



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

**Reference: RAAF Base Townsville, Redevelopment Stage 2**

TUESDAY, 31 JULY 2001

TOWNSVILLE

BY AUTHORITY OF THE PARLIAMENT

## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

**JOINT COMMITTEE ON PUBLIC WORKS**

**Tuesday, 31 July 2001**

**Members:** Mrs Moylan (*Chair*), Mrs Crosio (*Deputy Chair*), Senators Calvert, Ferguson and Murphy and Mr Forrest, Mr Hollis, Mr Lindsay and Mr Ripoll

**Senators and members in attendance:** Mrs Crosio, Mr Lindsay and Mrs Moylan and Senators Calvert, Ferguson and Murphy

**Terms of reference for the inquiry:**

Redevelopment of RAAF Base Townsville

**WITNESSES**

**BENTLEY, Air Commodore Graham Mitchell, Director-General, Policy and Planning, Royal Australian Air Force (Headquarters), Department of Defence ..... 1**

**KELLY, Brigadier Garry Ross, Director-General Capital Infrastructure, Infrastructure Division, Department of Defence ..... 1**

**McHUGH, Wing Commander Christopher Joseph, Executive Officer 395 Expeditionary Combat Support Wing, Royal Australian Air Force Base, Townsville..... 1**

**MOLLISON, Mr Peter Noel, Project Director, Infrastructure Division, Department of Defence ..... 1**

**MOSS, Mr Graham John, National Service Line Manager—Aviation, Infrastructure Division, Department of Defence ..... 1**



**Committee met at 12.57 p.m.**

**BENTLEY, Air Commodore Graham Mitchell, Director-General, Policy and Planning, Royal Australian Air Force (Headquarters), Department of Defence**

**KELLY, Brigadier Garry Ross, Director-General Capital Infrastructure, Infrastructure Division, Department of Defence**

**McHUGH, Wing Commander Christopher Joseph, Executive Officer 395 Expeditionary Combat Support Wing, Royal Australian Air Force Base, Townsville**

**MOLLISON, Mr Peter Noel, Project Director, Infrastructure Division, Department of Defence**

**MOSS, Mr Graham John, National Service Line Manager—Aviation, Infrastructure Division, Department of Defence**

**CHAIR**—This is an inquiry into the proposed RAAF Base Townsville redevelopment stage 2, in Townsville, Queensland. This project was referred to the Public Works Committee on 24 May 2001 for consideration and report to parliament. In accordance with subsection 17(3) of the Public Works Committee Act 1969, which concerns the examination and reporting on a public work, the committee will have regard to: (a) the stated purpose of the work and its suitability for that purpose; (b) the necessity for or the advisability of carrying out the work; (c) in carrying out the work, the most effective use that can be made of the moneys to be expended; (d) where the work purports to be of a revenue producing character, the amount of revenue that it may reasonably be expected to produce; and (e) the present and prospective public value of the work. Earlier this morning the committee received a briefing and inspected the site of the proposed work, and the committee will now hear evidence from the Department of Defence. On behalf of the committee I thank you for the very comprehensive early private briefing and also for the tour of the facilities, including work we approved during our last visit.

The committee has received a submission and a supplementary submission from the department. These, together with other submissions received for the inquiry, are available in a volume of submissions for the inquiry. They are also available on the committee's web site. Does the department wish to propose any amendment to any of the submissions it has made to the committee?

**Brig. Kelly**—No.

**CHAIR**—Do you have anything to add regarding the capacity in which you appear?

**Wing Cmdr McHugh**—I was until recently Base Commander RAAF Base Townsville and I am here representing the base.

**Mr Moss**—I work for a consultancy, Gutteridge Haskins and Davey Pty Ltd, providing services to the Infrastructure Division, Department of Defence, and am here representing the Infrastructure Division.

**CHAIR**—I ask you to now make a short statement in support of your submission.

**Brig. Kelly**—Thank you. The Department of Defence advocates the second stage of the redevelopment of facilities at RAAF Base Townsville in Queensland. RAAF Base Townsville is a part of the chain of airfields maintained for the defence and surveillance of Australia's northern areas. RAAF Base Townsville, together with RAAF Base Scherger, provides operational and support facilities for the air defence of northern Queensland and its approaches. Its primary role is to serve as a deployment base for combat aircraft during a contingency and as an air head for 3rd Brigade, the major land component of the Australian ready deployment force.

The base is planned to be retained in the longer term as a base with the capability to support transport aircraft, ground support training, operational support units and operational deployments of fighter strike aircraft. Most RAAF Base Townsville facilities that are the subject of this proposal were developed during World War II and are in a deteriorating condition. Moreover, these facilities do not adequately reflect the current structure or the functionality required of the base to promote its operational effectiveness and efficiency. Age, deterioration, functional and OH&S considerations contribute to the unsuitability of many facilities, resulting in inefficient work practices and reduced productivity work level. This project is the second stage of a program to fully redevelop the base.

The stage 2 redevelopment proposal is focused on replacing current operational support facilities and supporting infrastructure, including transit accommodation and messing facilities. Stage 2 will also fund demolition of some old facilities and deferred northern ordnance loading apron works from the stage 1 project. The facilities will comprise air movement facilities, combined messing facilities, transit accommodation, a dangerous goods compound, a main base entrance, a physical fitness complex, a base training and support complex, a combined headquarters complex, a central emergency power station, and engineering services and demolition.

The capped budget for this project is \$72.5 million. This includes construction costs, professional design and management fees and charges, furniture, fittings and equipment, together with appropriate allowances for contingency and escalation, but excludes any goods and services tax liability. Although the current estimate for scheduled work for the proposed stage 2 is \$83 million, opportunities for some rationalisation and sharing are to be exploited with a view to maximising the scope for it to be delivered within the cost cap. It is envisaged that all of the facilities can be delivered for \$72.5 million, except the base training and support complex and the combined headquarters complex, which can be delivered if cost savings are realised in the design and construction process. A further stage will be required to complete the redevelopment of the base.

Subject to parliamentary approval, the works are planned to be committed in late 2001, with construction commencing in 2002. Project completion is planned during 2004. Over the envisaged construction period of about 2½ years, an average of approximately 150 personnel will be directly employed on construction activities. In addition, it is anticipated that construction will generate further job opportunities off-site from the pre-fabrication, manufacture and distribution of materials. The proposed new facilities would enhance the overall operational effectiveness of RAAF Base Townsville by raising the morale of personnel,

---

improving efficiency of day-to-day activities, overcoming shortcomings in occupational health and safety, and providing an appropriate infrastructure for further development.

There are no significant environmental issues, and no historic sites identified in the Register of the National Estate. However, there are some assets that may be of heritage interest, and Defence will work closely with the Australian Heritage Commission to resolve any heritage matters. An internal defence environmental certificate of compliance for the proposed works is being prepared in accordance with Defence environmental management policy. Commonwealth, state and local government representatives and instrumentalities have been advised or consulted. That completes my opening statement, Madam Chair.

**CHAIR**—Thank you. We will move straight to any questions the committee may have.

**Mrs CROSIO**—I know we had a briefing this morning, Brigadier; but, for the record of *Hansard*, I would like to have the actual master plan that we are talking about now. We are going into stage 2. We were here at stage 1, and the possibility is mentioned in your report that stage 3 could look at \$60 million. The master plan was put together in May 1998. Has any change been envisaged over that period of time, for stages 2 and 3, from when it was first done?

**Brig. Kelly**—The master plan was developed progressively and signed off in 1998 by Air Force and by what is now called Infrastructure Division. It has formed the basis for the stage 1 and stage 2 works and will be the basis for stage 3 in the future. There have been some minor changes, which inevitably occur during the development and the delivery phases of a project, but they are not significant.

