

Proposed Royal Australian Air Force Base East Sale redevelopment, Sale, Victoria

- 4.1 The Department of Defence (Defence) seeks approval from the Committee to redevelop the Royal Australian Air Force (RAAF) Base East Sale, situated at Sale in south-eastern Victoria.
- 4.2 The purpose of the project is to improve the functionality and capability of the base by upgrading or replacing inadequate and non-compliant facilities, infrastructure and engineering services to meet current and anticipated future requirements.
- 4.3 The proposed redevelopment was referred to the Committee on 22 September 2011.

Conduct of the inquiry

- 4.4 The inquiry was advertised nationally and submissions sought from those with a direct interest in the proposal. The Committee received eight submissions to the inquiry and three supplementary submissions, including a confidential submission detailing the project costs. A list of submissions can be found at Appendix A.
- 4.5 The Committee undertook a site inspection at the base, and held a public hearing and an in-camera hearing on the project costs, on 31 January 2012 in Sale.
- 4.6 The transcript of the public hearing is available on the Committee's website.¹

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

Need for the works

4.7 The Committee was told that the aims of the project were as follows:

Through this project, Defence proposes to improve the functionality and capability of the base by upgrading or replacing inadequate and non-compliant facilities, infrastructure and engineering services to meet current and anticipated future requirements. To meet this objective, the proposed redevelopment combines the construction of new facilities, civil works, upgrading of engineering services infrastructure, some upgrades of existing facilities and demolition works.²

4.8 Defence submitted that the redevelopment of RAAF East Sale was necessary for the following reasons:

- The majority of base engineering services are at the end of their design life. Many of the engineering services are at capacity and have no redundancy, are in a very poor state, are not Occupational Health and Safety (OH&S) compliant, and do not meet Defence standards.
- The existing level of base supporting infrastructure does not have the capacity to effectively or efficiently meet personnel growth.³

4.9 Defence expanded on the need for the works during the public hearing of the Committee's inquiry into the project:

The base was first opened in 1943, and since then Defence has taken a series of projects to modify and update various World War II era buildings to support Defence activities and requirements. However, a number of buildings, as identified in the project scope, [we] do not feel meet the current Building Code of Australia manual of fire protection engineering or Australian standards requirements for design, occupational health and safety or functionality, requiring them to be [upgraded] or replaced.⁴

4.10 The Committee is satisfied that there is a need for the proposed works.

2 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 2.

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

4 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 2.

Scope of the works

- 4.11 The proposed scope of the works is detailed in Submission 1: Department of Defence.
- 4.12 In summary, there are 13 project elements proposed to be undertaken as part of the redevelopment. These are as follows:
- site engineering services upgrade, including electrical, water supply, stormwater and sewer, gas, communications and metering;
 - school of Air Warfare training facilities, including office accommodation, utility and training rooms, meeting areas and breakout spaces;
 - physical fitness facilities, including an indoor 25m pool, gymnasium/sports hall, squash court, boxercise, spin, weights and cardio rooms, office space for physical training instructors, and supporting auxiliary spaces;
 - commercial facilities, which will comprise a new integrated facility to accommodate existing commercial services;
 - chapel and community facilities, to accommodate a multi-denominational chapel, mental health and psychology section, and the Defence Community Organisation;
 - flight line maintenance and support facilities, providing five new single-storey buildings adjacent to existing hangars;
 - air traffic control complex, including support facilities, working accommodation, workshops and stores, and training and recreational facilities;
 - a 25 metre firing range, that will permit range use concurrent with airfield operations;
 - passive security works, in the form of a new base perimeter fence, gates and minor traffic management works at the base entry;
 - a new fuel farm, which will be fully compliant with the requisite codes and regulations and meets user requirements;
 - bore water treatment plant, to supplement the ongoing purchase of potable water;
 - living-in accommodation, comprising six new living-in accommodation blocks that will replace the existing substandard accommodation; and

