

Inquiry into procurement practices for government-funded infrastructure

Submission from the Infrastructure Commissioner of the
Northern Territory

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1. Background

Planning for a future after COVID-19 is a pivotal moment in the Territory's economic narrative. The Northern Territory has significant comparative advantages including an abundance of natural resources including solar, land and water paired with its proximity to Asia. The Territory is home to the oldest living culture on the planet and is preparing to pivot to unlock economic potential that would otherwise remain untapped.

The benefits of Developing Northern Australia is no longer an aspiration to improve social outcomes, but a national imperative to increase productivity and regain Australia's economic competitiveness and supply chain sovereignty. COVID-19 has also seen a national move away from larger cities to regional areas, creating the requirement for a significant increase in economic and social infrastructure investment outside of the major population and economic centres. The opportunity for the Northern Territory to participate in wealth creation is therefore not just about local jobs and benefits, but a matter of productivity that can improve the lives of all Australians. Aligned with national competitive advantages and productivity goals such as boosting sovereign capability, the Territory is in a prime position to build on its local strengths and strategic location. Together with the unique Territory's provenance and reputation for flexibility, agility and 'making things happen', the right investment can make the Territory's proximity to Asia a step change reality.

In 2020, at the height of the global pandemic, the Northern Territory Government commissioned a prominent group of Australians to provide independent advice on accelerating economic recovery and positioning the Territory for growth. The Territory Economic Reconstruction Commission (TERC) provided a number of reports and briefings to Government and its agencies for consideration, culminating in a Final Report, [A Step Change to Win Investment and Create Jobs](#), released in December 2020 ([Attachment A](#) refers).

The Northern Territory Government is in the process of implementing a new blueprint based on this strategic advice. This blueprint will set the right economic conditions for industry growth through the sustainable use of resources and targeting enabling infrastructure as well as permeating a Territory-wide investor-focused economic culture.

The Northern Territory Government has affirmed its goal of creating 35,000 new jobs and building a \$40 billion economy in the Territory by 2030, representing an ambitious 4% to 5% annual economic growth. It has also framed its economic recovery and budget repair implementation strategies around five key themes to achieve Government's 2030 vision being:

- Winning investment for the Territory (which requires a strong strategic approach)
- Focus on the sectors that will drive growth
- Growth will occur in the regions, with Aboriginal People
- Action the enablers that support investment
- Industry growth needs a skilled population

Concurrently, Government has committed to continuing structural and regulatory reform to attract investment and de-risk where appropriate to do so, noting that this journey had commenced with planning reform in 2020.

While the Northern Territory faces significant infrastructure challenges which are beyond the capacity of our small economy to unilaterally deliver, there is unprecedented optimism in an economic transformation in the next ten years, led by private investment and with Government delivering the right enabling infrastructure in the right place at the right time to support growth and increase productivity. With the

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support of the Commonwealth, together we can achieve the broader economic benefits of enabling and transformative infrastructure.

The Department of Infrastructure, Planning and Logistics makes this submission to the, 'Inquiry into procurement practices for government-funded infrastructure' to highlight the challenges and opportunities that lie ahead in achieving the Northern Territory Government's vision through the infrastructure lens.

Each of the inquiry questions and submission response is outlined in the subsequent sections.

2. Existing infrastructure pipelines and related supply requirements

2.1. Design of the Northern Territory Government Investment Pipeline

The Northern Territory Government seeks to balance social, economic and environmental outcomes when considering sustainable infrastructure investment. Transport connectivity is a good example of this. Arts and culture play a crucial role in strengthening social inclusion and identity for Australian communities and in delivering economic empowerment, particularly for Aboriginal and Torres Strait Islander communities. Using a sustainable approach to infrastructure investment will balance the benefits realisation of a 'drive market tourist' following the Territory 'Arts Trail', and sharing the same sealed and flood mitigated road as a livestock transport operator and a gold mine prospector. The business beneficiaries form part of a value chain producing flow on effects through the participation and purchase of arts which goes to the goal of economic empowerment for Aboriginal Territorians. In turn, the public investment for multiple road users is contributing to the benefits realisation of quality-of-life, access and wellbeing, to create an inclusive and fair society and growing productivity.

Infrastructure Australia also agrees with this view through their key publications which draw attention to the importance of sustainable infrastructure which provides social, economic and environmental outcomes. The Australian Infrastructure Audit takes a forward-looking view to assess our nation's infrastructure needs. Additionally, the National Infrastructure Priority List draws on evidence from the Audit and proposals from proponents around Australia to produce a prioritised list of nationally significant investments that will underpin Australia's continued prosperity. These two documents highlight the challenges and opportunities for the Territory to convert infrastructure deficits into productive infrastructure.

