



# LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

15<sup>th</sup> Assembly

## PUBLIC ACCOUNTS COMMITTEE

### Public Hearing Transcript

9.00 am – 12.00 pm, Thursday, 24 July 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:** *Department of Trade, Business and Asian Relations*

Hayley Richards: Chief Executive Officer

Joseph Kuhn: Senior Director, Supply Chains and Industry

*Department of Treasury and Finance*

Tim McManus: Under Treasurer

Mick Butler: Deputy Under Treasurer

Jason Robertson: Executive Director (Economics)

*Department of Logistics and Infrastructure*

Louise McCormick: Chief Executive Officer

Joanna Pethick: Acting Executive Director Infrastructure NT

The committee convened at 9.06 am.

**INQUIRY INTO THE DARWIN SHIP LIFT PROJECT**  
**Department of Trade, Business and Asian Relations**

**Mr CHAIR:** On behalf of the committee, I welcome everyone to this public briefing into the Darwin ship lift project.

I welcome to the table to give evidence to the committee, from the Department of Trade, Business and Asian Relations, Hayley Richards, Chief Executive Officer; and Joseph Kuhn, Senior Director, Supply Chains and Industry. 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. However, I note that parliamentary privilege does not extend to comments repeated outside of this hearing. This is a public hearing that 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 RICHARDS:** Hayley Richards, Chief Executive Officer, Department of Trade, Business and Asian Relations.

**Mr KUHN:** Joseph Kuhn, Senior Director, Supply Chains and Industry, Department of Trade, Business and Asian Relations.

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

**Ms RICHARDS:** Yes, thank you.

Thank you for this opportunity to appear before you to clarify matters raised in our submission to this committee. I am joined by Mr Joseph Kuhn, our Executive Director of Supply Chains and Industry within the department.

The department was established in September 2024. Under the new administrative arrangements settled last year, responsibility for maritime industry developments sits with the Department of Logistics and Infrastructure. My department is responsible for broader business and industry development, investment attraction and facilitation.

At the time DTBAR was formed, our industry development team was well advanced into a study into the local maritime industry capability and capacity. We are committed to completing this important work and in collaboration with ICN NT and Scyne Advisory. The work is informed by extensive industry consultation.

The study identified key opportunities and challenges associated with the future sector's growth. The report acknowledges that while the Territory's maritime industry is highly capable, it currently lacks the capacity required to meet the growth expected over the next decade and beyond. The majority of these challenges relate to the attraction and retention of a skilled workforce.

As the lead agency for workforce development to support business, DTBAR has commissioned ISACNT, the Australian Maritime College and Darwin-based ACTIO Group to now develop a maritime workforce strategy. It is underway and due for completion later this year. That will play a critical role in informing coordinated efforts to build a sustainable maritime workforce.

In remote northern Australia, Darwin Harbour is a central hub for trade, regional logistics and activities relating to national security. The maritime sector is an essential enabler of export industries, including tourism, agriculture, mining, oil and gas, and sustainable energy. The sector facilitates the connectivity and food security of remote communities along Australia's northern coastline and provides vital service and supply support to our national security forces and offshore oil and gas operations.

Capturing opportunities, growing export opportunities and continuing Defence investment will necessarily require a capable and appropriately scaled maritime sector to support this economic growth. A highly capable

and unconstrained maritime sector underpins economic activity and competitiveness by providing safe, cost-effective and timely services. Conversely, constraints on the sector, including inadequate maritime infrastructure, create inefficiencies, translating to increased costs to industry, consumers and the environment.

My department is strongly committed to supporting the broader economic and strategic benefits that the Darwin ship lift facility will deliver. As outlined in our submission, the facility will be a key enabler in expanding supply and service capabilities to meet the long-term demand in Defence, oil and gas, commercial fishing, tourism and the broader maritime sector, which critically includes our servicing of remote communities.

Both the ship lift facility and the associated Marine Industry Park are expected to become centrepieces of the Territory's maritime industry, and once operational will act as a catalyst for the development of further dedicated marine maintenance and servicing capabilities here, creating new jobs and driving economic development in the region.

**Mr CHAIR:** Thank you. I will now open the floor to questions, and I will start with the Member for Karama.

**Mr O'GALLAGHER:** Ms Richards, you mentioned in your speech that maritime development, under the machinery-of-government changes, have now transferred to the Department of Logistics and Infrastructure. Is that correct?

**Ms RICHARDS:** Responsibility for development of the industry, yes.

**Mr O'GALLAGHER:** Prior to that—I am particularly thinking over the period of the last five to six years when the ship lift facility was to be considered and developed—did that responsibility rest with your former agency?

**Ms RICHARDS:** Our former agency has been split into a lot of different ways.

**Mr O'GALLAGHER:** The Industry department as opposed to the Infrastructure department.

**Ms RICHARDS:** The Industry department has done three key things in respect to the broader maritime industry. One, as a recommendation from the Territory Economic Reconstruction Commission, they developed a marine industry development plan—a public document which is still able to be sourced. From that work, that triggered us doing the capability statement which is 'what can we do here and have we got the right capabilities to support a maritime industry'. The third piece is the piece I mentioned that is under development at the moment which is the workforce piece.

**Mr O'GALLAGHER:** Was the agency, or its four predecessors, involved in the development of a business case for the ship lift facility?

**Ms RICHARDS:** I think that this is in Louise's submission, but the ship lift project has moved through various agencies. There are two times that it has been an iteration of a business department in the Department of Trade, Business and Innovation and the Department of Industry, Tourism and Trade. However, the responsibility moved up four years ago to CM&C and then on to DLI.

**Mr O'GALLAGHER:** It has gone through various iterations.

**Ms RICHARDS:** The department that parts of became DTBAR, it was not sitting with that department at that time.

**Mr O'GALLAGHER:** I noticed in your submission you said that the Territory's maritime industry contributed \$184m of direct value added and 984 full-time employees in 2019–20. With completion of the project and growth in Defence and export activity, the maritime industry could increase in size by close to 50%, reaching an estimated gross value added of \$347m, supporting around 1,490 full-time jobs by 2030–31. What is the source of that information?

**Ms RICHARDS:** A report was done across a number of industries by the former department, DITT, which was in the industry development team which Joe Kuhn leads, and that is into the economic evaluation of a number of industries, including maritime, agribusiness, minerals and oil and gas. That report was done in 2003 by Deloitte.

**Mr O'GALLAGHER:** Was that 2003?

**Ms RICHARDS:** Sorry; it was 2023.

**Mr O’GALLAGHER:** I was about to say 2003 might be a little bit dated.

**Ms RICHARDS:** I found it on a fax machine!

**Mr O’GALLAGHER:** In 2023, only a couple of years ago.

**Ms RICHARDS:** Yes.

**Mr O’GALLAGHER:** Was that a high-level pass? Can you give us some insight to the extent of consultation or where they got their data from?

**Ms RICHARDS:** My understanding is that it was done by Deloitte Access Economics. They run sophisticated models to estimate the value of the industry. They looked at five components of the maritime industry which includes water transport services for both freight and people, marine equipment and retailing, shipbuilding and repair services, water transport support services and boatbuilding and repair services. It looked at all of those and that is where the \$184m comes up to. The most significant one of those is the freight and water transport component. They also looked at indirect jobs that are created, so construction or financing services which adds a little bit more to the number, another \$100m.

**Mr O’GALLAGHER:** Am I right in saying that there was an independent economic assessment which highlights that there are benefits of this industry as a whole for the Territory? Is that what it is telling me?

**Ms RICHARDS:** That is telling you the value of the industry. The broader economic benefits of the industry are clear, I think. We live on an island; we need maritime capability. I think COVID made it very clear and acute how much of a risk it is for us in our general supply chains and connectivity with the rest of the world without those capabilities.

Here in Darwin we are the main port between Cairns and Perth. If you need to get a boat fixed between these, you are in northern Australia and three-and-a-half days’ sail at a decent pace to Cairns and six-and-a-half days’ sail to Perth and about seven days’ sail to Singapore, so it is not efficient to be sending boats to do those things, which is one of the key reasons to be developing a maritime capability that is deeper and broader here in the Territory.

**Mr O’GALLAGHER:** Okay. I know other people have questions but I just want to get on to another which I believe sits with your agency. It is around procurement policy and so on.

In the Auditor-General’s report, he noted that from 2020, ministerial exemptions were provided to the responsible agency from the need to comply with section 11(2) of the *Procurement Act 1995* in relation to the procurement activity associated with the design and construction of the ship lift facility and engagement of the facility operator. Can you clarify why accountable officers were not required to comply with procurement directions? How did the procurement of the facility depart from the legislation?

**Ms RICHARDS:** I recommend you put that question to the Department of Logistics and Infrastructure. What I can talk to is the procurement exemption process.

**Mr O’GALLAGHER:** Okay.

**Ms RICHARDS:** The minister responsible for procurement has quite wide-ranging powers around exemptions. There is no firm process that requires them to consult with the agency responsible for procurement, so they may or may not ask us whether we have a view in approving exemptions. It can be as simple as a minister putting a request to the minister responsible for procurement, so the minister responsible for the project can ask the minister responsible for procurement for an exemption and it can all happen without the visibility of our department which is why I recommend you put it to the DLI.

**Mr O’GALLAGHER:** The minister for procurement is the Minister for Trade, Business and Asian Relations—correct?

**Ms RICHARDS:** At the moment, yes. There is no procurement exemptions that I am aware of that have been sought under the current iteration.

**Mr BROWN:** Good morning, thank you for coming. How important is the Darwin ship lift project to the Territory's long-term economic strategy, particularly in the light of Barossa growth and increasing Defence activity?

