



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

15TH ASSEMBLY

PUBLIC ACCOUNTS COMMITTEE

Public Hearing Transcript

Inquiry into the Darwin Ship Lift Project

1.00 pm – 4.30 pm, Wednesday, 17 September 2025
Litchfield Room, Level 3, Parliament House

Members:

Mr Clinton Howe MLA, Chair, Member for Drysdale
Mrs Laurie Zio MLA, Deputy Chair, Member for Fannie Bay
Mr Manuel Brown MLA, Member for Arafura
Justine Davis MLA, Member for Johnston
Mr Brian O’Gallagher MLA, Member for Karama

Witnesses:

Clough BMD Joint Venture

Jeff Gallus: Executive General Manager, Constructions
John Galvin: Chief Bidding, Engineering & Concessions Officer

Paspaley Pearls Group

James Paspaley: Executive Director
Dr Samuel Buchanan: Chief Operating Officer

Department of Logistics and Infrastructure

Gemma Lake: Acting Chief Executive Officer
Joanna Pethick: Acting Executive Director Infrastructure NT
Giovina D’Alessandro: General Manager Infrastructure NT

CLOUGH BMD JOINT VENTURE

Mr CHAIR: I call today's hearing open. On behalf of the committee I welcome everyone to this public hearing into the Darwin Ship Lift Project. I welcome to the table to give evidence to the committee from Clough BMD Joint Venture Jeff Gallus, Executive General Manager, Constructions; and John Galvin, Chief Bidding, Engineering and Concessions Officer. I understand you are also joined by Nicole Whitby, legal representative for the joint venture.

Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing, which is being webcast through the Assembly's website. A transcript will be made for the use of the committee and may be put on the committee's website.

If, at any time during the hearing, you are concerned that what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

Could you please each state your name and the capacity in which you are appearing.

Mr GALLUS: Good afternoon. Jeff Gallus. I am the Executive General Manager for BMD Constructions.

Mr GALVIN: John Galvin, Chief Bidding, Engineering and Concessions Officer, Clough.

Ms WHITBY: Nicole Whitby, legal representative for CBJV. Mr Chair, could I double check with you? We were under the impression that this is an *in-camera* session for the joint venture.

Mr CHAIR: Only if required. At any point, Ms Whitby, we can go into a closed session. That closed session can begin at any time you may request that.

Would you like to go into closed session?

Ms WHITBY: That would be our preference. Thank you very much.

Mr CHAIR: We will pause and clear the gallery.

End Private Session

The committee suspended.

PASPALEY PEARLS GROUP

Mr CHAIR: On behalf of the committee, I welcome everyone to this public hearing into the Darwin Ship Lift Project.

I welcome to the table to give evidence to the committee from Paspaley Pearls Group, James Paspaley, Executive Director and Dr Samuel Buchanan, Chief Operating Officer. Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. A transcript will be made for use of the committee and may be put on the committee's website. If, at any time during the hearing, you are concerned that what you will say should not be made public, you may ask the committee to go into a closed session and take your evidence in private.

Could you please state your name and the capacity in which you are appearing?

Mr PASPALEY: James Paspaley, Executive Director, Paspaley Group.

Mr BUCHANAN: Good afternoon, Samuel Buchanan, Chief Operating Officer of Paspaley Group.

Mr CHAIR: This is not an inquiry into your personal business; This is an inquiry looking at the Northern Territory Government's expenditure and our own processes in this project.

Mr Paspaley, would you like to make an opening statement?

Mr PASPALEY: I would like to make an introductory statement. I thank the committee and thank you for the opportunity to make a statement. I will take some time in doing so, as we have had the opportunity to consider statements made to the committee on the last meeting.

We will start to how we got to our attendance before the committee today. Paspaley has consistently maintained its wish to cooperate with the committee's public inquiry into this project. We were unable to participate at the committee's last hearing as the Department of Logistics and Infrastructure, being the Territory government's nominated representative for the project agreements, considered that any such voluntary appearance by Paspaley remained subject to the obligations not to disclose confidential information about the terms of those project agreements. DLI has used the time, since that last hearing, to reconsider the Territory's position on Paspaley providing confidential information to this committee. This enables us to be here today to address the committee and answer its questions; unfortunately, not before misinformed press reports on the project, and particularly Paspaley's role, in it were published.

The Paspaley Pearls Group has grown over 90 years. The Group remains centred in Darwin despite having significant business and assets around Australia and the world. Paspaley is a major local employer with approximately 1,000 employees, with roughly 400 of us here in the Northern Territory.

For 40 years Paspaley has owned and operated the largest commercial ship lift facility in the top end at our marine maintenance facility at Frances Bay—up to approximately 70 metres in length, and 1,500 tonnes of displacement can be lifted there.

Dependable access to a capable maintenance facility is critical for Paspaley to homeport our fleet of purpose-built and specialised ships in Darwin. Without these facilities and capabilities Paspaley would have been forced to maintain our fleet in Western Australia or overseas in Singapore. The present Frances Bay facilities are operated by and for the benefit of Paspaley and service only those customers and service providers whom we accept. We can choose what services we provide and to whom. When we provide maintenance services to customers, we control the revenue generated. This is the normal function of a private commercial maintenance facility.

Our Frances Bay facility provides us with unique experience and competency in operating significant commercial ship lifting, ship repair and ship building facilities in the Northern Territory. However, the long-term master planning for Frances Bay contemplates future remediation of industrial areas, including the ship lift and maintenance facilities and the incursion of CBD and residential areas.

The ship lift project was first announced by Chief Minister Giles in October 2015. The ship lift project from first announcement has been to enable the development of Darwin's marine industry capacity and expertise and the strategic support that can be provided to the Department of Defence in Northern Australia. The predominant activities at a marine maintenance facility include:

- marine engineering
- diesel mechanics
- hydraulics
- electrical
- communication IT services
- plumbing and pipe fitting
- mechanical fitting and engineering
- boiler making, welding and metal fabrication

- machinery and engine trades
- carpentry and joiners
- blasting and painting
- refrigeration
- rigging
- fencing and scaffolding
- navigation and deck crew trades
- fibre-glassing
- materials provision
- corrosion and protection
- navigation and marine electronics
- chandlery and fit-out
- cranes and lifting equipment
- bunkering and fuel supply
- waste handling and waste management
- project management
- valve and pump services
- naval architecture
- marine audit and survey.

It is these services and the service providers in the Northern Territory who provide them, that the project seeks to enable, promote and develop.

The Territory government has previously stated the project is highly beneficial to the Territory, including generating over \$260m to the Territory economy, 400 jobs when operational and will be critical to strengthening Defence operations in North Australia.

I am unaware of anyone suggesting to this committee, or outside of it, that the project is not going to deliver economic benefits to the Territory's maritime industry and local businesses. Paspaley recognises that it will also be a beneficiary of improvements in availability, skills and capability of the local maritime support market upon which we also rely to keep our own fleet homeported here in Darwin.

The long-term growth of a marine support industry in Darwin is needed by Paspaley, which is why we have committed millions of dollars and a decade supporting this project. The Territory government initially proposed that it would contribute \$100m grant towards the private sector's development of a private project, the cost of which was said by Chief Minister Giles in January 2016 to be about \$500m. The above information is emphasised so that we can understand that it was never contemplated to be a \$100m project and has not suffered an 800% increase in costs over the last decade.

The Territory government's call for expressions of interest in 2015 sought commercial proposals for the development of a common user ship lift at East Arm. The Territory was looking to the private sector to identify the best commercial model and location at East Arm. Chief Minister Giles' call for expressions of interest identified that whilst the Land Development Corporation had 150 hectares of available land—some of which is to be reclaimed—at East Arm to support the project, the Territory was open to consider other sites available to support this project.

The call for expressions of interest emphasised that there is no preference of government on the best location of the project within the East Arm precinct. The call for expressions of interest further identified the location and scope of the project would be market driven to enable the proponent to generate a commercial return from current and future vessel maintenance demand and associated activity, 'It is open for proponents to determine the scope of the project to best deliver on the Territory's objectives'.

As outlined in DLI's submission to the committee, the Giles government call for expressions of interest provided for an open, competitive tender to select a private sector proponent who could identify a site and develop a construction and operational solution for the project.

The development costs in the five short-listed submissions ranged from \$100m to \$443m, excluding the construction of a ship lift of appropriate size and functionality.

Paspaley's proposal identified the potential to locate the ship lift at Paspaley's existing East Arm site. This site has several significant advantages described in Paspaley's written submission to this committee, including its ease of access; the significant cost benefit of that location requiring dramatically less dredging in the first instance and less maintenance dredging thereafter; and avoiding large-scale mangrove forest reclamation, significantly reducing environmental risk and providing a better and faster likelihood of environmental approvals.

Paspaley's proposal for the use of its site was attractive to the Territory and Paspaley became the preferred proponent.

The Territory and Paspaley agreed the framework for the conduct of phase one of the project in a project development agreement (PDA). Paspaley worked with the Territory government under the PDA on the project's Front-End Engineering and Design (FEED). The Territory government had a professional owner's engineer engaged during the FEED to ensure that the Territory's design objectives were met.

The Territory approved the project milestones throughout the FEED stage, which was successfully completed in 2018. The original project scope contemplated government-owned infrastructure assets being built on Paspaley-owned land. The Territory government assets would revert to the landowner at the end of that agreement—an arrangement that is similar to how many airports operate in Australia.

With successful completion of the FEED, on 11 December 2018 the Territory government, by its Department of Trade, Business and Innovation, elected not to proceed to phase two and the PDA was terminated by the Territory government.

The Territory government, in subsequent negotiations between 2019 and 2020, insisted it must own the ship lift and maintenance infrastructure and the land it sits on; that the Territory was to be the developer of the ship lift and maintenance facility on the existing Paspaley site; and that Paspaley was to relocate its ship lifting and maintenance business from its Frances Bay area to the new site.