The 2019 Australian Infrastructure Audit found fluctuations in economic activity in regional industries makes it difficult for infrastructure to efficiently and sustainably underpin long-term growth and development. Failure to keep pace with growth can reduce productivity and output during boom years, while underutilised assets raise costs in areas with declining populations, undermining the long-term social and economic viability of regional communities. Infrastructure Australia further emphasised that infrastructure can help to catalyse growth across northern Australia and unlock development across a range of industries. In particular, improving the resilience, reliability and efficiency of northern Australian infrastructure could help to capitalise on the immense potential and improve the productivity, quality of life and competitiveness of its people and businesses.

Regional and remote infrastructure, with its shortfalls, was pointed out as risk of becoming unsustainable. Additionally, lack of reliable communications networks in rural and remote areas creates gaps for industries such as on productive land and along transport corridors. Failure to deliver services to these areas affects community safety, liveability and productivity. Industry briefings and advocates from the resources, agribusiness, education and tourism sectors continue to emphasise the difference that connectivity will bring to productivity and therefore benefit business, the Territory and the nation.

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The Audit highlighted that shortfalls in infrastructure service disproportionately affected Aboriginal and Torres Strait Islander people, reinforcing existing disadvantage. Therefore the social and economic benefits of roads and transport corridors and digital connectivity cannot be considered in isolation but rather as an ecosystem of opportunity.

2.2. Northern Territory Government Infrastructure Program 2021-22

The total Northern Territory Government's infrastructure expenditure for the 2021-22 is budgeted as \$1.619 billion, with a total pipeline of work of \$2.76 billion. There is a significant focus on investment in infrastructure with a high level of economic enabling projects including:

- Significant road upgrades including the Carpentaria Highway \$150M, Tanami Road \$42.3M, Central Arnhem Road \$78.1M, Tiwi Islands roads \$61.1M, Port Keats Road \$59.6M and Buntine Highway \$53M;
- Remote Housing Investment Package \$217.1M;
- Land Servicing to support Remote Housing Investment \$151.9M;
- National Aboriginal Art Gallery \$46.9M;
- State Square Art Gallery \$44.5M;
- Infrastructure in Kakadu to support the township of Jabiru \$74.6M;
- Headworks and subdivision works \$35.5M;
- Katherine Logistics and Agribusiness Hub \$28.9M;
- Royal Darwin Hospital mental health inpatient unit \$31.8M;
- New ambulatory care at Alice Springs Hospital \$25.7M; and
- Youth Justice Centres \$64.4M.

Notwithstanding this investment, there will remain a huge infrastructure deficit, particularly unsealed roads that provide essential connectivity to increase productivity of the 1.3 square kilometres of the Territory's land mass - 1/6 of Australia's total land mass. The 2021-22 capital works program by function is included in Table 1 below, highlighting the significant joint effort of the Territory and the Commonwealth to connect the Territory through roads and transport infrastructure.

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Table 1 – NT Government Infrastructure Pipeline 2021-22.

Classification of the Functions of Government 2021-22	\$M	%
Transport	1 271.5	46.1
Housing and community amenities	753.4	27.3
Recreation, culture and religion	202.8	7.3
Economic affairs	159.7	5.8
Health	137.4	5.0
Public order and safety	119.6	4.3
Environmental protection	46.8	1.7
Education	37.0	1.3
Social protection	28.2	1.0
General public services	4.1	0.2
TOTAL GENERAL GOVERNMENT	2 760.5	100

2.3. National Infrastructure Priority List – NT Projects

Currently, the Northern Territory has eight projects listed on Infrastructure Australia’s National Infrastructure Priority List including:

- Tanami Road upgrade
- Enabling infrastructure and essential services for remote NT communities Wadeye, Tiwi Islands, Jabiru
- Darwin region water supply infrastructure upgrades
- Enabling infrastructure for developing the Beetaloo Sub-Basin
- Common user infrastructure at the Middle Arm Precinct
- Northern Territory remote community power generation program
- Northern Territory large-scale solar generation (submitted by Sun Cable)
- Outback Way road access (submitted by Outback Highway Development Council)

While there are many competing priorities to remedy the infrastructure deficit, three key projects listed above will create the right economic conditions for industry growth in northern Australia. The Middle Arm Precinct, Beetaloo Sub-Basin and Darwin regional water supply are all economic enabling projects in their own right. However, the synergies between the three projects trigger economic multipliers that will uplift and transform to the Territory’s economy and contribute to national economic wealth and sovereignty. Case Study 1 provides more details.

Case Study 1 - A Territory ecosystem of economic enabling projects

Growing the Northern Territory economy through developing and diversifying the gas industry is an opportunity to deliver on the Northern Territory Government's Gas Strategy. By 2030, the Territory will be a world class hub for gas production, manufacturing and services. **Developing the Beetaloo Sub-Basin**, which has been identified by industry as containing a significant quantity of gas that could be within economically feasible depths to extract, requires supporting infrastructure including roads, rail, aviation and utilities of which some will be sustainable common user mid-stream infrastructure. The required road upgrades have been jointly funded by the Australian and Northern Territory Governments including \$150 million to upgrade the Carpentaria Highway, \$70 million for the Buchanan Highway, \$85 million for Western Creek Road and \$62 million for Gorrie Dry Creek Road. An estimated \$250 to \$300 million is required for the balance of unfunded enabling infrastructure by mid-2026.

