider the development of Strategic Asset Management Plans to support the appropriate management of government agency assets.
- Consider ways to make alternative use of underutilised government assets, including government real estate, to maximise asset effectiveness and efficiency.
**Invest in the right infrastructure**

Selecting the right projects to invest in at the right time maximises the benefits of investing in infrastructure for Territorians.

Providing strategic infrastructure must form part of the broader planning process, which considers how we best use available human and natural resources to advance the economy and raise living standards.

Any discussion about future infrastructure investment requires broad agreement about the level of service that we are prepared to pay for, either through taxes and/or user charges. Clear identification about what we, as a community, expect from infrastructure to sustain our way of life will guide and inform the major new infrastructure decisions we need to make.

The infrastructure investments must balance social, environmental and economic considerations to preserve a healthy environment and cultural heritage for future generations. Informed infrastructure decisions are dependent on a clear understanding of the capability and capacity of our natural resources.

Land capability studies are fundamental to identifying areas with significant potential for achieving productive resources and agricultural output. Land use planning has a critical role to play in guiding the timely delivery of infrastructure, particularly in urban areas, and ensuring development co-exists with current and future productive industries. This process is outlined in Figure 4.

Where new infrastructure is required, appropriate design, timing, staging and service standards are needed to ensure the best delivery approach. Mapping of land use capability and master planning precincts or areas for specific uses is critical. Land capability studies and research de-risk projects for investors and facilitate improved infrastructure planning and delivery decisions.

Early stage planning and assessment processes will identify development opportunities and provide investors with the confidence to make investment decisions. Well considered resource location knowledge, land use and infrastructure planning reduce the risks associated with greenfield development.

**What we will do**

- Progress City Deals negotiations with the Australian Government and the Darwin City Council to identify and develop projects to improve liveability and place identity.
- Continue to advance land capability assessments through regional and remote Northern Territory.
- Integrate land capability, land use planning and infrastructure planning to publish strategic land use information for all areas of the Northern Territory.
- Identify and preserve infrastructure corridors.
- Develop processes to align infrastructure investment across all tiers of government to secure a more coordinated and efficient approach to infrastructure delivery.
- Involve the private sector early in major infrastructure initiatives to enable innovation and efficiencies to be realised.
Figure 4: The land development process

<table>
<thead>
<tr>
<th>Regional assessment</th>
<th>Land owner engagement</th>
<th>Land capability assessments</th>
<th>Land use planning</th>
<th>Infrastructure provision</th>
<th>Investment and development</th>
</tr>
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<tbody>
<tr>
<td>Identify prospective regional industries through high-level analysis</td>
<td>Engage with land holders, agree objectives for land use and potential areas and priorities for development</td>
<td>Establish the capacity of the land for different productive uses</td>
<td>Set the permitted land uses over an area and provide pre-competitive information</td>
<td>Design infrastructure to enable proposed land uses</td>
<td>Encourage the highest and best use of land</td>
</tr>
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</table>

**Land use capability and land use planning**

The Northern Territory Geological Survey undertakes a number of projects to better understand the Northern Territory’s geophysical conditions in greenfield areas where there is a lack of geological information.

The Department of Environment and Natural Resources has responsibility to scientifically assess, map, document and advise on natural resource information to ensure effective management of those resources for sustainable development and to protect the Northern Territory’s unique natural assets. Natural resource assessment programs deliver critical information for governments, communities and land managers to make evidence-based decisions. Investors can also use this pre-competitive information to de-risk the development of projects.

Major population centres including the Darwin region, Katherine and Alice Springs have benefited from the integration of natural resource information into statutory land use plans. With an expanding population and an increasing interest to diversify and develop the economies and economic drivers of regional and remote centres, there is a need to better assess and document natural resource assets and de-risk future developments.

The Northern Territory Planning Commission is a statutory authority that sets the strategic framework for integrated land use, transport and infrastructure planning, working to deliver more sustainable and cost-effective outcomes for the community that reflect environmental and heritage values.

