

3 October 2025

Mr Clinton Howe MLA
Chair, Public Accounts Committee
Legislative Assembly of the Northern Territory

via email: LA.PAC@nt.gov.au

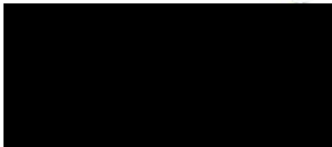
Dear Mr Howe

Re: Inquiry into the Darwin Ship Lift Project

Thank you for your letter dated 9 September 2025 regarding Inquiry into the Darwin Ship Lift Project.

Please find enclosed written responses to the follow up questions from the Committee on Wednesday 17 September 2025.

Yours sincerely



Adam Walding
Acting Chief Executive Officer

Darwin Ship Lift Public Accounts Committee

October 2025

Questions on Notice

Economic & Strategic Benefits

- Updated demand (defence, offshore energy, coastal shipping, super yachts, fishing)
- Direct/indirect jobs, supply chain impacts, skills development

1. Acil Allen noted that while their analysis of the SLAMI complex provided useful information regarding the likely market, financial and economic outcomes, because of a lack of suitable, available information the analysis did not reduce uncertainty sufficiently to be regarded as a solid basis for an investment decision by government, private sector equity investors and debt financiers and should not be regarded as equivalent to a final, definitive or bankable feasibility study.

a. Given this, can you clarify what other data or modelling informed the decision to continue with and significantly expand the scope of the project in 2019?

This decision is subject to Cabinet in Confidence.

2. Can you outline the variations made to the SLAMI Development and Land Deed?

- First Deed of Variation dated 17 June 2021 – removed the requirement for a 6th berth from the concept design and the Minimum Output Specifications.
- Second Deed of Variation dated 20 March 2024 amended:
 - clause 15.4(a)(v)(C) 'election to proceed by Territory', to increase the threshold from \$400M to \$515M, with the result that the NT Government could elect not to proceed with the development if it was not satisfied that "the costs of carrying out its obligations under this deed are not likely to exceed \$515 million"
 - Schedule 2 to introduce the 'Further Developed Design' which included:
 - Removing the finger wharf
 - Extending the area of land reclaimed on the Paspaley facility and re-orientating berths 5 and 6;
 - Creating a new area for a pocket for a future mobile travel lift for smaller vessels
 - Extending the berth A dredged pocket to 140m
 - Increase in heavy lift platforms capacity
 - Allowing for independent metering at all service pedestals
 - Improved amenities in the SPMT garage
 - Schedule 8 to insert the new Alternative Development Layout Plan

3. The Committee understands that the number of wet berths has been decreased from six to five.

a. What are the economic and strategic repercussions of this variation? Will the facilities still be able to meet expected demand?

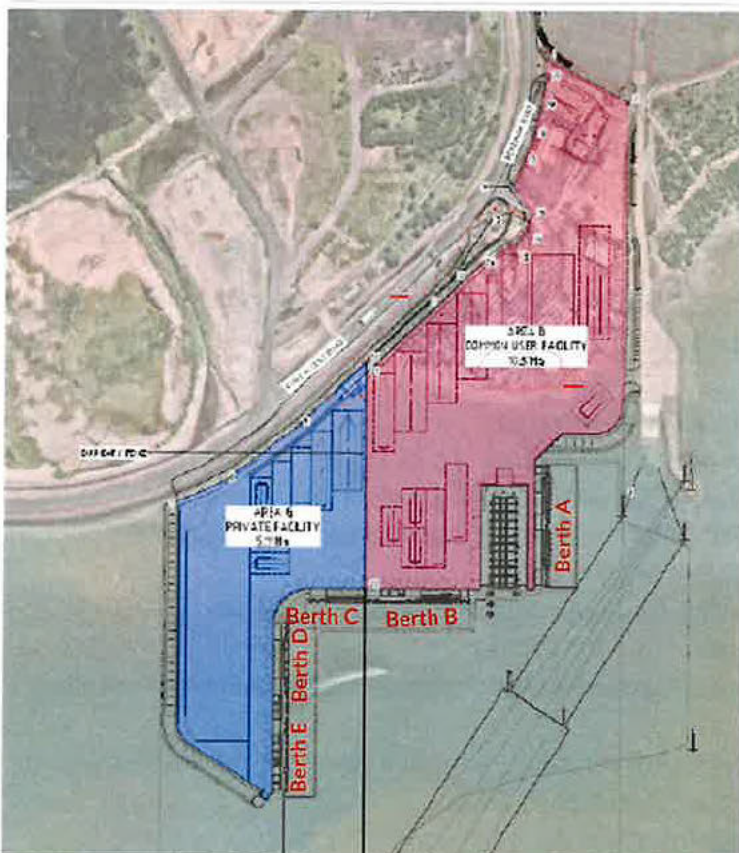
While there has been a reduction in the number of wet berths across the two facilities (being the Darwin Ship Lift Facility and the adjoining private Paspaley Facility), the reconfigured berth arrangement provides increased flexibility of co-linear berths allowing a larger range of vessels.