**Ms RICHARDS:** We have not specifically quantified with respect to those. I can say that if you look at alternative jurisdictions that have significant gas activity like Western Australia and the work they have done in Henderson in the Australian Marine Complex south of Perth, there is an extensive—and critical to the industry—infrastructure program that has been rolled out there. One of the key elements of that is the ability to lift boats out.

For us in the north, as I mentioned earlier, if you have to get a boat out at the moment, it is really a problem. You are towing it, which is two boats out—we have heard of a case of this—to another place, if it is a boat of scale, in order to fix it.

It is quite a critical element for northern Australia. It will be the only ship lift with this current capacity in northern Australia. It is important for tugboats, of which we are expecting to see a lot more activity in Darwin Harbour because of the Barossa and, potentially, the Beetaloo and the Defence ramp-up around the globe. It is critical for servicing of our remote communities, which are inaccessible by road for a number of months of the year as well.

More broadly, there are growing opportunities that exist also in tourism—what we are seeing now in Cairns that pulled ahead in the superyacht side of things. We are expecting a swathe of superyachts early next decade as the Olympics happen. There is a great opportunity to extend across the northern coast that kind of visitation as well.

**Mr BROWN:** I go back to the boats out. What happens at the moment in regard to servicing boats?

**Ms RICHARDS:** There are a few options available to people. Prior to the ship lift business case and the decision to take it on, Defence had a facility at Coonawarra.

I have to take it on notice—or a colleague who is much closer to the project would be able to tell you exactly where that is up to in later sessions.

There are a couple of other options at Frances Bay. Paspaley, as part of the operation of the ship lift, will be taking out their capability at Frances Bay. That is part of a broader plan, which is the Darwin City Deal, reinvigorating and improving the quality of the fringes of the city; changing that from being an industrial site into something that is more reflective of what a capital city looks like, with urban renewal over time.

The other option is for smaller boats to sling lift. Really, if you have a big boat at the moment, you take it somewhere else.

**Mr BROWN:** What economic risk might the Territory face if the project was delayed or cancelled at this stage?

**Ms RICHARDS:** Again, we have not quantified that specifically. I can give you an opinion as the CEO. The maritime sector is important because of the way it underpins everything else. To delay or not have this capability—as I said in the opening statement—does a few things. It increases costs and downtime for boats; right now lack of certainty means that people who want to do things in the north are looking at their options and making decisions where they feel most confident that the capability will exist. That is a big risk for us and we would like to make sure we close that risk off as soon as possible so that people can see the pathway, what it looks like and how they will participate in that market. They are unquantified but real risks, on feedback we receive from stakeholders.

**Mr BROWN:** Last question about stakeholders ...

**Mr CHAIR:** We have a follow-on question on that line.

**Mr O'GALLAGHER:** You mentioned that Paspaley's plan is that once they move over there and get the operations going, they would then look to repurpose the Frances Bay facility more for inner-city development-type purposes. Is that the plan?

**Ms RICHARDS:** I am not across all of the specific details. What I can say is that in the Darwin City plan and in the Darwin City Deal work and discussions, there is certainly a broader framing of what that region looks

like and it converts from being an industrial hub of freight and boat-blasting sorts of activities into something that is more likely to include tourism, hospitality, amenities and potentially residential. That is based on the public plans that are out there. In terms of the detail, I do not have it.

**Mr BROWN:** Regarding specific engagement, can you fill us in on what that looks like—tourism, oil, gas, superyacht? Has there been much engagement for the usage that is coming up for the ship lift?

**Ms RICHARDS:** We do not conduct that engagement but I would put that question to the Department of Logistics and Infrastructure. What I can say is that this project has been in the public domain for a long time and has certainly been through numerous investor forums that I have seen. Indeed, we have had a Maritime Industry Council here. Those sorts of vehicles have been used to test and understand perceptions and perspectives with respect to the ship lift and what it can do for the economy.

**J DAVIS:** As previously noted by the Industry Skills Advisory Council, the SLAMI complex identified skills deficiencies in relation to the repair and maintenance of Defence vessels. Given that the Defence and national security sector account for approximately 50% of the demand in revenue estimates over the 40-year operational term, what strategies are in place to upskill the maritime industry to comply with Defence requirements?

**Ms RICHARDS:** I have mentioned earlier the work we are doing on the workforce strategy that is underway. That is because we are attuned to this potential risk. The short of it is that scale is a friend of being able to grow out an ecosystem and improve our capacity to service vessels. Having a ship lift that can service broader vessels and drive that demand for it will help us build out the capability. At the moment, the workforce study will lay out on top of our broader workforce planning that we are doing as a department because there are particular skills that find themselves in shortages across the board and we work across all the levers that we have, whether it is training Territorians, attracting Territorians, supporting improved training facilities, looking for skilled migrants, working with schools in the STEM. All of that is part of the answer to this, and what we are trying to do right now is get a strong picture of where we think the gaps are going to be so that we can really target and invest in the right areas to be able to close that gap as soon as possible.

**J DAVIS:** You have touched on what is in place to address potential workforce shortages and how you are addressing that. Is there anything else you wanted to say in relation to that?

**Ms RICHARDS:** A couple of the things that came out of some of the work were along the lines of if it is a really specialist or bespoke capability. What we do find is that because we do not have the scale here, people might need to travel in order to get that skill set. We will need to do some further work with industry to understand whether a training facility here is viable or not. We are alert to it and we will work through it with industry.

**J DAVIS:** In the Auditor-General's May 2024 report, while the revised project development framework was effective from October 2019, it was not considered by the project management team on the basis that the project was already underway before it came into effect. Was a project exemption request submitted at that time?

**Ms RICHARDS:** That is one that you would need to put to the Department of Logistics and Infrastructure.

**J DAVIS:** Okay. Are you able to comment on what your role is in ensuring that agencies ensure and comply with the framework? Or is that a question for them as well?

**Ms RICHARDS:** I am happy to take that on notice. With respect to this project, we have not looked at the framework against this framework.

**J DAVIS:** Did you say that is a question for ...

**Ms RICHARDS:** For this particular project, it is for DLI. It is not with us anymore. The teams that worked on it do not sit within our agency anymore, so we do not have the corporate ...

**Mr CHAIR:** Ms Richards, is your microphone on?

**Ms RICHARDS:** No.

That one is for DLI. With respect to the project development framework, I am happy to come back to what we do and what broader government does, if that is a question you would like us to take on notice.

**J DAVIS:** Sure.

**Mr CHAIR:** Member for Johnston, please restate the question for the record.

**J DAVIS:** What is the department's role in ensuring that agencies use and comply with the framework?

**Mr CHAIR:** Ms Richards, do you accept the question?

**Ms RICHARDS:** Yes.

**Mrs ZIO:** Thanks for coming today. My question is more if you could summarise, just before we finish up—we have talked about how the role, the ship lift and the procurement and all that stuff has changed over the years to different agencies, whether it was the Department of Trade, Business and Innovation a few years ago and what the role was with your department in the development of any business or case plans that were going forward to get the ship lift underway. Could you give a bit of an overview so that we all really understand what the Department of Trade, Business and Innovation was in that work?

**Ms RICHARDS:** Probably the best summary of all the timing is the two examples in the DLI submission—one in the Auditor-General's report that goes through the sequencing. The parts of the department that worked on it did not end up with us. In terms of what we did then, that corporate knowledge is now with DLI.

The agency that was responsible for business and industry was involved in the procuring of the ACIL Allen work that is in the DLI submission and certainly the early stages of the ship lift until about 2020, when it moved to the Department of the Chief Minister and Cabinet. From 2017 to 2020, it was in an iteration of a previous business agency.

**Mrs ZIO:** Was there any cost-benefit analysis done during that period of time?

**Ms RICHARDS:** The only work I am aware of—as I said, the transfer of all of this knowledge could be a question that could be put to the Department of Logistics and Infrastructure—is the ACIL Allen report that is included in the Department of Logistics and Infrastructure's submission. That is the key one that I am aware of.

**Mr CHAIR:** As a committee we have seen the potential benefit that this project brings. My large concern is the cost blowout from the original figures and the year on year, we just see massive increases to this project. From your department's perspective, what has driven these costs?

**Ms RICHARDS:** That is not within our remit as we are not managing the project. Our interest and capabilities are in the broader maritime sector.

**Mr CHAIR:** Have you had any input or given advice as to amendments through the project?

**Ms RICHARDS:** No, not that we are aware of. The main input that we have provided has been those broader public documents around how the whole industry works out what are the opportunities to improve the efficiency and effectiveness of that industry—nothing specific to the ship lift apart from the very clear position that a ship lift is a good thing for the growth and development of our maritime sector. We have not been involved in the costing or project delivery at all.

**Mr CHAIR:** No recommendations specifically to the project and what should be built.

**Ms RICHARDS:** No.

**Mr CHAIR:** Thank you, Ms Richards and Mr Kuhn. Thanks for your work in preparation for today.

### **Department of Treasury and Finance**

**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 the Department of Treasury and Finance, Tim McManus, Under Treasurer; Mick Butler, Deputy Under Treasurer; and Jason Robertson, Executive Director, Economics. 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 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 McMANUS:** Tim McManus, Under Treasurer, Department of Treasury and Finance.

**Mr BUTLER:** Mick Butler, Deputy Under Treasurer, Department of Treasury and Finance.

**Mr ROBERTSON:** Jason Robertson, Executive Director of Economics, Department of Treasury and Finance.

**Mr CHAIR:** Mr McManus, would you like to make an opening statement?

**Mr McMANUS:** Thank you for the opportunity to appear before you today.

The Department of Treasury and Finance plays a central role in supporting the Northern Territory Government's economic and fiscal objectives. We provide strategic policy advice on fiscal, economic and commercial matters, helping to shape decisions that impact the Territory's prosperity. This includes leading the development of the Territory budget, overseeing financial reporting, managing government expenditure frameworks, supporting agencies to deliver complex projects, and economic policy and regulatory matters. Through these functions, we aim to foster economic efficiency, rebuild and grow the Territory's economy and maintain confidence in the Territory's financial position.

