

Report 4/2011

Referrals made May to June 2011

- **Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory**
- **Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland**
- **Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria**
- **Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania**

Parliamentary Standing Committee on Public Works

August 2011

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Membership of the Committee

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(until 30/6/11)

| | | |
|----------------|-----------------------------------------|----------------------------------------|
| Members | Mrs Karen Andrews MP | Senator Gavin Marshall (until 30/6/11) |
| | Mr John Forrest MP | Mr Bernie Ripoll MP |
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List of recommendations

Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory

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: Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory.

Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland

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: Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland.

Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria

Recommendation 3

The Committee recommends the Department of Defence develop an information and consultation protocol for use in relation to all contaminated sites on Defence properties, to inform local residents of the extent of, and risk posed by, any proposed treatment of such contamination, regardless of when Defence plans to conduct remediation on each site.

Recommendation 4

The Committee recommends that the Department of Defence establish and maintain a website to provide information about each contaminated site, including the risks posed by the contamination, the current management of the site, and details about planned remediation.

Recommendation 5

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: Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria.

Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania

Recommendation 6

The Committee recommends that the Department of Defence provide full and complete details on all options considered for all future project proposals.

Recommendation 7

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: Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania.

Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Special Minister of State.
- 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 Works considered in this report were referred to the Committee in May and June 2011 by the Special Minister of State, the Hon Gary Gray 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 major issues of 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 fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory. The project is estimated to cost \$38.5 million.
- 1.11 Chapter 3 addresses the proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland. The project is estimated to cost \$33.1 million.
- 1.12 Chapter 4 addresses the proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria. The project is estimated to cost \$27.3 million.

3 The Act, Section 17.

- 1.13 Chapter 5 addresses the proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania. The project is estimated to cost \$18.7 million.
- 1.14 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.

Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory

- 2.1 The proposed fitout of new leased premises for the Human Services Portfolio on Cowlshaw Street in Greenway, ACT, aims to provide additional office space for the portfolio, consolidating a number of dislocated premises across Canberra. The new premises would accommodate up to 1,747 staff.¹
- 2.2 The estimated cost of the project is \$38.5 million.
- 2.3 The proposal was referred to the Committee on 12 May 2011.

Conduct of the inquiry

- 2.4 The Committee received one submission, one supplementary submission and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 2.5 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 24 June 2011 in Canberra.
- 2.6 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.² Plans for the proposed works are detailed in Submission 1: Department of Human Services (DHS).

1 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 10.

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

Need for works

- 2.7 The DHS submission states that the works are needed in order to accommodate a large portion of the portfolio's staff currently dispersed around Canberra. Approximately 6,700 staff are accommodated in 26 separate leased properties in Tuggeranong, Symonston, Belconnen, Woden and Griffith. The vast majority of these leases will expire during the next three years, and the proposal will allow DHS to consolidate its locations, reduce the number of leases and improve its adherence to Commonwealth property guidelines.
- 2.8 The proposal forms part of the Corporate Office Accommodation Strategy, which aims to accommodate all Canberra based 'national office' staff into eight leases. Two of those leases – this proposal combined with the existing Caroline Chisholm Centre – would provide over 60 percent of that accommodation, across two proximate sites in the Tuggeranong town centre.
- 2.9 The Committee finds that there is a need for the proposed works.

Scope of works

- 2.10 The proposed scope of the works is detailed in Submission 1: DHS.³ In short, the project proposes to fit out approximately 26,000 m² of space, including:
- enclosed offices for Senior Executive Service (SES) officers;
 - open plan workstations for Executive Level 1 and 2, and APS level employees, with demountable partitions and personal storage units;
 - one major entry reception and security control point;
 - 'hotelling' work points, for visiting staff use;
 - compactus, shared storage, resource and photocopier/printer rooms;
 - meeting, break out, carers' and first aid rooms, and a prayer room;
 - building facilities help desk;
 - a café;
 - 117 bicycle racks and 27 showers, as well as lockers for staff use;⁴

3 Submission 1, Department of Human Services, pp. 21-22.

4 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 7.

- data and voice cabling and additional packaged air conditioning to support information and communication technology.

- 2.11 Fitout works are expected to be completed by the end of June 2013.
- 2.12 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

Cost of works

- 2.13 The total estimated out-turn cost for this project is \$38.5 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with DHS on those costs.
- 2.14 The Committee is satisfied that the costings for the project provided to it are adequate.