Developing the **Middle Arm Sustainable Development Precinct** complements the development of the Beetaloo Sub-Basin as well as the \$400 million ship lift facility and associated marine industry park on Darwin Harbour which will provide world-class maritime services and supply industry for Northern Australia. The Middle Arm Sustainable Development Precinct entails upgrading access roads, drainage, power, water, telecommunications and logistics. Middle Arm is being developed as a sustainable, advanced manufacturing hub that will increase the value of the Territory's supply chains through export of products rather than just raw materials. There is significant interest from industry in manufacture of downstream gas processing, renewable hydrogen, renewable energy component manufacture and high-value minerals processing and refinement. Projects already underway to support this include environmental and infrastructure studies, master planning for low emissions petrochemicals and renewables based hydrogen manufacturing to help de risk the investment for industry and attract investors. The estimated investment required is \$2 billion.

Darwin region water supply infrastructure upgrades are essential to secure water supply. Even with demand management, water supply to the greater Darwin area is required in the next 3 to 5 years. In addition to supporting urban water needs, there is an opportunity to support agricultural development as well as manufacturing at Middle Arm. Water is an essential enabler for the Middle Arm project to reach its potential as a world class sustainable development precinct for manufacturing, fabrication, assembly, maintenance and technology development, servicing the defence, marine, oil and gas, and resource industries. A preferred solution will be submitted to Infrastructure Australia for the February 2022 National Infrastructure Priority List with an estimated cost of \$1.2 billion.

Even though these projects can be considered in isolation, the infrastructure ecosystem provides significant sustainable economic opportunity for the Territory to value-add to national economy. The infrastructure ecosystem is expected to enable production of goods such as renewable hydrogen, mineral processing, petrochemicals, food, defence, space, construction, fabrication and recycling, while critically growing the skills and workforce along a continuum of services, from research at our higher education institutions to distribution, sales and exports into new domestic and international markets. Their combined public value and social impacts will be transformational.

2.4. Other infrastructure projects impacting the NT pipeline

In addition to the Northern Territory Government infrastructure program, there are several other known projects in the infrastructure pipeline, including Defence projects, Rio Tinto capping of their ponds in Gove and construction commencing on Project Sea Dragon on Legune Station.

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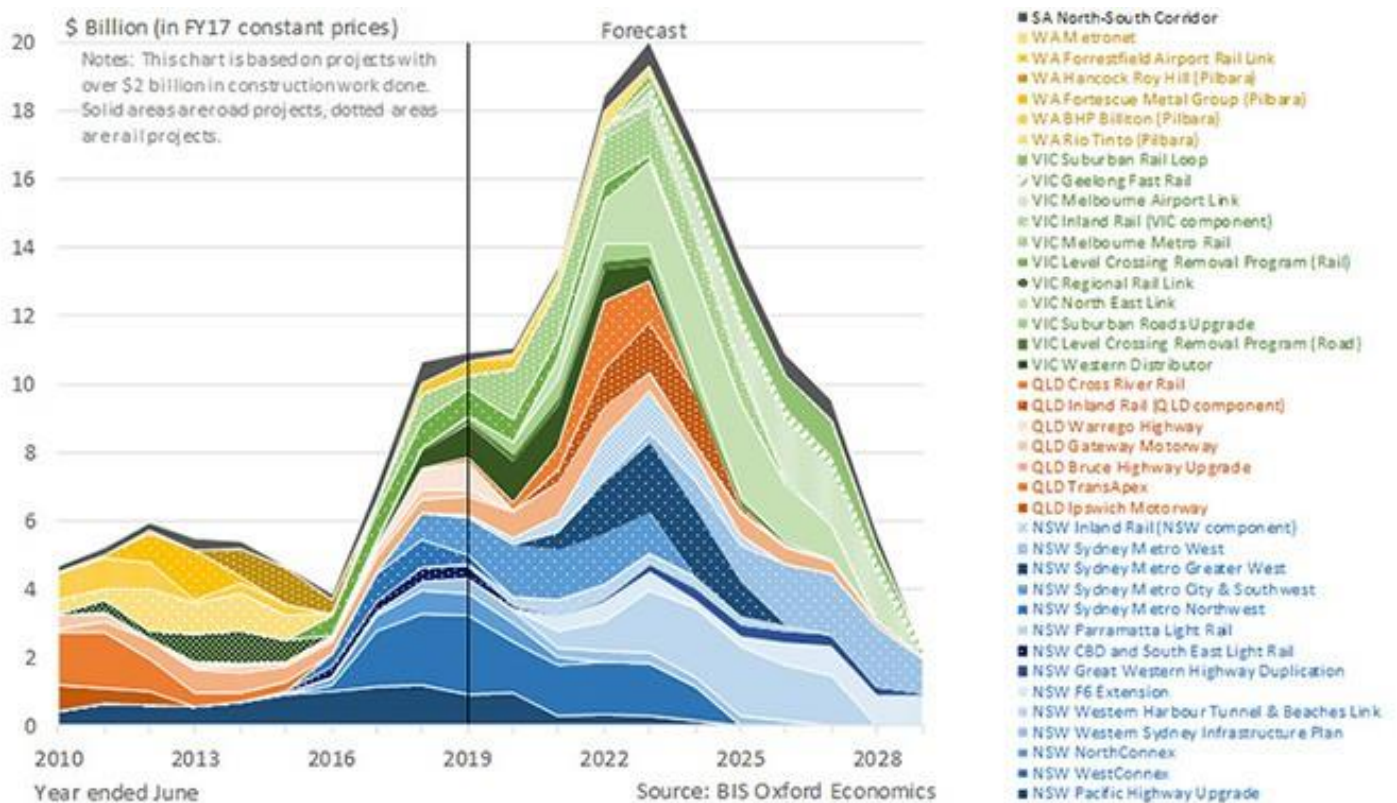
2.5. Challenges in delivering the pipeline