In relation to the Darwin ship lift project, throughout the various iterations of the projects, Treasury's role has included sitting on the project governance groups throughout the project development, which generally included representatives from various agencies at the chief executive level, providing advice to the lead agency in relation to the access and pricing regime and having a representative on the assessment panel through the three-stage competitive process to select the head contractor for the design and construction of the facility.

We provided advice to the Treasurer on matters that were raised through the budget development process or that required the Treasurer's approval for other financial legislative requirements, such as for the borrowings or indemnities. We provided advice to government, in consultation with other lead agencies at the time, on options for the delivery of the project.

I welcome your questions on these matters, noting that much of the advice this agency has provided to government and occurred in the course of Cabinet deliberation and reflects commercial-in-confidence information for contracts that are currently afoot.

**Mrs ZIO:** Thank you for coming today, it is appreciated. My question is around business cases. During the 2023 Estimates process, it was noted that there was no business case prepared prior to the commencement of the ship lift. Could you explain why a business case was not required prior to the commencement of the project and whether a business case has since been prepared? If one has been prepared, could a copy be provided to the committee?

**Mr McMANUS:** A business case has not been developed for this project through its various iterations. The project's financial arrangements and the scope of the project has changed over time. There was the ACIL Allen report which was developed and presented in 2019, but there has not been a detailed business case as you would expect.

**Mrs ZIO:** Do you have advice as to why there was no business case prepared?

**Mr McMANUS:** The government was provided a raft of information in regard to the economic financial implications associated with the project. A business case was not sought.

**Mr CHAIR:** Is it usual practice for the department to do a business case?

**Mr McMANUS:** Yes. From a Treasury perspective, best practice would be for a business case to be developed. Through the project development framework, for projects that require a significant contribution of funding from the Territory government it dictates that projects of this nature would normally go through an

options analysis, a high-level business case and a detailed business case. That would be updated as the iterations or the project develop over time.

**Mr CHAIR:** Was it directed not to do a business case?

**Mr McMANUS:** From what I am aware of, the information was not sought.

**Mr CHAIR:** What does that mean?

**Mr McMANUS:** We were never asked to provide a business case, or the lead agency. There was never a direction, from what I am aware of, to not do one.

**Mr CHAIR:** Was it ever suggested that one should be done?

**Mr McMANUS:** I guess there were a number of pieces of information and analysis on the broader economic and fiscal impacts of the project. It was up to the government at the time to make a decision on how they interpreted that and what they did with it.

**Mr CHAIR:** That would have been a government or Cabinet decision at the time.

**Mr McMANUS:** Correct.

**Mr O’GALLAGHER:** In a similar vein, do you find it surprising that a project of this magnitude—if we were to start again—did not have a business case put before government as part of their consideration?

**Mr McMANUS:** Under the project development framework, which has been in place since this project has been initiated, that is the process. There are various stage gates that would be required to be met by a project of this nature and going through that process would see, as I said before, an options analysis, high-level business case and then a detailed business case prepared.

**Mr O’GALLAGHER:** Who would have made the decision not to proceed on that? Would it have been a Cabinet, government decision or a project management decision?

**Mr McMANUS:** The project development framework, which would stipulate the requirement for those sorts of business cases, came in after this project had commenced. The government was provided, as I said, a number of pieces of information and they made decisions based on that.

**Mr O’GALLAGHER:** I notice that a number of different agencies have been involved in this over iterations from 2015 onwards. Which agency is the lead agency in terms of the project management team?

**Mr McMANUS:** The Department of Logistics and Infrastructure.

**Mr O’GALLAGHER:** They have always been that, whatever form they have been, or was it earlier?

**Mr ROBERTSON:** The project ownership, if you like, has evolved since 2015. It is set out in DLI’s submission—essentially, from the Chief Minister’s through to the Department of Trade, Business and Innovation, at the time, and through its various incarnations to the current Department of Logistics and Infrastructure.

**Mr O’GALLAGHER:** Can you tell us when were the contracts finalised where we have now commenced? We are almost on the point of no return, but when did we get to that stage? What period and which year?

**Mr McMANUS:** That is a question for the Department of Logistics and Infrastructure as contract managers.

**Mr O’GALLAGHER:** Okay. We have started since 2015, we have gone through. I am trying to find out where we got to the point where we have signed off. Did it go to 2022, 2023 or whatever?

**Mr ROBERTSON:** It is probably best answered by the department, noting that contracts have a range of conditions subsequent and precedent that are required to be met. They could give you more detailed answer to your question of when it ...

**Mr O’GALLAGHER:** Okay, I will ask that question.

**Mrs ZIO:** When I talk to constituents in my electorate they often talk about cost-benefit analyses and making sure that whatever money government is spending will have some sort of public return. Obviously we know that this will create jobs. It has created jobs through the construction et cetera. I know there was no business case, but has there been any cost-benefit analysis done to guarantee the public that this—it is costing us approximately \$820m at this point in time. How long will it take for us to get this money back?

**Mr McMANUS:** There was cost-benefit analysis done through the 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 a development of the marine industry supply and repair industry across the Top End.

**Mrs ZIO:** In relation to that answer, if you flow on, how did we get to the decision where there is no cost-benefit to the Northern Territory Government other than outside jobs and that sort of stuff? How did we get to the point where all the revenue that comes from the ship lift is to an external company?

**Mr McMANUS:** I guess the contract arrangements and the way they are established at the moment, from an accounting perspective, would be treated as a—sorry, I will go back. It is important to recognise that there are two facilities being built: the Darwin ship lift facility, which will be subject to an operating and maintenance agreement with Paspaley as the operator; and the private Paspaley facility.

Based on the current information we have, we consider that, from an accounting treatment perspective, the ship lift facility is likely to be treated as a lease. That means that Paspaley would have the right to control the Darwin ship lift facility by obtaining substantially all of the economic benefits and the right to the direct use of the facility. No consideration will be paid to the Territory for either the Darwin ship lift facility or the private Paspaley facility. The Territory government receives no economic benefit or use of the private Paspaley facility—that is understood.

From a budget perspective and accounting for that in the budget, we currently assume that the ship lift facility and the private Paspaley facility will be removed from the Territory's balance sheet following the construction through a grant to Paspaley.

It is also important to note that the final accounting treatment for the ship lift facility would depend on the terms and conditions of final operating and contracting terms.

**Mr CHAIR:** On the accounting—Member for Johnston, I will be next following on from that. It will be treated as a lease. We have quite large liabilities on it going forward, don't we?

**Mr McMANUS:** Yes, we will bear the construction cost of the facility. We will bear the full cost of construction; that will be managed through borrowings. It sits on our liabilities.

**Mr CHAIR:** The ongoing maintenance as well? I believe we will be responsible for the ongoing maintenance of anything over a five-year life span.

**Mr ROBERTSON:** Yes, there are some obligations on the Territory in relation to replacement capital for assets, with longer asset lives than five years.

**Mr CHAIR:** What is included in these assets? A five-year life cycle—I understand the major infrastructure. Would an air conditioner fall under that?

**Mr McMANUS:** You are probably best to ask DLI those questions. That is their area of expertise.

**Mr CHAIR:** Okay.

**J DAVIS:** Just to clarify, is there no revenue stream to the Territory?

**Mr McMANUS:** Correct.

**J DAVIS:** Just following from the Member for Drysdale and what you outlined, under the current agreement, the Northern Territory Government bears the cost of capital replacement, upgrade works, maintenance et cetera; is that correct?

**Mr McMANUS:** For certain components, yes.

**J DAVIS:** What modelling has been undertaken in relation to the ongoing impact on the Territory's budget as a consequence of this agreement?

**Mr McMANUS:** The cost of this facility will be met through borrowings. There are two borrowing streams. One is through the Northern Australia infrastructure fund for \$300m and the balance is through ordinary borrowings by the Territory government as part of our overall borrowing program.

**J DAVIS:** What is it costing us, then?

**Mr McMANUS:** The weighted average cost to borrowings at the moment is about 5% per annum. I do not have the exact dollars in terms of what that would cost at the moment, but I can take that on notice for you.

**J DAVIS:** As the Member for Fannie Bay said, apart from the general—more people employed, more people coming in here—is there anything else we are getting from it?

**Mr McMANUS:** No. The broader economic activity and development of the industry is the benefit to the Territory as a whole. The Territory government does not receive any revenue streams from the project.

**Mr CHAIR:** Member for Johnston, would you like that on notice, on the total sums?

**J DAVIS:** On what we are getting for it? Is that my question?

**Mr CHAIR:** On the question regarding total borrowings?

**J DAVIS:** What the total cost of the borrowings is? Yes. Is that something you are able to provide?

**Mr McMANUS:** Yes. We could provide a figure.

**Mr CHAIR:** Member for Johnston, please restate the question for the record.

**J DAVIS:** What will the cost be to the Northern Territory of the total borrowings for this project?

**Mr CHAIR:** Mr McManus, do you accept the question?

**Mr McMANUS:** Yes. I am happy to accept.

**Mr O'GALLAGHER:** All the revenue goes to the operator, which is Paspaley, or whatever. We say we will lease it possibly for about 40 years. Is that a commercial lease in terms of what we will get back, or is it a peppercorn lease? I am just trying to clarify.

**Mr McMANUS:** That question is best referred to DLI. Under our accounting standard it meets the requirements of a lease in that we do not have any control over it. It is best to ask DLI to clarify.

**Mr O'GALLAGHER:** A lease means there must be some return for the lessor.

**Mr ROBERSTON:** That is reflected in the fact that, as the Under Treasurer mentioned, as we do not get any revenue back, we treat it as a lease but effectively write the asset off immediately.

