
The Parliament of the Commonwealth of Australia

Report 4/2014

Referrals made March 2014

- AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland
- Defence Terrestrial Communications Network Facilities and Infrastructure Project

Parliamentary Standing Committee on Public Works

June 2014
Canberra

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Membership of the Committee

Chair Mrs Karen Andrews MP

Deputy Chair Mr Graham Perrett MP

Members Ms Sharon Claydon MP

Senator Sue Boyce (from 15/5/14)

Senator Alex Gallacher

Mr Ian Goodenough MP

Senator Barry O'Sullivan

Ms Joanne Ryan MP

Dr Andrew Southcott MP

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List of recommendations

2 AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland

Recommendation 1

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: AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland.

3 Defence Terrestrial Communications Network Facilities and Infrastructure Project

Recommendation 2

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: Defence Terrestrial Communications Network Facilities and Infrastructure Project.

Recommendation 3

The Committee recommends that if Defence has unspent contingency monies it puts before the Committee a proposal for an extension of scope, if appropriate.

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 Parliamentary Secretary to the Minister for Finance.
- 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 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
 - any other matter declared by the regulations to be a work.²

1 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*.

2 The Act, Section 5.

- 1.4 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.³
- 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 works considered in this report were referred to the Committee in March 2014. These works were referred by the Parliamentary Secretary to the Minister for Finance, The Hon Michael McCormack MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public 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 are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the proposed AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland. The estimated cost of the project is \$54.8 million, excluding GST.
- 1.11 Chapter 3 addresses the Defence Terrestrial Communications Network Facilities and Infrastructure Project. The estimated cost of the project is \$131.1 million, excluding GST.
- 1.12 Submissions are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

³ The Act, Section 17.

AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland

- 2.1 The Department of Defence (Defence) seeks approval from the Committee to provide the facilities and supporting infrastructure necessary to support the new F Model Chinook Medium Lift Helicopter capability.
- 2.2 The Replacement Chinook Facilities project proposes to provide new and upgraded facilities for the 5th Aviation Regiment at RAAF Base Townsville, Queensland, to support the introduction and operations of the new helicopters and associated integration systems.¹
- 2.3 The facilities proposed include those directly associated with the storage, security and maintenance of the new helicopters, as well as facilities for the indirect capability requirements such as working accommodation, training needs and infrastructure engineering services works.²
- 2.4 The project will enhance the Army's Land Force and Aviation capability by improving efficiencies in the delivery of the capability through the provision of either new or expanded and modified facilities.³
- 2.5 The project was referred to the Committee on 25 March 2014.

Conduct of the inquiry

- 2.6 Following referral, the inquiry was publicised on the Committee's website and via media release.

1 Department of Defence (Defence), submission 1, p. 7.

2 Defence, submission 1, p. 7.

3 Defence, submission 1, p. 14.

- 2.7 The Committee received one submission and three supplementary submissions from Defence. A list of submissions can be found at Appendix A.
- 2.8 The Committee conducted an inspection, public hearing and in-camera hearing on the project on 22 May 2014 in Townsville. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.⁴

Need for the works

- 2.9 The purchase of new helicopters was approved by the Australian Government in February 2010. The Australian Army's existing fleet of CH-47D (D Model) Chinook helicopters will be replaced by seven CH-47F (F Model) Chinook helicopters, to address current and future capability deficiencies in the Chinook weapon system and maintain commonality with the United States Army F Model Chinook helicopters.
- 2.10 In addition to the weapon system upgrade, the F Model is a modern digital aircraft. The most significant upgrades included in the F Model Chinook, over its predecessor, are the introduction of a common avionics architecture system, an integrated digital avionics suite in the cockpit, and a digital flight control system.⁵
- 2.11 The new helicopters will be operated by the 5th Aviation Regiment at RAAF Base Townsville. Minor modifications to the helicopters will be undertaken at RAAF Base Townsville to suit unique Australian requirements.
- 2.12 There will be an increase in fleet size from six D Model Chinook helicopters to seven F Model Chinook helicopters.⁶
- 2.13 In addition to providing facilities for the new helicopters, the project will also:
- ... provide two transportable flight proficiency simulators to create an organic Chinook flight simulator flight capability for the Australian Defence Force and introduce an aviation mission planning system, or AMPS, to improve tactical and battlefield situational awareness on the flight deck.⁷