- demolition of buildings vacated as part of the redevelopment project, as well as a number of other buildings on the site which are not appropriate for refurbishment and reuse or are surplus to requirements.⁵
- 4.13 Defence considered a number of options to meet the stated need for the works, including whether to build new facilities on the base or refurbish existing facilities.
- 4.14 Defence explained:
- Apart from the School of Air Warfare training facilities and elements of the flight line maintenance facilities, refurbishment was rejected on the basis that the costs associated with bringing the existing facilities up to the required Building Code of Australia standard alone, were prohibitive and did not represent value for money for the Commonwealth.⁶
- 4.15 Defence also considered whether to reduce the scope of infrastructure works for the project, however determined that the works were needed to support existing base facilities and offered better value for money as part of a single combined project instead of a series of separate projects.⁷
- 4.16 Subject to Parliamentary approval of the project, Defence submitted that construction would be expected to commence on the project in mid to late 2012 and be completed by mid to late 2015.⁸
- 4.17 The Committee is satisfied with the evidence provided to it in relation to each scope element and finds that the proposed scope of the redevelopment is suitable to meet the need.

Cost of the works

- 4.18 The estimated cost of the project is \$185.6 million, excluding GST.
- 4.19 Defence submitted that this cost estimate includes allowances for escalation, design and construction contingency, professional fees, design completion, Defence contingency, and the cost of active information technology equipment and business machines.⁹

5 Department of Defence, Submission 1, pp. 8-20.

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

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

8 Department of Defence, Submission 1, p. 30.

9 Department of Defence, Submission 1, p. 29.

- 4.20 Defence noted in their submission that they expect an increase in net operating costs due to the construction of the new facilities and the associated increases in facilities maintenance, cleaning and utilities expenses.¹⁰
- 4.21 Where possible, Defence asserted that they limited the scope of the works to reduce the overall cost of the project:
- I would note with the costs that we did go through a number of options. I will not talk details but the question was asked out on the site tour this morning about why we were not building a 50-metre pool instead of a 25-metre pool. We made the decision that a 25-metre pool would satisfy our requirements, that there was no reason to go to a 50-metre pool, whereas on a lot of our other bases around the country we do have a 50-metre pool but there is a stronger justification for that. We did not see that we had the need here to go to that size pool, so we have tried to limit it. Similarly, we have limited the number of courts within the gym area itself—I think it is down to one—whereas a lot of the other gyms that we would build around the country would have at least two, along with a lot of other supporting infrastructure that we just have not included in this case. We have tried to keep this as limited as we can.¹¹
- 4.22 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

Project issues

Community and fitness activities

- 4.23 When considering a proposed public work, the Committee must have regard to the necessity for carrying out the work and the most effective use of moneys proposed to be expended on the work.¹²
- 4.24 Noting the importance of this role, the Committee paid particular regard to the asserted need for three of the scope elements of the proposed base

¹⁰ Department of Defence, Submission 1, p. 29.

¹¹ Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 4.

¹² Section 17, *Public Works Committee Act 1969* (Cth).

redevelopment. The Committee also assessed whether these elements would provide value for money for the Commonwealth. These elements were:

- Project element 3 – physical fitness facilities;
- Project element 4 – commercial facilities;
- Project element 5 – Chapel and community facilities.¹³

4.25 Defence explained that the redevelopment as a whole was designed to support students residing on the base while they completed their intensive training courses:

What we are aiming to do is provide a facility that supports not only the demands of the base population in terms of staff but primarily that supports the base population in terms of students. As we briefed you when we were out there this morning, the training schedules for the students that are on the courses that they attend at the base are very tight. That is all driven by ensuring that we keep them away from their home base locations for as short a time as possible. Also, from a cost effectiveness perspective, you want to minimise the downtime during courses.¹⁴

4.26 A high level of physical fitness is mandated for Defence personnel. Defence submitted that facilities on the base serviced both permanent base staff and trainees as part of the Air Force's physical fitness and trainee induction programs.¹⁵ As personnel and students were required to maintain a certain level of fitness, Defence considered that they should offer appropriate facilities on base:

Because physical fitness is a key responsibility for ADF personnel – we are all required to maintain a certain standard of physical fitness and also we need to bring new members of the Air Force up to that certain standard of physical fitness – we need to ensure that the ability is there for us to put these people through the fitness regimes that need to be undertaken. From an efficiency perspective it just makes much more sense for us. It is less time away from their work environment if we can have the facilities on base.¹⁶

13 See Department of Defence, Submission 1, pp. 13-15.

14 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 3.

