The Parliament of the Commonwealth of Australia

Report 5/2015

17th Construction Squadron Relocation Infrastructure Project

Parliamentary Standing Committee on Public Works

June 2015
Canberra

978-1-74366-340-0 Printed version

978-1-74366-341-7 HTML version

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Membership of the Committee

Chair	Senator Dean Smith
Deputy Chair	Mr Graham Perrett MP
Members	Senator Matthew Canavan
	Ms Sharon Claydon MP
	Senator Alex Gallacher
	Mr Ian Goodenough MP
	Ms Joanne Ryan MP
	Ms Fiona Scott MP
	Dr Andrew Southcott MP

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A/Inquiry Secretary	Dr Cathryn Ollif
Senior Research Officer	Ms Melita Caulfield
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List of recommendations

17th Construction Squadron Relocation Infrastructure Project

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: 17th Construction Squadron Relocation Infrastructure Project.

1

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

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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 March 2015 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 17th Construction Squadron Relocation Infrastructure Project. The estimated cost of the project is $71.8 million, excluding GST.

1.11 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>.

2

17th Construction Squadron Relocation Infrastructure Project

2.1 The Department of Defence (Defence) seeks approval from the Committee to provide infrastructure to accommodate the relocation of the 17th Construction Squadron from Holsworthy Barracks in New South Wales to RAAF Base Amberley in Queensland.

2.2 The relocation the 17th Construction Squadron is in accordance with a directive from the Chief of Army and will enhance command and control of the 6th Engineer Support Regiment (6 ESR) and improve operational efficiencies.

2.3 6 ESR is the largest of the Royal Australian Engineer (RAE) regiments and is currently comprised of the following units:

- 17th Construction Squadron;
- 21st Construction Squadron;
- 20th Explosive Ordnance Disposal Squadron; and
- Operational Support Squadron (OSS).[1]

2.4 6 ESR's mission is to prepare and maintain combat-ready individuals and groups in order to support land, joint and specified operations for the Defence of Australia and its national interests.[2]

2.5 The estimated cost of the project is $71.8 million, excluding GST.

2.6 The project was referred to the Committee on 25 March 2015.

Conduct of the inquiry

2.7 Following referral, the inquiry was publicised on the Committee's website and via media release.

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1 Defence, submission 1, p. 1.

2 Defence, submission 1, p. 1.

2.8 The Committee received one submission and two supplementary submissions from Defence. A list of submissions can be found at Appendix A.

2.9 The Committee received a briefing from Defence and conducted an on-site inspection at RAAF Base Amberley, and public and in-camera hearings in Ipswich on 20 May 2015. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.[3]

Need for the works

2.10 6 ESR is currently dispersed across the following three Defence sites:

- Headquarters for 6 ESR, the 21st Construction Squadron and the main elements of OSS are located at RAAF Base Amberley, Queensland;
- The 20th Explosive Ordnance Disposal Squadron is located at Enoggera Barracks, Queensland; and
- The 17th Construction Squadron and an OSS detachment are located at Holsworthy Barracks, New South Wales.[4]

2.11 As part of two large projects in 2009, Defence relocated both 6 ESR and the 21st Construction Squadron to RAAF Base Amberley.[5] Relocating the 17th Construction Squadron will further consolidate 6 ESR.[6]

2.12 Defence told the Committee that the previous relocation works provided valuable experience in undertaking a project of this nature:

> Through each of the projects we have learned lessons; they have been passed on. They are about optimising the design to make it…not bespoke but fit for purpose; it is functional. As the projects have been progressed, we have learned about such things as the louvres, which are to allow the natural ventilation in the mixed-modern.[7]

2.13 Additionally, co-locating the OSS detachment from Holsworthy with the main OSS unit at Amberley will increase the effective management of critical and regulated unit governance requirements such as work health and safety, personnel and equipment readiness, vehicle, plant and equipment control, and supply chain distribution.[8]

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

4 Defence, submission 1, pp. 1-2.

5 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 9.