**Mrs CROSIO**—Is it flexible enough to change as things change? We have just heard now of flight paths coming in, the increase in personnel, the structure changes and the expectations of Townsville as a base here. Is it flexible enough to meet commitments and change?

**Brig. Kelly**—Yes, it certainly is. The master plan is to provide a framework for detailed planning rather than something which cannot be changed at all. It provides a framework. It lays down those critical areas and critical limitations on where facilities can and cannot be but has some flexibility in terms of where detailed siting of facilities can occur.

**Mrs CROSIO**—The master plan was put together in 1998 and then I imagine ongoing consultation took place. With any changes to the plan for the future, will you go back and have consultation?

**Brig. Kelly**—In terms of local authorities, do you mean?

**Mrs CROSIO**—Yes, and even internally, in the base itself.

**Brig. Kelly**—Certainly internally there is continual negotiation and consultation as we develop and deliver the project. But if there were a change to the master plan which did have some impact on, for example, commercial operations or the civilian terminal, then we would certainly go back and consult with those people in addition to local authorities.

**Mrs CROSIO**—The other area of concern I had from the briefing this morning—and I think one of my colleagues asked the question—is: if the dangerous goods area as now located is in the wrong place, why has it taken so long to actually move it?

**Mr Mollison**—The basic reason why it is there is that it satisfies our requirements as they stand at the moment. Admittedly there is a shortfall with respect to BCA requirements in the separation of the buildings, but we have the ability to store stuff there. What has really triggered its move is the fact that that real estate is now required to develop a new mess facility. If we were not going to put that mess facility there, we could still operate that dangerous goods facility in its current location, albeit the requirements are not as well met as they should be.

**Mr Moss**—Having developed the master plan in 1998, when we had extensive consultations with a number of people, I will pick up a couple of points you made. As we come through the development stages we continue that consultation. By way of example, in the initial consultation we did consult with the city council and the main roads department in relation to the new base entrance. As part of the stage 2 development we have had further consultations to confirm the view that was held at that time that the optimum location is opposite the roundabout and the existing base entrance should be relocated.

In relation to the master plan philosophy, we adopt a 25-year planning horizon for the master plan so it does look a long way in advance. It is an umbrella document that incorporates as much flexibility as we possibly can within the development, so that development planning can progress under that broad umbrella but there is flexibility to have changes as time passes and operations change. Particularly with Townsville over the last few years, we have seen a number of changes. Timor changed the philosophy of the master plan to a certain extent and that has forced a review of the master plan that we have undertaken as part of the stage 2 works.

In relation to the dangerous goods, that was one area where there was a change to the master plan. You will see in the 1998 endorsed master plan the dangerous goods showed adjacent to fuel farm No. 1. There have been changing circumstances in relation to the storage of explosive ordnance. One of the changes has been an increase in the licences of the adjacent preparation areas. There has also been a more conservative approach adopted by the licensing authority that prohibited dangerous goods going into that master plan location. So as part of the stage 2 development we did in fact look for alternative sites and identified that the site of the fuel farm No. 1, given the constraints of the site, was the optimum location for the dangerous goods. So one reason for not relocating the dangerous goods early in the project was the fact that there was some doubt placed on the original master plan site, which we have had to review and adopt alternative planning for the facility.

**Mrs CROSIO**—In the briefing we had this morning we were informed that 230 civilians work here as well. Do they live on base or do they come day to day?

**Wing Cmdr McHugh**—The civilians do not live on base; they are locally employed people who live in the Townsville region and are no different from those at any other workplace. They just come out here and work on the base.

**CHAIR**—Given that you share an airfield with Civil Aviation, what will be the impact of the development on those shared arrangements?



**Wing Cmdr McHugh**—There should be no change in the relationship that we currently have. The civilian airport area is, some would say, an excised area of Defence land that is under contract to AAL, which is on a long-term lease. The operations on this side of the base should have minimal, if any, impact on their continuing civil aviation operations.

**CHAIR**—In your submission in paragraphs 94 and 95 you outline the energy management philosophy. At 108 you note the organisations that you have consulted with, and I notice that the Australian Greenhouse Office is one of those. You say that you will be consulting. In terms of discussing energy issues with the Australian Greenhouse Office, what are you proposing to do? Have you done anything to this point?

**Brig. Kelly**—It is standard practice for us to require our architects to do through-life costing analysis of their designs and to assist us in choosing a design that has efficiencies from the point of view of operational costs. The requirement to consult with the Australian Greenhouse Office has really only arisen in recent months, and so this evidence does not reflect fully where we stand with that.

As a result of submissions that the Australian Greenhouse Office has made on the two projects that are to be reviewed by the committee later this week, we have had face-to-face meetings with it in the last two weeks, and we have developed with them a way ahead. That includes an agreement to commission consultants who are specialists in this field and who are certified or at least recommended by the Australian Greenhouse Office. On one of the projects that was approved last year, the Defence Science and Technology Organisation project in Melbourne, we have undertaken to commission specialist energy consultants. That project is proceeding well, and the Australian Greenhouse Office is very satisfied with those arrangements. So we intend to make that standard procedure.

**CHAIR**—You might not know off the top of your head, but I think the committee would find it interesting to know the before and after scenario there to see what energy savings have been made as a direct result of consultation with the Australian Greenhouse Office.

**Brig. Kelly**—It is a very difficult area to benchmark and to measure later on, but we have undertaken with the Australian Greenhouse Office to attempt to do so and to look at ways of holding our consultants and contractors accountable for achieving the targets that we set with their guidance.

**CHAIR**—I recall during an earlier hearing—on a matter not involving Defence—that the Newcastle council had done a lot of work in relation to the saving of greenhouse gas emissions because of an improved approach to energy, and they were able to benchmark it. It is very, very significant. They have put out quite a bit of work, and it is available for people to scrutinise.

**Air Cdre Bentley**—My understanding is that Defence is already approaching this problem. In Canberra, one of the initiatives has been to turn off computer screens when they are not in use, and there are estimates of energy savings. There are a number of other areas where Defence is already approaching this problem and where it has taken several initiatives.

**CHAIR**—Newcastle did it in relation to old buildings as well—not just in relation to new buildings—with which it is far more difficult to achieve those savings. But the figures were impressive, as I recall, as were the actual dollar savings in the cost of energy.

**Brig. Kelly**—I think it is fair to say that it is an area that we have not been too comfortable with in the past. Defence recently signed up to the Greenhouse Challenge and is required to report on its energy usage and greenhouse gas emissions each year. So it is an area in which we are now being held accountable, and we are getting a framework in place.

**Mrs CROSIO**—That is where you are going to have a common switch with airconditioning, isn't it? Isn't that in one of your submissions? Correct me if I am wrong.

**Brig. Kelly**—It is common for us to have centralised building management systems now so that energy usage—in particular, the use of airconditioning—can be managed centrally.

**CHAIR**—I know that this is fairly new, but I think it is important that, as a Public Works Committee, we are encouraging the implementation of the policy.

**Brig. Kelly**—I agree. The Australian Greenhouse Office intends to review all Public Works Committee evidence, as I understand it, and it intends to play a part not unlike that of Environment Australia or the Australian Heritage Commission; but it is only in the last two months that we have become aware of that role. I would say that the discussions we have had have already given us a framework that we can work within.

**Mr LINDSAY**—I have a question for Wing Commander McHugh. As the most recent base commander, you have seen for some years now special operations through RAAF Townsville with a lot of people coming on base. What problems has that caused you as base commander? How will stage 2 help address those particular problems?