The decision to accept the design changes resulting in the Further Developed Design (contained in the second variation to the Development and Land Deed) is Cabinet in Confidence.

b. Is it the case that the private facility will have three wet berths and the common user facility will have two? If so, how was this decided? What justification is there for this distribution?

Darwin Ship Lift facility will have two berths: Berth A 140m and Berth B 123.5m as shown on the plan below, with the flexibility to berth a vessel across one or more berths i.e. Berths B & C.

Paspaley Facility will have three wet berths: Berth C 66.5m, Berth D 100m and Berth E 100m as shown on the plan below.



The reconfiguration of the berths resulted in a reduction in wet berth length (quay line) for both facilities, however the new design gives increased flexibility of co-linear berths (ie docking across one or more berths) allowing a larger range of vessels.

The decision to accept the design changes resulting in the Further Developed Design (contained in the second variation to the Development and Land Deed) is Cabinet in Confidence.

4. What are the expected effects on the economic viability of the Ship Lift common user facility if the operating agreement between NTG and Paspaley ends prior to the forty-year agreement?

a. What proportion of the Ship Lift's expected revenue is reliant on the operator having access to the private party facility?

None. The Darwin Ship Lift and Paspaley Facility, while adjoining are not co-dependant and will be separated by a boundary fence with separate accesses to the public roadway and public utilities.

b. In particular, is the Ship Lift facility economically viable with only two wet berths?

Yes. The Darwin Ship Lift Facility will have the largest wet berth, being Berth A with a length of 140m. This berth is designed for all design vessels, including an Anzac Class Frigate.

5. What will be the direct and indirect effects of the Ship Lift on jobs, supply chains, and skills development?

This information was provided in the Department submission, Attachment E.

Contractual Commitments & Optimisation Options

Key obligations and risk allocation in the executed agreements

- Feasible design, staging or pricing refinements that do not breach current contracts

6. What further design, staging, or pricing refinements are possible to the Ship Lift, that do not breach current contracts?

The design process for this project has been completed and the NT Government is currently in its construction phase.

Any changes to the design will need to be a negotiated variation to this design. Subject to the proposed design, timing or staging any material variations would need to be negotiated with the Clough BMD Joint Venture, who is undertaking construction. The Development and Land Deed with the Paspaley Parties also contains obligations relating to design requirements and completion dates and any material variations to these would be subject to negotiations.

7. Can you please provide the costs or damages the NTG would be liable for if it were to break the:

a. *Development and Land Deed;*

The NT Government does not have a right to terminate the Development and Land Deed for convenience.

If the NT Government does not comply with its obligations under the Deed, the Paspaley Parties may seek to terminate the Deed and, in accordance with clause 37 of the Development and Land Deed, the Paspaley Parties will retain the Paspaley Facility and may recover the cost of remediating or clearing this site or completing the works.

b. *Operation and Maintenance Deed;*

The NT Government does not have a right to terminate the Operation and Maintenance Deed for convenience.

If the NT Government does not comply with its obligations under the Deed, the Paspaley Parties may terminate the Deed in accordance with clause 39.1.

c. Collaborative Construction Contract.

The NT Government may, at any time, in its absolute discretion and without cause, terminate the Contract by giving 30 days notice (clause 78 of the Contract provides). If this right was exercised, the NT Government would be liable for all amounts due and payable at that time, the value of any materials, parts or equipment paid for in advance and the break fees for any items on order and the cancellation of any subcontracts.

a. Is it normal for a design revision process to take this long? If not, what was the reason for the delay?

This is a bespoke contractual arrangement and it is difficult to compare this contractual arrangement with other projects, in particular noting that this project involves not just the construction contractor, but a private land holder and future operator.

