

Darwin Ship Lift Public Accounts Committee Hearing

24 July 2025

Questions on Notice

QoN #1

Chair PAC: Does the maintenance liability cover fixtures and fittings, whitegoods?

The Operations and Maintenance Deed between the Northern Territory Government (NTG) and Northern Ship Support Pty provides that the NTG is responsible for the following maintenance and capital replacement works:

- (a) **Territory Capital Replacement Works** – being the replacement of a component of the Ship Lift Facility with a new component, in particular replacement of non-consumables, for the purpose of maintaining the original functionality of that component. Non-consumables are defined to include permanent buildings, fixtures or structures and components with a design life of more than 5 years. The Territory’s capital replacement works do not include maintenance works that preserve in full or in part the asset or component’s original serviceability without upgrade, enhancement or improvement and includes replacement of consumables. Capital replacement works also include the replacement of items required by law, or due to a Defence requirement.

An example of a capital replacement item would include the wire ropes and hoist components used by the Ship Lift.
- (b) **Capital Upgrade Works** – being works on or replacement of a component of the Ship Lift Facility that provide a material upgrade, enhancement or improvement to increase the component’s useful function, service capacity or quality of service beyond its original function or capacity.
- (c) **Dredging** – maintenance dredging will be undertaken by the operator, with all costs recovered from the NTG (including approval costs).

The Operator is responsible for:

- (a) **Maintenance Works** – being the works in respect of an asset or component of the Ship Lift Facility, including replacement, that preserve the asset or component’s original serviceability without upgrade, enhancement or improvement and includes replacement of Consumables

An example of maintenance works undertaken by the operator would include, replacement of consumables and minor repairs.
- (b) **Operator Capital Replacement Works** – being the replacement of any asset or component of the Ship Lift Facility, that has a design life of 5 years or less, where it maintains the original functionality of that asset or component.
- (a) **Office equipment and services** - replacement, repair or upgrade of office equipment, information technology, communications devices or software required for the operation of the Ship Lift Facility.
- (b) **Default and Damages** – being works, replacements, repairs or upgrades required to rectify a failure of operator, including failure to undertake maintenance or environmental clean ups and damage to or destruction of or failure of an asset following the operator’s breach, negligence or an action of an invitee to the site.

- (c) **Dredging** – maintenance dredging will be undertaken by the operator, with all costs recovered from the NTG (including approval costs).
- (d) **Consumables** – the replacement of components that by their design, nature or use require periodic replacement or consumption as part of routine or scheduled operation or maintenance, including:
 - (i) fuels and lubricants;
 - (ii) bearings, bushes, tyres, ropes, cables, slings and hoses;
 - (iii) abrasive coverings, paints and finishes;
 - (iv) seals and gaskets; and
 - (v) bulbs and light emitting devices,provided such items do not have a design life of 5 years or greater (which become NTG Capital Replacement).

With respect to the specific question of fixture, fitting and white goods.

Generally, the operator, as the head tenant of the site, is responsible for its own fixtures and fittings, including white goods. However, if the NTG has supplied these items, as a part of the construction of the Ship Lift Facility, there must be consideration as to whether the item has a design life of greater than five years. If an item has a design life of less than five years, it is the responsibility of the operator. If the design life is greater than five years (for example this could include industrial air conditioning and air treatment systems, subject to final calculation of design life), then it is a capital replacement item and is the responsibility of the NTG.

Whitegoods, such as fridges and other kitchen equipment that may be included in the kitchen at the Darwin Ship Lift Facility, are not items to be supplied by the NTG and as such will be considered the operators fittings and will be their responsibility. The kitchen fit out however, will be a fixture with a design life over 5 years and as such will be a NTG capital replacement item (subject to fair use and damage).

QoN #2

J Davis: From what date did the governance and project control sit under your agency?

Governance for the project transferred to the former Department of Infrastructure, Planning and Logistics (DIPL), at the beginning of 2022.

DIPL was the lead Agency for the Design Development Phase (DDP) procurement and tender assessment and the subsequent project and contract management of the delivery and construction phase and all related activities.

Staff from the Department of the Chief Minister and Cabinet (DCMC) continued to assist DIPL to deliver non-construction related elements of the project, including access and pricing legislation and contract management of the Development and Land Deed and Operation and Maintenance Deed entered into with the Paspaley parties.

