

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

# Report 7/2017

*Referrals made in June 2017*

Parliamentary Standing Committee on Public Works

October 2017  
CANBERRA

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# Contents

List of Recommendations .....v

Committee Membership .....vii

## The Report

1 Introduction.....1

2 Australian War Memorial, Treloar E Large Technology Objects Store  
Project, ACT .....5

3 IP Australia Accommodation Project, Woden ACT .....11

4 JP 2008 Phase 5B2 Wideband Satellite Capability Project .....17

5 Explosive Ordnance Logistics Reform Program, Victoria.....23

6 HMAS Cerberus Redevelopment, Victoria.....31

Appendix A. List of Submissions .....41

Appendix B. List of Public Hearings and Witnesses.....43



# List of Recommendations

## Recommendation 1

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- 2.23 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Australian War Memorial Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory.

## Recommendation 2

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- 3.20 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: IP Australia Accommodation Project: Building Refresh Discovery House, Woden, Australian Capital Territory.

## Recommendation 3

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- 4.23 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: JP2008 Phase 5B2 Wideband Satellite Capability Satellite Ground Station – East Facilities project at Kapooka Military Area, New South Wales.

## Recommendation 4

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- 5.29 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Explosive Ordnance Logistics Reform Program Project.

**Recommendation 5**

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- 6.39 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: HMAS *Cerberus* Redevelopment Project.

# Committee Membership

## *Chair*

Mr Scott Buchholz MP

Wright, QLD

## *Deputy Chair*

Mr Tony Zappia MP

Makin, SA

## *Members*

Senator Alex Gallacher

ALP, SA

Senator Dean Smith

LP, WA

Senator John Williams

Nats, NSW

Mr David Coleman MP

Banks, NSW

Mr Ian Goodenough MP

Moore, WA

Ms Justine Keay MP

Braddon, TAS

Ms Joanne Ryan MP

Lalor, VIC

***Acting Committee Secretary***

Ms Pauline Cullen

***Inquiry Secretary***

Mr James Bunce

***Senior Researcher***

Mr Peter Pullen

***Researcher***

Ms Belynda Zolotto

***Office Manager***

Mrs Fiona McCann (*until 18 September 2017*)

Ms Tanya Pratt (*from 9 October 2017*)



# 1. Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Minister for Small Business.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.<sup>1</sup>
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
  - the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
  - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
  - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
  - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
  - the clearing of land and the development of land for use as urban land or otherwise; and

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<sup>1</sup> The Public Works Committee Act 1969 (the Act), Part III, Section 18(8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work, and work by prescribed authorities listed in the Regulations.

- any other matter declared by the regulations to be a work.<sup>2</sup>
- 1.4 The Act requires that the Committee to consider and report on:
- the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of, carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>3</sup>
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

## Structure of the Report

- 1.6 The Minister for Small Business, The Hon Michael McCormack MP, referred the following proposed projects to the Committee in June 2017:
- Australian War Memorial, Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory;
  - IP Australia Accommodation Project: Building Refresh, Discovery House, Woden, Australian Capital Territory;
  - JP2008 Phase 5B2 Wideband Satellite Capability, Satellite Ground Station, East Facilities Project, New South Wales;
  - Explosive Ordnance Logistics Reform Program Project, Seymour, Victoria; and
  - HMAS *Cerberus* Redevelopment Project, Western Port Bay, Victoria.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on significant issues of interest or concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report

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<sup>2</sup> The Act, Section 5.

<sup>3</sup> The Act, Section 17.

are encouraged to access the full inquiry proceedings available on the Committee's website.

- 1.10 Chapter 2 addresses the proposed Australian War Memorial, Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory. The estimated cost of this project is \$16.1 million (excluding GST).
- 1.11 Chapter 3 addresses the proposed IP Australia Accommodation Project: Building Refresh, Discovery House, Woden, Australian Capital Territory. The estimated cost of this project is \$39.7 million (excluding GST).
- 1.12 Chapter 4 addresses the proposed JP2008 Phase 5B2 Wideband Satellite Capability Satellite Ground Station, East Facilities Project. The estimated cost of this project is \$33.9 million (excluding GST).
- 1.13 Chapter 5 addresses the proposed Explosive Ordnance Logistics Reform Program. The estimated cost of this project is \$230.9 million (excluding GST).
- 1.14 Chapter 6 addresses the proposed HMAS *Cerberus* Redevelopment Project in Western Port Bay, Victoria. The estimated cost of this project is \$463.1 million (excluding GST).
- 1.15 Submissions are listed at Appendix A, and hearings and witnesses are listed at Appendix B.



## **2. Australian War Memorial, Treloar E Large Technology Objects Store Project, ACT**

- 2.1 The Australian War Memorial (AWM) seeks approval from the Committee to proceed with the Treloar E Large Technology Objects Store Project in Mitchell, Australian Capital Territory.
- 2.2 The estimated cost of the project is \$16.1 million (excluding GST).
- 2.3 The project was referred to the Committee on 22 June 2017.

### **Conduct of the inquiry**

- 2.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.5 The Committee received one submission and one confidential submission. A list of submissions can be found at Appendix A.
- 2.6 On 15 September 2017, the Committee conducted a public and in-camera hearing. A transcript of the public hearing is available on the Committee's website.

### **Need for the works**

- 2.7 In its submission, AWM outlined the role of the Treloar Resource Centre:  

It is the AWM's conservation facility and store for large objects of military technology, including aircraft, vehicles, boats, missiles and guns. Items of special significance include a Japanese Ha-Go tank captured at the Battle of

Milne Bay, a RAAF Caribou and Iroquois helicopter used in Vietnam, and an Army Bushmaster vehicle damaged by an improvised explosive device in Afghanistan. The facility also includes workshops that are used for large scale conservation projects.<sup>1</sup>

- 2.8 According to AWM, the continual acquisition of historical material and the resultant need for storage capacity necessitated the development of a long-term strategy to ensure sufficient storage capacity is available. AWM stated:

The AWM commissioned the development of the Mitchell Precinct Development Plan, which involved the mapping of the historical patterns of collections growth against the available storage capacity. The plan was based on two decades of research and monitoring, and established the design principles for future storage at Mitchell. By extrapolating historical data and considering known and likely collections that will become available in the coming years, the Mitchell Precinct Development Plan estimates an increase of 4,000 square metres of storage per decade will be required to house the collections.<sup>2</sup>

- 2.9 Further, AWM told the Committee that there was a need for increased storage capacity at the Mitchell facility now:

There are collections being stored in sub-standard conditions and there is a significant planned handover of objects from the Department of Defence which will create immediate pressure for expansion of the Memorial's storage capacity. Some large technology items are stored in inadequate sheds. [...] Based on the current deficit of capacity and the known need for the additional capacity in the near future it is essential that a new facility is constructed as soon as possible.<sup>3</sup>

- 2.10 AWM noted that there is currently a storage deficit of 1,807 square metres. Additionally, AWM stated that there are a number of large technology objects of historical significance that are to be handed over in the next two years, including:

- FA18 Classic Hornet fighter-bomber;
- AS350 Squirrel helicopter;
- S-70B Seahawk helicopter;
- AP-3C Orion;

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<sup>1</sup> Australian War Memorial, *Submission 1*, p. 4.