**Mr O'GALLAGHER:** I am still unclear. Maybe I have to do it through DLI. Do we get anything back financially in return for our lease or is it a free lease?

**Mr McMANUS:** We do not get anything financial in return in terms of a financial supply or revenue stream.

**J DAVIS:** The Auditor-General noted that from 2020 ministerial exemptions were provided to the responsible agency from the need to comply with section 11(2) of the *Procurement Act* in relation to procurement activity associated with the design and construction of the facility, and engagement of the facility operator. Can you clarify under what sorts of circumstances accountable officers are not required to comply with procurement directions?

**Mr McMANUS:** Hayley Richards from the Department of Trade, Business and Asian Relations responded to that question as procurement sits within their agency now. It is not an area of responsibility for Treasury. It is probably best to refer to her. She did respond to it in previous questioning.

**J DAVIS:** In the Auditor-General's May 2024 report, he noted that while the Treasurer's mandatory infrastructure direction was effective from 2021, it was not considered by the project management team on the basis—this was the question I asked previously—that the project was already under way. Is management of the ship lift project currently subject to the Treasurer's infrastructure direction?

**Mr McMANUS:** Not to that particular one. The ship lift project was initiated prior to that framework coming in place.

**J DAVIS:** It is not under it because—who does it sit under?

**Mr McMANUS:** The Department of Logistics and Infrastructure owns that project development framework. This project was initiated prior to that framework coming in place and, I guess, mandated through the Treasurer's directions. It had already progressed before that process was mandated.

**Mr BROWN:** Did the original estimates account for life-cycle costs, specialised equipment, specialised advice, Defence use or essential infrastructure like hardstand and berths?

**Mr McMANUS:** The current costs accommodate all the construction costs associated with the current design scope. You are better off referring that question to the Department of Logistics and Infrastructure. They will have the detailed breakdown of the capital costs.

**Mr BROWN:** How much of the \$820m current figure is driven by expanded scope, construction inflation and supply chain disruption?

**Mr McMANUS:** I agree they are the three key causes of cost increases. Again, the Department of Logistics and Infrastructure is the project lead and will be able to answer that question.

**Mrs ZIO:** When we visited the ship lift last week, which was good to see what is happening there, we talked through—this might be the department of Infrastructure as well, so apologies if it is—if there is a need for growth with the ship lift, you can add extra modules on to make the ship lift bigger to fit bigger Defence boats and all that kind of stuff. Would that be a Northern Territory Government cost if Paspaley determined that we needed to grow the ship lift?

**Mr McMANUS:** That would be managed through contractual arrangements or negotiations. I do not have the detail on that. DLI may be able to answer it better than some response from us.

**Mrs ZIO:** Going back to money one more time—we have blown out the budget. The budget has gone more than what we thought it would be. Do you have an estimated budget of what the ship lift will cost? I know it says \$820m at this point. Do you think that will be the final cost? I know there is big money coming through from the NAIF project. Can you give a final cost to the Territory on the completion of this project, understanding that there are always things that come up, we know at this point?

**Mr McMANUS:** The budget currently includes \$820m for the construction of this ship lift facility. A portion of that is managed through borrowings through NAIF, and then the balance through the Northern Territory Government programs.

The current construction costs include a portion of contingency within that. As far as we are advised, that is the total cost of the project. That is what is currently factored into the budget.

**Mr CHAIR:** Back to the budget, do you have a figure of how many times the budget allocation has been varied or changed?

**Mr McMANUS:** Yes. The submission we provided to the Public Accounts Committee shows the various iterations of the budget of the ship lift and what was included in the budget. In 2017–18, \$100m was allocated in the budget for the ship lift. There was a further \$333.9m added in 2020–21, \$115m added in 2022–23 and a further \$267.2m added in 2025–26, for a total program of \$820m.

**Mr CHAIR:** Have all these iterations been Cabinet directions?

**Mr McMANUS:** Yes, they were submissions that were presented on the cost changes and scope changes within the ship lift facility and considered and approved by Cabinet.

**Mr CHAIR:** Was the 2025–26 \$267m known about in the previous financial year?

**Mr McMANUS:** No. At the time of the Pre-Election Fiscal Outlook, I think we had \$515m included in the budget for the ship lift facility. Following further works, contracts progressed and further costs were identified.

**Mr CHAIR:** Along all these iterations, are they scope changes or can you break down between what is scope change or changes in spec versus construction blowouts?

**Mr McMANUS:** I do not have that information on hand. The DLI as contract manager would probably be best placed to answer that in a more detailed way.

**Mr CHAIR:** When Cabinet wants extra money for the project, is that a clear direction or is there a process?

**Mr McMANUS:** There is a process. The responsible agency for managing the project will prepare a detailed submission on the status of the project at the moment and the reasons to justify, support, changes to the project cost. That could be associated with scope or inflationary impacts of construction in the Northern Territory. Cabinet consider that submission along with other competing priorities and make a decision based on the information they have.

**Mr CHAIR:** Do we have all those documents?

**Mr McMANUS:** They were presented to Cabinet and we are unable to share those.

**Mr O’GALLAGHER:** To clarify in terms of the Cabinet process, obviously Treasury comments on all Cabinet submissions, if I am correct ...

**Mr McMANUS:** Yes.

**Mr O’GALLAGHER:** ... as does Attorney-General’s and so on, and those comments are taken on board as part of the whole package by Cabinet which makes a holistic decision?

**Mr McMANUS:** Yes. Relevant agencies provide comments on various submissions and funding proposals. The Department of Treasury and Finance, Department of the Chief Minister and Cabinet and Attorney-General and justice are the three core central agencies that provide advice on all submissions. From Treasury’s perspective, we provide advice on the economic and fiscal implications associated with each of those. They are taken on board as a whole, with other various agencies’ comments and government priorities, and Cabinet make a decision based on that information.

**Mr CHAIR:** Did Treasury ever warn government of the growing costs of this project?

**Mr McMANUS:** We provided advice on the economic and fiscal implications under each iteration and government made that decision based on that.

**J DAVIS:** This is a broad question and I do not know whether you can answer it. It sounds to me that we have a project now for which there has been no business case and it has blown out in terms of cost hugely. We have no revenue stream return and we will have ongoing costs to the Territory. How did we get here?

**Mr McMANUS:** Decisions were made by the former government at various iterations based on the advice provided by the relevant agencies.

**J DAVIS:** In terms of process, what checks and balances are in place to make sure that we are protecting the Territory when these kinds of projects are being considered and decisions are being made?

**Mr McMANUS:** As noted previously, the project development framework has now been in place and formalised. There is a requirement, through Treasury’s direction, which mandates that projects over a certain value where there is a significant contribution towards it from the Territory government have a more structured pathway through that approval process.

**Mr O’GALLAGHER:** To a follow-up from the Member for Johnston, as she said, how did we get to this process? What I want to clarify is that we are we at the point of no return where we are so far into it that we have to go through it—or is it that you cannot break it and stop it? Are the consequences of stopping it worse than finishing it? That is what I want to know.

**Mr McMANUS:** That is a question for the Department of Logistics and Infrastructure as the project lead and contract manager.

**Mrs ZIO:** Just going back to the finances again. We have talked about the income that the Territory receives. A lot of our constituents have not read the ACIL Allen report and they do not have that information available—they do, but they have not seen it. Can you talk us through, one more time, the benefit to the Northern Territory is through jobs and ships coming into the Territory and the money that flows. Has there been any analysis of when we may hit a cost neutral—like, we have enough income coming into the Territory from those things, whether it is jobs, people or ships coming in and they are spending money in the local economy? Is there a point that we will say it was worth it?

**Mr McMANUS:** We have not done any modelling around a break-even point for the Territory. As the economy grows we would see revenue through payroll tax, stamp duty and other standard revenue streams that we get through the economy, but there is, over this whole forty years, no revenue stream to the Territory, so the break-even point of that will be once we get to a position where we are able to pay down our borrowings.

The project is expected to support long-term attraction and expansion of the marine maintenance industry. As Hayley pointed out before, it is a key piece of enabling infrastructure that will support broader economic infrastructure and development, private investment and complementary services across the Territory of that industry. Ultimately, the project is expected to support investment in Australia's northern coastline in a secure deepwater harbour, including developing cost-effective marine maintenance services. There is the broader economic opportunity for the Territory through this facility.

**Mr CHAIR:** On the borrowings, I do see there is some use to Defence and especially—I am a big proponent of Darwin as a major player in the Defence industry and I very much welcome the ability to service the maritime Defence fleet through this project, I think that is fantastic. Has there been any discussion with Canberra from the department as to them assisting with the cost we are laying out, the huge benefit that it is going to give our Navy and allies? Has there been discussions with Canberra, so we can reclaim some of those costs?

**Mr McMANUS:** I understand that the Chief Executive of the Department of Logistics and Infrastructure has been in regular engagement with the Department of Defence and officials in the Commonwealth Government, and she is probably best placed to answer that question.

**Mr CHAIR:** Sorry; who?

**Mr McMANUS:** DLI.

**Mr CHAIR:** You mentioned, I believe, the framework update in 2021; is that right?

**Mr McMANUS:** Yes, it came into place in 2021.

**Mr CHAIR:** What was the driving force behind that change? What drove the decision for that?

**Mr McMANUS:** There was no singular driving force behind it. It was more just an acknowledgement of good practice in development and project management and trying to make sure that there is rigour behind the consideration of major projects, particularly those with complex financing arrangements.

**Mr CHAIR:** Was it influenced at all by cost blowouts?

**Mr McMANUS:** No. Like I said, it was just good practice in project management.

**Mr CHAIR:** Thank you for your time, gentlemen, and for answering our questions. We will now break for a couple of minutes and kick off with Logistics and Infrastructure at 10.15 am.

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The committee suspended.