Project issues

Procurement process

- 2.15 As explained in the DHS submission, and at the public hearing, a full procurement process was undertaken between 2007 and 2010. However, this process ended in March 2010 with advice to the Commonwealth that ‘there was unlikely to be an outcome that could demonstrate value for money based on the tenders that were received at that point in time.’⁵
- 2.16 As the original process failed to identify a proposal that could be adopted, DHS sought probity advice about the possibility of continuing negotiations with the leading tenders from the failed process. Following that advice, DHS engaged in negotiations with the first-ranked tenderer from the original process. These negotiations were undertaken separately from the concluded (unsuccessful) process, in an effort to see whether a ‘value-for-money solution’ could be developed. These negotiations were not successful, and DHS formally notified the tenderer that there was no prospect of developing such a solution.⁶

5 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 4.

6 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 5.

- 2.17 After DHS had made that notification, it commenced separate negotiations with the second-ranked tenderer. These negotiations were ultimately successful, resulting in a technically suitable proposal that was considered to represent value-for-money.
- 2.18 Whilst DHS has assured the Committee that it sought and followed probity advice at every stage in this unusual process, and there is no suggestion that there are any defects in this case, such processes must be of the utmost integrity and fairness to all involved.
- 2.19 However, it is extremely undesirable for DHS to be in such a situation in the first place. A tender process that fails to identify suitable and good value proposals is not misfortune. It is evidence of insufficient planning. When viewed with the budget overrun in the Caroline Chisholm Centre project (on which the Committee reported in 2006), it is clear that DHS has a continuing need for better accommodation planning. Especially given the size and complexity of its operations, DHS must ensure that its property strategy is more robust, more flexible and better informed.
- 2.20 All agencies must ensure that their tender processes are robust and sufficiently informed by market conditions so as to avoid failure. The Commonwealth should not need to enter separate negotiations with developers outside the formal and public tender process.

Committee comment

- 2.21 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 2.22 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

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: Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory.

Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland

- 3.1 The Australian Taxation Office (ATO) currently leases office space across two building buildings in the Brisbane CBD. The proposed project aims to consolidate these two sites into a single building.
- 3.2 The proposal will also provide the ATO with greater business operational efficiencies and significant improvement in the standard of accommodation for its staff. The building will also meet mandatory Commonwealth policies including a minimum 4.5 star NABERS rating as well as allowing the ATO to proactively manage space allocation to meet guidelines prescribed in the recently endorsed Commonwealth Property Management Framework.
- 3.3 The lease over one of the two existing buildings will expire in June 2013, with the other site set to expire early in 2014. It is proposed that the new office accommodation will be in place to meet the expiring lease in 2013.
- 3.4 The estimated cost of the project is \$33.1 million.
- 3.5 The proposal was referred to the Committee on 2 June 2011.

Conduct of the inquiry

- 3.6 The Committee received one submission and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 3.7 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 8 August 2011 in Brisbane.

- 3.8 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.¹ Plans for the proposed works are detailed in Submission 1: Australian Taxation Office.

Need for works

- 3.9 The ATO is currently located in three leased premises in the Brisbane CBD. The proposal is to lease and fit out a building that offers co-location of staff from Terrica Place and Emirates House into a single site. Co-location will give the ATO the opportunity to implement more collaborative work practices, uniformity of workspace and administrative efficiencies.²
- 3.10 The leases on Terrica Place and Emirates House are due to expire on 28 February 2014 and 30 June 2013, respectively.
- 3.11 The existing leases are below the expected NABERS rating of 4.5 stars, and do not meet the Commonwealth Property Management Guidelines density target of 16m² per occupied workpoint.³
- 3.12 The Committee finds that there is a need for the proposed works.

