
The Parliament of the Commonwealth of Australia

Report 2/2015

Referrals made December 2014

- Fit-out of new leased premises for the Department of Finance, Australian Capital Territory
- Hamilton Island Replacement Fire Station Project

Parliamentary Standing Committee on Public Works

March 2015
Canberra

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Membership of the Committee

Chair Mrs Karen Andrews MP (until 23/12/14)

Deputy Chair Mr Graham Perrett MP

Members Senator Matthew Canavan

Ms Sharon Claydon MP

Senator Alex Gallacher

Mr Ian Goodenough MP

Senator the Hon Bill Heffernan

Ms Joanne Ryan MP

Dr Andrew Southcott MP

Committee Secretariat

Secretary	Dr Alison Clegg
A/Inquiry Secretary	Dr Cathryn Ollif
A/Senior Research Officer	Ms Fiona Gardner (until 6/03/15) Ms Melita Caulfield (from 9/02/15)
Administrative Officers	Mrs Fiona McCann Ms Kathy Blunden



List of recommendations

3 Hamilton Island Replacement Fire Station Project

Recommendation 1

The Committee recommends that the Department of Finance write to all government agencies reminding them of their obligations to the Parliamentary Standing Committee on Public Works, including the need to notify the Committee of proposed medium works.

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: Hamilton Island Replacement Fire Station Project.

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 Parliamentary Secretary to the Minister for Finance.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.¹
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
 - the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
 - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
 - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
 - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
 - the clearing of land and the development of land for use as urban land or otherwise; and

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.

- any other matter declared by the regulations to be a work.²
- 1.4 The Act requires that the Committee consider and report on:
- the purpose of the work and its suitability for that purpose;
 - the need for, or the advisability of, carrying out the work;
 - whether the money to be expended on the work is being spent in the most cost effective manner;
 - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
 - the present and prospective public value of the work.³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Structure of the report

- 1.6 The proposed projects were referred to the Committee in December 2014 by the Parliamentary Secretary to the Minister for Finance, The Hon Michael McCormack MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agencies, submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on significant issues of interest or concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.⁴
- 1.10 Chapter 2 of this report addresses the fit-out of new leased premises for the Department of Finance, Australian Capital Territory. The estimated cost of the project is \$32.066 million, excluding GST.
- 1.11 Chapter 3 of this report addresses the Hamilton Island Replacement Fire Station Project. The estimated cost of the project is \$13.387 million, excluding GST.
- 1.12 Submissions are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

2 The Act, Section 5.

3 The Act, Section 17.

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

Fit-out of new leased premises for the Department of Finance, Australian Capital Territory

- 2.1 The Department of Finance (Finance) seeks approval from the Committee to proceed with a fit-out of a new building which has been constructed at One Canberra Avenue, Forrest, Australian Capital Territory, to provide consolidated office accommodation.
- 2.2 The estimated cost of the project is \$32.066 million, excluding GST.

Conduct of the inquiry

- 2.3 The project was referred to the Committee on 3 December 2014.
- 2.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.5 The Committee received one submission and one supplementary submission from Finance. A list of submissions can be found at Appendix A. Following the hearing the Committee also received correspondence from Finance responding to questions on notice and providing further clarification on the cost benefit analysis.
- 2.6 The Committee conducted an inspection, public hearing and in-camera hearing on the project on 13 February 2015 in Canberra. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.¹

Committee comments

- 2.7 The Committee has suspended consideration of this project, pending an additional public and in-camera hearing with Finance.

¹ <www.aph.gov.au/pwc>.

Hamilton Island Replacement Fire Station Project

- 3.1 Airservices Australia (Airservices) seeks approval from the Committee to provide a replacement category 6 aviation rescue and firefighting (ARFF) station at Hamilton Island Airport, Queensland.
- 3.2 The existing temporary ARFF station at Hamilton Island Airport is no longer fit-for-purpose, as the station and supporting facilities have reached their end of design life. The proposed works will contribute to the increased safety of aviation at Hamilton Island.¹
- 3.3 The estimated cost of the project is \$13.387 million. On its own, the project does not exceed the \$15 million threshold for referral to the Committee. However, following numerous instances over the last two years of Airservices' non-compliance with requirements to notify the Committee of medium works (i.e. works with an estimated cost of between \$2 million and \$15 million), the Committee sought to have this project referred for full inquiry.
- 3.4 The project was referred to the Committee on 3 December 2014.

