



Northern
Territory
Government

Darwin Correctional Precinct Public Private Partnership Project

Project Summary

October 2011



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Darwin Correctional Precinct

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Darwin Correctional Precinct

The Northern Territory Government has entered into a Project Deed with Sentinel for the design, construction, finance and maintenance of:

- an 800-bed correctional facility (with capacity for a further 200 beds) including low, low-open, medium and maximum security and remand facilities for males and females;
- a 30-bed mental health and behavioural management unit;
- a 48-bed supported accommodation and program centre; and
- provision of a range of facilities management services across the facility for a 30-year period.

The Darwin Correctional Precinct (Precinct)

Correctional Facility

The Precinct is located on a greenfield site at Taylor Road, Holtze approximately 29 kilometres by road from Darwin CBD.

The new facility includes the design and construction of an 800-bed low, low open, medium and maximum security correctional centre and related infrastructure for males and females, with additional capacity for a further 200 beds.

In line with the emphasis on reparation, rehabilitation and normalisation, the centre will include infrastructure for:

- education programs and support services provided by Northern Territory Correctional Services (NTCS) with the assistance of external service providers;
- industrial capacity to allow prisoners to undertake work including grounds maintenance, cleaning, cooking, laundry and gardening, community support work groups and traditional workshop-based industries to ensure worthwhile and meaningful work and training for the prisoners;
- contact, non-contact and professional visit areas, as well as video-visit facilities for families in remote locations; and
- a specialist centre to support Indigenous cultural activities, and Indigenous and multi-faith spirituality activities.

Security at the centre will be provided through the use of industry standard physical and electronic security systems including:

- secure prison perimeter comprising a 5.1 and a 4.5 metre high security fence;
- electronic perimeter detection systems;
- closed-circuit television systems;
- building ingress and egress detection systems;
- contraband detection systems for weapons and drugs including luggage x-ray, static and portable metal and drug detection;
- dog drug detection unit; and
- biometric control systems for entry to and exit from the system.

Mental Health and Behavioural Management (MHBM) Facility

The 30-bed MHBM facility will be managed by the Department of Health (DoH) and is comprised of low, medium and high dependency units, as well as 'step down' cottage accommodation.

The MHBM facility will enable assessment, treatment, and rehabilitation services to be provided in a secure environment to people who have a mental illness or cognitive disability who have committed offences. This includes remand or serving prisoners and people who have been found unfit to plead or not guilty of a serious offence due to mental impairment and have been placed on a custodial supervision order.

People admitted to the MHBM facility will have access to a range of programs that will address their health needs and maximise their potential for recovery, including access to education, training and work programs provided at the correctional centre.

Supported Accommodation and Program Centre

The Supported Accommodation and Program Centre will deliver 48 supported accommodation beds and a range of treatment and training programs for both residential and outreach clients. The primary targets for this service are non-violent offenders including driving offenders, offenders with alcohol and drug issues and those currently remanded in custody due to unstable or transient living arrangements.

External Facilities and Services

There are a number of external functions that support the Precinct including:

- external facilities, comprising of transport compound, staff development and training centre, dog drug detection unit and horticulture plot for prisoners;
- external services, comprising of goods receipts and dispatch including warehousing, community support/grounds maintenance, laundry; and
- family, elders and respected persons accommodation, containing a 6-bed cottage, family cottages and associated external areas.

Attachment A displays a master plan outline of the facilities.

Sentinel

Sentinel is an unincorporated joint venture comprising CIPL Sentinel Pty Ltd (in its capacity as trustee for the CIPL Sentinel Trust) and BBPI Sentinel Pty Ltd (in its capacity as trustee for BBPI Member Trust). The entities represent the interests of the equity sponsors Commonwealth Investments Pty Ltd (CIPL) and Bilfinger Berger Project Investments Australia (BBPI) respectively.

Other Parties

- Financiers – CBA, ANZ, NAB and WestLB.
- Builders – Boulderstone and Sitzler.
- Facilities Management – Honeywell.
- Local subcontractors – Project Plumbing, Nilsen Electrical, Woodhead, Clouston, McKenzie Irwin, Douglas Partners, MasterPlan, Cundall, Arup, Michels Warren Munday, QS Services and Deloitte.

