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The Parliament of the Commonwealth of Australia

# **Provision of Facilities for Project Single Living Environment and Accommodation Precinct – Phase One**

Parliamentary Standing Committee on Public Works

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October 2006  
Canberra

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## **Membership of the Committee**

**Chair** Hon Judi Moylan MP

**Deputy Chair** Mr Brendan O'Connor MP

<b>Members</b>	Mr John Forrest MP	Senator Michael Forshaw
	Mr Harry Jenkins MP	Senator Stephen Parry
	Mr Bernie Ripoll MP	Senator the Hon Judith Troeth
	Mr Barry Wakelin MP	

## **Committee Secretariat**

**Secretary** Mrs Margaret Swieringa

**Inquiry Secretary** Mr Jason Sherd

**Senior Research Officer** Mr Raymond Knight

**Research Officer** Ms Penny Wijnberg

**Administrative Officers** Mr Peter Ratas



## **List of abbreviations**

the Act	The <i>Public Works Committee Act 1969</i>
ADF	Australian Defence Force
CMS	Comprehensive Maintenance Service
Defence	Department of Defence
EOI	Expression of Interest
GSS	Garrison Support Service
LIA	Living In Accommodation
MWODs	Members Without Dependents
NSW	New South Wales
PPP	Public Private Partnership
RFP	Request for Proposal
Single LEAP	Single Living Environment and Accommodation Precinct

# **Extract from the Votes and Proceedings of the House of Representatives**

**No 92 Dated Wednesday, 29 March 2006**

**PUBLIC WORKS – PARLIAMENTARY STANDING COMMITTEE –  
REFERENCE OF WORK – PROVISION OF FACILITIES FOR PROJECT  
SINGLE LEAP – PHASE 1**

Mr Nairn (Special Minister of State), pursuant to notice, moved – That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Provision of facilities for Project Single LEAP – Phase 1.

Question – put and passed.

# **List of recommendations**

## **3 Issues and Conclusions**

### **Recommendation 1**

The Committee recommends that the Department of Defence provide it with the procedures and relevant information regarding the safe removal of hazardous material for each of the three sites.

### **Recommendation 2**

The Committee recommends that the Department of Defence provide it with a briefing on the final form of the proposal, including costs, once a strategic partner is chosen.

### **Recommendation 3**

The Committee recommends that the Department of Defence provide it with regular reports on the progress of works at each of the three sites.

### **Recommendation 4**

The Committee recommends that Defence keep it informed of progress made in relation to consultation with indigenous groups at each of the three sites.

### **Recommendation 5**

The Committee recommends that the proposed provision of facilities for phase one of Project Single LEAP proceed at the estimated cost of \$406 million.



## Introduction

### Referral of Work

- 1.1 On 29 March 2006 the proposal to provide facilities for Phase One of the Single Living Environment and Accommodation Precinct Project (project Single LEAP) at Holsworthy Barracks, NSW and Gallipoli Barracks, Enoggera and RAAF Base Amberley, Queensland, was referred to the Parliamentary Standing Committee on Public Works (the Committee) for consideration and report in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).<sup>1</sup> The proponent agency for this work is the Department of Defence (Defence).
- 1.2 The Hon Gary Nairn MP, Special Minister of State, advised the House that the overall out-turn estimated cost of the project was \$406 million. Subject to parliamentary approval, the proposed works were planned to commence in early to mid 2007, with completion scheduled for 2009.

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<sup>1</sup> Extract from the *Votes and Proceedings of the House of Representatives*, No. 92, Wednesday 29 March 2006

## Background

- 1.3 Defence is required to provide high quality accommodation solutions for all Australian Defence Force (ADF) members. These include living in accommodation, rent allowance and other options such as living in their own home.<sup>2</sup>
- 1.4 Living-in accommodation (LIA) is the provision of on-base housing for military members, with amenities and standards linked to rank and duration of residence.<sup>3</sup>
- 1.5 Project Single LEAP will provide LIA facilities at three sites: Holsworthy Barracks, NSW and Gallipoli Barracks, Enoggera and RAAF Base Amberley, Queensland.<sup>4</sup>