**Wing Cmdr McHugh**—There has been a myriad of problems. The difficulty that the base has is that it was designed in the late 1930s or early 1940s and we never foresaw the use that we would make of it 60 years down the track—substantial shortfalls in accommodation, substantial shortfalls in the way we cater for people and provide messing and catering, and substantial shortfalls in the services that are available to us on the base. Stage 2, by the engineering upgrade, will remove a lot of those problems. The expansion of the tarmac areas will allow us to bring an adequate number of aircraft onto the base to fulfil the growing need that we have. The additional accommodation in stage 2 will go towards alleviating a lot of the accommodation problems we have now. At present we have to put people into tents—which is unacceptable—and use port-a-loos for their ablutions and triple people up in the multistorey building we now have. So the new accommodation will alleviate all of those problems.

**Mr LINDSAY**—Will the proposed new central mess be adequate for managing the catering for the peak periods you get regularly on this base?

**Wing Cmdr McHugh**—Using the plans that we have now, the central mess will provide us with the venue to achieve what we need to achieve. I doubt that we could ever feed the number of people we occasionally have here. If we look at the fact that at time we have had up to 2,500 additional people on base, I do not think we could build a facility big enough. But, given that

we have work-around solutions whereby we say, 'Well, the morning meal, lunch and evening meal will be for two hours instead of one,' and with people working different shifts, the new facilities will allow us to fulfil our requirements for peak loads.

**Mr LINDSAY**—To you or to Air Commodore Bentley, for the record: what can you say about the importance of RAAF Townsville to Australia's defence and in relation to the operations of the Australian Defence Force?

**Air Cdre Bentley**—Townsville over the last five years has become probably the largest mounting base that the Australian Defence Force has. During Bougainville, Solomons and Timor, this base was used primarily to locate people from the southern areas, bring them up to operational levels of capability and prepare them for their overseas activities. We had up to 17 nations training through here when Timor was on. Again, they were brought into the country and prepared for Timor here and then transported to that country. So everybody who has gone overseas in the last two or three years has come through this base. It is the centre for the rapid deployment force and where we mount our operations into the south-west Pacific and the inner arc around to the north of Australia.

**Mr LINDSAY**—In relation to the master plan and a possible stage 3 redevelopment, what might lie ahead? If there were to be a stage 3, what priorities would you incorporate into future development?

**Brig. Kelly**—In terms of identifying the priority scope?

**Mr LINDSAY**—No, the particular items that might be considered for redevelopment.

**Brig. Kelly**—The sorts of projects that missed out in the prioritisation of the scope list when this stage was cost capped were, for example, the photographic section, a Combat Logistic Squadron workshop, additional transit accommodation, a base paint shop, weather protection for the motor transport equipment, an upgrade of the 1 Combat Logistic Squadron administration building, and the communications centre and base command post. They were the scopes that did not make the cut in the development of stage 2. So we would come back to the base and get their specific priorities.

**Mr LINDSAY**—Are they the items that make up the \$60 million of work that has been identified but not funded?

**Mr Mollison**—I can add to that. There are some upgrade works for a taxiway for No. 38 Squadron. A medical section upgrade is another item that we propose in that amount, and we want complete engineering services there as well. That covers the balance.

**Brig. Kelly**—That is the base of the \$60 million estimate, yes.

**Mr LINDSAY**—Brigadier Kelly, with the proposed flow-on of work to Leightons, the local community is always very interested in the amount of dollars that will flow into it and in the use of locals in the contracting. Can you speak for Leightons? If not, perhaps we might ask Leightons to indicate to the committee what their preferences are in relation to the employment of locals on this project.

**Brig. Kelly**—I think I can speak for them. We have specifically asked on the projects in North Queensland that trade packages be grouped such that they are suitable for competitive tendering by local companies. In stage 1, we have averaged a 90 per cent involvement by local North Queensland companies, both by the number of packages and by the value of the work that has been let. So I think it has been a very successful approach on behalf of Defence and on behalf of Leightons. Leightons have also worked extremely well with local indigenous landowners to include them in the planning and also to offer opportunities for employment.

**Mr LINDSAY**—Do you expect that stage 2 will see a similar 90 per cent of local content being achieved?

**Brig. Kelly**—I would anticipate that it would be high. The evidence at Lavarack Barracks was not quite so high. The types of trades and construction undertaken here in stage 2 will be more akin to those at Lavarack Barracks than to the heavy civil works that were undertaken in stage 1 at RAAF Townsville base, and so it may be closer to what we have achieved at Lavarack. I am only speculating; we have not worked with Leightons to determine exactly how we will package the various contracts. But I would anticipate that, even if it dropped to something approaching the Lavarack levels, that would be a high level of involvement for local industry.

**Senator FERGUSON**—Brigadier Kelly, in your confidential cost estimates there is no mention of GST.

**Brig. Kelly**—No. The basis of our program is that it excludes GST. GST is included in invoices but paid separately within the department.

**Senator FERGUSON**—So it is not a factor?

**Brig. Kelly**—It is not a factor from our point of view, no.

**Senator FERGUSON**—Perhaps for the record you could explain to us—as you have in recent hearings that we have had—how you envisage doing a possible \$83 million worth of out-turn costs in a \$72.5 million capped budget.

**Brig. Kelly**—The scope for stage 2 was agreed almost 12 months ago when it was clear that we did not have the funds available to deliver all of the remaining works for the Townsville redevelopment. At that stage, the estimate I believe was \$70 million, which has subsequently out-turned to the \$72.5 million that you see. The estimate that we have on that scope has now increased beyond \$72.5 million to \$83 million, noting that that is still a plus or minus 10 to 15 per cent estimate.

The reason that we have brought to the committee the original scope, even though our cost cap is below that, is that the cost cap includes a certain amount of contingency, and we still have good potential to achieve savings through value management of the user requirements and making use of the managing contractors' skills and capabilities to deliver smarter ways of doing business. So we are hopeful that we will achieve economies and be able to deliver the additional works.

Even if that does not occur, there is still the potential, if the Defence budget permits over the next couple of years, for us to get additional money into the capital facilities budget. In that case, we would be able to come back to the committee and advise the committee that an additional \$5 million, \$8 million or whatever was available and, with your concurrence, we would execute the remainder of the work. That would simply avoid the requirement for us to come back to the committee with another proposal for that component of the works. Essentially, we are briefing you an amount of work that we would like to deliver. The current budget is inadequate, and we note that and acknowledge that, but we request the endorsement of the committee for that scope of works subject to us being able to fund it.

**Senator FERGUSON**—Do you see any of your potential savings in the design costs?

**Brig. Kelly**—I hope so. At estimate stage we go with, I guess, industry norms. We have had two organisations—our original consultant that produced our capability proposal and our contractors on stage 1—participate in independent cost estimates. So we have to say that we have got a degree of confidence in the percentage of overall costs that will be allocated to design cost. All of the tendering for consultants and subcontractors is done in a competitive manner, and that process is completely visible to Defence and it requires Commonwealth-like levels of probity. So we would hope to get very competitive bids which may reduce the levels of design fees that we have shown. I cannot guarantee that.

**Senator FERGUSON**—If that is the case, why are the design costs 30 to 40 per cent higher than they were on the works that we approved for Edinburgh last October?

**Brig. Kelly**—I am surprised if that is the case. Eight to nine per cent would be typical for us.

**Senator FERGUSON**—It was 6½ per cent at Edinburgh.

**Brig. Kelly**—I would have to come back to you on that.

**Senator FERGUSON**—It might be worth while, because it seems a considerable extra cost if you can get 6.5 per cent design costs for RAAF Base Edinburgh and nine per cent for this.

**Brig. Kelly**—It depends on the sorts of facilities being delivered. For example, Edinburgh included a very large warehouse. The costs of designing a big, simple warehouse like that are probably lower than the nine per cent that I am talking about across the board.

**Senator FERGUSON**—Could you get back to us and let us know why there is such a difference in this particular case, because it does involve a lot of money?