Scope of works

- 3.13 The proposal is to fit-out 18,500 square metres of office space over approximately 14 floors. The fit-out would include:
- integration of services into the base building works, including electrical, mechanical, communications, security, fire and hydraulic services;
 - supplementary air-conditioning in those rooms with higher than normal cooling and ventilation requirements;
 - lighting control system to reduce energy consumption;
 - data cabling throughout the tenant areas;
 - door hardware and electronic access control at the main entrances, other entrances, exits, vehicle access points and internal areas with higher than normal security needs;
 - supplementation of the base building fire services where required;

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

2 Submission 1, Australian Taxation Office, p. 5.

3 Submission 1, Australian Taxation Office, p. 7.

- architectural designed office accommodation including construction of reception areas, a security alarm system, an electronic control system, general office fit out and open plan work areas;
- standardised office sizes of 32m² and 16 m²;
- generic workstations;
- breakout spaces, quiet rooms and casual meeting space;
- computer rooms built to specification;
- storage facilities;
- conference and training facilities;
- first aid rooms, amenities areas, kitchens; and
- showers and lockers.⁴

3.14 The building design and fit out will enable the ATO considerable flexibility to meet its ever-changing accommodation requirements. This will be achieved through:

- work points that can easily and quickly be reconfigured without disturbing productivity;
- maximising the use of open plan areas;
- ensuring the enclosed areas are capable of being altered easily to allow for future change, e.g. the utilisation of modular meeting room design so that two small meeting rooms will also satisfy the requirements of one large meeting room with minimal additional works;
- building services that are located to allow for repositioning of walls, work point layouts and accommodation changes in technology; and
- a robust security system that protects ATO information, people, other assets and operations.⁵

Cost of works

3.15 The total estimated out-turn cost for this project is \$33.1 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with the ATO on those costs.

4 Submission 1, Australian Taxation Office, pp. 20-21.

5 Submission 1, Australian Taxation Office, p. 21.

- 3.16 The Committee is satisfied that the costings for the project provided to it are adequate.

Committee comment

- 3.17 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 3.18 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

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: Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland.

Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria

- 4.1 The proposed remediation on RAAF Base Williams at Point Cook, Victoria, by the Department of Defence (Defence) aims to remove soil contamination in two main areas of the former fire training area, preventing harm to human health and further pollution of Port Phillip Bay. The areas to be treated are known as Pit A and Pit B; other contaminated areas on site will be addressed in future. These future works do not form part of this proposal. The estimated cost of the project is \$27.3 million.
- 4.2 The proposal was referred to the Committee on 16 June 2011.

Conduct of the inquiry

- 4.3 The Committee received three submissions, one supplementary submission, and one confidential supplementary submission detailing the project costs. The published supplementary submission includes three documents: two lists of chemicals found on the site, and Defence's responses to questions raised by Parks Victoria (submission 2). A list of submissions can be found at Appendix A.
- 4.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 26 July 2011 in Point Cook, Victoria.
- 4.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.¹ Plans for the proposed works are detailed in Submission 1: Department of Defence.

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

Need for works

- 4.6 The Defence submission states that the works are needed in order to address a historical contamination that resulted from the previous use of the site, by Defence, as a fire-fighting training area. According to its investigations, the site contains approximately 950,000 litres of toxic liquid waste, known as *Dense Non-Aqueous Phase Liquid* or DNAPL.² Defence provided a list of some 120 chemicals found to be in this substance, included in Defence's supplementary submission, published on the Committee's website.³
- 4.7 While the DNAPL has so far remained on site (not directly in contact with the water of Port Phillip Bay), groundwater moving through the soil has dissolved some chemicals which are discharging into the Bay.⁴ A list of these 12 'contaminants of concern' was provided by Defence, included in Defence's supplementary submission and available on the Committee's website.⁵
- 4.8 As shown to the Committee during its site inspection, the present physical barrier between the DNAPL and the Bay is getting smaller, due primarily to coastal erosion. While Defence has installed an underground metal barrier to prevent the DNAPL continuing to move towards the Bay, it is imperative that the contamination be removed as soon as possible.⁶
- 4.9 While the contamination is on Commonwealth land, the Victorian Government's Environment Protection Authority (EPA) will be conducting a full audit of the decontamination works. This is not a legal requirement, because Defence intends to retain the land, but Defence has indicated that it will use the EPA audit process to provide certainty that the remediation has been fully completed.⁷
- 4.10 The Committee finds that there is a compelling and pressing need for the proposed works.