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### Department of Logistics and Infrastructure

**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 Ms Louise McCormick, Chief Executive Officer, and Ms Joanna Pethick, Acting Executive Director, 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 that 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 McCORMICK:** Louise McCormick, Chief Executive Officer, Department of Logistics and Infrastructure.

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

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

**Ms McCORMICK:** Thank you, Chair and committee members, for having us here today. We welcome the opportunity to support you in your inquiry and the outcomes.

The department sees the Darwin ship lift project as a critical enabling piece of infrastructure for the Northern Territory—also Australia, which I will elaborate on in my answers.

The ship lift facility will support the maritime industry, including Defence, as well as capability of Defence in the north. It is a very complex marine infrastructure project and has many moving parts. It has taken a number of years to get to the point that we are today. That includes the planning, design, procurement and, now, into construction of the facility.

By way of background, this project started as an investment opportunity in 2015 by the former government. They had contributed \$100m to the project at that point in time as a result of the sale of TIO and the leasing of Darwin Port. The \$100m was to go towards the building of a private ship lift facility.

Following an extensive procurement process and preliminary feasibility studies at that time, the decision was made by the government of the day to investigate a Northern Territory Government-owned facility. That was in 2019.

Then between 2020 and 2024 there were a number of commercial agreements that were negotiated with Paspaley as the operator, the terms of which are bound by confidentiality. I am limited in terms of what I can discuss within a public committee in a public forum. As such, if you have questions of that nature I would ask that we are in a private session.

As the Territory's construction agency, the Department of Logistics and Infrastructure and our predecessors have provided ongoing support to this project, particularly in negotiations of the technical components of the project and the construction procurement outcomes. In 2022 the former Department of Infrastructure, Planning and Logistics became the project lead for the Darwin ship lift.

At the current status we are now just over 12 months into construction, and we have signed all of the parts that we need to get to, to this point. To give an example of how it works contractually, we are sitting in the middle of a contractual agreement with an operator and a construction contract with Clough BMD Joint Venture. We have to make sure that all the gates that are in those contracts are aligned and are met before we move forward to the next stage of the project. As you mentioned, you went out onsite this week and you have seen where we are at. We are currently in the caisson construction phase of the project.

In my submission we provided quite a volume of information and, as you can imagine, with the complexity of this project there is quite a volume of information, so I will do my best in terms of what I can do on the day, but if there are things that need more detail, I will have to take them on notice.

As I mentioned previously, there is a considerable amount of confidentiality in commercial material that I will not be able to talk to. However, I will do my best to answer any questions you have for me.

**Mr CHAIR:** Before we get into questions—I have quite a few to go through and I am sure others will—there is some correspondence between yourself and Paspaley on 18 July through to 23 July that I would like to address.

I have correspondence to you on 18 July from Paspaley which is regarding the Public Accounts Committee. The company very openly states that they are very open to the Public Accounts Committee and they want to come in to the Public Accounts, pretty much without limitation and speak on the fact of the project deeds and their terms—and then the rest is blacked out. However, this correspondence shows they are very willing to participate with us, and they want to.

Your response to them, which will be in the documentations, essentially does not release them. You remind them of their obligations under the agreement and that only a summons from the Public Accounts Committee would require them to present any confidential information requested by the committee.

Following that correspondence, Paspaley—whilst they are not here and I understand why, they have done their due diligence as a private company. Who did this come from? It is signed by yourself. Was this your advice?

**Ms McCORMICK:** That is exactly right. When James had sent me that letter to request whether he can appear or not, I had to respond. I, as any good CE would do, got legal advice on what that meant from a commercial perspective and the agreements we have with Paspaley. The advice given to me was no, that they cannot be released from confidentiality agreements, and then James made the choice obviously not to appear because of that.

**Mr CHAIR:** The Public Accounts Committee wants many people to come and give evidence. A private company was willing to engage with us. Why would a department give any advice as to whether or not they should come?

**Ms McCORMICK:** Because the agreements contain confidentiality provisions—the agreement between government and Paspaley. They have to request permission to be able to divulge anything in those documents.

**Mr CHAIR:** If they are happy to and they believe it will not hurt their business, why would we have an issue with it?

**Ms McCORMICK:** From my perspective, I am looking at it as a public servant. I am not allowed to divulge Cabinet-in-confidence information. There are many decisions made pertaining to the commercial agreements that were Cabinet-in-confidence decisions. From my perspective, I can only provide that information if you are compelling me to do so. It was an invite and not a summons, which is why my wording is the way it is.

**Mr CHAIR:** Was the minister advised of this correspondence?

**Ms McCORMICK:** No, because the letter was addressed to myself as chief executive.

**Mr CHAIR:** I will send this to the minister. We have a difference of opinion on this, Ms McCormick. It would have been good to have them here; however, we will move on.

We have seen major changes to the subsequent designs and they have evolved significantly throughout the project. Could you explain how many variation changes to the project have occurred?

**Ms McCORMICK:** To be honest, many over the years. When this first occurred in 2015, Paspaley, as the operator at that time, had done some front-end engineering and design of the project and we had participated in that—not our department at that point. At that point in time, the Department of the Chief Minister and Cabinet was the lead for the project and that was the first version.

As the commercial negotiations were occurring, our department—the former Department of Infrastructure, Planning and Logistics—had been requested to give technical advice. We did not agree with the front-end engineering which had occurred and there were many optimisations which could occur for that design. That process occurred.

When we started the construction procurement process, which was a three-stage process, we presented the engineering work that had been done to date, but the form of contract that this is, the original outset of it was, that the contractor was to engage a designer and provide that design as part of the procurement.

The first stage of that procurement process was basically an expression of interest from anyone who was interested. Even sub suppliers, for some of the more specialised components for the ship lift, were invited to participate. The second stage of that procurement was request for proposals from five different proponents from the first stage. The third stage, which is when our department took the lead, was to actually appoint the contractor to construct the contract. Out of the five, two proponents had been engaged with a \$1m payment to advance their design concepts at that stage.

Upon award to Clough BMD Joint Venture, part of the reason why they were awarded the project was that they had a far superior design than had been done before. To explain it simply, their ship lift was an inboarded ship lift, rather than 400 piles coming out into the water. From an operational and ongoing maintenance perspective, it was far superior. The benefit, as well, of having an inboarded ship lift into land, is that you are mitigating that cross-current wave action. As you can imagine, lifting a very heavy ship with quite a surface area, you want it as calm as possible to be able to lift that ship. That is how the design occurred to that point.

Post-award of that to Clough BMD Joint Venture, there have been probably two years' worth of iterative design workshops to refine the details. We had to do a separate procurement of the ship lift winching system and the ship transfer system, which has a heavy influence on the rest of the design. That two-year period of many workshops, including with Defence as one of the key clients for the ship lift, with Paspaley as the operator, with the contractors and designers.

One thing I will say about the design is when we awarded preferred status to Clough BMD Joint Venture in September 2023, from memory, later that year—no, it was actually the year before; sorry. This is all melted in together for me. Part-way through that award process, Clough, one of the partners, had gone into administration, which meant we had to hold on the procurement of the construction contractor. We made the decision purposely, because there is a timeframe that we have to have this build by. They were awarded preferred status on 16 July 2022. At the end of that year is when they went into voluntary administration and were up for sale.

In February 2023 we directly engaged their designers because they were the one with the winning design that we liked, and proceeded to continue with the design with Paspaley and Defence, whilst the contractor issues were being resolved.

It is quite an iterative complex process.

**Mr CHAIR:** On that arrangement, how did the operator get awarded that?

**Ms McCORMICK:** The contractor?

**Mr CHAIR:** Paspaley as the operator.

**Ms McCORMICK:** I was not involved in that part, but my understanding is through that 2015 request for proposals at that point the government of the day had done—I might get Jo to answer. Jo was involved, so I will get Jo to answer that, if you do not mind.

**Ms PETHICK:** The operations and maintenance agreement was signed off in June 2021. That was when Paspaley was formally appointed.

**Mr CHAIR:** What was the process?

**Ms PETHICK:** It was a negotiation process with Paspaley.

**Mr CHAIR:** Who conducted that process? Was anyone else approached, or was it just government direct to Paspaley?

**Ms PETHICK:** At that time it was the department of Business, I believe, so it was a direct negotiation with the department of Business and Paspaley.

**Mr CHAIR:** Who was the minister at the time of that?

**Ms PETHICK:** I am sorry; I cannot recall.

**Ms PETHICK:** I believe it would have been the Chief Minister, which may have been Michael Gunner.

**Mr CHAIR:** Is that normal for a department to do?

**Ms PETHICK:** For a department to undertake negotiations on behalf of government, yes.

**Mr CHAIR:** No, the direct approach to one company.

**Ms PETHICK:** No. That was a decision that was made to go direct to Paspaley.

**Mr CHAIR:** Was that a decision of Cabinet?

**Ms PETHICK:** Yes.

**Ms McCORMICK:** I will add to that if you do not mind. My apologies, because I was not involved, but my understanding is when they originally went out in 2015 there was a selection process of which Paspaley was the preferred. My understanding is negotiations fell over because at the time it was a \$100m contribution from government and the rest was supposed to be put in by the private sector, but the private sector advice at that point in time was it was \$400m to \$500m and they could not support it. That is when government made the decision to do the facility itself.

**Mr O'GALLAGHER:** I will quote from your submission because it touches on that. You ran a competitive process following on from 2015. You went out and got 13 expressions of interest. You shortlisted down to five. You got down to Paspaley as the preferred one. I will quote from your submission:

*This competitive process ran until 2018 and resulted in the selection of a preferred developer, design and site. This process did not result in a contract award.*

The question is: why? But then you go on:

*In August 2019, the then Chief Minister, the Hon Michael Gunner MLA, announced that the NT Government would develop the Facility, in partnership with the Paspaley Group. The Facility would be NT Government owned and operated by Paspaley under a 10-year renewable agreement.*

Is that correct?

