



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

**Reference: Defence Science and Technology Organisation Rationalisation Project,
Melbourne**

TUESDAY, 28 MARCH 2000

MELBOURNE

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JOINT COMMITTEE ON PUBLIC WORKS

Tuesday, 28 March 2000

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

Senators and members in attendance: Senator Murphy and Mrs Crosio, Mr Forrest, Mr Hollis and Mrs Moylan

Terms of reference for the inquiry:

Defence Science and Technology Organisation Rationalisation Project, Melbourne.

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Committee met at 9.07 a.m.

CHAIR—I declare open this public hearing into the proposed provision of facilities for the Defence, Science and Technology Organisation rationalisation project, Melbourne. This project was referred to the Public Works Committee for consideration and report to parliament by the House of Representatives on 8 December 1999. In accordance with subsection 17(3) of the Public Works Committee Act 1969, in considering and reporting on a public work the committee shall 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) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
- (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.

Yesterday the committee received a briefing and inspected the site of the proposed work. Today the committee will hear evidence from Ms Nicola Roxon, MP, federal member for Gellibrand; the Department of Defence; Maribyrnong City Council and the City of Melbourne Council.

[9.08 a.m.]

ROXON, Ms Nicola Louise, MP

CHAIR—On behalf of the committee, I welcome you. The committee has received a submission from you dated 23 March 2000. Do you wish to propose any amendment?

Ms Roxon—No, I do not, but I have brought with me for the assistance of the committee a couple of documents. There is a copy of my submission which is unaltered, but also, included in the portfolios, some colour maps that I would like to speak to when we are going through my submission. I would like to hand those up, if that is appropriate.

CHAIR—That includes supplementary information. It is proposed that the submission dated 23 March 2000 be received, taken as read, and incorporated in the transcript of evidence. Do members have any objection? There being no objection, it is so ordered.

The submission read as follows—

CHAIR—I now invite you to make a short statement, please, in support of your submission, after which we will proceed to questions.

Ms Roxon—Thank you, Chair. I will not go in any detail through the submission that I have prepared because I will assume that the committee either has or is able to read that. For the committee's assistance, I have outlined on the first page of my submission the two primary reasons that I have sought to appear before the committee today. Obviously I do not appear as an expert on any defence, scientific or technological matters; I appear purely in my capacity as the federal member for the local area, to talk to the committee about the potential impact of losing jobs in a region that has a very high unemployment rate. Just as important are, if the committee does make the decision to rationalise the facilities at Maribyrnong, as proposed by the Department of Defence, what the government's future plans will be in respect of the site. I am concerned that the submissions from the Department of Defence do not include any information in relation to the number of jobs that will be lost. They do not provide any information on the impact on the Maribyrnong region of a decision to move, although they do provide some detail of the impact on Fishermans Bend should additional works need to be done there and additional jobs go into that area. I would seek to discuss those issues briefly with the committee today.

I have put on the front page of my submission a summary of the recommendations that I am urging the committee to make. If the committee is short of time, and obviously that is of the essence, I then do go into some more detail in other pages of my submission as to why it is that I support those positions. Perhaps I could start with the colour map that has been provided to you. I understand that you visited the site yesterday. What I would seek to highlight in respect of the site is that the decision with regard to AMRL's relocation is actually a decision that affects a vast area in my electorate. It is only a very small portion of a whole Defence site that, throughout the last several decades, has gradually closed its operations and moved outside the area. There have been thousands and thousands of jobs that have been lost over time. No doubt there have been thousands and thousands of jobs lost within the defence area generally, but certainly there has been a huge impact in my particular electorate. It is something that we regard very seriously when we have an unemployment rate in some areas of up to 16 per cent.

I would also like to hand something up to the committee because it gives you some context. I only have three copies. I understand that the Maribyrnong council may talk in some more detail to this particular map. It is a map that has been prepared for the Maribyrnong council and it does show the scale of the whole Defence Estate site within my electorate. As members will see from that map, the Maribyrnong River obviously runs through this area. My electorate is to the south of the Maribyrnong River. All of the purple areas marked on that map are former Defence sites. The large purple area, which is in what we call the elbow of the river, at the top of the map that you are looking at, is the whole site that I am discussing when I refer to the Defence Estate of Maribyrnong. The AMRL site is only a very small corner of that estate. I wanted to provide that to the committee so that they were aware of the scale within the electorate. Any future use of that site and development of that site is probably the single biggest development and change that will happen in the electorate in the coming 10 to 15 years. I urge the committee to take very seriously the decision to move, if that is the decision that the committee ultimately comes to, because it will have an enormous impact on how the whole electorate will work and look in the future.

