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Report 6/2019

Referrals made September 2019

Parliamentary Standing Committee on Public Works

November 2019
CANBERRA

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List of Recommendations

Recommendation 1

- 2.51 The Committee recommends that Defence ensure the proposed works at HMAS Watson do not preclude the building of a cliff top track along the eastern perimeter of the base as part of the Bondi to Sydney Walk.

Recommendation 2

- 2.52 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 Watson* Redevelopment Project, New South Wales.

Recommendation 3

- 3.36 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 High Commission Property Replacement Project, Tarawa, Kiribati.

Recommendation 4

- 4.43 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: Shoalwater Bay Training Area Remediation Project.

Recommendation 5

- 5.42 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: Navy Capability Infrastructure Sub-Program.

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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 made pursuant to Section 18 of the Act, and by practice are made by the Minister for Finance or their delegate in the House of Representatives or the Senate.
- 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.¹
- 1.3 Under section 5 of 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;

¹ 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.

- the clearing of land and the development of land for use as urban land or otherwise; and
 - any other matter declared by the regulations to be a work.
- 1.4 Section 17 of the Act requires that the Committee 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.
- 1.5 The Committee pays attention to the above matters and any other relevant factors when considering the proposed work.

Structure of the report

- 1.6 In considering the works, the Committee analysed the evidence presented by the proponent agencies, including submissions and evidence received at public and in-camera hearings.
- 1.7 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.
- 1.8 Chapter 2 addresses the proposed HMAS Watson Redevelopment Project, New South Wales. The estimated cost of this project is \$430.5 million (excluding GST).
- 1.9 Chapter 3 addresses the proposed Australian High Commission Property Replacement Project, Tarawa, Kiribati. The estimated cost of this project is \$19.6 million (excluding GST).
- 1.10 Chapter 4 addresses the proposed Shoalwater Bay Training Area Remediation Project, Queensland. The estimated cost of this project is between \$105 million and \$140 million (excluding GST).
- 1.11 Chapter 5 addresses the proposed Navy Capability Infrastructure Sub-program. The estimated cost of this project is \$1.8 billion (excluding GST).
- 1.12 Submissions for each project are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

2. HMAS Watson Redevelopment Project

- 2.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the proposed redevelopment of *HMAS Watson*, the Royal Australian Navy's principal warfare and navigation training establishment. The aim of the project is to address functionality deficiencies and capacity constraints in facilities and infrastructure at *HMAS Watson* which support demand levels greater than what they were originally designed for. The project also aims to address high risk issues associated with non-compliant facilities, and reduce ongoing operating costs by rationalising and consolidating similar functions.¹
- 2.2 The estimated cost of the project is \$430.5 million (excluding GST).
- 2.3 The project was referred to the Committee on 10 September 2019.

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 nine submissions, three supplementary submissions and one confidential submission. A list of submissions can be found at Appendix A.
- 2.6 On 31 October 2019, the Committee conducted a public and in-camera hearing in Sydney, New South Wales. A transcript of the public hearing is available on the Committee's website.

¹ Department of Defence, *Submission 1*, p. 1.

Need for the works

- 2.7 The Royal Australian Navy (RAN) has long been in residence at Watson's Bay with its origins going back to 1942 when the RAN's Radio Detection Finding School was established there during World War II.² However the site has been occupied by the military since 1871 with the development of Artillery emplacements to defend the Port of Sydney.³
- 2.8 Today, *HMAS Watson* is the RAN's principal warfare and navigation training establishment and provides basic and advanced training for Junior and Senior Sailors in the Combat System Category and Junior Seaman Officers in ship handling, navigation and tactics. Advanced training is conducted for Principal Warfare Officers, and at the high end, Watson trains newly appointed Commanding and Executive Officers, giving them the finish needed to succeed in commanding the highly professional people who crew the ships and establishments that make up Australia's Navy.⁴

- 2.9 In its submission to the Committee, Defence stated:

HMAS Watson currently facilitates training for approximately 1300 personnel each year; with this number gradually increasing with the delivery of new capabilities... *HMAS Watson* was established in 1945, prior to when technology was used as a training tool. Training methods have since evolved to meet the needs of a contemporary Navy. Greater complexity of combat systems and connectivity within the Defence environment has increased the reliance on technically skilled Sailors and Officers. Flexible modern learning centres are required to achieve the desired training and capability outcomes of modern Navy.⁵

- 2.10 At the public hearing Defence told the Committee that:

Whilst facilities at *HMAS Watson* have been maintained and adaptively re-used, many of them have now reached the end of their design life and do not meet contemporary working, training or living standards, or are not fit for their current purpose. The supporting base engineering services and security,

² Royal Australian Navy, 'HMAS Watson History', <<https://www.navy.gov.au/history/base-histories/hmas-watson-history>> viewed November 2019.

³ Royal Australian Navy, 'HMAS Watson', <<https://www.navy.gov.au/establishments/hmas-watson>> viewed November 2019.

⁴ Royal Australian Navy, 'HMAS Watson', viewed November 2019.

⁵ Department of Defence, *Submission 1*, p. 2.

as well as facilities for accommodation, catering and health support, are also below the required standard to support the throughput of the base.⁶

- 2.11 Defence told the Committee that the current state of the facilities at *HMAS Watson* represent a risk to Navy capability.⁷
- 2.12 The Committee was able to inspect a range of current facilities during the site inspection and noted that many of the facilities fell below contemporary Defence standards.
- 2.13 Defence stated that although isolated works had occurred at *HMAS Watson*, ‘including in 2013⁸ and in 1994⁹,’ there has been no significant investment in training facilities in over 30 years.¹⁰

Options considered

- 2.14 In its submission, Defence noted that it had considered three options to ‘meet Defence’s capability and estate requirements under the project’.¹¹ The options were:
- Option 1 – Do nothing.
 - Option 2 – Essential Scope with Limited Living in Accommodation Upgrade.
 - Option 3 – Essential Scope plus full Living in Accommodation Upgrade and consequential works.¹²
- 2.15 Defence stated that it had selected Option 3 as it ‘represents the best value for money as it fully addresses functionality deficiencies in existing facilities, key engineering services high risk issues, and provides robust training facilities to meet the needs of Navy.’¹³

⁶ Brigadier Matt Galton, Director-General, Capital Facilities and Infrastructure, Department of Defence, Transcript of Evidence, p. 1.

⁷ Department of Defence, *Submission 1*, p. 2.

⁸ Public Works Committee, [Report 2/2013](#): Facilities for air warfare destroyer ships and landing helicopter dock ships, Sydney, NSW.

⁹ Public Works Committee, [Report 13/1994](#): Upgrading of Accommodation at *HMAS Watson*, NSW.

¹⁰ Department of Defence, *Submission 1*, p. 2.

¹¹ Department of Defence, *Submission 1*, p. 13.

¹² Department of Defence, *Submission 1*, p. 13.

¹³ Department of Defence, *Submission 1*, p. 15.

- 2.16 At the public hearing, Defence explained to the Committee that as part of a 2006 review into future Navy training infrastructure requirements,¹⁴ the Government had agreed that ‘Garden Island and those four bases that surround it—*HMAS, Waterhen, Penguin, Watson and Kuttabul* would also be enduring bases.’¹⁵ Defence told the Committee that the decision ‘provided us the basis to then base our future investment on the Defence estate with the knowledge that there was government approval that those locations would be enduring.’¹⁶
- 2.17 Defence further noted that to ‘start afresh and find a greenfields site for another Garden Island and another series of linked training base... would be incredibly cost prohibitive,’ estimating that the cost would ‘be in the tens of billions’.¹⁷
- 2.18 In response to questions by the Committee as to why *HMAS Watson* needed to remain located in the Sydney area, Defence explained that having *HMAS Watson* and similar training bases nearby to Garden Island was a training benefit which realised a number of training efficiencies. Defence explained:
- At *HMAS Watson* they will coordinate between doing simulated work and then having the young men and women on the courses then going across to Garden Island and actually going on a ship and doing live what they’ve just trained in.¹⁸
- In addition, the command teams on board ships regularly come and use our facilities to conduct their own individual and command team training prior to going on operations.¹⁹
- 2.19 Defence also noted that having *HMAS Watson* located near to Garden Island and other linked bases benefited the Navy through increased retention and recruitment of personnel. Defence told the Committee that Navy personnel ‘can have their personnel and families based in one location for a reasonable

¹⁴ The Sydney Morning Herald, ‘Navy to keep major bases in NSW, Vic’, 13 December 2006 <<https://www.smh.com.au/national/navy-to-keep-major-bases-in-nsw-vic-20061213-gdp1ay.html>> viewed November 2019.

