

## Issues and Conclusions

### Amendments to the Statement of Evidence

- 3.1 At the public hearing held on 11 August 2006, Defence provided several amendments to its statement of evidence. These addressed matters concerning project funding, project scope and a comparison of newly constructed buildings against the refurbishing of existing buildings at Gallipoli Barracks, Enoggera, Queensland.<sup>1</sup>

### Project Funding

- 3.2 Defence amended paragraph 9 of its submission by replacing “Current approved phasings are”<sup>2</sup> with “Original approved phasings were”.<sup>3</sup> This amendment reflected changes in project timing which were discussed at the public hearing held on 29 June 2006.<sup>4</sup>
- 3.3 A new paragraph 10 was inserted into the statement of evidence, which addressed the original budget for Single LEAP, and provided further details of each phase of the project. Sixty rooms at Robertson Barracks and Kokoda Barracks have already been funded; phase one will provide 1,295

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1 Appendix E, Official Transcript of Evidence, 11 August 2006, pages 2 and 3

2 Appendix C, Submission No. 1, paragraph 9

3 Appendix E, op cit, page 3

4 Appendix D, Official Transcript of Evidence, 29 June 2006, page 11

rooms; and phase two will deliver approximately 5,100 rooms. The Expression of Interest (EOI) for phase 2 is expected to be released “later in 2006”.<sup>5</sup>

- 3.4 The original paragraph 10 was renumbered 10A. The amendment added that

Separate defence initiatives have been implemented to address the balance of the LIA deficiencies [identified in the 2003 Defence LIA review], including a combination of facilities upgrades and major redevelopment projects.<sup>6</sup>

## **Project Scope**

- 3.5 Defence amended paragraph 29 to inform the Committee that

Scope exists within the proposed contractual arrangements to be able to modify the contract under competitive tendering arrangements in the event that the Commonwealth seeks to modify the accommodation service after commercial acceptance. This could enable defence to contest the delivery of future additional living-in accommodation requirements arising out of other defence projects against the phase 1 Single LEAP provider.<sup>7</sup>

## **Refurbishment of Existing Buildings at Gallipoli Barracks, Enoggera**

- 3.6 The Committee heard that some existing LIA accommodation at Gallipoli Barracks, which were not a part of Project Single LEAP, had recently undergone some minor refurbishment. Defence were questioned whether a cost analysis had been undertaken on refurbishing the existing buildings as opposed to demolishing and rebuilding new accommodation.<sup>8</sup>

- 3.7 Defence answered these questions by inserting a new paragraph 45A into its statement of evidence, citing a cost-benefit analysis which found that

...refurbishment would cost approximately seven per cent more in construction costs, ... would not fully meet Defence level 5 standards [and]... would fall 76 units short of the required 500 units... The whole-of-life building maintenance and life cycle cost

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5 Appendix E, Official Transcript of Evidence, 11 August 2006, page 3

6 *ibid*, page 3

7 *ibid*, page 3

8 Appendix D, *op cit*, page 5

for the refurbished facilities would be higher than the new build option by some 15 per cent over the life of the contract.<sup>9</sup>

- 3.8 Defence stated that they would use transit and trainee accommodation as a transit plan for ADF personnel displaced when the current buildings were demolished.<sup>10</sup>

## **Asbestos**

- 3.9 The Committee heard that 175 buildings within the Gallipoli Barracks contained asbestos in the form of cement sheeting for walls, linings and vinyl tiles. The Committee was assured that this would be removed and disposed of during the demolition of the buildings.<sup>11</sup>

## **Recommendation 1**

**The Committee recommends that the Department of Defence provide it with the procedures and relevant information regarding the safe removal of hazardous material for each of the three sites.**

## **Living in Accommodation Review**

- 3.10 Defence submitted that a 2003 review of all LIA found a shortfall of approximately 26,000 bed-spaces for MWODs.<sup>12</sup> At the public hearing held on 29 June 2006, Defence clarified that this figure included all existing accommodation at LIA level 3 and 5 standards, as well as “accommodation for operational surge – the bunk style of accommodation”.<sup>13</sup>
- 3.11 Project Single LEAP will partially address the shortfall identified in the review, providing approximately 6400 rooms at LIA 5 standard. The 1,295 rooms to be delivered under phase one of the project will be supplemented by about 5,100 rooms “through a second PPP arrangement

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9 Appendix E, op cit, page 2

10 Appendix D, op cit, page 12

11 *ibid*, page 10

12 Appendix C, op cit, paragraph 8

13 Appendix D, op cit, page 13

as part of phase 2". The balance of the LIA deficiencies is to be provided through separate Defence initiatives.<sup>14</sup>

## Requirement to Live On-base

3.12 Defence explained that the ADF personnel required to live in [on-base] included

people who are under 18, people who are within 12 months of completing their initial education and training. There are two other categories. The third category is those who are required to live in for operational reasons. The vast majority of the candidates who will occupy Single LEAP facilities fit into that category. The fourth category is those who are undertaking training courses of a duration greater than six months.<sup>15</sup>

3.13 The Committee queried whether the requirement to live in could be guaranteed, stating that it was a risk that the accommodation would not be required should the policy change within the thirty year period of the project. Defence replied that the sites for phase one were selected on the basis of long-term capability requirements and the reasons for requiring personnel to live on-base were enduring and not likely to change.<sup>16</sup>

3.14 Defence informed the Committee that the rooms could expect to be utilised at an occupancy rate "in the order of 85 per cent".<sup>17</sup>

## Project delivery

### Public Private Partnership

3.15 Defence submitted that they proposed to

procure the buildings and infrastructure under Public Private Partnership arrangements.<sup>18</sup>

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14 Appendix E, op cit, page 3