Conduct of the inquiry

- 3.5 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.6 The Committee received one submission and two supplementary submissions from Airservices. A list of submissions can be found at Appendix A.
- 3.7 The Committee conducted an inquiry briefing and inspection, and public and in-camera hearings, on Hamilton Island on 16 February 2015. A

¹ Airservices Australia (Airservices), submission 1, pp. 5-6.

transcript of the public hearing and the public submission to the inquiry are available on the Committee's website.²

Need for the works

- 3.8 In accordance with a Civil Aviation Safety Authority (CASA) mandated requirement, Airservices must provide an ARFF service at aerodromes where more than 350,000 passengers passed through on air transport flights during the previous financial year. Hamilton Island Airport passenger figures for August 2014 were 485,372. In the previous six years the lowest passenger numbers at Hamilton Island were 439,579 (January 2013). Current indications suggest that Hamilton Island passenger numbers will remain at present levels and that any movements will be in line with regional tourism.³
- 3.9 The existing facilities do not meet current standards and have been severely impacted by corrosion caused by the coastal environment.⁴ At the public hearing, Airservices stated that:
- ...those containers were actually welded together and when they constructed the carport they were welded up against the containers. There was corrosion evident where a couple of those welds had pulled out. The [proposed] new construction is a fibrous cement. So it will not be prone to the type of corrosion that we see there.⁵
- 3.10 Further, the fire vehicle bays and maintenance bays are open structures that are unable to be secured during storm events and expose the vehicles and equipment to weather.⁶
- 3.11 The Committee is satisfied that the need for the work exists.

Options considered

- 3.12 Refurbishment of the existing facilities is not a viable option. The existing facilities were constructed as a temporary structure in 2006 using shipping containers, which are now four years beyond expected life, and have experienced significant corrosion.⁷
- 3.13 Accordingly, Airservices opted to build new facilities.

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

3 Airservices, submission 1, p. 8.

4 Airservices, submission 1, p. 8.

5 Mr Darryl Woods, Airservices, transcript of evidence, 16 February 2015, p. 3.

6 Airservices, submission 1, p. 6.

7 Airservices, submission 1, p. 8.

Scope of the works

- 3.14 The scope of the proposed works includes:
- establishment of a sub-lease over a new parcel of land for the new facility;
 - investigation of the new site including geotechnical, environmental, contamination and topographic investigations;
 - design of new facilities based on the Airservices category 6/7 Standardised Design and site specific functional room data sheets;
 - construction of the new facilities;
 - transition and commissioning of ARFF services from the existing to new facilities; and
 - demolition, removal from site and remediation of existing facilities.⁸
- 3.15 At the public hearing, Airservices confirmed that the facilities were designed to category 6 specifications, with the potential to provide a category 7 service if required in future. Airservices elaborated on the difference between these categories:
- For category 6 and category 7, the resources required in terms of vehicles and equipment and the size of the station remain the same. So this facility will accommodate a category 7 level of service. The only difference between the two service levels is a staffing issue, and the new facility will accommodate the additional staff required.⁹
- 3.16 Further, the Committee heard that staffing is downgraded to category 5 levels where appropriate. This is made possible given the limited number of commercial air traffic scheduled during an afternoon.¹⁰
- 3.17 Subject to Parliamentary approval of the project, construction is expected to take approximately 12 months.
- 3.18 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 3.19 The estimated cost of the project is \$13.387 million.