## Inquiry Process

- 1.6 The Committee is required by the Act to consider public works over \$6 million<sup>5</sup> and report to Parliament on:
  - the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of, carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>6</sup>
- 1.7 The Committee called for submissions by advertising the inquiry in the *Courier Mail* and the *Sydney Morning Herald* on Saturday, 6 May 2006. The Committee also sought submissions from relevant government agencies, local government, private organisations and individuals who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and

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2 Appendix C, Submission No 1, Department of Defence, paragraphs 1 – 2

3 *ibid*, paragraph 2

4 *ibid*, paragraph 4

5 *Public Works Committee Act 1969*, Part III, Section 18 (8)

6 *ibid*, Section 17

other information relating to the inquiry on its web site<sup>7</sup> in order to encourage further public participation.

## Inspection and Public Hearings

- 1.8 On 29 June 2006 the Committee visited Gallipoli Barracks, Enoggera and RAAF Base Amberley, Queensland to inspect the scope and environs of the proposed works at these sites. This was followed by a public hearing held at RAAF Base Amberley.<sup>8</sup>
- 1.9 An inspection of the proposed works at Holsworthy Barracks, NSW was undertaken on 11 August 2006. Later that day the Committee received a commercial-in-confidence briefing on project costs from Defence, and held a further public hearing at the Moorebank Area Officer's Mess, NSW.<sup>9</sup>
- 1.10 On 14 September 2006 the Committee received a further commercial-in-confidence briefing on project costs from Defence at Parliament House, Canberra.

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<sup>7</sup> See <http://www.aph.gov.au/house/committee/pwc>

<sup>8</sup> See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearings on Thursday, 29 June 2006 RAAF Base Amberley, Queensland

<sup>9</sup> See Appendix E for the official Hansard transcript of the evidence taken by the Committee at the public hearings on Friday, 11 August 2006 Moorebank Area Officers Mess, NSW

## The Proposed Works

### Purpose

- 2.1 Phase one of Project Single LEAP will provide up to 1,295 permanent rooms at LIA level 5 standard, distributed between RAAF Base Amberley and Gallipoli Barracks, Enoggera, Queensland and Holsworthy Barracks, NSW.<sup>1</sup> The standard of accommodation “aims to improve the living standards for single Australian Defence Force personnel who live in [on base] as a service requirement”.<sup>2</sup>

### Need

- 2.2 Defence submitted that a 2003 review of LIA accommodation for ADF Members Without Dependents (MWODs) reported a shortfall of approximately 26,000 bed-spaces at the appropriate standards.<sup>3</sup>
- 2.3 Project Single LEAP addresses “the worst deficiencies in permanent LIA across Australia as identified in the 2003 report”.<sup>4</sup>

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1 Appendix C, Submission No. 1, paragraph 4

2 Appendix D, Official Transcript of Evidence, 29 June 2006, page 2

3 Appendix C, op cit, paragraph 3

4 Appendix C, op cit, paragraph 7

2.4 Defence stated that the

provision of high quality accommodation to ADF members in line with community standards has a direct impact on Defences' ability to attract and retain military personnel in a problematic employment market. There is also a duty of care requirement for the Department to provide high quality, standardised living-in accommodation to personnel.<sup>5</sup>

## Scope

2.5 Phase one of the project includes:

- financing the development of the facilities and services;
- a commissioned and fully operational LIA service, together with all associated furniture and equipment, parking, storage and facilities;
- all required infrastructure, including upgrading engineering services and other utilities as required;
- ongoing operation, repair, maintenance and replacement of the facilities and its various parts; and
- supply and conduct of the accommodation services for the facilities, including those provided by the strategic partner and those sourced through existing Garrison Support Service (GMS) and Comprehensive Maintenance Service (CMS) contracts.<sup>6</sup>

2.6 1,295 permanent rooms will be developed across the three sites. These will be distributed as follows:

- Holsworthy Barracks, NSW – 500;
- Gallipoli Barracks, Enoggera, Queensland – 500; and
- RAAF Base Amberley, Queensland – 295.<sup>7</sup>

## LIA Level 5 Standard

2.7 Defence informed the Committee that

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5 ibid, paragraph 2

6 Appendix D, op cit, pages 2 and 3

7 Appendix C, op cit, paragraph 31

Much of the current on-base accommodation available to single ADF members is below community standards and does not meet the expectations of today's service personnel.