The Commission has developed land use plans for the major urban areas, with future work focussed on more detailed area plans for urban centres.
Considered and respectful processes for dealing with Aboriginal land

The Northern Territory covers a vast land mass, nearly 98 per cent of which is likely to be subject to some form of Aboriginal land tenure or interest. About 50 per cent of the Northern Territory’s land mass is Aboriginal land and 48 per cent is likely to be subject to native title.

Engaging with Land Councils and Traditional Owners is a necessary first step in any project that potentially requires access to Northern Territory land. A robust and consultative framework for engaging with Aboriginal Territorians is important to providing business certainty and confidence.

Equally important is engaging early with the Aboriginal Areas Protection Authority to ensure sacred sites and cultural traditions are recognised as part of any infrastructure project development process.

Aboriginal Territorians represent 30 per cent of the Territory’s population and a much higher proportion of the population of remote towns, communities and outstations/homelands.

The expected growth in demand for services in the regions provides an opportunity to implement place based approaches to deliver these services and the associated infrastructure. Benefits would include increased Aboriginal workforce participation, more effective community engagement and improving the quality and timeliness of service delivery.

What we will do

- Seek to partner with Land Councils and other key stakeholders to establish a framework and process to secure early and mutually productive engagement for infrastructure project proponents to support the development of priority development zones and growth sectors.
- Develop processes that result in early engagement and consultation with the Aboriginal Areas Protection Authority on sacred sites.
Maximise private infrastructure investment

The Northern Territory Government does not have the financial capacity to meet every infrastructure requirement. There is a role for private sector infrastructure delivery, which can generate important benefits for all parties and leverage the limited amount of government funding available.

Certain categories of infrastructure are more attractive for private investors, while other types of infrastructure are more efficiently delivered by government. Irrespective of how infrastructure is delivered, project financing and funding arrangements need to result in equitable outcomes for financiers and users.

For privately delivered infrastructure, financing is generally through equity, debt or government grants. The financing mix depends on:

- the expected revenue the project will generate to cover its operating costs and repay the initial investment in the project
- the potential risk that the revenue generated is insufficient to repay the initial investment in the project.

Previous examples of partnerships in delivering Northern Territory infrastructure include transport and logistics infrastructure, gas pipelines, convention centres and a prison.

All tiers of government and the private sector need to work together to deliver the infrastructure needed to secure business investment, economic growth and diversity. Alternative approaches to packaging and designing infrastructure opportunities need to be developed to unlock transformational change in economic activity.

Two recent government financing initiatives have been established to provide finance to private sector investors and improve infrastructure development in the Northern Territory (refer to Government infrastructure financing initiatives on page 18).

What we will do

- Develop an approach to scoping and packaging government facilitated projects that maximises the level of private sector interest and investment, in consultation with relevant stakeholders.
- Develop a Northern Territory Investment Attraction Policy to secure Northern Territory competitiveness in leveraging private sector business and infrastructure investment.
The appropriate role for government

How we choose what infrastructure to deliver can have a lasting impact on its efficiency, effectiveness and cost to deliver. There are a broad range of approaches to deliver infrastructure, with the level of government involvement determined primarily by the purpose of the infrastructure and the capacity of the users to pay for the infrastructure. A clear understanding of the identified need and key project risks at an early stage of the project evaluation process allows the best approach for delivering the project to be selected. Figure 5 is a diagrammatic representation of this.

Government infrastructure financing initiatives

Northern Territory Infrastructure Development Fund (NTIDF)

The Northern Territory Government has established an independent infrastructure investment fund to create a self-sustaining pool of infrastructure capital. The Northern Territory Government has committed $200 million to the NTIDF as a cornerstone investor, to attract additional external capital from Australian and international investors.

The objective of the NTIDF is to support long-term economic growth and development for the Northern Territory by investing in a mix of new and existing infrastructure assets. The NTIDF may invest in airports, energy and electricity, transport and roads, and petroleum and other resources.

The NTIDF is run by an independent board and an independent investment manager, Infrastructure Capital Group, selected to source and develop projects for the fund.

Northern Australia Infrastructure Facility (NAIF)

The NAIF is a $5 billion concessional loan facility established by the Australian Government to encourage and complement private sector investment in infrastructure that provides economic benefits to northern Australia.