In respect of jobs, I understand that some of the estimates in my submission are actually small and that any decision to move AMRL apparently will move 200-odd jobs out of the electorate. That will have an enormously important impact, not just in losing those jobs from the area but obviously in terms of all of the supporting business that comes into the region by employing people in that area. You will also note that I have grave concerns that if AMRL moves and takes those jobs with it that will put pressure on AEA, which is a neighbouring facility, to also move. I hope I am getting the acronyms right. I must say Defence seems to have more than their fair share of these acronyms. I think Army Engineering Agency is the correct term. They also employ several hundred people. My understanding is that that will be the only remaining facility on the whole Defence Estate in Maribyrnong that is operating and we would be very anxious that any decision that is made, if it is made, to move AMRL does not put pressure on the defence department to move AEA in the future. That goes to any future use of the site of AMRL as well.

I would be happy to talk in some detail about how important this site is, but I know a lot of people intend to give evidence and, as I say, I am assuming the submissions have been read, at least briefly, so I am happy to answer questions if it is the committee's preference to do it that way.

CHAIR—Thank you very much.

Mr FORREST—Where is the boundary of Gellibrand?

Ms Roxon—The boundary that is relevant for these purposes is actually bounded by the river. If you have a look at the colour map, once you cross Canning Street—the purple area—once you go across the river, you actually go outside the electorate. So everything that you can see on that map, essentially, south of the river, is the border for Gellibrand.

CHAIR—Can I go to the first page of your submission where you say:

Over the course of time, particularly recently, thousands of jobs have disappeared or been relocated out of our region.

I presume you are talking specifically absolutely Defence jobs.

Ms Roxon—Yes, I am talking only about Defence.

CHAIR—You being the member, can you tell us exactly how many jobs have been lost in that establishment?

Ms Roxon—My estimate would be a very small number since I have been a member. I have been elected for the last 18 months, and a lot of the change has happened in the last 10, 20 and 30 years.

CHAIR—When you used the term ‘recently’, what did you mean then?

Ms Roxon—Probably in the last decade, or two decades.

CHAIR—One decade or two?

Ms Roxon—I think the questions would be better put to the Department of Defence officials. I do not have the statistics of how many have gone over time.

CHAIR—I understand that, but you have made in your opening statement a statement that thousands of jobs have disappeared. I just want to know what you have based that opening statement on and whether you do have some figures to put behind that so the committee can get a better idea of just what the concern is here.

Ms Roxon—No, I do not have access—and in fact the defence department may be more inclined to provide those to you than they are to me—but certainly I am talking about over the last 20, 30 years, the Defence employment in the region, and if you look at the large map that I have given you—

CHAIR—Can we just come back—

Ms Roxon—If you will let me finish, I will answer your question. What I am trying to say is that I do not have those statistics available to me, but what I do know and what my submission is based upon is that, at various points in time in Gellibrand's history—because that is what I am concerned with—there have been over 10,000 and 20,000 people employed in the defence industry. Obviously the peak of that time was during the first and second world wars. We are talking a long time ago. But in recent times there have still been large numbers of people employed at the munitions factory and at the explosives factory, and the defence department will tell you the exact figures. They have now been closed for a fairly lengthy time, and certainly well before I was elected.

CHAIR—I understand that. We understand that some of those jobs have moved to other locations because it is no longer appropriate to have munitions and other activities on sites so close to residential. If I can come back to the jobs themselves again, did you ask anyone in Defence for details of job losses, say, in the last 10 years?]

Ms Roxon—No, I have not asked for those statistics.

CHAIR—So you have not sought that information?

Ms Roxon—I have sought, when I have previously visited the site, information as to the numbers of people employed there at various times, but not with respect to this particular proposal.