Project Objectives

In order to achieve meaningful and lasting change, the Northern Territory Government has developed the *New Era in Corrections* to address the over-representation of Indigenous people in secure custody and to break the cycle of offending, while ensuring those Territorians who are in secure custody are managed in accordance with Australian and International guidelines for correctional centre facilities.

To support the *New Era in Corrections* the new facility will enable each prisoner to be actively engaged each day in education, rehabilitation programs, life skills programs, work skills programs, community work or facility maintenance to encourage and support meaningful change for their eventual return to the community.

Adult prisoners with severe mental health or behaviour management issues and those people who have been found not guilty of an offence due to mental impairment need to be accommodated and managed within a facility that is purpose built for their needs and managed by mental health professionals to have the best opportunity for rehabilitation.

The *New Era in Corrections* provides alternative sentencing options for non-violent offenders, especially repeat driving offenders, who will be able to serve their sentence in the community. These new sentencing options include specific residential programs that will address offending behaviour and also provide general cognitive and life skills programs to assist offenders to lead a normal life in the community. Purpose-built accommodation and program facilities are required to ensure these offenders' needs are met.

Central to the *New Era in Corrections* is the capacity to train and develop staff to ensure they have the necessary skills, attributes and behaviours to manage offenders within the New Era framework and the new facilities. To provide these skills and for ongoing professional development, a purpose-built training and staff development facility is included that will manage whole of NTCS training programs including basic prison officer recruit training. The training centre will provide sufficient capacity to be used by all Territory staff and third-party providers operating on the Precinct as well as all NTCS staff from across the Territory.

Although each of the individual facilities in the Precinct will be managed separately, collectively they will provide NTCS and DoH with the necessary infrastructure to provide positive outcomes for adult offenders and the Northern Territory community.

Objectives Outlined in the Expression of Interest (EOI)

The EOI set out the Territory's objectives for the Darwin Correctional Precinct public private partnership (PPP) project as follows:

Precinct outcomes that:

- deliver safe and secure facilities for prisoners, community-based offenders, forensic mental health patients, staff and visitors;
- maintain community safety;
- support best practice models of prison, secure forensic health and community-based facility management;
- meet or exceed the Territory's greenhouse/environmentally sustainable development (ESD) policies;
- optimise operating efficiencies and innovation; and
- support the Territory's stated objectives, including rehabilitation.

Flexibility to ensure the facilities are adaptable to new technologies and have sufficient flexibility and capacity to cater for short and longer-term fluctuations in prisoner numbers and profiles and changing operational practices.

Whole of life approach to deliver efficiencies and overall value for money to the Territory through a whole of life approach to design, construction, ongoing asset management and maintenance.

Delivery of **improved facility management** and other facilities management services over the life of the facilities.

Improved **interface with prison functions** providing an enhanced ability of NTCS and DoH or a third party to deliver the facility functions and promote a smooth and efficient interface with the project company's delivered services.

Provide high levels of **user satisfaction** including staff, prisoners, residents and visitors, thereby encouraging staff motivation and performance and enhancing the Northern Territory's ability to attract and retain staff.

Ensure the **facilities and their environment are sustainable** and responsible.

Ensure that **constructive relationships** are maintained with prisoners, staff, visitors, the local community and special interest groups throughout the Howard Peninsula locality and region.

Procurement Approach

On 31 August 2010, Cabinet approved a PPP procurement approach for the Darwin Correctional Precinct project.

The project is being delivered as a PPP in accordance with the National PPP policy and guidelines that were endorsed by the Council of Australian Governments on 29 November 2008 and adopted by all state, territory and Commonwealth governments.