4 <www.aph.gov.au/pwc>

5 Defence, submission 1, p. 5.

6 Defence, submission 1, p. 5.

7 Brig. D Naumann, Defence, transcript of evidence, 22 May 2014, p. 1.

- 2.14 The transition to the new F Model Chinook helicopters will take place from May 2015. The current D Model Chinook helicopters will be progressively withdrawn from service starting in the first quarter of 2015, with the final D Model being withdrawn by first quarter of 2016.⁸
- 2.15 During its inspection, the Committee toured the existing, ageing facilities that support the D Model Chinook helicopters, as well as newer facilities that were purpose-designed for other helicopters.
- 2.16 The Committee notes that the ageing facilities that currently support the Chinook helicopters have significant space constraints and a much less efficient and effective layout, when compared to the newer, purpose-designed facilities for other helicopters.
- 2.17 The Committee is satisfied that there is a need for the works.

Scope of the works

- 2.18 The project contains five scope elements:
- Headquarters C Squadron Facility;
 - Chinook Maintenance Facilities;
 - Chinook Training Facilities;
 - Engineering Services Infrastructure; and
 - Interim works.⁹
- 2.19 The project includes both new and refurbished facilities to meet the administrative, maintenance and training needs for the new aircraft.¹⁰
- 2.20 Interim works are required to ensure that operational capability is not compromised while the project is delivered:
- ... one of the key requirements that we have under this project is that in delivering the new Chinook capability into the ADF we need to maintain a Chinook capability in the ADF. So, we needed to ensure that as we built new facilities we had the ability for 5th Aviation Regiment to continue to conduct Chinook aviation operations. So, there was a need to ensure that we staged

8 Defence, submission 1, p. 5.

9 Defence, submission 1, pp. 14-16.

10 Defence, submission 1, p. 7.

construction appropriately such that flying capability could continue.¹¹

2.21 The interim works will comprise the following:

We are proposing to do a minor fit-out to a demountable facility, as shown on the site inspection. That is to cater for the flight line crew while the maintenance facility is being demolished and constructed. That will also accommodate the new equipment planning phase for the transportable flight proficiency simulators. For the technical support squadron, we are not proposing to conduct any temporary works. That facilities component of the western annexe of the new maintenance facility will be constructed as a stand-alone facility and then built onto the site of that afterwards, so we do not need any temporary accommodation.

For the maintenance hangars themselves, we are proposing to complete minor works to the Chinook shelters to the north of the hangar. This will accommodate three maintenance areas, and we propose to fit-out minor works to the flooring with an epoxy solution.¹²

2.22 Construction is expected to commence in late 2014. All major works are expected to be completed by mid-2017.¹³

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

Cost of the works

2.24 The estimated cost of the project is \$54.8 million, excluding GST.¹⁴

2.25 Defence provided detail on the project costs in its confidential submissions and during the in-camera hearing.

2.26 The Committee considers that the costs estimates for the project have been adequately assessed by the proponent agency. The Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

11 Brig. D Naumann, Defence, transcript of evidence, 22 May 2014, pp. 1-2.

12 Mr J Thompson, Defence, transcript of evidence, 22 May 2014, p. 2.

13 Defence, submission 1, p. 24.

14 Defence, submission 1, p. 24.

Committee comments

- 2.27 The Committee thanks Defence staff and personnel who participated in the inspection.
- 2.28 The Committee also commends Defence for providing clear and comprehensive information in the submissions and hearings for the inquiry.
- 2.29 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.
- 2.30 Proponent agencies must notify the Committee of any changes to the project scope, time and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A template for the report can be found on the Committee's website.
- 2.31 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

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: AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland.

Defence Terrestrial Communications Network Facilities and Infrastructure Project

- 3.1 The Department of Defence (Defence) seeks approval from the Committee to commence works on its Joint Project 2047 Phase 3 Defence Terrestrial Communications Network Facilities and Infrastructure project (JP2047).
- 3.2 The purpose of the JP2047 is to upgrade, replace, standardise and/or rationalise the Information and Communications Technology (ICT) facilities and communications infrastructure at 282 geographically dispersed Defence owned and leased sites within Australia, in all states and territories.¹
- 3.3 Defence told the Committee that this project will transform the Defence Terrestrial Communications Network (DTCN) once completed in June 2016.²
- 3.4 It is Phase 3 of this multi-phased project which the Committee has recently examined and is now reporting on. Earlier completed phases of this capability project included a project definition study and a network security and survivability study to provide input to the capability requirements for later phases.³
- 3.5 The project was referred to the Committee on 25 March 2014.

