

PROJECT AGREEMENT FOR THE TOWNSVILLE CITY DEAL: PORT OF TOWNSVILLE CHANNEL CAPACITY UPGRADE

An agreement between:

- the Commonwealth of Australia; and
- the State of Queensland.

The output of this project will be the Port of Townsville Channel Capacity Upgrade, which will widen the existing navigation channel at the Port of Townsville to ensure it remains globally competitive and capable of hosting large cargo and passenger ships.

Project Agreement for the Townsville City Deal: Port of Townsville Channel Capacity Upgrade

OVERVIEW

1. This Project Agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements under the IGA FFR.

Purpose

2. This Agreement will support the delivery of the Port of Townsville Channel Capacity Upgrade Project (the project). The Port of Townsville is one of four priority ports under the *Sustainable Ports Development Act 2015* (Qld) and is considered an essential component of the State of Queensland's transport network. Finalisation of a business case for the project was a commitment under the Townsville City Deal and is stage 1 of a broader \$1.64 billion Port Expansion Project. The project will ensure Townsville remains globally competitive by increasing the capacity of the existing shipping channels to allow safer and more efficient access for larger vessels to attract new trading opportunities. It will also facilitate an evolution of the layout and functionality of port land-use to maximise efficient operation and accommodate improved integration of supply chain connections and functionality.

Reporting Arrangements

3. The State of Queensland will report against the agreed milestones during the operation of this Agreement, as set out in Part 4 – Project Milestones, Reporting and Payments.

Financial Arrangements

4. The Commonwealth of Australia will provide an estimated total financial contribution to the State of Queensland of \$75 million exclusive of GST in respect of this Agreement, as set out in Part 5 – Financial Arrangements.

PART 1 – FORMALITIES

5. This Agreement constitutes the entire agreement for the project. However, it should be read in conjunction with the Townsville City Deal and Townsville City Deal Implementation Plan.

Parties to this Agreement

6. This Agreement is between the Commonwealth of Australia (the Commonwealth) and the State of Queensland (Queensland).

Term of the Agreement

7. This Agreement will commence as soon as the Commonwealth and Queensland sign it and will expire on 30 June 2023 or on completion of the project (whichever occurs earlier), including final performance reporting and processing of final payments against milestones, unless terminated earlier or extended as agreed in writing by the Parties.

PART 2 – PROJECT OUTPUTS

Outputs

8. The outputs of this Agreement will be a widening of the existing Port of Townsville navigational channels from the current 92 metre width to 180 metres at the harbour entrance, tapering to 120 metres at the sea channel entrance, comprising:
 - (a) Dredging Inner Platypus Channel;
 - (b) Dredging Outer Platypus Channel;
 - (c) Dredging Sea Channel;
 - (d) Rock Haulage;
 - (e) Construction of Rock Wall Structure; and
 - (f) Land Reclamation (beneficially using the material dredged from the Inner Platypus, Outer Platypus and Sea Channels).

PART 3 – ROLES AND RESPONSIBILITIES OF EACH PARTY

Role of the Commonwealth

9. The Commonwealth will be responsible for:
 - (a) monitoring and assessing achievement against milestones in the delivery of the project under this Agreement to ensure that outputs are delivered within the agreed timeframe;
 - (b) providing a consequent financial contribution to Queensland to support the implementation of this Agreement;
 - (c) in accordance with the *Building and Construction Industry (Improving Productivity) Act 2016* (Cth), ensuring that financial contributions to building work as prescribed under the *Building and Construction Industry (Improving Productivity) (Accreditation Scheme) Rules 2019* are only made where a builder or builders accredited under the Australian Government Building and Construction Work Health and Safety Accreditation Scheme (the WHS Accreditation Scheme) is contracted; and
 - (d) ensuring that compliance with the Code for the Tendering and Performance of Building Work 2016 (Building Code 2016), or as it is updated from time to time, is a condition of Australian Government funding.