In short, getting the agreement of the private land holder and future operator to the variation took longer than anticipated.

b. What was the effect of this on the overall construction timeline?

The Development and Land Deed provides that construction must be completed by an agreed date, being 1 March 2027. While these changes were negotiated and agreed with the Paspaley Parties, an agreement could not be reached to adjust this date. Accordingly, while there was a delay in the commencement of construction works as a result of the design revision, the Northern Territory must complete the works by 1 March 2027.

9. When is TOC 4 expected to be confirmed, and do you have an estimated TOC?

The Clough BMD Joint Venture has provided its TOC4 and is currently under review.

10. Is the project on track to have reached Practical Completion by 01 March 2027? How much room for further delays is there?

The Clough BMD Joint Venture program is on track for 1 March 2027 completion of all elements, noting that there are elements of the program (in particular the Blast and Paint shed) which are currently scheduled for completion in May 2027, however these dates are actively being managed.

Delays have been built into the contractor's program and there are a number of mechanisms available to manage delays, these are outlined in question 13.

11. In 2019 it was announced that Paspaley would operate the Ship Lift under a 10-year renewable agreement. In 2021 the NTG had entered into an agreement with Paspaley's NSS company to operate the facility for a minimum 40-year term.

a. Can you clarify what occurred to inform the change from the 10-year renewable agreement to a 40-year minimum agreement?

During the negotiation of the Operations and Maintenance Deed Paspaley sought the 40 year minimum term.

The decision to accept the final terms of the Operations and Maintenance Deed was a Cabinet decision.

b. At the end of the 40-year operating agreement, what rights will Paspaley have to access the Ship Lift and common user facility?

The 40 year term of the Operations and Maintenance Deed may be extended in line with the useful life of the Darwin Ship Lift Facility, such that Northern Ship Support will continue to operate the facility if its useful life is extended beyond the anticipated design life (see clause 2.3).

Once the Darwin Ship Lift Facility has reached its end of life, and the Operations and Maintenance Deed has come to an end, it will be a commercial decision for the Northern Territory Government to determine the future use of the site. This may include a redevelopment of the site, or an upgrade and replacement of infrastructure to allow the continuation of a marine servicing facility. The Paspaley Parties will not have an ongoing interest or access to the site at this point.

12. Best practice guidance suggests that the cap on the painshare of a 'Non-Owner Participant' should be aligned with their fee

a. What is the justification behind the percent of painshare that was agreed to between Clough BMD Joint Venture and the NTG?

The pain/gain share mechanism is a complex incentive designed to encourage good performance to realise savings. There is a set pain/gain share percentage (capped at 10% for the Contractor split 50/50 with the Territory), the final amounts of pain share/gain share will be dependent on the value of the Actual Outturn Costs (AOC).

This pain/gain share mechanism was subject to extensive negotiations. With the Territory seeking to limit paying for risk upfront, regardless of whether these are realised as is the case with typical hard dollar contracts. During these negotiations, the Territory also removed other risk items, such as insurances, supply of ship lift and SPMT to further reduce the contract value and risk.

The final pain/gain share in this contract is capped at 10% of the TOC, of which this is shared 50/50 or 5% each. Beyond this initial 10%, the Territory retains the balance i.e. is responsible for further payment or retains the savings after 10% is exceeded.

Cost, Funding & Fiscal Exposure

Capital and lifecycle cost including escalation and contingency

- **Funding sources (Territory, Commonwealth programs such as NAIF)**
- **Ongoing budget impacts**

13. The Committee understands that the total project cost estimate is currently \$820 million with an anticipated project completion date of March 2027.

a. What strategies or contingency plans are in place to mitigate further cost or schedule overruns?

The Collaborative Construction Contract contains mechanisms to identify, manage, mitigate and contain, as far as is reasonably possible, the risk of scope creep, delay and cost.