CHAIR—That probably makes the next question I had difficult because I was going to ask you if you knew how many people had lost their jobs. In fact, I suppose it is relevant to the number of people that will move off the site now. I think you mentioned in your opening statement that you thought 200 jobs would disappear with this shift from Maribyrnong to Fishermans Bend.

Ms Roxon—That is my understanding.

CHAIR—That is your estimate.

Ms Roxon—And I must say it is very imperfect. You will notice in my submission I had originally put in there that it was my estimation—and from information from the community and from some of the workers who were there—that it was between 30 and 70 jobs, and I must say that I am surprised to find out that it is 200.

CHAIR—I do not know that it is, but in your submission you say 30 to 70, but I thought I heard you say up to 200 in your opening statement just now. We will certainly ask some questions of Defence, Science and Technology on this particular issue because it seems to go to the heart of your submission. You say 30 to 70 employees in your written submission—that is your estimate. Can you tell us how many of those actually live within the boundaries of Gellibrand or within the boundaries of Maribyrnong?

Ms Roxon—No, I cannot tell you how many live within those bounds. I can tell you, from my previous experience as a union organiser at the site, that a large number did live locally at that time. That was probably six or seven years ago. But they also live, as with any workplace in neighbouring areas, probably further west, rather than closer towards Fishermans Bend. But, as you would be aware from your inspection yesterday, if the defence department is intending to relocate people there, it is probably not one of the largest distances that people would have to travel if they relocate. That is why I have not made any submissions in relation to that. I have no information on what the department's proposal is in adequately trying to relocate those people. I have just said in passing in my submission that, obviously if a decision was made to move, we would assume that appropriate steps would be taken and that people would be properly relocated and offered jobs there. So I am not anxious that the jobs will be lost altogether. What I am anxious about is the impact of losing those jobs to a region that obviously desperately needs them if there is any possible way to keep them.

CHAIR—But you cannot confirm with any certainty how many of those 30 to 70 employees whose jobs you say in your written submission will be lost actually live within the boundaries of your electorate.

Ms Roxon—As you would be aware, Madam Chair, without us breaching probably all sorts of privacy requirements in being able to get the personal records of employees of Defence, it is impossible for me to know that. I know that anecdotally from the people who talk to me and who are concerned about the issue, both employed at the site and as members of the union, but I cannot give you any full statistical details of it.

CHAIR—I think Defence will be able to give us some indication today. I thought that, seeing you had made these comments in your written submission, you might have had some facts to back it.

Ms Roxon—I have given you the basis upon which I make those statements. They are probably things that are fairly commonly known and obviously come from my experience as the member, but I do not have the statistical information which the department may well be able to provide to us.

CHAIR—You have made that point.

Mrs CROSIO—Can I continue from what the chairman was just asking, and that is to go to another part of your submission on jobs. Have any of those people in your electorate whom you have ascertained may live there and are employed there been concerned that they may lose their jobs if this relocation were to take place?

Ms Roxon—It is natural that people are concerned about it. The defence department is likely to say, and pretty much everyone in the area knows, that there has been a proposal for this part of AMRL to move at some time in the future. So, from the discussions that I have had with the employees involved, I am confident that they are going to be treated properly. But obviously their preference, if there is any way it is operationally possible for them to stay at the Maribyrnong site, would be to stay at that site. I do not speak on behalf of all of those members and I would be anxious not to present myself as doing that. I have had representations from a number of employees in respect of the AEA neighbouring site. As I said in my opening statement, we are very concerned that any decision to move AMRL may have a flow-on impact to AEA. I have had a number of employees talk to me about their concerns that if that facility closes they do not know where it will go and what would happen with jobs. So there is a bit of fear around amongst those employees that they may lose their jobs altogether.

Mr HOLLIS—If the proposal goes ahead—I notice that there are plans here and you are making recommendations for a fairly wide scale development—could you run us through what you, and I guess a local community committee, envisage for that site?

Ms Roxon—Certainly. That goes to the smaller coloured map that I have provided to you, and I understand the council will be talking to you this afternoon about that. It is essentially their plans at this stage, which obviously will be open for much broader consultation, but there has been a significant amount of work done on it because of the very large scale of this site. One hundred and sixty-odd hectares, 10 or fifteen minutes from the CBD in Melbourne on the river would have to be one of the most significant developments that we are going to have, not just in my electorate, but in Melbourne in the coming years. It is very important for a lot of factors to be taken into account in planning that site, making sure that environmental considerations are taken into account, that heritage and historical considerations are taken into account and that the community has access to this site.