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

3 <www.aph.gov.au/house/committee/pwc/raafwilliams/subs.htm>

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

5 <www.aph.gov.au/house/committee/pwc/raafwilliams/subs.htm>

6 Submission 1, Department of Defence, p. 2.

7 Mr C. Trinder, Department of Defence, transcript of evidence, 26 July 2011, p. 3.

Scope of works

4.11 The proposed scope of the works is detailed in Submission 1: Department of Defence.⁸ The main technique used to remove contamination involves the removal of soil, heating it and then capturing the elements of DNAPL as they vaporise.⁹ This will all be done within the RAAF Base Williams site, on Defence-owned land. The project includes the following elements:

- 'dewatering' to allow excavation of contaminated soil and DNAPL;
- treatment of groundwater extracted during the dewatering process;
- excavation of contaminated soil and DNAPL;
- preconditioning of contaminated soil and DNAPL prior to treatment;
- treatment of the contaminated soil and DNAPL using 'thermal desorption technology';
- testing of the treated material to ensure complete remediation;
- backfilling of excavations using the treated material;
- importation of clean soil (if required); and
- rehabilitation and revegetation of the areas of the site affected by the works.¹⁰

4.12 The project would commence in February 2012 and be completed by the end of April 2013.

4.13 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

Cost of works

4.14 The total estimated out-turn cost for this project is \$27.3 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on those costs.

4.15 The Committee notes that there are a significant number of Defence sites around Australia that are contaminated and will require treatment. The Committee expects that the vast majority of these sites will be much less

8 Submission 1, Department of Defence, p. 10.

9 Mr R. Tanzer, Department of Defence, transcript of evidence, 26 July 2011, p. 2.

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

costly to remediate than the present project. Defence must ensure that it has properly assessed the overall remediation tasks on its Estate, and that it has budgeted accordingly to ensure that complete remediation can be undertaken on all sites.

- 4.16 The Committee is satisfied that the costings for the project provided to it are adequate.

Project issues

Risks posed by the contamination

- 4.17 According to the Department of Defence, the contamination currently poses no risk to human health or marine life.¹¹ Defence ceased using the site for fire-training in the 1980s, and it has been largely unused since that time. However, Defence could not provide a date on which the site was made entirely inaccessible, and it is possible that Defence personnel continued to use the site for other purposes until relatively recently.¹²
- 4.18 During its site inspection, the Committee could clearly see that Defence has conducted and continues to conduct considerable testing and monitoring of the site. In addition to installing a metal barrier in the soil, Defence has also fortified the existing shore line, in order to prevent further erosion of the site. However, it is patently clear that remediation works are urgently needed, to prevent damage in the future.
- 4.19 The site is in close proximity to the Point Cook coastal park and Point Cooke marine sanctuary, managed by Parks Victoria. Defence gave evidence that contaminants have reached the bay, and that contaminated groundwater has been found within five metres of the coastal park.¹³ However, the Committee accepts Defence's assurances that 'the levels [of contaminants] that have reached the bay are not at levels that are unsafe for either use of that area by the public or the environment'¹⁴.

11 Mr R. Tanzer, Department of Defence, transcript of evidence, 26 July 2011, p. 3.

12 Mr R. Tanzer, Department of Defence, transcript of evidence, 26 July 2011, p. 4.

13 Mr R. Tanzer, Department of Defence, transcript of evidence, 26 July 2011, p. 1.

14 Dr M. Bowman, Department of Defence, transcript of evidence, 26 July 2011, p. 8.

Local residents and land users

- 4.20 In its submission to the Committee, Parks Victoria raised a number of issues about the impact of the contamination and decontamination works on local land users.¹⁵ Defence has provided responses to these questions, included in Defence's supplementary submission, available on the Committee's website.¹⁶
- 4.21 The Committee is satisfied that Defence has managed the contamination risks adequately, but is concerned that neighbouring land users are not sufficiently informed of Defence's planning and management of risks arising from the contamination. Parks Victoria, for example, sought a 'copy of detailed land contamination results ... to gain a full appreciation and understanding of the potential risks to the environment and visitors to the park'.¹⁷
- 4.22 Defence must more actively engage with local land users, authorities and community groups, in order to provide confidence about the current risks posed by contamination, and its plans to remediate that contamination.
- 4.23 Defence must also provide absolute certainty that the contamination has been entirely removed. The remediation of sites such as these must be to the very highest standard, and Defence must ensure that it makes strenuous efforts to reassure local residents and park users that the site is completely safe.
- 4.24 Members of the public cannot be expected to accept minimum assurances: it is not enough to merely point to an audit report. Defence must exhaustively demonstrate that the site poses no continuing risk to human health or the environment. Failure to do so will jeopardise Defence's relationship with the local residents at Point Cook, and potentially around Australia.

