



## Australian Government

### Department of Infrastructure, Transport, Cities and Regional Development

#### MINUTE

File Reference: TERR19/10017737

Contact: 47E(c)

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Nicole Pearson  
General Manager  
Norfolk Island and Mainland Territories Branch

**Subject: Provision of Operation and Maintenance Services for the Norfolk Island Passenger Transfer Vessels – Tender Evaluation Report and Negotiation Directive**

#### Purpose

##### Tender Evaluation Report

1. To seek your **approval** of the Proposal Evaluation Committee (PEC) Report at Attachment 1 in response to the Request for Proposal (RFP) for the provision of Operation and Maintenance Services for the Norfolk Island Passenger Transfer Vessels (PTVs);
2. To seek your **approval** for the Negotiation Directive at Attachment 1 (C);

#### Key Issues:

- The Department is seeking to engage a supplier to provide operation and maintenance services for three Norfolk Island PTVs to support the ferrying of passengers between visiting cruise ships and the pier(s) at Norfolk Island.
- The scope of the services sought includes:
  - Securing suitable storage for the PTVs;
  - Appropriate planned and reactive maintenance of the PTVs;
  - Operation of the PTVs service, including transporting the PTVs to and from storage, and safely ferrying passengers; and
  - Contract management, reporting and administration services.
- Grosvenor Performance Group Pty Ltd (Grosvenor) was engaged to provide the Department with market options, pricing scenarios and procurement advice.
- An open tender for the operation and maintenance of the Norfolk Island PTVs was released on 20 June 2019 and closed on 26 July 2019. Two proposals were received from the following respondents:
  - Transam Argosy Pty Ltd; and

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- The PEC met on 15 August 2019 to evaluate the proposals. Grosvenor attended the meeting and provided assistance to the PEC. Both proposals were assessed by the PEC and further pricing clarification was sought from both tenderers on 19 August. Clarification responses were received from both tenderers on 26 August. The PEC reconvened on 28 August to consider the proposal clarifications resulting in Transam Argosy being recommended as the preferred tenderer.
- The outcome of the proposal evaluation process and the PEC's recommendations are presented at Attachment A for your consideration and approval.

### **Key Negotiation Objectives**

- The Department has developed (with Grosvenor's assistance) a negotiation directive and table of negotiation issues at Attachment 1 (C). The negotiation issues are not considered overly complex but do represent cost risks that will require resolution before a contract can be signed.
- The nominated Departmental negotiation team will seek clarification on a number of operational and pricing issues and will seek to successfully negotiate an outcome addressing the identified issues prior to seeking your approval to enter into a contract with Transam Argosy.
- As flagged in an email to you on 16 August 2019 it is unlikely that a contract will be finalised prior to the first scheduled cruise ship visit in October 2019. As part of negotiations the Department will seek an interim arrangement with Transam Argosy for the scheduled October 2019 cruise ship visit. The

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### **Budget Profile**

- Funding of s 47C over five (5) years was approved by you on 28 May 2019, noting that revised AAD approval will be sought prior to entering into a contract. The original AAD approval was premised on the pretender estimate. Both tenders received exceeded the pretender estimate with Transam Argosy providing the lowest cost offer.

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number of ships actually scheduled and successfully completed. The fee structure can be broken down into maintenance and storage, administration (including profit) and cruise ship visit costs (planned and completed). Many of the costs are fixed with the exception of cruise day operation costs which increase with the number of scheduled cruise visits.

- The principle cost differences between the pretender estimate and the Transam Argosy offer is shown at Attachment 2. One of the key differences in the pretender estimate is that Transam Argosy does not identify any possible revenue streams. The negotiating team will seek to identify possible costs savings between the pre-tender estimate and the quoted fee and discuss possible revenue streams during negotiations with Transam Argosy.

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- On resolution of discussions with both Transam Argosy and Carnival Australia the outcomes will be presented to you with a recommendation on whether a contract provides value for money.
- The Department has sought funding for the initial term of the contract as part of the MYEFO process. This has been amended based on the Transam Argosy offer.

47E(c)

Territories Capital and Major Projects

09 / 09/ 2019

## Recommendation

<u>Tender Evaluation Report</u>  1. <b>Approve</b> the PEC Report at <u>Attachment 1</u> in response to the Request for Proposal (RFP) for the provision of Operation and Maintenance Services for the Norfolk Island Passenger Transfer Vessels (PTVs);  2. <b>Approve</b> the Negotiation Directive at <u>Attachment 1 (C)</u> ;  3. <b>Agree</b> that further discussion be held with Carnival Australia on a fee for the use of the Passenger Transfer Vessels.	  1. <u>Approved</u> / Not Approved  2. <u>Approved</u> / Not Approved  3. <u>Agree</u> / <del>Please Discuss</del> <div style="background-color: grey; height: 60px; width: 100%;"></div> Nicole Pearson  17 / 19 / 2019
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## Attachments

Attachment 1 – Proposal Evaluation Report – RFP 10017737

Attachment 1 (C) – Negotiation Directive

Attachment 2 – Pre-tender Estimate Comparison Table

## Background

- A Joint Standing Committee October 2014 report into economic development on Norfolk Island recommended that the Commonwealth purchase multi-purpose barges for use on Norfolk Island in conjunction with upgrades to Cascade and Kingston Piers.