To support the common-user regime, the Territory determined that it would introduce access legislation and regulations protecting the freedom of users to contract with their preferred contractors and suppliers. The Territory would not pay Paspaley a fee for service for operation and maintenance of the ship lift and facilities. Paspaley bears all the demand risk for operational services at the facility, despite the Territory having not secured any commitments from the ship lift's target users including, most importantly, the Department of Defence, and Border Force.

Further, the Territory also proposed legislation to monitor and potentially regulate the operator's pricing and profits, including monitoring the price of a service, fixing the price of a service, fixing a maximum price for a service, fixing a maximum revenue in relation to a service, applying an average price cap to a basket of services and imposing revenue yield control.

Paspaley, on our part, made it clear that a fundamental requirement for Paspaley is to ensure it has dockside facilities, including berths and wharf, that can support the maintenance and operations for its pearling fleet. Any development at East Arm needs to recognise Paspaley's future pearling requirements and provide Paspaley with suitable alternative to Frances Bay. Without this outcome, there is little logical justification for Paspaley to participate further.

The Territory was prepared to transfer adjacent Crown land to Paspaley and to provide wharf infrastructure on that land as part of the project in exchange for Paspaley's land to facilitate the project and achieve the project benefits identified in ACIL Allen's findings that I will come to in a moment. Paspaley was prepared to

transfer its land and take on these operational risks, as the project would enable a more capable marine maintenance and support industry to grow in Darwin, as Paspaley has consistently championed and would benefit from, and for Paspaley to have a facility permitting the long-term home porting of our fleet; thereby, providing the ship lift with its foundation customers and an experienced operator for critical functions.

In addition to the FEED analysis, the Territory government separately commissioned ACIL Allen to provide a report, received in 2019, comparing the development of the Paspaley site and the Land Development Corporation site, utilising the financial estimates of the government's own engineering team. The financial analysis of the project's net present value over 20 years demonstrated that due to the cost savings of developing Paspaley's site, it was superior to the government's own site. In the high scenario, which has been generally adopted for the design with a 5,500-tonne ship lift, the Paspaley site was 10-times more productive. ACIL Allen thereafter concluded that the Paspaley site, with a larger 5,500-tonne ship lift, showed the highest positive social benefit. The positive economic cost benefit that the ship lift facility enables was concluded as a solid economic case for the Territory government to expand to a 5,500-tonne ship lift.

At the time of the ACIL Allen report in 2019, Paspaley highlighted that the optimal project model for the Northern Territory is to encourage the maximum number of users to utilise the site, that is a common-user facility, where local contractors and service providers are provided open access, and the cost of using the facility are not a barrier to entry. Given ACIL Allen's findings, the Territory government pursued the Paspaley site as a preferred location for the ship lift and associated facilities.

The Territory government, from the outset, acknowledged that the private operator of a common-user ship lift and facilities needed to make a commercial return. A common-user model is not unusual for state-owned infrastructure, although in marine facilities the operator is generally paid a fee that includes a commercial margin to operate that facility on behalf of the state owner. This fee-for-service model is found in the state government-owned ship lift and facilities at Henderson in Western Australia, by way of example.

For the Darwin ship lift project, the Territory government did not wish to pay a fee for operation of the facilities. The Territory government negotiated for Paspaley to take the operational and revenue risks of providing exclusive operational services summarised by the DLI to be site management; berth leasing, including booking and operating systems and procedures; site access and security and environmental controls and management; ship lift and SPMT operations; washdown bay; equipment hire and waste management; and connections to and supply of utilities.

I pause to emphasise the limited nature of these exclusive services that the Territory government has mandated the operator must provide to operate the ship lift facility. These exclusive services are not the extensive range of maintenance and supply services that I earlier mentioned.

For those broader maintenance services, the operator is required to facilitate the provision of services, other than exclusive services, to third-party providers on an open access basis.

The significant economic benefits of the ship lift facility that have been identified will consequently not exclusively flow to Paspaley. We were surprised that the Department of Treasury and Finance submission to the committee either forgot the common-user aspects of the operational arrangements or did not reach the same conclusion as to the benefits of the common-user model as originally announced by the Territory government and which underpins the ACIL Allen report.

I have gone through the limited nature of Paspaley's operational control and anticipated revenue from the ship lift in some detail to set the record straight, as some of the submissions made to this committee by others were unclear or misleading.

Whilst the Department of Treasury properly identified there was cost benefit analysis done through ACIL Allen Report in terms of what the Territory government will receive back from the ship lift, there is no revenue stream to the Territory government from this. The benefits to the Territory will be through broader economic activity and development of marine industry supply and repair industry across the Top End. The Department was incorrect when it said, 'The operator will have the right to control the facility by obtaining substantially all the economic benefits' and 'Paspaley will have the right to control the Darwin ship lift facility by obtaining substantially all the economic benefit'. The Territory's access regime will also ensure that all users of the facility are treated fairly and that maintenance contractors and suppliers offering their services to the project's users have a level playing field to promote their services. Additionally, the operator's fees and charges for providing the exclusive services will be monitored and may be subjected to intervention and, in certain circumstances under the pricing regime, imposing revenue yield control.'

There will not be any windfall, super profits being made by Paspaley in providing the exclusive services and maintenance of the ship lifting facilities. We seek to cover our costs of providing the exclusive services and maintaining and repairing the Territory's assets and to make a reasonable return that will be subject to monitoring and review.

At the end of the day, it is the Territory government that has control of the project and can directly impact the revenue raised by the operator from its operation, and Paspaley will not receive any revenue from its exclusive services until operations have commenced.

The lack of a notified completion date for the facility is preventing Paspaley from marketing the project or properly engaging with our potential users. That activity is needed for the ships that may use the facility as vessels are often booked for maintenance and refits years in advance and particularly for businesses that are required to provide those maintenance services that need to invest in tooling, people and capability.

Absent of any reliable commissioning date and commercial framework, Paspaley cannot assist the committee with any commentary on financial projections. We cannot provide substantive comment in the EY report as Paspaley was not involved in its instruction, no consultation was undertaken with us as to that report and its assumptions of veracity. The EY report demonstrates the difficulty in forecasting with acknowledged significant assumptions at item 2.3 and limitations at item 2.4. Some of those assumptions include that 50% of the demand will come from Defence and an assumption that all private vessels over 15 metres in Darwin would use the facility annually for at least 15 days, 43 vessels being included in the low case.

This forecast is very different from our experience with private vessels and knowledge of the Darwin market noting we operate the only large commercial ship lifting facility. The cost basis is lifted from a Western Australian government-funded operation in Henderson, which is different in its operating model having a committed demand from Defence. Most importantly, the report omits any consideration or estimate of risk, and this committee will understand that a forecast of profit requires consideration of costs and outgoings, not just a raw income estimate.

The annual ongoing operating costs were estimated by the Territory government at the start of the project for a lesser facility to be approximately \$8m per annum. Those costs are likely to be considerably more today.

Many years ago, Paspaley acquired commercial land at East Arm on an arm's-length commercial basis. The location was chosen with the future needs of Paspaley in mind, including a possible relocation of operations from Frances Bay at some point. The land had office space, sheds, a boat ramp and had regular use including during the INPEX construction. The location was consequently optimal for the development of a ship lift and maritime service facility.

As described above, the Territory government decided to develop and own the proposed common-user ship lift and maintenance facilities on Paspaley's land at East Arm. Paspaley was prepared to contribute its East Arm site to the project but needed to futureproof its ability to home port our fleet in Darwin. The land swap occurred in August 2024 after the Territory government took the formal steps of giving notice to Paspaley that it was proceeding with the construction of the project in May 2024.

There was no additional money paid by either party to the other for the transfers of land. Paspaley has lost any revenue from leasing of its land, with the facilities on the land being demolished before transfer. As DLI has identified in its submissions to this committee the Territory will have 10.5 hectares of land above water and Paspaley will have 5.9 hectares of land above water. Before the transfer Paspaley had roughly five hectares of land above water.

The Territory government controls the fundamental cost variable for the project and that is project delivery. The government, through the Department of Logistics and Infrastructure, has had continuous control of the project, preliminary works, design development and construction. Consequently, only the Territory government has knowledge of the project program, the project budget and the project costs. Paspaley's knowledge of the project costs is limited to what is publicly reported.

Paspaley cannot consequently assist the committee regarding the causes of cost increases other than noting the obvious, that the main driver of cost escalation appears to have been extensive project delay and that these delays have not only cost the Territory, they have also cost Paspaley. Paspaley's first opportunity for revenue, as I mentioned earlier, is only after practical completion whereas our expenses have now been accumulating for a decade. The last five years has seen the extraordinary impact of COVID and government's post-COVID stimulus through infrastructure spending nationally, with high levels of inflation and increases in materials and skilled labour costs driving significant increases in construction costs nationally.

The longer the project is delayed the more prolongation costs will be incurred.

Paspaley appreciates the opportunity to provide clarification to the committee and the Territory regarding this complex project. I hope it is now clear to the committee that the development cost of the project remains under the control of the Territory government and their Department of Logistics and Infrastructure. The construction costs, including delays and budget overruns, are being paid to the builder and their subcontractors.

The Territory government insisted on being the developer and owner of the facility and the Territory government was well aware that the revenue stream from the operation of the facility was to fund the maintenance and operation of the Territory-owned infrastructure. The majority of the revenue generated by the ship lift is not for the government nor will it be earned by its operator, but it will go to those maintenance contractors and service providers providing services at the common-user facility. This is the well known and documented economic benefit to the Territory and has not changed in the last six years.

The above matters are well known to the Department of the Chief Minister and Cabinet; the Department of Treasury and Finance; the Department of Investment, Trade and Tourism; and the Department of Logistics and Infrastructure.

I welcome assisting the committee with any questions on these matters.

Mr CHAIR: Thank you, Mr Paspaley. I will reiterate that the committee is aware—we have gone through the contracts. We have had it explained as well, so we are aware of where the costs have built up, and I guess that is what we are trying to do as well, is to mitigate these costs into the future.

We will now go into questions—I know there are a number of questions—so I will give it to my committee members first, and we will start with Brian O’Gallagher, Member for Karama.