15 Submission 2, Parks Victoria.

16 <www.aph.gov.au/house/committee/pwc/raafwilliams/subs.htm>

17 Submission 2, Parks Victoria, [p.4].

Recommendation 3

The Committee recommends the Department of Defence develop an information and consultation protocol for use in relation to all contaminated sites on Defence properties, to inform local residents of the extent of, and risk posed by, any proposed treatment of such contamination, regardless of when Defence plans to conduct remediation on each site.

Recommendation 4

The Committee recommends that the Department of Defence establish and maintain a website to provide information about each contaminated site, including the risks posed by the contamination, the current management of the site, and details about planned remediation.

Further works at Point Cook

- 4.25 As outlined in Defence's submission, these works (on Pits A and B) are only the most pressing instances of contamination onsite. Further contamination has been detected in Pits C, D and E and Mounds F and G. These areas will be remediated in the future.¹⁸
- 4.26 Whilst the Committee accepts Defence's assurances that these other contaminated areas are of a much lower risk to human health and the environment,¹⁹ it is important that Defence provide neighbouring land users with information about the extent of contamination and its plans for remediation. Any subsequent discovery of contamination must be immediately investigated to ascertain its extent and the danger it poses.

Contamination on other sites

- 4.27 As Defence noted during the hearing, there are 180 Defence properties in Australia where contamination has been detected.²⁰ The contamination is clearly widespread throughout the Defence Estate, with approximately 2300 individual instances of contamination across those 180 properties.

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

19 Dr M. Bowman, Department of Defence, transcript of evidence, 26 July 2011, p. 6.

20 Mr C. Trinder, Department of Defence, transcript of evidence, 26 July 2011, p. 2.

- 4.28 The program to address this contamination has been in place since 2003, and the present project is the remediation project with the highest priority. Defence must ensure that, as part of the nationwide decontamination program, it conducts exhaustive consultation and information programs in each site. Local residents and land users must have absolute certainty that Defence is fully apprised of the extent of contamination, and transparently managing the risks posed by the contamination.

Committee comment

- 4.29 The Committee was impressed with the level of investigation that Defence had undertaken to determine the best solution to remediate this particular site.
- 4.30 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 4.31 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

Recommendation 5

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: Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria.

Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania

- 5.1 The project at the Defence Science and Technology Organisation (DSTO) facility at Scottsdale in north-eastern Tasmania aims to address the shortcomings of the current facility and to enhance capability by providing a new cell culture laboratory.
- 5.2 The cell culture laboratory will enable DSTO to use modern techniques to investigate the impact of nutrition on health and performance outcomes. It will open up opportunities in the field of nutrigenomics and improve research and development into nutrition that is optimised to meet the specific needs of the Australian Defence Force (ADF).
- 5.3 The key objectives of the project are to:
- address the limitations to DSTO outcomes caused by the existing facilities including deteriorated infrastructure, poor work flows, and OH&S and functionality issues; and
 - provide a contemporary facility that enables DSTO to meet ADF directives and taskings in relation to nutrition and food science capabilities.
- 5.4 The estimated cost of the project is \$18.7 million.
- 5.5 The proposal was referred to the Committee on 16 June 2011.

Conduct of the inquiry

- 5.6 The Committee received four submissions and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.

- 5.7 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 27 July 2011 at Scottsdale, Tasmania.
- 5.8 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.¹ Plans for the proposed works are detailed in Submission 1: Department of Defence (Defence).

Need for works

- 5.9 DSTO requires purpose designed contemporary laboratory and working accommodation to enable it to provide the outcomes required by Defence, including a full research and development capability.
- 5.10 In the current facilities, personnel at DSTO Scottsdale are only partially able to meet their requirement to conduct research and development of Defence nutrition and food technology. This is largely due to:
- the deteriorating condition of the facilities;
 - Occupational Health and Safety (OH&S) issues;
 - legacy design issues which have resulted in poor work flows and functionality; and
 - limiting site wide services which are aged and are at or nearing the end of their effective life.
- 5.11 The Committee inspected the existing Scottsdale facility, finding that a substantial overhaul is long overdue.
- 5.12 The Committee finds that there is a need for the proposed works.

