
The Parliament of the Commonwealth of Australia

Seventy-eighth Annual Report (2014)

Parliamentary Standing Committee on Public Works

May 2015
Canberra

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Contents

Foreword iv

Membership of the Committee v

1 Annual Report..... 1

Inquiries and reports 2

 Cost savings 3

 Medium works 4

 Delegation visit to Indonesia and Thailand..... 4

 Consideration of the Committee’s powers, practices and processes 6

 Committee Chair 6

 Conclusion 6

**Appendix A – Reports presented and value of works approved by the Committee
in the year ending 31 December 2014..... 9**

**Appendix B – Works between \$2 million and \$15 million approved by the
Committee in the year ending 31 December 2014..... 11**

**Appendix C – Committee meetings and hearings in the year ending 31
December 2014 15**

Appendix D - Post-implementation reports received during 2014..... 17



Foreword

2014 was a busy and productive year for the Committee.

I thank the former Chair, the Hon Karen Andrews MP, for her dedication to the role, and all committee members for their ongoing contributions.

I also thank the secretariat for their support.

Senator Dean Smith
Chair



Membership of the Committee

Chair Senator Dean Smith (*from 2/3/15; Chair from 5/3/15*)

 Mrs Karen Andrews MP (*to 23/12/14*)

Deputy Chair Mr Graham Perrett MP

Members Senator Sue Boyce (*to 1/07/14*)

 Senator Matthew Canavan (*from 1/7/14 to 2/3/15*)

 Ms Sharon Claydon MP

 Senator Alex Gallacher

 Mr Ian Goodenough MP

 Senator the Hon Bill Heffernan (*from 1/7/14*)

 Ms Joanne Ryan MP

 Ms Fiona Scott MP (*from 3/3/15*)

 Dr Andrew Southcott MP

Committee Secretariat

Secretary	Dr Alison Clegg
Inquiry Secretary	Dr Cathryn Ollif
Senior Researcher	Ms Fiona Gardner
Administrative Officers	Mrs Fiona McCann
	Ms Kathy Blunden

Annual Report

- 1.1 Under Section 16 of the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works must table in each House of the Parliament a report of its proceedings from 1 January to 31 December for the preceding year.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee. Public works cannot commence until the Committee has made its report to Parliament, and the House of Representatives resolves that it is expedient to carry out the work.¹
- 1.3 The Act states that in considering and reporting on a public work, the Committee shall have regard to:
 - the stated purpose of the work and its suitability for that purpose;
 - the necessity for, or the advisability of, carrying out the work;
 - the most effective use that can be made, in the carrying out of the work, of the monies to be expended on the work;
 - where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
 - the present and prospective public value of the work.²
- 1.4 During 2014 the Committee reported on 13 works.³ The combined cost of works approved was approximately \$2.3 billion. A list of the works and their individual costs is at Appendix A.

1 *Public Works 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, Part III, Section 17(3).

3 The report deals with works referred in 2013 and 2014. Some referrals made in 2014 will be reported on in the 2015 Annual Report.

- 1.5 In accordance with long established practice, the Committee requires agencies to notify it of proposed expenditure on public works with an estimated value of between \$2 million and \$15 million (medium works). This practice has arisen because, in the past, some agencies divided proposed works into several smaller components each costing less than the referral threshold, to avoid scrutiny.
- 1.6 The Committee reviews medium work notifications to determine if it has any concerns or objections to works proceeding. Medium works must not proceed until the Committee has given its approval. In 2014, the Committee approved 38 medium works with a combined value of \$251 million. A list of medium works approved by the Committee is at Appendix B.
- 1.7 A list of all Committee meetings and hearings held during 2014 is at Appendix C. The Committee's reports, submissions to each inquiry and transcripts of associated public hearings are available on the Committee's website.
- 1.8 The Committee also receives post-implementation reports on completed projects. These reports indicate whether projects have been delivered within the advised scope, cost and timeframe. A list of post-implementation reports received in 2014 is at Appendix D.
- 1.9 The Committee's website provides information on all past and current projects referred to for inquiry, a regularly updated list of medium works approved by the Committee and information on project delivery for completed projects where post-implementation reports have been received. The Act and the Public Works Committee Procedure Manual which assists agencies to prepare projects for Committee review are also available on the website.⁴

Inquiries and reports

- 1.10 The Act requires the Committee to consider and report on each referred work 'as expeditiously as is practicable'.⁵ Therefore the Committee endeavours to ensure that all inquiries are completed as quickly as possible, without compromising the rigour of scrutiny.