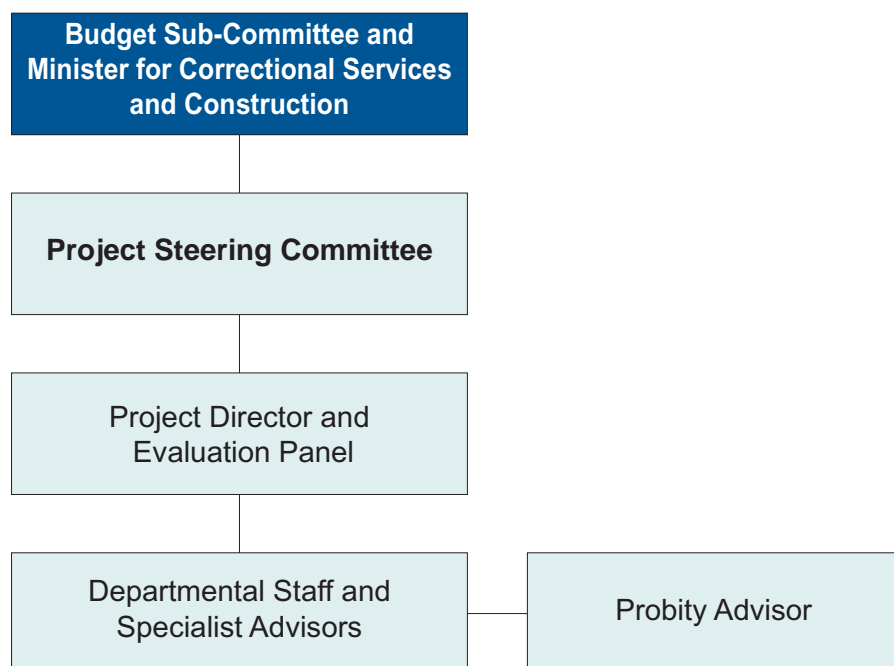
A formal project governance structure was put in place to manage the PPP procurement process. A Project Steering Committee was established with representation from the Departments of Justice, Construction and Infrastructure, Health and Northern Territory Treasury. The day to day management of the procurement process was managed by a Project Director with support from an evaluation team with representatives from various agencies and input from specialist advisors. The governance structure is illustrated in Figure 1.

The process was in line with that typically adopted for significant procurement and PPP projects and reflected preparation of a detailed set of project requirements, development of an expression of interest document, a detailed assessment of proposals that led to the short-listing of three proponents, followed by the submission and evaluation of detailed proposals.

A probity auditor was engaged at the commencement of the project and retained throughout the process.

The Auditor-General will undertake a review of the Darwin Correctional Precinct PPP project, the results of which are likely to be included in his February report to the Legislative Assembly.

Figure 1: Governance Structure for Darwin Correctional Precinct



Procurement Process

A competitive tender process was undertaken to identify the most suitable private sector party to deliver the project. The tender process commenced with an invitation for EOI on 16 September 2010. The EOI closed on 20 October 2010 with three consortia lodging an interest.

A request for proposals (RFP) tender document was released to shortlisted proponents (Assure Partners, Axiom Corrections and Sentinel) on 8 December 2010. During the evaluation phase, nine interactive tender process workshops were held with each proponent in accordance with Infrastructure Australia PPP guidelines.

The RFP process closed on 11 May 2011 and responses were received from all three shortlisted proponents.

Following an evaluation process, including a structured negotiation phase undertaken with all three proponents, the Territory nominated Sentinel as the preferred proponent and entered into an exclusive negotiation process to resolve a number of commercial matters.

At the completion of the exclusive preferred proponent negotiation process, the Territory was satisfied that all key issues had been addressed and Sentinel had provided the necessary clarifications and undertakings as required by the Territory.

The strengths of the Sentinel proposal were:

- a strong funding and commercial solution;
- an appropriate allocation of project risks between parties;
- consortium members and specific personnel identified in the bid response have demonstrated previous PPP experience;
- demonstrated relevant experience in the design, building and facilities management of corrections facilities;
- a value for money solution when assessed against the public sector comparator;
- provision of all infrastructure and facilities necessary to underpin the *New Era in Corrections* strategy; and
- significant local employment and work opportunities to underpin the construction industry.

Table 1 details the key procurement milestones.

Table 1: Key Procurement Milestones

Tender Process	Date
Invitation for expression of interest issued	16 September 2010
Release of request for detailed proposals	8 December 2010
Detailed proposals submitted	11 May 2011
Appointment of preferred proponent	27 July 2011
Financial close	5 October 2011

Specialist Advice The Territory used its usual procurement processes to engage a range of specialist advisors to provide advice and expertise during each stage of the PPP procurement process. Each consultant was chosen on the basis of their knowledge, expertise and demonstrated experience in major PPP projects of similar nature and scope.