¹⁵ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 4.

¹⁶ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 4.

¹⁷ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 5.

¹⁸ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 4.

¹⁹ Captain John Stavridis, Commanding Officer of Defence Base HMAS Watson, Department of Defence, *Transcript of Evidence*, p. 2.

amount of time without the need to be posting them throughout the countryside in regular postings that would move them around and potentially cause problems for retention for them.²⁰

2.20 Defence further explained:

Clearly we need the best and brightest to come and operate what is technically challenging equipment in a difficult and challenging role. Being able to recruit and retain by being in an area such as Sydney certainly assists in that.²¹

2.21 Defence stated that it had also considered options for moving the function of *HMAS Watson* to nearby bases in the Sydney area, however, due to a lack of required space, this option was discounted. Defence explained:

To be able to replicate [*HMAS Watson's*] function elsewhere—it was certainly looked at whether there was capacity and functionality on bases nearby to be able to do any of these functions that are performed at Watson. Randwick Barracks was carefully looked at. Randwick Barracks already has Navy simulation systems there and will have another one added shortly. That base is at capacity, though. Defence over the years has sold off portions of that base, to the point now where the physical room on that base is at capacity. There is not the room there to replicate what *HMAS Watson* does. Likewise with HMAS Waterhen, Penguin and Kuttabul. They are very small, congested sites, much like *HMAS Watson* is as well. So there wasn't the ability to move them there, either.²²

Scope of the works

2.22 Defence stated that the objective of the works was to:

... upgrade key training and support facilities and base infrastructure... including the construction of a new 24,500 square metre training facility; consolidating training staff and staff support functions into a modern flexible fit-for-purpose facility; upgrading base engineering services, including electrical, hydraulics, civil and communications; upgrading base security, including perimeter upgrades and a new base entry; upgrading the base galleys; constructing a minimum of 236 single occupancy units of living-in accommodation; a new medical and support services facility; and finally constructing some replacement car parking.²³

²⁰ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 2.

²¹ Captain Stavridis, Department of Defence, *Transcript of Evidence*, p. 2.

²² Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 5.

²³ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 1.

2.23 In its submission, Defence set out the proposed scope of the redevelopment, stating that the works are comprised of six elements:

- Work Element 1: Construct a new four story 24,500 metre squared Training Precinct
- Work Element 2: Upgrade and refurbish Base Engineering Services, including fire/potable water, communications networks, and civil infrastructure
- Work Element 3: Install new Base Security Systems at the front entry, conduct fencing upgrades and install CCTV I high risk areas
- Work Element 4: Refurbish the existing Galleys through spatial layout upgrades
- Work Element 5: Construct new Trainee Living In Accommodation for at least 236 students in four new accommodation block, plus consequential works including Medical clinic and enabling services
- Work Element 6: Construct replacement car parking with, at minimum, 100 spaces to offset all carparks removed through the proposed works.²⁴

Community consultation

2.24 In its submission to the Committee, Defence stated it had conducted a number of community consultation sessions which were aimed at ensuring ‘...the community, base residents and other stakeholders were well informed about the project’s details; and provided the opportunity to raise any concerns or to seek further information so that, wherever feasible, Defence could address these in its program of works.’²⁵

2.25 Defence stated that it had ‘engaged with a variety of internal and external stakeholders’ and would continue to consult with stakeholders as part of the project’s community consultation plans and communications strategy.²⁶

2.26 The Committee received a number of submissions expressing concern over the lack of community and local consultation made prior to Defence submitting the proposal to the Committee.²⁷ During the public hearing Defence told the Committee that ‘the project achieved government approval

²⁴ Department of Defence, *Submission 1*, pp. 15-18.

²⁵ Department of Defence, *Submission 1.2*, p. 1.

²⁶ Department of Defence, *Submission 1*, p. 26.

²⁷ Sydney Harbour Association, *Submission 3*, p. 6; Ms Claudia Cullen, Private Capacity, *Submission 9*, p. 1.

in August [2019]. The project was then referred to [the Public Works Committee] in September, at which point we were able to then, as far as the process runs, to commence our community consultations, which are ongoing.’²⁸

Bondi to Manly walk

2.27 During the inquiry, the Committee received a number of submissions from local residents in support of the Bondi to Manly Walk, due to open in December 2019. The submissions received by the Committee raised concerns that the fencing works at *HMAS Watson* may restrict the future potential for the walk to be expanded along the eastern side of the base, should funding become available in the future.²⁹

2.28 Mr John Faulkner told the Committee at the public hearing that:

...for many years, as part of the Bondi to Manly Walk I had hoped to see a walking track established on the eastern—or, if you like, the ocean—side of HMAS Watson, effectively between The Gap and South Head. As we've heard, at the moment the only walking track or access to South Head is on the western—or harbour—side of the HMAS Watson base. In my submission, I described my really strongly held belief that such a track would be considered one of the most scenic and dramatic coastal walking tracks in the world. As part of its submission to this inquiry, Defence notes that included in the HMAS Watson redevelopment project is its preferred option to install 'new fencing to the entire base perimeter'. I've got no issue with new fencing at all, to be honest with you, but I do sincerely hope that this committee and Defence can be flexible enough—and I'm sure this really only means a bit of a tweak here or there—to take account of the possibility of a clifftop walking track being built sometime in the future on the eastern perimeter of the base.³⁰

2.29 At the public hearing Defence stated that they were working with Mr Faulkner, co-founder of the *Bondi to Manly Walk Supporters*, 'to see what the art of the possible is' and were 'working with Mr Faulkner and looking very closely at what we can physically do on the ground to be able to achieve that intent'. Defence noted that to accommodate the request, the fence would

²⁸ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 1.

²⁹ Mr Roger Bayliss, Private Capacity, *Submission 4*, p. 1; Mr John Faulkner, Private Capacity, *Submission 5*, p. 4; Ms Claudia Cullen, Private Capacity, *Submission 9*, p. 3.

³⁰ Mr John Faulkner, Private Capacity, *Transcript of Evidence*, p. 12.

need to be inset 'to allow there to be the physical room to make it feasible to do a walking track on the eastern side of the base'.³¹

Helipad location

2.30 The Sydney Harbour Association raised a number of issues with the proposal, in particular, the relocation of the helipad site.³²

2.31 At the public hearing, Mrs Hylde Rolfe, president of the Sydney Harbour Association, stated that:

...the return of the helipad from its present location back to Wilson's Field would be found to be very objectionable by those of us who have lived there long enough to remember how it used to be. The grounds that originally led to its removal are still valid as far as we're concerned.³³

Vehicle and traffic management

2.32 A number of submissions received by the Committee expressed concerns that the volume of vehicles entering and exiting the base during the five year construction period would cause considerable disruption to local residents in the area.³⁴ Defence acknowledged that this issue had been discussed at the community consultation sessions and, as a result of conducting assessments, estimated that 'the height of construction would be...around the third quarter of 2023'.³⁵ Defence told the Committee that:

The assessment thus far has estimated that over that three-month period or so where construction will be at its height, there will be an increase in traffic by way of trucks in and out of the base to the tune of up to 70 or more truck movements per day. However, that would be spread out throughout a 10-hour work period, and our contractors will look very carefully at ensuring that we can deconflict those truck movements with the peak traffic times so that we're

³¹ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 3

³² Sydney Harbour Association, *Submission 3*, p. 4; Sydney Harbour Association, *Submission 3.1*, pp. 1-2.

³³ Mrs Hylde Rolfe, Sydney Harbour Association, *Transcript of Evidence*, p. 10.

³⁴ Mr Roger Bayliss, Private Capacity, *Submission 4*, p. 1; Ms Willea Ferris, Private Capacity, *Submission 7*, p. 2; Woollahra Municipal Council, *Submission 8*, pp. 2-4; Ms Claudia Cullen, Private Capacity, *Submission 9*, p. 1.