With all governments injecting record infrastructure spending into the pipeline, there are a number of key challenges arising.

The first is the human resource challenge. Infrastructure professionals, technicians and support disciplines are all facing shortages – and this was even before the COVID pandemic. There is broad understanding and discussion across numerous forums, government and industry that the increasing volume and complexity of projects in the pipeline will exacerbate existing capacity and capability issues and constrain the timeliness to efficiently procure and deliver stimulus and post COVID-19 infrastructure, designed to lift to economy and contribute to productivity and social outcomes.

Prior to COVID, BIS Oxford Economics provided advice to governments in 2019 regarding the significant pipeline of work in the transport infrastructure sector. (Figure 1 – Note this does not include NT projects) At the time, Industry also conveyed their concerns about human resource capacity to deliver this pipeline of work.

Figure 1 – BIS Oxford Economics Pipeline Curve



COVID-19 has exacerbated this issue with no international travel allowing for skilled migration to assist in delivering the infrastructure pipeline.

Skills, capability and accreditation has been, and will increasingly be a challenge for the Northern Territory, particularly as the economy grows and diversifies across regions. While many of the issues will be similar across other jurisdictions in terms of skilled workforce shortage, this particular issue continues to hinder Aboriginal enterprise in the construction industry.

The second issue being faced is the additional strain on the infrastructure pipeline has also caused supply chain issues – particularly steel and integrated circuits. Territory steel suppliers have recently advised that

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steel prices are set to increase between 6% to 12%. Advice has also been received that there is a world-wide shortage on integrated circuit which are used in digital infrastructure including intelligent transport systems.

A further challenge for Northern Australia is climatic influences from the wet season which are unable to be controlled, but dictate when certain works can and cannot reasonably occur. Civil construction is particularly vulnerable to wet season impacts which can last for up to 6 months of the year from as early as late September to early May.

3. Challenges and opportunities with existing procurement practices, including frameworks, standards, rules and norms, and intersections between tiers of government and the private sector

3.1. A journey of reform

Current Northern Territory Government procurement practices reflect a journey of procurement reform beginning in 2017 where Government moved from a prescriptive and rigid procurement framework (Procurement Directions), to a more principle based framework (Procurement Rules) whilst remaining mindful of Australia's Free Trade Agreement obligations. The changes provided the Northern Territory Government with a more harmonised framework covering all categories.

3.2. Buy Local Policy

In 2016, the Northern Territory Government introduced the Buy Local Plan which was aimed at maximising opportunities for local businesses to tender for and win government work. An independent Buy Local Industry Advocate, appointed by the Minister, reviews Northern Territory Government procurements for compliance against the Buy Local Plan and procurement framework. The Buy Local Advocate reports directly to the Minister on agency compliance throughout the year and annually through the publication of a Buy Local Industry Advocate Report.

In addition, the Territory Benefit Policy outlines the expectations of the Northern Territory Government for private sector projects developing a Territory benefit plan. The Territory Benefit Policy encourages project proponents, early in their planning phase, to understand the capabilities of the local industry and workforce. This policy challenges proponents to consider what strategies they can adopt to enhance the local benefit outcomes their project delivers, while realising the long-term advantages of having locally-based, capable suppliers and labour.

Project proponents achieve their social licence to operate by engaging with the local community, building trust and relationships to seek the community's acceptance of the project. Developing and implementing a Territory benefit plan assists a project to earn and maintain their social licence in the local community.