In becoming the lead Agency, DIPL also became a member of the Project Reference Group, a requirement under the Development and Land Deed. This group meets monthly and discusses monthly status reports which includes:

- material activities being undertaken by the NT Government to prepare or procure Preliminary Works, Design Works, Design Documents, Development Approvals or Development Works;
- Preliminary Works, Design Works or Development Works (defined under the agreement and as appropriate) in progress, whether those works are on schedule, any matters likely to affect the delivery of those works and material matters likely to affect the delivery of those works; and
- any material variation made to the Preliminary Works, Design Documents, Work Program or Procurement Documents.

As of November 2024, DCMC were no longer involved in the Project Reference Group and the Department of Logistics and Infrastructure became responsible for all elements of the project.

QoN #3

J Davis: Could the department report back on the recommendations from the Auditor-General.

Rec #1 Maintain key documentation

I recommend that management identify key documentation required for each project consistent with established better practice and develop and implement processes to record and retain the following information pertaining to each significant project:

- *project's purpose/ agency needs*
- *options, including non-infrastructure options, to achieve the purpose/needs*
- *the rationale and evidence-base for the selected option*
- *prioritisation of the project*
- *specifications relevant to the project*
- *estimated costs and cost/benefit analysis*
- *business case (or equivalent) to source funding*
- *approvals.*

Agency response:

The project's management, procurement and governance processes are well established. Likewise, the Project's purpose and agency needs are well understood, as are options analysis, rationale and evidence in support of the selected option. Documentation evidencing these matters that was requested during the audit was provided where permitted, noting that commercial and Cabinet confidentiality is attached to a number of those documents, as you would expect for a significant commercial infrastructure project. The Department acknowledges that this impacted the auditor's scope and subsequent findings.

The project's parameters have evolved as detailed design has progressed and consequently, changes have and will occur through the project life cycle. The Department conducts regular reviews of costs, risks, designs, scope and evolution with a value for money, benefit and efficiency perspective. Documentation of the various reviews, estimates, draft plans and risks have and will continue to be re-evaluated through to, and beyond, the operational phases. Documentation including project specifications, approvals and records have been maintained by the Department in accordance with the project management principles, procurement and administrative requirements, however, was not requested during the audit. In addition, regulatory approvals (e.g. NT Environment Protection Agency, Environment Protection and Biodiversity

Conservation Agency and Development Approvals) are public information and are readily accessible on the regulators' websites in accordance with standard practice.

During the audit the Department provided an interagency Project Governance Plan relevant to the then evolving project landscape. At that time, the project was transitioning into the construction phase, and roles and responsibilities were being updated. This transition has now been completed, with this Department taking the project lead and associated project functions.

Rec #2 Ensure final decisions are evidence-based and documented

As described in the section of this report entitled Limitation of Scope, documentation to support key decisions made during the Project was not provided. Without documentation demonstrating the basis for key decisions, the Project management team and the NTG are unable to demonstrate the decisions are defensible and would lead to the best outcome for the Territory. Where the reasons for decisions are not transparent, there is an increased risk that stakeholders will perceive the decisions were not made with due probity and will not result in the best outcome for the Territory.

I recommend that management design and implement processes to ensure information demonstrating evidence-based decision-making is documented, retained and, if necessary, captured in a format that can be provided for audit scrutiny.

Agency response:

Documentation requested by the auditor was provided, where permitted. Governance, management and support systems were all addressed and detailed in the management response to recommendation 4. Where documents were not provided during the audit, there was prudent judgement applied to support defensible decision making.

It was advised that earlier cost estimates were based on the concept design, scope and estimates prior to June 2021. These have been progressively updated in line with design changes, recent domestic and global market fluctuations, tender responses, contract model selection and other effects detailed within this report.

Rec #3 Re-assess estimated project costs and market analysis to inform key decisions

The Project was originally due to be completed, and the Ship Lift Facility operational, by April 2021. This has now been extended to 2025-26. Given the time passed, the results from quantity surveyor reports and market and financial analysis that were conducted in 2019 and 2020, may no longer be appropriate to rely upon.

Risks associated with projects and programs running over a long time period include increased costs, loss of knowledge due to changes in governance and stakeholders and changes to the business environment resulting in the project, as originally designed, no longer being fit for purpose.