<sup>2</sup> Australian War Memorial, *Submission 1*, p. 4.

<sup>3</sup> Australian War Memorial, *Submission 1*, p. 7.

- Up-armoured Mack Heavy Recovery Vehicle; and
- SASR Unimog ARN 38 604.<sup>4</sup>

2.11 In order to address this deficit in storage capacity, AWM developed the Treloar E Large Technology Objects Store Project (the Project):

The Project involves the construction of a single level storage facility on the Commonwealth owned Treloar E site for approximately 5,288 square metres of total floorspace for the storage of... primarily military aircraft and large military equipment such as infantry mobility vehicles handed over from the Department of Defence as the equipment is retired from service.<sup>5</sup>

2.12 At the public hearing, AWM stated that the proposed facility will not only address the current storage deficit, but will also leave a residual storage capacity of 3,433 square metres, which would give the AWM 'a forward storage capacity of around 8.6 years.'<sup>6</sup>

2.13 The Committee is satisfied that the need for the work exists.

## Scope of the works

2.14 In its submission, AWM stated that:

The building will be developed to enable all items to be stored on one level. The structure will be cost effective with a type of construction similar to the existing storage facilities.<sup>7</sup>

2.15 AWM told the Committee that the proposed facility 'has been designed to provide level access' between the existing Treloar B storage facility and the proposed new facility. According to AWM, 'the matching of levels will significantly improve the management of collections over time.'<sup>8</sup>

2.16 AWM outlined the structure of the proposed new facility:

Based on the geotechnical report it is anticipated that the single level structure will have a concrete slab that is founded on rock. Steel universal columns will provide the main structure that supports a clear span steel truss that will be

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<sup>4</sup> Australian War Memorial, *Submission 1*, pp. 7-8.

<sup>5</sup> Australian War Memorial, *Submission 1*, p. 10.

<sup>6</sup> Major General Brian Robert (Retired), Australian War Memorial, *Transcript of evidence*, 15 September 2017, p. 2.

<sup>7</sup> Australian War Memorial, *Submission 1*, p. 11.

<sup>8</sup> Australian War Memorial, *Submission 1*, p. 11.

approximately two metres deep. The end walls will have universal beams at eight metre centres to support the walls. There will need to be a perimeter retaining wall or batter to the Flemington road side of the building to retain the earth that varies in depth along this boundary.<sup>9</sup>

- 2.17 At the public hearing, AWM provided further detail on the construction of the building:

The Treloar E key space and system matrix has a total floor space of 5,240 square metres. The entry roller-door size is 12 metres wide, to cater for those very wide aircraft like the Dakota and the Caribou, and eight metres high. The floor-to-ceiling height, or the trusses, is eight metres for most of the building but for a couple of bays in the unloading [area] it is 11 metres high. The mechanical system to control the environment will be variable air volume and a lighting system that will rely on 240 watt LED high bay lights will be evenly spread to provide an even lighting throughout the storage facility. We intend to install a rooftop solar system, which will give us a 100 kilowatt capacity to augment the electrical supply to the building.<sup>10</sup>

## Cost of the works

- 2.18 The total estimated cost of the project is \$16.1 million (excluding GST). It includes the cost of construction, contingencies, cost escalation and professional fees.
- 2.19 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with AWM on the project costs.
- 2.20 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

## Committee comment

- 2.21 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 2.22 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies

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<sup>9</sup> Australian War Memorial, *Submission 1*, p. 11.

<sup>10</sup> Major General Brian Robert (Retired), Australian War Memorial, *Transcript of evidence*, 15 September 2017, p. 2.



value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

### **Recommendation 1**

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- 2.23 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Australian War Memorial Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory.**
- 2.24 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of the project completion. A report template can be found on the Committee's website.



## 3. IP Australia Accommodation Project, Woden ACT

- 3.1 IP Australia seeks approval from the Committee to proceed with the IP Australia Accommodation Project: Building Refresh Discovery House (the Project), in Woden, Australian Capital Territory.
- 3.2 The estimated cost of the project is \$39.7 million (excluding GST).
- 3.3 The project was referred to the Committee on 22 June 2017.

### Conduct of the inquiry

- 3.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.5 The Committee received one submission and one confidential submission. A list of submissions can be found at Appendix A.
- 3.6 On 15 September, the Committee conducted a public and in-camera hearing. A transcript of the public hearing is available on the Committee's website.

### Need for the works

- 3.7 IP Australia is the entity responsible for administering Australia's intellectual property (IP) rights system. Its area of responsibility covers trademarks, patents, designs, and plant breeders' rights.<sup>1</sup> At the public hearing, IP Australia told the Committee:

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<sup>1</sup> IP Australia, *Submission 1*, p. 3.

We process 800,000 customer transactions each year, transacting each year with around 125,000 of our individual customers. In terms of people, we have around 1,275 employees nationally, with 1,159 based at our headquarters, Discovery House, in the Woden Town Centre in Canberra.<sup>2</sup>

3.8 In its submission, IP Australia stated:

In 2015 IP Australia developed a Workplace of the Future Strategy 2015-2018 to provide an overarching approach to developing and programming works to suitably accommodate an evolving workforce.<sup>3</sup>

3.9 The Workplace of the Future Strategy found that the ageing accommodation is 'not only dated', but also 'no longer entirely fit for purpose'. Specifically:

- IP Australia's current style of accommodation is predominantly traditional open plan. Its bay to office ratio has been tailored to support a hierarchical management structure. Executive Level 2 (EL2) and a significant number Executive Level 1 (EL1) [staff] are accommodated in a cellular arrangement of offices located along the central spine of each floor plate;
- interspersed amongst the offices and bays of workstations are meeting rooms and quiet rooms. However, in recent years almost all quiet rooms have been converted into offices. Further, a number of large meeting rooms have been converted into secluded bays of workstations, principally used by project teams. This has created pressure on the availability of meeting rooms;
- approximately 230 patent examiners are accommodated in a unique cellular arrangement of individual cubicles;
- IP Australia's occupied workpoint densities are currently lower than the 14 square metres per person mandated by the Department of Finance. While the design density at the agency is currently 13.2 square metres [per workpoint] the vacancy rate is 22 per cent. The issues that limit the ability of IP Australia to effectively consolidate staff and improve occupational densities includes:
  - the allocation of offices to EL2s and a significant number of EL1s, which not only increases the footprint for these staff but as the office to bay accommodation ratio is rarely a neat fit there are many instances where bays remain unfilled. Additionally, this workforce profile makes restructures complex as the construction of new offices is often required, which is both a lengthy and costly process; and

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<sup>2</sup> Ms Patricia Kelly, IP Australia, *Transcript of evidence*, 15 September 2017, p. 1.