15 Appendix D, op cit, pages 12 and 13

16 Appendix E, op cit, pages 5 to 7

17 *ibid*, page 4

18 Appendix C, op cit, paragraph 76

- 3.16 At the public hearing held on 29 June 2006, Defence explained that this delivery method was appropriate due to the project's potential size, relative complexity and the "percentage of service component".<sup>19</sup>
- 3.17 Phase one of Project Single LEAP was extracted from the larger project on "guidance from the Minister [for Defence] ... to test the [PPP] methodology" as phase two of the project would be "much more complex in terms of the geographic spread of the sites as well as the number of units to be constructed".<sup>20</sup>
- 3.18 The Committee heard that Defence will pay a monthly service charge to the strategic partner, payable after the facilities are occupied. The charge will be
- all encompassing. It includes the design and construction component; it includes the facilities maintenance component; it includes the operations component; it includes provision for upgrade at key points during the life of the facility, including an assessment at the tail end of the contract in sufficient time to allow the strategic partner to bring that facility up to an agreed standard before handing it back to the Commonwealth.<sup>21</sup>
- 3.19 The Committee queried Defence as to why one strategic partner, rather than three, was to be engaged to develop the three sites. Defence replied that the three sites were packaged together to be "attractive to industry" and that one strategic partner would result in a simpler, single national contract.<sup>22</sup>

## Confidential briefings

- 3.20 Defence provided the Committee with two commercial-in-confidence briefings. The first was held prior to the 11 August 2006 public hearing and the second on 14 September 2006.
- 3.21 At these briefings, Defence provided the Committee with details of the expected costs of the project, as contained in the Public Sector Comparator (PSC). The Committee was told that incoming tenders would be compared to the PSC to ensure that the Commonwealth received value for money.

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19 Appendix D, op cit, page 6

20 *ibid*, pages 10 and 11

21 Appendix D, op cit, page 7

22 *ibid*, page 11

## Project implementation

- 3.22 Early in 2006, the Committee approved a request from Defence to progress their procurement strategy in parallel with Committee consideration of the project.<sup>23</sup>
- 3.23 Defence submitted that EOI were sought in October 2005, with nine formal consortia bids being received. Four consortia were short listed to proceed to the Request for Proposal (RFP) stage, with submissions due in May 2006.<sup>24</sup>
- 3.24 At the 29 June public hearing, Defence provided an update to the Committee, stating that all four consortia tenders had been received and were undergoing evaluation. Defence informed the Committee that it expected a recommendation on a strategic partner to be made to government later in 2006.<sup>25</sup>
- 3.25 During the course of the inquiry, the Committee faced the challenge of giving consideration to this project before its final form is known. For example, the design of the facilities<sup>26</sup> and the management of environmental matters<sup>27</sup> will only be known or addressed once a strategic partner is engaged.
- 3.26 The Committee recognises that this is a unique feature of PPPs but requests a briefing from Defence on the final form and costs of the project.

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### Recommendation 2

**The Committee recommends that the Department of Defence provide it with a briefing on the final form of the proposal, including costs, once a strategic partner is chosen.**

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23 *ibid*, page 2

24 Appendix C, *op cit*, paragraph 16

25 Appendix D, *op cit*, pages 8 and 9

26 Appendix E, *op cit*, page 10

27 Appendix D, *op cit*, page 14

### Recommendation 3

**The Committee recommends that the Department of Defence provide it with regular reports on the progress of works at each of the three sites.**

## Experience with Public Private Partnerships

3.27 The Committee questioned Defence on its experience in coordinating PPPs. Defence responded by saying that they

have [drawn] very heavily on our consultancy support and brought with that an understanding of public-private partnership project arrangements at the state level in this country as well as overseas experience, particularly with the UK Ministry of Defence.<sup>28</sup>

## Consultation

### Indigenous groups

3.28 At the 29 June 2006 public hearing, the Committee questioned Defence about the level of consultation undertaken with indigenous groups at each of the sites. Defence stated that they had consulted with the land council responsible for the Holsworthy area, have “undertaken an initial cultural and heritage assessment” and will invite the lands council to assist them with further cultural assessments.<sup>29</sup>

3.29 At the public hearing held on 11 August 2006, Defence indicated that they had engaged the Jagera people at RAAF Base Amberley and were in the process of engaging the Tharawal people at Holsworthy.<sup>30</sup>

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28 *ibid*, page 5

29 Appendix D, *op cit*, page 15

30 Appendix E, *op cit*, page 3

**Recommendation 4**

**The Committee recommends that Defence keep it informed of progress made in relation to consultation with indigenous groups at each of the three sites.**

**Local Councils**

- 3.30 The submission of the Ipswich City Council was supportive of the proposal at RAAF Base Amberley.<sup>31</sup> When representatives of the Council appeared before the Committee, they stated that they were happy with the level of consultation undertaken by Defence.<sup>32</sup>
- 3.31 In response to a question on what discussions were undertaken with councils local to the Holsworthy site, Defence stated that the Liverpool City Council and the Sutherland Shire Council were both briefed on the project and neither raised specific issues.<sup>33</sup>

**Defence Personnel**

- 3.32 The Committee asked whether Defence personnel had an opportunity to have an input into the project. Defence stated that

We have gone through a fairly detailed process with site visits whereby commanders, their troops and our regional and base defence staff have been engaged in informing the development of the output specification that we finally took to industry.<sup>34</sup>

**Recommendation 5**

**The Committee recommends that the proposed provision of facilities for phase one of Project Single LEAP proceed at the estimated cost of \$406 million.**

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31 *Volume of Submissions*, Submission No. 2, page 1

32 Appendix D, op cit, pages 18 and 19

33 Appendix E, op cit, page 10

34 *ibid*, page 10



**Hon Judi Moylan MP**

Chair

18 October 2006