Table 2: Specialist Advisors

Advisor	Role
Mallesons Stephen Jaques	Legal
KPMG	Commercial and financial
Noel Bell Ridley Smith and Partners Pty Ltd (NBRS)	Architectural
Umow Lai	Engineering/security/ESD
Rider Levett Bucknall	Quantity surveyor and cost management
RixStewart	Technical (facility management)
Independent peer review	Appraisal of security systems/operational/movement/general operations

All advisors with the exception of RixStewart and the independent peer review were engaged through a competitive tender process from a select list of experienced organisations in accordance with Northern Territory Government procurement guidelines.

RixStewart was engaged directly by NBRS as a sub-consultant to the architectural advisory team.

Independent peer review has been sought through NTCS established relationships with other correctional institutions.

Probity The tender process was undertaken within a probity framework based on the following probity objectives:

- ensure conformity to processes;
- provide accountability;
- ensure that the interests of proponents are protected by an ethical and fair process;
- ensure that all proposals will be assessed against the same criteria; and
- preserve public and proponent confidence in Territory processes.

The Territory committed to efficiency, fairness, impartiality and integrity throughout the PPP process.

Merit Partners was appointed as the project's probity advisor.

The probity advisor is in the process of preparing his final report. However, he has provided an interim advice that there are no probity issues arising from the process and has confirmed that the final report is unlikely to identify any significant probity issues.

A final probity report will be available following the debriefing of unsuccessful proponents.

Value for Money

The project has demonstrated it has achieved a value for money outcome for the Territory through the delivery of the output specification and fit for purpose requirements required and documented by the Territory, achievement of the key outcomes desired, delivery of additional scope not briefed and appropriate risk transfer in accordance with Infrastructure Australia PPP guidelines.

Public Sector Comparator

Infrastructure Australia PPP guidelines include processes to assess value for money in the assessment. The key management tool used in the quantitative assessment of value for money during the tender process and the evaluation is the development of the public sector comparator (PSC), which is used for the comparison of RFP responses. The RFP responses are assessed against the PSC to determine whether they offer value for money in respect of quantitative analysis.

The PSC is an estimate of the risk-adjusted, whole-of-life cost of the project if it was delivered by the Territory.

The PSC is expressed in terms of the net present cost to the Territory, calculated using a discounted cash flow analysis and takes full account of the costs and assumed risks that would otherwise be encountered under the procurement approach assumed in the PSC. The PSC includes estimates of design and construction costs as well as the maintenance, replacement and facilities management costs during the 30-year operating phase of the project.

The net present cost of the estimated service payments to be paid to Sentinel (over 30 years) is compared with the PSC. If it is lower than the PSC, it is an indication that at face value, the proposal represents quantitative value for money. The value for money comparison of the bid and the PSC as shown in Table 3 is not adjusted for any additional benefits that arise from the bid.

Table 3: Quantitative Value-for-Money Comparison between Public Sector and Private Sector Delivery

NPC of Public Sector Delivery (\$M)	NPC of Sentinel's Winning Proposal (\$M)	Savings (\$M)
801	798	3

Note: In accordance with the Infrastructure Australia guidance, the PSC has been discounted at a nominal discount rate of 4.98% per annum and Sentinel's proposal has been discounted at a nominal discount rate of 6.16% per annum. The higher PPP discount rate reflects an adjustment for the transfer of systematic risk to the project company.

Additional Value-for-Money Benefits of Sentinel's Proposal

The quantitative calculation in Table 3 does not recognise a range of other significant value-for-money benefits provided by the Sentinel proposal.

These additional benefits include:

- more gross floor area than was briefed in the RFP; and
- the option to extend the facilities management contract for an additional 10 years.

Capital Cost

In a traditional government procurement approach, only the capital costs associated with delivering the project are reported as part of the project costs. The ongoing maintenance, service and replacement costs that are incurred over the life of the project are reported separately in agency budgets. However, the PPP processes consider and compare all costs over the life of the project.