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- Approval for a contract with Birdon Pty Ltd to construct three passenger vessels was provided in May 2017. Included in the ACB budget for this project were funds for roadwork and facilities replacement to allow for the safe transitioning of the vessels from Cascade Port to storage.
- The Cascade Pier upgrade was completed in April 2018 and will provide an adequate launching point for purpose built cruise transfer vessels.
- Three Passenger Transfer Vessels were shipped to the Island in late July 2019 and will be ready for service by October 2019.

# Proposal Evaluation Report

## RFP No. 10017737 for the provision of Operation and Maintenance Services for Norfolk Island Passenger Transfer Vessels

### 1. Summary

#### 1.1. Aim

The aim of this Proposal Evaluation Report (PER) is to outline and document the process undertaken to assess the responses to the Request for Proposal No. 10017737 in accordance with the Proposal Evaluation Plan (PEP) and to provide a recommendation to the relevant delegate of a preferred supplier.

#### 1.2. RFP Details

<b>Contract Title</b>	Operation and Maintenance Services for Norfolk Island Passenger Transfer Vessels
<b>The RFP</b>	The Department is seeking to engage a supplier to provide operation and maintenance services for three Passenger Transfer Vessels (PTV), the primary use of which will be to support the ferrying of passengers between visiting cruise ships and the pier(s) at Norfolk Island. It is intended that a reliable PTV service will increase cruise ship visitations, and have a positive effect on the Norfolk Island economy and community.
<b>Proposed Contract Term</b>	<ul style="list-style-type: none"> <li>Initial: 3 Years</li> <li>Extension options: 2 x 2 years</li> </ul> <p>Note the form of the contract is yet to be agreed between the parties</p>
<b>Recommended or Preferred Supplier/s</b>	Transam Argosy Pty Ltd
<b>Pre-Proposal Estimate</b>	<p>s 47G</p> <ul style="list-style-type: none"> <li>Refer assumptions made in section 8 of report, including the number of anticipated cruise ships in out years. It is anticipated that the contract value can be reduced during negotiations.</li> </ul> <p>s 47G</p> <ul style="list-style-type: none"> <li>Contributors to variances are reluctance of market to identify offsetting revenue streams (such as scenic tours), significantly higher administrative and staffing costs (main contributor to cost differential) than initially modelled and higher maintenance costs that initially modelled. Further discussions are proposed with Cruise Lines to accept a fee for the PTV service before finalising a contract</li> </ul>

<b>Price Basis</b>	Variation Index: CPI
<b>Anticipated contract commencement date</b>	November 2019
<b>Project Officer</b>	47E(c) Project Director, Territories Capital and Major Projects

## STAGE 1 - PRELIMINARY

### 2. Divisional/Departmental Requirements

#### 2.1. Background

The Australian Government Department of Infrastructure, Transport, Cities and Regional Development (Department) approached the market for innovative proposals for operation and maintenance services for three new Norfolk Island (NI) Passenger Transfer Vessels (PTVs).

The Department identified four fundamental outcomes sought from the resulting arrangements, detailed in the table below.

Outcomes	Description
Reliable PTV operations	<ul style="list-style-type: none"> <li>reliable support for cruise ship operators</li> <li>reliable support for tourism business</li> </ul>
Best practice in maintenance risk and safety management	<ul style="list-style-type: none"> <li>planned maintenance conducted in accordance with recommended specifications</li> <li>reactive maintenance conducted within required timeframes</li> <li>accurate monitoring and reporting of maintenance activities</li> </ul>
Quality customer service management	<ul style="list-style-type: none"> <li>customer satisfaction – cruise ship operators</li> <li>customer satisfaction – passengers (cruise ship transfers and tourism operation)</li> <li>NI community satisfaction</li> </ul>
Proactive and reliable financial management to ensure financial sustainability of operations	<ul style="list-style-type: none"> <li>reliable and accurate financial management and reporting of revenue and costs of operation</li> <li>proactive identification of efficiencies to reduce costs to the Commonwealth</li> <li>proactive management of revenue streams to ensure financial sustainability of operations</li> <li>appropriate allocation of financial risks between Commonwealth and the Supplier</li> </ul>

The scope of the services sought includes:

- securing a suitable storage solution for the PTVs
- appropriate planned and reactive maintenance of the PTVs, including surveying of the vessels in accordance with Australian Maritime Safety Authority requirements
- operation of the PTV service, including transporting the PTVs to and from the storage location and the relevant Pier, and safely ferrying passengers between visiting cruise ships and Norfolk Island
- contract management, reporting and administration services.