4 Parliament of Australia, viewed at www.aph.gov.au/pwc.

5 The Act, Part III, Section 17(1).

- 1.11 The standard inquiry process allows time for public comment on proposed works, and opportunity for the Committee to inspect the proposed work site(s) should it wish to prior to holding public and in-camera hearings to take evidence about the works.
- 1.12 In 2014 the average time from referral of works to report tabling was around 13.5 weeks. However timeframes varied considerably between individual projects. The maximum time from referral to tabling in 2014 was 22 weeks for the 'Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory'. The circumstances relating to this inquiry are outlined in more detail below.
- 1.13 When planning inquiry timetables, the Committee and proponent agencies must consider the parliamentary sitting calendar. Generally referrals are initiated only when the House is sitting, and reports need to be tabled in both houses of the Parliament.⁶

Cost savings

- 1.14 As noted, the Committee's inquiry into 'Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory' took 22 weeks to complete. The protracted timeframe occurred when the Committee suspended its consideration of the project to allow the proponent entities, the Department of Defence (Defence) and Defence Housing Australia (DHA), to re-evaluate the original proposal.
- 1.15 First costed at \$89.4 million to deliver 50 on-base houses, the Committee was not satisfied that the proposal represented value for money. The Committee requested further information and an alternative project design and delivery proposal.
- 1.16 The alternative proposal submitted by Defence and DHA allowed for delivery of the houses at a substantially reduced cost of \$47.1 million.⁷ This resulted in considerable savings while still delivering high quality dwellings, suitable for their purpose.

6 In any event, a work cannot commence until after the Committee has reported to both houses and the House of Representatives has resolved that the work can commence – the latter of which can only occur when the House is sitting.

7 See Report 3/2014 for details, Parliament of Australia website at www.aph.gov.au/pwc.

Medium works

- 1.17 In 2014 the Committee received notification of 39 medium works projects. The Committee approved 38 medium works. Approval for some medium works projects was received only after proponent agencies had provided additional information, either in writing or via a private briefing, at the Committee's request. Approval for some others was conditional, requiring for example regular reporting or a post-implementation report.
- 1.18 The Committee sought referral for a full inquiry for one medium work; Airservices Australia's Hamilton Island Replacement Fire Station Project.⁸ The referral was sought when it emerged that in the preceding two years Airservices Australia had failed to provide the Committee with medium works notifications for 11 medium works projects.
- 1.19 The Committee reminds all Australian Government entities of their obligations under the medium works process. The medium works process forms an important part of the Parliamentary scrutiny of Commonwealth public works expenditure.
- 1.20 Australian Government entities are also reminded of their responsibility to notify the Committee if there are significant changes to previously approved projects.
- 1.21 In February 2014, the Committee approved a medium works notification from Prime Minister and Cabinet (PM&C) pertaining to works to be undertaken for the G20 summit to be held in Brisbane in November 2014. In October 2014 the Committee learned through media reports that PM&C would not be proceeding with one component of the project. All medium works approvals specify that the Committee must be notified if there changes to project scope, timeframe or cost.

Delegation visit to Indonesia and Thailand

- 1.22 In July 2014, a Delegation of the Committee⁹ undertook a visit to Jakarta and Bangkok where new embassy complexes have been commissioned in recent years following a global review of security at Australia's overseas missions.

8 The project was referred for inquiry on 3 December 2014.

9 The Delegation comprised Mrs Karen Andrews MP (Committee Chair and Leader of the Delegation); Mr Graham Perrett MP (Committee Deputy Chair and Deputy Leader of the Delegation); Senator Alex Gallacher; and Mr Ian Goodenough MP.