8 Airservices, submission 1, p. 10.

9 Mr Glenn Wood, Airservices, transcript of evidence, 16 February 2015, p. 4.

10 Ms Margaret Staib and Mr Glenn Wood, Airservices, transcript of evidence, 16 February 2015, p. 5.

- 3.20 Airservices told the Committee that it was achieving value for money by using a standardised modular design that it has used for ARFF stations at other airports in Australia:

We are also committed to achieving value for money and intend to deliver the project by utilising a standardised modular design that we have used for other recent stations. This delivers facilities that are relocatable and reusable should that be necessary. It will minimise construction risk and also the risk of creating a stranded asset in the event that passenger numbers should drop below their disestablishment threshold in the future.¹¹

- 3.21 Airservices provided further detail on the project costs in the confidential submissions and during the in-camera hearing.
- 3.22 The Committee considers that the cost estimates for the project have been adequately assessed by Airservices and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

Committee comments

- 3.23 As previously noted, Airservices had not complied with medium works notification requirements. The reason given by Airservices for non-compliance was that staff changes had resulted in an oversight. Airservices assured the Committee that changes to internal processes would prevent a similar oversight from occurring again in the future.¹²
- 3.24 Medium works notification is a long-standing practice implemented to prevent agencies from splitting larger projects into smaller parts to avoid Parliamentary scrutiny through the Parliamentary Standing Committee on Public Works. Given the circumstances of Airservices' non-compliance the Committee is concerned that other agencies may not be aware of their reporting obligations.

Recommendation 1

- 3.25 **The Committee recommends that the Department of Finance write to all government agencies reminding them of their obligations to the Parliamentary Standing Committee on Public Works, including the need to notify the Committee of proposed medium works.**

11 Ms Margaret Staib, Airservices, transcript of evidence, 16 February 2015, p. 2.

12 Correspondence from Airservices dated 12 September 2014.

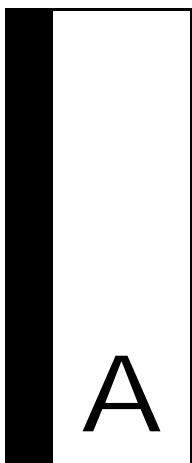
- 3.26 The Committee did not identify any issues of concern with Airservices' proposal and is satisfied that the project has merit in terms of need, scope and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A report template can be found on the Committee's website.
- 3.27 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

Recommendation 2

- 3.28 **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: Hamilton Island Replacement Fire Station Project.**

Mr Graham Perrett MP
Deputy Chair (Committee)
5 March 2015

Mr Ian Goodenough MP
Chair (Sectional Committee)
5 March 2015



Appendix A – List of Submissions

Fit-out of new leased premises for the Department of Finance, Australian Capital Territory

1. Department of Finance
 - 1.1 Confidential

Hamilton Island Replacement Fire Station Project

1. Airservices Australia
 - 1.1 Confidential
 - 1.2 Confidential



Appendix B – List of Hearings and Witnesses

Fit-out of new leased premises for the Department of Finance,
Australian Capital Territory

Friday, 13 February 2015 – Canberra

Public Hearing

For Department of Finance

Ms Jenet Connell, Deputy Secretary/Chief Operating Officer, Department of Finance

Mr John Edge, A/g Deputy Secretary (Business, Procurement and Asset Management), Department of Finance

Mr John Owens, First Assistant Secretary (Property and Construction Division, Business, Procurement and Asset Management), Department of Finance

Ms Rozanne Frost, First Assistant Secretary, Department of Finance

Mr Steve O'Loughlin, Assistant Secretary, Department of Finance

In-Camera Hearing

Five witnesses

Hamilton Island Replacement Fire Station Project

Monday, 16 February 2015 – Hamilton Island

Public Hearing

For Airservices Australia

Mr Andrew Clark, Chief Financial Officer, Airservices Australia

Mr Andreas Marcelja, Manager, Government Affairs and Issues Management,
Airservices Australia

Mr Mark Rodwell, Executive General Manager, Projects and Engineering,
Airservices Australia

Ms Margaret Staib, Chief Executive Officer, Airservices Australia

Mr Glenn Wood, Chief Fire Officer, Airservices Australia

Mr Darryl Woods, General Manager, Projects, Airservices Australia

In-Camera Hearing

Six witnesses