**Brig. Kelly**—We could. I think we are almost at a point where I might be able to give you actual tendered prices for some of those components at Edinburgh, which would be useful.

**Senator FERGUSON**—It is a big difference, that is all. One of the other areas you have talked about is the change in the new entrance because of the potential security problems with the existing one and also because of traffic. I think you mentioned both as issues. Have you had any breaches of security as a result of the current placement of the entrance to the base?

**Wing Cmdr McHugh**—I would have to take that on notice. I could not say yes or no off the top of my head.

**Senator FERGUSON**—It would be pretty difficult to justify a change on the basis of security if in fact there had not been any breaches with the existing one.

**Wing Cmdr McHugh**—We have difficulties with people attempting to get through the gate. We have a policy of no pass, no entry; so everyone has to get a pass to come through the gate. The gate was initially designed to have a service police presence there. Over time, that has changed and we now have a combined force of civilian and service personnel working at the front. The numbers have grown as the functions have changed, and the facility is now no longer capable of accommodating all the people who actually work in that area.

The second one on entrance to the base is more to do with safety. At the front gate, the road is actually displaced from the entrance by about 10 to 15 feet, and we have property owners of buildings next to us who are quite irate about the number of near misses that are occurring with them on the left-hand side as you exit the base. In addition, the main road, Ingham Road, is one of the main access roads for Townsville, and the police and the local council are not happy with the way we exit the base, and neither are we. It is a known problem and we believe we are setting ourselves up for further action in future.

**Senator FERGUSON**—I can understand the safety aspect. It is just that I do not know that you should be using security as a reason for changing, because I presume we will have to have no pass, no entry on any new system you put in anyway.

**Wing Cmdr McHugh**—Yes. We believe it should be no pass, no entry. It is probably not so much security as more inadequate facilities. The facilities are not adequate for the tasks we are using them for. They were designed and built 30 years ago, and they were designed with cells that we no longer require. We use the Lavarack cells, so we have an exercise compound there and we have cells that we no longer require, but we do not have adequate office space to put our own people into.

**Brig. Kelly**—I am not sure it is such an issue of a security risk. It is more the ease and functionality of imposing the security requirements. I think that is primarily what we are talking about: providing somewhere where people can stop, be issued with passes and be controlled in an appropriate manner.

**Senator FERGUSON**—The final issue I want to raise is accommodation. If you were to offer defence service personnel who stayed on base the option of staying in the blocks that were built in the 1940s and those that were built in 1979 or 1980, which ones would they choose?

**Wing Cmdr McHugh**—Are we talking here about transit personnel?

**Senator FERGUSON**—No. I am talking about permanents, because you have permanents in both, don't you?

**Wing Cmdr McHugh**—We have some permanents living in the older accommodation, but not many.

**Senator FERGUSON**—Okay, if you were talking about permanents, which would they choose?

**Wing Cmdr McHugh**—They would always choose the more modern accommodation.

**Senator FERGUSON**—Even though it seems as though the rooms are smaller?

**Wing Cmdr McHugh**—They have better facilities. They actually have a semi en suite arrangement. There are four rooms around a central common room core, and then backing on to that is a bathroom area, which the other blocks do not have.

**Senator FERGUSON**—What about those in transit if they had a choice? Which block would they take?

**Wing Cmdr McHugh**—Nearly everyone who transits through here asks for airconditioned accommodation, the newer buildings, better set-ups and better rooms. We just do not have enough of them.

**Senator FERGUSON**—How many nights per year on average would those rooms be occupied by transit people?

**Wing Cmdr McHugh**—We have substantial numbers going through the base every night. We have continuous operations—such as Operation Belisi in Bougainville—so there are always numbers going through there. There are always exercises. I would have to take that on notice and get back to you and give you exact numbers.

**Senator FERGUSON**—Could you give us a rough estimate? Is it likely to be 100 nights a year or 365?

**Wing Cmdr McHugh**—Do you mean days a year?

**Senator FERGUSON**—Yes.

**Wing Cmdr McHugh**—It would be the best part of in excess of 200.

**Senator FERGUSON**—So in those buildings that we looked at where you said you hoped to have only one person sleeping in them, but in transit you have to put two and occasionally three people in, that would happen on possibly 200 nights a year?

**Wing Cmdr McHugh**—Possibly.

**Air Cdre Bentley**—Up to.

**Senator FERGUSON**—Up to?

**Wing Cmdr McHugh**—Yes.

**Senator FERGUSON**—So the plan is that you will demolish the forties buildings and keep the seventies and eighties buildings?

**Wing Cmdr McHugh**—Yes.

**Senator FERGUSON**—And refurbish them?

**Wing Cmdr McHugh**—We are dealing with DEO already on looking at refurbishment because it is not part of the base redevelopment plan to refurbish that building. But under maintenance money that comes through DEO, they are looking at refurbishing those buildings at the same time.

**Senator FERGUSON**—So if an extra 200 beds are supplied under this new plan, does that mean that in that existing accommodation which is now used for transit, you would be able to keep it to one person per room?

**Wing Cmdr McHugh**—That would be our ultimate aim: to keep it to one person per room. It depends.

**Senator FERGUSON**—Except perhaps for Tandem Thrust or something like that.

**Wing Cmdr McHugh**—It depends on the size of the operation or the exercise. We are asking for an additional 200 rooms, not an additional 200 beds. We are asking for an additional 200 rooms of a size such that you could put two people per room, if you had to.

**Senator FERGUSON**—So, when you currently have a transit population, do you actually put them in with people who are permanent residents on the quarters, or only in transit rooms?

**Wing Cmdr McHugh**—We attempt to segregate permanents and transits for the privacy of the permanents. Also, it actually affects their insurance policies. A lot of the insurance policies are voided if you have transit people in the same building or the same area as people who are permanents.

**Senator FERGUSON**—Is that life insurance or general insurance?

**Wing Cmdr McHugh**—General insurance.

**Senator FERGUSON**—So after this new accommodation is put in you would hope to have a situation where, when people are in transit for up to 200 nights of the year, they would be able to be kept in rooms built for two people with no more than two in them, except for extreme occasions when you have an enormous number of people on the base, which might be for six or eight weeks.

**Wing Cmdr McHugh**—We accept that there will be occasions when we will have to double people up; but we certainly do not want to triple people up, as we do right now.



**Senator FERGUSON**—What are you going to do while it is in transition? Will the new buildings be built before the old ones are demolished? The site of the old buildings is going to be used for other purposes, isn't it?

**Mr Mollison**—Do you mean the forties building?

**Senator FERGUSON**—Are you going to build the new residential accommodation before you knock the old stuff down?

**Mr Mollison**—Correct. The new transit accommodation is on a greenfields site; it does not need to be relocated.

**Mr Moss**—That applies to all of the works. We have been through a development plan that implements new facilities before the old facilities are demolished.

**Senator MURPHY**—I want to ask some questions about what was proposed to be accomplished in stage 1 for the amount of money that was allocated to it. I think the cost of stage 1 was estimated to be \$85 million; is that correct?

**Mr Mollison**—The outturn cost was about \$87 million.

**Senator MURPHY**—And what were you price capped at?

**Mr Mollison**—We were price capped at \$87 million. The cost of the scope at that stage was about \$95 million.

**Senator MURPHY**—So of that \$87 million, how much money will be spent? The estimated cost was \$95 million, and the approved budget was \$87.5 million. That is what we were told last time.

**Mr Mollison**—That is correct.

**Senator MURPHY**—So how much has been spent or will be spent?

**Mr Mollison**—On this current stage, we anticipate spending \$70.1 million. What has changed since that \$87.5 million or \$95 million estimate is that it included the LTAC facilities. In the \$95 million estimate, LTAC facilities were estimated at \$22.5 million.