While maximising local content as much as possible continues to be an important goal for the Territory, it is also potentially a challenge for growing the economy with a limited number of scale accredited contractors. This issue can become more acute when considering the local and regional context of the Territory's small populations and available workers, coupled with the growing acknowledgement of both a skills and capability shortage in the country.

While the Territory continues to grow and reform policies to upskill at the local level and achieve national targets, there will be a need to review and further reform frameworks to define project value to better

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recognise non cost project benefits and enable more collaborative forms of contract including cross border and jurisdictional areas so that pipelines of strategic importance can be delivered and therefore unlock the benefits that they were intended to deliver.

3.3. Indigenous Procurement Policies

The Territory is required to develop Indigenous Participation Plans for transport infrastructure projects receiving \$7.5 million or more in Australian Government contributions through the major road and rail investment program under the NPA.

The purpose of the Department of Infrastructure, Planning and Logistics' (DIPL) Indigenous Participation on Construction Projects Policy (IPoCPP) is to provide employment opportunities and build the capacity of Indigenous businesses to successfully share in the delivery of construction projects in the Northern Territory.

DIPL seeks to improve opportunities for Indigenous wealth creation by maximising employment and business opportunities for Indigenous persons through:

- increasing the number of tenders awarded to Indigenous Business Enterprises (IBE)
- improving the participation rate of Indigenous employees, trainees/apprentices directly employed through Department issued contracts
- equitably weighted assessment criteria for Indigenous participation
- to support Indigenous worker employment, skills development and retention opportunities on construction projects, an Indigenous Development Plan (IDP) is mandated in all government contracts above \$500 000. The purpose of the IDP is for the Contractor to develop strategies and protocols within the contract that support Indigenous enterprise and maximise employment and training opportunities for Indigenous Territorians.

Note that where an IDP has been identified as a requirement in the Annexure to the Conditions of Contract, then the Tenderer is required to outline in their Response Schedule (RS) their IDP proposal. The submission of a fully developed IDP is a contract hold point and is required within fourteen (14) days of Contract award. The Request for Tender (RFT) sets out the minimum requirements of the IDP and the Department's Contractor Compliance Unit (CCU) has developed guidance materials to assist the Contractor to develop their IDP. This is designed to assist contractors to meet the requirements while reducing the burden in the tender development phase.

A new Northern Territory Government Aboriginal Procurement Policy is currently under development and, subject to industry engagement, is on target to be finalised in 2021.

3.4. Opportunities for tailored procurement options

As a small jurisdiction, the Northern Territory has had the advantage of being agile and responsive to change, informed by learned experiences and a strategic lens to the other states and territories. Procurement and contract delivery models and packaging strategies have therefore been based on a best-for-project assessment, which has essentially been a hybrid approach. In turn, the veracity of use of a particular methodology has also been informed by the different outcomes to be achieved across sectors (i.e. housing versus roads infrastructure and building versus civil works).

There is however, an appetite for a consistent, procurement options analysis and framework that also ensures a sophisticated and transparent approach to risk identification, allocation and adoption to achieve delivery on budget, on time and increased participation in the competitive tender process. The Northern

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Territory has strived toward procuring and managing contracts in a more collaborative way with the aim of delivering the benefits and outcomes from infrastructure, not just the project in itself.

The mix of procurement and contract delivery models with the most successful outcomes for the Northern Territory, that increasingly intersect between government and industry and therefore require a co-design approach including:

1. **Traditional lump sum** where the project is awarded for a fixed sum of money in respect of a defined scope of work. This is particularly successful where there is sufficient lead time for detailed planning, design, and client engagement in the process. Where traditionally the Principal can detail risks and the contractor might be expected to include all construction risks in their price e.g. ground conditions, existing utilities, legacies related to past practice including the burial of Asbestos Containing Material post Cyclone Tracy and PFAS discharged by past fire services practices has resulted in better due diligence in the planning phase and / or a reasonable approach to sharing risk during construction.
2. **Document, design and construct (under a Schedule of Rates Contract)** where most of the design including drawings and other design documentation is prepared by consultants engaged by DIPL. The Territory's experience of this approach has been positive with the delivery a number of large social infrastructure projects with the primary benefits being the client involvement in the design process emanating from the functional design brief and where design evolves as a learning process.
3. **Design and construct (under a D&C Contract)** has been successfully used similar to the above but where contractor has been required to engage its own consultants to develop the concept design provided by DIPL. The preliminary design work carried out by consultants under DIPL's direction in collaboration with the client agency, has typically included a concept design, functional design brief and or performance specification. This has been used less often as an end to end procurement process but more often a hybrid approach. This is particularly useful where new functional standards for service delivery are constantly evolving such as the education environment.
4. **Design novated similar to a D&C or Managing Contractor Contract (MC)** with the distinguishing feature that a single design or design team has been used from concept through to the design completion. This methodology was utilised during the 2009 Building the Education Revolution in response to the global financial crisis, driven by non-negotiable timelines under the national funding agreement. There has been less favourable satisfaction in terms of asset management and ongoing maintenance due to the aggressive timelines and compressed planning and design period. Design ownership in disputes can be difficult to resolve, even after novation of a design and Consultant due to inherent decision making pre and post novation.
5. **Design and construct (D&C)** has been perhaps the most successful approach in larger valued and/or high complexity projects for the Territory where time, quality and cost were equally important and where user satisfaction, as a dimension of quality has been a key objective. D&C has been most successful where the client agency has provided a well-developed project brief and with the help of DIPL has a well resolved concept design that specifies performance and quality requirements. D&C projects have resulted in high performing assets supporting innovative service delivery where the contractor has brought experience, innovation and a high degree of pride in the functional product.
6. **Public Private Partnership** was utilised to deliver a new adult correctional facility in the Greater Darwin region but with few projects meeting the policy threshold required, has not been utilised on the scale of some jurisdictions to deliver new social infrastructure.
7. **Alliance contracting** has been used for initiatives and national partnerships predominantly in public and social housing for remote communities. It achieved its aim to align the interests of all parties and incentivise them to collaborate. The lessons learnt including early identification of risks to