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

16 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 3.

- 4.27 Defence noted as an example that the current swimming pool complex was built in 1960 and had reached the end of its economic and useful life, with major problems to its pumping and filtration systems. As it is an outdoor pool, it is only used for four months of the year. Defence continued:

These restrictions deny the base population access to a safe and effective means of achieving physical fitness. In particular, those members who have sustained musculo-skeletal injuries are denied an important form of rehabilitation for eight months of the year. This means we have to use the local pool in Sale but we are not always guaranteed sufficient lanes to cater for 60 students at any one time and the travel to and from the pool also eats into the tight training schedule. Also aircrew are denied an all year round training venue for the purpose of their survival and dingy training as this cannot be done at the local Sale pool.¹⁷

- 4.28 The Committee was told that students at the officer training school were usually required to undertake a rigorous schedule of classes from Monday through to Friday, with little additional time provided to travel off base to utilise community and commercial facilities. Further, the Committee was also told that many students did not have access to their own transport and the base could not be accessed through public transport.¹⁸
- 4.29 Defence submitted that the current commercial facilities have aged and have reached the end of their economically effective life. The current commercial complex is housed in a decommissioned petrol service station building which was constructed in the 1960s. Defence proposed to demolish the current facilities and create a commercial hub which could be used out of hours and on ceremonial occasions by Defence personnel and students, in addition to visiting family and friends.¹⁹
- 4.30 To meet the needs of the community at RAAF Base East Sale and comply with the Defence Mental Health Strategy, Defence proposed to integrate psychology, chaplaincy and social work services at the base and construct a social and community hub which would accommodate a multi-denominational chapel, mental health and psychology section, and the Defence Community Organisation.²⁰
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17 Department of Defence, Submission 1.2, p. 2.

18 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 3. See also, Department of Defence, Submission 1, p. 21.

19 Department of Defence, Submission 1, p. 14.

20 Department of Defence, Submission 1, p. 14.

Committee comment

- 4.31 The Committee is of the view that the community, commercial and fitness facilities proposed to be constructed on the base are necessary to support the base population and allow for the future expansion of the base. The Committee accepts the information provided by Defence during the inspection of the base, in addition to evidence provided at the public and in-camera hearings. The Committee accepts the need for these facilities, having regard to factors such as the limited ability for students to travel to and from the base outside of their busy class schedule.

Local employment and subcontracting issues

- 4.32 The Committee heard evidence regarding the opportunity for local engagement in construction works for the base redevelopment, and how Defence and community groups around the Sale region were attempting to maximise local employment, while ensuring that local subcontractors were treated equitably.

- 4.33 Defence outlined how it would maximise local employment during the redevelopment of the base in East Sale:

One of our philosophies is to enhance local employment. We had experience of that in 2006-08, as you would have seen, with the RAAF college relocation. We were able to achieve between 40 and 50 per cent local and regional employees undertaking the works. That project was a little bit more complex than what we are looking at here. The 13 elements involved in this project have certain aspects which are not as complex as larger scale projects, so we are able to break down those components ... There is the opportunity to articulate the works in such a way that local contractors do get a greater opportunity on this project than they did on the last. We are confident that we can better that 40 per cent. We can at least target 50 per cent and we are optimistic on 60 per cent local employment engagement.²¹