Infrastructure supported by the NAIF will need to demonstrate public benefits and generate sufficient revenue to repay a loan. The NAIF is targeted at very large projects (above $100 million), however smaller projects may also be considered.

The Northern Territory is working with the Australian Government to ensure the NAIF can fulfil its intent to catalyse private sector investment in projects that support economic and population growth in northern Australia.
Figure 5: The role of government in infrastructure delivery

*Traditional government projects*

For a broad range of social and civic infrastructure where the government provides a service to the general public (e.g. health clinic, police station or school), the traditional approach of government delivery through the capital works program is often considered the most efficient and cost-effective. However, procurement models that harness private sector learnings and innovation early in the project are increasingly being considered. Such approaches take a more commercial view on the ultimate outcomes to be achieved and reduce the risk of inefficiencies being designed into the development of long-term assets.

*Traditional private sector projects*

The private sector invests in a broad range of infrastructure without requiring government assistance. These are generally projects classified as economic infrastructure that can range from gas processing facilities, to shopping centres, and residential apartments.

These projects are almost always commercial operations the private sector is best placed to deliver, given the technical nature of project specifications and the commercial drivers that are attractive for private investors.

The users of this infrastructure are private parties who are prepared and able to pay for use and access.

The Northern Territory Government has established several policies to support private sector projects.

From time to time, the Northern Territory Government receives unsolicited proposals from the private sector that offer unique or innovative solutions to meet a government strategic priority, where the Northern Territory Government has not approached the market through a competitive process.

To provide a transparent, accountable and consistent framework to consider these proposals, the Northern Territory Government’s Unsolicited Proposals Policy (UPP) has been established. The UPP seeks to provide clarity on how the Northern Territory Government will manage these proposals in a transparent manner while sensitive to the potentially significant intellectual property considerations that need to be managed.

The UPP allows proponents to develop ideas and opportunities for the government that would not otherwise be considered or would have been considered at a significantly later
point in time, while maintaining a transparent, fair and consistent process that adheres to government’s standards of probity and public accountability.

Separately, the Major Projects Status (MPS) Policy Framework is available for private sector initiated projects that have strategic significance for the Northern Territory or require complex regulatory approvals and social impacts to be addressed. Projects awarded MPS, are coordinated and facilitated across government to streamline the approvals process. The MPS is not a mechanism to circumvent regulatory requirements, which must all still be adhered to.

**Government facilitated projects**

Some projects do not yet have a sufficiently robust business case for private investment but the infrastructure has broad and enduring strategic benefit for the economy.

These projects could be deferred until the time is ripe for private investment, or government can facilitate delivery by collaborating with the private sector. A small level of government support might be all that is necessary to make the project bankable from the private sector perspective. Often the strategic significance and broader economy wide impacts of the project is a strong driver for the Northern Territory Government to facilitate project delivery.

The Northern Territory Government aims to partner with the private sector to deliver these transformative projects by ensuring project risks are allocated (short and long-term) to parties best placed to manage and mitigate the risks. This allows the Territory to access private sector delivery expertise and leverage private sector capital.

The Northern Territory Government has pursued projects such as the Darwin Convention Centre, Northern Gas Pipeline, Darwin Luxury Hotel, Ship Lift and Marine Industries and rail link between Darwin and Adelaide. For these projects, government identified a market gap not addressed by the private sector and considered that the delay in these projects proceeding would result in a sufficiently large lost opportunity to warrant government intervention through project facilitation.

**What we will do**

- With business and industry input, government will refine the Unsolicited Proposals Policy to encourage greater levels of private sector innovation and investment.
- With business and industry input, government will review the Major Projects Status Policy Framework to improve the effectiveness and co-ordination of the government’s approach to facilitate major projects.
- Ensure private sector delivery opportunities are identified and optimised for all government facilitated major projects.
- Continue to work with the Australian Government to ensure the Defence infrastructure projects in the Northern Territory maximise opportunities for enduring local jobs and local business participation and further the Northern Australia development agenda.
Efficient project funding

Ultimately infrastructure is funded by taxpayers and/or users. There are a large variety of approaches to funding projects and often a mix is used to capture the benefit created from a project proceeding.