Role of the Queensland

10. Queensland will be responsible for:
 - (a) providing a financial contribution to support the implementation of this Agreement;
 - (b) all aspects of delivering on the project outputs set out in this Agreement, including:
 - (i) maximising opportunities for Townsville business involvement in the construction of the project; and
 - (ii) ensuring that Indigenous Australians are able to realise employment and business opportunities on the construction of the project by including Indigenous training, employment and supplier-use requirements that reflect the local Indigenous working age population² in all project contracts;
 - (c) reporting on the delivery of outputs as set out in this Agreement at Part 4 – Project Milestones, Reporting and Payments;
 - (d) ensuring that only a builder or builders accredited under the WHS Accreditation Scheme is contracted, and providing the necessary assurances to the Commonwealth;
 - (e) ensuring that compliance with the Building Code 2016, or as it is updated from time to time, is made a condition of tender for and performance of building work by all contractors and subcontractors, and providing the necessary assurances to the Commonwealth; and
 - (f) ensuring that the project adheres to all conditions of Commonwealth and Queensland approvals for the project (including but not limited to environmental and engineering conditions).
11. Additionally, Queensland agrees to:
 - (a) include the words “The Port of Townsville Channel Capacity Upgrade is a joint project of the Queensland Government and the Australian Government, and is supported by Port of Townsville Limited. The Channel Capacity Upgrade forms part of the Townsville City Deal signed in December 2016” on the Port of Townsville Limited website, and in all publications and promotional material;
 - (b) as soon as practicable following the signing of this Agreement, erect and maintain a sign at the Port of Townsville entry. The sign must include the Commonwealth logo and the words “The Port of Townsville Channel Capacity Upgrade is jointly funded by the Australian Government and forms part of the Townsville City Deal signed in December 2016”; and
 - (c) only use the Commonwealth logo with approval from the Commonwealth and in accordance with Commonwealth branding guidelines.

Shared roles

12. The Parties:
 - (a) will meet the requirements of Schedule E, Clause 26 of the IGA FFR, by ensuring that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to activities under this Agreement, and that the

² ABS data indicates that Indigenous Australians represent 6.6% of the working-age population of the Townsville area.

roles of both Parties will be acknowledged and recognised appropriately in any such events, announcements, promotional material or publicity; and

- (b) recognise the project as a project under the Townsville City Deal and acknowledge the principles and contents of:
- the Commonwealth—Queensland Government Memorandum of Understanding for City Deals in Queensland, signed 10 November 2016;
 - the Townsville City Deal, signed 9 December 2016;
 - the Townsville City Deal Implementation Plan, published 24 April 2017; and
 - the Townsville City Deal Governance Plan and Media Protocols, as endorsed by the Townsville City Deal Executive Board from time to time.

PART 4 – PROJECT MILESTONES, REPORTING AND PAYMENTS

13. Table 1 summarises the milestones for the project, their relationship to the outputs, expected completion dates, relevant reporting dates and expected payments to be made. The Commonwealth will make payments subject to each performance report demonstrating the relevant milestone has been met. The Commonwealth reserves the right to withhold a payment if it determines that there is insufficient evidence that a milestone has been met.

Table 1: Performance requirements, reporting and payment summary

Output(s)		Report due	Payment
Widening of the existing Port of Townsville navigational channels from the current 92-metre width to 180 metres at the harbour entrance, tapering to 120 metres at the sea channel entrance in accordance with clause 8 of this Agreement.	Completion of 375,000 tonnes of rock delivery (50% of estimated total of 750,000 tonnes*) Commence rock wall construction works for reclamation area (total length approximately 2.1 kilometres*)	31 Dec 2019	\$15.0m
	Completion of rock delivery for rock wall (100% of estimated 750,000 tonnes*)	31 Dec 2020	\$10.0m
	Completion of rock wall construction works for reclamation area (approximately 2.1 kilometres*) Commence reclamation area works (total overall area is approximately 62 hectares*) Commence channel dredging works (overall total is approximately 3.9 million cubic metres*)	31 Mar 2021	\$10.0m
	Completion of 50% of dredging works (of total estimated 3.9 million cubic metres*)	30 Apr 2022	\$20.0m
	Completion of all dredging Works (estimated 3.9 million cubic metres* and as declared by Regional Harbour Master) Completion of reclamation area (estimated 62 hectares*)	31 Dec 2022	\$15.0m
	Practical completion of Port Channel Capacity Upgrade Project	30 Apr 2023	\$5.0m