For the purposes of this committee, the reason why I have gone to some lengths to explain the types of proposals and considerations that need to be taken into account is that we do not think that this can be properly developed in a piecemeal way. We have seen an unfortunate development already occur for the former naval and CSIRO sites that you can see on the larger map. It is the corner of that purple area. I am not sure if people have that in front of them. The corner on the right-hand side has actually been developed separately. It was sold off separately. It has been developed. I am not sure if on your inspection yesterday you saw that there are roads that have been built that run to a fence line but do not go anywhere. Obviously, it is not ideal in terms of planning and future use for the community that little blocks of this land are sold off for different purposes without being part of a whole strategy of how we want to develop that area.

I was concerned to read in the defence department's proposal that the sale of the AMRL site—which would go ahead if the committee recommends the relocation—would pay for the capital developments that need to occur at Fishermans Bend. We have a strong view that the defence department has a responsibility to treat this area as a whole and to consult properly with the community about the future uses of that; not sell off little bits to pay for capital development elsewhere, without looking at whether some of that money needs to be actually put back into the community that it is leaving. We are very concerned that that may be in fact what happens.

There are some other interesting parts of the site. Melbourne's first racecourse is actually on this explosive site. It is fairly clear that Sandy the lighthouse—the only lighthouse to return to Australia following the war—is buried at this site. There are turn of the century racing stables and all sorts of things that need to be taken into account. From our perspective, the most important thing is that the industrial history is very strong. The thousands of people who have worked there, or who have had family members work there, should have some access to this site in the future, whether that be through open space or public or affordable housing being part of a proposal. We are urging the federal government, while it has some control over it, to actually look at playing some role in the development of this site. That is not possible if it is going to sell off the AMRL separately. That is why I have gone to some lengths to explain the future proposals for the rest of the site.

Mrs CROSIO—In the preparation of this particular plan—and we saw this yesterday in the briefing we were given from the council—do either you or the council feel there has not been cooperation from Defence in putting together what their long-term realistic changes or plans are?

Ms Roxon—I cannot speak for the council. I can certainly tell you that it is very damn difficult to get in there to have a look at the site if you ever want to. I have been there several times, but it is certainly not made easy. I understand that there are controls on how people can have access to the sites. I do not think that there is any lack of cooperation in terms of talking about planning, but the reality is that the defence department can play an active role in the future use of the site. It has done so, for example, at the rifle range development in Williamstown. It chose not to really do so in respect of Gordon Street and the Waterford Green development, which is on the other side of Cordite Avenue.

What I am urging is that the department or the government play a more active role in the development of this site. It is one thing to passively allow the council when required to do its surveying; it is another to actually play a participative role in how this whole region can look in the future. It is for that reason that I put in some recommendations about the sorts of parameters that we believe should attach to any sale of any land in this particular Defence Estate area.

CHAIR—I have been on this committee now for just over a year and it seems to me that the public quite often get irritated about government sticking their nose into the development of their region. I would have thought that the role of the local council would have been the primary role in looking after the interests of the local inhabitants and citizens of this area, rather than Defence making those decisions about how the area is treated in the longer term.

Ms Roxon—We are not asking Defence to make the decisions. We are asking them to work with us on the terms of sale, and the site is not yet up for sale. We do not have any information about when it will be. I have questions on notice to the minister that relate to this site that have not been answered yet. No doubt that will happen in the course of time. The local council, though, does not have the power to make these decisions either and the government can have a negative impact on what plans the community want if they sell to a particular developer without there being any particular conditions in it, because then the council and the community are left to negotiate only directly with the developer, whereas there is a role that the government can play. There is a capacity for them to set certain parameters and we certainly encourage the department and the government to do that in consultation with the community, but there has not been agreement to do that at this stage, and it is why I have gone to the trouble to set out some of the parameters that I think are important through the consultations that I have already had with people who are concerned about the issue.