Mr O’GALLAGHER: Thank you, Mr Paspaley. It was very interesting to get your perspective. What I am trying to do is just—and we have touched on it and you have touched it on your presentations; we have had some further information. I just want to clearly get the process and how the contract has developed over time. I think you mentioned initially this started off in 2015—the Giles government—there was an offer of \$100m grant to go out to test the private sector to see what they could do. Correct me if I am wrong anywhere along the line. That went through a competitive EOI process. I think you said there were five shortlisted. Was Paspaley selected as the preferred one going through that process?

Mr PASPALEY: Yes, we were.

Mr O’GALLAGHER: And that process then led to you developing, in conjunction with the government, a Project Development Agreement which I think was around 2018, correct?

Mr PASPALEY: The exact date was provided in the statement I have just made.

Mr O’GALLAGHER: Thank you. And then we went on to a Front-End Engineering Design phase, which is a normal way for a lot of big construction projects to be delivered. I can recall out of the railway project similar processes. This was a competitive tender process; the private sector was fully engaged in the Front-End Engineering Design. Did you mention that the process stopped at some stage?

Mr PASPALEY: I believe what I stated was that after the FEED, which I think was phase 1, the PDA was terminated.

Mr O’GALLAGHER: The Territory government terminated the PDA, is that correct?

Mr PASPALEY: Yes, that is correct.

Mr O’GALLAGHER: From your statement—then the Territory government decided they would change that so they would be controlling the whole thing in terms of owning the facility or managing and so on. Did I get the terminology right?

Mr PASPALEY: If not correct, pretty close. They wanted to change key aspects of the PDA including the land ownership arrangement.

Mr O’GALLAGHER: Right, so we went from a competitive tender process, going through a Front-End Engineering Design process to a pause and then the Territory government changing and saying, no we want

to run this ourselves, but we will bring in the private sector as required, but it will be managed and owned by the Territory government.

Mr PASPALEY: Yes, I think that is a pretty accurate summary. I think the key points they wanted to change was instead of having a private developer, it would be developed by the Territory government and then wholly owned by the Territory government.

Mr O'GALLAGHER: In terms of the contractual arrangement, from what I understand, there was a development and land deed signed on 29 July 2020 between yourselves, Paspaley and NSS, your two companies, with the Territory government, is that correct?

Mr PASPALEY: Yes, that is correct. If not correct, close to being correct.

Mr O'GALLAGHER: Well, the date I have is 29 July 2020. How was it that Paspaley was approached to do that? Were there any other competitors or was it a direct approach by the Territory government?

Mr PASPALEY: That was a direct approach, and I understand that it was not a complete revision of the entire project. It was to enter a negotiation to change particular aspects. As you well understand, there was a change of government in the middle and, as is often the case, the new government wanted to change aspects of the PDA, including particularly, that it was not Territory-owned infrastructure on Paspaley land but it was Territory-owned infrastructure on Territory land and that rather than having a private development organisation develop the project, they would internalise it and have their own department work as the developer and manage the project and process.

Mr O'GALLAGHER: I will read something to make sure you agree or disagree. In regard to the development and land deed, it provides for the Northern Territory government to procure a developer and undertake the design, construction and commissioning of the ship lift and Paspaley facilities and the role of the Paspaley parties in each of these stages. That is the document, contract itself.

Mr PASPALEY: If you are reading directly from the document, then it must be correct.

Mr O'GALLAGHER: It also provides for a land exchange between Paspaley parties and the NT Government, completed August 2024. Is that right?

Mr PASPALEY: Providing the document you are reading is the same document I have, then yes. I am only saying that because there have been many iterations, and I think the document is dated five years ago.

Mr O'GALLAGHER: I just wanted to get a time line on the record, if you can bear with me. In terms of that particular document—I am not going to go into individual bits of it—in terms of the parties, because I am trying to understand which part of the Northern Territory government is negotiating these things.

We understand Paspaley is yourselves but the parties to that particular document is the CEO of the Department of Trade, Business and Industry at the time, as well as your companies. This is back on 29 July 2020. They were the parties?

Mr PASPALEY: I assume, if that is what was written on the document, they are the parties to the document.

Mr O'GALLAGHER: Yes, and I am quoting from the document.

Mr PASPALEY: The difficulty I have is that when that document was signed was not when it was begun, and as governments do, they change the name of their departments, so whether it was DTBI, or DLIT or DTX—those things I forget from time to time.

Mr O'GALLAGHER: On 29 July 2020, let me quote this; 'The parties are named Northern Territory of Australia, ABN, Territory, attention Chief Executive, Department of Trade, Business and Innovation—that was the party at the front. The other two parties were Northern Ship Support Pty Ltd, James Paspaley and also Paspaley Pearls Properties Pty Ltd—they were the parties to that contract.

Mr PASPALEY: That sounds correct, but I am not a lawyer. I would say that the Paspaley parties were a party and the Northern Territory Government was the other party.

Mr O'GALLAGHER: Well, they list the two of your companies as parties. I am not so much interested in the Paspaley ones; it is the Northern Territory Government.

Mr PASPALEY: That is right but it is the Northern Territory government and if they say it was via the DTBI, that is, but it is the NTA that is the contracting party.

Mr O’GALLAGHER: That is right, the Northern Territory of Australia, correct.

Now, from my reading of this, you sir, signed off on behalf of Paspaley, and we can fully understand that. I see that the signatories for the Northern Territory Government were Hon Michael Gunner, who was Chief Minister at the time; and Hon Eva Lawler, who was the Minister for Infrastructure, Planning and Logistics. They were witnessed by Emily Beresford Cain for the Chief Minister and also by Shaun William Sainsbury Drabsch, who I believe was the CEO of the Department of Business and Trade at the time, or whatever the name.

Mr PASPALEY: All those things are likely facts, but I do recall that at least one of the documents was signed by Chief Minister Gunner and Eva Lawler.

Mr O’GALLAGHER: That is right. Now, that takes us to that point where we have now embarked on. There was a variation. Firstly, the variation was made on 17 June 2021. Can you tell me what the key features of that variation was otherwise we might explore it later?

Mr PASPALEY: Have you got a copy of it there? Because if I have a look at it—I can grab a copy.

Mr O’GALLAGHER: Maybe I will come back to that. I really just want to get timelines first, and then maybe we can come back to it.

Mr PASPALEY: If I can have a look at it, it will maybe spur a memory—dating back to 2020.

Mr O’GALLAGHER: The variation was on 17 June 2021. While you are looking at that, I will just say from the Northern Territory’s perspective it says that this was, I think it was the party for the Northern Territory was the CEO of the Department of the Chief Minister at the time, which I think was Ms Jodie Ryan, but the signatories again was Chief Minister Michael Gunner and also the witness was Shaun Drabsch.

Mr PASPALEY: From a timing perspective, that sounds right.

Mr O’GALLAGHER: While we are looking at that—there was also a second deed of variation done on 20 March 2024. The parties listed this time was the CEO of Department of Infrastructure, Planning and Logistics who I think was Andrew Kirkman at the time, and the signatories on that particular event were Eva Lawler—I will have to check what title she was—and also Minister Joel Bowden from Department of Infrastructure, Planning and Logistics.

So there were two variations on the deeds. If you are able to share what were the key features of those variations that would be good, but otherwise, I am sure my colleagues will have other questions about it.

Mr PASPALEY: I might defer to Dr Buchanan to answer, as he is better placed to do so.

Dr BUCHANAN: The first variation is quite a minor document, only a few pages long. That added some optionality for the Northern Territory of Australia to remove certain parts of the scope of the facility. The second variation, which occurred in 2024, was bigger and included a schedule as part of it, which set out more detailed specifications for the facilities. During the period from initiation of the project from 2020, which was at a very conceptual stage—the first part of the work was preliminary works for a lot of site investigation, geotechnical, hydrological to understand how to build any sort of ship lift facility at that site. By the time we got to 2024, DLI was much more progressed in their design through WGA and detailed specifications of how the equipment and plant should come together was enshrined in that deed and set out how it would be built. Updates were made to the project that had moved on a little in the previous four years.

In terms of your questions of the different departments of the NTA that were running it, the team from DTBI/DITT and moved to DLI, the government’s builder on the project at some point of transition within government.

Mr O’GALLAGHER: Initially we start off with a \$100m grant being proposed by the government to get the private sector to deal with it. We went through another phase where the government has decided it will take control and run it. There has been various variations over time, time makes cost as always. The estimates we were told and figures quoted is that it is now up to approximately \$820m. We are trying to understand, is that true and how does it work? I will finish there and pass to Mr Chair.

Mr CHAIR: I will hand over to Laurie Zio, Member for Fannie Bay.

Mrs ZIO: Thank you for coming in today, we appreciate getting more information, which enables us to respond more appropriately. My questions are about how we are moving forward in relation to how the ship lift will be operated and how local business will have guaranteed use. I want to confirm that in 2019 it was announced that Paspaley would operate the ship lift under a 10-year renewable agreement. In 2021 NTG entered into an agreement with Paspaley to operate the ship lift for a minimum of a 40-year term. I want to understand what rights Paspaley have and what your knowledge of the rights are after the 40-year term comes to an end?

Mr PASPALEY: I do not know that we have any specific rights at the end of that term. I believe that from the last time I recall negotiating that document, that is it. At the end of the 40-year term, it is the Territory's asset and land, and that is the end of the arrangement that we have. Hang on.

My colleague has just informed me that there may be a contractual right to enter into a negotiation at the end of that period for a further 10 years. The design life of the facility is 50 years, but the operating arrangement is only 40. I believe it was contemplated that if there was a decent 10 years left in it, that we could continue and, if not, everyone would look to do new things.

Mr CHAIR: I confirm that is correct, there is an extension period option at the end of the 40-year term.

Mr PASPALEY: With the initial 10-year contract, I do not believe was just a clean 10-year contract. I believe it was a 10 plus 10 plus 10 plus 10. I think it was in the order of 40 as well, on the basis that we have continually run the argument that, if we have to cease doing what we are doing where we are, we would not do so on the basis of a short-term agreement somewhere else. It is completely illogical.