## 2.2. Timetable

The evaluation process complied with the PEP, with the following key milestones:

Event	Date Achieved
Proposal Evaluation Committee was selected	19 June 2019
Proposal Brief/Scope signed off	20 June 2019
RFP issued or advertised	20 June 2019
Industry briefings (if applicable)	27 June 2019
Closing date of RFP	26 July 2019
Evaluation of Proposals commenced	27 July 2019
The Proposal Evaluation Committee (PEC) submitted individual assessments	15 August 2019
Preferred Proposal selected	26 August 2019

Event	Proposed Date
Proposed date for contract commencement	November 2019

## 3. Proposal Evaluation Committee and Advisers

### 3.1. PEC

The composition of the PEC was as follows:

Name & Role	Position
Chair	47E(c) Project Director, Territories Capital and Major Projects
Member	47E(c) Territories Capital and Major Projects
Member	47E(c) Director, Local Government and Facilities Management

### 3.2. Advisers

Assistance was provided by the following adviser/s:

Role	Adviser
Procurement & Technical Adviser	Grosvenor Performance Group / Consult Marine
Probity Adviser	O'Connor Marsden & Associates
Legal Adviser	Department's Legal Unit, including their subcontracted adviser, Maddocks



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## 4. Integrity of the Process

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### *4.1. Conflict of Interest & Confidentiality*

The Evaluation Committee members have indicated in the Evaluation Plan that they have identified no conflict of interest with regard to any part of this Proposal.

All documents were strictly handled in a manner consistent with the PEP to ensure security and confidentiality.

All external advisers involved in the evaluation process complied with the PEP and completed Deeds of Confidentiality and Conflict of Interest declarations.

### *4.2. Probity*

The Evaluation Committee received a briefing on probity related matters from the Probity Adviser. The evaluation process complied with the approved Probity Plan and the Probity Adviser has reviewed this the evaluation report and provided probity clearance

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## 5. Request for Proposal process

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### *5.1. Invitation to Respondents*

An open approach to market was utilised for this procurement, with the RFP advertised on AusTender in accordance with the Commonwealth Procurement Rules.

### *5.2. Issue of RFP document and Addendum*

The RFP was issued on AusTender on 20 June 2019. Six addenda were issued over the period 21 June – 19 July 2019, primarily in response to questions received.

### *5.3. Proposal Registration*

The Proposal Closing Time was 2:00pm (Canberra local time), on 26 July 2019.

Two submissions were downloaded and each submission was recorded on a Proposal registration form (supplied by PART). Electronic copies of the submissions were distributed to Committee members and the Procurement and Technical Advisers.

### *5.4. Responses Received*

Conforming Proposals were received from the following Respondents:

- Transam Argosy Pty Ltd

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The Proposals and associated correspondence are available for your reference if required.



## STAGE 2 – SCREENING FOR COMPLIANCE

### 6. Compliance

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#### *6.1. Compliance with Conditions for Participation and RFP requirements*

An initial screening of Proposals against the Conditions for Participation, Minimum Content and Format Requirements was completed and only the Proposals that met these conditions and requirements progressed to detailed evaluations against the evaluation criteria. No Proposals were set aside.

The following Proposals progressed to detailed assessment:

- Transam Argosy Pty Ltd

47G [REDACTED]

#### *6.2. Unintentional Errors*

One Proposal was identified as containing an unintentional error of form. This Proposal was dealt with in accordance with section 5.1 of the PEP. The Proposal 47G [REDACTED] did not include signed copies of the declarations contained in Part C5 and C8 of the RFP. A request for signed copies was made in accordance with section 5.2 of the PEP, and subsequently provided by the Respondent.

## STAGE 3 – EVALUATION OF PROPOSALS

### 7. Technical Requirements

#### 7.1. Technical Requirements

Each member of the PEC assessed each Proposal and conducted an objective analysis against each Technical Requirement in the table below. The scoring scale at Attachment A was used to score each Proposal in relation to how well it satisfied each of the Technical Requirements and total scores for each Proposal were recorded.

The Technical requirements for this RFP are outlined in the table below:

<b>Table: Technical Requirements</b>	<b>Weighting</b>
<p>The Respondent's ability to deliver the Services described in the Statement of Requirements including:</p> <ul style="list-style-type: none"> <li>(a) the extent to which the Respondent meets the specified requirements, including any required certifications;</li> <li>(b) the extent to which the Respondent's personnel meet the requirements, including any required qualifications or certifications;</li> <li>(c) the extent to which the service delivery model contributes to the local economy;</li> <li>(d) the suitability of proposed Key Performance Indicators to encourage Supplier performance;</li> <li>(e) the extent to which the proposed commercial model meets the Commercial Requirements described in section 4 of the Statement of Requirements; and</li> <li>(f) the extent to which the Respondent's Proposal provides an innovative solution to minimise the Department's ongoing costs.</li> </ul>	60%
<p>The Respondent's capacity, including having regard to the Respondent's:</p> <ul style="list-style-type: none"> <li>(a) relevant experience (e.g. operation of vessels, working with the cruise ship industry or tourism industry, geographical knowledge of NI);</li> <li>(b) proposed service delivery model, resourcing and infrastructure; and</li> <li>(c) supporting systems and resources including quality, risk and assurance and business/financial planning.</li> </ul>	40%

## 7.2. Summary of Proposals and PEC Assessment

A summary of the PEC's assessment against the Technical Requirements, including an overview of the strengths and risks of each Proposal, is included below.

