

# **RAAF Base Williamtown Redevelopment Stage 1 and Facilities for the Airborne Early Warning & Control Aircraft**

Parliamentary Standing Committee on Public Works

August 2002  
Canberra

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## **Membership of the Committee**

**Chair**            Hon Judi Moylan MP

**Deputy Chair**   Mr Brendan O'Connor MP

**Members**        **House of Representatives**

Mr Harry Jenkins MP

Mr Peter Lindsay MP

Mr Jim Lloyd MP

Mr Bernie Ripoll MP

**Senate**

Senator Paul Calvert

Senator Alan Ferguson

Senator Michael Forshaw

## **Committee Secretariat**

**Secretary**            Mrs Margaret Swieringa

**Inquiry Secretaries**   Ms Vivienne Courto

Ms Marie Kawaja

**Administrative Officers**   Ms Tiana Gray

Mr Daniel Miletic





# **Extract from the Votes and Proceedings of the House of Representatives**

**No. 32 dated Wednesday, 26 June 2002**

26 PUBLIC WORKS—PARLIAMENTARY STANDING COMMITTEE—  
REFERENCE OF WORK—STAGE 1 REDEVELOPMENT AND FACILITIES FOR  
THE AIRBORNE EARLY WARNING AND CONTROL AIRCRAFT, RAAF BASE  
WILLIAMTOWN, NEWCASTLE, NSW

Mr Slipper (Parliamentary Secretary to the Minister for Finance and Administration), pursuant to notice, moved—That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Stage 1 Redevelopment and facilities for the Airborne Early Warning and Control Aircraft, RAAF Base Williamtown, Newcastle, NSW.

Debate ensued.

Question—put and passed.







## **List of recommendations**

### **Recommendation 1**

The Committee notes that many submissions express concern at the high unemployment in the Hunter region. The Committee recommends that Defence investigate options and costs for increasing opportunities for trainees and apprentices on works proposed under the RAAF Base Williamtown Redevelopment Stage 1 and construction of the Airborne Early Warning and Control facilities.

### **Recommendation 2**

The Committee recommends that Defence examine costing arrangements relating to commercial use of Defence airfields, and the impact of these on civilian operators, with a view to developing a nationally consistent policy to govern such arrangements.

### **Recommendation 3**

The Committee recommends that the proposed RAAF Base Williamtown Redevelopment Stage 1 and Airborne Early Warning and Control facilities works proceed, pending ongoing consultation with stakeholder and community groups, and local service authorities, to ensure a holistic and cost-effective approach.



## Introduction

### Referral of Work

- 1.1 On 26 June 2002 the proposed RAAF Base Williamtown Redevelopment Stage 1 and Facilities for the Airborne Early Warning and Control Aircraft was referred to the Public Works Committee for consideration and report to the Parliament in accordance with the provisions of the *Public Works Committee Act 1969*.<sup>1</sup> The proponent agency for this project is the Department of Defence (Defence).
- 1.2 The Hon Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, advised the House that the estimated cost of the proposed works was \$149 million. Mr Slipper further noted that, subject to parliamentary approval, construction would commence early in 2003 with a view to completion by the end of 2006.

### Background

- 1.3 In April 1999 the Government announced that the Airborne Early Warning and Control (AEW & C) aircraft fleet would be stationed at RAAF Base Williamtown, NSW.

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1 Extract from the Votes and Proceedings No. 32, Wednesday, 26 June 2002.

- 1.4 In January 2000, No. 2 Squadron was formed to operate the new capability. The Squadron is currently based in Canberra, but will redeploy to Williamstown in January 2004.
- 1.5 A contract between the Defence Department and the Boeing Company for supply of the AEW& C aircraft was signed in December 2000. It is intended that the first two aircraft should be on location at RAAF Base Williamstown in 2006 and operational by 2007.

## **Inquiry Process**

- 1.6 The Committee is required by the Public Works Committee Act to consider public works over \$6 million<sup>2</sup> and report to Parliament 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 cost of the work is being spent in the most cost efficient way;
  - 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.<sup>3</sup>
- 1.7 The Committee called for submissions by advertising the inquiry in *The Newcastle Herald* on Saturday, 6 July 2002 and in the *Port Stephens Examiner* on Thursday, 11 July 2002. The Committee also sought submissions from relevant government agencies, local government, private organisations and individuals, who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

## **Inspections and Public Hearing**

- 1.8 The Committee travelled to RAAF Base Williamstown and inspected at first hand the scope and environs of the proposed works. A public hearing was held in Newcastle on 14 August 2002<sup>4</sup>.