Mrs ZIO: I understand. My follow-up question is now in relation to business utilising the new ship lift when it becomes operational. I had many organisations come in to my office to have a chat about how this looks going forward because they do not have any idea of how it will look once the Frances Bay facility closes and transfers over to the new ship lift.

I am wondering if you can give what your understanding is of the schedule of rates and how users will be able to plan their timeframes out for the next five or so years—because we know they lift ships every five years or so. At the moment I am hearing that it is hard for small organisations to be able to plan for how they will utilise a ship lift.

The other side of it is if Defence is operating at the site and it has certain security protocols that need to be abided by, what implementation of what kind of rules and regulations will you place on that site so that local contractors can still access the site if their ships are lifted and they do not get locked out from being able to use the site.

One of the concerns is about if there will be a standard security control that they need to apply for, and then not regular changes to make them continually apply for different levels of security access, to make sure they have certainty and the ability to use the site.

Mr PASPALEY: One of the things that has been key for Paspaley in this process from start to finish is that we regularly see and hear about multibillion-dollar Defence infrastructure being built in the country, but it is practically unusable for anyone outside of the Defence industry. It has been important to us, from inception of this process, that it is able to be utilised by all marine users in the Northern Territory, including Defence and Border Force, but not excluding commercial fishers, barges and the like, for all the reasons you just highlighted and that your members have come to you to speak about.

So far as people's exclusion is concerned, the legislation is intended to ensure that people are not excluded from the site. The site access rules and regime will be designed to facilitate as many users onsite as easily as possible and for the lowest cost.

We are hoping this committee enables the DLI to engage with us, as operator, quickly to try to cut some of the red tape out of the existing legislation to make it a more efficient and better-able-to-be-utilised facility than may otherwise be the case.

Mrs ZIO: Following on that with the schedule of rates at the moment, the advice I have been provided is that local operators do not know how much it will cost to lift a ship out of the water. They budget anywhere from \$10,000 to \$50,000 to lift a 15-metre ship out of the water. They are not sure about how much it will cost. Will

we have a schedule of rates that will guarantee how much it will cost for certain services to lift their ships? Will they be able to bring their contractors onsite to do that work or will it be Paspaley contractors?

Mr PASPALEY: It's a requirement of the operator to publish a schedule of rates, so it will be publicly available. The access and pricing regime principles are to ensure that all potential contractors have access to the site. It is designed to try to deal with exactly that concern so that Paspaley cannot operate on an unlevel playing field.

If there is a local welder who wants to go onsite, providing he has the requisite training, safety standards and meets those things that are required of a 2025 facility, they will have access on an equal basis to Paspaley.

We run a shipyard now, as I said in my opening statement. We completely control who can and cannot work on that site and the revenue from it. We do not have that capacity at the new site. We will be opening up access to everyone in the Northern Territory and the world to come to that site on a level playing field basis to try and facilitate as many users as possible to be on that site, which then delivers the lowest possible cost to be lifted and parked, if that makes sense.

Mrs ZIO: Yes, I appreciate that. Can you explain to me your understanding of who is responsible for the industry development of the ship lift utilisation? Who is going to be advertising it, and who is going to be going out to market to try and get people to come and use it instead of using Cairns, Perth or Singapore?

Mr PASPALEY: I thank the member for Fannie Bay for that question because one of our frustrations, at this point in time, is we do not have a committed date that it will be finished. It will be us, as operator who is responsible for marketing the facility, it can be in collaboration with anyone who would like to assist. Anyone from the government or the department will be welcome to help advertise the Territory's asset that it is spending an enormous sum of money on.

For our own purposes we lift our ships basically every two years, so I already want to know where I am lifting in two years' time. I am planning on lifting it at my facility because I do not have certainty of being able to lift at that facility. If we approach customers today, the first question they ask is when can you lift me? Before we can get to rates, volumes or an intelligent well-considered detailed business plan, we need to know when it will open and what the terms of the access and pricing legislation are going to be?

As we understand it the access and pricing legislation is delayed due to this process, which is reasonable, but the faster that can get back to DLI and they can engage with us in a meaningful way to help streamline that process, the faster we can have certainty of delivery and start to deal with those customers and drive benefit to the economy.

Mrs ZIO: Thank you. We know you have done a land swap, and the NT now have this land, and you have the land next door. What is the proposed operations for Paspaley for the land that you have next to the ship lift now?

Mr PASPALEY: The facility next door has berths and wharfage and an undeveloped area. On the undeveloped area we expect that we may occupy some of it ourselves, we may lease some of it to other marine users. We are unable to deal with that at all at this stage to go out and attract customers and things on the same basis that we do not have a delivery date and we do not know when it is going to be finished.

We expect to be operating that side of the facility on a commercial basis. We will try and generate a return from it like we do any other commercial property holding that we have. Marine infrastructure-related activities, whether they are vessels that cannot get access to Fisherman's Wharf or other areas—we will put our own ships there from time to time. I do not have a detailed answer for it, but it is going to be similar to whatever you would do when you have a block of land with a shed and a wharf next to it.

Mrs ZIO: There are no proposed additional ship lifts to be placed on that block of land?

Mr PASPALEY: No ship lifts, no.

Mrs ZIO: For smaller vessels?

Mr PASPALEY: We are able to park a ship that is lifted on the Territory's ship lift on our land only with the Territory's consent, but it has a hardstand on it capable of delivering a vessel so we could lift on the Territory's ship lift, a Paspaley ship and park it on our land.

Mrs ZIO: Following on from that, we have been told a number of times in this inquiry process that the completion date of 1 March 2027 is the date. Has that not been conveyed to you?

Mr PASPALEY: We need to receive a notice of completion date under our contract. We have received multiple program schedules, some of which may be accurate, some of which were clearly inaccurate and, as a consequence, it would be fair to say we have a high level of scepticism about the dates that we have been given, until we are notified under our contract of a completion date.

Mr CHAIR: I am going to ask a series of questions. They are not gotchas; they will be very direct, and I am looking for direct answers.

During the variations discussed, were any of those requested by yourselves to Michael Gunner or his Cabinet, or were they decisions of Cabinet?

Mr PASPALEY: These variations?

Mr CHAIR: Variations 1 and 2?

Mr PASPALEY: I think to Dr Buchanan's earlier point, variation 1 was largely administrative. I suspect we were asking about variation 2, which is in relation to the removal of what is known in here as berth 6. We made a regular approach through the department and through our normal meetings to make a recommendation that they consider removing a particular aspect of the design that would improve the functionality and reduce the cost.¹ [see correction provided at footnotes 1 and 2]

Dr BUCHANAN: Sorry Member, just to be clear, is your question 'who made the variations of government?'

Mr CHAIR: My question is getting to—we have spoken with the department, and we understand multiple decisions have happened at the Cabinet level with outcomes that might even be contrary to department advice. So, my question to the variations is were they variations requested by Paspaley to Cabinet or were they just Cabinet decisions that then came down in the design?

Mr PASPALEY: My recollection is that during some of the preliminary design discussions, by way of example, the election to remove berth 6—it was a discussion that was had at a departmental and project level that was then later endorsed by the government, but it was done on the basis to reduce cost from the project. There was an earlier design done. There was a large steel structure that stuck out from the land, and we pointed out that it made navigation difficult, it was likely expensive, and we questioned its usability. It was technically required under the earlier version, but we suggested that if the government was willing to go without it, and we were willing to go without it, it would make a better facility without it, reduce the cost and possibly increase the time in which it would take to deliver. So, I think it was endorsed by ourselves and by the department and then put to the government of the time to make a decision on. That would be my recollection. You are welcome to ask Dr Buchanan if his differs from mine.² [see correction provided at footnotes 1 and 2]

Mr CHAIR: Dr Buchanan?

Dr BUCHANAN: Not contradicting my colleague here but the two variations—the first one was quite minor as I said before, the second was a lot larger, but I think the point of your question is how we developed those variations. That was always with the departments and usually with the DLI's engineers, so in the case with the second variation with WGA in the room we came with the proposition to remove a big pier that was in the facility that we thought, knowing that there was a serious amount of cost with the facility from DLI who did not know what the cost was, but they were looking for savings.

We said if you get rid of that you are not going to lose a lot of function, you are going to save a lot of money, here is what we suggest to move it around. The department's engineers went away and did the work and came back and presumably recommended to the department that it was a good variation to make, and the department then agreed. How the department deals with Cabinet is between themselves. We do not have vision of that, so we never were negotiating with elected members; we were always dealing with the

¹ Paspaley Pearls Group provided the following correction: The reference to (former) 'berth 6' being the subject of the second Deed of Variation to the DLD is incorrect. The potential removal of berth 6 is, in fact, the subject of the *first* Deed of Variation to the DLD. – see also footnote 2 below.

² Paspaley Pearls Group provided the following correction: Reference to the removal of 'berth 6' (see also footnote 1 above) should have been to the removal of (former) 'berths 1 and 2', commonly referred to as the 'finger pier' or 'finger wharf'.

governance group, and under the DLD it's called a Project Reference Group. We meet monthly. We have an obligation under that group to act in good faith for the best interests for the project, which we do diligently, so we review and when we have recommendations we make it to that group and that group then takes it forward with the rest of government.

Mr CHAIR: Thank you. Regarding the lease agreement for variations, did yourselves ever meet with an elected member of Cabinet—personally?

Mr PASPALEY: There are a few parts to that question, have we every met with elected members of government?—often ...

Mr CHAIR: I'll come back. Mr Paspaley, in the lead-up to the signing of the lease agreement, did you ever meet with Chief Minister Michael Gunner?

Mr PASPALEY: Of course.

Mr CHAIR: Any other Cabinet members?

Mr PASPALEY: I would be surprised if we didn't. Eva Lawler signed one of them, so she was obviously present.

Mr CHAIR: In these meetings did you discuss terms of the lease agreement?