*Indicative quantities shown are based on concept design quantities and subject to change.

14. If a milestone is met in advance of the due date, where the relevant performance report demonstrates that the milestone has been met, the Commonwealth may make the associated payment earlier than scheduled provided it falls within the same financial year as the original milestone date.

Reporting arrangements

15. Queensland will provide performance reports for each milestone as detailed in Table 1 during the operation of the Agreement. Each performance report is to contain as a minimum the following information for the project for the relevant milestone:
- (a) A description of actual performance in the period to date against the milestones;
 - (b) Sufficient documentation to provide the Commonwealth with assurance that the relevant milestone has been met and to detail project progress including:
 - (i) milestone progress showing estimated completion date;
 - (ii) financial performance with procurement activities indicating Indigenous and local supplier targets; and
 - (iii) safety and environmental performance reporting in relation to the project.

PART 5 – FINANCIAL ARRANGEMENTS

16. The Commonwealth will provide a total financial contribution to Queensland of \$75.0 million (GST exclusive) in respect of this Agreement.
17. The Commonwealth's funding contribution will not be reduced where Queensland secures funding from other activity partners.
18. The Commonwealth's and Queensland's estimated financial contributions to the operation of this Agreement, including through National Partnership payments to the States paid in accordance with *Schedule D – Payment Arrangements* of the IGA FFR, are shown in Table 2.

Table 2: Estimated financial contributions

(\$ million)	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23	Total
Estimated total budget	75.0	15.0	40.0	43.5	20.0	193.5
Less estimated National Partnership Payments	0.0	15.0	20.0	20.0	20.0	75.0
Balance of non-Commonwealth contributions	75.0	0.0	20.0	23.5	0.0	118.5
Estimated Queensland Contribution	75.0	0.0	0.0	0.0	0.0	75.0
Port of Townsville Limited	0.0	0.0	20.0	23.5	0.0	43.5

19. Having regard to the agreed estimated costs of projects specified in in this Agreement, Queensland will not be required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated cost of the project. Similarly, Queensland bears all risk should the costs of the project exceed the agreed estimated costs. The Parties acknowledge that this arrangement provides the maximum incentive for Queensland to deliver projects cost effectively and efficiently.

PART 6 – GOVERNANCE ARRANGEMENTS

Enforceability of the Agreement

20. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, that does not lessen the Parties' commitment to this Agreement.

Variation of the Agreement

21. The Agreement may be amended at any time by agreement in writing by both the Parties.

Delegations

22. The relevant Commonwealth Minister may delegate the assessment of performance against milestones and the authorisation of related project payments to senior Commonwealth officials, having regard to the financial and policy risks associated with those payments.

Dispute resolution

23. Either Party may give notice to other Party of a dispute under this Agreement.
24. Officials of both Parties will attempt to resolve any dispute in the first instance.
25. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.

The Parties have confirmed their commitment to this Agreement as follows:

Signed for and on behalf of the Commonwealth
of Australia by



The Honourable Alan Tudge MP
Minister for Population, Cities and Urban
Infrastructure

15 / 12 / 19
[Day] [Month] [Year]

Signed for and on behalf of the
State of Queensland by



The Honourable Mark Bailey MP
Minister for Transport and Main Roads

11 / 12 / 19
[Day] [Month] [Year]