

The Proposed Works

Purpose

- 2.1 The department's Statement of Evidence states that the purpose of the proposed new works is to deliver a modernised propellant plant capable of manufacturing a minimum of 360 tonnes per annum of propellant under a single shift production program.¹

Need

- 2.2 In its submission the department has highlighted three issues underpinning the need for the work, these include:
- sulphate and nitrate contamination of ground water arising from past usage;
 - the age of the infrastructure, both plant and buildings, that are placing increasing demands on the department's budget for repairs and maintenance expenditure as the assets approach or exceed their useful working life; and,

¹ Appendix C, Submission No. 1, paragraph 5

- the need for the facility to be modernised to enable production to meet safety and environmental requirements, particularly against the background of more stringent environmental and work safety legislation. The alternative of decommissioning the facility would leave the ADF without an indigenous capability to produce military grade propellant required for the production of munitions.²
- 2.3 In the context of the remediation of groundwater contamination, the department notes that an indicative budget of \$68 million has been allocated for essential works, but that this work does not form part of the scope of works associated with the redevelopment project. The department adds that these works, although funded separately, will be managed concurrently with environmental works included in the current project to achieve any available cost savings.³
- 2.4 Further, the department states that although the plant is still operating safely, the ageing infrastructure places increasing demands on the department's budget for repairs and maintenance expenditure as the assets approach, or exceed their working life. In general, the Commonwealth's propellant manufacturing assets at Mulwala are obsolete. The department also notes that more stringent environmental and work safety legislation will require improvements at the site, many of which can only be resolved with significant new investment.⁴
- 2.5 In the view of the department, there exists an imperative to modernise and redevelop the facility to enable production operations to meet current legislative standards, or the facility must be decommissioned.⁵

Scope

- 2.6 The proposed works will significantly contribute to the environmental integrity of the site, as well as to the efficiency, safety, and quality of the product manufactured by Thales, Australia.⁶ The scope of the works will comprise:
- construction of a new nitrocellulose, solvent and propellant production plant;
 - construction of a confined burn facility;
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2 *ibid.*, paragraphs 14 - 16

3 *ibid.*

4 *ibid.*, paragraph 15

5 *ibid.*, paragraph 16

6 Submission No. 3, paragraphs 13 - 24

- provision of associated training, documentation and spares;
- decontamination, demolition and disposal of plant infrastructure necessary to construct the works; and
- upgrading and associated engineering services infrastructure including utilities and communications systems.⁷

2.7 This will include construction of 28 new buildings, the refurbishment/modification of ten existing buildings, the relocation of an existing function and demolition of one building.⁸

Project Delivery

- 2.8 The department states in its submission that it considered two delivery systems for the project – a PPP and the traditional government funded direct investment approach. After consideration and evaluation of the two approaches, the Government made a value for money decision in early 2006 to pursue the project as a Government funded direct investment with a reduced scope of work.⁹
- 2.9 Prior to concluding that project delivery would proceed by way of Government funded direct investment; the department noted that the NSW Government and Commonwealth Government gave planning approval for the proposed PPP option.¹⁰
- 2.10 In taking its decision to undertake the project by direct investment by the Commonwealth Government, the department notes the many conditions imposed, including wide-ranging environmental issues that required compliance under the conditions of a PPP, but noted that notwithstanding the department will meet its obligations on previously agreed local and state environmental regulatory obligations.¹¹
- 2.11 The department proposes that once an agreed environmental management plan has been developed by the construction contractor, departmental environmental staff will issue an environmental clearance certificate requiring the contractor to meet all environmental conditions relating to the construction of the facility.¹²

7 Appendix C, op. cit., paragraph 6

8 *ibid.*, paragraph 50

9 *ibid.*, paragraph 22

10 *ibid.*, paragraph 23

11 *ibid.*, paragraph 32

12 *ibid.*, paragraph 33

Cost

- 2.12 The estimated cost of this project is \$338.7 million exclusive of GST. This includes facility construction costs (including the up grade and provision of new engineering services infrastructure and the temporary construction of roads and pathways) as well the cost of installation and commissioning of propellant, nitrocellulose and solvent production plant and equipment.¹³

13 *ibid.*, paragraphs 26 and 60