- 1.23 The purpose of the visit was for the Delegation to:
- inspect existing Australian embassy facilities in both locations, and examine progress on the construction of the new purpose-built facilities; and
 - develop an improved understanding of how the new purpose-built facilities will help support Australia's diplomatic presence and the full range of activities intended to strengthen bilateral relations with Indonesia and Thailand.
- 1.24 The Delegation afforded a unique opportunity for members of the Committee to gain an appreciation of the complexities associated with managing and delivering large capital works projects overseas. The report of the Delegation is available on the Committee website.¹⁰
- 1.25 On the whole, the Delegation was reassured by the site visits, inspections and comprehensive briefings that work on the two new embassies was progressing well. Representatives of the Department of Foreign Affairs and Trade (DFAT) told the Delegation that both projects were expected to be delivered on time and within budget.
- 1.26 However, one issue of concern arose during inspection of the construction site for the new Australian embassy in Bangkok, when it became apparent that the construction being undertaken was substantially different to plans that had been submitted to the Committee when it undertook its inquiry in 2011.
- 1.27 Although the changes to building design for the Chancery (changes to the building footprint and the addition of an extra floor) and its orientation on the block were significant, DFAT had not notified the Committee. DFAT was of the view that notification was not warranted as the changes had not affected scope, cost or timeframe. The Committee did not agree with DFAT's view on the matter.
- 1.28 While the reasons for the changes might have been justifiable in this case, what this highlights is the need for greater clarity in relation to the circumstances where the Committee should be notified of changes to previously approved projects.

10 *Parliamentary Delegation to Indonesia and Thailand by Members of the Public Works Committee.*

Consideration of the Committee's powers, practices and processes

- 1.29 At various times during 2014, the Committee has given consideration to issues relating to the extent of its powers of scrutiny, the consistency of its practices, and its role and capacity to monitor previously approved works.
- 1.30 In this context it is intended to give further consideration to possible amendments to the Committee's establishing legislation and to updating the Public Works Committee Procedure Manual, so that it is consistent with current practice and provides greater clarity on matters where this is needed.

Committee Chair

- 1.31 On 23 December 2014 the former Committee Chair, Mrs Karen Andrews MP, was appointed Parliamentary Secretary to the Minister for Industry and Science. As specified in the Act¹¹, a member of the Parliament ceases to be a member of the Committee when appointed to the Ministry.
- 1.32 Mrs Andrews has been a member of the Committee since 2010. In the current Parliament she was elected Chair at the Committee's first meeting on 13 December 2013.
- 1.33 Throughout her service with the Committee, Mrs Andrews has shown a great commitment to ensuring scrutiny is applied with consistency and rigor. The Committee thanks Mrs Andrews for her astute leadership and for her significant contribution to the Committee's work.

Conclusion

- 1.34 The Committee thanks everyone who has assisted or participated in the Committee's inquiries in 2014. The Committee appreciates input from all interested parties, including members of the public.
- 1.35 The Committee makes particular mention of the contribution made by the staff in the Policy and Advice Branch in the Property and Construction Division of the Department of Finance. This branch assists entities with

11 The Act, Part II, Section 7(5).

their preparation of proposals for consideration by the Committee, and assists the Minister for Finance or delegate (in the 44th Parliament, the Parliamentary Secretary to the Minister for Finance) with management of referrals and expediency motions as required under the Act.

- 1.36 The Committee also thanks the Parliamentary Secretary to the Minister for Finance, the Hon Michael McCormack MP, and his staff, for facilitating the referral and reporting processes.

Senator Dean Smith
Chair

26 March 2015



Appendix A – Reports presented and value of works approved by the Committee in the year ending 31 December 2014

In 2014, the Committee reported on various works that were referred in 2013 and 2014.

The Committee received some referrals late in 2014 that it will report on in 2015.

Report number	Report Title and/or works addressed	Tabled	Cost (\$m) ¹
1/2014	Integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong Project, Dandenong, Victoria	11 February 2014	21.3
N/A	Seventy-seventh Annual Report	11 February 2014	N/A
2/2014 & 3/2014	Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory	24 March 2014 & 14 May 2014	47.1*
2/2014	Construction of a new Australian High Commission in Nairobi, Kenya	24 March 2014	57.6
2/2014	CSIRO Clayton Property Strategy, Clayton, Victoria	24 March 2014	32
2/2014	Reserve Bank of Australia, National Banknote Site, Craigieburn, Victoria	24 March 2014	72
2/2014	CSIRO Consolidation Project, Australian Capital Territory	24 March 2014	195.6

¹ Costs do not necessarily include GST; see relevant report for full details. Figures are rounded to the nearest one hundred thousand dollars.