**Senator MURPHY**—So what has happened there?

**Mr Mollison**—If you take the \$22.5 million away from the \$95.1 million, the result is that you are left with about \$72.6 million. We are saying that we are going to spend \$70.1 million. We are currently at that price, so we are \$2.6 million over budget.

**Senator MURPHY**—So you have had a saving. Could I call that a saving, or would that be incorrect?

**Brig. Kelly**—We had a saving as a result of the LTAC project being cancelled or deferred for 10 years, but we lost the \$16 million that was being provided by the LTAC project to our project. So the scope came off, and we also lost the \$16 million that had been allocated to that particular scope. So, against the original scope that was being funded out of the Defence facilities program, there was no saving.

**Senator MURPHY**—We lost \$22 million somewhere, not \$16 million.

**Brig. Kelly**—It gets quite complex, I regret. The LTAC project had \$22 million worth of facilities, but our budget was contributing to that as well. The LTAC project was only actually providing \$16 million.

**Senator MURPHY**—And factored into that was the ordnance loading apron complex as complete.

**Mr Mollison**—Correct.

**Senator MURPHY**—But we have not got it, have we?

**Mr Mollison**—Perhaps I can just expand on that slightly. When we said that we had \$95 million down to \$87 million, we had a strategy in place. We were proposing to delete two LTA, light tactical aircraft, parking bay and aprons; that was worth \$475,000. We were going to knock off a depot level maintenance hangar, which was worth \$4.3 million. Also, we were going to defer the northern OLA above-ground structures, and that was worth \$2.5 million. So the difference between the \$87 million and the \$95 million was that our strategy was about \$7 million, which would bridge the difference. So, to get down to the \$87 million from the \$95 million with respect to the operational facilities, we had planned not to build above-ground structures for the northern OLA ring.

**Senator MURPHY**—That is not what I recall being told though when we had the hearing for stage 1.

**Brig. Kelly**—We briefed at that stage that the estimate exceeded the budget.

**Senator MURPHY**—So you had \$95 million and you said you took off \$16.5 million for the LTAC?

**Brig. Kelly**—Correct, and we still needed to lose some more, unless we made up savings during the construction process, and so we had the plan that has just been described in outline. I would be very happy to put this on a piece of paper.

**Senator MURPHY**—I would appreciate it if you could. It is a bit like a jigsaw puzzle at the moment.

**Brig. Kelly**—Yes, I agree.

**Senator MURPHY**—According to your latest brief now, certain things being proposed in stage 2 redevelopment in your briefing to us on stage 1 have gone into stage 3—not that there is anything wrong with that, but I am just trying to understand. The air movements facility: would that be a purpose-built air movements and cargo hangar facility?

**Mr Mollison**—Correct.

**Senator MURPHY**—So we have that. Physical fitness centre, we have that. A new base headquarter complex is proposed but is not a priority; if you have not got enough money, it will not be built?

**Brig. Kelly**—It is the lowest priority in this stage.

**Senator MURPHY**—A new ground defence facility, incorporating defence section and the photographic section and security police, has now gone into stage 3. That is \$60 million. I am just curious. At the last briefing we were told that, with the redevelopment at stage 2, design and documentation were in progress for the Lavarack Barracks redevelopment stage 2, with construction planned to commence in October 1999. These works were the subject of the PWC's third report for 1999. Then there was stage 3 proposal for Lavarack Barracks. In terms of the cost structures that you are putting up, I am very curious about all these—

**Brig. Kelly**—I cannot explain how priorities might have changed without going back and referring to other documents.

**Senator MURPHY**—You might like to take that on notice. Perhaps you can provide some information to the committee in writing to explain those things.

**Brig. Kelly**—I can certainly do that. We are very confident that we know what we are doing. It is a matter of explaining it to you in a form that you require, and we will do that. In terms of what has moved around in priorities between stage 2 and stage 3, that is part of the continual assessment we undertake and there have been some changes in priorities.

**Senator MURPHY**—I understand that, but when we are approving budgets for things in terms of staged development it is important for us to understand what has happened so we know where the money is going.

**Brig. Kelly**—It is quite difficult for us when we are bringing up a staged development in three parts, or even more in the case of Lavarack; but when we have a stand-alone project, it is very simple. When we have a long project over three or four stages, where we get what might almost be termed arbitrary cut points, that makes it quite difficult for us.

**Senator MURPHY**—So to make sure that I understand it, the stage 1 deferred works as listed in your budget relate just to the open costings?

**Mr Mollison**—It is the northern OLAs.

**Air Cdre Bentley**—But I believe that it is the structures on top of the OLAs rather than the OLAs themselves.

**Senator MURPHY**—So it is just the entire cost for the northern OLA?

**Mr Mollison**—Yes, for its civil works.

**Senator CALVERT**—We have spent a fair amount of time discussing the difference between out-turn costs, the cap and all the rest of it, and Senator Ferguson raised the issue of design costs. I have a copy of the confidential-in-confidence costs for Edinburgh last year and it shows that the design cost was 6.5 per cent and it is nine per cent for this one. The project consultant costs were 0.9 per cent for Edinburgh and they are one per cent here. I suggest that that is about right, but at Edinburgh there were managing contractor costs of 10 per cent. There is nothing like that in this. Are you going to have something about that later?

**Brig. Kelly**—They have been amortised across the construction costs. That is probably a fairer way to show it. If we were delivering it by a head contract or a design and construct method, the costs of the main contractor would be shown with the trade contract costs. All costs in construction, including the costs of our managing contractor, have been shown as the individual construction costs as I broke them up in the confidential brief this morning.

**Senator CALVERT**—So they would still be about 10 per cent, would they?

**Brig. Kelly**—We anticipate that they might actually be a bit more. I would prefer not to go into too much detail on that in this forum. I would be happy to brief you separately.

**Senator CALVERT**—You have allowed a contingency of nine per cent in the costs, but it was only 7.6 per cent for Edinburgh. Is there any reason for that? Or do you just allow a new figure of nine per cent these days for contingencies?

**Brig. Kelly**—No. It is typically eight to 10 per cent for contingency, but we take account of our consultants' recommendations at the cost estimate stage, based on the type of construction; whether we are doing refurbishment or new construction; and what the latent conditions might be in terms of demolitions, for example. If we are looking at an area in which we are doing a lot of refurbishment work and we do not know what the state of the current ground surface is, we will put in a higher level of contingency. It is not an exact science and I suggest that the difference between eight and 10 per cent, or seven and nine per cent, is not hugely significant.

**Senator FERGUSON**—What are your normal escalation costs?

**Brig. Kelly**—We go with the building price index, which is about 2.4 per cent per year. In our confidential cost estimate we have not described it in that way; we have shown the result of those calculations as a percentage of the total cost, just for simplicity. When we do our cost estimate, we base it on the building price index. When we are cost capped, it does not guarantee that the department will give us that much money. In fact, we have suffered from that in the past. When building indexation increases are high, the department applies a standard Department of Finance and Administration formula, which probably does not give us enough money.

**Senator FERGUSON**—The reason I ask is that in this current one you have an escalation provision of 5.5 per cent. It is 2001, and you are looking at a completion time of 2004. Last year, in respect of Edinburgh, we went through the same exercise for work to be completed at the end of 2003, and you had a two per cent escalation cost, if my arithmetic is right. It was in the Edinburgh commercial-in-confidence notes as a sum of money without a percentage, and I worked it out at two per cent. I can show it to you later, but I wonder why it was two per cent for Edinburgh and 5.5 per cent for the same period—three years.

**Brig. Kelly**—I think it would be a longer project. I am not sure what component of those three years is taken into account. I would expect that Edinburgh, being a \$39.9 million project, would have a considerably shorter time span than this project at \$72.5 million.

