

## THE LACK OF PROPORTION AND RATIONALITY OF MEGAPROJECT TACI MANE

By : Vicente Maubocy

Tempo Semanal, Dili, December 4<sup>th</sup>, 2012

### Synopsis :

The objective of this article is to invite all Timorese, Members of Government, Members of Parliament, politicians and academics to share their opinions, thoughts and critical analyses and present their feedbacks regarding the multibillion dollar megaproject called Taci Mane.

Most ministers have the ambition of fathering large multimillion dollar projects, in part to promote their reputation, prestige, image and self-importance during and after their mandate. This kind of attitude is quite normal and legitimate.

The question I raise here is: will the Taci Mane project bring quick direct benefits to the people? Will the project be the solution to fight poverty and misery?

The leaders of this country must apply the principles of proportion and rationality when assessing the wisdom of decisions involving huge costs but minimal benefits with regard to the standard of living of the population.

Applying the principles of rationality and proportion to projects valued in the billions of dollars will result in efficiently reduced costs while responding to emergency situations with efficacy.

*Efficiency: achieving goals at a better cost*

*Efficacy: achieving the right goals in the right way*

The concept of rationality dictates that we use intelligence when planning projects involving billions of dollars for our economic development, with our minds set first on costs and risks.

Boasting benefits only, without any serious reference to costs and risks demonstrates childish and irrational irresponsibility. Ministers with such biased objectives are clearly putting their personal interest ahead of the people's.

The author did some research about the above and read that, as quoted by the economist Peter Drucker, Bertold Brecht had said: "***Economic development first comes to the belly and then comes morality***" and Peter Drucker continues: "***and filling the belly is what economics is all about in the main. Therefore in all political and social decisions economic cost are***

**calculated and taken into account. To talk only of “benefits” I consider irresponsible and bound to lead to disaster.”**

We read in the newspapers and saw on television announcements which exclusively referred to benefits and promised a spectacular Taci Mane Paradise. Inch’Allah, all Timorese will happily live ever after and Alfredo Pires will obtain a license for replacing Xanana. You can count on my support!

A balanced sense of proportion would involve being realistic and pragmatic in the Timorese context with the country’s current financial capabilities. We need to be spending money in proportion to the needs of the population. Deng Xia Ping said that “all development should deliver fruition directly to the people”.

I believe in the concept of “development with a focus on improving the general standard of living”, but I have some doubts, as follows:

1. The Four Lane Motorway from Suai to Vikeke, the Supply Base in Suai, the Refinery in Betano: are these a priority for raising the general standard of living?
2. Why a Supply Base in Suai, a Refinery in Betano, an LNG plant in Beaco? Why not build everything in one place? Is this meant to improve cost efficiency?
3. What’s the rationale for dispersing all these projects? Granted, if Timor-Leste were the size of Russia, America or Australia, I would understand, but here?
4. Investment for the Supply Base, or whatever other project, must be based on market forces, not on the whims and self-importance of some individuals

### **Supply Base**

The correct terminology should be a “port” serving Oil & Gas activities. The major component is a port. Building a port in Suai-Kamenassa will not be as easy as in Labuan or Lamongan. In Suai-Kamenassa a lot of money will need to be spent on building breakwaters, as there is no minimal natural protection in that location. The cost will be of the order of \$500 million.

We delivered to Messrs. Alfredo and Monteiro the results of the geotechnical and geophysical surveys at Suai-Kamenassa, showing that the location did not meet the minimum requisites but that Suai-Loro was appropriate for a floating port. We submitted a design for a Floating Multipurpose Wharf with an associated Dry Dock for \$40 million, the size of which was twice that of Dili Port’s.

Alfredo is stubborn, he wants to build a bigger port, and displays a dictatorial attitude to promote his name. There is ample proof of Alfredo’s “hypocrisy and arrogance”, as follows:

- i. In 2008 we submitted an offer for a \$5 to 6 million AUV survey. Fugro performed the survey in 2012 for \$10 million;
- ii. We submitted an offer for a port in Suai-Loro for \$40 million, with a lead time of 18 months. Alfredo and Monteiro decided to spend over \$500 million on a port with no completion date in view. I don't understand why they want to spend so much money. They might have some ulterior motives.
- iii. We also obtained overseas investment for a multimillion dollar project designed to reduce the price of electricity from 50 cents to 6 cents per kWh. Mr. Alfredo opposed all kinds of obstacles to the project, despite the Prime Minister's endorsement and his instruction to Alfredo to facilitate the project.

### **The Utopia of the Suai Supply Base when compared to Labuan and Lamongan**

Mr. Alfredo compares Labuan, in Malaysia, and Lamongan, near Surabaya, with Suai-Kamenassa, but the former two are very different: they don't need breakwaters. The geographical location, topography and history are a world apart from those of Suai-Kamenassa. Attempts to imitate or copycat these ports indicate authentic imbecility and lunacy.

How is that so? Labuan has been a trade center in the British Empire since 1846, with activities covering the South China Sea. On 16<sup>th</sup> April 1984, Labuan became an International Offshore Financial Center (IOFC). Its port occupies 178 hectares.

Lamongan supplies equipment and services to the Oil & Gas industry in the East Java Sea to hundreds of customers and supports its activities with the industry of Surabaya and its 20 million inhabitants. The port occupies 79 hectares, of which 23 are actually used.

Does Suai really require such a large expensive port, with its 1,200 hectares? Where is the market? How long will it take for the investment to be amortized?

I agree that we need a port on the South Coast, but reasonably sized and with a budget of about \$50 million, maximum. The best place, according to our surveys, is Suai-Loro with its natural protection. It is not Suai-Kamenassa.