**Ms McCORMICK:** Yes.

**Mr O'GALLAGHER:** Do we have any insight? Was that explanation you just gave me as to why we did not proceed with the private sector looking to fund it and own it or lease it or whatever, as opposed to now going to a government-owned facility?

**Ms McCORMICK:** That is correct. That is my understanding.

**Mr O'GALLAGHER:** Correct me if I am wrong, the private sector were telling us that at that stage there was no real commercial business case to stack up with what was on offer.

**Ms McCORMICK:** I cannot comment on that.

**Mr O'GALLAGHER:** I am assuming that. You said that they said it might be \$500m and no-one can afford it. What I am getting is that we did not go ahead with the contract award, even though we have gone through the selection process, going from 13 down to five down to one but then we stopped. I suspect that it is the private sector that decided 'it will not work for us' and then the government has had to come up with another option. Would that be a reasonable assessment?

**Ms McCORMICK:** You will have to ask the government of the day because I was not involved at that point.

**Mr O'GALLAGHER:** In terms of the project management of this project, you said that originally it was the department of the Chief Minister that was the lead.

**Ms McCORMICK:** Yes.

**Mr O'GALLAGHER:** Then the Department of Logistics and Infrastructure took over, when?

**Ms McCORMICK:** No. It went from the Department of the Chief Minister and Cabinet to the Department of Trade, Business and Innovation or the Department of Industry, Tourism and Trade—its various names. The third stage of the construction procurement is when our department took it on.

**Mr O’GALLAGHER:** When did the department of Business take it over, roughly? I just want those timeframes.

**Ms PETHICK:** It would have taken over about 2018, 2019.

**Mr O’GALLAGHER:** In 2018, that was once we have decided not to go ahead with the contract?

**Ms PETHICK:** It was being run by Business then.

**Mr O’GALLAGHER:** When did DLI take over?

**Ms PETHICK:** It was between. There was a transfer to the Department of the Chief Minister and Cabinet again.

**Mr O’GALLAGHER:** We have gone DCM, department of Business, DCM and now DLI. When did DLI take it over?

**Ms McCORMICK:** I believe it was 2021, 2022.

**Mr O’GALLAGHER:** Was DCM in between that, roughly? If you want, I can put that on notice.

**Ms PETHICK:** We put a timeline in the back of our submission as an attachment which shows each of those MOG changes.

**Mr O’GALLAGHER:** Okay, I will go back and cross-check. Did it involve all those changes?

**Ms PETHICK:** Yes, it involved all of those.

**Mr CHAIR:** I notice in point 20 of your submission that then Chief Minister Michael Gunner said that the owned and operated arrangement will be a 10-year renewable agreement. It is now 40 years. Is that correct?

**Ms McCORMICK:** Yes.

**Mr CHAIR:** When did that change occur?

**Ms McCORMICK:** During the negotiation with that department.

**Mrs ZIO:** (inaudible)

**Ms McCORMICK:** Yes. When it came to our department, that had already been negotiated.

**Mr O’GALLAGHER:** (inaudible)

**Ms McCORMICK:** I am not sure. That is why Jo is coming in because she was part of those.

**Ms PETHICK:** I was with the department of Business then.

**Mr CHAIR:** I saw that Merit Partners were engaged, looking at the competitive process on all stages. It says:

*... procurement planning, release to market, shortlisting and assessments through to award.*

Is this just for construction?

**Ms McCORMICK:** That is correct.

**Mr CHAIR:** Does it exclude lease, operating, that kind of thing?

**Ms PETHICK:** They were also engaged for that earlier EOI that was run while it was a private facility. No, they were not involved in direct negotiations as it was not procurement process.

**Mr CHAIR:** I understand a contractor went into administration and there was direct procurement of some things. Was this just to reduce risk during the build?

**Ms McCORMICK:** Very much so, because it is a sunset date clause of being finished by March 2027. Defence have also put a ...

**Mr CHAIR:** That is fine; I completely understand the risk reduction.

**Ms McCORMICK:** The time risk is what we were trying to manage.

**Mr CHAIR:** Was the contract renegotiated based on our direct purchasing?

**Ms McCORMICK:** Which contract?

**Mr CHAIR:** We directly procured associated SPMT design, manufacture, delivery and commissioning. I imagine they were part of the original contract. We have then directly procured it. Was the contract reduced because of our direct procurement, taking that onus off the contract?

**Ms McCORMICK:** For those particular components of the ship lift there were only three suppliers internationally. As you could imagine, there are very long lead times for those items, so we did it for the time risk, but you actually reduce margin on margin because it is a direct procurement and it is a principal supply item to the contractor.

**Mrs ZIO:** My question is around the ship lift and the build in relation to Defence having their timeline of when it needs to be completed. We went out and did a ship lift visit last week or the week before and we were talking to the project manager. He had made a comment that a lot of the Defence boats are approximately 123 metres long and are quite large, and this ship lift can only cater for 103 metres long. To enable our ability to cater for those Defence ships we need to put modules on to make the ship lift even longer. Is that our cost? Is that an accurate representation of that situation in relation to putting a lot of priority on Defence coming in? Can we cater for the Defence ships that are coming in? Does it cost us extra money if we do expand the ship lift with extra modules, even though Paspaley have the contract for that—the lease? Is that our responsibility to pay for the modules?

**Ms McCORMICK:** There are a few corrections I need to make. The 103 metres is just the length of where the winches are. The vessel itself can be lifted within that pocket up to 120 metres, is my understanding. Defence have definitely been catered for. We have had a Defence Navy Reservist in all our design workshops, helping us reach into the different parts of Defence as we have needed, to make sure we get the whole facility Defence accredited because they will be a key customer and they need that as part of using the facility.

The ability to expand in the future is definitely there. One of the key decisions made about removing the original finger wharf is you are able to then expand that ship lift in future if needed. Who pays for that is probably a future decision for the government of the day. There is nothing contractually at this point in time that bound us to anything in that space.

**J DAVIS:** I note in the Defence submission they acknowledge that it may provide capability outcomes and they talk about what they might need ongoing. Given what they have said in their submission, would we be right in assuming that Defence has not yet made any formal commitment to utilise the facility?

**Ms McCORMICK:** No, they have not. The reason why they have not is that this entire facility will be subject to access and pricing legislation that has been drafted and soon to be introduced to parliament, is my understanding. They are looking at it from a cost-benefit of whether they do their own—which would be very costly—or if they use the commercial facility that we have built.

Every indication that we have seen to date is that they want to use the facility. The facility they have at Coonawarra at the moment, they have not been spending huge amounts of money on that because they want to use our facility. Their advice to us is they need an 18-month timeline for booking in their ships' maintenance for each of the ships, and we have to work in with their timelines as well for the decommissioning of their ship lift to be able to use our ship lift.

There has been lots of discussion. I have met with the Commodore for Navy many times about the ship lift and a gentleman who works with Defence, Dave Neumann, has been here many times as well. We held

a workshop with Defence earlier this year about how they operationalise the use of the facility as part of their ongoing operations up here.

**J DAVIS:** You said that there will be some new access and pricing legislation. What will be the aim of that legislation in relation to this project?

**Ms McCORMICK:** Jo has been the key for that project, so I will hand to Jo.

**Ms PETHICK:** Access and pricing legislation we developed similar to that is in place for the port at the moment. It will ensure that there is common-user access to the facility because it will be a privately operated facility. It will be overseen by the Utilities Commission, similar to how the port is overseen, to provide for that transparency and competition.

**J DAVIS:** Do you know the timeline for that legislation?

**Ms PETHICK:** No. It does not have an introduction date yet. It is still subject to Cabinet consideration.

**J DAVIS:** To get the timeline in my mind, it sounds like you are expressing confidence in Defence wanting to use this. Is one of the delays in making a decision is because there is no date in place for this legislation to be progressed?

**Ms McCORMICK:** That is correct. They need a surety to lock that into their budgets and programs.

**J DAVIS:** Do you have a sense of when that might be?

**Ms McCORMICK:** I believe it is pending this inquiry, that is my understanding.

**Mr CHAIR:** I asked this question of Treasury and they said it was best placed with you. It is about speaking to Canberra about assistance with funding of this project. Has that occurred? My view is that this can be quite a national asset, particularly for Defence. Are there discussions going on with Canberra to support the NT Government with the costs which have accrued?

**Ms McCORMICK:** There have certainly been officer-level discussions. I have made the point to them several times, not just Defence but our infrastructure colleagues, that they have provided, I think, up to \$380m for the Cairns ship lift, which looks suspiciously like ours. There is a bit of disparity which I have pointed out to them many times, that we have a NAIF loan for about \$300m, but they are getting a grant of \$380m. Definitely, at officer level it has been raised.

**Mr CHAIR:** That is good. I encourage you to keep pushing that. The ship lift facility became government-owned April 2024. Who owned it before that?

**Ms McCORMICK:** Could you repeat the question, please?

**Mr CHAIR:** In your submission point 36, NT Government became the owner of the site of the ship lift facility in April 2024.

**Ms McCORMICK:** Yes. That is to do with the land transfer, which is one of the commercial agreements with Paspaley.

**Mr O'GALLAGHER:** The NT Government became the owner of the site of the ship lift facility in April 2024, who owned the site. Was it transferred from Paspaley to the NT Government?

**Ms McCORMICK:** There is not much I can say here. I think it is on the public record, so I can say that there is a development and land deed. As part of that there was a swap of land between the NT Government and Paspaley.

**Mr O'GALLAGHER:** When you say a swap of land, I notice there is a five-hectare private facility. Was that a part of that swap or was theirs? I am trying to understand, did Paspaley transfer, lease or give some land to the government to develop the site? When you say 'swap', a swap from what?