³⁵ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 3.

not causing any more disruption than we need to. There will also be a number of measures taken for noise and vibration.³⁶

- 2.33 Defence also stated that it would ‘adopt a just-in-time approach for deliveries, so that we don't have trucks banking up idling outside the base. Combined with that, where possible we'll have holding areas adjacent to the worksite within the base.’³⁷
- 2.34 At the public hearing Defence told the Committee that it had met with representatives from Woollahra Municipal Council and had made a commitment to work closely with them to ensure the ‘council is satisfied and happy with, particularly traffic management [plans].’³⁸

Cost of the works

- 2.35 *HMAS Watson* Redevelopment Project has an estimated cost of \$430.5 million, exclusive of GST.
- 2.36 Defence noted that the operating costs of the completed facilities will increase by \$3.2 million annually due to:
- The maintenance costs to support the large increase in ICT hardware installed within the new facilities; and
 - The additional facilities operations costs increase to account for the increased gross floor area across each work element.³⁹
- 2.37 Defence provided further details on project costings in its confidential submission and during an in-camera hearing.
- 2.38 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

Committee comment

- 2.39 The Committee recognises *HMAS Watson* as the Royal Australian Navy's principal warfare and navigation training establishment, and acknowledges

³⁶ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 3.

³⁷ Mr James Terry, Managing Contractor Representative for the HMAS Watson Redevelopment Project, Lendlease, *Transcript of Evidence*, p. 4.

³⁸ Brigadier Galton, Department of Defence, *Transcript of Evidence*, p. 5.

³⁹ Department of Defence, *Submission 1*, p. 26.

its contribution to training men and women for their careers in the Australian Royal Navy.

- 2.40 The Committee notes the *HMAS Watson* Redevelopment Project aims to address functionality deficiencies and capacity constraints in facilities and infrastructure at *HMAS Watson* which support demand levels greater than they were originally designed for.
- 2.41 The Committee acknowledges that some local residents expressed a view for *HMAS Watson* to be moved to another location outside of the Sydney area. This request falls outside of the Committee's terms of reference in relation to this inquiry.
- 2.42 The Committee notes that a detailed review of the navy's future training infrastructure requirements was conducted in 2006, and concluded that 'In Sydney, *HMAS Kuttabul*, the primary support base for Fleet Base East, plus training and operational support bases at *HMAS Watson* at Watsons Bay, *HMAS Waterhen* at Waverton and *HMAS Penguin* at Mosman would also stay at their present locations.'⁴⁰
- 2.43 The Committee notes that while the option of Defence utilising water transport options to reduce traffic congestion during the construction period was discussed, the Committee recognises the lack of supporting infrastructure at the base limits the viability of this option.
- 2.44 As part of the *HMAS Watson* redevelopment project, Defence proposes to install new fencing to the entire base perimeter. The Committee sees no reason as to why the new fence cannot be installed to accommodate the potential for a cliff top track to be built along the eastern perimeter of the base as part of the Bondi to Sydney Walk should future funding become available.
- 2.45 The Committee was pleased to hear that Defence were working with Mr Faulkner and other members of the community with regards to the future options for the Bondi to Manly Walking Trail, and encourage Defence to continue to work towards an agreeable outcome.
- 2.46 Noting concerns from local residents in regard to the relocation of the helipad site, the Committee encourages Defence to work with the local community to find a suitable outcome.

⁴⁰ The Sydney Morning Herald, 'Navy to keep major bases in NSW, Vic', 13 December 2006 <<https://www.smh.com.au/national/navy-to-keep-major-bases-in-nsw-vic-20061213-gdp1ay.html>> viewed November 2019.

- 2.47 The Committee encourages Defence to continue to consult with Woollahra Municipal Council and members of the local community with regard to issues surrounding parking availability and traffic management prior to the commencement of the construction period.
- 2.48 Having had some presence on the site since 1871, the Committee recognises Defence's longstanding presence in Watson's Bay and was encouraged to hear that HMAS Watson is regarded as a good neighbour by the local community. The Committee encourages Defence to continue working with the local community and maintaining a level of openness with regards to finding solutions to issues and concerns raised by its neighbours.
- 2.49 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.
- 2.50 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 1

- 2.51 The Committee recommends that Defence ensure the proposed works at HMAS Watson do not preclude the building of a cliff top track along the eastern perimeter of the base as part of the Bondi to Sydney Walk.**

Recommendation 2

- 2.52 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 Watson Redevelopment Project, New South Wales*.**
- 2.53 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 project completion. A report template can be found on the Committee's website.

3. Australian High Commission Property Replacement Project, Tarawa, Kiribati

- 3.1 The Department of Foreign Affairs and Trade (DFAT) seeks approval from the Committee to proceed with the proposed Australian High Commission (AHC) Property Replacement Project, Tarawa, Kiribati.
- 3.2 The purpose of the project is to provide new fit for purpose office accommodation and residential housing for the AHC Mission in Tarawa.
- 3.3 The estimated cost of the project is \$19.6 million (excluding GST).
- 3.4 The project was referred to the Committee on 18 September 2019.

Conduct of the inquiry

- 3.5 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.6 The Committee received one submission and one confidential submission. A list of submissions can be found at Appendix A.
- 3.7 On 15 November 2019, 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

- 3.8 The project proposes to replace the existing Chancery, Chancery Annex and staff residences at Tarawa

...with purpose built, prefabricated, low maintenance and highly sustainable location appropriate facilities. The proposed investment will address the rapidly deteriorating condition and high maintenance cost of the existing facilities, which are approaching the end of their useful economic life.¹

3.9 DFAT notes that the current facilities 'do not meet the requirement to provide reasonable quality and functional working accommodation for all staff and appropriate living quarters', and the 'poor condition' of the properties 'does not reflect favourably on Australia's role as a lead partner in the Pacific region'.² Australia's step-up in engagement with the Pacific was 'one of the highest priorities of the 2017 Foreign Policy White Paper, launched on 23 November 2017'.³

3.10 As DFAT noted at the public hearing, Kiribati has also recently shifted its diplomatic recognition:

...they previously recognised Taiwan, until just recently, in September, they made the decision to recognise China instead. China does not yet have an embassy actually based in Tarawa ... So there are just the New Zealand and the Australian high commissions represented there.⁴

3.11 DFAT has difficulty in attracting and retaining Australia based staff (A-based staff) for postings across the Pacific.⁵ Tarawa is classified as a Category E hardship post based on its remote location and limited access to amenities and services. As the Department further explained:

...attracting, retaining and supporting staff, through the provision of a high-quality work and living environment, is essential to the government's broader strategy of building a Pacific region that is securely strategically, stable economically and sovereign politically.⁶

3.12 As to the role of the five A-based and 20 locally engaged staff at the AHC at Tarawa, DFAT noted that the development program with Kiribati formed an important part of that role, as well as promoting Australia's bilateral

¹ DFAT, *Submission 1*, p. 5.

² DFAT, *Submission 1*, p. 12.

³ DFAT, *Submission 1*, p. 7.

⁴ Ms Fleur Davies, Assistant Secretary, New Zealand, Polynesia and Micronesia Branch, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

⁵ DFAT, *Submission 1*, p. 10.

⁶ Mr Kevin Nixon, Executive Director, Overseas Property Office, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

relationship with Kiribati through 'various security initiatives under the Pacific step-up, the Australia Pacific Security College and the Pacific Fusion Centre'.⁷ Staff are also assisting Kiribati in preparations to host the Pacific Islands Forum in 2022.⁸

3.13 Overall, DFAT observed that the key issues with the working and residential accommodation were:

- Office Accommodation (Chancery). The Chancery is not large enough for existing accommodation requirements and has no room for growth with the current arrangement impractical and not functional; and
- Residential Accommodation. There are only three houses available for Mission employees against the requirement for five houses and the current state of the building are not considered fit for purpose. A fourth house, which has been temporarily repaired after extensive termite damage, is currently being used as a Chancery Annex but is located approximately 300 metres from the Chancery.⁹

3.14 DFAT also provided details on the objectives for the project, as follows:

- Fit for purpose
- Staff retention
- Improved whole of life costs
- Sustainability
- Local labour
- Outlay cost
- Ease of delivery¹⁰

Options considered

3.15 DFAT considered three options for the project:

- Option 1—Do nothing
- Option 2—Refurbish and extend
- Option 3—Demolish and construct new¹¹

⁷ Ms Davies, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

⁸ Ms Davies, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

⁹ DFAT, *Submission 1*, p. 11.

¹⁰ DFAT, *Submission 1*, pp. 6-7.