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2 *Public Works Committee Act 1969*, Part III, Section 18 (8).

3 *Public Works Committee Act 1969*, Part III, Section 17.

4 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Wednesday, 14 August 2002 at Newcastle.

## The Proposed Works

### Scope

2.1 The proposal submitted by Defence involves the following elements:

- headquarters for No. 2 Squadron;
- hangar, apron and associated aircraft facilities for the new Boeing 737 AEW & C aircraft;
- AEW & C Support Centre;
- new and upgraded aviation fuel storage facilities;
- overlaying of existing runway and taxiways and widening of taxiways to facilitate movement of AEW & C Boeing 737 aircraft;
- replacement of airfield lighting and cabling;
- construction of a designated Ordnance Loading Complex;
- construction of new residential accommodation for up to 50 students and transit personnel;
- replacement and reconfiguration of existing sewage treatment works;
- upgrading of the Base power reticulation system; and

- upgrading of other engineering services, including water supply, stormwater drainage and communications infrastructure to service proposed new facilities.<sup>1</sup>

## Purpose and Suitability

2.2 The purpose of the proposed upgrades is to:

- provide facilities and infrastructure services in support of the AEW & C capability; and
- establish a basis for future Base redevelopment<sup>2</sup>.

2.3 RAAF Base Williamtown was selected as the home base for the AEW & C capability because it is central to fighter aircraft and navy training areas and because there are significant benefits to Defence in collocating the AEW & C aircraft with air defence and fighter training<sup>3</sup>.

2.4 It is anticipated that the establishment of the AEW & C capability will bring 350 additional personnel to RAAF Base Williamtown. Considerations of quality of life and community infrastructure for personnel and their families make RAAF Base Williamtown an attractive option for location of the new capability<sup>4</sup>.

2.5 RAAF Base Williamtown has sufficient reserved real estate to accommodate the AEW & C facilities and personnel. The Defence Reform Program requires maximum use of retained Defence assets. The proposed works promote increased effective use of RAAF Base Williamtown<sup>5</sup>.

## Need

2.6 The need to further develop Australia's ability to surveil and command its air and maritime approaches was noted in both *Australia's Strategic Policy 1997* and the Defence White Paper, *Defence 2000 – Our Future Defence Force*.

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1 Defence has provided comprehensive details of the scope, purpose and cost of the project in its Submission to the Committee, refer Appendix C, Submission No. 1

2 Appendix C, Submission No. 1, paragraph 22

3 Volume of Submissions, p.75

4 ib id

5 Appendix C, Submission No. 1, paragraph 21

The acquisition of an AEW & C system to provide this capability was accorded highest priority in Defence force structure development<sup>6</sup>.

- 2.7 The AEW & C system is a new capability for the Australian Defence Force and requires purpose-built facilities for support and maintenance of the aircraft, as well as training and accommodation facilities for personnel. Facilities associated with the AEW & C system include a training and support centre, hangars and associated facilities for AEW & C Boeing 737 aircraft, aircraft aprons for four AEW & C aircraft and headquarters for No. 2 Squadron.
- 2.8 In order to accommodate the AEW & C aircraft and personnel, it will be necessary to upgrade elements of existing Base infrastructure. These elements include fuel storage facilities, aircraft pavements, airfield lighting, ordnance loading facilities, student and transit accommodation, sewerage facilities, power reticulation, water and stormwater systems, and communications infrastructure. Such an upgrade is timely as many existing Base facilities are inappropriately sited or reaching the end of their useful economic life. The upgrades planned for Stage 1 of the RAAF Base Williamtown redevelopment will form the basis for future redevelopment to be executed under the Base Master Plan.

## Cost

- 2.9 The cost of the proposed project is estimated at \$149 million. This figure includes management, design and construction costs, fittings and materials. Allowances have been included for contingency and escalation, and on-costs related to the geological conditions of the area have been factored into the estimate. Some \$19 million of the total project cost will be paid to the Boeing Company, which will deliver the AEW & C Support Centre as a turn-key project<sup>7</sup>.

## Present and Prospective Public Value

- 2.10 Defence states that an average of 200 personnel will be directly employed on construction activities over the four-year construction phase of the proposed works. Defence also anticipates that further job opportunities

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<sup>6</sup> Appendix C, Submission No. 1, paragraphs 18-20

<sup>7</sup> Appendix C, Submission No. 1, paragraph 112

will flow-on to the local area from the prefabrication of components and the supply of construction materials<sup>8</sup>.