**Senator FERGUSON**—The estimated out-turn cost is for April 2003, so it was virtually a three-year project.

**Brig. Kelly**—I will have to take that question on notice.

**Senator FERGUSON**—There seems to be a discrepancy.

**Brig. Kelly**—The building price index might be different between the states as well.

**Senator FERGUSON**—If you could tell us why it is different, I would be happy.

**Senator CALVERT**—The largest part of the package, apart from the engineering services, is the air movements facility. You told us briefly this morning about the numbers that you have to process from time to time. Will the \$10 million facility that you are going to build—we do not want to spend more money than we have to—be adequate to cope with irregular incoming personnel?

**Wing Cmdr McHugh**—We can never build a facility to take our peak numbers, and we accept that. We do not want to do that. We do not want to build a facility that, for 75 or 80 per cent of the time, is not fully used. We have gathered the statistics over the years of the number of aircraft movements, the number of passengers and the amount of cargo that have gone through the terminal. We have also looked at the other options of using, say, a civil terminal and building cargo hangars or doing it all through a contractor. In every case, it appears on paper to be better to build our own terminal. When 3 Brigade travel, they travel by air. They come out through the RAAF base here. We believe that, with the increased exercise activity occurring from the base and with the increased international activity that occurs through the base, we have come up with a figure that is adequate to meet most of our needs. There will be times when we will be unable to accommodate everybody in the terminal—we accept that—but the addition of a covered deployment area out the back will alleviate our concerns. In the past, we put everybody out on the dirt and sat them in the sun for a couple of hours.

**Senator CALVERT**—You mentioned that there are up to 200 people at a time. Whilst it would be impossible to put them inside the building, you would have a covered area outside; is that right?

**Wing Cmdr McHugh**—If we are dispatching people from the terminal, we are unable to get the number of people in and process them. We looked in the past at the activity out of Townsville. Townsville has got busier over the last 30 years and the facility was designed to cope up with up to about 100 people. Now when we bring the people in we need to process them, and we need to have them either customs and quarantine cleared or just security cleared before they go to the aircraft. If we have numbers in excess of that, we have to put them outside. That is why we are asking for a substantially larger facility than we currently have.

**Senator CALVERT**—Do you think this new facility will have any conflict with the civil aviation movements at all?

**Wing Cmdr McHugh**—No, none whatsoever. Civil Aviation looks at a different market, different passenger numbers, different usage and utilisation and, no, I cannot see any conflict with them. We have had extensive discussions with the airport operators also.

**Senator CALVERT**—Do you have any security concerns with having the Civil Aviation operation not all that far away?

**Wing Cmdr McHugh**—We have had the odd security breach coming from that area, when people have jumped the fence and come through here. We have our own security patrols operating, they have their own security patrols operating and we have a very good relationship with the airport operators.

**Mrs CROSIO**—If you go to paragraph 73 of your submission, dealing with your base training and support complex, they are now located in various sites. You are saying that expertise will be shared with base training and support in a support complex. Does that mean that the trainers will be shared and you will be seeing some lead-up to reductions in training experts?

**Wing Cmdr McHugh**—The facility will be a shared facility. We intend to put the trainers into the one building and the base education people will be operating out of that building. That means that we can get better usage of those people. Currently, if one unit is doing training and the other one is not, no-one really knows what is going on. There is no central contact area or central point of contact, and there is no single training area. If we put them all into the single training area we know that we can get a better usage from that facility as a whole, instead of having disparate facilities around the base. It also allows us to better use the people we have there because everyone else knows what they are doing. So you can use the skills that they have available.

**Senator MURPHY**—What things are we saying that we do not think the money is there for at the moment? Is it the combined headquarters complex?

**Brig. Kelly**—The combined headquarters complex is the lowest priority.

**Senator MURPHY**—What is the next lowest?

**Brig. Kelly**—It is the training and operational support facility. On current budget, we would have to say that they are beyond the \$72.5 million cost cap. But that cost cap includes over \$6

---

million worth of contingency. If our estimates are good and if we are smart in the way we deliver it and our value management is good and we do not use that contingency, that would give us sufficient funds to at least deliver the training and operational support facility. So I have a high degree of confidence that that would be my target.

**Senator MURPHY**—I might just be missing the point here, but if we have a subtotal cost, including all of those things, and we have a capping of more than that, how would we not be able to get that?

**Brig. Kelly**—I have lost the thrust of your question.

**Senator MURPHY**—I do not want to go in camera to deal specifically with—

**Brig. Kelly**—No, this is not in confidence particularly because we are talking bulk amounts here, rather than what people would actually tender on specifically.

**Senator MURPHY**—It has a cost cap of 72.5. We have an estimate of 71.7, excluding the contingency. In the cost estimate it comes to 71.701.

**Brig. Kelly**—I am not sure which document we are looking at.

**Senator MURPHY**—I am talking about the confidential cost estimate.

**Brig. Kelly**—I have the figure, Senator.

**Senator MURPHY**—Either these estimates are substantially incorrect or—

**Brig. Kelly**—No.

**Senator MURPHY**—Then we should be able to get the combined headquarters complex and the base training support complex, if that all adds up to roughly 71.701.

**Brig. Kelly**—That is correct.

**Senator MURPHY**—I think a bit of work needs to be done on the calculating.

**Brig. Kelly**—No.

**Senator FERGUSON**—But the contingency works over the whole lot; it does not just go on to the end. The contingency actually works as you are going through. That is why it is more than 71.

**Brig. Kelly**—We are assuming that the cost of construction, plus design and delivery, project management, is 71.7, but we require to put some contingency on that. On top of that we have the escalation down at the bottom of the page. When you take that, it comes to 83. Another document which is useful to use is the cumulative total spend, which I am happy to table. That was one of the charts that I used this morning. It might be useful to look at that.

**CHAIR**—Thank you. Is that all right to be made public, or should it be tabled in confidence?

**Brig. Kelly**—I think I would prefer it to be tabled in confidence. Can I give that some thought? It may not be a big deal. I would just like to give it a bit more thought. That is a progressive total.

**Senator MURPHY**—If I take out those two things, the combined headquarters and the base training support complex, and I put your contingency in at nine per cent—I will not put the escalation in at the moment—we still have a gross amount of less than 63½ and we have a capping of 72. If we put in another project delivery of 6½, it still only brings us up 69, and that is total escalation; you have estimates in there for the lot.

**Brig. Kelly**—I think we are at cross-purposes, Senator. I do not have the details that I would refer to. Progressively, we have to amortise the contingency and the escalation across all packages. If we start at the top and, by priority, go down step by step, by the time you get to \$72.5 million, you have built the gym and you have got about a million and a half left over. That is not enough to do the training and operational support facility. However, if the projects above that line have not used their contingency, we would have enough to deliver that package.

**Air Cdre Bentley**—In the documents are the build costs. All of the add-ons are included at the end. In actual fact, when you go through the build, all those add-ons are added to each of those packages. Therefore, when you get to the total construction cost, you will not be arriving at that figure there; you will be arriving at a different figure, which is the cumulative cost that was tabled.

**Senator FERGUSON**—The document is just being photocopied.

**Air Cdre Bentley**—Yes. That figure is actually 71.7. It is the way the two sheets are presented.

**CHAIR**—Do you have further queries on that, Senator Murphy?

**Senator MURPHY**—I am still not sure, but I accept the explanation.

**Senator FERGUSON**—While those photocopied sheets are coming back, can I ask a question on a different subject?

**CHAIR**—Yes.

**Senator FERGUSON**—In paragraph 88 you talk about ‘decontamination where necessary’ and filling and landscaping where appropriate, which is in your demolition works. What decontamination requirements have you already identified? In previous public works matters we have often found that decontamination can get quite out of control. I remember one particular instance.