1 Department of Defence (Defence), submission 1, pp. 7-8.

2 Defence, submission 1, p. 3.

3 Defence, submission 1, p. 7.

Conduct of the inquiry

- 3.6 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.7 The Committee received one submission and four supplementary submissions from Defence. A list of submissions can be found at Appendix A.
- 3.8 The Committee received a private briefing on the project from representatives of the Department of Defence, Point Project Management and Telstra Corporation on 30 May 2014 in Canberra.
- 3.9 Following the private briefing, the Committee conducted a public hearing and an *in-camera* hearing. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.⁴

Need for the works

- 3.10 Two reviews in 2008⁵ identified the need for Australian Government agencies, including Defence, to substantially improve the condition, capability, sustainability, productivity and governance of their ICT. The JP2047 is Defence's response to achieving the required ICT reforms within the Department of Defence.
- 3.11 According to Defence, the JP2047 will deliver significant business advantages by upgrading, replacing, standardising and rationalising the DTCN, but to make these improvements:

... the DTCN needs to be supported by appropriate facilities, security, electrical power, cooling and physical infrastructure. Due to the age, size and geographic spread of the Defence estate, ICT facilities vary widely in condition, size and function. Many of the Defence sites where the DTCN and ICT equipment are housed will not support the new JP2047 capability and require urgent remediation and upgrades before June 2016 – prior to the rollout of the upgraded DTCN.⁶

4 <www.aph.gov.au/pwc>

5 Department of Finance and Deregulation 2008, *Review of Australian Government's use of Information and Communications Technology* (Sir Peter Gershon CBE FREng) and Department of Defence 2009, *2008 Audit of the Defence Budget* (report prepared by G Pappas, McKinsey & Co.) as cited in Defence submission 1, p. 1.

6 Defence, submission 1, p. 2.

- 3.12 JP2047 will achieve a reduction in network operating costs, reduce the complexity of the network and provide new collaborative business processes for ICT users.⁷

JP2047 will also drive benefits to Defence DTCN management, ICT infrastructure and supporting facilities. We will be provided with a flexible, responsive DTCN which allows Defence to quickly and easily adjust its ICT capacity between bases depending on demand or outages and in response to operations and unforeseen events in Australia. ... The new network will include embedded testing facilities to enable all future changes to the DTCN to be tested safely before they are connected onto the live network. Finally, JP2047 is scoped to provide base ICT infrastructure and facilities remediation and upgrades where required to enable the JP2047 project.⁸

- 3.13 At the completion of the Project, for the first time all Defence personnel whether in Australia or overseas will have reliable, high speed access to the Defence network and ICT services.⁹

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

Scope of the works

- 3.15 The project includes the provision of computer cabinets and storage, power, lighting, air-conditioning, fire protection, and security alarms and monitoring within communications rooms housing ICT equipment at 282 Defence owned and leased sites.¹⁰

- 3.16 Defence told the Committee that the nature of the facilities and infrastructure works is uncomplicated and minor, but must be conducted across all States and Territories of Australia within an 18 to 20 month period to support the implementation schedule of the DTCN transformation.¹¹

- 3.17 In response to a question about the value of improving ICT infrastructure on leased sites, the Committee heard that:

7 Defence, submission 1, p. 2.

8 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, pp. 1-2.

9 Defence, submission 1, p. 2.

10 Defence, submission 1, pp. 2-3.

11 Defence, submission 1, p. 3.

A number of sites have been identified where the leases are due to expire in the short term, and there will be no works planned for those sites. For the sites where the lease is for more of an extended period or where Defence would expect to remain, the works have been planned for those sites to accord with the requirements of the project.¹²

3.18 At each location Defence has considered whether to conduct new construction/trenching or to adapt and reuse existing facilities and infrastructure. This is to ensure that the proposed works are cost-effective and entirely new works are only conducted where necessary.¹³

3.19 The location of the works on each site has been dictated by the location of existing operational ICT facilities, communications rooms and in-ground communications infrastructure. Most of the project works will be conducted within existing communications rooms, reusing and adapting existing facilities and infrastructure wherever possible.¹⁴

The scope of facilities and infrastructure works proposed at each of these sites is dependent upon the condition and capacity of the existing facilities and infrastructure.¹⁵

3.20 Where potential environmental and heritage risks exist, various trenching options have been considered and designs rerouted to ensure functionality and to mitigate possible impacts.¹⁶