Report number	Report Title and/or works addressed	Tabled	Cost (\$m)
4/2014	AIR 9000 Phase 5C Replacement Chinook Facilities Project, Townsville, Queensland	23 June 2014	54.8
4/2014	Defence Terrestrial Communications Network Facilities and Infrastructure Project	23 June 2014	131.1
5/2014	Proposed fit-out of new leased premises for the Department of Social Services, Australian Capital Territory	1 September 2014	55.9
5/2014	Development and construction of housing for Defence at RAAF Base Darwin, Northern Territory	1 September 2014	53.4
6/2014	AIR 6000 Phase 2A/B New Air Combat Capability Facilities	20 October 2014	1500
7/2014	Project JP3029 Phase 2 – Defence Space Surveillance Telescope Facilities Project	1 December 2014	63
7/2014	Project JP154 Phase 1 – Defence Counter Improvised Explosive Device Capability Facilities and Infrastructure Project	1 December 2014	24.7
Total			2308.5

* The initial estimated cost of the project was \$89.4 million but was amended to the substantially decreased cost following the Committee's request to Defence to re-evaluate project delivery options and costs.



Appendix B – Works between \$2 million and \$15 million approved by the Committee in the year ending 31 December 2014

The table lists all medium works **approved** by the Committee in 2014. The list includes medium works notifications submitted in late 2013.

Medium works notified in late 2014 which are approved by the Committee in 2015 will be listed in the next Annual Report.

Project Title	Agency Name	Date notified to Committee
Landing craft support facilities at Garden Island and HMAS Waterhen, Sydney, NSW	Department of Defence	17 December 2013
G20 Taskforce Procurement: G20 Venues Fit-out & Hotels Fit-out	Department of the Prime Minister and Cabinet	23 January 2014
Project P0005 - National Airfield Maintenance Works at Woomera Aerodrome, SA	Department of Defence	7 February 2014
N2248 Fleet Base West Low Level Bridge Repair	Department of Defence	7 February 2014
Office Fit-out Project at Barton, ACT	Grains Research & Development Corporation	25 February 2014
Battlefield Airlifter Interim Facilities Project at RAAF Base Richmond NSW	Department of Defence	27 February 2014
The Defence Terrestrial Communications Network Facilities and Infrastructure Project - Preliminary Works	Department of Defence	27 February 2014
Refurbishment of Sydney Customs House	Australian Customs and Border Protection	30 March 2014
Fit-out of leased premises, Adelaide, SA	Department of Immigration and Border Protection	1 April 2014

Newcastle office accommodation	National Disability Insurance Agency	8 May 2014
Next Generation Desktop Project and Associate Works for the Single Information Environment Programme	Department of Defence	9 May 2014
Anzac Centenary Travelling Exhibition Project	Australian War Memorial	12 May 2014
Clark Street Development, Thursday Island, Torres Strait	Torres Strait Regional Authority	16 May 2014
Proposed fit-out of leased accommodation for the Melbourne Passport office	Department of Foreign Affairs and Trade	20 May 2014
Disposal of Australian owned infrastructure at Kandahar Airfield, Kabul and Bagram Airfield	Department of Defence	11 June 2014
Quail Island Air Weapons Range Unexploded Ordnance Remediation	Department of Defence	11 June 2014
R8089 AIR5438 Phase 1A Lead-In Fighter Capability Assurance Program	Department of Defence	16 June 2014
RAAF Base Darwin Flood Mitigation Project, Darwin, Northern Territory	Department of Defence	18 June 2014
A8983 Samuel Hill and Camp Growl Water Treatment Plants, Shoalwater Bay Training Area, Queensland	Department of Defence	19 June 2014
Risk Mitigation Tasks, Cox Peninsula, Northern Territory	Department of Finance	20 June 2014
Space Surveillance Telescope Facilities Project – Preliminary Works	Department of Defence	10 July 2014
Proposed fit-out of new office accommodation at 12 Creek Street, Brisbane, Queensland	Australian Financial Security Authority	11 July 2014
Project R8046 Deployable Defence Air Traffic Management and Control Systems, RAAF Base Amberley, QLD	Department of Defence	16 July 2014
Childcare Centre Construction Project, Geoscience Australia Building, Symonston, Australian Capital Territory	Geoscience Australia	22 August 2014
Initial fit-out for occupancy at the Walter Turnbull Building (WTB), 44 Sydney Avenue, Forrest ACT	Department of Foreign Affairs and Trade	26 August 2014
Proposed fit-out work of accommodation for the Department of Employment	Department of Employment	5 September 2014
Melbourne Immigration Transit Accommodation (MITA)	Department of Immigration and Border Protection	11 September 2014
C8946 Refurbishment of R5 Basement, Russell Offices	Department of Defence	18 September 2014
R8114 BEHMS Road Upgrade, Amberley, Qld	Department of Defence	18 September 2014
St Mary's, South Australia, office accommodation	National Disability Insurance Agency	26 September 2014
Explosive Ordnance Storage and Support Facilities at Al Minhad, United Arab Emirates	Department of Defence	30 September 2014