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achieve best for project outcomes have been applied to carefully consider the right collaborative contracting model to fit the project in its context.

8. **Early contractor involvement (ECI)** has ebbed and flowed with different success for publically funded infrastructure but has emerged as preferred over the Alliance model at this time. In the Northern Territory the main advantages of the ECI is to provide constructability input into the development of the concept design, as well as experience, knowledge and understanding of ways to mitigate project risk. Following the principles of partnering and collaboration, ECI has enabled industry to share the journey and to understand the outcome that government is trying to achieve. As a relational procurement method ECI has been an efficient means of designing and planning the infrastructure projects in a less adversarial structure. For a small jurisdiction, there are limited local organisations with the degree of sophistication needed to participate in an ECI procurement. ECI contracts have been typically used in high value (>\$50 million+) projects.

Similar to a design & construct model, the Territory will continue to explore the opportunity for ECI according to the project context and best-for-project procurement analysis, with the key difference being that ECI seeks to obtain the benefit of the contract specialist knowledge as early as possible in the project planning and design process.

To achieve this, financing strategies and budgets need to be resolved much earlier for major projects, particularly those that are partnerships between the Federal and Territory governments. Case Study 2 provides a tailored procurement approach to a jointly funded major project that has national significance for home security and developing the North, with industry and government working together.

3.5. Federal Safety Accreditation

There is an inherent tension between the aims of the Office of the Federal Safety Commissioner Accreditation (OFSC) and the two year timeframe required to achieve accreditation and therefore entry into the market for federally funded projects. Without a history of demonstrating the capabilities required, small and emerging Indigenous Business Enterprises cannot be audited against it to achieve the requisite accreditation. OFSC provisions apply where the head contract is for \$4 million or more and the Commonwealth funding is \$6 million and at least 50% of the project or more than \$10 million. Once achieved, the operational management of the accreditation can require a full-time OHS officer to be employed by the company and regular second party compliance audits. The impact is reduced numbers of tenders for federally funded projects greater than \$4 million and with direct implications for construction costs. Feedback from industry is that the OFSC Accreditation is very costly to maintain and many emerging and growing Territory businesses cannot justify the investment.

These challenges are already being felt and will place additional risk on the Northern Territory to achieve time and budget, particularly with reference to the concentration of Commonwealth funded transport / roads projects which, while desperately needed, highlight a lack of diversity in the program. See below 'challenges and opportunities' below with suggested diversification to enhance Australia's sovereign industry capability.

Case Study 2 - A tailored approach case study

The Northern Territory Government is building the largest ship lift in northern Australia. The Darwin Ship Lift Facility will enable the maintenance and servicing of Defence, Australian Border Force, commercial and private vessels, including from the oil, gas and maritime industries.

The project is critical enabling infrastructure that supports the Northern Territory Government's vision of establishing a world-class maritime services and supply hub and support industries for Northern Australia.

Better marine facilities should unlock private sector investment and complement a marine industries precinct at East Arm, capitalising on Darwin's deep-water port, strategic location and multi-modal transport and logistics capabilities.

The project has been funded by a \$300 million concessional loan from the Northern Australian Infrastructure Facility (NAIF) and \$100 million from the Northern Territory Government.

Procurement for the design and construction for the facility commenced with a call for expressions of interest (EOI). The EOI stage is complete and five respondents have been invited to participate in the request for proposals (RFP) stage. The RFP stage will involve each respondent developing their own concepts, and involves a more detailed assessment to further shortlist the respondents to two or more, then proceed to the design development phase while maintaining the competitive environment. Once designs, risks, costs, commercial principles and project specifics are better understood and agreed by the parties, then an ECI/D&C Contract will be entered into between one respondent and the Territory.