**Ms McCORMICK:** It was Paspaley land and it is now NT Government land. What was NT Government land is now Paspaley land.

**Mr O’GALLAGHER:** It swapped over?

**Ms McCORMICK:** Yes.

**Mr O’GALLAGHER:** The 10.3 hectares is now NT Government and the five hectares is a private facility for Paspaley?

**Ms McCORMICK:** Yes. Most of that is reclaimed land.

**Mr CHAIR:** In your submission point 38, the operator will control the site and undertake the following services at the ship lift facility: site managing; berthing lease; operating access; security; and environmental controls management. Are they liable for any breaches of that? Is liability with the operator or NT Government in the event of contamination or a security breach. Who does liability sit with?

**Ms McCORMICK:** I can definitely talk about the environmental. We have been working with our EPA about the approval process because—if you can imagine—that EIS covers the construction phase of the project and the operational phase.

At the moment, we are holding the environmental approvals as the proponent. At completion and handover, there is a proponent approval they will be operating under and be responsible for.

**Mr CHAIR:** They will have liability if something goes wrong too?

**Ms McCORMICK:** Yes.

**Mr CHAIR:** You spoke about pricing. I notice that NTG remains liable for any asset with a design life greater than five years—correct?

**Ms McCORMICK:** Yes.

**Mr CHAIR:** A lot of things are designed for longer than five years. I understand the big infrastructure. What about smaller infrastructure? Is NTG responsible for whitegoods or air conditioning?

**Ms PETHICK:** It is about capital replacement and repair. It will be for larger items. It will include things like ship lift cables. They are not necessarily a larger item, but those longer-term items are. Office equipment and those sorts of thing, no.

**Mr CHAIR:** At what point? You have in your submission a design life of greater than five years. On a building it is almost everything except fixtures and fittings. Does it include fixtures and fittings?

**Ms PETHICK:** We will have to take that on notice.

**Mr CHAIR:** We will take that on notice. Does the maintenance liability cover fixtures and fittings, whitegoods? Can you confirm or would you like that on notice?

**Ms PETHICK:** I would consider that office equipment, but we will check it.

**Mrs ZIO:** With the shed that they are building where you slide the ship in, clean it off and paint it and all that sort of stuff, the project manager—sorry if I have his title wrong—told us that there will be a big dust suction system or whatever so that it is a painting area. Is that included? Obviously, Paspaley is operating all that sort of stuff. That has a design life of more than five years. The NT Government would be responsible for the maintenance of that?

**Ms PETHICK:** That is correct.

**Mr CHAIR:** Correct me if I am wrong at any point. We build it; we maintain it; and we make no money leasing it.

**Ms McCORMICK:** Yes.

**Mr CHAIR:** This is the big issue for me. The cost has blown out massively. I hold nothing against the private sector. Our job as government is to protect the taxpayer and make good deals on behalf of the taxpayer. The whole responsibility is on us, as government and public service. This deal is a shocking deal. I am

a free-market man, but this is not capitalism. It is \$820m now that we are looking at. We see the benefit and the investment in what the ship lift can do. There are some big concerns with this project.

I want to address the idea that when any departments come to the PAC that it is invitation. It is an invitation, but it is an invitation by politeness. Essentially we expect the answers. We can summons, but my view is when department staff come here they are being summonsed.

I think we will need to summons to get the full information we want to get. I still need two votes to agree, but I think I will be able to get it. We want to see that detail. I understand commercial-in-confidence; however, when we have an operator who is willing to work with us, I do not see why it should be government that is holding back those conditions. I do not believe not looking into this further is in the public interest. We have to open it up. I probably will move to further hearings, just to let everybody know, and that we will be summoning everything, pretty much.

**Mr O’GALLAGHER:** I appreciate that the agency has taken legal advice on where it responds. I understand where you are coming from here. I agree with the Chair; there is a need for the committee to assess this properly.

Let us go back to the land issue. Not only will we build this site, we will give the operator 40 years, get all the revenue from it, with no return in terms of lease. With that transfer of land, did we get a financial benefit out of that or, more importantly, did Paspaley get a financial benefit in that land swap? Did we purchase the land, possibly at commercial rates? That is what I want to know.

**Ms McCORMICK:** That is probably something we will have to do *in camera*, given the commercial reality.

**Mr O’GALLAGHER:** Without knowing for sure—this is what we need to get—there was a land swap. The company doing the land swap may or may not have got a commercial return on that—without knowing—they now have a government that will build the facility and own the facility, leasing it back and, from what the Under Treasurer said, there is no return from that lease coming back to government. I am assuming it is zero or peppercorn, or whatever we want to call it. Then they will operate that and get all the returns and we have to invest if we want to expand it. That will be an NT Government decision to expand the facility and grow it. I agree with the Chair; all of the risk has come onto government.

I have been in private sector too. If you minimise the risk, that is a fantastic deal and keep doing it. I do not blame them for doing what they are doing. However, I want to get a better understanding in terms of what the taxpayers say.

Some things happened in that swap. I know you cannot say it because of commercial confidentiality, but it resonates to me that is another part of this equation that we are missing. They may have already got a benefit by just doing the swap and then they get all the additional benefits. That is the line we ...

**Mr CHAIR:** We can go *in camera* if the department wishes ...

**Ms McCORMICK:** We can confirm, Chair, that we can answer that if we go *in camera*.

**Mr CHAIR:** Fantastic. Are there any other questions before we go *in camera*? I have one in the same vein. I notice submission point 57:

*These specifications were further supplemented through contractual negotiations with the operator.*

This part concerns me to the point of first, when did the operator put through specifications they wanted? When did that occur?

**Ms McCORMICK:** It is my understanding—okay, I have just been told it is confidential, sorry.

**Mr CHAIR:** Would you answer that *in camera*?

**Ms PETHICK:** Yes.

**Mr CHAIR:** Okay. Are there any other open questions?

**Mr BROWN:** Thank you for coming. Regarding cost blowouts, what impact did the Clough administration, COVID-19 and global supply chain pressures have on the project delivery? You have it down here in point 62, but could you please give us a bit of a round-up?

**Ms McCORMICK:** Yes, I certainly can.

Construction, not just this project, was impacted significantly through COVID and escalation of costs, particularly labour costs and material costs. Freight costs have also gone up, particularly for international items that we are purchasing. The uncertainty in the world with the conflict—for example, one of our pieces of kit comes from Europe and normally it would come to Australia through the Suez Canal, but with the Houthi it now has to go around the bottom of Africa to get here, so there are significantly more freight costs for those types of things.

I believe that Clough BMD Joint Venture put in with their submission what they believe has escalated in their price that they submitted, which was roughly 25%. If you look to Infrastructure Australia's Market Capacity report, in the NT some projects have gone up as high as 60% to 70% increases in construction. Unfortunately, construction projects are not immune to the inflationary pressures that the rest of the economy is facing, and it definitely has had an impact on this project.

**Mr BROWN:** At any point did your department recommend abandoning the project?

**Ms McCORMICK:** I do not think I can speak to that; it would have been Cabinet-in-confidence advice that we provided to the government of the day.

**Mr BROWN:** Were there any other stakeholder groups advocating for changes to the scope or the design?

**Ms McCORMICK:** There was. Defence has had an input into this. Given that we want them to be a key customer, they have had heavy input into the design, although the basic scope of the project has not changed from them; it is more about the detail of size and shape of the ship lift, that type of thing, and what type of vessels we may be lifting, even to the shape of the blast and paint shed that the Member for Fannie Bay mentioned before. It can cater for the shape of the Anzac with all its antennas and everything else on it, so there has been that influence.

**Mrs ZIO:** In the Defence submission they talked about security. Would there be an additional need for security around the ship lift facility if they were to utilise it? Is there any agreement or arrangements in place as to who would be paying for that security provision?

**Ms McCORMICK:** It is my understanding that the operators themselves would pay for that through a fee-for-service arrangement and they may lease an area on the hardstand and provide their own provisions, but I understand in that blast and paint shed, Defence are quite keen on that because they can have their secret squirrel gear within that shed and be able to maintain it out of sight.

**Ms ZIO:** Moving on from my previous questions around the length of the ship lift and the ability to put modules in, I know that can be done. We have not quite figured out who would pay for that if it happened, but the width of the ship lift cannot be increased, from what I am told?

**Ms McCORMICK:** That is correct, yes.

**Mrs ZIO:** For Defence to be able to use that well, the amount of big ships that we have seen come into the Darwin Harbour from Defence and some of the bigger ships that we have coming in and out, does the width of the ship lift cater for the majority of Defence that will come in and want to use the ship lift?

**Ms McCORMICK:** That is correct. The only caveat I would put on that is their current ship purchasing program that Defence are doing—they have not picked who they are buying ships from, but we are working with them in terms of the specifications. Out of the short-listed ship places, I cannot speak too much of who they are talking to, but we should be able to lift the majority of those ships. The dimensions of the ships so that you can lift them—some of them may be a little bit heavier, but we have heavy lift points around the ship lift to be able to lift some of the gear off and put it onto the hardstand before you actually lift the ship as well.

**Mrs ZIO:** Going back to the money situation again, we talked to both the previous departments regarding the business case in relation to the ship lift. I stated to the previous departments that when my constituents come to talk to me, they do not mind development. People want things to grow in the Northern Territory, but they want it to be for the benefit of Territorians. We have talked about how, yes, it will create jobs; yes, boats will

come in; yes, they will spend their money in our industries and all that sort of stuff—but the government is receiving no return on investment for the ships that come in here and for the use of the ship lift. How did we get to that point? Was it all Cabinet-in-confidence to come to that point of yes, we are happy that the NTG receives no money for the use of the ship lift?