### **Betano Refinery**

Before creating a refinery, the first thing to build would be a port to receive the raw crude oil and export the products, diesel, gasoline, naphta, jet fuel, asphalt, lubricants, heavy oil, petrochemicals, etc.

I don't know the capacity of the refinery in Betano: small, medium, large? Where will the crude oil be obtained from?

I did some research, which shows that profit from refining oil does not exceed \$4 per barrel.

Here is some interesting data:

- i. Indonesia has 10 refineries, from small at 3,800 barrels per day (b/d) to large at 348,000 b/d
- ii. Malaysia has 6 refineries, from 40,000 to 156,000 b/d
- iii. Singapore has 3 large refineries, from 285,000 to 605,000 b/d
- iv. Australia has 8, from small at 10,000 b/d to large at 138,000 b/d
- v. Thailand has 5, from 100,000 to 200,000 b/d

Cost of building a refinery? \$4 billion for a 270,000 barrels per day refinery. A small size refinery is likely to cost \$2 billion.

Mr. Alfredo, have you decided yet where the raw material will come from? The resource at Kitan will only last 3 years. The closest place with a refinery is Indonesia and they have ten refineries. How will you compete?

#### **Four Lane Motorway Suai to Vikeke**

All Timorese have the ambition one day of driving on luxury highways such as those found in Australia. But we don't need four lanes yet, two lanes are sufficient, provided they are of good quality.

Four Lane Motorways are premature in this country and represent a useless expense. The main beneficiaries will be consultants, contractors, and above all, the Timor GAP Task Force.

I did extensive research about roads and their characteristics in mountainous environments such as in Timor-Leste. We need good quality roads, which will result in very high investments.

A quality road would cost between \$5 and \$10 million per kilometer. In the eastern part of the country, Dili-Baucau-Lospalos, you will probably need about \$5 million per kilometer; in the Dili-Aileu-Same-Ainaro and Dili-Ermera-Bobonaro areas which are affected by severe erosion, the price tag would be up to \$10 million per kilometer. Roads need to be raised at least 1 to 2 meters and need to be at least 8 meters wide and everything needs to be done to facilitate rainwater runoff beneath the road. For these reasons, among others, roads need to be built out of reinforced concrete.

The Government can achieve huge savings from other projects, but not from road construction. If roads are cheaply built, they will be devastated by the first rains and will require heavy repairs every year. Better invest in durable roads than in cheap roads. Mr. Alfredo, put aside

your Taci Mane project and concentrate on building quality roads where they are needed. And when you become Prime Minister you will be in a position to dedicate them.

And the priority at this time is to build roads on the North Coast where so much people reside, in order to improve the transportation of people and goods.

### **Pipeline to Beaco**

The pipeline issue is going from bad to worse because of the incompetence of Mr. Alfredo and his team, which, in the course of the last five years, have achieved absolutely no progress, even minimal. The lowest point was reached in October when Alfredo's and Emilia's US lawyer, Pierre Prosper, announced in Australia that Timor-Leste might exit the CMATS Treaty.

Mr. Alfredo, don't you appreciate the huge efforts spent by so many in so many places for the elaboration of the CMATS Treaty, which came into effect on February 23<sup>rd</sup>, 2007? Because you were not involved, you don't realize how painful it was to reach this agreement. However, those who were involved in the negotiations, Alkatiri, Ramos Horta, Xanana, and all our friends from Australia and America will remember the pressure that needed to be applied on the Government of Australia before an agreement could be reached.

I know your intention and your ambition: that Timor-Leste acquire 100% of Greater Sunrise. My friend, the issue of altering the South Lateral Equidistance Line that Indonesia and Australia established in 1972 is not an easy one. If the islands of Leti, Moa and Lakor were Timorese, there wouldn't be a problem, but they're not. References to "Trigg and Bialek", for example, point out that "Leti is more likely to be given full effect than the corresponding baseline point of the unpopulated East Timor island of Jako as it is nine times the size and has a permanent population. It has been argued that it may be difficult for East Timor to assert that Leti should not be given full weight, given that Indonesia has a well-established baseline around the outmost points of its islands."

Mr. Alfredo, you haven't reached the age of 55 yet and consequently your thinking is still very ruthless. You want to dominate the world in the fashion of Alexander the Great or Napoleon. You don't consider risks, costs and consequences. You think everything is simple.

In our opinion, you cannot obtain your pipeline to Timor-Leste if you don't first satisfy to the following requisites:

1. The Government of Timor-Leste must buy out the current operators for the amount of their expected profit of between \$4 and \$6 billion, if the operators accept to be bought out;
2. The Australian Government must accept a newly appointed operator;
3. The Government of Timor-Leste must pay the Australian Government 50% of the total expected tax revenue, an upfront payment of \$13 billion.

## **In conclusion**

1. There must be a certainty that the pipeline will come to Timor-Leste before any investment is decided for the LNG plant or the Supply Base;
2. Before you start building a refinery you must establish a reliable source for the crude oil. Has Timor-Leste the capacity to compete with Indonesia, Australia and Singapore?
3. The Suai-Vikeke road needs to be two lanes only with a width of at least 8 meters. If it is to be a quality road, the \$45 million currently allocated is far from being sufficient;
4. A quality road building program will require a huge investment. Like it or not, the Government must invest in good durable quality roads, otherwise we'll face a never ending cycle of pot holes and road repairs;
5. Exiting the Timor Sea treaties is neither easy nor simple, it would be a very complex issue, contrary to the way Alfredo sees it. His thinking is childish and adventurous, especially when billions of dollars are at stake.
6. Spending money without a real purpose is like casually pouring water or wine out of a bottle: after filling the glasses you will realize that the bottle is empty