[Project Single LEAP] recognises that the living environment of ADF personnel is a major contributor to defence capability, impacting on readiness, mobility, morale and esprit de corps and having a direct effect on recruitment and retention rates.<sup>8</sup>

- 2.8 The standard of accommodation to be provided through Project Single LEAP is suitable for permanent living-in personnel and is deemed level 5.<sup>9</sup>
- 2.9 The LIA level 5 standard of accommodation includes:
  - sole occupancy units, with space entitlements according to rank;
    - ⇒ 39 square metres for Senior Officers;
    - ⇒ 30 square metres for Senior Non Commissioned Officers and Junior Officers; and
    - ⇒ 24 square metres for Other Ranks;<sup>10</sup>
  - ensuite with shared balcony;<sup>11</sup>
  - undercover car parking with adjacent lock-up storage.<sup>12</sup>
- 2.10 Paragraph 33 of the Defence submission details the furnishings, fixtures and equipment provided under the LIA level 5 standard.

## Project Delivery

- 2.11 Defence propose to
  - procure the buildings and infrastructure under Public Private Partnership [PPP] arrangements. This process will engage the private sector in design, construction, operation and maintenance of the Facilities, and in the provision of infrastructure and ancillary support services for a period of 30 years.<sup>13</sup>

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8 Appendix D, op cit, page 2

9 ibid, page 5

10 Appendix C, op cit, paragraph 31

11 Appendix E, Official Transcript of Evidence, 11 August 2006, page 4

12 Appendix C, op cit, paragraph 34

13 ibid, paragraph 76

## Cost

2.12 The estimated cost of the proposed works is \$406 million (2005-06, out-turned net present value), excluding GST. This figure includes:

- buildings and infrastructure;
- design;
- preliminaries;
- professional fees;
- service of the facilities;
- maintenance; and
- construction contingency.<sup>14</sup>

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14 Appendix C, op cit, paragraph 73

# 3

## **Issues and Conclusions**

### **Amendments to the Statement of Evidence**

3.1 At the public hearing held on 11 August 2006, Defence provided several amendments to its statement of evidence. These addressed matters concerning project funding, project scope and a comparison of newly constructed buildings against the refurbishing of existing buildings at Gallipoli Barracks, Enoggera, Queensland.<sup>1</sup>

#### **Project Funding**

3.2 Defence amended paragraph 9 of its submission by replacing “Current approved phasings are”<sup>2</sup> with “Original approved phasings were”.<sup>3</sup> This amendment reflected changes in project timing which were discussed at the public hearing held on 29 June 2006.<sup>4</sup>

3.3 A new paragraph 10 was inserted into the statement of evidence, which addressed the original budget for Single LEAP, and provided further details of each phase of the project. Sixty rooms at Robertson Barracks and Kokoda Barracks have already been funded; phase one will provide 1,295

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1 Appendix E, Official Transcript of Evidence, 11 August 2006, pages 2 and 3

2 Appendix C, Submission No. 1, paragraph 9

3 Appendix E, op cit, page 3

4 Appendix D, Official Transcript of Evidence, 29 June 2006, page 11

rooms; and phase two will deliver approximately 5,100 rooms. The Expression of Interest (EOI) for phase 2 is expected to be released "later in 2006".<sup>5</sup>

- 3.4 The original paragraph 10 was renumbered 10A. The amendment added that

Separate defence initiatives have been implemented to address the balance of the LIA deficiencies [identified in the 2003 Defence LIA review], including a combination of facilities upgrades and major redevelopment projects.<sup>6</sup>