¹¹ DFAT, *Submission 1*, p. 13.

3.16 DFAT considered option 3, demolish and construct new, as representing the best value for money, for the following reasons:

- Option 3 achieves the project objectives and provides greater functionality, amenity and operational efficiency than Option 2;
- The higher cost of Option 3 is accounted for by the larger building area of the houses, which need to be bigger than the existing houses to achieve the functional objectives, particularly in relation to helping improve staff retention and attraction; and
- The Chancery under Option 3 is smaller and more efficient than can be achieved through Option 2.¹²

Scope of the works

3.17 The scope of the project is to deliver the replacement of the following AHC facilities at Tarawa:

- Head of Mission (HOM) Residence—4 bedrooms
- Deputy Head of Mission (DHOM) Residence—3 bedrooms
- Senior Administration Officer (SAO) Residence—3 bedrooms
- Second Secretary 1 Residence—3 bedrooms
- Second Secretary 2 Residence—3 bedrooms
- Chancery (office working accommodation for maximum 31 staff)
- All associated demolition, civil and landscaping works¹³

3.18 DFAT noted that the challenges of constructing and maintaining properties in Kiribati and the Pacific are significant, with lack of contractor and construction material availability, high shipping costs and challenging environmental factors contributing to these difficulties.¹⁴

3.19 Accordingly, the Department explained that it had adopted innovative planning and design concepts for the AHC facilities at Tarawa:

As part of the Project, Reeves International have partnered with the design team, Unitised Building (UB) to develop a flexible façade and structural system that is adaptable to the buildings that will be constructed in this Project.

¹² DFAT, *Submission 1*, p. 19.

¹³ DFAT, *Submission 1*, pp. 5-6.

¹⁴ DFAT, *Submission 1*, p. 20.

The UB panel system is a unique system of precision manufactured prefabricated floor, wall and façade panels. Each panel consists of lightweight steel elements encased in a cementitious infill. The panels are designed to lock rapidly together with minimal backpropping to create a building's superstructure and interface with a building's chosen façade specifications and bathroom pods.

The UB design solutions include prefabricated bathroom 'pods', which will be shipped complete as these elements comprise the most critical construction challenges for finishing trades, waterproofing and plumbing.¹⁵

3.20 The key features of the UB panel system for the project include: minimal site works; corrosion resistance; termite proofing; maximum floor area space; safe, rapid installation; and maximum design flexibility.¹⁶ DFAT further noted that, with the prefabricated building system at Tarawa, it was seeking to develop a 'repeatable best-practice design and construction model to fast-track further building programs at other Australian missions throughout the Asia-Pacific region'.¹⁷

3.21 There was interest at the public hearing in further exploring the extent of deterioration of the existing buildings at Tarawa. DFAT observed that the original buildings were not fit for purpose—from the outset, the buildings 'were always going to be challenged by the environment and always going to require high levels of maintenance'.¹⁸ These buildings had not been constructed by the Australian Government:

They were purchased in the mid-eighties ... The annex was actually formerly the British high commission residence. They are a traditional build ... termites are particularly virulent in the Pacific ... which is specifically why we've investigated alternative construction methods.¹⁹

3.22 As to whether the staged build would effect AHC activities, DFAT confirmed that all activities will be maintained—'we're able to build the new

¹⁵ DFAT, *Submission 1*, pp. 21-22.

¹⁶ DFAT, *Submission 1*, pp. 22-23.

¹⁷ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

¹⁸ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

¹⁹ Ms Annette de la Rue, Director, Pacific Property Program, Overseas Property Office, DFAT, *Transcript of Evidence*, 15 November 2019, p. 3.

chancery behind the existing chancery’ and ‘because of the nature of the phasing we’re able to accommodate everyone’.²⁰

- 3.23 Asked whether there might be a need to increase the office or residential accommodation on Tarawa in the future, DFAT responded that, on current forecasts, it did not see that as an immediate requirement—however, given its 25-year outlook in undertaking the project, it is ‘remaining sensitive and flexible to the necessity that may arise at a future point’.²¹
- 3.24 As part of the project, asbestos cement sheeting will need to be taken off the island for disposal. DFAT confirmed that the contractor will include the ‘Pacific-experienced services of an environmental remediation contractor to undertake assessment and International Asbestos Removals for safe removal’.²² The contractor has identified facilities in Victoria to receive the asbestos cement sheeting upon receipt of the permit.²³

Community consultation

- 3.25 DFAT noted that it had undertaken numerous local stakeholder consultation activities as part of the development of the project.²⁴ This included meeting with the local government of Kiribati and the Ministry of Infrastructure and Sustainable Energy to discuss the project and brief them on the proposed demolition and construction activities and the necessary approval processes.²⁵ The project had been ‘well received with no major issues or concerns raised by local stakeholders’.²⁶
- 3.26 In terms of local community benefits, DFAT explained that the project seeks to ‘build local capacity through collaboration with the DFAT funded Kiribati Institute of Technology’.²⁷ For example, local craftsmen will be employed to

²⁰ Ms de la Rue, DFAT, *Transcript of Evidence*, 15 November 2019, p. 3.

²¹ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 3.

²² DFAT, *Submission 1*, p. 30.

²³ DFAT, *Submission 1*, p. 30. See also on this point, Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

²⁴ DFAT, *Submission 1*, p. 28.

²⁵ DFAT, *Submission 1*, p. 28.

²⁶ DFAT, *Submission 1*, p. 28.

²⁷ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

construct the maneabas throughout the properties, ‘fostering traditional skills in younger people’.²⁸

Cost of the works

- 3.27 The project has an estimated cost of \$19.6 million (excluding GST).
- 3.28 DFAT provided further details on project costings in its confidential submission and during an in-camera hearing.
- 3.29 In terms of public value, the project will be delivered in two stages to provide maximum flexibility in the construction methodology and opportunity for innovation to be passed onto the Commonwealth.²⁹
- 3.30 At the public hearing, DFAT emphasised that using prefabricated structures is the most efficient and cost-effective method for staging and sequencing the works:
- Improved quality control and significantly reducing waste, transport energy and packaging, as well as time reduced on site, are additional benefits of this approach. The passive design principles adopted and materials selected will promote sustainability and enhance the environmental performance of the buildings.³⁰
- 3.31 In developing the proposal, DFAT further explained that they had ‘worked closely with industry to promote Australian content, expertise, innovation and excellence’, including Australian companies—Reeves International construction group, James Cubitt Architects and Unitised Building.³¹
- 3.32 DFAT pointed to the high maintenance cost of the existing facilities as being of particular concern, noting that one of the objectives of the project was ‘reduced operating and maintenance costs over an extended building life span (nominally 25 years)’.³² The Department stated that it was currently spending ‘in the order of about \$544,000 in repairs, maintenance and other operating expenses’, to maintain the DFAT owned Tarawa buildings.³³ DFAT projected ‘a whole-of-life costings reduction from \$544,000 to around

²⁸ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

²⁹ DFAT, *Submission 1*, p. 33.

³⁰ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

³¹ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

³² DFAT, *Submission 1*, p. 5, p. 6.

³³ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 1.

\$233,000 going forward',³⁴ with energy costs also being reduced 'in the order of about \$77,000 per annum'.³⁵

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

Committee comment

- 3.34 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.
- 3.35 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 that is fit for purpose, having regard to the established need.

Recommendation 3

- 3.36 **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 High Commission Property Replacement Project, Tarawa, Kiribati.**
- 3.37 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 project completion. A report template can be found on the Committee's website.

³⁴ Ms de la Rue, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

³⁵ Mr Nixon, DFAT, *Transcript of Evidence*, 15 November 2019, p. 2.

4. Shoalwater Bay Training Area Remediation Project, Queensland

- 4.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the proposed Shoalwater Bay Training Area (SWBTA) Remediation Project.
- 4.2 The purpose of the project is to remediate selected elements of the facilities and engineering infrastructure within the SWBTA to ensure its environmental sustainability is commensurate with introducing new capabilities to the Australian Defence Force.¹
- 4.3 The estimated cost of the project is between \$105 to 140 million (excluding GST).
- 4.4 The project was referred to the Committee on 18 September 2019.

Conduct of the inquiry

- 4.5 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 4.6 The Committee received two submissions and one confidential submission. A list of submissions can be found at Appendix A.
- 4.7 On 15 November 2019, the Committee conducted a public and in-camera hearing. A transcript of the public hearing is available on the Committee's website.