<sup>3</sup> IP Australia, *Submission 1*, p. 11.

- the specialised nature of accommodation for particular cohorts such as examination teams, which were previously deemed necessary due to the requirement for concentrated work.
- the inflexible configuration of accommodation combined with an inflexible information and communication technology (ICT) solution means that moves and restructures require significant after hours resourcing.<sup>4</sup>

3.10 In order to address the limitation of the existing fit-out, IP Australia told the Committee that it had developed the following objectives for the Project:

- a contemporary fit-out that supports flexible work practices, thereby allowing IP Australia to increase its occupational workpoint densities with a view to achieving the Government's target of 14 square metres per occupied workpoint;
- reducing the costs associated with churn (staff relocations required to run the business, related to organisational changes and the preferred co-location of Group staff);
- improving the typology and ratio of meeting rooms and shared spaces to better meet the needs of an emerging and future workforce;
- upgrades to aged (20 years in North and South Wings) base building services and amenities;
- future proofing the agency for changes in IP Rights demand levels through integration of a sublease strategy; and
- targeted enhancement to accommodation, which includes on site access to a childcare facility and health and wellbeing room in order to retain and attract high value employees.<sup>5</sup>

3.11 The Committee is satisfied that the need for the work exists.

## Scope of the works

3.12 IP Australia told the Committee that the Project would include a building refresh, covering the following aspects:

- relocation of the café and multipurpose amenities room;
- fit-out of new childcare centre designed to cater for up to 60 children;
- reconfiguration/relocation of the existing conference facilities/hearing rooms;
- a health and wellbeing room; and

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<sup>4</sup> IP Australia, *Submission 1*, pp. 11-12.

<sup>5</sup> IP Australia, *Submission 1*, p. 9.

- a rolling program of flexible fit-out improvement to the office tenancy.<sup>6</sup>

3.13 In addition to these proposed works, IP Australia noted that a range of base building works will be undertaken under the new lease arrangement with the building owner:

- lobby upgrades to accommodate a new café;
- bathroom upgrades to all floors and common/shared areas to meet current codes and requirements, and to ensure that the standard of amenities is consistent across the whole site;
- lift interior upgrades and review of lift services;
- upgrade of mechanical/heating, ventilation and air conditioning services, including increasing the sensor zones to improve energy efficiency management;
- building/Construction Code and Disability standards compliance upgrade to lifts, bathrooms and stairs where applicable;
- installation of energy efficient lighting and controls throughout the building;
- refit of all floors with new ceiling tiles and grids and new air conditioning diffusers;
- recarpet of all floors will be incorporated with the proposed program of upgrade works; and
- improved entrance airlocks.<sup>7</sup>

3.14 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

## Cost of the works

3.15 The total estimated cost of the project is \$39.7 million (excluding GST). It includes the cost of construction, fixtures, fittings, furniture, design and project management fees, contingencies, relocation costs, internal resourcing and risk estimation costs.<sup>8</sup>

3.16 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with IP Australia on the project costs.

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<sup>6</sup> IP Australia, *Submission 1*, p. 14.

<sup>7</sup> IP Australia, *Submission 1*, p. 14.

<sup>8</sup> IP Australia, *Submission 1*, p. 21.

- 3.17 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

## Committee comment

- 3.18 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 3.19 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

## Recommendation 2

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- 3.20 **The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: IP Australia Accommodation Project: Building Refresh Discovery House, Woden, Australian Capital Territory.**
- 3.21 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of the project completion. A report template can be found on the Committee's website.





## 4. JP 2008 Phase 5B2 Wideband Satellite Capability Project

- 4.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the proposed JP2008 Phase 5B2 Wideband Satellite Capability Satellite Ground Station – East Facilities Project. This project forms part of the Joint Project 2008 (JP2008) Military Satellite Communications which is a multi-phased project to provide the Australian Defence Force (ADF) with a range of strategic and tactical satellite communications capabilities.<sup>1</sup>
- 4.2 As part of JP2008 Phase 4, a memorandum of understanding was signed with the United States Government to secure an agreed level of wideband communications satellite capacity and service from the Wideband Global Satellite constellation of satellites providing global coverage in the X and Ka frequency bands.<sup>2</sup>
- 4.3 The JP2008 Phase 5B2 Wideband Satellite Capacity project aims to:
- deliver a Satellite Ground Station – East (SGS-E) to provide anchoring of WGS satellites visible from the east coast of Australia; and
  - provide the overarching wideband satellite communications Network Management System (NMS).<sup>3</sup>
- 4.4 The project was referred to the Committee on 22 June 2017.

### Conduct of the Inquiry

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<sup>1</sup> Department of Defence, *Submission 1*, p. 1.

<sup>2</sup> Department of Defence, *Submission 1*, p. 1.

<sup>3</sup> Department of Defence, *Submission 1*, p. 1.

- 4.5 Following referral, the inquiry was publicised on the Committee web page and via a media release.
- 4.6 The Committee received one submission, one supplementary submission and two confidential submissions. A list of submissions can be found at Appendix A.
- 4.7 The Committee received a briefing from the Department of Defence and conducted public and in-camera hearings on 15 September 2017. A transcript of the public hearing and the public submissions to the website are available on the Committee's website.

## Needs for the works

- 4.8 In its submission, Defence noted that the ground station for the satellites would provide anchoring of the WGS satellites which are visible from the east coast of Australia as well as providing the overarching wideband satellite communications network management system.<sup>4</sup>
- 4.9 The ground station includes a facility to house the satellite equipment and associated communication system at a suitable location. The location is near to the southern extremity of the Kapooka Military Area, near Wagga Wagga in New South Wales.
- 4.10 Defence asserted that the project will '...provide us with an increased capacity to anchor and provide better service to our deployed forces.'<sup>5</sup>
- 4.11 When questioned on what would constitute 'better service,' Defence explained:

At the moment, we have to restrict the amount of data we can transfer using the extant older systems. This will provide us with a larger station with a larger ability to transfer data faster. We're also rolling out new fleets of deployable terminals. This will meet that need by giving us a bigger anchor station to anchor those.<sup>6</sup>

## Scope of the works

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<sup>4</sup> Department of Defence, *Submission 1*, p. 1.

<sup>5</sup> Group Captain Colin Thomson, Department of Defence, *Transcript of Evidence*, 15 September 2017, p. 3.

<sup>6</sup> Group Captain Colin Thomson, Department of Defence, *Transcript of Evidence*, 15 September 2017, p. 3.