## Project Scope

- 3.5 Defence amended paragraph 29 to inform the Committee that

Scope exists within the proposed contractual arrangements to be able to modify the contract under competitive tendering arrangements in the event that the Commonwealth seeks to modify the accommodation service after commercial acceptance. This could enable defence to contest the delivery of future additional living-in accommodation requirements arising out of other defence projects against the phase 1 Single LEAP provider.<sup>7</sup>

## Refurbishment of Existing Buildings at Gallipoli Barracks, Enoggera

- 3.6 The Committee heard that some existing LIA accommodation at Gallipoli Barracks, which were not a part of Project Single LEAP, had recently undergone some minor refurbishment. Defence were questioned whether a cost analysis had been undertaken on refurbishing the existing buildings as opposed to demolishing and rebuilding new accommodation.<sup>8</sup>

- 3.7 Defence answered these questions by inserting a new paragraph 45A into its statement of evidence, citing a cost-benefit analysis which found that

...refurbishment would cost approximately seven per cent more in construction costs, ... would not fully meet Defence level 5 standards [and]... would fall 76 units short of the required 500 units... The whole-of-life building maintenance and life cycle cost

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5 Appendix E, Official Transcript of Evidence, 11 August 2006, page 3

6 *ibid*, page 3

7 *ibid*, page 3

8 Appendix D, *op cit*, page 5

for the refurbished facilities would be higher than the new build option by some 15 per cent over the life of the contract.<sup>9</sup>

- 3.8 Defence stated that they would use transit and trainee accommodation as a transit plan for ADF personnel displaced when the current buildings were demolished.<sup>10</sup>

## Asbestos

- 3.9 The Committee heard that 175 buildings within the Gallipoli Barracks contained asbestos in the form of cement sheeting for walls, linings and vinyl tiles. The Committee was assured that this would be removed and disposed of during the demolition of the buildings.<sup>11</sup>

### Recommendation 1

**The Committee recommends that the Department of Defence provide it with the procedures and relevant information regarding the safe removal of hazardous material for each of the three sites.**

## Living in Accommodation Review

- 3.10 Defence submitted that a 2003 review of all LIA found a shortfall of approximately 26,000 bed-spaces for MWODs.<sup>12</sup> At the public hearing held on 29 June 2006, Defence clarified that this figure included all existing accommodation at LIA level 3 and 5 standards, as well as “accommodation for operational surge – the bunk style of accommodation”.<sup>13</sup>
- 3.11 Project Single LEAP will partially address the shortfall identified in the review, providing approximately 6400 rooms at LIA 5 standard. The 1,295 rooms to be delivered under phase one of the project will be supplemented by about 5,100 rooms “through a second PPP arrangement

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9 Appendix E, op cit, page 2

10 Appendix D, op cit, page 12

11 *ibid*, page 10

12 Appendix C, op cit, paragraph 8

13 Appendix D, op cit, page 13

as part of phase 2". The balance of the LIA deficiencies is to be provided through separate Defence initiatives.<sup>14</sup>

## **Requirement to Live On-base**

- 3.12 Defence explained that the ADF personnel required to live in [on-base] included

people who are under 18, people who are within 12 months of completing their initial education and training. There are two other categories. The third category is those who are required to live in for operational reasons. The vast majority of the candidates who will occupy Single LEAP facilities fit into that category. The fourth category is those who are undertaking training courses of a duration greater than six months.<sup>15</sup>

- 3.13 The Committee queried whether the requirement to live in could be guaranteed, stating that it was a risk that the accommodation would not be required should the policy change within the thirty year period of the project. Defence replied that the sites for phase one were selected on the basis of long-term capability requirements and the reasons for requiring personnel to live on-base were enduring and not likely to change.<sup>16</sup>
- 3.14 Defence informed the Committee that the rooms could expect to be utilised at an occupancy rate "in the order of 85 per cent".<sup>17</sup>

## **Project delivery**

### **Public Private Partnership**

- 3.15 Defence submitted that they proposed to procure the buildings and infrastructure under Public Private Partnership arrangements.<sup>18</sup>
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14 Appendix E, op cit, page 3