The procurement process is being promoted and hosted by the NT Industry and Capability Network online portal, which focuses on buying local and supporting local businesses. A construction contractor is expected to be appointed in the first half of 2022. Subject to regulatory approvals and awarding of contracts, construction is expected to start in mid-2022.

4. Challenges and opportunities to enhance Australia's sovereign industry capability, including for Australian owned businesses

The economic and industry impacts of the pandemic are well documented, as is the need for Australia to move beyond traditional comparative advantage and seek to mitigate sovereign risk, in areas like fuel, energy and food security, along with re-establishing a broader, more advanced manufacturing base and strengthened supply chains.

The Australian Government's 2020 Modern Manufacturing Strategy with its six key areas for increasing manufacturing capabilities in Australia, including Space, Medical Products, Resourcing Technology and Critical Minerals Processing, Food and Beverage, Defence and Recycling and Clean Energy, align with the Northern Territory's \$40 billion economy by 2030 strategies.

As demonstrated in Case Study 1, there are three major projects that will collectively enable the Territory to contribute to the manufacturing strategy and value-add to the production of goods such renewable hydrogen, mineral processing, petrochemicals, food, defence, space, construction, fabrication and recycling, and critically grow the skills and workforce in the continuum of services, from research at our higher education institutions to distribution, sales and exports into new markets.

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This enabling infrastructure, including water, land and logistics requires focus and collaboration across government and industry for the creation and management of these newly created supply chains including the planning, the hubs, the warehousing, the intermodal connections, the required services and digital facilitation of information. The three projects are an exemplar of an ecosystem of opportunities that will deliver significant productivity and enhance Australia's sovereign industry capability. Australian owned businesses will be the beneficiaries of these projects in line with the Territory's objectives and existing procurement frameworks, policies, rules etc.

5. Lessons from other Australian jurisdictions and other portfolio areas, including Defence's industry capability approaches

The Northern Territory has a strong and mature defence capability and presence. There are a number of strategic defence locations across the Territory and permanent presence of Navy, RAAF and Army. The Territory also hosts regular national and international training exercises.

The Australian Government investment in defence remains strong off the back of its commitment to \$8 billion in defence capital works over the next decade. While diversification of the economy seeks to capitalise on the Territory's comparative advantages including, tourism, agribusiness, energy, resources, the defence investment remains critical to the Territory's growth making a substantial contribution to the economy through direct and indirect employment and demand for local goods and services.

Geopolitical uncertainty is making the Top End of the Territory increasingly strategically important. The defence presence in geographical proximity to our north makes it strategically important for sovereign capability as well as Australia's preparedness and capabilities from humanitarian assistance and disaster relief to the protection of vital sea lanes and maritime approaches.

With the increased Defence program it continues to support industry, however as we are a small jurisdiction the supply and demand of specialist contractors needs to be considered. Due to the large programs within Defence and Northern Territory Government, we will continue to see increased costs both on works packages and within the community housing capability (lease and purchase).

The Northern Territory Government has a very positive relationship with the Defence industry and welcomes ongoing exchanges of knowledge and best practice to inform procurement decisions.

6. How Australia can balance its international obligations with maximising local content opportunities, including by leveraging foreign direct investment

Nothing further to submit.

7. Alternative procurement models, including reference to international examples

Notwithstanding the above procurement models, the Territory has embarked on some hybrid models, in addition to the above.

One example was a Construct Only Lump Sum Contract with a Managing Contractor element added. Specifically where both land side civil and marine elements were scoped and there are few local organisations that have solid experience in both disciplines this proved very effective. The landside civil

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works were undertaken on a hard dollar lump sum contract basis, and the marine elements were effectively undertaken under the same contract with an embedded MC model to enable the Territory to assist and work with the head contractor to de-risk, procure, engage and manage the marine contractor to complete the in-water works. The project was completed within time, to an excellent quality and some \$3 million under the \$18 million budget.

The Territory has also undertaken other innovations i.e. advertise one tender for a \$40 million program of work with multiple packages (~\$10 million each) to create efficiencies in cost and time, while enabling multiple contractors to be engaged in a single procurement process.

The Territory has also developed a range of bespoke contracts, based on the NPWC suite, to better mitigate risks and improve Aboriginal business and employment participation on joint NPA Federally & Territory funded projects. Recent examples the development of a Labour Hire model, mandating use of CDP providers and imposing punitive measure for underperformance below Contracted targets. Most of these have proven very effective and efficient and continue to provide added and sustainable benefits into the future.

Two recent pilots for housing infrastructure include a standard construction contract but with delivery over 5 years – valuable when quantity is known however delivery methodology and programming is flexible. This procurement has specific target of local employment opportunities. There is also a standard construction contract but as a standing offer with unknown or estimated quantities. This procurement targets emerging business enterprises in remote areas where their capacity is being developed and work will be allocated as they progress and complete work orders.