### 7.2.1. Transam Argosy Pty Ltd

PEC Weighted Score	Key Strengths	Potential Risks
	<p>The Respondent's ability to deliver the Services described in the Statement of Requirements including:</p> <ul style="list-style-type: none"> <li>(a) the extent to which the Respondent meets the specified requirements, including any required certifications;</li> <li>(b) the extent to which the Respondent's personnel meet the requirements, including any required qualifications or certifications;</li> <li>(c) the extent to which the service delivery model contributes to the local economy;</li> <li>(d) the suitability of proposed Key Performance Indicators to encourage Supplier performance;</li> <li>(e) the extent to which the proposed commercial model meets the Commercial Requirements described in section 4 of the Statement of Requirements; and</li> <li>(f) the extent to which the Respondent's Proposal provides an innovative solution to minimise the Department's ongoing costs.</li> </ul>	

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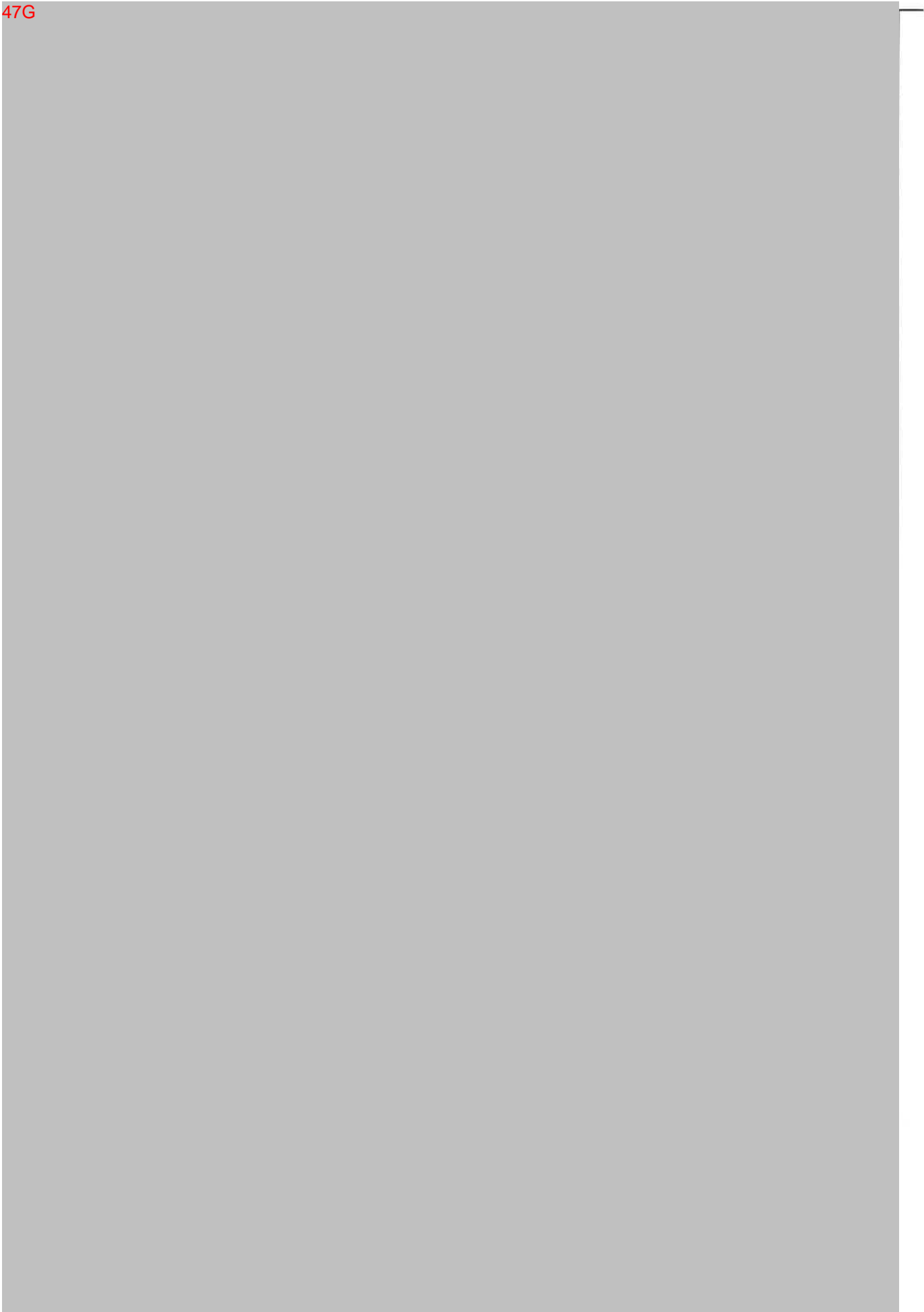


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### 7.3. Clarifications

The Procurement Adviser advised the Evaluation Committee that it was unlikely, based on the information provided in the responses, that the Evaluation Committee would be in a position to undertake a like-for-like comparison of price in the next stage of the evaluation process. To ensure a like-for-like comparison between the two Proposals, the Evaluation Committee elected at this stage to request that both Respondents resubmit their pricing offers in a template that clearly identified proposed costs across the term of the contract. The clarification process also sought to confirm from both respondents their pricing and response aligned with the proposed term of the contract in the Request for Proposal (initial 3 year term + 2 x 2 year extensions) as this wasn't entirely made clear in the original responses from both respondents.