- 4.12 The proposed scope is outlined in the submission from the Department of Defence which is to deliver fit-for-purpose SGS-E facilities and infrastructure for the strategic anchoring of wideband satellite communications within the Kapooka Military Area.
- 4.13 The proposed works have been separated into the following three work elements:
- 1 Work Element 1: The Satellite Ground Station (SGS- E) works;
  - 2 Work Element 2: Defence Terrestrial Communications Network (DTCN) connection to SGS-E; and
  - 3 Work Element 3: Base Utilities, Services and Roads to SGS-E.
- 4.14 The proposed works for the three elements of the project are as follows:
- Work Element 1 - Satellite Ground Station works will include:
    - Satellite Dish Foundation Infrastructure: This includes concrete pads and services connections from the proposed location of the three satellite dishes to the Transmission building;
    - Transmission Building: This is a physically secure facility that houses communications equipment to support satellite communication services. The Transmission building includes facilities for up to three maintenance personnel, including workstations, toilets and a kitchenette; and
    - Supporting Infrastructure which includes:
      - i security fencing for the new SGS-E compound;
      - ii installation of backup generators and fuel storage;
      - iii vehicle access roads and parking; and
      - iv water storage tanks to support fire-fighting and on-site water requirements.
  - Work Element 2 - Connection of the SGS-E to the DTCN which will include:
    - off-base pit and pipe installation;
    - fibre optic cabling in the pit; and
    - pipe infrastructure to connect SGS-E to dual off-base telephone exchanges.
  - Work Element 3 - The Base Utilities, Services and Roads to the SGS-E site will include:
    - connection of the base water, electricity, fire monitoring, security monitoring;

- building management services to the SGS-E site, sealing of SGS-E access roads; and
  - provision of stormwater protection external to the SGS-E site boundary.<sup>7</sup>
- 4.15 The DTCN provides the terrestrial communications connectivity needed by SGS-E to project the Defence strategic networks to deployed ADF assets in support of operations.<sup>8</sup>
- 4.16 Defence submitted that the satellite dishes and communications equipment within the transmission building are part of the Capability Project materiel acquisition and are therefore separate from the infrastructure and building works required to support the capability.<sup>9</sup>

## Cost of the works

- 4.17 The estimated cost of the project is \$33.9 million, excluding GST. The cost estimate includes the construction costs, professional service fees, management fees, contingencies and escalation.<sup>10</sup>
- 4.18 Defence noted that the operating costs will increase as a result of the proposed works due to the ongoing operation and support services required by the new facilities.<sup>11</sup>
- 4.19 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on the project costs.
- 4.20 The Committee is satisfied that the costings for the project provided to it have been adequately addressed by the proponent agency.

## Committee comment

- 4.21 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.

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<sup>7</sup> Department of Defence, *Submission 1*, pp. 10-12.

<sup>8</sup> Department of Defence, *Submission 1*, p. 11.

<sup>9</sup> Department of Defence, *Submission 1*, p. 6.

<sup>10</sup> Department of Defence, *Submission 1*, p. 19.

<sup>11</sup> Department of Defence, *Submission 1*, p. 19.

- 4.22 Having regard to its role and the responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

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### **Recommendation 3**

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- 4.23 **The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: JP2008 Phase 5B2 Wideband Satellite Capability Satellite Ground Station – East Facilities project at Kapooka Military Area, New South Wales.**
- 4.24 Proponent agencies must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.



## **5. Explosive Ordnance Logistics Reform Program, Victoria**

- 5.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the Explosive Ordnance Logistics Reform Program (EOLRP) Project.
- 5.2 The estimated cost of the project is \$230.9 million (excluding GST).
- 5.3 The project was referred to the Committee on 22 June 2017.

### **Conduct of the inquiry**

- 5.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 5.5 The Committee received five submissions and two confidential submissions. A list of submissions can be found at Appendix A.
- 5.6 On 29 September 2017, the Committee conducted a public and in-camera hearing. A transcript of the public hearing is available on the Committee's website.

### **Need for the works**

- 5.7 According to Defence, the explosive ordnance (EO) network is a critical enabler to Australian Defence Force (ADF) training and operations:

This network provides direct support to our troops, combat vehicles, aircraft and naval vessels, amongst others, through the acquisition, transportation,

storage, distribution, handling, maintenance, return and disposal of explosive ordnance products.<sup>1</sup>

- 5.8 Defence submitted that it had recently made changes to the way that it operated the explosive ordnance (EO) supply chain:

The EO network historically comprised a collection of depots developed and operated by the individual Services in isolation to meet specific storage and handling requirements. In the late 1990s, these EO depots were amalgamated into a national network under the stewardship of Joint Logistics Command.<sup>2</sup>

- 5.9 Defence told the Committee that:

Since that amalgamation, there has been limited investment in EO logistic infrastructure and the facilities have not evolved to meet changing storage and processing requirements of new weapons platforms. These legacy issues have culminated in a shortfall in national EO storage and handling capacity, and logistics support being delivered from ageing facilities. Both factors are contributing to inefficiencies in service delivery and increased operating costs.<sup>3</sup>

- 5.10 Defence stated that ‘rectifying current network inefficiencies’ will help to ‘support and ensure the ongoing effectiveness of Australia’s broader Defence capability’ by delivering ‘increased storage and handling capacity to the national EO network.’<sup>4</sup>

- 5.11 The Committee is satisfied that the need for the works exists.

## Scope of the works

- 5.12 In its submission, Defence outlined the range of facilities it proposes to build at the various locations.

- Administration building. A standard office facility to provide modern and fit-for-purpose working accommodation for EO Depot personnel. The administration building will be sized to house the working population of the relevant depot. The administration building will be a fully climate controlled environment and includes:
  - car parking for depot personnel and visitors;

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<sup>1</sup> Brigadier Noel Buetel, Department of Defence, *Transcript of evidence*, 29 September 2017, p. 1.

<sup>2</sup> Department of Defence, *Submission 1*, p. 1.

<sup>3</sup> Department of Defence, *Submission 1*, p. 1.

<sup>4</sup> Department of Defence, *Submission 1*, p. 1.



- a visitor entry for depot security control and dedicated area for visitor inductions;
  - ablutions, kitchenette and lockers for staff amenity;
  - working accommodation for depot personnel (ranging from five to 30 people, depending on the depot), including meeting rooms, and a mix of standard offices and open-plan workstations; and
  - communications rooms to the relevant standards to accommodate Defence and contractor information and communications technology networks.
- Ammunition process building. A specialist workshop to provide for the safe inspection, testing and maintenance of various EO holdings. The ammunition process building will be a fully climate controlled environment and includes:
    - covered areas for the all-weather receipt and dispatch of goods;
    - workrooms and paint booth for the safe and efficient conduct of explosive ordnance processing activities;
    - plant and storage areas; and
    - administration and staff amenity facilities.
  - EO storage facilities. These facilities provide for the safe storage of all classes of ordnance in the Defence inventory to the relevant policy and safety standards. The EO storage facility types to be provided are:
    - earth covered buildings. A reinforced concrete warehouse-type structure for storage of pallets and containers, with an external earth covering, and a hardstand to assist with receipt and dispatch activities;
    - light frangible buildings (small arms ammunition and flares). A logistics warehouse for storage of pallets, with an external hardstand to assist with receipt and dispatch activities; and
    - light frangible buildings (white phosphorous). A reinforced concrete logistics warehouse for storage of pallets, with an external hardstand to assist with receipt and dispatch activities.
  - Non-EO storage building. A basic warehouse structure for the palletised storage of non-EO goods, with an external canopy and hardstand to facilitate all-weather activities.
  - Hardstands. Rigid pavement hardstands for temporary containerised EO storage and handling.
  - Quarantine inspection facility. A facility suitable for the Department of Agriculture and Water Resources' 'point of entry' inspection, quarantine and treatment of imported goods.