Mr PASPALEY: Not that I recall. The negotiations, so far as the project documents were concerned, were done with the department running the negotiations at the time. Their legal representatives and ours were present and, I think, with some Merit Partners which may have been the probity officer involved. These were done in normal, aboveboard, diligent and in accordance with the procurement guidelines, which is the only way in which we would ever engage with the Northern Territory Government.

Mr CHAIR: Have you, any related entity or known entity, ever given payments or rewards to the Chief Minister Michael Gunner?

Mr PASPALEY: I distinctly recall sending him a congratulatory bottle of wine for a marriage or a child. I am happy to say that generally in the Northern Territory we have not rolled Chief Ministers or heads of state for a bottle of wine that I suspect could not have cost more than \$100.

Mr CHAIR: Have you hired any former Labor staffers at Paspaley?

Dr BUCHANAN: People who have worked with Labor?

Mr CHAIR: Have you hired anyone who worked with the Labor fifth floor government in the previous administration?

Dr BUCHANAN: Yes. Recently we employed someone that used to work with the government.

Mr CHAIR: What is their role in the company.

Dr BUCHANAN: One role is assisting me with this project going forward.

Mr CHAIR: You may not have a list, but it can be taken on notice. Would you be happy to provide third-party businesses or consultants that have been engaged throughout the process?

Mr PASPALEY: We will take that on notice. It is difficult to answer those broad questions. Obviously, we know of one person. We said earlier that we have 1,000 people in the organisation and 400 in the Northern Territory, and if you have employed anyone in the Northern Territory with that sort of number the chances are you are employing someone who has worked in this building or for this building.

J DAVIS: Thank you for appearing today. You talk earlier about the fact that you had not been part of the ACIL Allen report and the projected use and had not been consulted in relation to it?

Mr PASPALEY: Not the ACIL Allen report but the more recent EY report.

J DAVIS: I am interested in what your projected use and profits from the ship lift might be?

Mr PASPALEY: What we made comment about for the EY report is highlighting the difficulty with making projections because we can only use assumptions. We are required to provide our revenues to the Territory and the Territory has the ability to instruct us to commission an audit. The Territory will have great visibility of our revenues, profits, costs and expenses and a large ability to reach through. So far as discussing this in a public forum is concerned, we would do that *in camera*.

J DAVIS: I imagine you have done a business plan in relation to this, and I understand you would want to keep things in confidence. Have you done that in relation to this?

Mr PASPALEY: We have extensive obligations under our operations and maintenance deed (OMD). It involves 40 different reports. Yes, is the answer.

J DAVIS: Is your understanding that a business plan has been done by government in relation to this?

Mr PASPALEY: I understand that the government has commissioned both ACIL Allen and EY to do various reviews of things. I do not know what the government has or has not commissioned of others.

J DAVIS: When you say 'various things', from what you know are they business plans or other things?

Mr PASPALEY: We could not know.

J DAVIS: You have talked about this broadly, but can you outline any performance and accountability metrics within the contract that ensures that the ship lift serves the public interest?

Mr PASPALEY: I cannot go to the specific clauses to answer your question. We have said that not only are there clauses within the contract that hold us to specific performance measures and penalties for not doing so, which are contractual, the government has gone to the relatively extraordinary length of creating legislation that would make it unlawful for us to not comply with those things. It is not just a contractual breach, but then a breach of the law.

Mr CHAIR: Quickly, before I hand over to Mr Brown, the Chief Minister at the time made an announcement of the 10-year lease. When he made that announcement was it your understanding that it was actually a 10 plus 10 plus 10, at a minimum arrangement?

Dr BUCHANAN: Could you remind me when the minister made that announcement?

Mr CHAIR: Originally Chief Minister Michael Gunner made the announcement that it would be a 10-year lease. Was it your understanding at the time that it was actually a 10 plus 10 plus 10?

Dr BUCHANAN: That is 2018, so it was six years ago.

Mr PASPALEY: I do not remember exactly the answer to that question. What I certainly do remember is that I do not believe I have ever agreed to a short-term agreement like 10 years. I would be astounded if it was not a 10 plus something. I do not want to sit here and mislead you and say it was 40 or 30, if it turns out it was 50 or 60 ...

Mr CHAIR: That is fine. That has answered the question.

Mr PASPALEY: It is highly unlikely that it was only 10.

Mr BROWN: Thank you for coming. I have a couple of questions about the benefits and some of the specialised service that will come in as a result of you having—at East Arm.

What are the benefits of a regulated common-user facility between government and you and other agencies that come through?

Mr PASPALEY: I think we highlighted that earlier. It went to the Member for Fannie Bay's questions as well, which is one of the purposes and intent of the access and pricing regime is to allow as many users as possible to access the facility on a level-playing-field basis and to ensure that Paspaley, as a private operator of a government piece of infrastructure, cannot profiteer or generate super profits.

Mr BROWN: With regard to specialised workforce—in regard to a ship lift, it is obviously unique. If we did not have it here you said that we would have to go to WA and Singapore, I think. What are the numbers in

regard to having homegrown specialised employees? How hard was it to source them to come here and run certain aspects of the facility?

Mr PASPALEY: In my view the Northern Territory has been losing capability in the highly technical skills required to do some of the marine maintenance work that is required, particularly when it comes to things like Defence, Border Force and foreign navies and the types of work that Australia looks to do.

I think the last significant piece of marine infrastructure we put in might have been the duck pond or perhaps an upgrade to Fisherman's Wharf. They are not particularly high end. I think it was announced recently that they are spending \$12bn in Henderson to upgrade their capacity to serve Defence. I think there was a \$300m grant to Queensland to build a facility to give them capability, and we are decommissioning, as I understand it, the Darwin Navy base ability to lift ships.

If that all occurs and we do nothing, then I guarantee there will be no Defence marine maintenance taking place in Darwin other than the rats and mice that might trickle off the edge of it.

By having a piece of enabling infrastructure like this, we have an opportunity to attract businesses to the Northern Territory, including Defence multinationals and all their subcontractors, to do extensive works. I think in the last 10 years, the geopolitical situation has shifted somewhat facing north.

Mr CHAIR: I have a follow on there. Could you please expand on that naval capability, and what this lift offers to the Australian Navy and to other strategic partners? We know it is becoming a more and more contested field in this area of the world. From a military point of view, what does this offer the Australian Navy and their partners?

Mr PASPALEY: I will hand this over to Sam.

Mr BUCHANAN: The facility has been purposely built to ensure capability for naval constabulary-type activities based out of Darwin and the north. That is navy, particularly refer cape-class and e-ropes, and also Border Force. Those vessels were front and centre in the design concept even in 2016.

Since then, our Navy has also procured the Arafura-class offshore patrol vessels. At the time we started this project, that was the concept, now there are already two built and the Navy stopped that program and moving on with another just in terms of how much time this has taken. It was very purposely built for the type of activities that will be occurring and based out of north Australia for our Navy and importantly with the change in the force posture that we are seeing around this part of the world, we are able to support foreign navies the British have two OPVs patrolling around here that come into Darwin from time to time.

It will be an excellent outcome for Darwin workforce for its capability and capacity to be able to deliver services to foreign navies at the new facility, and through that demand, which is really what this whole project is about: enabling infrastructure to allow workforce and demand to meet. We see it as a great outcome.

Mr CHAIR: We see the demand there and the potential capability we can offer navies, what is the flow-on benefit it can offer to Darwin? What flow-on business could we see come out of that?

Mr BUCHANAN: That's a good question. Navy really does not maintain its own vessels itself, so what Defence forces do is they procure their sustainment through various organisations. Up here it's called the RMC (Regional Maintenance Centre) and the RMP (Regional Maintenance Provider), that is a coalition called NORSTA, who organise and plan the programming for maintenance which is generally optimally delivered by local business rather than a FIFO situation when you are flying people up to a remote base. It brings that capacity to Darwin.

A naval electrician can be working on a Navy boat one day and working for oil and gas the next day, working for Sea Swift the next day, so that is the capability this project is really about and forming in that strategic location that Darwin is, which has unparalleled opportunity. Where else in Australia can you go where the next port is two-and-a-half/three days away in Cairns and on the west, you are all the way to Henderson.

We have this isolated well-protected harbour with a lot of ships moving in and out of it; all we need is somewhere to do the work.

Mr CHAIR: Thank you, I will now hand over to the Member for Karama.

Mr O'GALLAGHER: Thank you, two questions. First one, assuming you do get a notice of completion at some stage, am I correct in understanding that your existing ship lift facility at Frances Bay will no longer be able to be used for that function, and if so, what do you plan for that area?

Mr PASPALEY: Subject to certain conditions, if the government meets its obligations under its agreement, then we are not permitted to continue to lift ships at our facility at Frances Bay. I think it may say that we must decommission our ship lifting capability—you have the document in front of you, so I am pretty sure you have read the clause.

After that, in the short term we will decommission, then we will have to do some remediation and then we will look to see what we can do at that facility next. We still have a lot of reasonably heavy activity that goes on next to us—Fisherman’s Wharf, all of Mr Barra and that area, down through the container terminals and then on the other side you have the ‘Gobi desert’, but maybe not in my time; maybe in my children’s time or their children’s time I could imagine that place evolving into some of these things I have seen over time with what you guys have drawn up: football stadiums down there and stage 3 Waterfront and all. I have seen a wave pool. I can’t guess what would happen down there but what I know is that if the government delivers on its obligations we will deliver on ours and cease lifting ships down there, so that will not happen.

Mr O’GALLAGHER: And final question, picking up on the Chair’s question about employing ex-staffers and so on, and that is fine. Can you just confirm that you have actually employed Ms Gabby Mappas—is that the person we were talking about originally?

Mr PASPALEY: I can confirm.

Mr O’GALLAGHER: And if so, what capacity is she working in?

Mr PASPALEY: I can confirm absolutely that we have employed Ms Gabrielle Mappas. I can also confirm that her husband works for me as well. If you would like me to go through the list of other people I know who are engaged in our employ that have worked for the CLP, the ALP—I do not know if they have worked for Independents—but there is a fair whack of them.