I recommend, for large projects undertaken over an extended period of time, that management develop and implement a process which requires periodic re-evaluation of costs and scope. This is particularly relevant when extensive time has passed between the original project analysis and commencement of the actual project together with significant economic changes during that time.

The impact of any re-evaluation on project plans and risk assessments should be documented with revisions to key documentation undertaken promptly. This may require additional processes to support version control.

Agency response:

The Department has well established processes in relation to the periodic review of costs and scope for infrastructure projects of this size. Many delays are often not in the control of the Territory, however, the project teams have managed the risks that are in the Agencies' control and have regularly reviewed costs, risks, design, scope and evolution with a value for money, benefit and efficiency perspective. Documentation of the various reviews, estimates, draft plans and risks have and will continue to be re-evaluated through and beyond the operational phases.

Ongoing stakeholder engagement for this project has continued, including support from the Department of Defence that the project is needed and vital, and aligns to strategic objectives of the Australian Government.

Many projects are economically assessed at inception which informs decision makers with respect to value and benefit. While these metrics are not always continually re-evaluated, management teams do keep abreast of evolving changes in the landscape to remain agile to such changes which may result in evolving scope, time duration and the like.

Rec #4 Adopt an established project management framework for delivery of projects

The revised NT Project Development Framework was effective from October 2019.

The NTPDF presents a structured framework comprising the following 10 stages:

- *Stage 1 - Determine the Strategic Need*
- *Stage 2 - Options Assessment and Strategic Business Case*
- *Stage 3 - Detailed Business Case*
- *Stage 4 - Delivery Options Analysis*
- *Stage 5 - Funding Model Development*
- *Stage 6 - Final Business Case and Recommended Delivery Approach*
- *Stage 7 - Prioritisation and Investment Decision*
- *Stage 8 - Project Delivery*
- *Stage 9 - Project Implementation*
- *Stage 10 - Project Close and Evaluation*

I recommend that management align project planning, management and delivery with established better practice project management frameworks, such as the NT Project Development Framework. Such frameworks are structured to support efficient, effective and economical project delivery.

Agency response:

The Department retains a range of processes, templates, work instructions and workflows that guide project delivery processes via its Project Management Office (PMO), and where applicable these are followed.

Every complex project has very specific and unique considerations, stakeholders, risks and mitigations. One overarching system rarely becomes fit for purpose for all projects. While the referenced Framework does serve less complex projects well, and as the auditor's report suggests, there are very specific elements that necessitate added considerations.

This Department is further developing its Project Management Office and subsequently, the Contract and Project Management Framework. This is anticipated to align with best practice, enhance program and project related planning and delivery processes and systems, particularly for larger and more complex infrastructure projects.

Rec #5 Review and communication of significant project risks

The overarching Project Risk Register includes a number of 'high' or 'extreme' rated risks some of which have no mitigating strategies identified. A separate risk register has been developed by DIPL specifically relating to construction risks.

I recommend management review both risk registers to ensure both are complete, accurate and consistent and that management develop a process for escalating risks rated as high/extreme to the Project Sponsor. Additional regular reporting to stakeholders may also need to be considered, to support effective monitoring of the Project.

Agency response:

The project over time has developed an array of risk and other management plans and registers. Risks are reviewed and updated throughout the project life cycle, with some risks being superseded as the project phases transition through the following gateways; inception, planning, procurement, construction, commissioning and operations. With each phase, some risks cease to exist, new risks are identified, and some risks are carried over from one register to the next. The initial risk register has not been updated since establishment as it was superseded by project specific risk assessments and plans developed in conjunction with the Department and tender participants.

Rec #6 No analysis was performed to support the proposed finance structure or financial implications associated with contractual arrangements

No analysis was performed to determine the financial effects or risks associated with:

- *increasing the Territory's investment to \$215 million (from \$100 million);*
- *foregone revenue from the land exchange and operating revenue; and*
- *delays with the completion of the Project.*

It would be prudent for the Territory to recalculate the net present value and undertake an updated cost/benefit calculation to reflect key decisions.

I recommend the Agency consider undertaking an assessment of the cost/benefit analysis attributable to the development of the Marine Maintenance Precinct including the Ship Lift premised upon the maximum contribution by the Territory of \$215 million.