6 Defence, submission 1, pp. 1-2.

7 Mr Peter Muir, Aurecon Australasia Pty Ltd, transcript of evidence, 20 May 2015, p. 9.

8 Defence, submission 1, p. 5.

2.14 The proposed works will provide opportunities to enhance the command and control of engineer units in South East Queensland, to improve the overall operational and training effectiveness of 6 ESR, and to gain unit-wide efficiencies through the implementation and provision of a mature operational support 'shared services' model.[9]

2.15 Significant operational, training and support opportunities offered through co-location will realise long lasting benefits by consolidating Army's construction capability in a single location.[10]

2.16 The Committee is satisfied that the need for the work exists.

Options considered

2.17 With regard to the 17th Construction Squadron, Defence considered reusing existing facilities at RAAF Base Amberley. However none were located in suitable proximity to the existing 6 ESR base.[11]

2.18 Defence has stated that its preferred option is to construct new facilities in the immediate vicinity of 6 ESR and where possible, to adaptively reuse existing 6 ESR facilities.[12]

2.19 Given the existing OSS facilities at Amberley were not purpose-built, Defence is also proposing to provide new facilities at Amberley to accommodate the co-location of all OSS elements. This is in addition to existing facilities, which Defence aims to adapt and reuse where possible.[13]

2.20 At the public hearing, the Committee asked why the 17th Construction Squadron was not building the proposed new facilities. Defence responded by stating that there is always a requirement to have a squadron, either in full or part, prepared to be deployed when certain situations arise.[14]

2.21 Further, Defence participates in a community program arranged by the Department of the Prime Minister and Cabinet:

> The 17th Construction Squadron does have the capabilities to undertake those types of works…[however there is] an Army Aboriginal Community Assistance Program (AACAP) obligation [to be met]. In any one year we will always have one of the squadrons—17 or 21—actually deployed. In this case, as we briefed this morning, 21 Construction Squadron has just

9 Defence, submission 1, p. 2.
10 Defence, submission 1, p. 14.
11 Defence, submission 1, p. 8.
12 Defence, submission 1, pp. 8-9.
13 Defence, submission 1, pp. 5-6.
14 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 7.

> commenced its deployment to the Northern Territory for AACAP. Between the operational requirements and the preparedness aspects of it and also the ongoing commitment for AACAP, there is limited capacity for 17 to undertake a large scale of works such as the fire training area.[15]

2.22 The Committee found that Defence has considered multiple options to deliver the project and has selected the most suitable option.

Scope of the works

2.23 Defence told the Committee that the proposed construction site was selected due to its close proximity to the existing 6 ESR compound. This presents the highest and best use of land for operational effectiveness with respect to all units.[16]

2.24 The proposed work will provide purpose-built and adaptively reused facilities that are fit for purpose, compliant and provide value for money. This will include demolition, civil and infrastructure works and landscaping.[17]

2.25 Defence has separated the works into three major scope elements:

- Scope Element 1 – 17th Construction Squadron:
  - ⇒ Squadron HQ offices;
  - ⇒ Resources, Construction and Plant Troop offices and workshops;
  - ⇒ vehicle and equipment shelters; and
  - ⇒ car parking and deployment areas.
- Scope Element 2 – OSS Facilities:
  - ⇒ Squadron HQ offices;
  - ⇒ Operational and Technical Support Troop offices, logistic areas and
  - ⇒ workshops; and
  - ⇒ vehicle and equipment shelters.
- Scope Element 3 – New Fire Training Area (FTA):
  - ⇒ a concrete area with a mock aircraft fuselage;
  - ⇒ temporary building structures, hardstands and shipping containers
  - ⇒ to simulate building fires; and
  - ⇒ a vehicle recovery and fire fighting hardstand.[18]

15 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, pp. 7-8.