- 4.34 Mr Darren Chester MP, Federal Member for Gippsland, submitted that he was optimistic and confident about the capacity of the local workforce to take up opportunities stemming from the proposed redevelopment project:

... I would be confident that, if the contracts are structured in such a way that the small and medium sized enterprises have the

21 Mr J. Flood, Theiss, *transcript of evidence*, 31 January 2012, p. 9.

opportunity to tender for projects in bite-sized chunks, they will certainly get their share of the work but there are larger contractors available in the Gippsland region who could take on the bigger jobs. I am optimistic about the 60 per cent figure. I think that is achievable. The Officer Training School development gave us a lot of heart, showing that there is capacity to give a very significant proportion of the work to the local community. I cannot reiterate enough that, if you give the jobs to local people and invest in local people, in the long term it will pay a dividend to Defence as well because those staff will still be here when future work is required, whether it be maintenance or anything else.²²

4.35 Mr Ian Campbell of the Wellington Shire Council told the Committee:

The council, the Australian Building and Construction Commissioner and the Industry Capability Network are working together to ensure that local businesses and regional businesses are fully aware and educated about OH&S, the national code of practice and tendering online. We are planning workshops for late March and early April, as has already been mentioned by Thiess, to educate businesses about the national code of practice and about registering to tender. This is expected to maximise the potential for local businesses to participate in the tender when the project is approved and to minimise the number of workers from outside the region needing accommodation – and also the leakage of money leaving the region.²³

4.36 The Committee sought assurance that Defence would take steps to ensure fairness throughout the contracting process, specifically in their engagement of local businesses and individuals as subcontractors to prime contractors, during construction of the project. Defence responded:

We have endeavoured to structure our contracts to provide the greatest certainty that when we do make a payment to the prime contractor – and we will call them the prime contractor as that way it covers both head contractor and managing contractor arrangements – the subcontractors working to him have been paid. The way we do that is that there is a responsibility on the part of the prime contractor, when submitting a claim for payment for

22 Mr D. Chester MP, *transcript of evidence*, 31 January 2012, p. 13.

23 Mr I. Campbell, *transcript of evidence*, 31 January 2012, p. 16.

works performed, to provide us with a statutory declaration confirming that payments to subbies have been made.²⁴

Committee comment

- 4.37 The Committee accepts, based on Defence's evidence and past practices, combined with other evidence received at local and regional level, that Defence will work with the local community to ensure maximum employment of local companies and individuals during construction of the proposed redevelopment, including educating and supporting local businesses to participate in the tender, and supporting businesses as far as possible, to ensure local employees are treated fairly in their dealings with contractors and Defence.
- 4.38 The Committee further acknowledges Defence's assurance that it will brief potential subcontractors on Defence contracting processes and relationships, to ensure these individuals and small businesses are educated on their role, rights and responsibilities during those processes.

Benefit of project to local community

- 4.39 Defence outlined the perceived benefits of the proposed redevelopment of the RAAF Base East Sale for the Wellington Shire community and the broader region:

We believe that the project is going to have benefits on two fronts. Firstly, obviously when we come in and spend \$185 million in this area, that is going to have an immediate effect in terms of money being spent in the region. I think the secondary impact is the opportunity for local companies to be engaged in the work that is undertaken on the basis of being part of the redevelopment project. We are very keen to try and maximise the employment or the opportunities for local companies.²⁵

- 4.40 Defence submitted that they had undertaken a letterbox drop to nearby residents containing project information and had conducted a public meeting which was attended by 70 local business and community members, regarding the project.²⁶

24 Brig. D. Naumann, Department of Defence, *transcript of evidence*, 31 January 2012, p. 3. See also, Department of Defence, Submission 1, p. 10.

25 Brig. D. Naumann, *transcript of evidence*, 31 January 2012, p. 3. See also, Department of Defence, Submission 1, p. 12.

26 Mr L. Murray, Department of Defence, *transcript of evidence*, 31 January 2012, p. 5. See also Submission 1, Department of Defence, pp. 6-7.