Where government has engaged the private sector to deliver infrastructure, for example through a public-private partnership arrangement, how the project is ultimately funded becomes a critical consideration. Ensuring those that benefit from infrastructure contribute to its delivery (construction and operating costs), is critical to governments and the private sector continuing to invest in infrastructure, and deliver infrastructure in the most efficient and effective way.

The more that users pay for the use of infrastructure, the more effectively taxpayer funds can be targeted at other infrastructure that provides broader benefits.

It can be appropriate to charge users where there is a clear and direct benefit to users for a project proceeding. For example:

- toll roads and user charges for public transport services, where the savings in time and cost directly benefit the user
- government regularly rezones land to enable higher value land use that can create commercial opportunities for development.

Projects can also generate benefits beyond the immediate users of the project. This can include:

- developing new transit hubs, such as bus stations and associated planning changes, which often increase the value of land surrounding the hub
- redeveloping industrial areas, which increase the value of adjacent land
- investment in new public infrastructure that increase the amenity of local businesses and firms
- delivering social services that reduce inequality and improve social outcomes.

Where these benefits can be valued with reasonable accuracy, the value of these benefits can be captured where it is fair and equitable to do so. However, benefits are not always easily assigned to specific individuals or areas, can be difficult or costly to capture, or are designed for broader social equity and accessibility. In such cases it may not be appropriate or practical to capture the value of the benefits.

Outlined below are a range of infrastructure funding options that would be considered by government to deliver infrastructure projects.
Direct government funding

Much of the social infrastructure constructed in the Northern Territory is funded directly by government to enable agencies to deliver a range of government social services such as education, health, and public safety. Similarly, transport infrastructure (roads, bridges and barge landings) is often provided by government, in the main, to achieve equity and fairness objectives (delivering services of a comparable standard) for regional and remote areas. These social and civic infrastructure projects are typically accessible to all Territorians and funded directly by government as part of its capital works program.

Outcomes-based funding

Increasingly, approaches to funding services and infrastructure based on outcomes are being adopted to better target government expenditure at policies and services that achieve results. These approaches encourage and incentivise the non-government sector to provide innovative solutions, including the necessary infrastructure, to improve social outcomes. Such approaches have the greatest potential where outcomes are clearly measurable and linked to infrastructure development.

Payment structures based on results have been used in developing regions to encourage more efficient delivery of infrastructure. Investment is made in stages based on clearly measurable outcomes. There is potential to consider these approaches in the Northern Territory in collaboration with industry and the private sector.

Direct user charging

Charging users of the infrastructure is a targeted way of ensuring users who derive a direct and immediate benefit from infrastructure investment, contribute to the provision, maintenance and operation of that asset.

Not all infrastructure is suitable for user charging, and it is often difficult to accurately determine the benefit to the various users and their capacity to pay.

Typical infrastructure where user charges are applied include a new motorway, rail line or utility asset. For example, developer contributions are generally imposed on new land subdivisions where utilities infrastructure needs to be constructed.

The Northern Territory’s small and dispersed population limits the feasibility of applying user charges to recoup the cost of providing new infrastructure in some sectors. Much of the infrastructure, particularly in regional and remote areas, is provided to meet community service levels. There are also significant challenges in transitioning to user charging in a fair and equitable way in areas that have historically been funded by general taxation.

There is greater scope to apply direct user charging where significant investment is made to benefit a small number of users and there is capacity to exclude users who elect not to pay to access the infrastructure.
Value capture methods

Value capture is an alternative approach to sourcing funds to finance infrastructure delivery. It refers to government capturing a portion of the incremental value created by government policy and investment decisions.

For example, government choosing to rejuvenate an industrial area into commercial and residential land could result in increased land values for adjoining landholders as their land parcels benefit from improved amenity.

Value can be captured through a range of different approaches including levies, rates and taxes as well as the sale of commercial opportunities. An equitable and efficient policy to capture value created as a result of government decisions needs to be developed and tested before value capture initiatives can be introduced.