¹ Defence, *Submission 1*, p. 1.

Need for the works

- 4.8 The project proposes to deliver works at numerous sites across the SBWTA, which covers over 274,000 hectares of land and 180,000 hectares of sea and is located approximately 80km north of Rockhampton in Central Queensland.² Defence outlined the need for the project as follows:

The SWBTA is one of Australia's key training areas for domestic and international Defence training, and is the Australian Defence Force's only national location capable of supporting significant amphibious operations. It can be accessed by air, sea and land, and is of sufficient size to accommodate large-scale training manoeuvres supported by air and naval gunfire. Given the current and expected future use of the training area, there is a need to remediate the existing infrastructure to:

- enable continued environmental sustainability for Australian Defence Force exercises.
- meet the Department of Defence's obligations to manage the area for both military operations and environmental conservation.
- increase Defence's Amphibious training capability.
- enhance the quality and longevity of existing infrastructure for air, sea and land manoeuvres into the future.³

- 4.9 Defence noted that it had undertaken comprehensive master planning, site investigations, stakeholder consultation, whole-of-life cost analysis and design development to establish the capital facilities and infrastructure works required under the project to address each need.⁴

Options considered

- 4.10 Defence outlined four options for the project:

- Option 1—take no action
- Option 2—full scope
- Option 3—priority scope elements
- Option 4—rationalised remediation⁵

² Defence, *Submission 1*, p. 1.

³ Defence, *Submission 1*, p. 2.

⁴ Defence, *Submission 1*, p. 2.

⁵ For more detail on these options, see Defence, *Submission 1*, pp. 4-5.

- 4.11 Defence considered option 4, rationalised remediation, as representing the ‘best value for money solution to the Commonwealth to address the need from a whole-of-life perspective’.⁶ This was based on the ‘benefits of addressing most scope elements to varying degrees and effectively managing the impacts of reduced design solutions’ and allowing ‘flexibility to progressively re-invest savings into the “below the line items” and realise the full scope option (option 2) as far as the project’s budget will allow’.⁷
- 4.12 Priorities for re-investment are:
- the camp facilities at Williamson Camp
 - further development of the Urban Operations Training Facility
 - greater pavement strengthening at Williamson Airfield⁸

Scope of the works

- 4.13 Defence outlined the scope of the project as follows:
- Urban Operations Training Facility Upgrade
 - Williamson Camp Development
 - Williamson Airfield Upgrade
 - Field Hospital Site Upgrade
 - Dingo Drive Remediation
 - Freshwater Beach Landing Site Remediation
 - Remediation of Selected Creek Crossings⁹
- 4.14 Defence provided a summary of the above scope components, as including:
- upgrading the urban operations training facility to support brigade-size training activities of approximately 2,000 soldiers; upgrading the Williamson Airfield to support increased heavy-lift aircraft operations; upgrading an existing clearing to be used as an aeromedical evacuation landing zone and field hospital site; developing a camp to support up to 1,000 personnel; upgrading Dingo Drive to support two-way military traffic; and upgrading up to 60 creek crossings throughout the training area.¹⁰

⁶ Defence, *Submission 1*, p. 5.

⁷ Defence, *Submission 1*, p. 5.

⁸ Defence, *Submission 1*, p. 14.

⁹ For more detail on each of these scope components, see Defence, *Submission 1*, pp. 2-4.

¹⁰ Brigadier Matt Galton, Director General, Capital Facilities and Infrastructure Branch, Defence, *Transcript of Evidence*, 15 November 2019, p. 1.

- 4.15 There was interest at the public hearing in understanding more about the Urban Operations Training Facility Upgrade. The proposal for the construction of the original Urban Operations Training Facility was approved by the Committee in 2006. This facility consisted of repurposed shipping containers, which Defence explained are now ‘beginning to corrode’ and will soon be ‘unsafe to use’.¹¹
- 4.16 Defence noted that the design life of these containers would not have been ‘much over the 10-year mark, given that they were just a containerised option’.¹² However, the building structures at the upgraded facility will have a design life of 50 years, ‘so this one is planned on enduring for many decades without the need to come back ... there is certainly no thought that it would need to be replaced, because it has a long design life, given the nature of the construction’.¹³
- 4.17 The new construction will be ‘a combination of tilt-up concrete panel construction, colorbond roof sheeting, colorbond industrial style sheds—all materials that are very hardy and low-maintenance that can be left out in the bush without a lot of maintenance’.¹⁴ Defence confirmed that the managing contractor would be responsible for the disposal of the containers, with ‘a rate of 70 per cent of the waste from the project, including the containers’, going through recycling centres as opposed to landfill.¹⁵
- 4.18 Another matter raised at the public hearing was the Williamson Airfield Upgrade—in particular, whether there would be land available if there was a future need to extend the runway. Defence responded that there was land available but a runway extension is not proposed, because it can already accommodate a fully laden C-17 Globemaster.¹⁶
- 4.19 On the Williamson Camp Development, Defence further explained the rationale behind providing austere accommodation for Defence personnel. It was noted that field forces ‘deploy to an environment where they have to bring, where possible, their own equipment in order to sustain them during

¹¹ Defence, *Submission 1*, p. 2.

¹² Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 3.

¹³ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 3.

¹⁴ Martin Macdonald, Managing Contractor Representative, Shoalwater Bay Training Area Remediation Project, FK Gardner and Downer EDI Works Joint Venture, *Transcript of Evidence*, 15 November 2019, p. 3.

¹⁵ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 5.

¹⁶ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 3, p. 6.

that deployment'.¹⁷ Further, 'shower bags on hooks, zero-discharge, low-water-usage toilets and the like' achieve both environmental and training outcomes.¹⁸

- 4.20 There was also interest in understanding more about the Dingo Drive Remediation, noting that, over recent years, the Committee had approved a number of medium works relating to road maintenance at the SWBTA. Of particular interest was whether there was an overall plan for road maintenance at the site in the long term. Defence responded that:

that sort of routine maintenance would continue, even after we do this work on Dingo Drive ... Whilst the piecemeal fixing of Dingo Track will definitely be reduced, there is still quite an extensive road network throughout that range where there will be maintenance work required ... But there is a plan. That is planned maintenance that they do.¹⁹

Community consultation

- 4.21 Defence noted it had developed a 'community consultation and communications strategy that recognises the importance of providing local residents and other interested stakeholders an opportunity to provide input into, or raise concerns relating to, the project'.²⁰
- 4.22 Defence provided a detailed summary of key stakeholder consultations,²¹ and stated that, as at the time of the above consultation processes, the feedback received from those consulted had 'generally been positive'.²²
- 4.23 Concerns raised during these consultation activities had been addressed as follows:
- Defence's approach towards maximising opportunities for, and developing the capabilities of local industry, including the Darumbal People
 - Defence's response detailed how the Managing Contractor would be facilitating this through its Local Industry Capability Plan²³

¹⁷ Lieutenant Colonel Jonathan Pollard, Project Director, Shoalwater Bay Training Area Remediation Project, Defence, *Transcript of Evidence*, 15 November 2019, p. 6.

¹⁸ Lieutenant Colonel Pollard, Defence, *Transcript of Evidence*, 15 November 2019, p. 6.

¹⁹ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 4.

²⁰ Defence, *Submission 1*, p. 13.

²¹ Defence, *Submission 1.1*, pp. 4-14.

²² Defence, *Submission 1.1*, p. 2.

- Defence outlined the policies, agreements and contractual mechanisms that it will utilise to maximise work and development opportunities for the Darumbal People²⁴
- Defence’s approach towards Heritage Management during construction
 - Defence confirmed that a Management Plan would be developed by the Managing Contractor²⁵
- the impact of construction activities on training exercises on SWBTA
 - Defence confirmed that elements of some training activities would need to be relocated to other training areas throughout Australia to enable construction activities to occur. Defence confirmed that construction activities are currently not expected to impact Exercise Wallaby²⁶
- the impact of the Project’s proposed Williamson Airfield Upgrade on the usage of Rockhampton Airport
 - Defence advised parties the proposed Williamson Airfield Upgrade is not anticipated to reduce Defence’s use of Rockhampton Airport, and that each airfield is used for different purposes to support Training Activities at SWBTA²⁷
- the impact of the Project’s proposed hard-standing areas on water flow and sediment runoff into the Great Barrier Reef Marine Park
 - Defence confirmed that water flow and sediment runoff were considered when developing the design solution and that, by design, the hardstand will decrease sediment runoff. As a result, the construction of permanent hardstands will have a positive environmental impact²⁸

4.24 As to whether the works were likely to cause any disruption to the surrounding community outside the base, Defence observed that construction sites were well within the boundary of the base, ‘so they are a long distance from any locals’.²⁹

²³ Defence, *Submission 1.1*, p. 23.