The estimate of the cost to the Government of delivering the project under a traditional procurement method, including to design and construct the facility is \$534 million, which is \$39 million more than the contracted capital cost element of the PPP of \$495 million, representing quantitative value for money. Arguably, during the period over which the project is to be constructed, there will be increasing pressure on construction-related resources, which would have increased the risk to the Territory had it managed the project. The contractual elements of the PPP arrangements have reduced this risk considerably.

In July 2011, Rider Levett Bucknall provided a reconciliation of the variance between the preliminary \$300 million estimate by Miliken Berson Madden in 2007 and the 2010 scope of works. The reconciliation adjusted the original estimate for additional gross floor area, supported accommodation, site and project on-costs and construction escalation costs.

On this basis the revised estimate was a \$546 million capital cost, which is \$51 million more than the contracted cost, for a project to be completed in 2014 comprising:

- the escalated construction costs of \$370 million on the basis of Rider Levett Bucknall advice; and
- the increased 2010 scope of \$176 million.

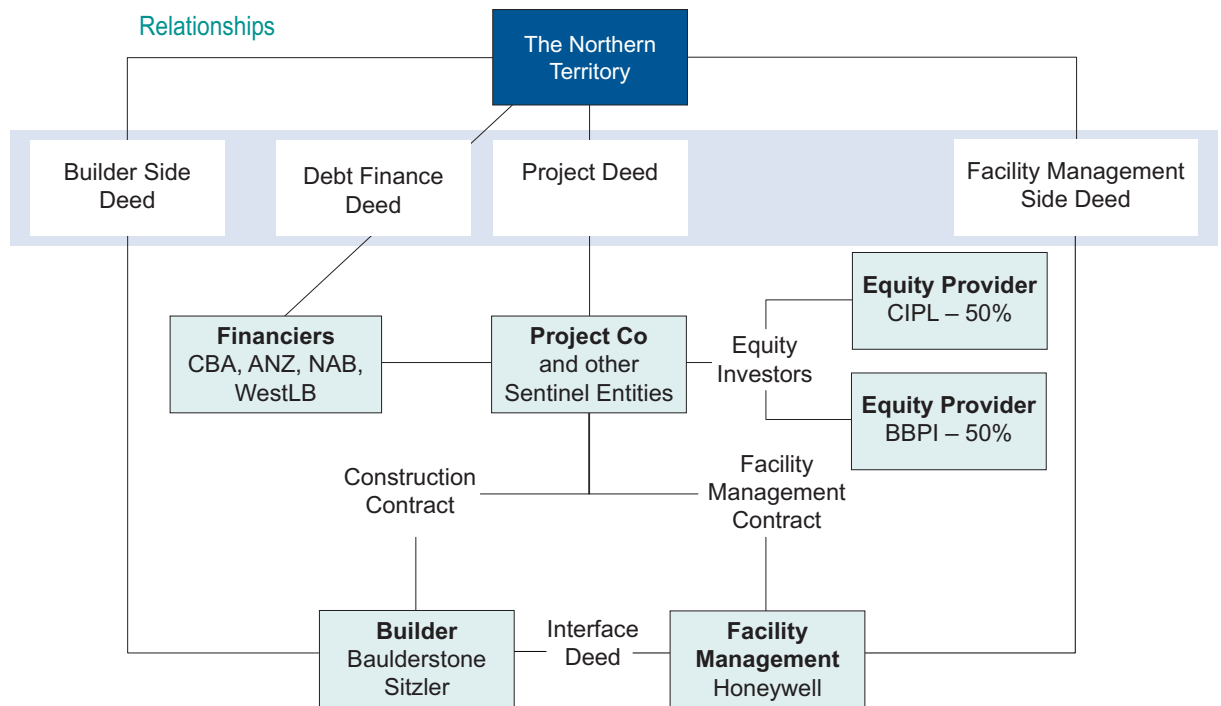
Commercial Features

Parties to the Project

On 30 September 2011, the Chief Executive of the Department of Construction and Infrastructure executed the Project Deed on behalf of the Northern Territory. Other documents were executed on behalf of the Territory on the same date by other authorised signatories.

The contractual relationships between the parties is outlined (in a simplified manner) in Figure 2.

Figure 2: Darwin Correctional Precinct Contractual Relationships



■ Major documents to which the Territory is a signatory.