Mr O’GALLAGHER: Okay, righto. What role is she taking on?

Dr BUCHANAN: Ms Mappas—who is directly behind you—she is helping me with this project in terms of operational readiness, what we need to do under our contract to do all those great things we were talking about—about enabling workforce capability. Under our contracts we have myriad systems and plans we are required to do, emergency management plans, safety management plans, you name them—I think we are up to about 168 in our current audit of plans we are required to do, so part of our team developing that is to do all that work, getting ready for operations.

Mr O’GALLAGHER: Thanks very much, no further questions from me.

Mr PASPALEY: I think it is worth highlighting if you go through the DLD and the OMA and understand it clearly, our role in the PRG—sorry, a lot of acronyms—the project reference group is to guide and provide advice, but actually all of the decision-making is in the hands of the Territory government. So, we can make a lot of noise about things, we can jump up and down about things we disagree with, but at the end of the day, from the day that land swap occurred until practical completion, the decision-making sits with the Territory. So, Gabrielle Mappas being employed with us—at the time that she was employed was well after we had the ability to influence—not to influence, but to make decisions in this process.

Mrs ZIO: Thank you. I have one sort of final sort of summing up our conversations today. I think you would understand that if a general member of the public was looking at this whole process and they saw—it kind of comes across as Paspaley being gifted a gift horse. You kind of have been handed over a facility to be able to use and then receive the revenue, if that kind of makes sense. I am just wondering, do you understand that is kind of what it looks like and do you sort of agree that you have kind of been gifted a bit of a slab of gold for this?

Mr PASPALEY: I disagree vehemently. As we have tried to explain in abundant detail today, on the one hand there is a land swap. We had a house and you had a house and you said you wanted our house. We said okay, we will swap. The house that we will get will only happen when you finish that process and deliver it to us. It is more or less similar to what we had before but with a higher level of the infrastructure close to the water and a lower level of infrastructure off the water. That is the Territory’s payment to Paspaley for procuring our land, which you now own. If that is a golden handshake, I am all ears.

On the other hand, we are your operator for your infrastructure and your facility. We must generate all the activity that takes place on it, attract and encourage it. We have worn 10 years of costs in getting there. We have not been remunerated one penny for our time, hours or work on this project until that time. We never imagined, in our wildest imaginations, that I would start this project before I was 40 and finish it after I am 50 and still not be remunerated. We will then have the opportunity for remuneration. Our business plan that the

Member for Johnston alluded to earlier, does not have us making money in the first or second year. I do not know anyone that has a business plan that says in year one you are suddenly going to knock it out of the park.

This will be a likely 15-year adventure for us to get to somewhere. Do we believe in this project? Absolutely, and we continue to support this project. Do I think it is a golden handshake? I think it is the opposite of a golden handshake. The Territory has the ability to terminate us but then the Territory will find itself having to find an operator for its facility. I find it highly unlikely that they will get the deal they have now. That is my honest opinion of where you sit today.

Mrs ZIO: Are you able to provide an overview of the costs that you have had to expend in the last 10 years?

Mr PASPALEY: I would be happy to, in a closed session.

Mr CHAIR: If you would like to provide the cost, you can take that on notice. As you mentioned, it is probably commercial-in-confidence to your business, and we would respect the commercial-in-confidence nature of any of your business costs.

Mr PASPALEY: I have said today that we have incurred millions. I am saying that on the public record, in front of you all, and I can say I am not doing that without having a great deal of confidence knowing that is true.

J DAVIS: Based on everything you have said, a question I have been asked is that once this is up and running, Paspaley will get all the profit, and the Northern Territory Government will have to bear all the costs of ongoing maintenance et cetera. That has been said to us. It looks like you are shaking your head at that.

Mr PASPALEY: One of the difficulties that we have, and therefore you have, is that this is a complex and long-running project. Until now there has been little information available in the public domain as to the nature or details of how the transaction works. These rumours grow. We have just outlined, over a number of hours, the actual operating arrangements that the Territory has struck. Open access, regulated potentially and monitored definitely. I hope that factual information provides clarity to those people who have legitimate concerns.

Dr BUCHANAN: Mr Chair, if you wouldn't mind one last closing statement. It was not helpful at the first hearing of this committee that someone said Paspaley makes all the profit from the project. That is factually incorrect. The committee would have heard at great length about this being an enabling project. The role of Paspaley is really quite simple. At the facility we have a narrow, tapered role. Just like air traffic control land planes at airports we land ships at the ship lift. The value generation is by all those people who will come and work there. That long list of trades that James read out is where the value is created for the project. All of those people are not giving their revenue working on Navy ships to Paspaley; they are keeping it. That is the enabling project.³ [see clarification provided at footnote 3].

This notion that Paspaley has a billion-dollar gift is absolute nonsense and needs to stop.

Mr CHAIR: In the contracts, I note that it says these third-party businesses can come in and work on the ships.

Finally, gentlemen, we need to provide recommendations to government on how we can do things better in the future. I know there would be lots of advice private industry can provide to government. Is there anything you think is tangible that could save the taxpayer money in future projects, after your work throughout this one?

Mr PASPALEY: For the purposes of the immediate project in front of us, as we said, any further delay to this project will be expensive. The next most expensive thing that will occur is if, at the end of the project, things that ought to have been done are not done, then you have to remediate works that have already been finished. That is the next most expensive thing that may occur.

The better you can enable your department to engage with the builder, the operator and get to delivery, the cheaper this will be.

³ Paspaley Pearls Group provided the following clarification: Paspaley, subject to the access regime's protections of the freedom of users including the Navy to contract with their preferred contractors and suppliers, will likely also seek to be a service provider at the facility (i.e. one of those people that will come and work at the site).

As far as other projects are concerned, we—and I know many others in the business community—will be happy to sit down in an appropriate forum, with an appropriate committee or group that you want to put together and put our heads together about how the Territory can better deliver complicated infrastructure projects. The Territory is fantastic at doing all sorts of things, but most of the things that the CLP is currently quite upset about—the public at large is quite upset about—are complicated infrastructure projects.

It is not about trying to find a pound of flesh somewhere, but how you sit down with people who have been through the process and ask, 'How do we do this better next time?' I think is a very worthwhile cause.

Mr CHAIR: That is good. I thank you both for your transparency today. I make note that the whole hearing today was done in public. That is a credit to Paspaley, in providing confidence as well to the NT people. I sincerely thank you for your time. I know a lot of work would have gone into addressing concerns of the committee and answering questions we sent. That is also a cost onto your business; that further adds to the cost.

On behalf of all the committee, I thank you again. We will now take a five-minute break before our next hearing.

The committee suspended.

DEPARTMENT OF LOGISTICS AND INFRASTRUCTURE

Mr CHAIR: We will now reconvene our session. On behalf of the committee I welcome everyone to this public hearing into the Darwin Ship Lift Project. I welcome to the table to give evidence to the committee from the Department of Logistics and Infrastructure Ms Gemma Lake, Acting Chief Executive Officer; Joanna Pethick, Acting Executive Director, Infrastructure NT; and Giovina D'Alessandro, General Manager, Infrastructure NT.

Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today. This is a formal proceeding of the committee, and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing, which is being webcast through the Assembly's website. A transcript will be made for the use of the committee and may be put on the committee's website.

If at any time during the hearing you are concerned that what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

Could you please each state your name and the capacity in which you are appearing.

Ms LAKE: My name is Gemma Lake. I am currently the Acting Chief Executive Officer of the Department of Logistics and Infrastructure. You may know that Ms Louise McCormick, the CEO, is currently on long service leave, and I am acting in Louise's position while she is away.

Ms D'ALESSANDRO: Giovina D'Alessandro, General Manager, Infrastructure NT, Department of Logistics and Infrastructure. The ship lift is one of the projects under my leadership.

Ms PETHICK: Joanna Pethick, Acting Executive Director, Infrastructure NT.

Mr CHAIR: Ms Lake, would you like to make an opening statement?

Ms LAKE: Thank you, Chair and committee, I have a short opening statement. It will not take too long.

The department welcomes again the opportunity to continue to support the committee in its inquiry. Both Giovina and Joanna have supported the Darwin ship lift project in different capacities through their roles in both the former Department of Trade and Business and the Department of the Chief Minister and Cabinet.

The department has provided a submission to the committee and attended the first public hearing on 24 July this year. That was attended by Ms Louise McCormick in her capacity as CEO of the department. In that hearing, Ms McCormick outlined the significance of this project as a critical piece of enabling infrastructure for the Northern Territory; the role the facility will have in developing and supporting the maritime industry, providing Defence capability and developing the marine services industry in the Northern Territory.

The complexity of this project as a large infrastructure development being undertaken in a marine environment, as I have come to appreciate being new to this role—there is a large volume of project material spanning across almost 10 years, as we have heard, and multiple departments. This department has had an ongoing role in this project as technical support and advisers during planning and negotiations and now as the project lead in the construction phase.

There are a number of confidentiality obligations in place, which have to date limited the discussions on the terms of the agreements relating to the Darwin ship lift project. These confidentiality obligations are not uncommon in construction and other large projects and are in place to protect sensitive information of all parties, including commercial-in-confidence information and terms.

As was noted in the last hearing, both Clough BMD Joint Venture and the Paspaley groups do not intend to participate in the public hearings as a result of these obligations. At their request and with the support of the minister the department has provided consent to the disclosure of what would otherwise be considered confidential information for the purposes of participating in this inquiry and in this hearing today.

This was not done lightly. The Northern Territory Government respects the sensitive nature of this commercial-in-confidence information and would not disclose such information without the request and consent of the relevant parties. We are, however, pleased that both parties were able to assist the committee in the inquiry today.

I note that the department has been released of its confidentiality obligations under these agreements and we are now in a position to answer your questions in this public hearing. Thank you.

Mr CHAIR: Thank you, Ms Lake. My first question—in the last hearing we heard some of the key risks and basically looking for certainty, especially with completion dates, and allowing the operator to move forward and make it the best business case they can. What do we have in place to provide that certainty? Has that been communicated to the operator and if not, when?

