

## Tibar port: the youngest of East Timor's white elephants

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The government of East Timor has recently announced that together with French ship agent Bolloré SDV it will build a new port in Tibar, about 12 km west of Dili port.

The government is expecting a traffic of one million metric tons per year. For reference, the current traffic is about a quarter of a million tons.

### **The provisional price tag is US\$500 million.**

To put Tibar Port in perspective, Port of Darwin, across the Timor Sea, sees an in and out traffic of 2,600 piloted vessels per year and 7,000 pilot-exempt vessels. There are 4,800 ships entering port every year, including the 50 mammoth LNG carriers that fetch the Bayu Undan production. The port handles 5 million tons annually. Total revenue for the year is US\$40 million. Assets are worth about \$300 million. There is a 'supply base' at Darwin, which is a tiny part of the port.

About 240 small ships dock in Dili every year. Dili is the only port in the country and happens to be quite appropriate, given the circumstances. East Timor does not offer any natural protected harbor, shallow or deep, which is one of the probable two reasons that the Dutch did not confiscate it from Portugal in the first half of the XIX<sup>th</sup> century, when they took the island of Flores and the western half of Timor (the other probable reason being the lack of mineral resources). The port is congested, to be sure, but only because Customs keep it closed one half to two thirds of the time.

Given the half a billion dollar budget, the wished for traffic, an 8% interest rate, 20 years amortization, 3.5% maintenance (mostly dredging) and 3.5% management and operational costs, a financial analysis shows that to just break even Tibar Port would need to levy \$US80 million in fees every year. That is twice the fees paid to Port of Darwin in a year, with its 4,800 ships entering port, or about 20 times as many as enter Dili. Does government expect to increase traffic 4,000% from 240 to 9,600 annually, while petroleum production dwindles to a trickle and Sunrise is frozen forever? Government announced that the port will be: "*in line with those of the world's biggest ports*". Does Dili plan to compete with Singapore?

The fee per ton would be US\$80, or over US\$1,250 per 20-foot container. Given the reality of the economy, the dying petroleum fields and the thinning Petroleum Fund, traffic is unlikely to ever exceed half a million tons per year, which would double the fee per container to US\$2,500. As it is likely that construction costs will flare up to twice the announced budget, still cheap for such a large port, the fee per container would climb to US\$5,000. If traffic remained at the current level the fee would skyrocket to \$10,000 per container. At such levels, it is quite likely that the port would remain unfrequented.

For reference, shipping a container from Surabaya to Dili via Kupang costs \$750. Most traffic comes via Kupang and will continue to do so, and even more so if costs reach such heights.

An eerie reminder of the Canadian Mirabel Airport calamity.

The project is unlikely to profit the country. Whom is it going to profit?

## A table comparing Darwin and Tibar ports

	PORT OF DARWIN	PORT OF TIBAR
a.	Port of Darwin services 4,800 ships annually, including 50 large LNG carriers	Dili traffic is 240 small ships annually and there is no forecast of any LNG carrier ever
b.	Darwin Harbor is naturally protected	Tibar will need breakwaters
c.	Darwin Harbor is very deep and is flushed by several rivers	Tibar is very shallow (only a few centimeters).  The 15 m depth advertised for Tibar is not only exaggerated for the port, it will also require dredging 15 vertical meters of coral rock mostly, and constant maintenance dredging to prevent the kind of silting that is evidenced in the small port of Hera, east of Dili.
d.	Darwin wharfs are more than twice as long as in Tibar	Tibar wharf is 630 m. Current Dili wharf is 300 m
e.	Darwin current traffic:  <b>5 million tons per year</b>	Planned Tibar traffic: <b>1 million tons</b>  Current Dili Port traffic: <b>250,000 tons</b>
f.	Current Port of Darwin revenue:  <b>US\$40 million per year</b>	Break even Tibar Port revenue:  <b>US\$80 million per year</b>
g.	Current Port of Darwin unit revenue:  <b>US\$ 8 per metric ton</b>	Break even Tibar Port unit revenue:  <b>US\$80 per metric ton</b>
h.	The total value of the lease to be paid over a 99 year period is US\$500 million. The annual lease is US\$5 million	The US\$500 million capital is paid up front, and thus is subject to hefty financial fees
i.	Port of Darwin is open 24 hours 7 days a week	Dili Port is closed by Customs 12 hours a day and 36 hours on weekends.
j.	Port of Darwin was recently leased to a Chinese company	Tibar Port lessee is a French company, Bolloré SDV