The various parties in the contractual arrangement include:

The Northern Territory of Australia

The Territory is a signatory to the Project Deed and other project documents. The Chief Executive, and the Deputy Chief Executive of the Department of Construction and Infrastructure and the Project Director (other than in the case of the Project Deed) were empowered to execute these contracts on behalf of the Territory.

The Project Company – Sentinel Group

The Sentinel Group has been contracted to deliver the project. Sentinel is the counterparty to the Project Deed and together with the Borrower (being Sentinel Financing Pty Ltd in its capacity as trustee of the Sentinel Finance Trust and in its personal capacity) is the main contracting entity with the Territory. Sentinel has entered into a range of contractual relationships with its consortium partners to deliver aspects of the project. Sentinel will be ultimately responsible for the delivery of the project.

The Sentinel Group is made up of CIPL Sentinel Pty Ltd (in its capacity as trustee for the CIPL Sentinel Trust) in a joint venture with BBPI Sentinel Pty Ltd (in its capacity as trustee for the BBPI Member Trust).

Equity Provider

Bilfinger Berger Project Investments Australia (BBPI) and Commonwealth Investments Pty Ltd (CIPL) have jointly committed to provide the total equity required by Sentinel. Equity is drawn down progressively from financial close in accordance with the drawdown schedule.

Financiers

Commonwealth Bank of Australia, ANZ, National Australia Bank and West LB are providing debt funding, which is to be contributed by way of a construction facility and subsequent term facility. Debt is drawn down progressively from financial close in accordance with the drawdown schedule.

Builder

Boulderstone Pty Ltd and Sitzler Pty Ltd have entered into a joint venture agreement and will undertake the design and construction of each component of the Precinct as joint venturers.

Facilities Management

Honeywell Limited has been engaged to deliver facilities management services across the Precinct.

Risk Transfer

The risk allocation in the Project Deed seeks to achieve the best value for money by allocating risks to the party best able to manage them. This process results in the various risks being:

- retained by the Territory;
- transferred to Sentinel; and/or
- shared between the parties.

The Project Deed and associated documents establish the obligations of each party in managing these risks.

Table 4 illustrates a high-level outline of the allocation of key project risks. Note that where a risk is allocated to both parties, the parties may not share that allocation equally.

Table 4: Risk Allocation Matrix

Risk Category	Description	Territory	Sentinel
Planning Risk			
Obtaining development permit	Sentinel is responsible for obtaining the development permit. The Territory will compensate Sentinel if Sentinel does not receive its development permit within 6 weeks of correctly lodging its application.	✓ only if the application was lodged in accordance with industry best practice and Sentinel has engaged with the appropriate Government agencies in accordance with industry best practice.	✓
Obtaining approvals	Risks and responsibilities in connection with approvals including payments to Government agencies.		✓
Precinct Risks			
Precinct conditions	Responsibility for the Precinct and its physical state and conditions.	✓ if an environmental notice is served in respect of pollution other than any pollution that was disclosed to Sentinel prior to entry into the Project Deed; and any pollution where compliance with the environmental notice requires remediation to no higher standard than as required under the Project Deed.	✓
Relics	Risk that any relics may be found on, in or under the Precinct.	✓ if the Territory wants to keep the relic, then the Territory pays the reasonable costs of Sentinel in removing the relic.	✓ Sentinel bears the costs of removing a relic or destroying it.
Native title	Risk that the Precinct is the subject of a Native Title claim.	✓	
Design, Construction and Commissioning Risks			
Design risk	Risk that the design development activities cannot be completed on time and/or to budget and the design does not allow the delivery of the services.		✓