CHAIR—From the Defence submission I thought that there has been some talks with council, particularly in relation to heritage issues, but we will have an opportunity to quiz them in greater depth on those issues.

Ms Roxon—Certainly I think that there have been discussions and they will both be able to tell you more directly about those, but I understand that no commitments have been made and no parameters set for the terms of the sale. We are concerned that otherwise presumably the normal rules apply, which is maximise the amount of money that you get from the sale without particularly paying any attention to a number of significant other issues.

CHAIR—Thank you very much.

[9.35 a.m.]

CLARK, Ms Elizabeth June, Director, Property Disposals, Defence Estate Organisation, Department of Defence

KELLY, Brigadier Garry Ross, Director General, Project Delivery, Defence Estate Organisation, Department of Defence

LOWSON, Mr Andrew Byars, Project Director, Defence Estate Organisation, Department of Defence

DOMNEY, Mr Murray Francis, Assistant Secretary, Science Corporate Management, Defence Science and Technology Organisation

SCHOFIELD, Dr William Hunter, Director, Aeronautical and Maritime Research Laboratory, Defence Science and Technology Organisation

ROSS, Mr William John, Associate, Connell Wagner Pty Ltd

CHAIR—Welcome. The committee has received a submission from the Department of Defence dated 8 February 2000. Do you wish to propose any amendments?

Brig. Kelly—Madam Chair, I propose one minor amendment on page 15 in paragraph 61. The predicted out-turn costs shown there include GST while the budget shown does not, which can be confusing. Because GST will be handled outside the project without penalty, I would like to remove GST from the equation. Accordingly, I would amend the first sentence to read, ‘The predicted out-turn cost of this project is \$59.845 million.’

CHAIR—Thank you.

It is proposed that the submission dated 8 February 2000 be received, taken as read and incorporated in the transcript of evidence. Do members have any objection? They being no objection, it is ordered.

The submission read as follows—

CHAIR—Would a representative of the Department of Defence now read the summary statement to the committee. Then we will proceed to questions.

Brig. Kelly—Defence advocates a proposal to rationalise and consolidate the Defence, Science and Technology Organisation's facilities in Melbourne, Victoria. The Aeronautical and Maritime Research Laboratory conducts key research activities to assist the Australian Defence Force in developing and maintaining its capabilities. These activities represent core business for DSTO now and in the foreseeable future.

AMRL currently operates from a number of sites throughout Australia. Its two principal sites are located in Melbourne—one at Fishermans Bend and one at Maribyrnong. At the Fishermans Bend site, a number of facilities have been upgraded and provide satisfactory accommodation for their present range of activities in the medium to long term. The Maribyrnong site infrastructure has not undergone the same level of upgrading and refurbishment. Maribyrnong includes some newer assets, but the buildings are generally in poor condition, are widely dispersed over the site, poorly configured, inflexible and are, in large part, outmoded. This has resulted in increasing maintenance costs on a large, dysfunctional and underutilised asset base which is in excess of requirements. The existing facilities at Fishermans Bend and Maribyrnong do not provide the capability which will be required to meet the needs of AMRL into the future.

The current dual site arrangement presents significant operational and cost inefficiencies and impacts on the quality and efficiency of the research and development activities undertaken by the laboratory. The dual site arrangement also constrains future flexibility and adaptability in terms of accommodating new research activities, adapting to future changes in technology and changes in operational methods. The aim of this project is to address these operational, capital investment and capability issues and provide a more flexible and modern infrastructure to meet AMRL's current and future needs.

The proposal for the AMRL rationalisation project can be summarised as follows: relocate Maritime Platforms Division and Combatant Protection and Nutrition Branch areas at Maribyrnong into a new purpose built building on a greenfield site along the western boundary of the Fishermans Bend property; relocate the library at Maribyrnong into a new library developed at the centre of the Fishermans Bend site, south-east of the existing canteen; develop new biological and chemical protection investigation laboratories as part of a new CPNB building; develop a new expanded and integrated mechanical testing facility as a new extension to the existing structural fatigue laboratory; expand the advanced composites fabrication facility with a new building extension to the south of the existing materials laboratory; refurbish Building 3 to provide upgraded and additional office and laboratory accommodation for Airframes and Engines Division; construct a new structural testing facility for AED and MPD as a new stand-alone building in the north-west corner of the Fishermans Bend property; develop a new conference building, integrated with the library, to the south-west of the existing canteen; develop an upgraded and integrated thermal testing facility by extending Building 43; develop a structural component bank as a new extension to existing Building 35; and undertake statutory upgrading and refurbishment of assets at Fishermans Bend not previously upgraded, including Building 5, Building 22 and the ground floor of Building 1.