These include:

- Monthly progress reports, including details of performance against the target completion date (clause 54.1)
- Corrective action where the contractor activities fall more than 10 working days behind schedule (clause 53.4)
- Acceleration direction requiring additional shifts and resources (clause 55.9)

14. Can you please break down the cost increases associated with:

a. scope changes;

There has been a change in design which is included in the current costs negotiations with CBJV.

b. funding model changes;

The funding model for the Darwin Ship Lift Project is NT Government funding, including a concessional loan from the NAIF. This has not changed.

c. project delays;

The cost of delay is difficult to specifically quantify and is better considered in its elements such as material and labour cost inflation outlined below or the fluctuation of the foreign exchange rates.

d. construction materials inflation; and

This project was impacted by COVID19 delays. During this time global steel prices increased by 50%, these prices have reverted close to pre-COVID levels. Other manufactured construction materials such as copper, concrete, quarry materials and the like have generally seen escalations in the order of 3% to 4% per annum. The forecast for the Territory as published by Rawlinson's Cost Book Quarterly in April 2025 suggested throughout 2025 the Territory's forecast escalation is anticipated to increase to 5%.

Global oil prices, and specifically diesel also affect the cost of manufacturing and delivering these elements to site. The AIQS reports on Building Cost Index (BCI) when compared to Consumer Price Index (CPI) September 2025 report verifies CPI in 2020 was tracking at 300 points and BCI was tracking at 320 points (a difference of 20 points), where in September 2025 CPI is tracking at 360 points and BCI is tracking toward 460 points (a difference of 100 points). This means BCI has outpaced CPI by a factor of 5 times that of CPI over the past 5 years.

e. labour inflation.

Labour costs increase year on year, this is exacerbated by labour and skills shortages particularly in the infrastructure construction sector.

The final TOC is still be being reviewed, so no actual amounts can be provided (refer answer to question 9).

15. Are there any further design changes being discussed or confirmed that will necessitate a further TOC pricing revision (TOC 4) and consequent Target Adjustment Event?

Once TOC 4 is agreed, there are no further changes or pricing revisions under discussion, except for the pre-negotiated events that are well documented in the Contract that do permit adjustments both up and down.

16. As the contractor fee is 10.5% of TOC, if there is a TOC increase through a TAE, does this mean NTG's fee to Clough also increases?

If a TAE is claimed, and supported by the Territory, the Clough BMD Joint Venture fee will be adjusted by 10.5% of the value of the change, this may result in an increase or a decrease.

17. What, if any, were the costs to the NTG associated with Clough's entry into Voluntary Administration and is there any contractual ability to recover such costs?

At the time of Clough's Voluntary Administration, the Territory became an unsecured creditor. At this time \$1.8 million had been paid to the contractor. Unsecured creditors were entitled to \$0.13 in the dollar which would amount to \$234,000. The Administrators have yet to conclude the voluntary administration process.

18. It is understood that the 2019 direct procurement of Paspaley as an operator was on the basis of their previously awarded status as the NTG's preferred proponent in 2016. However, there were major changes to the scope of the project, funding model, and costs between the first and second iterations of this project.

a. To what extent would changes to the scope, scale of funding, and funding model generally be grounds for a new EOI process, RFP, and FEED?

The decision to undertake a direct negotiation with a single supplier is subject to Cabinet in Confidence.

This action was undertaken under a procurement exemption, but with a consultant Probitry Advisor's oversight.

19. What is the fair value of the land involved in the land swap?

a. What was the market price of the land Paspaley swapped to the NT Government?

The lot previously held by the Paspaley Group and consisting of 10.5 hectares of land and sea was valued at \$7.645 million (February 2020 land valuation undertaken by the Valuer-General in accordance with the *Lands Acquisition Act 1978*).

b. What was the market price of the land the NT Government swapped to Paspaley?

The unimproved value of the land and sea (majority sea) was estimated at approximately \$1.5 million in 2020.

c. Upon completion of the project what will be the fair value of both pieces of land?

The Department has not undertaken an estimate of market value on completion based on the designs.

Governance & Project Control

Adequacy of oversight, probity and cost control processes

20. Given that the NT Project Development Framework is not being used for this project, can you please outline:

a. The governance and project control structure in place, including the Contract Management Plan, probity and cost control processes?

This information was provided at the PAC Inquiry hearing on 17 September 2025, but is expanded upon at question 30.

b. How have the governance team(s) ensured that early high-risk issues have not been lost or downgraded during project phase changes?

Refer to answer below.

c. What measures have been taken to prevent knowledge loss, minimise risks, and ensure accountability as responsibility for the project was transferred between agencies?

This project was undertaken across Agencies involving a central project team and incorporating senior technical staff, from the relevant construction agency, during negotiation and project procurement phases. This enabled the transition from the Department of Chief Minister and Cabinet to the construction agency (the former Department of Infrastructure, Planning and Logistics) with the continuation of project knowledge and staff. Senior governance forums remained in place during this transition.

d. Were any decisions made during these transitions that could not be reviewed due to missing documentation?