Ms LAKE: Thank you, Chair for the question. My understanding and I will get my colleagues to clarify, sorry, is that under the contracts, under the operation and maintenance deed, there was a provision whereby the Territory must give notice to the operator, being the Paspaley company, of the anticipated date on which commissioning of the facility will occur, and the anticipated commissioning date must not be less than 12 months after the date of the notice. So it is effectively a 12-month notice period for the commissioning of the facility which occurs after practical completion.

Mr CHAIR: And how far from practical completion are we, at the moment?

Ms LAKE: The current date for practical completion is 1 March 2027, and my advice at this stage is that the project is on track. There may be a slight month delay in the program at the moment but we are working through that with our construction contractor to see if that can be rectified.

Mr CHAIR: Thank you. We've heard a bit today about the benefits that this is going to bring, so we understand there is a strong naval capability benefit, also for other shipping industries, maritime industry. What does the department project this project can bring in for our local maritime industry and what flow-on benefits to the, especially the Darwin regional economy, can it bring?

Ms LAKE: I will pass that to my colleague, Ms D'Alessandro.

Ms D'ALESSANDRO: I think in general terms we have spoken about when we have heard what the broader benefits of the facility are. It is critical economic enabling infrastructure. It is difficult to quantify the exact benefits but we had ACIL Allen have a go at it, I think in 2018–19. You could index those figures, you could adjust it, but in the time since we said that we would commence building infrastructure that we are building now, Navy has changed its capability and its vessels. It is a constant moving feast, so I daresay it is difficult to quantify today what the benefits from the ship lift would be, but they will be great. We are starting from a relatively low base in the Territory, with our maritime sustainment capability, so anything is going to be a significant increase, and this is a very good piece of infrastructure.

Mr CHAIR: With some of the decisions to expand, can the department elaborate on the—we are looking at how the costs grew throughout the project. We have identified a few variations. Can the department provide insight into those variations, why they were done, what capability those variations will bring as well?

Apologies, the word 'variation' might not be the best word. Change in scope from where we were at concept, I understand we have expanded the length of the ship lift for the Australian navy. Are there other areas that have led to the cost increases we have had and the reasoning as to why?

Ms D'ALESSANDRO: Sure. The second variation removed a finger wharf. The reasoning for that was that it improved navigability of the facility. I agree. It also allows for better co-linear berthage which I also agree with. That allows for more flexibility with respect to how you deal with ships. It is better for customers. It is easier to operate. The ship lift itself can lift bigger, heavier vessels. That helps as an operator; it helps get more types of vessels in, so that can only be a positive thing. Any change in scope to an infrastructure project has impacts in time and cost. We have seen both of those things play out here.

Mrs ZIO: Thank you for attending. We heard previously that the two pieces of land that were land swapped, Paspaley has one and NTG has one, when this is all completed the NTG-owned operated by Paspaley side will have two wet berths and Paspaley will have three wet berths. That is what is in there. I am just wondering if there has been any consideration taken that if for some reason the contract between Paspaley and NTG was to end or cease, that would leave us with only two wet berths. Has there been any consideration about the impact of what happens if Paspaley was to either be terminated or cease running the operation?

Ms D'ALESSANDRO: I think we have to be careful when we talk about just one or two wet berths. What we have is linear longer wet berths, so it means we can probably fit more than one vessel on each of those. It gives more flexibility. I know it looks like we have had a reduction in berthage, but it has given us more flexibility. I am not too concerned about that. I still think the ship lift has really good functionality with regard to its ship lifting and its berthage capacity with the new design. That is not a concern.

We have not spoken with Paspaley about if they were not the operator because the ship lift facility on its own, as it stands, is fully functional and will do what we need it to do.

Mrs ZIO: We talked earlier about, I think it was Clough that mentioned there might be a delay with the paint and blast shed. Is that the delay that you were talking about, the one-month delay potentially?

Ms D'ALESSANDRO: The paint and blast shed in on a critical path, but we are working with Clough to change that path so that we can get it through. That is part of it but I am not so concerned about that, overall.

Mrs ZIO: If there is a one-month delay, what is the cost to the NTG for that one month, and where does that cost go?

Ms D'ALESSANDRO: If there is a cost it will be borne by the Territory. The Territory is solely responsible for the construction of the facilities.

Mrs ZIO: What I am trying to say is that if there is a contract date that it should be completed by 1 March and it is not completed until—what we heard from Clough BMD is that potentially it would be May—if there is a delay of a couple of months, what is the impact of that? What does that look like for us? Is it a \$1m a month?

Ms D'ALESSANDRO: I have not quantified it because I am hoping that it will not be a month over. There are provisions in the contracts for delayed cost to the operator. The construction contract itself, I would expect would be pro rata on a monthly basis, depending on what we are finishing. At the end of a build, I would expect that we are not doing large bits of construction. It is finishing the final bits to get something commissioned. It may be electricians on site but hard to tell you per month what that would be.

Mrs ZIO: Wrapping that up for people potentially listening at home, you said 'potential costs to the operator', is that when we give them a final date? So at 12 months out, potentially 1 March 2027, is the date that needs to be adhered to before costs. There is no other date at the moment that we need to finish at now?

Ms D'ALESSANDRO: The date and contract that we are working to, the outer date, the completion date and the DLD, is 1 March 2027. There are implications for the Northern Territory Government if we go beyond that date at the moment.

Mr O'GALLAGHER: Paspaley said they do not have a notice of completion, and they cannot do any sensible marketing until they know that. There are lead times for ships and customers, and they want to know when they will be able to lift a ship and that could take two years or whatever. The outer date for completion is 1 March 2027, and you would need to give Paspaley 12 months notice, which would be 1 March 2026. We are about five-and-a-half months away. Are we confident we will be able to do that? There are, I understand,

consequences if we do not deliver. Paspaley have options that they may to exercise if we do not deliver by the outer date. Maybe you can just share what those consequences or options may be?

Ms LAKE: I confirm that the outer date is 1 March 2027; I have not done the maths, but I think it is one year and five months. The development works for both the ship lift and the Paspaley facilities, under contracts must be completed by the outer date of 1 March 2027. We have to provide that 12 months notice prior to commissioning, as I mentioned previously. Under the arrangements, if the works are not completed by that outer date, the Paspaley party has the right to retain the operation and use of their Frances Bay ship lift facility or they can exercise a termination right under the development and land deed. They can take possession of their Paspaley facility and either make safe and rectify the site or complete the unfinished works. That is how the contract is worded.

Mr O'GALLAGHER: I referenced in my discussion with Paspaley—I was trying to get a sense of the timeframes of how this project has evolved and the contractual arrangements. My quick summary is that we started in 2015 and the Giles government at the time put a \$100m grant on offer for the private sector to develop it. There was a competitive tender process, shortlisted to five, and Paspaley was appointed as the preferred bidder. They went through a projected development agreement and then went into front-end engineering design.

All moving along, as they were going to get somewhere quite good. There was a change of heart by the government; they said that they were going to do it differently. They wanted to own and manage it and needed an operator would come. They started a new process—correct me if I am wrong—and the government chose to deal directly with Paspaley, rather than go through another tender process. Is that correct?

Ms LAKE: I was not involved in the earlier parts of the project, but everything you have said so far sounds about right. In respect to the last bit, I might pass to my colleague to see if she can recall that.

Ms D'ALESSANDRO: I will pass to my colleague Jo, who was there.

Ms PETHICK: The only thing I was going to go back on was the change of heart of government. There was some consideration about whether the project could proceed as it was currently set out as a private project. There were decisions made at that time that it could no longer be a private project and had to become a government project. That was the changeover in 2019, off the top of my head, which is when the PDA was terminated.

Mr O'GALLAGHER: Then the decision to go with Paspaley under the new arrangement ...

Ms PETHICK: It was a direct, yes.

Mr O'GALLAGHER: It was a direct? There was not a competitive tender process, competitive tensioning; it was a decision made saying, 'This is this and that'.

Who decided that the first stage that it was not viable working with the private sector? Who made that decision? We have gone from that to this. Who made that fundamental decision that it was not viable with the private sector?

Ms PETHICK: I believe we had feedback from the private sector—from the Paspaley Group. I will let them nod at me or shake their heads at that. I believe we had feedback then. I was not involved in the project at that time. We got feedback from them, and then a decision was made by government officers.

Mr O'GALLAGHER: We went from a competitive tender process, going PDA, going to feed, terminate the PDA, start a new process or whatever? In 2021, we started the development land deed and all that stuff, which started it off.

Can you tell me from there what was the estimated cost at that time for the total project, once we signed that development land deal? Government must have had an idea of what it would cost. What was the estimate as that stage?

Ms D'ALESSANDRO: From memory—I am happy to give the committee ...

Mr O'GALLAGHER: Just broadly, if you can.

Ms D'ALESSANDRO: I think it was about \$400m.

Mr O’GALLAGHER: We are talking somewhere about \$400m in 2021. Okay.

Paspaley also indicated that one of the biggest issues about this project has been project delays. With delays come additional costs and so on. When we had discussions with Treasury, our current top estimate is about \$820m. Is that correct?

Ms D’ALESSANDRO: Correct.

Mr O’GALLAGHER: You guys are working on the fact that its maximum will be \$820m. Is that a fair assessment?

Ms D’ALESSANDRO: Yes.

Mr O’GALLAGHER: We start off \$100m and a grant. That private sector arrangement, after going through a lot of work, was determined not to be viable. It started again in 2021. ‘Okay, we think it will be about \$400m’. Now we get to now in 2025. We got it a bit wrong; we have delayed and done a bit of variations. It is now \$820m. I can understand taxpayers thinking ‘What is going on with this?’ That is what I am trying to understand. That is what the committee is trying to get through.

Is there any confidence that the \$820m is the max or we are just hoping?

Ms D’ALESSANDRO: We have a greater sense of certainty. We are constructing it now; it is 40% complete. That gives you certainty as to cost, barring some phenomenal cyclone or something that comes and hits us, or some world war, I have certainty that we will come within that envelope.