The proposed redevelopment is justified on the basis that it represents the best value for money in both capital and recurrent dollar terms costs over the 15-year evaluation period. It builds on a sound existing asset base at Fishermans Bend which has recently undergone substantial refurbishment and upgrading. It resolves the operational inefficiencies inherent in the current dual campus arrangement and promotes a more integrated team based approach to research and development activities with better outcomes for Defence. It results in productivity gains conservatively estimated at two per cent. It effects recurrent cost savings of in excess of \$3 million per annum following the initial investment payback period. It presents a high level of 'fit' with the existing assets and infrastructure at Fishermans Bend. The proposal lends itself to a phased implementation and delivery process. The facilities are capable of future expansion by up to 25 per cent. It provides for more effective and enhanced outcomes of the ADF and it will allow AMRL to meet all of its identified business and capability needs.

Once vacated, it is planned that the Maribyrnong property and the former Aeronautical Engineering Support Facility at Highett would be sold. Net realisable figures for these two properties have been considered in the financial analysis. However, the implementation of the DSTO Rationalisation Project is not dependent on the sale of Maribyrnong. The remediation and eventual sale of the whole Maribyrnong property is a separate, large project that is in only its early stages.

The proposed refurbished and new facilities are in accordance with the planning framework set out in the Fishermans Bend master plan. The site is located within an existing heavy industrial zone and is remote from residential areas. On this basis, it has been assessed that there are no significant environmental impacts which would affect implementation of the proposal. There are no conservation, social, economic or Aboriginal interests in the proposed site. An environmental certificate of compliance has been issued for the project.

Consultations with relevant authorities at local, state and federal levels have taken place in relation to the previous upgrading and refurbishment of facilities at Fishermans Bend. It is proposed that these consultations continue for this project. The construction period will extend for about 30 months, during which time it is anticipated that approximately 60 people will be directly employed on the construction site, with additional people being employed off site in prefabrication, manufacture and delivery of materials.

In summary, the proposed DSTO rationalisation in Melbourne will provide a number of benefits. In particular, it will improve the efficiency of AMRL operations by reducing from two sites to one, it will improve the effectiveness of AMRL research by providing an integrated, multidisciplinary research team in one location, as well as new and enhanced research capabilities, and it allows AMRL to meet all its current needs and allows for future expansion to assist the ADF in developing and maintaining its capabilities.

CHAIR—Thank you. I would like to start with some questions which go to the heart of matters. What actually informed Defence in terms of this decision to co-locate? What studies have been conducted to demonstrate the savings, both economic and in efficiency? Further to that, what formal studies have been conducted by Defence or others looking at the impact on staff of such a move?

Brig. Kelly—I might start the answer by referring to the specific construction aspects of the project. The investigation commenced in approximately 1996 with an update of the Fishermans Bend master plan. We used consultants to conduct a number of studies, including options analysis and economic analysis which then informed a major capability submission, which was referred to the Defence Capability Committee, which is one of Defence's major committees. That committee approved the proposal. It was then put forward in the budget of 1999. The MCSF looked at four options, of which the co-location at Fishermans Bend was the preferred solution. It provided the best outcomes in terms of net present value over 15 years and provided a payback over about six years in terms of the relocation from Maribyrnong, if that was treated separately.

CHAIR—Could you tell us just on that point why 15 years was taken?

Brig. Kelly—It is commonly taken in these circumstances as about a midlife upgrade for new facilities.

CHAIR—Were there any reports from parliament or from independent sources to inform this process?

Brig. Kelly—I am not aware of any reports from parliament. The independent sources that I would refer to would be consultants' reports, if that is what you had in mind.

CHAIR—But they would have been commissioned by Defence. They would have been internally commissioned.