### 7.4. Ranking (6.2.9)

At the conclusion of the initial assessment of proposals against the Technical Requirements, the Evaluation Committee determined the Respondent's Technical Performance Score, as illustrated in the table below:

Rank	Respondent	Technical Score
1	Transam Argosy Pty Ltd	47G
2	47G	

## 8. Pricing

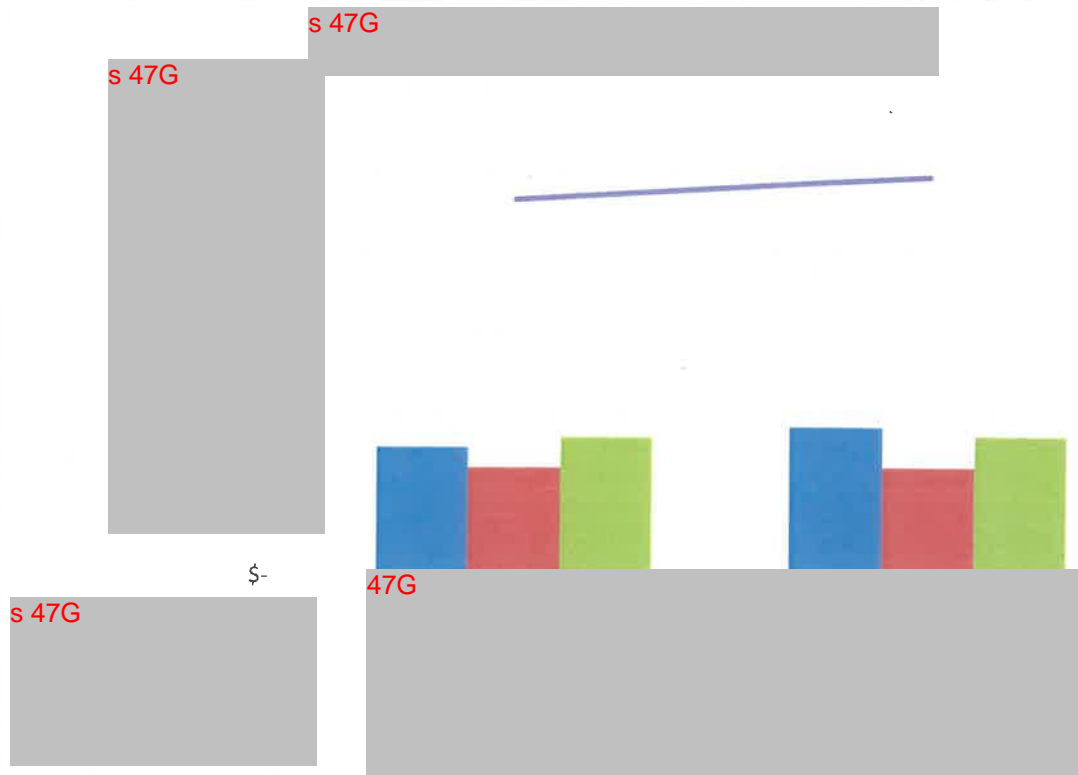
### 8.1. Pricing Analysis

Following the receipt of clarifications from both Respondents, prices were examined with the aim of evaluating cost based on Evaluation Criterion 2 being: the total costs, including cost risks to be incurred by the Commonwealth (costing and costing implications of commercial model).

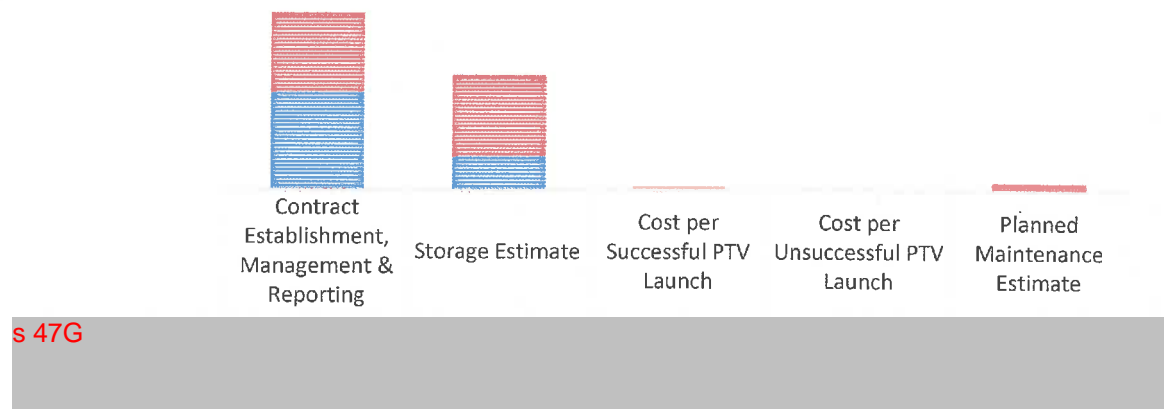
The outcomes of the pricing assessment are provided below. A copy of the detailed pricing analysis can be supplied on request.