- Materials handling equipment (MHE) store. A basic weatherproof structure for the storage of MHE and facilities for centralised depot receipt and dispatch.
- Civil infrastructure. Vehicle and pedestrian pavements will be provided to achieve access to new facilities. Pavement types are designed to the relevant traffic and operations, with main roads and hardstands rated for B-double heavy vehicles and MHE; flexible pavement is provided to areas of light vehicular traffic.<sup>5</sup>

5.13 Defence proposes to construct EO storage and logistics facilities at 12 locations around Australia:

- Explosive Ordnance Depot Amberley, Ipswich, Queensland includes an administration building, ammunition process building, two earth covered buildings, two light frangible buildings (one small arms and one flares), one non-EO storage building, and civil and engineering services;
- Explosive Ordnance Depot Mt Stuart, Townsville, Queensland includes an administration building, one earth covered building, one light frangible building (white phosphorous), and civil and engineering services;
- Explosive Ordnance Depot Darwin, Northern Territory includes one administration building, one ammunition process building, two light frangible buildings (one small arms and one white phosphorous), one non-EO storage building, and civil and engineering services;
- Explosive Ordnance Depot Myambat, Denman, New South Wales includes seven earth covered buildings, three light frangible buildings (small arms), one MHE store, one depot gatehouse, and civil and engineering services;
- Explosive Ordnance Depot Williamtown, New South Wales includes one earth covered building and civil and engineering services;
- Explosive Ordnance Depot Twofold Bay, Eden, New South Wales includes two earth covered buildings and civil and engineering services;
- Explosive Ordnance Depot Mangalore, Seymour, Victoria includes one administration building, two earth covered buildings, one light frangible building (small arms), one hardstand, and civil and engineering services;
- Explosive Ordnance Depot Cerberus, Hastings, Victoria includes one administration building, one ammunition process building, one earth

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<sup>5</sup> Department of Defence, *Submission 1*, pp. 3-5.

covered building, one non-EO storage building, and civil and engineering services;

- Point Wilson Explosives Area, Avalon, Victoria includes one administration building, one container storage hardstand, one handling hardstand, one quarantine inspection facility, and civil and engineering services;
- Explosive Ordnance Depot Fort Direction, South Arm, Tasmania includes one administration building, and civil and engineering services;
- Explosive Ordnance Depot Edinburgh, South Australia includes one administration building, one ammunition process building, one non-EO storage building, and civil and engineering services; and
- Explosive Ordnance Depot Stirling, Rockingham, Western Australia includes one administration building, one ammunition process building, one earth covered building, one non-EO storage building and civil and engineering services.<sup>6</sup>

5.14 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

## Local impact

5.15 During the course of this inquiry, two matters relating to local impact were raised in submissions: increased traffic at Myambat and opportunities for local industry.

## Traffic issues

5.16 In its submission, Upper Hunter Investments (UHI) stated its belief that 'the increased storage capacity at Myambat will add to existing road safety issues'. As a result, UHI argued that Defence 'should consider a contribution to works to improve the safety' of a key intersection near Myambat.<sup>7</sup>

5.17 Defence recognised that following the completion of the works at Myambat, 'the occasional delivery vehicle may utilise the intersection when transporting loads to and from the depot', but that:

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<sup>6</sup> Department of Defence, *Submission 1*, pp. 14-22.

<sup>7</sup> Upper Hunter Investments, *Submission 2*, pp. 1-2.

Defence forecasts little to no net increase in daily traffic. This is due to the Depot not materially increasing the number of additional employees operating at the site.<sup>8</sup>

## Opportunities for local industry

- 5.18 The Committee received two submissions focused on opportunities for local industry that flow from proposed construction works. The Hon Greg Hunt MP, Member for Flinders, told the Committee:

The EOLRP project is anticipated to create prospective employment opportunities within the construction sector and related support sectors around the depot, which would be particularly beneficial to Hastings and the surrounding region.<sup>9</sup>

- 5.19 Similarly, Mr Rob Mitchell MP, Member for McEwen, stated that the project ‘is expected to generate employment opportunities within the construction sector and related support sectors’, and would ‘be of great benefit’ to his electorate.<sup>10</sup>

- 5.20 In its submission, Defence stated:

The proposal will stimulate business in regional Australia given the remote location of project sites. The potential to utilise local suppliers of construction materials and labour presents an opportunity to boost activity in regional economies.<sup>11</sup>

- 5.21 Further, at the public hearing, Defence told the Committee that the EOLRP would be a pilot project for local and regional engagement:

In late August in Darwin, the Minister for Defence announced that the EOLRP project would be one of three pilot projects under which we’ll be trialling what’s referred to as a local industry capacity plan, which under these contracts we’re looking at, which are head contracts, will require that potential tenderers have to provide a standalone tender schedule response to show how they have engaged with local industry, how they have identified capacity and

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<sup>8</sup> Department of Defence, *Submission 1.2*, pp. 31-32.

<sup>9</sup> The Hon Greg Hunt MP, *Submission 4*, p. 1.

<sup>10</sup> Mr Rob Mitchell MP, *Submission 3*, p. 1.

<sup>11</sup> Department of Defence, *Submission 1*, p. 32.

capability for local industry to become involved as either subcontractors or in the supply chain.<sup>12</sup>

## Cost of the works

- 5.22 The total estimated cost of the project is \$230.9 million (excluding GST). It includes construction costs, management and design fees, furniture, fittings and equipment, contingencies and an escalation allowance.<sup>13</sup>
- 5.23 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on the project costs.
- 5.24 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

## Committee comment

- 5.25 In regard to increased traffic at Myambat, the Committee is confident that Defence is cognisant of the potential impact on the local community of increased traffic resulting from the proposed works. The Committee encourages Defence to monitor the impact of this traffic, consult with the local community, and take any reasonable steps that are required to ensure the safety of road users in the vicinity of Myambat.
- 5.26 The Committee also commends Defence for its commitment to engaging with local industry, and looks forward to receiving a post-implementation report which details the level of local engagement achieved during the construction phase of this project.
- 5.27 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 5.28 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

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<sup>12</sup> Brigadier Noel Buetel, Department of Defence, *Transcript of evidence*, 29 September 2017, p. 6.

<sup>13</sup> Department of Defence, *Submission 1*, p. 31.

**Recommendation 4**

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- 5.29 The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Explosive Ordnance Logistics Reform Program Project.**
- 5.30 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of the project completion. A report template can be found on the Committee website.