**Mr Mollison**—We have identified nothing specifically but obviously, as I said this morning, the existing dangerous goods store is one potential site for chemical decontamination. The other



site is fuel farm No. 1, where we are anticipating there will be some residual spillage or leakage or penetration of hydrocarbons into the soil there which will need to be addressed.

**Senator FERGUSON**—So you have done no testing yet?

**Mr Mollison**—We have done testing here.

**Senator FERGUSON**—So it is quite possible that there could be a blow-out in the necessary decontamination work if it is worse than you anticipate, which is very little. If you have not done your testing, you really have no idea.

**Brig. Kelly**—That is partly correct. That is one of the reasons why we have a certain level of contingency. It is fair to say that removal of asbestos would come under the heading of decontamination. On an old base like this there is no real proof as to what might have happened in wartime years. It was fairly common 40 or 50 years ago for people to decide they had to get rid of something, and the easiest way to do it was to dig a hole and bury it, so we do find that. That is why, when we are working on a reinvestment project where we are redeveloping an area that has been used for a long time, we do require a certain degree of contingency.

**Senator FERGUSON**—What I really want to know is: have you allowed in your cost estimates for money to be spent on decontamination, or is it all part of the contingency?

**Mr Mollison**—No. What we have allowed for, where there are earthworks involved on each one of those sites, is to have the earthworks totally removed from the site. So when the estimates have been built up, as we see in front of us, all the earthworks required to build that facility will not be just fed around the site; there has been an allowance for them to be taken off site and disposed of.

**Senator FERGUSON**—So if you found all of it did not have to be taken off site—if there was no decontamination—that would be a saving?

**Mr Mollison**—That would be a saving.

**Senator FERGUSON**—So you cannot foresee any circumstance in which you are going to eat into a fair portion of your contingency because of decontamination of the area?

**Mr Mollison**—No.

**Senator FERGUSON**—It is just that decontamination has been quite significant in a couple of other projects for which it blew out of all proportion because they were unaware of what decontamination work had to be done; it is not anything recent.

**Mrs CROSIO**—I will take that question one step further. The dangerous goods are going to be relocated from where you have them now. When the facilities were first built there, they were built in total, as they are now. By that I mean floors were not added after an event or anything like that. During the war you put a shed around the facilities and put this stuff in there,

and all of a sudden we say, 'We'll just put a concrete floor in now and keep using those facilities as we used them in the 1940s.'

**Mr Mollison**—My inspection of the facilities indicates that the floors are cast in place. They have been built as a unit, not as something which has been added since the first site was used. I believe they have been purpose built as dangerous goods stores and dangerous goods buildings.

**Mrs CROSIO**—Do we have any plan or photos or even people who remember the war years of the 1940s and have said where their dangerous goods or things were stored?

**Mr Mollison**—In part we had to address that on the stage 1 project where we were building out in the swamp. There was a lot of conjecture about what was in those borrow pits. What purposes had they been used for? Had bombs been placed there? We did sampling and testing of the bottom of those pits and we found nothing. We also did magnetometer readings to indicate whether there were any metallic objects down there. Again, we found nothing. This place has been in use for close on 60 years and there is no guarantee that we will not find anything, but we will need to take all precautions at the time.

**Mr LINDSAY**—Engineering services, in relation to the proposed emergency powerhouse, is the number one issue, or the issue with the highest priority, on the list that you provided to us, Brigadier Kelly. Could you explain why that is?

**Mr Mollison**—Basically, we have assessed what the requirements are for the base for emergency power, and we think that the capacity should be about 4.4 megawatts. Currently, the capacity is only 1.7 megawatts, and that is a large discrepancy when RAAF Townsville is used as the operational basis from which you want to mount operations. If you do not have emergency power, that certainly restricts the ability of the base to undertake its primary tasks. So we see emergency power as being a key support element to keep this base functional, if there is a loss of power in the Townsville area.

**Mr Moss**—I can add to that. The existing system has two diesel generators, which are at the end of their useful life. They are operated at only 75 per cent of their rated capacity. They have a system whereby they automatically cut in when there is a power failure, but only one generator cuts in for some period of time and an operator has to manually synchronise the second generator. At the end of the stage 1 works, the ability for the central emergency powerhouse to meet the base demand will be only 10 per cent with the first generator until the second generator cuts in, when it will meet only 20 per cent of the base demand. So we have a facility that is old. The controls have reached the end of their useful life, so we need to have new generators and new control systems put in as part of stage 2.

I do recall regarding the stage 1 development a question from Mrs Crosio asking about the adequacy of the power system. It was highlighted that it was inadequate and that it needed to be taken up as part of the stage 2 works. We confirmed at that stage that, because of the cost cap of stage 1, there was not enough money within that budget to undertake the general upgrading of the power system, and we had an undertaking that it would be taken up as part of the stage 2 works, which we are now doing.

As part of the analysis of the power upgrading, we looked at three options. The first was upgrading the existing powerhouse, replacing the existing generators and putting in additional generators so that we had adequate capacity. The second option was having a look at a split system of maintaining what we have there, building a separate power station and having a combination of controls between the two systems. The third option we had was to build a new power station. The analysis of the figures indicated that on a long-term cost basis the third was a better option, both electrically and cost-wise, and it was the one that we now include in the scope of works.

**Mr LINDSAY**—Has any consideration been given to putting in a gas-fired emergency unit, with gas coming to Townsville?

**Mr Moss**—The report was done by electrical engineers, and I am not aware that that was considered.

**Mr LINDSAY**—Your evidence indicates that, as part of the engineering services, you will be replacing cable in selected areas. Is any of that cable, other than electrical distribution, telecommunications cable?

**Mr Moss**—On the cabling side of it, there will be a monitoring cable associated with the power, so you will have an automatic monitoring system of all the substations from a central location. Also, as a separate item, there is communication cabling, and the communication cabling will be to connect all the new facilities to the base communications network.

**Mr LINDSAY**—Is that fibre-optic cabling?

**Mr Moss**—Yes.

**Mr LINDSAY**—Is it across the base?

**Mr Moss**—The new cable will be fibre optic. At present there is a combination of both fibre optic and copper cable. Any new cables that will be required as part of the stage 2 works will be fibre optic. We have not included in the cost of the works upgrading the existing copper cable that will not be touched as part of the works.

**Mr LINDSAY**—Brigadier Kelly gave the figure of \$17.16 million for the central powerhouse. Is telecommunications cabling included in the cost of the central powerhouse that you are talking about?

**Mrs CROSIO**—It is cumulative. You have to look at the—

**Mr LINDSAY**—That is right; 17.6 minus 7.5.

**Mr Moss**—In the central emergency powerhouse there is monitoring cable as part of the power system that is included in that facility.

**Mr LINDSAY**—Where is the cost of the telecommunications cabling—in which item?

**Mr Mollison**—We did have a separate line item for engineering services in a confidential cost estimate—item 10.1.

**Mr LINDSAY**—So it is in there.

**Mr Mollison**—Yes.

**Mr Moss**—There is also within each building service a pro rata for communications cabling, for connecting communications back to wherever the point might be, whether at the guardhouse or the communications centre.

**Mr LINDSAY**—Brigadier Kelly, the replacement of a PABX—

**Brig. Kelly**—I am advised that that is not the case, Mr Lindsay. I am sure that, if there had been, we would have had a look at it on the tour.

**CHAIR**—Can I follow up Mr Lindsay's point about the power source. Are you going to discuss with the Australian Greenhouse Office the option for using gas? Has that been thought about or factored in?

