

Defence Terrestrial Communications Network Facilities and Infrastructure Project

- 3.1 The Department of Defence (Defence) seeks approval from the Committee to commence works on its Joint Project 2047 Phase 3 Defence Terrestrial Communications Network Facilities and Infrastructure project (JP2047).
- 3.2 The purpose of the JP2047 is to upgrade, replace, standardise and/or rationalise the Information and Communications Technology (ICT) facilities and communications infrastructure at 282 geographically dispersed Defence owned and leased sites within Australia, in all states and territories.¹
- 3.3 Defence told the Committee that this project will transform the Defence Terrestrial Communications Network (DTCN) once completed in June 2016.²
- 3.4 It is Phase 3 of this multi-phased project which the Committee has recently examined and is now reporting on. Earlier completed phases of this capability project included a project definition study and a network security and survivability study to provide input to the capability requirements for later phases.³
- 3.5 The project was referred to the Committee on 25 March 2014.

1 Department of Defence (Defence), submission 1, pp. 7-8.

2 Defence, submission 1, p. 3.

3 Defence, submission 1, p. 7.

Conduct of the inquiry

- 3.6 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.7 The Committee received one submission and four supplementary submissions from Defence. A list of submissions can be found at Appendix A.
- 3.8 The Committee received a private briefing on the project from representatives of the Department of Defence, Point Project Management and Telstra Corporation on 30 May 2014 in Canberra.
- 3.9 Following the private briefing, the Committee conducted a public hearing and an *in-camera* hearing. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.⁴

Need for the works

- 3.10 Two reviews in 2008⁵ identified the need for Australian Government agencies, including Defence, to substantially improve the condition, capability, sustainability, productivity and governance of their ICT. The JP2047 is Defence's response to achieving the required ICT reforms within the Department of Defence.
- 3.11 According to Defence, the JP2047 will deliver significant business advantages by upgrading, replacing, standardising and rationalising the DTCN, but to make these improvements:
- ... the DTCN needs to be supported by appropriate facilities, security, electrical power, cooling and physical infrastructure. Due to the age, size and geographic spread of the Defence estate, ICT facilities vary widely in condition, size and function. Many of the Defence sites where the DTCN and ICT equipment are housed will not support the new JP2047 capability and require urgent remediation and upgrades before June 2016 – prior to the rollout of the upgraded DTCN.⁶

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

5 Department of Finance and Deregulation 2008, *Review of Australian Government's use of Information and Communications Technology* (Sir Peter Gershon CBE FREng) and Department of Defence 2009, *2008 Audit of the Defence Budget* (report prepared by G Pappas, McKinsey & Co.) as cited in Defence submission 1, p. 1.

6 Defence, submission 1, p. 2.

- 3.12 JP2047 will achieve a reduction in network operating costs, reduce the complexity of the network and provide new collaborative business processes for ICT users.⁷

JP2047 will also drive benefits to Defence DTCN management, ICT infrastructure and supporting facilities. We will be provided with a flexible, responsive DTCN which allows Defence to quickly and easily adjust its ICT capacity between bases depending on demand or outages and in response to operations and unforeseen events in Australia. ... The new network will include embedded testing facilities to enable all future changes to the DTCN to be tested safely before they are connected onto the live network. Finally, JP2047 is scoped to provide base ICT infrastructure and facilities remediation and upgrades where required to enable the JP2047 project.⁸

- 3.13 At the completion of the Project, for the first time all Defence personnel whether in Australia or overseas will have reliable, high speed access to the Defence network and ICT services.⁹

- 3.14 The Committee is satisfied that the need for the works exists.

Scope of the works

- 3.15 The project includes the provision of computer cabinets and storage, power, lighting, air-conditioning, fire protection, and security alarms and monitoring within communications rooms housing ICT equipment at 282 Defence owned and leased sites.¹⁰

- 3.16 Defence told the Committee that the nature of the facilities and infrastructure works is uncomplicated and minor, but must be conducted across all States and Territories of Australia within an 18 to 20 month period to support the implementation schedule of the DTCN transformation.¹¹

- 3.17 In response to a question about the value of improving ICT infrastructure on leased sites, the Committee heard that:

7 Defence, submission 1, p. 2.

8 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, pp. 1-2.