## 6. HMAS Cerberus Redevelopment, Victoria

- 6.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the HMAS *Cerberus* Redevelopment Project, in Western Port Bay, Victoria.
- 6.2 The estimated cost of the project is \$463.1 million (excluding GST).
- 6.3 The project was referred to the Committee on 22 June 2017.

### Conduct of the inquiry

- 6.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 6.5 The Committee received four submissions and two confidential submissions. A list of submissions can be found at Appendix A.
- 6.6 On 28 September 2017, the Committee conducted a public and in-camera hearing. A transcript of the public hearing is available on the Committee's website.

### Need for the work

- 6.7 At the public hearing, Defence told the Committee about the role of HMAS *Cerberus* (*Cerberus*):

*Cerberus* is the largest Australian defence establishment supporting Navy training requirements within the Department of Defence. *Cerberus* is the single point of entry for all sailors joining the Royal Australian Navy (RAN) and provides approximately 300 courses, incorporating approximately 6,000 course spaces each year, with durations ranging from one week to one year.

At any one time, on average, across the whole of the training year there are approximately 1,100 trainees at HMAS *Cerberus*, *Cerberus* relies on the base infrastructure and training, administration and living facilities in order to deliver this series of training for the RAN and for other tri-service elements of the Australian Defence Force (ADF).<sup>1</sup>

- 6.8 According to Defence, '*Cerberus* has had limited funding for new and upgraded facilities and infrastructure since the 1990s except for the security upgrade works completed in 2015'.<sup>2</sup> Defence stated that this was impacting its ability to fulfil its functions:

Facilities and infrastructure shortcomings at *Cerberus* limit the overall effectiveness and efficiency of the training programs with a knock on impact to ADF operational capability. The progressive deterioration and unreliability of engineering services and supporting utilities and continued use of ageing and ineffective facilities introduce increased pressures on Defence, making it difficult to ensure delivery of training capability output.<sup>3</sup>

- 6.9 In its submission, Defence outlined the current deficiencies in existing infrastructure at *Cerberus*:

- the capacity of the existing water supply network has been exceeded and is unable to meet pressure and flow requirements. A significant portion of the pipe network is in poor condition, and the pipe network does not provide sufficient pressure for fire-fighting;
- many of the high voltage, ring main units, transformers and low voltage distribution boards in the electrical network do not meet current Australian or Defence standards. Pedestrian and street lighting present a safety risk to personnel due to non-compliance;
- extensive sections of the sewerage network are inadequate or unserviceable, and the pumping stations do not meet current Australian standards;
- the stormwater network cannot discharge a one in ten year storm event in some parts of *Cerberus*, causing local flooding;
- the information and communications technology (ICT) network capacity has been exceeded, with parts unable to support modern technology requirements. Many of the pits contain asbestos or are otherwise in poor condition and unable to meet future expansion needs;

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<sup>1</sup> Brigadier Noel Buetel, Department of Defence, *Transcript of evidence*, 28 September 2017, p. 1.

<sup>2</sup> Department of Defence, *Submission 1*, p. 6.

<sup>3</sup> Department of Defence, *Submission 1*, p. 6.



- while the gas network is in good condition, some sections of the above ground fittings are showing evidence of corrosion. Above ground gas meters and regulator assemblies are not compliant with current Australian standards;
- some logistics facilities built prior to 1970 have functional inefficiencies, contain asbestos, do not meet modern storage practices, and are in generally poor condition;
- the existing RAN School of Survivability and Ship Safety (RANSSSS) practical training units are ageing and in poor condition, and lack a modern safety system;
- various living-in accommodation (LIA) are ageing and in poor condition and are no longer fit for purpose, including the Recruit School LIA, Category School LIA, Officers' LIA and Junior Sailors' LIA;
- the messing facilities and galleys for officers and junior sailors are in poor condition, equipped with ageing or obsolete equipment, and are not compliant with current Australian standards;
- ADF Engineering Training Facilities provide inadequate working and learning environments, and the requirements have outgrown the facilities over the last three decades;
- ADF Catering School, RAN Maritime Logistics School and Personnel Support Facilities do not meet contemporary fire safety of heating, ventilation and air-conditioning standards;
- ADF Physical Training School (ADFPTS) and running track facilities are ageing and do not meet current functional requirements. The existing gravel running track, built in 1934, is in poor condition and needs refurbishment; and
- survival at sea training is currently undertaken at an existing wharf at Hann's Inlet, which provides an inadequate and unsafe training environment for staff and trainees.<sup>4</sup>

6.10 The Committee is satisfied that the need for the works exists.

## Scope of the works

6.11 Defence has split the scope of the proposed works into 20 project elements.

6.12 Project element 1 is focused on upgrading the water supply network. Defence stated that this element includes:

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<sup>4</sup> Department of Defence, *Submission 1*, pp. 6-10.

- constructing new potable water storage. Providing the new potable water storage will involve constructing a new 1.5 day potable water reserve storage tank providing 750 kilo litres of water storage, demolishing the existing potable water storage tank and removing the redundant chlorinated plant and providing backflow prevention at the proposed storage tank;
- remediating the potable water supply mains. With the exception of the potable water mains constructed in 2004, all the remaining potable water service mains downstream from the existing meter will be replaced. The proposed works include replacement about 7,500 lineal metres of water mains and all valves in those mains; and
- constructing a new fire-fighting water network. The proposed new fire-fighting water service will include constructing two new firewater storage tanks adjacent to the western entry gate providing 1,100 kilo litres of water storage. The works also include constructing a new fire ring main network including 13,000 lineal metres of fire mains and pump house to house both the fire-fighting and potable water pumping equipment and connecting all buildings requiring a fire service and the external hydrant coverage to the new system.<sup>5</sup>

6.13 Project element 2 proposed an upgrade to the electrical system. Defence told the Committee that this element includes:

- constructing a new intake switching station. A new intake switching station (ISS) will include new electrical switchgear to accommodate the incoming high voltage (HV) dual feeder from United Energy. The proposed ISS will provide spare capacity to support HV ring main networks to comply with Defence requirements. The proposed works include diverting the existing power supply to the new ISS and decommissioning and removing the switchgear in the existing ISS. New power factor correction equipment will also be installed;
- replacing substations. 17 substations, including the ring main units and HV switchgear will be replaced. Four transformers will be upgraded. The cabling directly associated with the replacement or upgrading of the substations will be replaced. The local emergency generator serving the Communications Centre will be replaced;
- improving street and pedestrian lighting. New street and pedestrian lighting including poles, light fittings, cabling, switchboards and controls to high risk areas where trainees march at night, will be installed; and
- Improving electrical reticulation. Existing Defence owned overhead HV will be replaced with underground cable of about 9,750 lineal metres. The low

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<sup>5</sup> Department of Defence, *Submission 1*, pp. 16-17.

voltage (LV) services to the north of Cook Road will also be replaced with the underground of about 2,700 lineal metres of LV cable. A new dual ring HV network will also be constructed.<sup>6</sup>