Agency response:

Consideration will be given to the recommendation to assess the cost/benefit analysis attributable to the development of the Marine Industry Precinct, including the Ship Lift once completed.

Rec #7 Maintain a register of all costs associated with the Project

There is no register or report that lists the full costs associated with the Project. The costs of projects managed through DIPL can be extracted from the Asset Information System, however this total does not include the Project costs incurred during the earlier stages of the Project including the costs of advisors and consultants.

I recommend that the full costs of the Project be recorded and regularly reported to key decision-makers and stakeholders.

Agency response:

The Department of Treasury and Finance (DTF) can run overall project reports from the Government Accounting System (GAS). If requested, DTF can provide a consolidated report of all project costs from inception to date. At the time of the auditor's report the Department of Chief Minister and Cabinet offered to provide the project budget transaction reports from 2018 to the present, however, this was not requested by the auditor.

The project is engaging a sophisticated project management system as a trial that will collate all costs, risks, benefits and other project and program functions. Following the trial, lessons learned are anticipated to inform the Department's Contract and Project Management Framework, which will address shortcomings (if any) with respect to cost, risk and overall management of complex major projects.

Rec #8 Seek advice to ensure accurate and appropriate financial accounting for the Project

I recommend management seek advice from the Department of Treasury and Finance in relation to accounting for recognition of the costs and obligations associated with the Project and the contractual arrangements with the operator of the Ship Lift Facility.

Beyond accounting for costs, comprehensive advice would consider the fair value of exchanged land and leasing arrangements, the gifting of the private marine facility assets and any resulting service concession arrangements to which the NTG is a party.

Agency response:

Initial advice was sought from the Department of Treasury and Finance and Ernst and Young in 2019. Initial planning has already occurred, and advice has already been sought with respect to the financial treatment of costs, assets and benefits, however, this element may not be closed out until the final actual costs are known.

Accounting treatment will also see an asset value increase commensurate with the asset value realised at completion. The economic forecast anticipates broader direct and indirect economic activity as the investment represents a positive economic driver for the growth and expansion of the marine and associated support industries in the NT.

The strategic location of the ship lift facility ensures connectivity and continuity between the existing Land Development Corporation's Multi User Barge Ramp and Common User Facility, both of which share a boundary with the new ship lift facility.

These complementary assets adjoin the planned Marine Industry Park which creates a precinct wide capability and realisation of economic drivers similar to the Australian Maritime Complex (AMC) in Perth, WA. The AMC has proven success in developing a considerable and sustainable investment platform realising economic activity growth for the marine and maritime support sectors and supply side support industries in the region.

A possible omission of the auditor's report may exist as; under the header "**Effect on NTG financial position**" this section refers to revenue generation, however remained silent on operational and maintenance costs being borne by the others. There are no ongoing day to day maintenance and operation costs nor associated risks being borne by the NTG.

These responses also relate in parts to Agency Responses at Recommendations 2 and 6.

QoN #4

Ms Zio: Could the department please provide a figure of money that has already been expended or committed to date?

The total Department of Logistics and Infrastructure expenditure to date is \$249.813M.

This amount excludes expenditure incurred in other Territory agencies, as DLI is not privy to this information, for example: Department of the Chief Minister and Cabinet and former Department of Trade, Business and Innovation. The costs borne by these Departments largely relate to early stages of the project including feasibility studies and consulting fees.

QoN #5

J DAVIS: What proportion of the land was land and what proportion of it was water for the land swap?

[REDACTED]

Lot A, the NTG site has a total area of 26.1 ha. The NTG site will, on completion, consist of approximately 10.62 ha of land (including infrastructure and hardstand areas), with the remaining 15.48 ha of water (which includes areas that will be used for berths).

[REDACTED]