15 Appendix D, op cit, pages 12 and 13

16 Appendix E, op cit, pages 5 to 7

17 ibid, page 4

18 Appendix C, op cit, paragraph 76

- 3.16 At the public hearing held on 29 June 2006, Defence explained that this delivery method was appropriate due to the project's potential size, relative complexity and the "percentage of service component".<sup>19</sup>
- 3.17 Phase one of Project Single LEAP was extracted from the larger project on "guidance from the Minister [for Defence] ... to test the [PPP] methodology" as phase two of the project would be "much more complex in terms of the geographic spread of the sites as well as the number of units to be constructed".<sup>20</sup>
- 3.18 The Committee heard that Defence will pay a monthly service charge to the strategic partner, payable after the facilities are occupied. The charge will be
- all encompassing. It includes the design and construction component; it includes the facilities maintenance component; it includes the operations component; it includes provision for upgrade at key points during the life of the facility, including an assessment at the tail end of the contract in sufficient time to allow the strategic partner to bring that facility up to an agreed standard before handing it back to the Commonwealth.<sup>21</sup>
- 3.19 The Committee queried Defence as to why one strategic partner, rather than three, was to be engaged to develop the three sites. Defence replied that the three sites were packaged together to be "attractive to industry" and that one strategic partner would result in a simpler, single national contract.<sup>22</sup>

## Confidential briefings

- 3.20 Defence provided the Committee with two commercial-in-confidence briefings. The first was held prior to the 11 August 2006 public hearing and the second on 14 September 2006.
- 3.21 At these briefings, Defence provided the Committee with details of the expected costs of the project, as contained in the Public Sector Comparator (PSC). The Committee was told that incoming tenders would be compared to the PSC to ensure that the Commonwealth received value for money.

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19 Appendix D, op cit, page 6

20 ibid, pages 10 and 11

21 Appendix D, op cit, page 7

22 ibid, page 11

## Project implementation

- 3.22 Early in 2006, the Committee approved a request from Defence to progress their procurement strategy in parallel with Committee consideration of the project.<sup>23</sup>
- 3.23 Defence submitted that EOI were sought in October 2005, with nine formal consortia bids being received. Four consortia were short listed to proceed to the Request for Proposal (RFP) stage, with submissions due in May 2006.<sup>24</sup>
- 3.24 At the 29 June public hearing, Defence provided an update to the Committee, stating that all four consortia tenders had been received and were undergoing evaluation. Defence informed the Committee that it expected a recommendation on a strategic partner to be made to government later in 2006.<sup>25</sup>
- 3.25 During the course of the inquiry, the Committee faced the challenge of giving consideration to this project before its final form is known. For example, the design of the facilities<sup>26</sup> and the management of environmental matters<sup>27</sup> will only be known or addressed once a strategic partner is engaged.
- 3.26 The Committee recognises that this is a unique feature of PPPs but requests a briefing from Defence on the final form and costs of the project.

### Recommendation 2

**The Committee recommends that the Department of Defence provide it with a briefing on the final form of the proposal, including costs, once a strategic partner is chosen.**

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23 ibid, page 2

24 Appendix C, op cit, paragraph 16

25 Appendix D, op cit, pages 8 and 9

26 Appendix E, op cit, page 10

27 Appendix D, op cit, page 14

### Recommendation 3

The Committee recommends that the Department of Defence provide it with regular reports on the progress of works at each of the three sites.

## Experience with Public Private Partnerships

- 3.27 The Committee questioned Defence on its experience in coordinating PPPs. Defence responded by saying that they

have [drawn] very heavily on our consultancy support and brought with that an understanding of public-private partnership project arrangements at the state level in this country as well as overseas experience, particularly with the UK Ministry of Defence.<sup>28</sup>

## Consultation

### Indigenous groups

- 3.28 At the 29 June 2006 public hearing, the Committee questioned Defence about the level of consultation undertaken with indigenous groups at each of the sites. Defence stated that they had consulted with the land council responsible for the Holsworthy area, have “undertaken an initial cultural and heritage assessment” and will invite the lands council to assist them with further cultural assessments.<sup>29</sup>
- 3.29 At the public hearing held on 11 August 2006, Defence indicated that they had engaged the Jagera people at RAAF Base Amberley and were in the process of engaging the Tharawal people at Holsworthy.<sup>30</sup>