9 Defence, submission 1, p. 2.

10 Defence, submission 1, pp. 2-3.

11 Defence, submission 1, p. 3.

A number of sites have been identified where the leases are due to expire in the short term, and there will be no works planned for those sites. For the sites where the lease is for more of an extended period or where Defence would expect to remain, the works have been planned for those sites to accord with the requirements of the project.¹²

3.18 At each location Defence has considered whether to conduct new construction/trenching or to adapt and reuse existing facilities and infrastructure. This is to ensure that the proposed works are cost-effective and entirely new works are only conducted where necessary.¹³

3.19 The location of the works on each site has been dictated by the location of existing operational ICT facilities, communications rooms and in-ground communications infrastructure. Most of the project works will be conducted within existing communications rooms, reusing and adapting existing facilities and infrastructure wherever possible.¹⁴

The scope of facilities and infrastructure works proposed at each of these sites is dependent upon the condition and capacity of the existing facilities and infrastructure.¹⁵

3.20 Where potential environmental and heritage risks exist, various trenching options have been considered and designs rerouted to ensure functionality and to mitigate possible impacts.¹⁶

... a number of Defence sites do have heritage values. We did undertake assessments to confirm if we were going to be impacting on those heritage values at all as a result of the work. The facility scope as proposed does not impact nor fundamentally change any facades or internal atriums of heritage listed buildings. We have undertaken an environmental assessment and we will also require Telstra to develop its own environmental management plans that will identify if there is any heritage implications associated with the work they are doing and how they will deal with it.¹⁷

3.21 Defence told the Committee that it was cognisant of potential impacts on local communities in developing the designs for the proposed works but

12 Mr B Bilson, Point Project Management, transcript of evidence, 30 May 2014, p. 3.

13 Defence, submission 1, p. 3.

14 Defence, submission 1, p. 4.

15 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, p. 2.

16 Defence, submission 1, p. 4.

17 Brig. D Naumann, Defence, transcript of evidence, 30 May 2014, p. 7.

as all works are contained within existing Defence sites and premises, the potential impact on local communities is assessed as low. There will be no increase in personnel numbers during the works and due to the minor nature of the works at the majority of sites, the number of on-site construction workers at a site at any one time is not expected to be significant.¹⁸

- 3.22 Construction of JP2047 is expected to begin in August 2014, with a progressively staged handover and completion of all sites by mid-2016.¹⁹
- 3.23 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 3.24 The estimated cost of the project is \$131.1 million, excluding GST. The cost includes all delivery costs, including management and design fees, construction costs, furniture, fittings and equipment, contingencies, and an allowance for escalation.²⁰
- 3.25 Defence provided detail on the project costs in its confidential submissions and during the *in-camera* hearing.
- 3.26 The Committee considers that the costs estimates for the project have been adequately assessed by Defence 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

- 3.27 The Committee accepts that the need exists for Defence to upgrade its ICT capability across Defence owned and leased sites nation-wide.
- 3.28 The Committee accepts that Defence will be able to more effectively provide ICT services to Australian Defence Force operations and deliver the financial savings mandated under the Government's Strategic Reform Program upon completion of the proposed works.
- 3.29 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.

18 Defence, submission 1, p. 6.

19 Defence, submission 1, p. 15.

20 Defence, submission 1, p. 15.

- 3.30 The potential use of unspent contingency was raised at the *in-camera* hearing. Given the size of the project, if the project contingency monies are not used, Defence's options are to return the unspent money to revenue or to put before to the Committee a proposal for an extension of scope, if appropriate.
- 3.31 Proponent agencies must notify the Committee of any changes to the project scope, time 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.
- 3.32 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

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: Defence Terrestrial Communications Network Facilities and Infrastructure Project.

Recommendation 3

The Committee recommends that if Defence has unspent contingency monies it puts before the Committee a proposal for an extension of scope, if appropriate.

**Karen Andrews MP
Chair**

19 June 2014