²⁴ Defence, *Submission 1.1*, p. 24.

²⁵ Defence, *Submission 1.1*, p. 24.

²⁶ Defence, *Submission 1.1*, p. 24.

²⁷ Defence, *Submission 1.1*, p. 24.

²⁸ Defence, *Submission 1.1*, p. 25.

²⁹ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 5.

- 4.25 Defence also provided further information on the scheduling of major training exercises and construction activities in terms of the SWBTA:

ADF Headquarters Joint Operations Command, Joint Capabilities Group, realise that Shoalwater Bay is our premier, category 1 training area. They've now commenced their planning cycle for Talisman Sabre. They've concluded that they're not going to be utilising Shoalwater Bay and that the upgrades are the most important thing over the next 31 months ... That's being worked out at the moment, and it will allow Shoalwater Bay to be upgraded and remediated as per the submission.³⁰

Consultation with traditional owners

- 4.26 There was interest at the public hearing in further exploring Defence's consultation with the Traditional Owners of the SWBTA, the Darumbal People. Defence confirmed that the Darumbal people had been determined as the native title holders—'in all the consultation we've done, it's been only the Darumbal people that have identified themselves as that. We've worked with them accordingly'.³¹
- 4.27 Defence also noted that it had undertaken extensive cultural heritage investigations with the Darumbal people, and reinforced its commitment to 'partner with the Darumbal people in protecting their culturally significant places and to promote their people and businesses through contracting opportunities'.³² Defence has an Indigenous land use agreement in place with the Darumbal people, which allows them to have first right of refusal for contracts that are below \$250,000, with the expectation that there will be 'employment opportunities for either Darumbal businesses or individual Darumbal people on the project'.³³

Consultation with local contractors

- 4.28 In terms of whether the proposed works would be carried out by local contractors where possible, Defence confirmed that the major managing contractors, the FK Group and Downer joint venture, had 'signed themselves up to an 80 per cent local participation rate for the construction side of the project', with the contractors having undertaken 'quite extensive

³⁰ Mr Sheldon Kidd, Director, Simulation, Training Areas and Health Knowledge Management, Defence, *Transcript of Evidence*, 15 November 2019, p. 5.

³¹ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 2.

³² Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 1.

³³ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 2.

industry consultation with key industry bodies in the region'.³⁴ The managing contractor for the project is contractually required to comply with a local industry capability plan.³⁵

4.29 As Defence further noted:

Since the start of the project, we have done intensive investigations into the market and have met with in excess of 200 local subcontractors, got a sense of their capabilities and what they can do, fed that into the design, so we have designed certain materials in certain processes that suit what the local industry can do. In addition to that, we have also shaped the packaging plans of the procurement strategy so that we are creating subcontract work packages that are of a size that will suit the general spread of that capability and capacity of the local industry.³⁶

Consultation on environmental matters

4.30 Defence's consultation on environmental matters at the SWBTA was another matter of interest at the public hearing, noting that the training area is located within a World Heritage Area.

4.31 Defence noted it had 'robust environmental policies and management strategies in order to ensure that it meets its responsibility to manage Shoalwater Bay during military activities'.³⁷ For example, the *Great Barrier Reef Outlook Report 2019* stated that:

Defence has a mature environmental management system in place that has operated very effectively for many years. The memorandum of understanding between Defence and the Marine Park Authority continues to underpin strong working relationships and information sharing, and instils a high level of confidence that defence activities are environmentally sustainable in the Region.³⁸

³⁴ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 4.

³⁵ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 1.

³⁶ Mr Macdonald, Defence, *Transcript of Evidence*, 15 November 2019, p. 5.

³⁷ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 1.

³⁸ Great Barrier Reef Marine Park Authority, *Great Barrier Reef Outlook Report 2019*, Commonwealth of Australia, 2019, p. 201. (See Brigadier Galton, Defence, on the *Great Barrier Reef Outlook Report 2019—Transcript of Evidence*, 15 November 2019, p. 1.)

- 4.32 Defence emphasised that its engagement with groups with environmental interests in the SWBTA indicated they are 'satisfied that we have robust measures in place'.³⁹
- 4.33 As to whether there were any outstanding issues relating to consultation on environmental matters relating to the SWBTA, Defence confirmed that:
- The environmental management efforts we've had on this project, and in previously managing Shoalwater Bay, have been quite extensive, just in recognition of the significance of the area, in particular the wetlands that are recognised under the Ramsar Convention, so a lot of consultation has been done with all parties involved.⁴⁰
- 4.34 Defence explained that all relevant parties and jurisdictions with an interest in Shoalwater Bay are on the Environmental Advisory Committee, with Defence being 'active on that committee to make sure that we're actually meeting all the obligations that we need to'.⁴¹
- 4.35 As to how the environmental sustainability of the various facilities at the SWBTA has been monitored in the past and will be monitored in the future, Defence explained that:
- before any exercise, the condition is well documented ... so that over the years whenever there has been a major exercise ... what happens is that the range is returned to what it looked like before you started ...
- Whilst this work is heavily focused on doing environmental controls, it's not to say that we haven't very closely monitored the environment out there up to date. But it's been done in a piecemeal fashion, which has, over the years, been expensive. By doing this investment now, that piecemeal repair work will be very much reduced.⁴²
- 4.36 In terms of any PFAS contamination issues associated with the site, Defence responded that there had been some investigations done, with:
- ...some low levels identified in the Williamson Airfield area – very low levels sitting at about 0.14 milligrams per kilo in terms of concentration. That sits on the lowest band of PFAS contamination. Within that band we are permitted to

³⁹ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 2.

⁴⁰ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 2.

⁴¹ Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 2.

⁴² Brigadier Galton, Defence, *Transcript of Evidence*, 15 November 2019, p. 4.

re-use the material as part of the works so that it doesn't have to leave the site.'⁴³

Cost of the works

- 4.37 The project has an estimated cost of between \$105 to 140 million (excluding GST). This includes management and design fees, construction costs, information and communications technology, furniture, fittings, equipment, contingencies and a provision for escalation.⁴⁴
- 4.38 Defence noted that an increase in operating costs is expected as a result of the proposed works, 'due to the addition of new facilities and infrastructure which will increase the associated facilities maintenance, cleaning and utilities expenses'.⁴⁵
- 4.39 The department provided further details on project costings in its confidential submission and during an in-camera hearing.
- 4.40 The Committee is satisfied that the costings provided for the project have been adequately assessed by the proponent entity.

Committee comment

- 4.41 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.
- 4.42 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that the project signifies value for money for the Commonwealth and constitutes a project that is fit for purpose, having regard to the established need.

⁴³ Mr McDonald, FK Gardner and Downer EDI Works Joint Venture, *Transcript of Evidence*, 15 November 2019, p. 2.

⁴⁴ Defence, *Submission 1*, p. 13.

⁴⁵ Defence, *Submission 1*, p. 14.

Recommendation 4

- 4.43 **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: Shoalwater Bay Training Area Remediation Project.**
- 4.44 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 project completion. A report template can be found on the Committee's website.

5. Navy Capability Infrastructure Sub-program

- 5.1 The Department of Defence (Defence) seeks approval from the Committee to proceed with the Navy Capability Infrastructure Sub-program: Facilities and Infrastructure to Support New Navy Capabilities.
- 5.2 The 2016 Defence White Paper noted the Government's commitment to 'build a strong and sustainable naval shipbuilding industry.'¹ As part of this long-term plan, shipbuilding will commence with construction in Australia of Offshore Patrol Vessels from 2018 and Hunter Class Frigates from 2020.² The shipbuilding capacity will be consolidated at the Australian Naval Infrastructure's Osborne Naval Shipyard (SA), and at the Australian Marine Complex at Henderson (WA).³
- 5.3 The proposed works will provide fit for purpose facilities and infrastructure to support the introduction into service of the nine Hunter Class Frigates and the 12 Arafura Class Offshore Patrol Vessels (OPV) at nine locations in Australia, and support the Navy Training Pipeline Simulation Requirements at HMAS Stirling (WA).⁴
- 5.4 The estimated cost of the project is \$1.8 billion (excluding GST).
- 5.5 The project was referred to the Committee on 10 September 2019.

