MEDIA RELEASE

NT Government selects Landbridge as its partner for the Port of Darwin

Chief Minister Adam Giles announced today that the Port of Darwin will have a new operator under an agreement signed today with the Landbridge Group worth $506m.

Under the terms of the agreement the Territory will lease the Darwin Port land and facilities of East Arm Wharf (including the Darwin Marine Supply Base) and Fort Hill Wharf to Landbridge Group for 99 years.

The Territory will retain Stokes Hill Wharf, Fisherman’s & Hornibrook’s Wharves and Frances Bay facilities.

It will also retain a range of oversight and regulatory functions including the Regional Harbourmaster role and (through the independent Utilities Commission) responsibility for price and access regulation.

The successful bidder was selected following a competitive process which included local and international interest and resulted in a number of high quality binding offers.

Chief Minister, Adam Giles, said that the search for a private sector partner to operate the port had achieved an outstanding result for the Territory.

“Although the upfront cash proceeds are compelling, reflecting the strong interest in the Port from potential investors, my Government has always said that this transaction is about growing the Port and the economy.

“In Landbridge we have a partner that has demonstrated an outstanding track record of investment and innovation that has underpinned remarkable growth, and with it new trade and jobs.

“We are confident that Landbridge will bring a similar approach to the Port of Darwin, and bring the Territory the benefits of their position, networks and experience in Asia.

“The proceeds will be used to invest in new economic infrastructure for the benefit for all Territorians.

“The lease process has delivered on many levels and we have ensured that employees, port users and the Government’s interests are well protected. This is a fantastic outcome for the Territory.”

Landbridge has confirmed its intent to maintain the established workforce at the Port of Darwin and that there will be no forced redundancies during the term of the current Enterprise Agreement (which terminates in June 2018). Landbridge also intends to implement a stable and competitive pricing regime for Port services with no more than CPI indexed pricing adjustments for the use of current Port facilities.

Landbridge Group is a privately owned Chinese group that operates a 30 million tonne per annum port in North Haizhou Bay in Shandong province, strategically located between Beijing and Shanghai. Landbridge is in the process of expanding its port capacity to in excess of 200 million tonnes per annum - more than 65 times the current volume at the Port of Darwin.
Landbridge Group also has hotel and tourism, trade and manufacturing, real estate and petrochemical interests in mainland China together with interests in Australia through its subsidiary Westside Corporation, a Queensland based oil & gas producer.

Landbridge Infrastructure Australia’s Director, Mr Mike Hughes, said:

“Through our significant investment in the Port of Darwin, Landbridge intends to grow two way trade between Australia and Asia, leveraging Landbridge’s existing port and logistics businesses and firmly putting Darwin on the map for Chinese business.

“We plan on making considerable financial investment in the Port of Darwin. In addition to committing an initial $35 million of new growth investment expenditure over the first 5 years, we anticipate in excess of $200 million of capital expenditure over the next 25 years. Given the scope of development opportunities in the Territory, we hope to invest a lot more.”

Mr Hughes said that Landbridge’s first project will be in keeping with its focus on promoting volume growth at the Port. Landbridge will immediately commence design and preparatory works to increase refrigerated container capacity. In addition, Landbridge is exploring opportunities for improvement in Fort Hill and adjacent areas.

The extensive network of the Landbridge Group will be utilised to promote oil and gas, mineral exports, live cattle export, inbound tourism and other investments in the Territory to the Asian business community. Landbridge intends to hold events in both Darwin and China to strengthen Darwin’s ties with China, inviting senior representatives from government and key corporates including Chinese airlines, infrastructure investors and potential trade partners.

Landbridge is particularly excited about the future for inbound tourism opportunities for the Territory and associated investments, and sees significant upside for the Territory in future partnering in this sector. The Government is confident that it has found a unique partner with the financial capability, operational expertise, industry knowledge and networks to expand and develop the Port of Darwin.

Under the arrangement, the Northern Territory Government will continue to hold a 20% interest in the Port of Darwin fulfilling the Government’s commitment to Territorians to maintain a meaningful level of Australian equity in the Port. Landbridge intends to transfer the Government’s interest to an Australian investor in time.

Landbridge will encourage the Territory to play an active role in the future development and expansion of the Port. This includes extending an invitation to the Chief Minister to meet with the board of the Port at least twice a year, along with other fora for interaction between senior government and Port representatives.

Australia’s Federal Minister for Trade and Investment, Andrew Robb, welcomed the announcement, noting “This is a wonderful outcome for the Northern Territory, and for Australia as a whole. It’s a powerful sign of the enhanced commercial relationship between Australia and China flowing from the China-Australia Free Trade Agreement. Landbridge’s commitment to the growth of the Port of Darwin will be a huge spur to the development of Australia’s north, serving as a catalyst for the entry of major investment right across the port’s upstream supply chain in agriculture, resources & energy and economic infrastructure.”

Commenting on the terms of the lease, Chief Minister Adam Giles noted "We have listened carefully to the concerns of the community and the Parliament. This is evident in the detail of the agreement where all of the Government’s desired safeguards have been delivered.” he said.

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Detailed terms of the partnership include immediate and enduring benefits for the Territory as follows:

1 **Value for the Territory**
   - Landbridge will contribute upfront cash proceeds of $506 million to the Northern Territory Government, representing approximately 25 times expected earnings before interest, tax, depreciation and amortisation in 2016, and represents a surplus to book value.
   - The upfront proceeds release capital from the Territory’s balance sheet to be reinvested in new economic infrastructure for all Territorians.

2 **Share of future port revenue from trade outperformance**
   - Under the arrangement the Territory will receive a share of future revenue where it is better than expected trade performance. This enables the Territory to share in the upside from the natural strengths of the Territory economy from future resource cycles, growth in offshore gas activity, and the continued growth in the live cattle export trade.
   - This will ensure Territorians are rewarded for the Governments’ continued investment in the Territory economy that drives a step change in port trade.

3 **Investment in Port infrastructure and development**
   - Landbridge is committed to an initial $35 million of new growth investment expenditure over the first 5 years, with the first project to commence in early 2016.
   - Landbridge also projects in excess of $200 million of capital expenditure over the next 25 years and has undertaken to maintain port infrastructure to specified standards for the term of the lease.

4 **Local jobs and opportunities for Territorians**
   - Landbridge has confirmed its intent to maintain the established workforce at the Port of Darwin and that there will be no forced redundancies during the term of the current Enterprise Agreement (which terminates in June 2018).
   - Local businesses will be given full and fair opportunity to tender for procurement opportunities associated with the Port and future development.

5 **Contributing to community initiatives**
   - Landbridge is also committed to providing significant sponsorship support to Northern Territory community initiatives. This would amount to $500,000 in sponsorship in the first year, and at least $100,000 each year thereafter.

6 **Ensuring fair price and access arrangements for all port users**
   - Landbridge intends to implement a stable and competitive pricing regime for Port services with no more than CPI indexed pricing adjustments for the use of current Port facilities.
   - The Government has established a statutory price monitoring and access regime to ensure fair price and access arrangements for all port users. Port prices will be monitored by the Northern Territory Utilities Commission, an independent statutory regulator with expertise in economic regulation.
7 Safeguards through the continued Government role in oversight of operations, environmental and safety standards

− The Government has implemented safeguards to retain full oversight of safety regulation and operations, including the role of Regional Harbormaster transferring to the Department of Transport.

− The Government retains powers in relation to the licencing of stevedores and the prevention of localised monopolies or vertically integrated activities at the Port.

− The Territory has step in rights to correct breaches of key operating standards.

− The planning and environmental regulations remain unchanged.