4.41 The Committee received seven submissions throughout the course of the inquiry from local community groups and organisations which supported the proposed development of the RAAF Base, East Sale. The Committee heard further from the following individuals at the public hearing held in Sale:

- Mr Darren Chester MP, Member for Gippsland;
- Mr Ian Campbell, Acting Manager of Economic Development, Wellington Shire Council; and
- Ms Jodie Willis, Chairman, Committee for Wellington.

4.42 Mr Chester outlined the social and economic significance of the RAAF Base in East Sale:

Obviously there is strong community support for the development of the base here at East Sale. That is not always the case around Australia. You often have the issue of urban encroachment, where some communities are not so pleased about having a Defence facility in their neighbourhood. But that has never been an issue here at East Sale. Over the almost 70 years that the East Sale RAAF Base has been in existence the community and the base have worked really well together. I think it is fair to say that the East Sale RAAF Base has been very good for Sale. But Sale has also been very good for Defence and the East Sale RAAF Base in return. It has been a mutually beneficial relationship and it is something we are very keen to continue into the future.²⁷

4.43 The Rotary Club of Sale submitted to the Committee:

We recognize the value of the works and appreciate the investment will underpin the local economy whilst promoting the East Sale Base as a progressive state of the art facility. We acknowledge the social advantages the development will bring to our community and look forward to supporting local businesses and local council through this journey ...Vibrant regional communities require a diverse range of economic drivers to provide a level of stability when other sectors are under performing thus the upgrading and development of the RAAF Base at East Sale is a vital component of regional economic wellbeing ...²⁸

27 Mr D. Chester MP, *transcript of evidence*, 31 January 2012, p. 12.

28 Rotary Club of Sale Incorporated, Submission 3, p. 1.

- 4.44 Ms Jodie Willis, Chairman for the Committee for Wellington, told the Committee that the economic benefit of the proposed redevelopment would be far reaching, noting that Sale was centrally located between two major rural centres, in East Gippsland and the La Trobe Valley:

The immediate extrinsic benefits to employment to local tradesmen and their families is unquestionable. In addition, local businesses not directly linked to the project will also benefit through increased expenditure by these families and by those who have relocated to be a part of the project. Businesses considering investing in the area recognise that the federal government has already done so with the presence of the RAAF base. An investment that has continued for over 65 years is not to be taken lightly. It reconfirms to potential investors that the area is worth committing to long term. The approval by the Public Works Committee can only encourage business to further commit to this versatile and growing region.²⁹

Committee comment

- 4.45 The Committee acknowledges all evidence provided to it from local community groups and representatives regarding the project and notes the overwhelming view that the proposed redevelopment will foster a number of economic and social benefits for the Sale community and surrounding region.

Final Committee comment

- 4.46 The Committee was impressed with the detailed private briefing and site inspection provided by Defence in relation to the proposed redevelopment of RAAF Base East Sale, prior to the public and in-camera hearings held in Sale. The site inspection in particular assisted the Committee to fully consider the submissions provided by Defence on the merits of the project. A selection of the information provided to the Committee during the site inspection has been provided in a supplementary submission from Defence.
- 4.47 The Committee has considered all evidence provided to this inquiry by local community groups and representatives supportive of the redevelopment project, provided through written submissions and in evidence given at the public hearing. The Committee also acknowledges

29 Ms J. Willis, Committee for Wellington, 31 January 2012, p. 16.

and appreciates the community representation evident in the significant attendance at the public hearing.

- 4.48 The Committee is satisfied, having regard to the evidence before it, that this project has merit and would meet the project objectives and need to improve the infrastructure and facilities at RAAF Base East Sale. The Committee is of the opinion that the anticipated scope and cost is sufficient to meet the need and signifies value for money for the Commonwealth.
- 4.49 Accordingly, the Committee considers that it is expedient that the proposed works proceed.

Recommendation 4

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 Royal Australian Air Force Base East Sale redevelopment, Sale, Victoria.