6.14 Project element 3 proposes an upgrade to the sewerage network. Defence stated that this includes:

- replace sewerage pumping stations. Replacement sewer pumping plant will be constructed adjacent to existing sewer pumping stations one and four. Sewer pumping station three will be replaced in a new location north of the proposed RANSSSS site. Sewer pumping stations one, four, seven and eight will be decommissioned. The sewer rising mains associated with pumping stations one, three and four will be remediated; and
- replace primary (trunk) sewer mains. The existing deep sewer mains and associated infrastructure to downstream pump stations will be remediated. About 4,000 lineal metres of new sewer main, 150 manholes will be installed and 50 access chambers will be decommissioned and reconstructed to support the remediation of the sewer. Non-compliant stormwater and downpipe connections to the sewer mains will be made good and reconnected to the local stormwater infrastructure.<sup>7</sup>

6.15 Project element 4 involves upgrading the stormwater and drainage network. According to Defence, this includes:

- improving stormwater outfall quality. Four bio-retention basins will be constructed on key stormwater mains prior to the outfalls to the adjacent wetlands. One stormwater retention separator unit to capture hydrocarbons will be constructed where the local topography precludes the construction of bio-retention basins; and
- Improving stormwater trunk infrastructure. Collapsed areas of the stormwater trunk infrastructure will be repaired. About 400 lineal metres of stormwater mains and 526 stormwater pits will be reconstructed and five new stormwater pits will be installed.<sup>8</sup>

6.16 Project element 5 proposes upgrades to the ICT infrastructure at *Cerberus*. Defence stated that this includes:

- upgrades to 100 non-compliant pits, replacement of 80 asbestos pits, installation of 6,500 lineal metres of ICT conduits and 7,500 metres of single mode cable, relocation of three existing distribution nodes, installation of racks, switches and cables to establish a Defence

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<sup>6</sup> Department of Defence, *Submission 1*, pp. 17-18.

<sup>7</sup> Department of Defence, *Submission 1*, p. 18.

<sup>8</sup> Department of Defence, *Submission 1*, pp. 18-19.

Engineering Services Network, and the installation of a new Building Management System;

- replacement of 6,300 lineal metres of multi-mode optical fibre cables with single mode fibre cables; and
- rectification of existing compliance issues with the Defence Voice Network, the Defence Restricted Network and the Defence Secret Network.<sup>9</sup>

6.17 Project element 6 proposes the construction of a new logistics precinct. Defence told the Committee that this includes:

6.18 Project element 7 proposes the construction of a new RANSSSS. Defence stated that this includes:

- construction of a new training ground and support facility for the RANSSSS on a brownfield site;
- decommissioning and demolition of the existing RANSSSS; and
- remediation of contamination and demolition materials at the existing site.<sup>10</sup>

6.19 Project element 8 proposes the refurbishment of various LIA around *Cerberus*. Defence's submission outlined what this element includes:

- refurbishment of Recruit School LIA, including upgraded bathrooms, laundries, and installation of passive solar protection to windows;
- refurbishment of Category School LIA, including kitchenettes, installation of fans in cabins, a new access ramp and passive solar protection to windows;
- refurbishment of Officer LIA, including demolition of two existing LIA buildings; and
- Minor refurbishment of the Junior School LIA.<sup>11</sup>

6.20 Project element 9 proposes the refurbishment of the Wardroom and Junior Sailor's Galleys. Defence stated that this includes:

- refurbishment of the galley to service the Officers' mess;
- construction of a new galley adjoining the existing Junior Sailors' cafeteria; and

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<sup>9</sup> Department of Defence, *Submission 1*, pp. 19-20.

<sup>10</sup> Department of Defence, *Submission 1*, pp. 20-21.

<sup>11</sup> Department of Defence, *Submission 1*, p. 21.

- construction of a new heavy vehicle loading and service area.<sup>12</sup>
- 6.21 Project element 10 proposes the refurbishment and consolidation of the ADF Engineering Training Facilities. Defence told the Committee that this element includes:
- new offices and training classrooms, including new furniture, fittings and equipment for the Engineering Officer and Senior Sailor Training Facility;
  - relocation of the Electronic Technician and Torpedo Training Building, including car parking, and demolition of the existing building; and
  - construction of a new Marine Technical Training Building, associated car parking, and demolition of Building 72 and relocation of some of its functions into the new building.<sup>13</sup>
- 6.22 Project element 11 proposed the upgrade of facilities for the ADF Catering School, RAN Maritime Logistics School and Personnel Support Facilities. Defence's submission outlined what is included in this project element:
- complete refurbishment of Building 188 to fully comply with relevant building standards;
  - complete refurbishment of existing Personnel Support Building 189 to fully comply with relevant standards; and
  - replacement of the external facades of Buildings 188 and 189.<sup>14</sup>
- 6.23 According to Defence, project element 12 includes the construction of a new facility for the ADF Physical Training School, including office accommodation, classrooms, staff and trainee ablutions, change rooms and an indoor multi-purpose learning area. It also includes resurfacing of the existing outdoor netball court and running track.<sup>15</sup>
- 6.24 Defence stated that project element 13 includes the demolition of old, redundant Naval Stores/ ICT Contract building and replacing it with 40 car parks. It also includes the removal of a gun turret for storage and demolition of the supporting slab.<sup>16</sup>

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<sup>12</sup> Department of Defence, *Submission 1*, p. 22.

<sup>13</sup> Department of Defence, *Submission 1*, p. 22.

<sup>14</sup> Department of Defence, *Submission 1*, pp. 22-23.

<sup>15</sup> Department of Defence, *Submission 1*, p. 23.

<sup>16</sup> Department of Defence, *Submission 1*, p. 23.

- 6.25 In its submission, Defence stated that project element 14 includes the repair and upgrade of the existing gas reticulation network by replacing the PVC sheathing, installing cathodic protection units and upgrading gas meters.<sup>17</sup>
- 6.26 Project element 15 proposes the construction of a new survival at sea training facility, and includes the construction of a new indoor pool capable of simulating a range of realistic sea conditions, storage areas for training equipment, a laundry, an LHD marine evacuation system chute, an office area for instructors, classrooms and a plant room.<sup>18</sup>
- 6.27 Defence told the Committee that project elements 16-20 have been approved by Government, but are unaffordable within the current approved budget. These elements include the following proposed works:
- refurbishment of retail areas;
  - upgrades to the fuel systems;
  - additional upgrades to stormwater and drainage networks;
  - refurbishment of the EMOS building; and
  - refurbishment of the Senior Sailors' LIA.<sup>19</sup>
- 6.28 Project elements 16-20 will only be pursued should savings be achieved in the other 15 project elements.<sup>20</sup>
- 6.29 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

## Local impact

- 6.30 The Committee received a submission from the Hon Greg Hunt MP, Member for Flinders, noting that 'the naval base is a major employer in the region, providing significant job opportunities both directly and indirectly his support for the project.' Mr Hunt offered his 'strong support' for the project.<sup>21</sup>
- 6.31 Similarly, Mornington Shire Council Mayor Bev Colomb submitted that:
- \$460 million upgrade would provide a vital economic boost to our economy, creating a unique opportunity for our local businesses. As a result of this

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<sup>17</sup> Department of Defence, *Submission 1*, p. 24.