2.11 Several submissions welcome the proposed works as a significant investment by the Government in the Hunter region. Specifically, the Hunter Valley Training Company Pty Ltd acknowledged the Defence proposal as:

an economic investment by the Government in the Hunter Region<sup>9</sup>,

whilst the Port Stephens Council acknowledged:

the positive economic impact the project will have on Port Stephens and the Hunter Region<sup>10</sup>.

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8 Appendix C, Submission No. 1, paragraph 113

9 Volume of Submissions, p. 45

10 Volume of Submissions, p.53



## Issues and Conclusions

### Employment

#### Local and long-term employment

- 3.1 In its main submission to the Committee, Defence stated that some 200 personnel would be employed directly on construction activities over the four-year construction phase of the proposed works. Defence also anticipates flow-on of further job opportunities into the local area from the prefabrication of components and the supply of construction materials<sup>1</sup>.
- 3.2 In her submission to the Committee, Mrs Vicki Tupman noted that the unemployment level in the Hunter region stands at around 11 per cent and queried the anticipated flow-on of indirect jobs<sup>2</sup>. Defence responded that:
- the number of indirect jobs will be a function of the proposals submitted by tenderers and the nature by which the works will be carried out<sup>3</sup>.
- 3.3 The Committee questioned Defence as to the prospects for employment of local businesses and labour in the execution of the proposed works. Defence responded that the managing contractor delivery mechanism chosen for the project packaged work into elements that would allow local

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1 Appendix C, Submission No. 1, paragraph 113

2 Volume of Submissions, p. 51

3 Volume of Submissions, p. 85

firms to compete, and that such an arrangement had achieved high levels of local input on a similar project undertaken by Defence at Townsville<sup>4</sup>.

- 3.4 With respect to employment beyond the four-year construction phase, Defence stated that:

long-term jobs are more likely to flow from the support to the capability being delivered through the contract for the AEW & C project<sup>5</sup>.

Defence added that of the 350 personnel associated with the AEW & C capability, some 80 would be civilians.

## Training and apprenticeships

- 3.5 In its submission to the Committee, the Hunter Valley Training Company Pty Ltd (HVTC) proposed a formula of one apprentice per year to be employed for every \$2 million spent on the proposed works<sup>6</sup>.
- 3.6 In response to the submission by the HVTC, Defence stated that, whilst they understand the reasons for such a proposal, Defence
- has a core principle of achieving value for money in expenditure of Commonwealth funds<sup>7</sup>.
- 3.7 The Committee noted that achieving value for Commonwealth funds was also of primary concern to the Committee. However, the Committee questioned whether an arrangement of the kind proposed by the HVTC would be incompatible with this principle. Defence responded that they intended to follow Commonwealth procurement guidelines, which do not provide any guidance on inserting into tender documents conditions of the type proposed by the HVTC.
- 3.8 Mr Graham Moss of Gutteridge Haskins Davey Pty Ltd (GHD), appearing as a witness for Defence, noted that his company employed undergraduates at no significant increase to costs. He added that the New South Wales government required a ratio of one apprentice to every four tradesmen employed on government building projects, but that the Commonwealth had no similar conditions in place<sup>8</sup>.

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4 Appendix D, Hansard Transcript, p. 6. For an explanation of how this figure was calculated, see Appendix D, Hansard Transcript, pp. 27-28.

5 Appendix D, Hansard Transcript, p. 7

6 Volume of Submissions, p. 45

7 Volume of Submissions, p. 83

8 Appendix D, Hansard Transcript, p. 40

- 3.9 Referring to the high unemployment rate of the Hunter region, the Committee observed that a contractual training provision would be unlikely to deter contractors or increase costs, particularly in the light of Commonwealth government increases to apprenticeship/traineeship numbers, and the subsidies available to companies taking on apprentices and trainees.
- 3.10 At the Committee's request, Defence undertook to speak with the HVTC, to investigate the costs involved in a traineeship/apprenticeship arrangement, and to report back to the Committee.