Brig. Kelly—Correct. There was one other government consideration which Dr Schofield might like to expand upon. That was the Defence Efficiency Review report, which did lead us down the path or confirmed the path of rationalisation of the properties in Melbourne.

CHAIR—Perhaps we can come back to that in just a moment. I would like to go on to pursue the second question if I may. That obviously involves the staff at the Maribyrnong site. What information did you gather to examine the impact on staff travel times? Going back to Ms Roxon's submission, do you have information about where your staff are currently located in terms of their living arrangements and the impact on them by making this move?

Mr Domney—We do not have specific information on where the approximately 200 staff who are currently there live. Obviously, some of them would live within the Gellibrand electorate and some would not. We could attempt to collect that information if the committee would like. That might take a little time to do in terms of going through the addresses of people and so on.

CHAIR—I just wondered if this was something that you had already undertaken as part of the information gathering to make this decision to move.

Mr Domney—No, we have not done that. We have taken the view that the move is only a few minutes away from where the current workplace is. Some people will be affected more by that than others and there has been an extensive consultative process that has gone on with the

staff in terms of a consultation committee to keep them informed of our thinking and planning and to work through the issues of the new facilities at Fishermans Bend.

CHAIR—Have you some process where the staff have been able to discuss this matter in the lead-up to the decision?

Mr Domney—Yes, indeed. We have what we call a Maribyrnong Relocation Consultation Committee, which has met on several occasions and which brings staff together with management to discuss the issues. In addition to that, I chair a DSTO consultative committee, which is a meeting with all the DSTO unions from time to time. We have kept them informed over the last couple of years of our thinking and planning.

CHAIR—Have there been objections to this move?

Mr Domney—Not really. I think there have been concerns in terms of the closing of a base that has been there for a long time and which has a particular culture and an identity, and people worry about moving to a new site down the road which has a different history and a different culture. People also worry about the new facilities, what will be available and what we will be providing for them. But those are normal issues. We faced this in the case of Salisbury in Adelaide, for instance, where we put up new buildings there and vastly reduced the size of the site, so these are issues that we work through with the staff and with the unions.

CHAIR—On the other side, have people expressed concern about the current conditions at Maribyrnong as that site has been wound down? The facilities, it would appear from our inspection yesterday, are not all that friendly now to staff.

Mr Domney—Indeed, yes. Staff do worry about that from time to time and we have sought to maintain a balance between keeping an appropriate level of amenity there while the staff are still there versus minimising our investment in the site in the expectation that we would be moving off. So it is sometimes a difficult balancing act but we try to be reasonable in maintaining sufficient amenity for the staff.

CHAIR—I am a bit surprised that you have not done any formal work in looking at the staffing arrangements and just what it will mean in terms of travel time et cetera. You said ‘a few minutes’ from one site to the other. Maybe the traffic was heavy yesterday but it seemed to me that it took more than a few minutes to get from one site to the other.

Mr Domney—The development of the road system in Melbourne in recent years has made coming from the western suburbs to Fishermans Bend greatly improved over what it used to be.

CHAIR—What would the average drive time be?

Mr Domney—It is probably of the order of 15 or 20 minutes.

Dr Schofield—Madam Chair, I do the trip very often between the two sites and in heavy traffic it is 20 to 25 minutes. My record is 17.

CHAIR—Within the speed limits, I would hope.

Dr Schofield—Of course, Madam Chair.

CHAIR—That is all for the time being. We might, though, come back to the efficiency review. Is that what you call it?

Mr Domney—Yes.

Mrs CROSIO—To whoever at the table can answer the question, and following what the chairperson has just stated there, I would like to bring you back to some of your evidence which has been stated, particularly in paragraph 7: the Fishermans Bend and Maribyrnong sites accommodate over 800 personnel. How has the restructuring and downsizing impacted on personnel levels over the last five years?

Mr Domney—I think, say, since the Defence Efficiency Review of early to mid-1997, the numbers of DSTO staff on the Maribyrnong site have come down from roughly 600 to roughly 200 currently; most of those people have moved off site with Maritime Operations Division, which has mostly moved to Salisbury but with some elements going to Pyrmont in Sydney and to Stirling in the west, and some elements of the systems division which have also moved to Salisbury in Adelaide—so roughly around the 600 mark down to the current figure of roughly 200.