The tables below summarise the estimated contract costs for each proposal over the initial contract term of years 1-3, and subsequent extension options. Figures are adjusted to ensure a like-for-like comparison. Primary assumptions(\*) made are:

- Storage option pursued under Transam proposal is the higher-cost option of purchasing land and constructing storage facility
- Storage option pursued under S... proposal is that the Commonwealth pay for storage construction and therefore have no rent obligation over the contract term
- Salaries for contract administration, operations and administration have been added into proposed costs for S... in accordance with the assumptions made in the S... proposal and seemingly omitted from their pricing schedule
- Costs exclude reactive maintenance, a contingency of which should be allowed for by the Commonwealth in any resulting contract



## COST ELEMENTS - YEARS 1 TO 3



The analysis above is based on the following assumed cruise ship visitation scenario:

PTV Transfers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Successful	6	9	15	60		85	
Unsuccessful	5	4	5	10		15	

### 8.2. Ranking after Pricing Consideration

The results of this evaluation, with Respondents ranked in order of total price (lowest to highest), are as follows:

Rank	Respondent	Total Price (\$) GST Excl.		
		Years 1-3	Years 4-5	Years 6-7
1	47G	s 47G		
2				

## 9. Risk

The evaluation plan requires that the Evaluation Committee identify a risk profile presented by each Respondent, in terms of:

- likelihood of the Respondent achieving what has been offered in its Proposal
- the Respondent's financial and corporate capacity
- the Respondent's compliance with the RFP, including Draft Key Terms
- other risks, including price certainty.

### 9.1. Likelihood of achieving what has been proposed

The Evaluation Committee relied predominantly on the performance of the Respondent's Proposal against the Technical Requirements in determining the likelihood of achieving what has been offered in each of the Respondent's Proposal.

The Evaluation Committee considered that the proposal from Transam offered a high level of confidence that what was proposed will be delivered. The strong existing networks and on-island knowledge of the proposed team, the existing corporate structure with minimal use of subcontractors, and the detailed proposals regarding how the services will be delivered (including the detailed consideration of risk, safety management and transition-in) all contribute to a **low risk rating for Transam.**

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### 9.2. Financial Viability

The proposal from 47G did not include the data necessary to conduct a financial viability check, as the entity is not yet fully established and therefore has no operating history / data to inform the analysis. As there is no ability to conduct analysis on the financial viability

of the proposal, the Evaluation Committee considered a **risk rating of medium appropriate to allocate** 47G

The proposal from Transam Argosy Pty Ltd included detailed financial statements for its majority shareholder PDL International Pte Ltd. A financial viability check was completed on PDL International Pte Ltd, which returned **an overall risk rating of low for Transam**.

### 9.3. Legal Compliance

As no draft contract was released with the RFP, a detailed legal compliance assessment was not completed as part of the Evaluation Committee's assessment of risk. Points to note are that both Respondents indicated some areas of partial compliance with the Key Terms, and neither of the respondents indicated any conflicts of interest in the provision of services. For this reason while the Evaluation Committee did not allocate a formal risk rating to either response on this element, it was noted that on the basis of the responses provided, if a rating were to be given it would be identical for both responses, and would therefore not impact on the overall assessment of risk.

### 9.4. Pricing Risk

The Evaluation Committee considered pricing risk in relation to the price-certainty provided from both Respondent's proposals.

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### 9.5. Risk Summary

The Evaluation Committee considers the following to represent the risk profile of each Respondent:

Rank	Respondent	Overall Risk
1	Transam Argosy Pty Ltd	47G
2	47G	

## STAGE 3 – INITIAL RANKING, SHORTLISTING & RFRP

### 10. Initial Ranking & Shortlisting

#### 10.1. Shortlisting

The Evaluation Plan indicated that the Evaluation Committee would, on the basis of the evaluation activities completed above, decide to shortlist all or some of the Respondents to proceed to the Positive Guidance Session and Request for Proposal process.

Part A1 of the RFP indicated that the Department may elect in its absolute discretion not to proceed to a Request for Refined Proposal and enter into direct negotiations with any shortlisted Respondent(s).

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- The proposed service delivery model comprising a significant number of subcontractors, with no evidence supplied of the experience of those subcontractors working together, was of high risk, with an alternative model unlikely to emerge during negotiations
- The lack of detail regarding how the services were to be provided in compliance with safety and risk management practices, and the omission of related aspects in their response (for e.g. standards) indicated a low level of priority given to these aspects, presenting significant risk.