... a number of Defence sites do have heritage values. We did undertake assessments to confirm if we were going to be impacting on those heritage values at all as a result of the work. The facility scope as proposed does not impact nor fundamentally change any facades or internal atriums of heritage listed buildings. We have undertaken an environmental assessment and we will also require Telstra to develop its own environmental management plans that will identify if there is any heritage implications associated with the work they are doing and how they will deal with it.¹⁷

3.21 Defence told the Committee that it was cognisant of potential impacts on local communities in developing the designs for the proposed works but

12 Mr B Bilson, Point Project Management, transcript of evidence, 30 May 2014, p. 3.

13 Defence, submission 1, p. 3.

14 Defence, submission 1, p. 4.

15 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, p. 2.

16 Defence, submission 1, p. 4.

17 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, p. 7.

as all works are contained within existing Defence sites and premises, the potential impact on local communities is assessed as low. There will be no increase in personnel numbers during the works and due to the minor nature of the works at the majority of sites, the number of on-site construction workers at a site at any one time is not expected to be significant.¹⁸

- 3.22 Construction of JP2047 is expected to begin in August 2014, with a progressively staged handover and completion of all sites by mid-2016.¹⁹
- 3.23 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 3.24 The estimated cost of the project is \$131.1 million, excluding GST. The cost includes all delivery costs, including management and design fees, construction costs, furniture, fittings and equipment, contingencies, and an allowance for escalation.²⁰
- 3.25 Defence provided detail on the project costs in its confidential submissions and during the *in-camera* hearing.
- 3.26 The Committee considers that the costs estimates for the project have been adequately assessed by Defence and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

Committee comments

- 3.27 The Committee accepts that the need exists for Defence to upgrade its ICT capability across Defence owned and leased sites nation-wide.
- 3.28 The Committee accepts that Defence will be able to more effectively provide ICT services to Australian Defence Force operations and deliver the financial savings mandated under the Government's Strategic Reform Program upon completion of the proposed works.
- 3.29 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.

18 Defence, submission 1, p. 6.

19 Defence, submission 1, p. 15.

20 Defence, submission 1, p. 15.

- 3.30 The potential use of unspent contingency was raised at the *in-camera* hearing. Given the size of the project, if the project contingency monies are not used, Defence's options are to return the unspent money to revenue or to put before to the Committee a proposal for an extension of scope, if appropriate.
- 3.31 Proponent agencies must notify the Committee of any changes to the project scope, time and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A report template can be found on the Committee's website.
- 3.32 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

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: Defence Terrestrial Communications Network Facilities and Infrastructure Project.

Recommendation 3

The Committee recommends that if Defence has unspent contingency monies it puts before the Committee a proposal for an extension of scope, if appropriate.

**Karen Andrews MP
Chair**

19 June 2014



Appendix A – List of Submissions

AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland

1. Department of Defence
 - 1.1 Confidential
 - 1.2 Department of Defence
 - 1.3 Confidential

Defence Terrestrial Communications Network Facilities and Infrastructure Project

1. Department of Defence
 - 1.1 Confidential
 - 1.2 Department of Defence
 - 1.3 Confidential
 - 1.4 Department of Defence



Appendix B – List of Hearings and Witnesses

AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland

Thursday, 22 May 2014 – Townsville, Queensland

Public Hearing

Department of Defence

Lt Col. David Hafner, Commanding Officer, 5th Aviation Regiment

Lt Col Thorbjorn Johansen, Staff Officer 1, Medium Lift Helicopter, Aviation Branch, Headquarters Forces Command

Brig. Darren Naumann, Director General, Capital Facilities and Infrastructure Branch

Mr Gregory Thompson, Project Director, North Queensland

Aurecon Australia Pty Ltd

Mr Jamie Smith, Project Manager and Contract Administrator

In-Camera Hearing

Five witnesses

Defence Terrestrial Communications Network Facilities and Infrastructure Project

Friday, 30 May 2014 – Canberra

Public Hearing

Department of Defence

Brigadier Darren Naumann, Director General of Capital Facilities and Infrastructure

Colonel Warren Gould, ED JP2047 Phase 3 DTCN, CIOG

Capital Facilities and Infrastructure

Ms Rebecca Booth

Point Project Management

Mr Brendan Bilston

Telstra Corporation

Mr Matthew Chapman

In-Camera Hearing

Five witnesses