The Department is not aware of any missing documentation. Documentation is stored on the Records Management system and these electronic files have been transferred between Agencies.

21. Why was the 2017 Project Development Agreement terminated in December 2018?

The Department was not involved in the termination of the Project Development Agreement. However as this agreement related to the development of a privately owned and operated ship lifting facility it is anticipated that this agreement was not considered appropriate to the development of the NT Government owned facility.

22. To what extent would the project have benefited from a more rigorous economic modelling and cost benefit analysis prior to EOI and RFP?

In a Government project, such as the Ship Lift Project, this evidence would be provided to Government, through Cabinet, when making its decisions.

23. What was the justification for the land agreements in the 2017 Project Development Agreement?

a. Why were the provisions altered for the 2020 DLD?

The Department was not involved in development of the 2017 Project Development Agreement.

24. In relation to the Attorney General's 2018 and 2024 reports:

a. What specific documents were withheld from the Auditor-General, and why?

Any documents subject to Cabinet in Confidence would have been withheld.

b. For decisions where documentation was withheld, what steps were taken to verify those decisions are still defensible?

Cabinet decisions remain valid despite Auditor-General not being provided copies of supporting documentation.

c. In the future, how will NTG ensure that key decision documents are available for audit without compromising commercial interests?

The Department is not authorised to disclose documents subject to Cabinet confidentiality.

d. Will NTG commit to a policy requiring that the rationale for all major project decisions be recorded in a form suitable for audit review?

The Department is unable to respond to this question as it relates to matters of Government policy.

25. Can you outline any performance or accountability metrics in place within the contract between the NT Government and Paspaley to ensure the Ship Lift serves the public interest?

The Operations and Maintenance Deed provides that the Ship Lift Facility must be operated, as common user facilities on an open access basis on reasonable terms and the operator must use its reasonable endeavours to facilitate the provision of services by third party providers on an open access and common user basis.

The open access requirements ensure that the facility is of a benefit to the greater public, through increased use and broader servicing and support opportunities.

These requirements will be further established through the introduction of a legislated access and pricing regime.

Regulatory & Legislative Settings

Legislative and regulatory requirements

26. The Development and Land Deed sets maximum prices Paspaley may be charged in the event it is not an operator of the SLAMI complex.

a. How does that interact with the draft Access Pricing legislation and regulations?

The access and pricing legislation has not yet been drafted.

It is anticipated that the drafting will recognise priority agreements entered into before the commencement of the legislation.

27. How will the Access Pricing regime legislation ensure equitable access for other operators and clients?

The access and pricing legislation has not yet been drafted, but it will include provisions necessary to ensure the facility is operated as a common user facility.

It is proposed that the Northern Territory Utilities Commission will be the independent regulator, there will be reporting obligations and powers to inspect and audit to monitor compliance.

28. What will be the process for setting pricing and access terms at the facility, and how will these be regulated by the Utilities Commission?

The access and pricing legislation has not yet been drafted.

It is proposed that the Northern Territory Utilities Commission will be the independent regulator, there will be reporting obligations and powers to inspect and audit to monitor compliance.

29. What protections exist for smaller or local marine operators regarding fair use of the facility?

The access and pricing legislation has not yet been drafted.

It is proposed that the Northern Territory Utilities Commission will be the independent regulator, there will be reporting obligations and powers to inspect and audit to monitor compliance.

Delivery Risks & Mitigation

- Interface with naval, port and land use planning
- Contingency plans for cost or schedule overruns

30. What are the key risks associated with the construction and operational phases of the Ship Lift project?

a. How are these risks being managed?

The project utilises a project wide enterprise project management tool and systems that assist greatly in tracking, reporting, controlling and mitigating risks, documentation of key decisions and day to day communications, finance control, technical and QA management and includes an array of workflows that all assist in management of risks.

The project is supported by a range of internal staff and external consultants for legal, engineering and financial resources to identify and manage these risks.

b. Who owns, or has carriage of, these key risks?

The project risks are generally apportioned accordingly to the party best placed to manage them. Accordingly, risk is shared across suppliers, consultants, contractors (including the Clough BMD JV), and the Territory as appropriate.