Mr O’GALLAGHER: Obviously, a fundamental change happened between 2019 and 2021, which swapped our whole approach to this. Now we have embarked on this process that has gone from \$400m to potentially \$820m. I will leave it at that.

Mr BROWN: Thank you for coming. A similar line of question about timeframes. I am interested if COVID-19 played a big part in disrupting the supply chain and workforce?

Ms D’ALESSANDRO: I think COVID-19 disrupted everything, so yes, it disrupted projects. Government staff stopped what they were doing and focused on health, logistics and getting us through the crisis. Yes, that did play a part.

Mr BROWN: The date 1 March 2027 is fast approaching. I assume that you take in all the risks that come with the Territory in regard to your decision to finish everything by then, your cyclones and all that sort of stuff, so I hope and I assume that there is some leeway in regard to getting that done. Would that be the case?

Ms D’ALESSANDRO : It is factored into the program, and also the NT government has taken out separate insurance policies to cover some of that risk, which you normally do not do with infrastructure projects, but we have done with this one.

J DAVIS: Thank you for coming today. I have just got a few governance questions. Given that the NT project development framework isn’t being used for this project, can you outline the governance and project control structure in place, including the contract management plan and probity and cost-control processes?

Ms LAKE: Thank you, Member for Johnston. I can probably start and then hand over for anything more specific. During the project planning, development and negotiation phase of this project there were variants, governments committees in place at the chief executive officer level within the NT government. There was a project control group that was made up of CEOs of relevant agencies and then that moved into what used to be called the ‘jobs subcommittee’, which was also a group of economic agency department CEOs. The usual process for large projects like this in government, certainly in my time, is that you have committees of various agencies at that level to oversee the projects during the planning, the development, the procurement and negotiation phases.

Once the decision is made and the contract is entered into, it then moves into project implementation in accordance with the contract and it is then overseen by the relevant department and chief executive and obviously reporting to the relevant minister. That is my understanding of how it occurred for this project. At present, under the contracts, which Paspaley mentioned in their evidence, there are governance structures in place. Under the development and land deed there is a project reference group, which has members of

this department and Paspaley on that group, and under the construction contract we have a project leadership team which is made up of representatives of this department and the Clough BMD Joint Venture.

If there is anything following on from that, we are happy to take a specific question.

J DAVIS: Thank you. Just going to the Auditor-General's 2018 and 2024 reports, what specific documents were withheld from the Auditor-General and why?

Ms LAKE: I am not aware of that specific answer, and we could take it on notice, but my understanding is it would be potentially any cabinet-in-confidence documents, but we are happy to take that on notice so that we can check.

J DAVIS: Thank you, that would be great, and I guess the question in terms of thinking about processes in future is how can the government ensure that key decision documents are available for audit without compromising commercial interests, potentially there may be issues of cabinet-in-confidence as well, but how can we know that there is reference to things in those reports that need to be known, and we have been told that we can't. How can we be confident into the future?

Ms LAKE: I won't answer that question because I think it might require me to speculate and give an opinion, but certainly we can take a question about what documents were provided. If any were not provided, what the reasons for that were.

J DAVIS: And just to add one further question to that—for any decisions where documentation was withheld, what steps if any were taken to verify that the decisions are still defensible?

Ms LAKE: We are happy to take it on notice, thank you.

Mrs ZIO: Are there any other design changes in plan at the moment that might alter any of the TOC 4 stuff?

Ms D'ALESSANDRO: Not that I know of and not that has been brought to our attention in the last couple of weeks. However, in saying that if something does come up there are processes under both the DLD and the LMD that we have to follow in the variations clause and we will follow them but nothing has been brought to my attention just yet that I would be worried about causing substantial delay to the project.

Mrs ZIO: In relation to when Clough went into voluntary administration, was there any costs to the NTG associated with that and if there were, is there any contractual ability to recover those costs?

Ms LAKE: There aren't any specific costs that we are aware of that the Territory incurred—not at this point.

Mrs ZIO: In 2019 when Paspaley secured the direct procurement for this as an operator, our understanding was that it was under the previous tender that went out. We know the scope of works in the operational panel changed from 2016 to 2019. Given that there were major changes to the scope of the project and the funding models and how it would operate, do you know to what extent the changes to the scope would mean that there should be grounds for a new EOI process to go out?

Ms D'ALESSANDRO: The decision to proceed with Paspaley under the current arrangements was a Cabinet one. Public servants cannot defend that decision, all we do is implement it. I can talk to you about what we have done to implement that, which is in the agreements and the facts of what we are dealing with today. I cannot talk to the Cabinet decision, that is best placed for a minister to talk about.

Mrs ZIO: In your professional opinion, having worked for the Department of Logistics and Infrastructure, would the changes to the scope of the work that happened between 2016 and 2019, generally mean that you would go to a new tender process in most circumstances?

Mr CHAIR: We will not ask you for an opinion. You could ask what the process is, but we will not ask the General Manager for her opinion.

Mrs ZIO: Is it normal process when the scope of work changes for it to go out to a new tender process?

Ms D'ALESSANDRO: There are lots of different procurement things that can happen depending on how big the project is and the type of project, but there would be the ability at any point, in any procurement for an EOI process to pull it, to rescope it, to decide what you want to do with it. You would have that optionality.

Ms LAKE: I will add that there are provisions in the procurement rules that allow you, if you have gone out to market for a particular requirement and if the processes fail, you can go directly to who was the preferred from the first process. There are some rules around that, that deal with that. Just backing Giovina's answer, it depends on the scope changes and what they are and the government always builds in provisions into its EOI and request it provides the documentation to ensure that we have flexibility to move, shift, stop if we need to. That is something that we always anticipate could happen and we build into documents in terms of normal process, but I have worked on many projects over the years in government and they have all been very different from one and the other in terms of that process and which way things go.

I won't say any more than that because I might be giving an opinion, and I am not permitted to do that.

Mr CHAIR: I have a couple of questions. The first one will be protections for our marine industry both the operator and other small business or anyone operating out of the facility. Could you speak to that to ensure that we have a growing, profitable marine industry?

Ms LAKE: What we provided for in the documents—working through the access and pricing legislation will be part of that. I will pass to Giovina to provide a more specific answer.

Ms D'ALESSANDRO: The access and pricing legislation is not drafted, so I am talking in general terms. The intent is to ensure that we have—as Mr Paspaley spoke about earlier—a common-user facility that can service all different types of vessels, whether it is a big Navy boat or a trawler. That is the idea. We are hopeful that the legislation will deliver that. That is up to parliament and what the Legislative Assembly. I would hate to fetter or tell them what they will do.

Mr CHAIR: The protections will come through that fee schedule? Is that correct?

Ms D'ALESSANDRO: Part of it is about, not so much the fee schedule but access and pricing legislation which is administered or regulated by the Utilities Commission. That has always been the intention. It is that independent regulator, under a piece of legislation that everyone can see, understands and knows, that gives the protection, certainty and comfort.

J DAVIS: I just wanted to follow up on a question that you answered in your previous appearance, in relation to what we were talking about with the last witnesses.

To clarify, this is something that people ask me all the time about, 'What is this deal? We are paying everything, and a private company is getting all the benefit.' We asked that question of Paspaley and they said, 'No, that is not true'.

In our last session you were asked by the Chair—correct me if I am wrong—'We build it, we maintain it, and we make no money leasing it?' You said that is correct. Is that correct?

Ms D'ALESSANDRO: I was not at the last hearing, but I am assuming it was our CEO, Louise, who ...

Mr CHAIR: If we have it on record, we have it. Whatever was said was said by the department.

J DAVIS: All right, yes. Okay. That is fine. I am trying to clarify that in the public space there is this view that it was happening. I think Paspaley said they take exception to that, and that is not what they believe is happening. I want to try to get your comment on that—the comment on ...

Mr CHAIR: We will not be able to ...

J DAVIS: Chair, I ...

Mr CHAIR: We cannot ask the department for comment. We could ask a specific question related to the contract.

J DAVIS: Can I ask does the current contract arrangement mean that the Northern Territory Government bears the all the costs and Paspaley makes all the profit?

Ms D'ALESSANDRO: Looking at the agreements, they say that Paspaley, as the operator, takes all the economic risk, the patronage risk. For that, they get to keep all the revenue from the fees they can take or charge for delivering the exclusive services, which have been outlined before and are on the back of the agreement. Under the agreement, the OMD, they do some of the maintenance work, but the Territory is

responsible for maintenance. I think we have answered a question on those outlining the maintenance obligations.

Basically, capital replacement, maintenance dredging and maintenance of elements of the asset with the design after five years or more—there are some caveats to that—rests with the Territory.

J DAVIS: I don't know if you can answer that now, but I think it was also asked previously what the ongoing cost estimates are of that ongoing maintenance.

Ms D'ALESSANDRO: I would like to take that on notice. I heard some numbers thrown around before, but I would be more comfortable putting that in writing.

J DAVIS: Thank you.

Mr CHAIR: If there are no further questions, would you like to provide any closing statements?

Ms LAKE: No, thank you, Chair. Thank you to the committee for inviting us. We were happy to come and speak to you today.

Mr CHAIR: As it is in the public interest, our committee has seen the contracts and we understand it. Could you speak to the fact that there is a huge cost in not delivering this project and the contractual reasons as to why?

Ms D'ALESSANDRO: In short, all the milestones of opportunities or stage gates and other contracts for the Territory government not to proceed with the project have lapsed. There would be substantial cost under the agreements for the Territory not to finish construction of the facility.

Mr CHAIR: Ms Lake, would you like to continue with a closing statement?

Ms LAKE: I don't have any further remarks other than to thank my staff, who have obviously contributed to preparing for today and turning up with me today, given that I am fairly new to this role.

Mr CHAIR: Thank you for coming today. We know a lot of work goes into this by your staff in preparation. On behalf of the committee we thank you for providing the information. This should be the last time we bring anyone in for this.

The committee concluded.