### **Recommendation 1**

**The Committee notes that many submissions express concern at the high unemployment in the Hunter region. The Committee recommends that Defence investigate options and costs for increasing opportunities for trainees and apprentices on works proposed under the RAAF Base Williamtown Redevelopment Stage 1 and construction of the Airborne Early Warning and Control facilities.**

## **Costs**

### **Airfield user arrangements**

- 3.11 The Committee queried current lease arrangements between Defence and Newcastle Airport Limited (NAL), specifically in respect of the proportion of maintenance, infrastructure and air services costs borne by each party.
- 3.12 The Committee noted that Williamtown is essentially a Defence airfield, and inasmuch, differs from joint user airfields such as those at Townsville and Darwin. Defence explained that the difference between the two types of airfield lies in the relative number of military and commercial aircraft movements. Defence estimated that some 80 per cent of aircraft movements at Williamtown were military<sup>9</sup>. Defence concluded that they would prefer:

to maintain Williamtown as a defence establishment with limited use of commercial assets rather than move to a joint user field...<sup>10</sup>,

- 3.13 In response to the Committee's concerns regarding charges applied to commercial operators using Defence airfields, Defence stated that they were currently reviewing all charging arrangements, particularly in relation to air traffic services<sup>11</sup>.

### **Recommendation 2**

**The Committee recommends that Defence examine costing arrangements relating to commercial use of Defence airfields, and the impact of these on civilian operators, with a view to developing a nationally consistent policy to govern such arrangements.**

### **Project delivery mechanism**

- 3.14 Defence intends that the proposed works will be delivered chiefly via the managing contractor form. The exception to this will be the No. 2 Squadron headquarters and engineering services to the proposed AEW & C precinct. These elements will be delivered under a separate head contract for completion by January 2004, to coincide with the relocation of No. 2 Squadron from Canberra to RAAF Base Williamtown<sup>12</sup>. Defence cited time constraints as the reason for this form of delivery<sup>13</sup>.
- 3.15 The Committee asked if it would be possible and more cost-effective to deliver both of the proposed contract elements under a single managing contract. Defence did not believe this to be the case. Defence reiterated that the defining requirement was to have certain work elements completed by January 2004. Defence stated that a managing contractor arrangement involved a preliminary project scoping and design period before commencement of construction, which would not satisfy all project timing requirements<sup>14</sup>. Defence added, however, that there was no impediment to a contractor bidding successfully for both contracts<sup>15</sup>.

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10 ib id

11 Appendix D, Hansard Transcript, p. 41

12 Appendix C, Submission No. 1, paragraph 121-122

13 Appendix D, Hansard Transcript, p. 15 & p. 42

14 Appendix D, Hansard Transcript, p. 15

15 Appendix D, Hansard Transcript, p. 42

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## Essential services

### Sewerage

- 3.16 The Committee inquired as to the possibility of the water and sewerage authority bearing the capital cost of proposed alterations to the RAAF Base sewage treatment arrangements.
- 3.17 Defence replied that it would discuss the matter with the relevant authority, the Hunter Water Corporation<sup>16</sup>.

### Electricity

- 3.18 The Committee questioned Defence on costs related to the proposed new RAAF Base Williamtown central emergency power station. The Committee asked if it would be more cost-effective to have an external electricity authority construct and maintain the Base emergency power supply. Further, the Committee inquired whether it would be technically viable to outsource power supply.
- 3.19 Defence responded that such an arrangement was technically possible, but stated that it was Defence policy to own and maintain its own central emergency power stations and intake substations. The Committee questioned the need for the continuance of such a policy if a reliable power supply could be maintained on-Base under the ownership of an external authority.
- 3.20 Defence confirmed that outsourcing of service provision was common practice for the Department and undertook to consult with the local electricity authority to determine economic viability of implementing such an arrangement at RAAF Base Williamtown.

## Consultation

- 3.21 Several witnesses<sup>17</sup> raised the issues of stormwater drainage, aircraft noise and coordination of the provision of essential services. These were presented as issues of significance to the broader Williamtown area. Witnesses were generally satisfied that communication channels remained open between Defence, stakeholders and the wider community<sup>18</sup>.

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16 Appendix D, Hansard Transcript, p. 12

17 see Volume of Submissions, pp. 49-54; pp. 62-63 & pp. 69-70

18 see Appendix D, Hansard Transcript, pp. 17-18; pp. 29-30 & p.34

However, several witnesses requested that Defence continue to maintain the flow of information and negotiation. This view was supported by the Committee<sup>19</sup>.

3.22 As a major stakeholder in the development of the Williamstown area, the Port Stephens Council expressed concern that they had not received details of the RAAF Base Williamstown Master Plan. Defence briefed the council, other local and state government bodies and local authorities on the proposed works in May 2002. At this briefing, Defence undertook to supply stakeholders with copies of the Master Plan, but had not done so to date. The Council saw the provision of this information as essential to ensuring a holistic approach to development in the Williamstown area.