Scope of works

- 5.13 The proposed scope of the works is detailed in Submission 1: Defence.²
- 5.14 The major elements of work proposed are as follows:
- New laboratory building – to facilitate the construction of the new laboratory building, the existing administration functions will be relocated to a temporary facility located on site. There will be a partial demolition of the existing brick administration and laboratory buildings. A new laboratory building will be constructed, to provide a

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

2 Submission 1, Department of Defence, pp. 5-6.

pilot scale food processing plant, test kitchen and sensory evaluation, meeting room, constant temperature and humidity store rooms, various laboratory spaces and supporting rooms.

- Refurbished Quonset Hut - The remaining section of the existing brick laboratory building will be demolished and the Quonset Hut will be refurbished to provide a new entry, foyer, reception and working accommodation zone that is directly linked to the adjacent new laboratory building.
- External works and infrastructure upgrades - the external works and infrastructure upgrades will comprise:
 - ⇒ external works - landscaping, redesigned car park, new facilities entrance, fencing and civil works;
 - ⇒ electrical - new transformer, main electrical switchboard and distribution mains to all new and existing sub boards;
 - ⇒ water - new water main and sub mains to all buildings, filtration system and separate fire main;
 - ⇒ storm water - new storm water drainage and retention systems; and
 - ⇒ gas - new bulk gas storage tank and distribution mains.³

5.15 There will be minor alterations to the existing production facility, including works at the entry points to facilitate better work flows in the final arrangement.⁴

Cost of works

- 5.16 The total estimated out-turn cost for this project is \$18.7 million, (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on those costs.
- 5.17 The Committee is satisfied that the costings for the project provided to it are adequate.

3 Submission 1, Department of Defence, pp. 5-6.

4 Submission 1, Department of Defence, pp. 5-6.

Project issues

Options considered

5.18 The options considered for this proposal were:

- do nothing – this option was considered unsuitable as it did not allow DSTO to address Defence capability requirements;
- minimal refurbishment – while this option could address the most serious issues with the site, it would require further investment in the long term to allow DSTO to address Defence capability requirements. It is likely that this would result in abortive costs; and
- full refurbishment and rebuild - Defence has concluded that the best way forward is to fully refurbish/rebuild the facility on the existing site. This option will provide a purpose built facility that includes all the necessary laboratory and pilot food technology facilities required to meet Defence capability and provide staff with suitable working accommodation.⁵

5.19 The option of moving to a new site in Scottsdale, or a site elsewhere in Australia, was not included in Defence's submission.

5.20 Defence explained why a move to another site was not considered:

When this project was first considered back in 2008, one of the considerations we had at the time was whether we could in fact procure a new package of land and undertake construction on that. There was an issue that we looked at there that caused us to rule it out very early in the piece, and that was the time it would have taken us to undertake a procurement activity through the Lands Acquisition Act ... Also, the scope of the work that was being proposed at the time was the work within the laboratories that you saw this morning and the admin facilities and so on. We were not looking at doing any work in the production facility ... there is a substantial amount of money involved in redeveloping the laboratories and the administration facilities, but there is also a significant cost if we were to have to relocate the production facility ... There is also a significant risk that would be introduced into the project if we were to look to relocate that production facility, and that risk is our ability to actually relocate that very

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

specific piece of equipment that we use for the freeze-drying process.⁶

- 5.21 Defence further explained that moving away from Scottsdale would be more expensive:

When we then had to revisit the project ... we were looking more at relocating to somewhere other than Scottsdale ... What we found, though, was that the costs of that relocation were substantially more than it would cost us to do the renovation work or the reinvestment work that we are proposing to the committee today.⁷

- 5.22 Defence explained that one of the key reasons for remaining on the current site was that a key piece of machinery, the freeze-drying unit, could not be moved without great risk to its continued operation and performance. Defence explained that relocating the production facility, which includes the freeze-drying unit, was never in the scope of the project:

It was intended that it would stay there, and the only time that we really looked closely at the costs of relocating it was when we had the problems with the tender process last year. We thought: 'Do we really want to pursue the completion of the facility or the continuation of the facility in Scottsdale on that site?' That was the first time that we looked in great detail at it. Up to that point, as I say, it had been outside of the scope of the project. It was only looked at ... when we looked at the various options, and one of the options was to pick up and move altogether so we needed to cost into it the cost of relocating that piece of equipment.⁸

- 5.23 There was some concern amongst Committee members as to the life expectancy of the freeze-drying unit and the fact that a decision to rebuild the facility on the existing site hinged on the use of that unit.
- 5.24 Additionally, it appeared that the working life freeze-drying unit was essentially not guaranteed in the long term. Defence did eventually answer the question concerning the expected performance life of the freeze-drying unit, stating that, with regular controlled maintenance, it is expected to operate for another 10 to 15 years.