8. Other relevant matters

8.1. Sustainability and resilient infrastructure

The Department of Infrastructure, Planning and Logistics provides leadership in delivering buildings that are ecologically sustainable and works with other agencies to continuously improve the bottom line performance of Northern Territory Government buildings and assets. In 2021, the Department of Infrastructure, Planning and Logistics strengthened its commitment to driving sustainability through procurement and delivering sustainable buildings by:

- Partnering with other Northern Territory Government (NTG) Agencies, to establish sustainability performance targets for NTG buildings that are practical and affordable, while realising lighting, air-conditioning and general energy and materials efficiencies.
- Mandated implementation of National Construction Code (NCC) Section J minimum energy efficiency requirements for projects over a set threshold and simplified minimum sustainability design standards for all other new building works
- Committed to projects to show case leading edge design for sustainability, above and beyond NCC Section J
- Establishing asset maintenance standards that target improving energy and water efficiency without compromising safety or asset functionality
- Reporting on, and continuously improve the sustainability performance of NTG buildings, including collaborating with other organisations to identify sustainability initiatives that are appropriate for the Territory
- Committed to actively promoting the benefits of building sustainability within the NTG, industry and the public.

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One of the objectives of the new Infrastructure NT is the implementation of a social, economic, environmental and governance sustainable approach to infrastructure. This could include a range of considerations including the review of existing policies to improve public value and incentivise the achievement of public expectations around areas such as climate change, sustainability, and waste management / circular economy principles in procurement of goods and services, in addition to the above.

8.2. National Capital Works 4 (NCW4)

The Northern Territory Government through the Department of Infrastructure, Planning and Logistics is a member of the Australasian Procurement and Construction Council Inc (APCC), and contributes to collaboration on areas of national interest that improve efficiency of project delivery and therefore desired outcomes for the taxpayer funded public infrastructure. While projects in the Territory are not of the scale and volume as other jurisdictions, they share the complexity, challenges and opportunities and therefore can contribute knowledge and expertise to generate innovative solutions that add value.

Through its membership of Austroads and APCC, the Territory has been part of a collaboration for the advancement of government and industry through the development of the General Conditions of Contract for Construction – National Capital Works 4 (NCW4) to improve the efficiency of project delivery and reduce the potential for contractual disputes.

Having unique conditions of contract in each jurisdiction adds to the cost of doing business, hinders the efficient movement of contractors and resources between jurisdictions and increases the probability of disputes occurring. The collaboration by all States and Territories has sought to address the lack of harmonisation / standardisation with the conditions of contract used by Austroads and APCC member agencies. The project is nearing completion and extensive road-show activity is planned with industry prior to implementation.

8.3. NT Policy and Regulatory Reform

Cutting red tape is a priority for the Northern Territory Government. An integrated regulatory system that provides a seamless experience for investors will underpin and support economic growth. Accordingly, the Northern Territory Government is streamlining regulatory processes to make it easy to do business in the Northern Territory.

To this end, the first of two Statute Law Amendment (Territory Economic Reconstruction) Bills was passed in the Legislative Assembly in August 2021. Omnibus 1 proposes to make a large number of amendments across 22 separate Acts and Regulations. The second Omnibus Bill is progressing.

Prior to COVID, the Northern Territory Government had embarked on a review of the Northern Territory's Planning System in response to calls from industry and the community to deliver better planning outcomes for Territorians. The focus of the reform was to update the planning system to deliver a best practice, balanced and transparent decision making framework that will foster community and industry confidence and encourage new investment. This recognised that done right, a good planning system which is integrated with infrastructure provision, supports economic growth and development, and attracts investment of all scales. In turn, effective land use planning, incorporating strategic and statutory planning, underpins the economic and social development and advancement of a community.

A three year reform program underpinned by a collaborative approach to all aspects of the lengthy process, has culminated in a new planning system which transitions planning in the Territory from a prescriptive, rule based system to one that encourages broader consideration of the overarching objectives that contribute to sustainable development and improved development outcomes. The legislative and statutory changes associated with the planning reform project came into effect on 31 July 2020. These

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improvements are already delivering enhanced development outcomes and administrative efficiencies including:

- simpler assessment pathways for simpler developments through the introduction of merit and impact assessable development;
- clearer guidance in the NT Planning Scheme for variations to development requirements; and
- upgrade of the Development Applications Online system to:
 - allow all planning applications to be lodged and paid for online;
 - allow the public to sign up to online notifications of exhibited applications;
 - clearer information about processes available on new planning webpages on NT.GOV.AU; and
 - application of new timeframes for key decisions, ensuring assessment and decision-making processes progress in a timely manner in order to support ongoing investment in the NT.