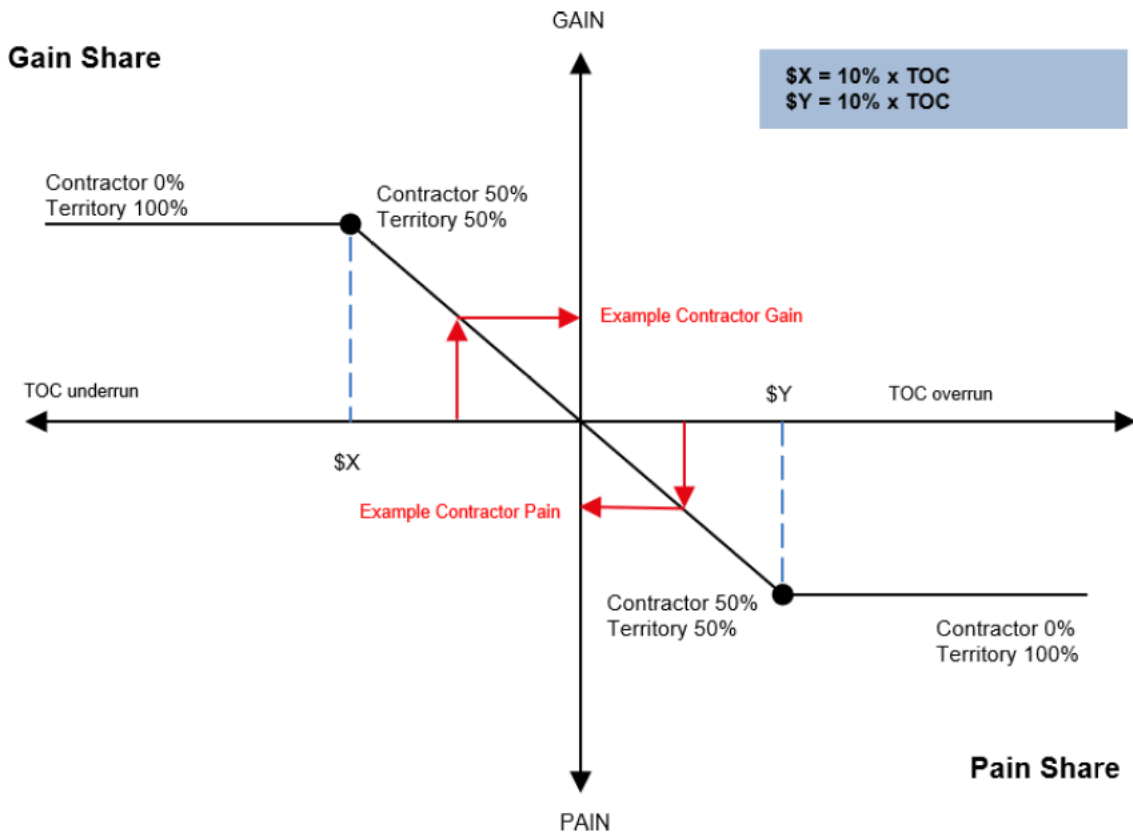
Lot B, the private site has a total area of 14.2ha. [REDACTED]

QoN #6

Mr O’GALLAGHER: Can you provide further details of the cost sharing for the collaborative construction contract?

The Incentivised Target Outturn Cost (ITOC) Contract includes a Pain Share / Gain Share mechanism. See the below summary and figure which explains the mechanism.

Under this contract model, the contractor provides a Target Outturn Cost (TOC) that is locked in at the final notice to proceed (but could be subject to variations). If actual costs are greater than the TOC the Territory and the Contractor share the cost over-run 50/50 to a cap of 10% of the TOC. If the actual costs are less than the TOC the Territory and the Contractor share the cost under-run (savings) 50/50 to a cap of 10% of the TOC. Once the 10% cap for over or under run of TOC is reached, the Territory covers the remaining costs or retains the balance of savings beyond 10%.



Gain/Pain Share	Scenario (\$X and \$Y in Figure 1 – where \$X is limit of gain and \$Y is limit on pain – see section S4.3)	Parties Entitlement	Section Reference
Gainshare	$\leq \$X$ underrun on TOC	The Contractor is entitled to 50% and the Territory is entitled to 50% of the underrun	Section S4.2
Gainshare	$> \$X$ underrun on TOC	Between \$0 and \$X, the Contractor is entitled to 50% and the Territory is entitled to 50% of the underrun Above \$X, the Contractor is entitled to 0% and the Territory 100% underrun	Section S4.2 Section S4.3
Painshare	$\leq \$Y$ overrun on TOC	Contractor and the Territory share 50% / 50% of overrun	Section S4.2
Painshare	$> \$Y$ overrun on TOC	Between \$0 and \$Y, Contractor and the Territory share 50% / 50% of overrun Above \$Y, Territory liable for 100% of overrun	Section S4.2 Section S4.3