6 Brig. D. Naumann, Department of Defence, transcript of evidence, 27 July 2011, p. 2.

7 Brig. D. Naumann, Department of Defence, transcript of evidence, 27 July 2011, p. 2.

8 Brig. D. Naumann, Department of Defence, transcript of evidence, 27 July 2011, p. 2.

- 5.25 The Committee is satisfied that Defence has fully considered the options available for this project proposal. However, much of the detail only came to light during the public hearing. There was also concern that the issue regarding the freeze-dryer unit was not raised prior to the public hearing. The Committee emphasises that critical information such as this must be provided before the hearings.
- 5.26 The Committee expects proponent agencies to provide considerable detail on the options considered for any project proposal. Regardless of any decision made by Defence, each and every option that Defence considered must be discussed at length in the submission to the inquiry.

Recommendation 6

The Committee recommends that the Department of Defence provide full and complete details on all options considered for all future project proposals.

Project planning

- 5.27 The proposed works at Scottsdale were previously notified to the Committee as a medium works project on 11 June 2010. At that time, the cost estimate for the project was \$12.6 million, excluding GST.
- 5.28 Defence explained the need to reassess the project:
- On 10 April 2010, the works were publicly tendered as a head contractor tender. The tender prices submitted exceeded the approved project budget due to the high demand and limited supply across all building trades in Tasmania, coupled with the remote locality of Scottsdale. In accordance with Defence Procurement and Financial Management policy the tender process was formally cancelled.⁹
- 5.29 A review of the project by Defence resulted in a revised out-turned project cost estimate of \$18.7 million, (excluding GST).
- 5.30 The need to redevelop the proposal has essentially caused a delay of approximately 18 months, which has attracted considerable comment in the community, the media and with members of parliament.

9 Submission 1, Department of Defence, pp. 13-14.

5.31 The revised project cost is considerably more than the initial project cost estimate, indicating that Defence's project planning processes and cost estimates were inadequate.

5.32 Defence discussed at length its planning process for this project and the reasons for any delays:

When we brought the project to [the Committee] as a medium work we had a budget of \$12.6 million. That is what we expected we would be able to deliver the project for ... It was only once we went to the market that we realised that we had grossly underestimated some of the factors that were in play in the north-eastern Tasmanian construction market. Those factors impacted on the price of the tenders that we received as part of that tender process. It meant that the tenders received were significantly higher than our estimates before we went out to the market. I could not legally accept any of the tenders because I did not have budget coverage to be able to do it ...

Ultimately, we took the project back to our defence estates committee ... That committee considers proposals and determines whether they have the appropriate priority within the wider defence portfolio to proceed. This project was agreed by that committee that it did have a priority at \$12.6 million and so it should proceed.

Now that we are talking about a higher sum of money to be able to deliver this project, we needed to go back to that committee and have them confirm that the project was still worth proceeding, that it was a justifiable and defensible expenditure in the national interest to proceed with this project at the revised project cost ... ¹⁰

5.33 The Committee suggested that the market conditions for this project were foreseeable. Defence admitted:

... we might have better understood the market but for whatever reason we did not. We did get it wrong and we are willing to admit that. We believe that we have it right now ... ¹¹

5.34 The Committee is disappointed that Defence misjudged the cost estimates for the initial project proposal to such a considerable degree, causing extensive delays to a project that is absolutely essential for Defence and for

¹⁰ Brig. D. Naumann, Department of Defence, transcript of evidence, 27 July 2011, pp. 8-9.

¹¹ Brig. D. Naumann, Department of Defence, transcript of evidence, 27 July 2011, p. 9.

the Scottsdale community. The Committee trusts that Defence will be able to judge market conditions more accurately for future project proposals, particularly those in regional areas.

Committee comment

- 5.35 The Committee is pleased that Defence is committed to remaining in Scottsdale and that Defence has the support of the Scottsdale community. The Committee was impressed with measures of support for this project, particularly noting the attendance of many Scottsdale residents at the Committee's public hearing, and through submissions and evidence from Dorset Council, Mr Geoff Lyons MP, and former Senator for Tasmania, Mr Guy Barnett.
- 5.36 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 5.37 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

Recommendation 7

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: Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania.