The Australian Government and Infrastructure Australia are keen to progress value capture initiatives as one approach to paying for new infrastructure. The Northern Territory is conscious of the need to approach this issue carefully, recognising that these policies lend themselves to larger, densely populated urban environments where uplifts in land and amenity value are significant and readily quantifiable.

What we will do

- Investigate the feasibility of outcomes-based funding models for Northern Territory projects.
- Investigate a value capture framework, which recognises the Northern Territory context, as a potential model to fund infrastructure delivery.
- Review existing formal and informal infrastructure contribution policies to secure an equitable, transparent and integrated approach that supports private investment.
- Introduce innovative alternative models of infrastructure financing and funding to support the efficient delivery of strategic projects.
NORTHERN TERRITORY PROJECT DEVELOPMENT FRAMEWORK

A transparent and consistent framework to plan, assess, select, prioritise and invest in infrastructure projects is critical to ensuring prudent management of government resources, accountability in project delivery and targeted outcomes are met.

The Northern Territory Project Development Framework (NTPDF) is a structured approach to project development that recognises competing project priorities and establishes a systematic approach to project evaluation.

The NTPDF will be applied to projects that are Northern Territory Government funded or require some level of Northern Territory Government support, irrespective of whether they are projects funded through the government capital works program, government facilitated strategic projects or unsolicited private sector projects.

The Infrastructure Strategy provides a high level outline of the NTPDF. Detailed guidelines in support of each element of the NTPDF will be separately promulgated.

Project classification

Projects vary in size and complexity and it is expected that application of the NTPDF will reflect this. Nevertheless, it is expected that each element of the framework will be covered as part of the project development and delivery process.

In particular, and consistent with the National Public-Private Partnership Guidelines, all projects above $50 million are required to be considered for delivery through a public-private partnership.
Figure 6: Project Development Framework

Stage 1: Determine the strategic need
Stage 2: Options assessment and strategic business case
Project development approved

Stage 3: Detailed business case
Stage 4: Procurement options analysis
Stage 5: Delivery and funding model development
Stage 6: Final business case and recommended delivery approach
Business case approved

Stage 7: Prioritisation and investment decision
Stage 8: Project delivery

Stage 9: Project implementation and review
Strategic assessment and planning

**Determine the strategic need**

Stage 1 is the first part of a two part strategic assessment process. Projects will be considered against the identified priorities of the Territory Government, through the Economic Development Framework; Infrastructure Strategy and Plan; and agency-level strategic plans and targets.

**Options assessment and strategic business case**

Stage 2 develops a strategic business case for investment, including an assessment of alternative approaches or options to achieve the strategic need, which should adequately convey:

- the need to be addressed
- opportunities arising from addressing the need, including the potential to leverage private sector investment
- the strategic importance, high level benefits and costs and risk profile of the project to enable classification
- the range of potential strategic interventions that could be undertaken to address the identified need
- definition of the required services, project scope and cost of investigations that will address the Territory’s strategic infrastructure priorities.

A gateway review at the conclusion of Stage 2 of the process will determine if there is sufficient justification to proceed to a detailed project development.

Project development

Upon receipt of approval and funding to progress to developing a detailed business case, work needs to be undertaken that will provide the basis for an investment decision to be made.

**Developing a detailed business case**

Stage 3 involves developing a detailed project business case that includes and assesses all proposed options.

The detailed business case will incorporate early review and input by relevant agencies. A structured and robust process will evaluate whole-of-life financial, economic, social and environmental impacts. Other factors influencing the strategic priority of projects will also need to be considered.

This stage incorporates developing detailed cost estimates for all proposed options.

**Procurement options analysis**

Stage 4 involves considering the full range of procurement models to gauge the best value for money outcomes. The procurement models will, by their nature, involve varying degrees of risk transfer.

A review of the evidence base (including precedents) will need to be undertaken, along with a validation process with industry/market participants. The outcome of the procurement options analysis will be a recommended delivery model, subject to final funding being confirmed.