¹ Department of Defence, *Defence White Paper*, 2016, p. 114.

² Department of Defence, *Defence White Paper*, 2016, p. 21.

³ Department of Defence, *Submission 1*, p. 4.

⁴ Department of Defence, *Submission 1*, p. 2.

- 5.6 Subject to Parliamentary approval, construction activities are expected to commence in 2020 and be completed by early 2027.

Conduct of the inquiry

- 5.7 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 5.8 The Committee received eight submissions and two confidential submissions. A list of submissions can be found at Appendix A.
- 5.9 On 20 November 2019, the Committee conducted a site inspection at HMAS *Stirling*, public and in-camera hearings. A transcript of the public hearing is available from the Committee's website.

Need for the works

- 5.10 The project will support the two new capabilities, the Hunter Class Frigates and the Offshore Patrol Vessels, which will replace the Anzac class Frigates and the Armidale Class Patrol Boat in an extended transition up to the 2040s.⁵
- 5.11 Defence told the Committee that the incoming fleet of Hunter Class Frigates will:
- ...provide the Australian Defence Force with the highest levels of lethality and deterrence that Australia's major surface combatants need during times of global uncertainty...The Frigates will be able to conduct missions independently or as part of a task group, and will have sufficient range and endurance to operate effectively.⁶
- 5.12 Defence noted that the Hunter Class Frigates 'will also have the flexibility to support humanitarian assistance and disaster relief'.⁷
- 5.13 With regards to the 12 Arafura Class OPV, Defence stated that the Patrol Vessels will:
- ...undertake constabulary missions, maritime patrol and response duties. State of the art sensors and command and communications systems will enable the vessels to operate alongside Australian Border Force vessels, other Australian Defence Force units and regional partners. The design of these vessels will

⁵ Department of Defence, *Submission 1*, pp. 3-4.

⁶ Department of Defence, *Submission 1*, p. 4.

⁷ Department of Defence, *Submission 1*, p. 4.

support specialist mission packages, such as a maritime tactical unmanned aerial system. The range and associated operational endurance of the Arafura Class Offshore Patrol Vessels will permit support of most Australian Defence Force operations.⁸

5.14 To support the introduction of these new capabilities, Defence undertook:

...comprehensive master planning, site investigations, stakeholder consultation, whole-of-life cost analysis and design development during the development phase of the project to establish the capital facilities and infrastructure works required to support the introduction into service and sustainment of these capabilities.⁹

5.15 At the public hearing Defence explained:

The key drivers for the projects are: the berthing requirements for the new, larger ships; the increased crewing numbers for these ships; the implications of the Naval Shipbuilding Plan for training, logistics and maintenance; the facilities required to effectively support the integration of combat systems for these capabilities; and the opportunities for integrating the requirements. The primary deficiencies identified in existing facilities and infrastructures include: wharf structures and services that cannot accommodate the increased size or number of ships proposed at HMAS Stirling, HMAS Coonawarra and HMAS Cairns; a lack of capacity and operational support facilities for ship-specific training, maintenance and logistics to meet the significantly increased requirements of the new capabilities; and a lack of capacity in domestic support facilities, such as accommodation, to support the increased crew numbers.¹⁰

5.16 Defence explained in their submission how these key drivers and deficiencies provided a rationale for this project to be undertaken in a program approach, where the overall facilities requirements would be undertaken as a single program of works.

5.17 Defence further stated that the 'program approach...has been designed to optimise value for money and capability outcomes.'¹¹

5.18 The program approach categorised the elements of the project into functional groups:

⁸ Department of Defence, *Submission 1*, p. 3.

⁹ Department of Defence, *Submission 1*, p. 9.

¹⁰ Brigadier Matt Galton, Director-General, Capital Facilities and Infrastructure, Department of Defence, *Transcript of evidence*, 20 November 2019, p. 1.

¹¹ Department of Defence, *Submission 1*, pp. 9.

- 1 Maritime Structures – wharves and associated structures and services required to support the berthing of vessels
 - 2 Operational Support Facilities - a range of support functions and address requirements for the remote monitoring of berthed vessels
 - 3 Ship Zero Facilities – proposed facilities will accommodate Class-specific training, sustainment, logistics, engineering and management of the evolution of these complex capabilities
 - 4 Shipbuilding Facilities - support the mature requirements of the Ship Build Program Office, and Crew Zero
 - 5 Domestic Support Facilities – include facilities for living in accommodation, recreation and fitness, messing and medical services
 - 6 Engineering Services – required to be upgraded or installed at new development sites to support the new capabilities.¹²
- 5.19 The project is taking place at nine locations around Australia:
- WA - HMAS *Stirling*, Palmer Barracks, Henderson
 - NT - HMAS *Coonawarra*, RAAF Darwin
 - QLD - HMAS *Cairns*, Cairns
 - SA – St Kilda Transmitting Station, Osborne Naval Shipyards.¹³

Options considered

- 5.20 Defence described in their submission the range of design options for each of the functional groups which were considered.
- 5.21 They noted that the considerations included in some cases refurbishment, upgrading of existing facilities or building new facilities. In the case of marine structures, consideration was given to providing flexibility for future capability requirements.
- 5.22 Where new facilities are required, Defence ensured that there were no suitable or surplus facilities existing.¹⁴ Where Defence is required to purchase land for new facilities, they will ensure that the land is located appropriately to complement the function.¹⁵

¹² Department of Defence, *Submission 1*, pp. 7-8

¹³ Department of Defence, *Submission 1*, pp. 2-3.

¹⁴ Department of Defence, *Submission 1*, p. 11.

¹⁵ Department of Defence, *Submission 1*, p. 11.

Scope of the works

- 5.23 The proposed facilities and infrastructure involve new works and refurbishment or upgrading of existing facilities and infrastructure at each of the proposed locations.

Proposed Work Elements

- 5.24 There are 22 work elements with two being included as below the line items. The proposed scope of the project are listed by location and work element:

- **HMAS *Stirling***
 - Element 1 -Maritime Structures – extension of the Parkes and Oxley Wharves and provision of shore power
 - Element 2 - Operational Support Facilities – construction and expansion of maintenance and logistics support facilities
 - Element 3 - Ship Zero Facilities – construction of a new training precinct
 - Element 4 - Domestic Support Facilities - construction of medium density living in accommodation and upgrades to existing facilities
 - Element 5 - Engineering Services Infrastructure – extend existing services to support new, upgraded or refurbished facilities.
- **Henderson**
 - Element 6 - Operational Support Facilities – construction of crew support areas
 - Element 7 - Ship Zero Facilities – construction of a capability centre
 - Element 8 – Shipbuild Program Facilities - below the line item
 - Element 9 - Engineering Services Infrastructure – new engineering services infrastructure for each facility.
- **Palmer Barracks**
 - Element 10 - Operational Support Facilities – below the line item
- **HMAS *Coonawarra***
 - Element 11 -Maritime Structures – dredging, wharf works and provisions of services to support berthing.
 - Element 12 - Operational Support Facilities – construction of support facilities
 - Element 13 - Engineering Services Infrastructure – extend existing services to support new, upgraded or refurbished facilities.
- **RAAF Darwin**
 - Element 14 - Operational Support Facilities – construction of new explosive ordnance storage building

- **HMAS Cairns**
 - Element 15 -Maritime Structures – construction of a new wharf and upgrade and extension of existing wharf services.
 - Element 16 - Operational Support Facilities – construction of new facilities and upgrade of existing facilities
 - Element 17 – Cadet Facility – demolition of existing facilities and new facilities constructed
 - Element 18 - Engineering Services Infrastructure – extend existing services to support new, upgraded or refurbished facilities.
- **Cairns – other locations**
 - Element 19 - Operational Support Facilities – construction of new explosive ordnance facilities and upgrade of existing facilities
- **Osborne**
 - Element 20 – Shipbuild Program Facilities - construction of new facilities
 - Element 21 - Engineering Services Infrastructure – new engineering services infrastructure for the new development.
- **St Kilda Transmitting Station**
 - Element 22 – Shipbuild Program Facilities - construction of a land based test site.¹⁶

5.25 These work elements will be undertaken to support the location of the vessels:

- The fleet of Hunter Class Frigates will be homeported at HMAS Stirling (WA) and at the Garden Island Defence Precinct (NSW).¹⁷
- The fleet of Arafura Class Offshore Patrol Vessels will be homeported at HMAS Stirling (WA), HMAS Coonawarra (NT) and HMAS Cairns (QLD).¹⁸

5.26 Defence also noted that they intend to acquire and develop properties at Henderson (WA), in the Cairns area, and at Osborne (SA).¹⁹

¹⁶ Department of Defence, *Submission 1.1*, pp. 13-20

¹⁷ Defence note that works for Garden Island will be the subject of a future referral to the PWC.
Department of Defence, *Submission 1*, p. 20.