continued

Risk Category	Description	Territory	Sentinel
Design, Construction and Commissioning Risks (continued)			
Construction risk	Risk that construction activities cannot be completed on time and/or on budget.		✓ unless the delay in completion occurs as a result of a compensation event or a relief event.
Defects risk	Risk that defects are identified following completion of construction.		✓ (unless the defect was caused by the Territory or a Territory-related party.)
Equipment	Responsibility for the selection, procurement and maintenance of equipment.	✓ with respect to certain categories of equipment.	✓ with respect to certain categories of equipment.
Fit for intended purpose	Risk that the facility is not constructed so as to be fit for intended purpose or does not comply with contractual obligations.		✓
Modification	If there is a significant variation proposed or made to the facility or the services.	✓ the agreed or determined estimated cost effect of the modification is paid by the Territory if it is a positive number, i.e. there is a cost incurred by Sentinel.	✓ the agreed or determined estimated cost effect of the modification is paid by Sentinel if it is a negative number, i.e. there is a benefit to Sentinel.
Commissioning and completion	Risk that the facility cannot be commissioned in accordance with the agreed commissioning criteria.	✓ if Sentinel is not able to achieve completion solely because the Territory commissioning has not been completed and the reason of such delay in completion of Territory commissioning was not due to Sentinel's conduct. The Territory will also compensate Sentinel if commissioning or completion is delayed due to the Territory failing to carry out Territory commissioning.	✓
Operational Risks			
Fit for intended purpose	Risk that the facility is not fit for intended purpose.		✓
Operational costs	Risk that operational costs exceed budgeted cost over the services phase.		✓

continued

Risk Category	Description	Territory	Sentinel
Operational Risks (continued)			
Lifecycle costs	Risks associated with the replacement and refurbishment of the facility over the services phase.		✓
Utility price and volume risk	Risk of change in the price of the utility inputs required by the facility and energy demand risk	✓ the Territory pays for all electricity and water, subject to an adjustment if the cost is directly attributable to Sentinel's conduct which was not in compliance with the Project Deed.	✓ Sentinel bears the costs of all other utilities and gas other than the cost of any diesel fuel required to operate the standby power supply, where that power supply was used/required as a result of failure by a Government agency/provider of utilities to carry out works or provide services.
Change in Law			
Change in law	Risk that a change in law will impact on the design and construction of the facility or the provision of services.	✓ any actual costs claimed by Sentinel for any change in law in connection with a carbon tax will be reduced if Sentinel cannot demonstrate that the costs are directly attributable to the carbon tax change in law and that best endeavours were used to mitigate such costs claimed.	
Force majeure	Risk that a 'force majeure' or other specified unforeseen event will impact on construction or on the provision of the services.	✓	✓
Finance Risks			
Refinancing risk after financial close	Risk of movements in refinancing costs after financial close.	✓ the Territory will share limited refinancing losses and any refinancing gains.	✓
Insurance risk	Risks of inability to obtain insurance or material increases in insurance premiums.	✓	✓
Residual condition	Risk that on expiry of the contract term, the condition of the facility is less than that required by the Project Deed.		✓

Payment Mechanism Sentinel is required to ensure that the facilities are available and fit for purpose and to provide the services set out in the Services Specifications from completion of the facilities. Failure to do so exposes Sentinel to abatement in accordance with the abatement regime set out in the Project Deed. Payment for delivery of the services is made by the Territory over the 30-year operating term in the form of a quarterly service payment (QSP) paid in arrears. The \$15.1 million QSP is scheduled to be paid from October 2014. The net present cost over the 30 years of operation is \$798 million. A minor proportion of the QSP will be adjusted for inflation and lifecycle costs. The QSP comprises the following components:

- **Quarterly service fee (QSF)** – being the quarterly service amount (QSA) bid by Sentinel to be paid by the Territory for the delivery of the services, and which includes an allowance for the capital cost of the facilities, the cost of delivering the services and an equity return, less any abatements.
- **Pass through costs** – reflect reimbursement to Sentinel for pass-through costs associated with services phase insurance policies and the cost of diesel fuel for back-up generators.
- **Utility usage amount** – a reduction in the QSP where Sentinel's conduct is not in compliance with the Project Deed and results in an increase in the use of electricity and water.

Abatement Regime Any failure to provide the services in accordance with the Service Specifications may constitute a 'failure' and result in the abatement of the QSA. The Project Deed categorises abatements as either a:

- **Key failure abatement** – Where a failure renders the relevant area unavailable for use for its intended function it may result in a 'key failure abatement'. Key failure areas are a prescribed list of areas that are important for the operation of the facilities; or
- **Performance failure abatement** – Where a failure renders any area unavailable for use for its intended function, or either areas or services are not provided in accordance with the requirements of the Service Specifications.