#### 10.2. Final Ranking

The table below details the final ranking of assessed Respondents on the basis of best Value for Money:

Respondent	Total Price Estimate*	Technical Score	Overall Risk
Transam Argosy Pty Ltd	47G		
47G			

(\*) Years 1-7. Excludes a recommended contingency for reactive maintenance. Based on estimated cruise ship visitation with successful / unsuccessful transfers scenario indicated earlier in report.

## 11. Recommendation

The PEC recommends that Transam Argosy Pty Ltd be selected as the preferred Respondent for the provider of operation and maintenance services for Norfolk Island Passenger Transfer Vessels, and that the Department commence negotiations based on the draft Negotiation Directive included as Attachment C. and an accompanying negotiation strategy developed. It is recommended that s 47G

s 47G be informed that a preferred Respondent has been selected, however, the proposal from 47G has not yet been rejected, pending the outcome of negotiations with Transam.

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### Delegates Decision

AGREED / NOT AGREED

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Nicole Pearson

General Manager

Norfolk Island and Mainland Territories Branch

17 September 2019





1.C.

## NEGOTIATING DIRECTIVE

### Purpose

This Negotiating Directive seeks your approval to negotiate satisfactory contract terms and conditions and best possible value for money to provide operation and maintenance services for Norfolk Island Passenger Transfer Vessels.

Subject to satisfactory Contract terms and conditions being negotiated, the Department intends to enter into a contract with Transam Argosy Pty Ltd (Transam) to provide the services.

### Background

An open Request for Proposals was issued via AusTender on 20 June 2019 and closed 26 July 2019. Two proposals were received, with the offer from Transam determined by the Evaluation Committee as providing the best value for money offer (Evaluation Report refers). The Evaluation Committee has indicated several matters that will need to be negotiated and resolved to the satisfaction of the Department with Transam before a decision can be made on entering into a contract.

### Negotiating Team and Responsibilities

The Department's Negotiating Team (DNT) comprises the following members:

Role	Title of member
Lead Negotiator	47E(c) Territories Capital & Major Projects
Member	Alex Foulds, Executive Director, Territories Division
Member	47E(c), Director, Local Government and Facilities Management
Technical Advisors	s 47F Grosvenor Performance Group
	s 47F Consult Marine

The responsibility of the team is as follows:

Lead Negotiator: is to be the leader of the Commonwealth representatives and is responsible for ensuring that the terms and conditions of the Contract document meet Department and Commonwealth requirements, improving risk sharing arrangements and obtaining best value for money.

Members: are to assist the Lead Negotiator with information on services to be performed, bidders offer and price structure, RFP requirements, and other background information as required.

**Technical Advisors:** are to assist the Lead Negotiator with technical aspects of the Contract and risk sharing arrangements.

### **Participation**

The Lead Negotiator is to be present at all negotiating sessions and is to determine which members of the DNT are required to attend each negotiating session. Between negotiating sessions, members of the negotiating team are to consult to ensure that matters of concern are addressed quickly to allow them to discharge their responsibility in respect of the project.

During the course of the negotiation the DNT may refer specific issues to separate working groups to progress discussions.

### **Objectives**

The objective of the negotiations is to achieve the best value for money outcome, including confirming a final scope of work, and recommending for signature, a contract between the Commonwealth of Australia represented by the Department and Transam Argosy Pty Ltd to provide operation and maintenance services for Norfolk Island Passenger Transfer Vessels.

### **Schedule of Activities**

The negotiations will generally follow the indicative schedule detailed in the following table.

**Table 1: Schedule for Negotiations**

<b>Department Milestones</b>	<b>Date(s)</b>
<b>Stage 1:</b>	
Issue high level clarification & probity protocols to Transam	11 September 2019
Receive high level response from Transam	18 September 2019
<b>Stage 2:</b>	
Negotiation and clarification meeting	19 September 2019
Transam to confirm in writing its final position on the identified issues	26 September 2019
Finalisation of contract terms	16 October 2019
Recommendation to Delegate	18 October 2019
AAD Approval	25 October 2019
Contract execution	4 November 2019

The following provides further details regarding the processes to be followed during negotiations. The DNT will determine during each stage whether they are satisfied that negotiations with Transam are consistent with Departmental requirements including the achievement of value for money.

### **Stage 1 - Distribution of Negotiation Issues**

A list of the issues to be negotiated are provided at Attachment A.

### **Stage 2 - Negotiation, Clarification Meetings and Confirmation of Outcomes**

The Department will issue correspondence to Transam identifying:

- a. Any further specific issues that the Department has identified;
- b. Other issues of concern that the Department wants to clarify for its proposal.

It is currently planned to hold the negotiation meeting on 19 September 2019, subsequent to Transam providing in writing their position on identified issues. Further meetings may be held with Transam to deal with identified issues or unexpected issues, if necessary. If the DNT are satisfied that the outcomes of the negotiations with Transam meet Departmental requirements including achievement of value for money then the DNT are to prepare documentation to seek delegate approval to enter into a contract.