**Brig. Kelly**—That is something that I do not believe we have thought about. Off the top of my head, not being an expert in this area, I would say that we would not consider that an acceptable solution because the intent of having our own central emergency power station is that we are immune from impact on external services, particularly under operational role. We would not want to depend on a gas main to run our emergency generator. We would want to do that in-house with generators.

**CHAIR**—How would that differ?

**Brig. Kelly**—They are simply stand-alone generators and we are then completely separated from the external grid.

**CHAIR**—Is it something that is going to feature in your discussions with the Australian office?

**Brig. Kelly**—Senator Murphy has just made the point that we could have bulk gas on-site. I guess, in the interests of fairness, we would have to look at that. It is not something I have ever thought about.

**Wing Cmdr McHugh**—The central emergency power station is just that—an emergency power station. What we are talking about with a gas-fired power station is running a station for the whole time. We have no intention of doing that. We want something that, when the power goes off, comes on immediately. We do not want to have to run boilers. We do not want to have to run jet engines or anything like that. When the power goes off, we want the power to come on. We are looking for generators that come on instantaneously. I do not believe we are in the business of running gas-fired power houses.

**CHAIR**—Before we move on, could you have a look at those figures? They are slightly out and it is possibly a rounding up issue in your confidential estimates.

**Senator MURPHY**—I refer to the document you have now given us, which is the cumulative chart. On page 76, item 12, it mentions ‘a contingency of nine per cent of above’. What does that mean? What is the figure shown there? Is that the contingency for all of those items on pages 75 and 76 of your submission? What does it mean?

**Brig. Kelly**—Our pages are not numbered, so item 12, ‘a contingency of nine per cent of above’, is all construction costs, plus project delivery. We have taken nine per cent of that as a contingency. In the document which I have now tabled that is spread across all of those components.

**Senator MURPHY**—I have not worked out each and every one of them yet, but I would suspect that if I take what you have got costed in here—that is, everything above the line of total construction cost, from item 10.4 back to item 1—and deduct your progressive score sheet or the line item cost, if you like, from the cumulative running score, then I will have a contingency of much more than what you have shown at item 12.

**Air Cdre Bentley**—There will also be the design—the items at 11.1 and 11.2—and the escalation provision, which is below that, in there as well.

**Senator FERGUSON**—It is only the escalation provision. Your contingency of nine per cent is nine per cent of 71.7, I presume, which comes to \$6.7 million.

**Senator MURPHY**—That is right.

**Senator FERGUSON**—Then you have to add the escalation provision of 5.5 per cent on top of that. That is how you should get to your accumulated total. I am not sure, but it would appear as though your accumulated total is more than nine per cent and 5.5 per cent.

**Senator MURPHY**—More than nine per cent contingency.

**Senator FERGUSON**—Just take your first item—central powerhouse. It comes to about 9.66 in total. If you add the figure that you have got in 9 and add nine per cent and then add 5.5 per cent, I do not think it will come to that total. I have not got a calculator with me, but Senator Murphy has.

**Senator MURPHY**—It does not.

**Senator FERGUSON**—I will stand corrected if I am wrong, but—

**CHAIR**—I suggest that perhaps you go back over those figures and come back to the committee with some explanations as to how it has been arrived at in detail.

**Brig. Kelly**—I will, Madam Chair.

**CHAIR**—While Senator Murphy is doing some more calculations, I have two other questions. One is on staff consultations and what has been done in relation to consulting staff about the design, shape and changes that are taking place on the base.

**Wing Cmdr McHugh**—There has been extended consultation across the base with all sections of base population as to what they want and what they need in a facility. We have also looked at the other redevelopments that are occurring on the other bases to find out what mistakes they have made and the good points that they have picked up. We have attempted to involve in the base redevelopment everyone who is working on the base, because they are going to have to live and work in these facilities for the next 30 years.

**CHAIR**—It is just that you have not mentioned anything in your submission and I know it was an issue in Edinburgh, so I had wondered. Is it an ongoing process?

**Wing Cmdr McHugh**—It certainly is. I had Wing Commander Geoff Lydeamore working for me, and he was involved in a lot of workshops with all of the people involved looking at what their ideas were, what they hoped to achieve and what they needed to achieve, so I am fairly satisfied that we have had extensive consultation.

**CHAIR**—The issue of heritage was discussed in our private briefing this morning, but could you please now tell us what you have done in relation to consultation with the Australian Heritage Commission and what you are proposing in regard to their suggestions?

**Mr Mollison**—We have met with Australian Heritage Commission officers in Canberra and discussed with them the requirements for a conservation and management plan. Our intention is to engage a heritage consultant or heritage architect to assist us in developing that plan in conjunction with AHC. We will then consult with the AHC on the development of that plan, to make sure that they are satisfied with our approach.

**CHAIR**—I understand that there will be some buildings where it is agreed it is not practical to save the buildings, so what are you actually doing to record the history of those buildings in line with the suggestions that were made by the Australian Heritage Commission?

**Mr Mollison**—We would certainly adopt and follow the requirements of recording any building that we had to demolish, so that will pursue their requirements in the process of demolition. That is a requirement we put on our contractors to comply with.

**Brig. Kelly**—It is worth recording that we do not anticipate that we will be able to meet the AHC's desired outcome of keeping virtually all of these buildings. Our potential to redevelop this base from a 1940s base to a current modern base is very much limited to the area that we currently sit on. In all directions we have constraints on expansion, so the redevelopment has to occur in place.

We have found from experience that the Australian Heritage Commission is quite pragmatic once we have put our case that many of those older buildings are in the way and it simply will not be possible to keep them. However, some of the more substantial buildings—for example, the gymnasium—which are currently identified for demolition on the basis that we do not require them, are solid buildings which do have some potential for adaptive reuse, and we will

look at them in close consultation with the AHC. A building that is used all the time is more likely to be maintained in a condition that the Heritage Commission would like to see, rather than our saying, 'That came from 1940,' and mothballing it. We will be looking at some of those substantial buildings and seeing how we can reuse them.

**CHAIR**—I understand that the Australian Heritage Commission also asked you to do an environmental management plan and to take into consideration indigenous archaeological material. What plans have you got to meet that suggestion of the Australian Heritage Commission?

**Brig. Kelly**—We have done a number of heritage studies over the years. There is an environmental management plan to be completed this year, I believe, and the contractors are also required to prepare and execute an environmental management plan for construction. From the point of view of conservation, we have agreed with all the requirements of the AHC to do a conservation management plan and consult with them. From the point of view of archaeological relics, we will institute the same process that we have been using with the ordnance loading apron works, which was agreed with Heritage and with the traditional owners. The traditional owners provide monitors who observe the works, and, in fact, the workers have identified a number of relics which have caused us to stop work, examine, investigate and then continue when the relics are cleared. So I think we have a process in place that has proved quite successful, and we will use that same process in stage 2.

**CHAIR**—Thank you. Are there any other questions?

**Senator FERGUSON**—We are still doing our arithmetic.

**CHAIR**—We have asked for that to come forward, so I think the committee can examine the figures when they have been relooked at by Defence. If everyone is happy with that, we will conclude the proceedings. I thank the witnesses for appearing before the committee today, and I repeat our appreciation of the thorough briefing we had this morning and the inspection of the site. I note that the committee received five submissions for this inquiry after advertising in the local press. None of those who made submissions wish to give any further oral evidence to the inquiry. As I mentioned earlier, these submissions are available on the committee's web site and in the volume of submissions for the inquiry, and they will be considered in the committee's report to the parliament.

Resolved (on motion by **Mrs Crosio**):

That, pursuant to the power conferred by paragraph (o) of sessional order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

**Brig. Kelly**—Madam Chair, I am happy for the document I tabled to be put on the public record.

**CHAIR**—Thank you. So the cumulative figures can be published as evidence as well.

**Committee adjourned at 2.29 p.m.**