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28 ibid, page 5

29 Appendix D, op cit, page 15

30 Appendix E, op cit, page 3

### Recommendation 4

**The Committee recommends that Defence keep it informed of progress made in relation to consultation with indigenous groups at each of the three sites.**

## Local Councils

- 3.30 The submission of the Ipswich City Council was supportive of the proposal at RAAF Base Amberley.<sup>31</sup> When representatives of the Council appeared before the Committee, they stated that they were happy with the level of consultation undertaken by Defence.<sup>32</sup>
- 3.31 In response to a question on what discussions were undertaken with councils local to the Holsworthy site, Defence stated that the Liverpool City Council and the Sutherland Shire Council were both briefed on the project and neither raised specific issues.<sup>33</sup>

## Defence Personnel

- 3.32 The Committee asked whether Defence personnel had an opportunity to have an input into the project. Defence stated that

We have gone through a fairly detailed process with site visits whereby commanders, their troops and our regional and base defence staff have been engaged in informing the development of the output specification that we finally took to industry.<sup>34</sup>

### Recommendation 5

**The Committee recommends that the proposed provision of facilities for phase one of Project Single LEAP proceed at the estimated cost of \$406 million.**

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31 *Volume of Submissions*, Submission No. 2, page 1

32 Appendix D, op cit, pages 18 and 19

33 Appendix E, op cit, page 10

34 *ibid*, page 10

**Hon Judi Moylan MP**

Chair

18 October 2006

# A

## **Appendix A – List of Submissions and Exhibits**

### **Submissions**

1. Department of Defence
2. Mayor of Ipswich
3. Department of Defence (Supplementary submission)

### **Exhibit**

1. New developments for improved soldier comfort in humid climates.... “It ain’t the heat it’s the humidity”, Mr Gordon Lacey

# B

## Appendix B – List of Witnesses

Mr Graham Brooke, Partner, KPMG

Mr Ross Drabble, Works Manager, Ipswich City Council

Air Commodore Andrew Kilgour, Director-General, Strategic Infrastructure Projects, Infrastructure Division, Department of Defence

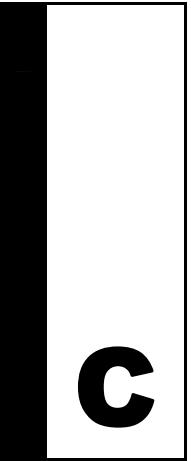
Mr James Lambrianidis, Development Consultant, Sinclair Knight Merz

Ms Maureen Pepper, Director, Project Single Living Environment Accommodation Precinct, Infrastructure Division, Department of Defence

Councillor Charlie Pisasale, Councillor, Ipswich City Council

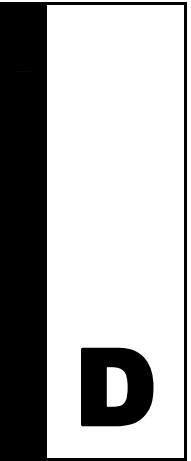
Mr Paul Watson, Regional Manager, Corporate Services and Infrastructure, South Queensland, Department of Defence

Mr Peter Watson, Regional Manager, Corporate Services and Infrastructure, Sydney West South, Department of Defence



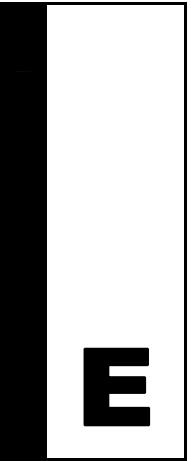
**C**

## **Appendix C – Submission No. 1 from the Department of Defence**



**D**

**Appendix D – Official Transcript of  
Evidence (29 June 2006 – Amberley)**



**E**

**Appendix E – Official Transcript of  
Evidence (11 August 2006 – Sydney)**