### **Special Requirements**

In conducting the negotiations, the DNT are required to have regard to the following:

- The negotiating team is to identify those aspects of the Contract, which are of particular concern to either party and require specialist consideration.

### **Limitation of authority**

The DNT does not have the authority to:

- Deviate from normal Commonwealth policies; and
- Sign any document or give any verbal undertakings on behalf of the Commonwealth committing it to a Contract until I have agreed that the Department's requirements are satisfactorily met in the proposed Contract.

In the event that the above limitations prevent agreement being reached with Transam and the negotiations are unable to conclude arrangements satisfactorily, the matter is to be referred to myself in the first instance.

### **Security**

Normal Departmental security provisions are to be observed.

### **Confidentiality of Negotiations**

The negotiations and associated papers are to be regarded as "COMMERCIAL-IN-CONFIDENCE". Representatives of Transam are to be advised accordingly and requested not to make known to third parties the content of papers provided to them for the purposes of the negotiations, or the fact that negotiations are in progress.

### **Alternative Strategies**

If negotiations with Transam cannot be successfully concluded, then the DNT is to approach the next rated Proposal **s 47G** and apply the strategies and principles advised in this negotiating directive. This strategy is to provide the Department with potential alternative options if negotiations do not succeed with Transam.

**Reporting**

At the conclusion of the negotiations, a brief report is to be prepared and submitted to the delegate which provides a recommendation of whether the negotiated offer by the preferred service provider represents value for money. The report should be structured broadly as follows:

- a. a summary of the negotiation process including relevant aspects of the negotiating directive and any issues of probity arising during the process;
- b. a summary of the negotiation outcomes, including Value for Money conclusions; and
- c. a recommendation of any further actions considered necessary prior to my endorsement of the preferred service provider, including signing the Contract.

s 47F

Nicole Pearson  
General Manager  
Norfolk Island and Mainland Territories

17/9/2019

**References:**

- A. Procurement Plan
- B. RFP
- C. RFP Response from Transam
- D. RFP Evaluation Report

**Attachments:**

- A. Transam clarification issues

Attachment A- Table 1

ITEM	MATTER FOR DISCUSSION	TRANSAM ARGOSY PTY LTD RESPONSE	DEPARTMENT'S RESPONSE
1	<p>The Department wishes to explore entering into an interim arrangement with Transam for the scheduled October cruise ship visit. It is envisaged that reaching a point of agreement and finalisation of the services contract may not be possible in preparation for the October cruise ship visit, so is wishing to explore what arrangements might be possible to ensure PTV operation is available for the October visit with Transam. This may include entering into an MOU and meeting costs of Transam for the interim arrangement (which the Department would expect to offset costs in any subsequent services contract (for e.g. training and insurances) .</p>		
2	<p>The Department wishes to further explore the risk sharing arrangement in the commercial model, including:</p> <ul style="list-style-type: none"> <li>• an agreement from Transam that any revenue received from operations funded by the Commonwealth (for e.g. revenue from cruise ships utilising the PTVs) will be returned to the Commonwealth</li> <li>• an in-principle agreement from Transam to support negotiations with Cruise Ship operators to remunerate the Commonwealth for the provision of PTV service</li> </ul>		
3	<p>The Department wishes to further explore the storage options with Transam, including:</p> <ul style="list-style-type: none"> <li>• understanding in further detail the assumptions made regarding to cost estimates, including the proposed design / facilities for the storage solution</li> </ul>		

4	The Department wishes to confirm that the first survey of the PTV will occur in 2020, rather than 2021 as indicated in the Proposal		
5	The Department notes the proposal regarding Kingston Pier and the purchase of mobile cranes to provide another landing facility for cruise ship transfers. The Department seeks further detail regarding how the Respondent sees this working, including how it would navigate road access arrangements for the transportation of PTVs		
6	The Department seeks further clarification on proposed subcontractors, specifically who the builder and fuel supplier will be		
7	The Department wishes to explore the potential of securing a performance guarantee from Transam Argosy's majority shareholder, PDL International Pte. Ltd.		
8	The Department seeks further clarification from Transam regarding the proposed term, specifically that Transam are willing to enter into an agreement based on a 3+2+2 year term, and that the proposed pricing (post clarification) and approach to service delivery is applicable to the 3+2+2 term		
9	The Department wishes to understand what, if any, cost reduction might be available to the Department if the Department elected to enter into a longer contract term with Transam (for e.g. 5 + 2 + 2 year)		
10	The Department wishes to explore further the opportunities for additional revenue-generating operations from the use of the PTVs, including the potential for tourism services		

11	<p>The Department wishes to better-understand the assumptions made in building together the cost model, with the objective of identifying any opportunities for cost reduction, for example:</p> <ul style="list-style-type: none"> <li>• salary rates</li> <li>• costs the Commonwealth might be able to meet outside of the contract (for e.g. insurance)</li> <li>• cleaning requirements.</li> </ul>		
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