**Ms McCORMICK:** Most of those were yes, but in terms of business cases I could probably add a bit more detail to what Treasury has said because this project has been going on for some time and I have been involved with infrastructure investment business cases for many years now. Even back in 2015, Infrastructure Australia's business case framework had not been developed at that stage. I totally get your constituents' concerns because that is currently where most good practice is—that you do a full business case analysis on projects. That is for sure.

**Mrs ZIO:** It has been that way for a very long time. Anything that I have ever had to do in the last 20 years of government, we have had to do business cases for any money that we wanted. This is a massive project, so I would assume that there is a usual process that has been in place for quite a while.

Some of the comments that we have received today include the superyacht industry. There might be a massive influx coming in for the Olympic Games. If the Olympic Games is in Queensland and Cairns is building a ship lift—is their ship lift bigger than ours?

**Ms McCORMICK:** No. They have copied almost ...

**Mrs ZIO:** It has the same specs?

**Ms McCORMICK:** Yes, but to be honest, from a technical perspective, it is not achievable because they have the draft of the vessels coming in here and the deep water is our advantage. They have mudflats that they have to get across. I do not think they will achieve what we have achieved.

**Mrs ZIO:** That is good to know. So, we have superyachts that may come in. Is there incentive for those superyachts to come to Darwin to get their work done rather than just go to Cairns, because the Olympics are in Queensland and there will be events happening in Cairns?

**Ms McCORMICK:** Yes.

**Mrs ZIO:** With a cost-benefit analysis, what I am trying to get at here—yes, we will create jobs; yes, we will have people coming in and using our industry and stuff like that. It cost us \$820m; when will it balance out? Do you have any idea of when that will be? I said the same thing to the previous department. When will it be worth it? Do you have any idea? Will we hit the year 2035 and go, 'Yes, we have broken even'?

**Ms McCORMICK:** No, we do not have a piece of work relating to that.

**Mrs ZIO:** How come?

**Ms McCORMICK:** We have not been asked for it, for one.

**Mrs ZIO:** Okay—interesting.

**Mr CHAIR:** Once it is built, what will the projected annual cost be?

**Ms McCORMICK:** Based on our preliminary design drawings, annually it is \$5m. As part of the commissioning of these we do a fully detailed depreciation schedule, like you would for an investment property, to work out what the cost is to government. At this point, the estimate is \$5m a year.

**J DAVIS:** Is that the cost for things like ongoing maintenance et cetera?

**Ms McCORMICK:** Yes. Going back to the five-year design life, that is what we are estimating at this point.

**Mr CHAIR:** Whose budget does that come out of?

**Ms McCORMICK:** The Northern Territory Government.

**Mr CHAIR:** Which department?

**Ms McCORMICK:** Whoever the concessionaire for the ship lift will be. That is where the money will sit.

**Mr CHAIR:** Do we know at the moment?

**Ms McCORMICK:** No. Government has made no decision on that at this point.

**Mr CHAIR:** Do we know what the potential revenue will be per year?

**Ms PETHICK:** We have recently had projections done and that is contained in the submission—the EY report. They have done some predicted revenues. Do you want me to speak to them?

**Mr CHAIR:** Yes, please.

**Ms PETHICK:** It is a large document. This report found that the projected revenue in the first year, based on a low case and a high case, would be \$7.6m in a low case and \$10.8m in a high case.

**J DAVIS:** Who gets that revenue?

**Ms PETHICK:** The operator.

**Mr CHAIR:** That is a horrible deal for the taxpayer.

**J DAVIS:** You reckon?

**Mr CHAIR:** Yes. Anyway, we touched on first year. What is it projected in 10 years?

**Ms PETHICK:** Give me a moment. At year 10 it will be \$15.8m under a low scenario and \$20.4m under a high.

**Mr CHAIR:** We have massive revenues. There will be costs associated with the operator for that, yet despite these massive revenues, we still pay \$5m a year. That deal was approved by Cabinet?

**Ms PETHICK:** Yes.

**Mr CHAIR:** When would that have been approved?

**Ms PETHICK:** I do not have those dates in front of me.

**Mr CHAIR:** Can you give me those dates *in camera*?

**Ms PETHICK:** I would have to check on the Cabinet-in-confidence, but they would definitely be Cabinet-in-confidence.

**Mr CHAIR:** Was it Chief Minister Gunner?

**Ms PETHICK:** Let me confirm the dates to see whether it would have been, sorry.

**Mr O'GALLAGHER:** I asked this question of the Under Treasurer and he said I should refer it to DLI. Given the fact that we are now well into the construction phase, are we at the point of no return where we cannot get out of this project because of the potential break costs et cetera? Are we so far down the construction that you would want to complete it if you are looking to get any benefit for the Territory?

**Ms McCORMICK:** Yes, there definitely are. There are multiple contracts that government has signed up to as part of this project. There would be great costs—all sorts of things—associated with that. Our estimate is that we are probably too far gone and it would cost us more to get out of the project than to finish it.

**Mr CHAIR:** What are the estimates break cost figures?

**Ms McCORMICK:** Off the top of my head, it could be anywhere between \$100m and \$600m.

**Mr CHAIR:** Are there any other questions before we close?

**J DAVIS:** This was also asked to refer to you in relation to the project development framework. I understand from the Auditor-General's report that the framework and the Treasurer's infrastructure direction were not considered on the basis that the project was already underway. Can you give us a sense of what the current government's project control structure is and whether or not this project is subject to any of the provisions of the project development framework or the Treasurer's mandatory infrastructure direction?

**Ms McCORMICK:** I will take a step back. Before construction contracts were signed, there was a group—I think it was called the project leadership team, with a number of CEs on that group—as part of the governance and decision-making process to get all the contracts signed. Once the contracts had been signed that group no longer exists or meets.

The governance of the project now sits within my agency and managed through our normal governance arrangements with managing contract, subject to Treasurer's directions on all of the above.

**J DAVIS:** What date was that from?

**Ms McCORMICK:** From memory, it was probably around 2022. I can find out the exact if you want me to take it on notice.

**J DAVIS:** My question is: from what date did the governance and project control sit under your agency?

**Ms McCORMICK:** It is not a business as usual, if you like. Yes, I can do that. I can add that we have, as Hayley talked to previously, the procurement exemption. That was simply because, given the complexity of this project—some are internationally sourced items—we cannot, in particular with the local content parts of our procurement, achieve with the project. We have tried to follow our normal process and governance as closely as we can.

**J DAVIS:** In relation to the question about the projects currently subject to the provisions of the project development framework or the Treasury's mandatory infrastructure direction, could you address that?

**Ms McCORMICK:** My understanding of the project development framework is before an investment decision is made. It would not necessarily be done during a project, although I believe the Auditor-General has suggested we should probably relook at that. It is something to consider.

The project development framework moved over to Infrastructure NT when it was established in 2021 to essentially be the Northern Territory's I-Body. This was to provide investment advice to government through an assessment framework. The current NT development framework very much mirrors a fit-for-purpose version of the Infrastructure Australia framework, so it applies to anything over \$30m at this point in time. That can be reviewed about how government wants to use that to make investment decisions ongoing.

As part of Infrastructure NT's establishment, there was a new infrastructure framework developed which was to have an infrastructure strategy so that the government of the day makes a statement about how they want to invest in infrastructure. Beneath that is a plan and pipeline which contains all the private and public projects and there is an audit function that looks at which projects under that list would achieve the government of the day's strategy in terms of investment.

The next phase of work in terms of government investment is currently underway now. We have completed one of these. For each agency or function type for government we look at all the projects which are already on the plan and pipeline—there are 900 of them—and prioritise what achieves that function in the next five to 10 years, based on what government funding is available. It is a six to 10-year window about what is on the horizon. That investment planning for each agency kicked off recently.

**J DAVIS:** Is this part of that?

**Ms McCORMICK:** No. This work that has been developed over the last few years.

**J DAVIS:** You mentioned the Auditor-General and there were nine recommendations made. Could you speak to them, whether you responded to them and which ones you may be implementing?

**Ms McCORMICK:** I believe the former department was audited, as part of that, but we will take on board what the Auditor-General has said.

**J DAVIS:** What does 'take on board' mean?

**Ms McCORMICK:** This is off the top of my head. I believe we agreed to implement a number of recommendations. I would have to check and take it on notice as to where we are at with most of them.

**J DAVIS:** Yes, if you could report back on the recommendations from the Auditor-General.

**Ms McCORMICK:** Yes.

**Mr CHAIR:** You may either speak to this or take it on notice. Just adding to the Member for Johnston's question, the Auditor-General's report identified risks in construction and operational phases. We discussed some of the risk mitigation you have done in the construction phase, which is great.

In the operation phase, what are some of the risks; how are they being managed; and the liability of those risks, are they on the NTG or the operator? You can speak to it or take it on notice.

**Ms PETHICK:** I can speak broadly to it.

**Mr CHAIR:** Yes. What are the operational risks and whose liability is it?

**Ms PETHICK:** Operational risk generally sits with the operator. They will be running the day-to-day management and organisation and planning procedures for the facility. The types of risks that will sit with the Territory are as an underlying landholder and, obviously, the construction risk and the long-term capital replacement risk.

**Mr CHAIR:** In that \$5m with that long-term risk? Does it account for periodic large-scale maintenance or replacement cost?

**Ms McCORMICK:** That is an amortised cost of what we expect over the life of the agreement.

**Mrs ZIO:** How much money has gone out the door to date for this project? How much has already gone?

**Ms McCORMICK:** I will have to take that on notice. It would be close to \$300m, that would be my guess today.

**Mr CHAIR:** Would you like to take it on notice, Member for Fannie Bay?

**Mrs ZIO:** Yes, please.

**Mr CHAIR:** Member for Fannie Bay, please repeat your question for the record.

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

**Ms McCORMICK:** Yes.

**Mr CHAIR:** We will now move to a closed session.

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The committee suspended.

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