<sup>18</sup> Department of Defence, *Submission 1*, p. 24.

<sup>19</sup> Department of Defence, *Submission 1*, pp. 24-25.

<sup>20</sup> Department of Defence, *Submission 1*, p. 24.

<sup>21</sup> The Hon Greg Hunt MP, *Submission 2*, p. 1.

investment, there will be a further injection of \$496 million into our community with a total of 2,600 jobs.<sup>22</sup>

- 6.32 At the public hearing, Defence discussed the benefits of the project to local businesses:

Our managing contractor, Lendlease, has undertaken significant engagement and conversations with local industry in the Mornington Peninsular area and sometimes in wider areas of it. Through that engagement Lendlease has confirmed that both local capacity and local capability are available to support the proposed works. Approximately 70 subcontracts are looking to be let via a two-stage procurement process to support the trade works.<sup>23</sup>

- 6.33 Defence provided further detail on the opportunities for local businesses to benefit from the proposed works, stating:

At the moment approximately 160 businesses have registered their interest on the industry compact network (ICN) gateway portal for the project. Lendlease has also established a number of targets based on looking at local industry and its capacity. Of the 70 subcontracts, Lendlease has established a target figure of about 80 per cent to go to local industry.<sup>24</sup>

## Cost of the works

- 6.34 The total estimated cost of the project is \$463.1 million (excluding GST). It includes construction costs, management and design fees, furniture, ICT, fitting and equipment, contingencies and an escalation allowance.<sup>25</sup>
- 6.35 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on the project costs.
- 6.36 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

## Committee comment

- 6.37 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.

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<sup>22</sup> Councillor Bev Colomb, *Submission 3*, p. 1.

<sup>23</sup> Brigadier Noel Buetel, Department of Defence, *Transcript of evidence*, 28 September 2017, p. 3.

<sup>24</sup> Brigadier Noel Buetel, Department of Defence, *Transcript of evidence*, 28 September 2017, p. 3.

<sup>25</sup> Department of Defence, *Submission 1*, p. 33.

- 6.38 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

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**Recommendation 5**

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- 6.39 **The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: HMAS *Cerberus* Redevelopment Project.**
- 6.40 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of the project completion. A report template can be found on the Committee website.

**Mr Scott Buchholz MP**  
Chair

**Mr Tony Zappia MP**  
Deputy Chair



# A. List of Submissions

## **Australian War Memorial, Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory**

- 1 Australian War Memorial
  - 1.1 Confidential

## **IP Australia Accommodation Project: Building Refresh, Discovery House, Woden, Australian Capital Territory**

- 1 IP Australia
  - 1.1 Confidential

## **JP2008 Phase 5B2 Wideband Satellite Capability - Satellite Ground Station - East Facilities Project**

- 1 Department of Defence
  - 1.1 Confidential
  - 1.2 Confidential
  - 1.3 Supplementary to submission 1

## **Explosive Ordnance Logistics Reform Program Project**

- 1 Department of Defence
  - 1.1 Confidential
  - 1.2 Supplementary to submission 1

- 1.3 Confidential
- 2 UHI Pty Ltd
- 3 Mr Rob Mitchell MP
- 4 Hon Greg Hunt MP

## **HMAS Cerberus redevelopment, Western Port Bay, Victoria**

- 1 Department of Defence
  - 1.1 Confidential
  - 1.2 Confidential
  - 1.3 Supplementary to submission 1
- 2 Hon Greg Hunt MP
- 3 Mornington Peninsula Shire

## **B. List of Public Hearings and Witnesses**

### **Australian War Memorial, Treloar E Large Technology Objects Store Project, Mitchell, Australian Capital Territory**

**Friday, 15 September 2017 – Canberra ACT**

#### *Australian War Memorial*

Major General (Ret'd) Brian Dawson AM CSC, Project Director Treloar E Facilities and Logistics Projects

Mr David Fitzgerald, Head Buildings and Services

#### *GHD Pty Ltd*

Mr David Bell, Lead Project Architect

#### *Xact Project Consultants Pty Ltd*

Mr Tim Wise, Project Manager

### **IP Australia Accommodation Project: Building Refresh, Discovery House, Woden, Australian Capital Territory**

**Friday, 15 September 2017 – Canberra ACT**

#### *IP Australia*

Ms Patricia Kelly, Director- General

Ms Deborah Anton, Deputy Director-General

Mr Doug Pereira, Chief Finance Officer

*WTP Australia Pty Ltd*

Mr James Osenton, National Director

*Arrow Projects*

Mr John Dowse, Project Manager

Mr Richard Stevens, Project Manager

## **JP2008 Phase 5B2 Wideband Satellite Capability - Satellite Ground Station - East Facilities Project**

**Friday, 15 September 2017 – Canberra ACT**

*Department of Defence*

Brigadier Noel Beutel, Director General, Capital Facilities and Infrastructure

Group Captain Colin Thomson, Director Joint Communications, Joint Capability Group

Mr Mark Warren, Project Manager, Capability Acquisition & Sustainment Group

Lieutenant Colonel Doug Fox, Project Director NSW, Infrastructure Division

*Northrop Grumman Australia*

Mr Stu Blackwell, Manager Communications Programs

## **HMAS Cerberus redevelopment, Western Port Bay, Victoria**

**Thursday, 28 September 2017 – Balnarring Vic**

*Department of Defence*

Brigadier Noel Beutel, Director General, Capital Facilities and Infrastructure

Commodore Philip Spedding, Director General Navy Plans Systems and Infrastructure

Captain Timothy Standen, Commanding Officer HMAS Cerberus

Lieutenant Colonel Lisa Platt, Project Director Victoria & ACT Projects,  
Capital Facilities and Infrastructure

*RPS Project Management Pty Ltd*

Mr Michael Owens, Project Manager / Contract Administrator

*Lendlease Pty Ltd*

Mr Jamie Flood, Managing Contractor Representative

## **Explosive Ordnance Logistics Reform Program Project**

**Friday, 29 September 2017 – Seymour Vic**

*Department of Defence*

Brigadier Noel Beutel, Director General Capital Facilities and Infrastructure

Air Commodore Wade Evans, Director General Explosive Ordnance

Lieutenant Colonel Peter Sims, Project Director National Projects -  
Logistics, Capital Facilities and Infrastructure

*Jacobs Pty Ltd*

Mr Matthew Thomson, Project Manager / Contract Administrator

*KWC Engineers Pty Ltd*

Mr Joshua Bauer, Design Services Consultant

*Wilde and Woollard Pty Ltd*

Mr Peter Spaven, Independent Cost Reviewer