A9023 Gallipoli Barracks New Entrance	Department of Defence	30 September 2014
A9036 2nd Cavalry Regiment Relocation Facilities Project	Department of Defence	30 September 2014
J0091 Replacement Aviation Fire Truck Facilities	Department of Defence	22 October 2014
A8956 Porton Barracks Redevelopment	Department of Defence	22 October 2014
A9000 Army Emergency Response Facilities, Holsworthy NSW	Department of Defence	13 November 2014
Construction Projects in Titjikala, Northern Territory funded by the Army Aboriginal Community Assistance Program (AACAP)	Department of the Prime Minister and Cabinet	21 November 2014
Working Facilities to Support Operation OKRA Air Task Group at Al Dhafra Airbase, United Arab Emirates	Department of Defence	1 December 2014



Appendix C – Committee meetings and hearings in the year ending 31 December 2014

Private meetings may include deliberative meetings, private briefings, site inspections and in-camera hearings. Public indicates public hearings.

Number	Date	Location	Meeting type
3	30 January 2014	Darwin, NT	Private
4	31 January 2014	Katherine, NT	Public/private
5	5 February 2014	Teleconference	Private
6	10 February 2014	Canberra, ACT	Public/private
7	12 February 2014	Canberra, ACT	Private
8	13 February 2014	Canberra, ACT	Private
9	17 February 2014	Clayton & Craigieburn, VIC	Public/private
10	28 February 2014	Canberra, ACT	Public/private
11	5 March 2014	Canberra, ACT	Private
12	20 March 2014	Canberra, ACT	Private
13	27 March 2014	Canberra, ACT	Private
14	28 April 2014	Canberra, ACT	Public/private
15	8 May 2014	Teleconference	Private
16	15 May 2014	Canberra, ACT	Private
17	22 May 2014	Townsville, QLD	Public/private
18	29 May 2014	Canberra, ACT	Private
19	30 May 2014	Canberra, ACT	Public/private
20	05 June 2014	Teleconference	Private
21	19 June 2014	Canberra, ACT	Private
22	26 June 2014	Canberra, ACT	Private
23	17 July 2014	Canberra, ACT	Private
24	18 July 2014	Canberra, ACT	Public/private

25	21 July 2014	Teleconference	Private
26	18 August 2014	Darwin, NT	Public/private
27	28 August 2014	Canberra, ACT	Private
28	4 September 2014	Canberra, ACT	Private
29	8 September 2014	Brisbane, QLD	Private
30	10 & 23 September 2014	Williamstown, NSW & Canberra, ACT	Public/private
31	25 September 2014	Canberra, ACT	Private
32	2 October 2014	Canberra, ACT	Private
33	30 October 2014	Canberra, ACT	Private
34	4 November 2014	Exmouth, WA	Public/private
35	19 & 20 November 2014	Woomera, SA	Public/private
36	27 November 2014	Canberra, ACT	Private
37	4 December 2014	Canberra, ACT	Private



Appendix D - Post-implementation reports received during 2014¹

Project title	Agency name	PWC report	Post-implementation received
Larrakeyah on-base housing	Defence Housing Australia (DHA)	7/2009	7/01/2014
Centre for Accelerator Science	Australian Nuclear Science and Technology Organisation (ANSTO)	2/2010	7/08/2014
Opal offices, workshops and laboratories extension	Australian Nuclear Science and Technology Organisation (ANSTO)	2/2010	7/08/2014
Project Single Living and Accommodation Precinct Phase 2	Department of Defence	5/2007	13/11/2014

¹ Post-implementation reports are mandatory for full referrals. Sometimes the Committee requests/receives 'post-implementation reports' at various stages during project delivery, or for medium works. These reports are not published on the Committee's website and are not listed in this table.