Where a key failure abatement occurs, the calculation of the abatement takes into account the significance of the area affected and how important it is that the area is available. Where a performance failure abatement occurs and it is area based, the calculation of the abatement potentially applies a greater financial consequence where that area is deemed unavailable. Where a performance failure abatement occurs and it is not deemed area based then the calculation of the abatement potentially applies a greater financial consequence to the failures where the service requirements are considered most important by the Territory.

Default, Termination, Emergencies and Step-In Rights

The QSA is abated in accordance with a pre-determined formula specified in the Project Deed.

Sentinel is responsible for monitoring the performance of the services in accordance with the agreed performance monitoring regime. This includes a duty to record all failures. The Territory will retain the right to audit and dispute any incident that it believes is a failure, as well as the categorisation of the failure.

Emergencies and Step-in Rights

The Project Deed provides the Contract Administrator and the Territory with certain rights in circumstances where an emergency situation exists. The Contract Administrator has the ability to issue directions to the project company in relation to certain matters in the case of any emergency, in order to ensure that the emergency is dealt with and normal operation of the facility and Precinct resumes.

In the case of an emergency during the services phase, the Territory has the right to exercise certain step-in rights, although it is noted that the right to step-in is discretionary so there is no obligation on the Territory to step-in where an emergency arises. Where the Territory elects to exercise its step-in rights, the Contract Administrator has the ability to take such action as is reasonably believed necessary to address or overcome the emergency.

Default

The Project Deed contains a regime for breaches and defaults which gives the Territory a variety of remedies, depending on the nature and seriousness of the breach or default.

Breaches that are not fundamental or material require the submission of a default cure plan or default prevention plan by the project company, which the project company must then follow in order to rectify the default.

Fundamental or material breaches of the Project Deed by the project company (which include matters such as completion not being reached in the required time, abandonment by the project company and insolvency events) give rise to immediate termination rights for the Territory. Further detail on termination rights is set out in the section below.

There are strict notice provisions in the Project Deed that must be adhered to when notifying the project company of defaults.

Termination Regime

The Territory will be entitled to terminate the Project Deed if certain material breaches or serious events have occurred. Examples of these events include if completion has not occurred by the sunset date, the project company abandons the project or, the project company or a related entity is insolvent or wound up.

Further, if a force majeure event (such as an act of God, cyclone, flood, war, or serious contamination event) subsists for more than 120 days, then either party has the right to terminate the Project Deed.

Compensation Payable on Termination for Project Company Default

If the Project Deed is terminated for project company default, then the Territory has the option of re-tendering the project or appointing an expert to determine the termination payment.

If the Territory re-tenders the project, then the Territory agrees to pay the highest amount tendered by a compliant tenderer (plus any amounts owed by the Territory to the project company) less other agreed amounts as specified in the Project Deed.

If the Territory appoints an expert, then the Territory agrees to pay the amount equal to the estimated fair value calculated by the expert (plus any amounts owed by the Territory to the project company) less other agreed amounts as specified in the Project Deed.

Compensation Payable on Termination for Force Majeure

If the Project Deed is terminated for force majeure, then the Territory agrees to pay an amount equal to the senior debt on the termination date and partial compensation of equity, less amounts owing by the project company to the Territory and other agreed amounts as specified in the Project Deed.

Works/Construction Program

Sentinel is scheduled to commence early works on site in October 2011 immediately upon issue of a development permit from the Litchfield Division of the Development Consent Authority. Stage 1 early works comprises site clearing and bulk earth works to critical path areas of the correctional centre footprint and establishment of the main site accommodation. Stage 2 comprises the building works during 2012 and 2013. It is estimated that building and associated works on site will peak at around 600 workers in the first quarter of 2013.

Sentinel is scheduled to commence commissioning of the security system across the Precinct and completion of works external to the correctional centre and MHBM facility during the first half of 2014. A 28-day fault-free running period will commence late May/early June 2014. The Darwin Correctional Precinct will be fully operational with facility management services commencing 1 July 2014.

Table 5 outlines indicative completion milestones.

Table 5: Project Completion
Milestones

	Date
Financial close	5 October 2011
Early works program – civil	October 2011
Construction program – building	April 2012
Pre-commissioning period	May 2014
Territory commissioning	June 2014
Operation/facility management	July 2014

Attachment A: Master Plan