16 Defence, submission 1, p. 14.

17 Defence, submission 1, p. 8.

18 Defence, submission 1, pp. 6-7.

Fire Training Area (FTA)

2.26 This site is currently used by the RAAF as a FTA and will require demolition. The FTA is an operational requirement for RAAF Base Amberley to enable the continuation training and ongoing certification of RAAF Fire Crews.[19]

2.27 Defence proposed to construct a new FTA within the confines of RAAF Base Amberley.[20] At the public hearing, the Committee sought assurance that demolishing the existing FTA and constructing another in a different location was a suitable course of action. Defence responded by stating:

> The fire training area that we currently have and that we use at the moment is…relatively small. As we discussed this morning, it has got a 63 metre diameter. We use that fire training area at the moment. But to make sure we do not have any of the foam contamination issues, it artificially restricts training at that current fire training area. That is the main issue with the current fire training area...we will always manage the foam as a priority but restrict our training in that respect. If the fire training area was replaced, you would not replace it with something the same size; you would replace it with something that is fit for service for the current fire vehicles we use and that would also be fit for purpose for the fire trucks we see in use for the foreseeable future.[21]

2.28 Defence added:

> …what we are trying to do is gain efficiencies in operational effectiveness and how the squadron is operated.[22]

On-site contamination

2.29 An assessment revealed that contaminate concentrations found in the soil were within acceptable limits, however water contaminate concentrations exceeded this.[23] At the public hearing, Defence outlined its proposed course of action:

> From those assessments—and this is wider than just this project—the Defence Support and Reform Group, through Defence Support Operations and the local regional base people, have been undertaking a water quality testing and monitoring program, which was completed in 2014, to look at the impact of potential

19 Defence, submission 1, p. 6.

20 Defence, submission 1, p. 7.

21 Wing Commander Tony Blair, Defence, transcript of evidence, 20 May 2015, p. 13.

22 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 12.

23 Defence, submission 1, p. 10.

> contaminants in the water across the base. That was one aspect of it. It is wider than the project.
>
> For the project itself, throughout the construction and when we do the demolition, there will be a testing regime put in place—and a monitoring regime as well, as we go through construction. If we have to remove soil that is contaminated, there will be approaches as to how we can do that. There are a couple of different ways we could approach that but, ultimately, if we find contaminated soil or contaminated water that we need to treat, we will look to treat that in accordance with the regulations and requirements.[24]

2.30 Additionally, construction works will require a one metre thick concrete slab to be laid on-site, which alone would secure any contaminants found in the soil.

2.31 The Committee was subsequently satisfied that Defence has adequately addressed the issue of on-site contamination.

Impact on local community

2.32 At the public hearing, the Committee was told that Defence conducted a consultation process with the local community.[25] The biggest impact of relocating the 17th Construction Squadron would be on roads and traffic. Ipswich City Council Mayor, Councillor Paul Pisasale assured the Committee this would be managed:

> I can assure you from a council point of view that we will be addressing all the [traffic management] needs in partnership with the state and federal government to address those community concerns.[26]

2.33 The Committee heard that the works would benefit the local community in terms of employment:

> Our intent for this project also is to go to market, in this case under a head contract form of approach to the market. Again there would be an expectation that a number of local small to medium and potentially even large enterprises would have opportunities to participate in that tendering process.[27]

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24 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 11.

25 Councillor Paul Pisasale, Mayor, Ipswich City Council, transcript of evidence, 20 May 2015, p. 2.

26 Councillor Paul Pisasale, Mayor, Ipswich City Council, transcript of evidence, 20 May 2015, p. 1.

27 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 7.