31. What is the interface with naval, port and land use planning?

There are interfaces with:

- the Royal Australian Navy (in particular regarding defence qualification of the facility)
- Darwin Port as an adjoining land holder, noting that the Darwin Port provided assistance during the dredging phase, similar with the Land Development Corporation for the construction phase as the other adjoining land holder and interested party.

Appropriate development approvals and third party agreements have been obtained in order to undertake construction works and future operations are consistent with zoning requirements.

32. The pre-feasibility study identified significant economic efficiencies associated with the Ship Lift being built on lot 6116 of East Arm. How is the DLI working to ensure that the Ship Lift interfaces efficiently with the wider Marine Industry Park?

There are key connections between the Land Development Corporation's (LDC) Multi User Barge Ramp and the Common User area. LDC wholly owns and is developing the broader precinct to compliment

and support the ship lifting activities and support the maritime industry through its planned Marine Industry Park development.

33. The Committee understands that the decision to directly procure the Ship Lift and SPMT components was made after Clough was entered into Voluntary Administration in December 2022 to minimise delays. While the Committee notes that Clough was awarded the construction contract in September 2023, the contract with Pearson was not awarded until May 2024.

a. What caused this delay in finalising procurement of the Ship Lift and SPMT components?

The selection of a ship lift and an integrated SPMT system is a complex element of the project.

To ensure a fit for purpose selection, the Territory undertook an Expression of Interest (EOI) process with three ship lift companies and two SPMT suppliers internationally. These EOI packs included all of the project needs, design vessels and facility design to enable the suppliers to consider in preparing their bids. Suppliers were given the opportunity to present their products to the Territory's representatives, the Contractor, Design consultants, the Operator and Defence. Vendors presented and were questioned on the use and benefits of their systems. Suppliers were then invited to submit tenders both separately and or jointly (noting the requisite compatibility of the Ship Lift and SPMT systems).

Responses were assessed over a number of months. Once the Territory's representatives completed a multi criteria analysis (MCA), the non-price elements were shared with Defence and the Operator (under strict probity guidelines) for input and compliance. It is important to note, only the Operator and Defence had prior experience in operating ship lift and SPMT systems, and would be required to use the chosen systems once selected.

There are no standard terms for the purchase of these items and negotiation of terms took longer than anticipated. These negotiations were undertaken in tandem to appropriate allocation of risk and coordination.



c. To what extent did procuring these items separately impact the design and/or cost of the project?

There was no impact to the design works.

Costs were reduced through the reduced margin and risks accepted by the Territory.

d. What risks did the NTG take on when the decision was made to separately procure the Ship Lift systems and SPMTs?

Delivery risk is the greatest risk, as delays to delivery impact the overall CBJV construction program. This risk is managed through regular engagement between the Territory, CBJV and Pearson to ensure alignment of the programs.

34. If construction of the Ship Lift is not completed by 1 March 2027, Paspaley will be released from their obligation to close the Frances Bay ship lift. What risks does this pose to the economic viability of the Ship Lift Project?

This risk has not been quantified.

While both facilities will be capable of lifting vessels, capacity and capability will differ, however they would be in competition for marine servicing and maintenance work.

Opportunity Costs & Regional Impact

- Economic losses from past delays
- Possible further action needed to fully realise the benefits

35. Noting that it was originally anticipated that the Ship Lift would be operational in 2021:

a. What have been the primary causes of the delays to this project?

While there have been a number of delays experienced by this project, in particular COVID 19, a significant portion of time has been expended on contract negotiations and design finalisation. This includes land holders and operator, contractors and suppliers.

b. What are the costs associated with the recurring delays?

This cost has not been quantified.

36. As a linchpin enabling project, what have the effects of the delays in this project been on other infrastructure projects, including the Marine Industry Park and the Frances Bay urban renewal that is a part of the Darwin City Deal?

The Department is not undertaking these works and is not in a position to answer this question.

37. What actions were undertaken to progress the project in 2019 between the termination of the Project Development Agreement in December 2018 and the development of the Ship Lift Project Plan in June 2020?

This was a decision of Cabinet.

38. What was the alternative site that the Acil Allen report considered and why was it discounted?

This was an LDC site within East Arm. Cabinet elected to proceed with the current site and the LDC site was not considered further.

39. Are there any further possible actions needed to fully realise the benefits of the Ship Lift project?

The Department of Trade, Business and Asian Relations has outlined the importance of supporting small businesses, resource shortages and skills developments. All of which will support the Ship Lift Facility.