The Northern Territory Government has committed to considering a public-private partnership delivery approach for all projects valued in excess of $50 million.
Delivery and funding model development and final approvals

Stage 5 considers the appropriate approach to project funding. The approach to project funding is guided by the type of infrastructure (i.e. economic, social, civic etc.) and may include early consideration of the allocation of Northern Territory capital funds that may need to be drawn down for the project.

Opportunities for private sector participation in the project, through service provision, funding and financing are considered and tested, as well as other sources of project finance and funding, including opportunities for local and Australian Government participation.

The initial cost estimates developed as part of the detailed business case should be refined to develop a public sector comparator as part of this process. The public sector comparator is the benchmark against which different private sector delivery models are evaluated to determine the best value for money approach for project delivery.

Final business case and recommended delivery approach

Stage 6 incorporates the detailed work undertaken to align the business case and preferred delivery approach to put forward clear recommendations on the project scope, expected outcomes, and procurement and delivery model for government’s consideration.

At the conclusion of Stage 6, the detailed business case will be considered and, if accepted, consideration will be given to how the project will be financed and funded.
Prioritisation and project delivery

Prioritisation and investment decision

Stage 7 considers the economic and social impact of a project and the affordability of any government funding required in the context of government’s competing needs.

With any type of government expenditure, infrastructure investment involves making trade-offs. We need to decide what we want to achieve and what investments are critical and necessary to deliver on short, medium and long-term objectives. The challenge is planning, funding and delivering infrastructure for growth and for change in a future we cannot accurately predict.

There are many infrastructure projects that are likely to create significant economic, social and environmental benefits. However, government’s limited resources mean that prioritising projects is critical to ensure the best projects are delivered.

The Northern Territory faces unique circumstances relative to other jurisdictions. As a developing economy, broad objectives need to be considered, including enabling economic and population growth and delivering fair and equitable services for residents. In this regard, the Northern Territory Government remains committed to delivering productive infrastructure.

The Northern Territory’s dispersed population and large geographic area can limit the ability to collect the extensive information needed to conduct detailed analysis about specific projects. Accordingly, the potential economic and social benefits arising from infrastructure projects in the Northern Territory can be difficult to reliably or cost-effectively measure or estimate, particularly longer-term impacts.

Traditional project-based economic assessments, such as cost-benefit analysis, need to be complemented with assessments against broader economic and social objectives of the Northern Territory and Australia.

A multi-criteria analysis, consistent with Figure 7, will be analysed to determine its appropriateness as an additional framework to apply in the Northern Territory.
Figure 7: Potential project prioritisation considerations

**Strategic Alignment**
- Does the project align with the Northern Territory’s strategic imperatives and infrastructure objectives?

**Economic Impact**
- What are the immediate economic impacts of the project, jobs, population, economic activity?
- What are the enduring economic benefits of the project?
- What level of additional private investment is leveraged?
- What is the whole of life value for money proposition for the Northern Territory?

**Social and Environmental Impacts**
- Does the project provide local employment opportunities during the construction and operating phases?
- What are the broader project benefits?
- How does the project manage cultural and environmental risks?
- Does the project support increased living standards?

**Deliverability and Affordability**
- Have the major risks to the project’s delivery been identified and managed?
- Is the project ready to be delivered?
- What demands are there for immediate or ongoing Government support?
Project delivery

Stage 8 considers the detailed design and procurement stage for the project and may involve:

- early engagement with industry through market sounding processes to confirm the best forms of contracting and appropriate allocation of project risks
- implementing expression of interest and tendering processes
- negotiation and execution of contracts and development agreements.

The project delivery process will require compliance with all government probity and other policy requirements.

Project implementation and review

Project implementation includes establishing processes to ensure a smooth transition from execution of final contract documents to infrastructure construction, to the commissioning and operations phase. Robust contract management arrangements are needed to ensure all parties involved in the project continue to meet their obligations. This is particularly important for long-term contracts where the government has partnered with private sector proponents to deliver infrastructure and/or associated services.

Stage 9 also incorporates a process of continuous reviews, which involves assessing the project against the outcomes and deliverables originally targeted.