¹⁸ Department of Defence, *Submission 1*, p. 3.

¹⁹ Department of Defence, *Submission 1*, p. 3.

Community consultation

- 5.27 In its submission to the Committee, Defence stated it had conducted a wide range of consultations with local residents and other interested stakeholders, both external and internal.
- 5.28 Defence advised that there was general support for the project from the consultation process but advised that there were two issues raised during the consultation which were specific to location.²⁰
- 5.29 The first issue related to the demolition of a particular building at HMAS *Cairns* which the Cairns Navy League considered had heritage value. Defence responded that they are assessing whether the building has any heritage value.²¹
- 5.30 The second issue related to traffic in the Rockingham area, particularly the traffic to and from HMAS *Stirling*. The Mayor of the City of Rockingham indicated a concern about the traffic but also noted that the concern is related to the level of classification of the road, which has been raised with the WA Government.²² Mayor Sammels also provided a letter of support for the project to the Committee.²³
- 5.31 Defence noted that during the consultation for the facility at St Kilda, a significant percentage of the local population attended. The local population were interested in whether there would be any provision of sewage lines as part of the project and Defence indicated that they have provided a response for this.²⁴
- 5.32 The Committee received a range of letters of support for the project.²⁵

²⁰ Department of Defence, *Submission 1.1*, p. 3.

²¹ Department of Defence, *Submission 1.1*, p. 2.

²² Department of Defence, *Submission 1.1*, p. 3.

²³ Mr Barry Sammels, *Submission 8*.

²⁴ Lieutenant Colonel Peter Sims, Project Director, Navy Capability Infrastructure Sub-Program, *Transcript of Evidence*, 20 November 2019, p. 2.

²⁵ The Hon Warren Entsch MP, *Submission 2*, Industry Capability Network NT, *Submission 3*, City of Cockburn, *Submission 4*, Mr Bob Manning, *Submission 5*, Mr Josh Wilson MP, *Submission 6*, Freemantle Chamber of Commerce, *Submission 7*, Mr Barry Sammels, *Submission 8*.

Cost of the works

- 5.33 The Navy Capability Infrastructure Sub-program has an estimated cost of \$1.8 billion, exclusive of GST.
- 5.34 Defence provided further details on project costings in its confidential submission and during an in-camera hearing.
- 5.35 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

Committee comment

- 5.36 The Navy Capability Infrastructure Sub-program is an ambitious program of works that aims to support the introduction of the new capabilities, the Hunter Class Frigates and the Armidale Class Offshore Patrol Vehicles.
- 5.37 The Committee was interested to hear the relationship between this project and the Naval Shipbuilding Plan. The ongoing projects to build the new capabilities, while outside the remit of the Committee, will add capacity to the areas of Osborne in South Australia and Henderson in Western Australia and the Committee is pleased to see the work that Defence is doing to ensure in this area.
- 5.38 In relation to the size of the project and the program based approach which has been taken by Defence, the Committee was pleased to hear that the program will be split into 11 contracts. The opportunity for a wide range of local builders to the area, including tier 2, to be able to be involved in the project is encouraging.
- 5.39 The community consultation undertaken for this project over the nine locations was extensive and the Committee is encouraged by the number of letters of support it received in support of the project.
- 5.40 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.
- 5.41 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 5

- 5.42 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: Navy Capability Infrastructure Sub-Program.
- 5.43 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 a project completion. A report template can be found on the Committee's website.

Hon Dr John McVeigh MP
Chair

A. List of Submissions

HMAS Watson Redevelopment Project, New South Wales

- 1 Department of Defence
 - 1.1 Department of Defence (Confidential)
 - 1.2 Department of Defence
- 2 John Menadue AO, Private Citizen
- 3 Sydney Harbour Association
 - 3.1 Sydney Harbour Association
- 4 Rodger Bayliss, Private Citizen
- 5 John Faulkner, Private Citizen
- 6 Terrence Stamp, Private Citizen
- 7 Willea Ferris, Private Citizen
 - 7.1 Willea Ferris, Private Citizen
- 8 Woollahra Municipal Council
- 9 Claudia Cullen, Private Citizen

Australian High Commission Property Replacement Project, Tarawa, Kiribati

- 1 Department of Foreign Affairs and Trade
 - 1.1 Department of Foreign Affairs and Trade (Confidential)

Shoalwater Bay Training Area Remediation Project, Queensland

- 1 Department of Defence
 - 1.1 Department of Defence
 - 1.2 Department of Defence (Confidential)
 - 1.3 Department of Defence (Confidential)

Navy Capability Infrastructure Sub-program

- 1 Department of Defence
 - 1.1 Department of Defence (Confidential)
 - 1.2 Department of Defence
- 2 The Hon Warren Entsch MP
- 3 Industry Capability Network NT
- 4 City of Cockburn
- 5 Mr Bob Manning, Cairns Regional Council
- 6 Mr Josh Wilson MP
- 7 Fremantle Chamber of Commerce
- 8 Mr Barry Sammels, City of Rockingham

B. Public Hearing and Witnesses

Thursday 31 October 2019 — Sydney, NSW

Department of Defence

Brigadier Matt Galton Director General Capital Facilities & Infrastructure Branch

Captain John Stavridis, Commanding Officer of Defence Base HMAS Watson

Lieutenant Colonel, Doug Fox, Project Director for the HMAS Watson
Redevelopment Project

Mr David Neumann, Director, Navy Infrastructure Plans

Mr Mark Winder, RPS Group, Project Manager / Contract Administrator for the
HMAS Watson Redevelopment Project

Mr James Terry, Lendlease, Managing Contractor Representative for the HMAS
Watson Redevelopment Project

Private Citizens

Mr John Faulkner, Private Citizen

Mr John Menadue, Private Citizen

Mrs Hylda Rolfe, Secretary, Sydney Harbour Association

Mr Rodger Bayliss, Private Citizen

Ms Willea Ferris, Private Citizen

Ms Louise McElvogue, Private Citizen

Friday 15 November 2019 – Parliament House, Canberra

Department of Defence

Brigadier Matt Galton, Director General, Capital Facilities & Infrastructure Branch

Mr Jonathan Pollard, Project Director, SWBTA Remediation Project

Mr Sheldon Kidd, Director Simulation, Training Areas and Health Knowledge Management

Mr Lachlan Waite, Project Manager/Contract Administrator for SWBTA Remediation Project (Aurecon Group)

Mr Martin Macdonald, Managing Contractor for SWBTA Remediation Project (for FK Gardner and Downer EDI Pty Ltd)

Mr Cameron Smith, Director, Rider Levett Bucknall (for FK Gardner and Downer EDI Pty Ltd)

Friday 15 November 2019 – Parliament House, Canberra

Department of Foreign Affairs and Trade

Mr Kevin Nixon, Executive Director, Overseas Property Office (Project Sponsor)

Ms Fleur Davies, Assistant Secretary, Pacific Division

Ms Annette de la Rue, Director, Overseas Property Office (Project Manager)

Mr Simon Gorman, Managing Director, Reeves International (Design Contractor)

Mr Paul Christmas, Director, James Cubitt Architects (Project Architect)

Mr James Osenton, National Director, WT Partnerships (Cost Planner)

Wednesday 20 November 2019 – Rockingham, WA

Department of Defence

Brigadier Matt Galton Director General Capital Facilities & Infrastructure Branch

Commodore David Mann, Director General Surface Combatants and Aviation

Lieutenant Colonel Peter Sims, Project Director

Mr James Taylor, Project Manager and Contracts Administrator, RPS Consulting
APP Pty Ltd

Mr Rodney Adlam, Lead Design Manager, GHD Pty Ltd