2.34 Defence stated that previous works have created significant employment for the local area:

> …in relation to how much local involvement there was on the previous 21st Construction Squadron project …they estimate that up to 60 per cent of the procurement contracts—not value, but procurement contracts—went to local trades from the immediate Ipswich area. I think that is quite significant.[28]

Environmental concerns

2.35 An Initial Environmental Review (IER) was completed in July 2012 and identified a number of minor concerns regarding impact vegetation and wildlife. The IER recommended the following mitigation measures:

- The provision of offset planting to mitigate vegetation clearing, occurring as result of the proposed development;
- Strict adherence to Defence's existing Weed Management Control Program to prevent the spread of weeds through mishandling of removed vegetation;
- The natural dispersal of local fauna and provision of a suitably qualified 'wildlife spotter' during any land clearing activities;
- A testing regime for contaminated soil during any excavation activities;
- Washing of construction vehicles, plant and equipment during construction to minimise the spread of fire ants;
- Implementing anti-bird nesting measures during construction; and
- Completion of all required soil contamination assessments and if required, the removal or treatment of contaminated soil.[29]

2.36 Consequently, Defence has undertaken to plant 3300 trees to compensate for those removed during construction activities.[30]

2.37 At the public hearing, the Committee heard that nesting boxes for wildlife referred to in Defence's submission are no longer required. Defence will continue to investigate options to protect local fauna in RAAF Base Amberley's wildlife corridor.[31]

2.38 Subject to Parliamentary approval of the project, construction is expected to commence by mid-2015 and be completed by late-2016 to align with the January 2017 Army posting cycle.[32]

28 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 10.

29 Defence, submission 1, pp. 9-10.

30 Defence, submission 1, p. 10.

31 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 5.

32 Defence, submission 1, p. 35.

2.39 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

2.40 The estimated cost of the project is $71.8 million, excluding GST.

2.41 At the public hearing, the Committee heard that previous relocation works had placed Defence in good stead to conduct the current works cost-effectively:

> …When you look at the two [relocation projects]…we are at a minimum almost $1 million better off [for this project]…[33]

2.42 Further, Defence stated that pursuing a fit for purpose design, rather than bespoke, allowed for potential cost savings:

> These details are not in the public, but the actual design costs for this project, which have been advised to the committee through our confidential cost estimate, are significantly lower than what we would expect on our benchmark or our rule of thumb rules for looking at design versus out-turn capital costs. The reasons for that, again, is that we did not allow our designers to get 'designy' on us—that is a phrase I use. So there have actually been savings I can point to within the design because of that approach with taking those existing designs and building upon them.[34]

2.43 Defence provided further detail on the project costs in the confidential submission and during the in-camera hearing.

2.44 The Committee considers that the cost 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

2.45 The Committee commends Defence for its commitment to community consultation.

2.46 The Committee notes Defence is using lessons learned from previous projects to save on costs associated with current and future projects.

2.47 The Committee did not identify any issues of concern with Defence's proposal and is satisfied that the project has merit in terms of need, scope and cost.

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33 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 7.

34 Brigadier Noel Beutel, Defence, transcript of evidence, 20 May 2015, p. 10.

2.48 Proponent agencies must notify the Committee of any changes to the project scope, time, cost, function or design. 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.

2.49 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 1

2.50 **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: 17th Construction Squadron Relocation Infrastructure Project.**

Senator Dean Smith

Chair

18 June 2015

A

Appendix A – List of Submissions

17th Construction Squadron Relocation Infrastructure Project

1. Department of Defence
   - 1.1 Confidential
   - 1.2 Department of Defence

B

Appendix B – List of Hearings and Witnesses

17th Construction Squadron Relocation Infrastructure Project

Wednesday, 20 May 2015 – Ipswich

Public Hearing

For Department of Defence

Wing Commander Tony Blair, Commanding Officer, 23 Squadron, City of Brisbane

Brigadier Noel Beutel, Director General, Capital Facilities and Infrastructure, Department of Defence

Lieutenant Colonel Amanda Johnston, Commanding Officer, 6th Engineer Support Squadron

Mr Peter Muir, Project Manager Contract Administrator, Aurecon Australasia Pty Ltd

Councillor Paul Pisasale, Mayor, Ipswich City Council

Colonel Chris Smith, Director Plans – Army, Army Headquarters, Department of Defence

Lieutenant Colonel Paul Wright, Project Director, Capital Facilities and Infrastructure, Department of Defence

In-Camera Hearing

Four witnesses