Ms Janelle Saffin MP

Chair

18 August 2011



Appendix A – List of Submissions

Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory

1. Department of Human Services
 - 1.1 Confidential
 - 1.2 Supplementary

Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland

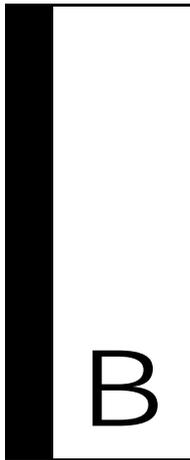
1. Australian Taxation Office
 - 1.1 Confidential

Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria

1. Department of Defence
 - 1.1 Confidential
2. Parks Victoria
3. EPA Victoria

Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania

1. Department of Defence
 - 1.1 Confidential
 - 1.2 Supplementary
2. Department of Climate Change and Energy Efficiency
3. Guy Barnett
4. Dorset Council
5. Hon David O'Byrne MP



Appendix B – List of Inspections, Hearings and Witnesses

Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory

Friday, 24 June 2011 – Canberra, ACT

Public Hearing

Department of Human Services

Ms Cindy Briscoe, Portfolio General Manager, Corporate Operations

Mr Neil Skill, Portfolio National Manager, Corporate Property and Environment

Mr Jonathan WEBB, Director, Property Projects

WT Partnership

Mr Malcolm Pratt, Associate

Minter Ellison

Mrs Elizabeth Whitelaw, Senior partner and legal adviser to DHS

Xact Project Consultants

Mr Paul Wilkin, Associate Director

In-Camera Hearing

Six witnesses

Proposed fit-out of new leased premises for the Australian Taxation Office at the site known as 55 Elizabeth Street, Brisbane, Queensland

Monday, 8 August 2011 – Brisbane, Qld

Public Hearing

Australian Taxation Office

Mr Stewart Smillie, Assistant Commissioner, Property Security & Environmental Services

Ms Lily O'Neill, Project Coordinator, Property Security & Environmental Services

Hassell

Mr Philip Harper, Senior Associate

Trevor Main

Mr Mark de Jager, Director Quantity Surveying

UGL Services

Mr Dom Di Luzio, General Manager, UGL Services

Mr Nathan Munro, Capital Works Manager, UGL Services

In-Camera Hearing

Ten witnesses

Proposed contamination remediation works, former fire training area, RAAF Base Williams, Point Cook, Victoria

Tuesday, 26 July 2011 – Point Cook, Victoria

Public Hearing

Department of Defence

Dr Mark Bowman, Assistant Director, Environmental Impact Management, Estate Policy and Environment Branch

Wing Commander Rohan Gaskill, Director, General Infrastructure Development Agency, Air Force

Mr Glen Pilbeam, Base Support Manager, Defence Support – Victoria and Tasmania

Mr Gavin Peter Scherer, Technical Adviser

Mr Richard Tanzer, Director National Infrastructure Projects, Infrastructure Asset Development Branch

Mr Colin Trinder, Director, Environmental Impact Management, Estate Policy and Environment Branch

In-Camera Hearing

Six witnesses

Proposed Specific Nutritional Capability Project for Defence Science and Technology Organisation at Scottsdale, Tasmania

Wednesday, 27 July 2011 – Scottsdale, Tasmania

Public Hearing

Department of Defence

Mr Daniel Kaegi

Mr Stan Karaoutsadi

Brigadier Darren Naumann, Director General, Infrastructure Asset Development

Dr Simon Oldfield, Chief, Human Protection and Performance Division, Defence Science and Technology Organisation

Mr Phillip Spehr, Base Support Manager, Defence Support – Victoria and Tasmania

Lieutenant Colonel Matt Thomson, Project Director, Infrastructure Asset Development Branch

Mr Colin Trinder, Director, Environmental Impact Management, Estate Policy and Environment Branch

Commonwealth Parliament

Mr Geoff Lyons, Member for Bass

Dorset Council

Mr John Martin, General Manager

Ms Wendy Mitchell, Sustainable Development and Environmental Manager

Private individual

Mr Guy Barnett

In-Camera Hearing

Seven witnesses