3.23 The Committee asked Defence why a copy of the Base Master Plan had not been forwarded to the Port Stephens Council. Defence replied that:

master planning is a dynamic thing; there have been a number of options contained within that master plan that are no longer valid and we are removing these so that we are not creating the wrong understanding or expectation in the community<sup>20</sup>.

Defence added that they had undertaken to supply a copy of the Master Plan to relevant stakeholders by the end of the year, but would endeavour to do so as soon as possible<sup>21</sup>.

## Conclusion

3.24 The Committee is of the view that the proposed works should proceed, providing that Defence undertake to:

- investigate opportunities for provision of traineeships and apprenticeships through the course of the works;
- review costing arrangements relating to commercial use of RAAF airfields;
- examine the cost-effectiveness of arrangements relating to the provision of essential services; and
- continue consultation with stakeholder and community groups.

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19 Appendix D, Hansard Transcript, pp. 39-40

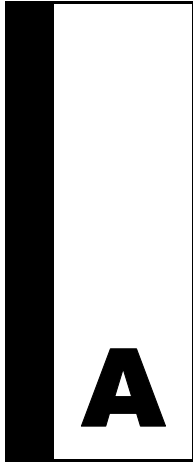
20 Appendix D, Hansard Transcript, p. 39

21 ib id

**Recommendation 3**

**The Committee recommends that the proposed RAAF Base Williamtown Redevelopment Stage 1 and Airborne Early Warning and Control facilities works proceed, pending ongoing consultation with stakeholder and community groups, and local service authorities, to ensure a holistic and cost-effective approach.**

Hon Judi Moylan MP  
Chair  
29 August 2002



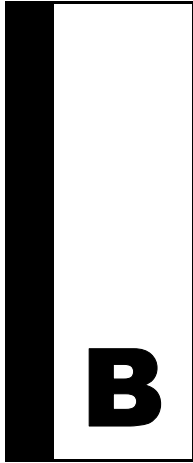
## **Appendix A - List of submissions**

### **Submissions**

1. Department of Defence
2. Hunter Valley Training Company Pty Ltd
3. Australian Heritage Commission
4. Mr E. Timothy R. Polhill
5. Mrs Vicki Tupman
6. Port Stephens Council
7. Australian Greenhouse Office
8. Hunter Water Corporation
9. Newcastle Airport Limited
10. Department of Defence
11. Department of Defence
12. Department of Defence
13. Department of Defence
14. Department of Defence
15. Department of Defence
16. Department of Defence
17. Department of Defence



18. Newcastle Airport Limited (supplementary submission – commercial in confidence)
19. Oborn Professional Consulting Group
20. Department of Defence



## **Appendix B – List of witnesses**

Brigadier Geoffrey Richmond Beck, Director General Capital Infrastructure,  
Department of Defence

Air Commodore Graham Mitchell Bentley, Director General Policy and Planning –  
Air Force, Department of Defence

Group Captain Mark Donald Binskin, Officer Commanding AEW&C System  
Program Office, Department of Defence

Wing Commander Ian Andrew Farnsworth, Base Commander Williamtown,  
Department of Defence

Mr Peter Gesling, General Manager, Port Stephens Council

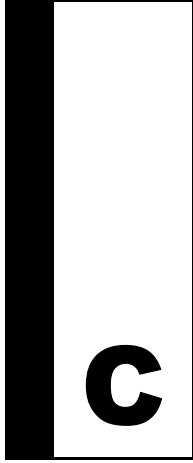
Mr Julian Green, General Manager, Newcastle Airport Limited

Mr Graham John Moss, Manger, Aviation Services, Gutteridge Haskins Davey Pty  
Ltd

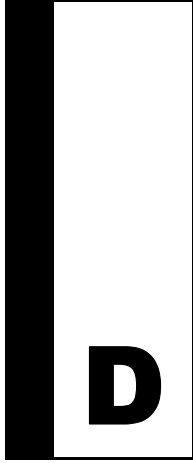
Lieutenant Colonel Darren Scott Naumann, Project Director Capital Infrastructure,  
Department of Defence

Ms Suzanne Mary Riley, Manager Strategic Initiatives, Hunter Valley Training  
Company Pty Ltd

Mrs Vicki Rose Tupman, Private Citizen



**Appendix C – Submission No. 1 from the  
Department of Defence**



## **Appendix D – Official transcript of evidence**