Mrs CROSIO—Has any consideration at all been given to moving this particular operation to Salisbury?

Dr Schofield—No, none whatsoever. The reason we co-located those to Sydney and Salisbury is that we wanted to co-locate scientists of similar capabilities and similar disciplines together to get advantages of critical mass. I am very keen to move the people from Maribyrnong to Fishermans Bend for the same reason. The sorts of technologies and science that are dealt with in Maribyrnong for ships and submarines are very similar to that being dealt with on the Fishermans Bend site for aeroplanes, and we can get efficiencies and co-location of a critical mass of scientists.

Mrs CROSIO—So that our record when we are going through the *Hansard* will read correctly, and I understand the member for Gellibrand did not have the information available to her, estimates are probably up to 200 people moving. Do you have an exact number of how many people would move if this were to go ahead?

Dr Schofield—We believe at this stage 209 people will be moving.

Mrs CROSIO—Of those 209 people, have any of them objected outright? When does concern become an objection or objection a concern or have they just stated they feel that is the way to go?

Dr Schofield—Some of the senior staff who have worked there for a very long period of time will almost certainly retire on the move. I would estimate of the order of 15 to 20 people will be

in that. I think, to be fair, many people on that site who have seen the people in explosives and ordnance being moved to Salisbury and the people in Maritime Operations Division being moved to Salisbury or Sydney are very pleased that it is being moved only as far as Fishermans Bend and not interstate because their jobs are still there and their jobs are some 18 to 25 minutes away where from where they were before.

There were, of course, enormous feelings when we first announced this, and they had to do with the very proud history of that site that goes back nearly to the First World War. People felt that it was the end of an era and the end of a culture, and I fully sympathise with those feelings. And then we had a lot of concern about things like open-plan offices where before they already had closed offices; the sorts of things we had in Salisbury, in great deal. Recently our committee discussed these matters, and people have been voting with their feet and not coming to them. That can be interpreted many ways, I understand, but I would have to say there is not a lot of angst.

My perception is that, as you saw yesterday, Madam Chair, the buildings are old and they are not being maintained. Buildings that once accommodated 600 are now down to 200. The canteen is no longer economically viable and is not open. The administration of travel and all those administrative services comes from Fishermans Bend. There is a minimal administrative service on the site. The director comes over infrequently. There is a feeling of running down, and I think most of the staff look forward to getting back to a large, vibrant campus, which I believe the Fishermans Bend site is compared to the Maribyrnong site.

Mrs CROSIO—Having looked at some of the information that has been supplied and also having heard the talk within Defence about the so-called white paper that is going to come down, do you envisage any problem in the white paper stating perhaps that we do not need the type of facilities we are talking about and it may cause a change in the thinking of where we go in the future?

Dr Schofield—I think it would be quite the opposite. I think the white paper and the whole thrust of Defence is to coming down in size. We have heard ministerial statements about the size of the Defence Force reducing and the number of people in uniform reducing. That is only made possible by greater use of technology in the defence of Australia, not less use of technology in the defence of Australia. The equipment that we are buying and the weapons we are buying increase in technological complexity every time you go through a rebuying system. Our work in DSTO is always oversubscribed by our customers, the Army, Navy and Air Force. I knock back every year very good work on the basis that I do not have enough people to do the work. Since the DRP, most parts of Defence have had reducing budgets and reducing numbers of staff. DSTO is the only part of Defence until this year that has had an increasing staff—slowly increasing, but increasing. The drive for that is that our customers want more of our product and need more of our product. As we go into doing things like buying the airborne early warning and patrol aircraft, which nobody else in the world owns—we will be a parent air force for the first time, and in the case of the submarine we are a parent navy for the first time—we are finding out just how painful that is and how much science and technology you need in-house to make sure that Defence is getting good value for money and is getting the technology it desires. My prediction is that the white paper at the very least will see no diminution in our role, and I think it will also see an increase as technology increases.

Mrs CROSIO—I must admit, Dr Schofield, that I was very impressed with your scientists yesterday and the work they are carrying out, and I would like to put that on the public record. It was a learning curve for me. This question is for whoever can answer it around the table: why was Maribyrnong not developed in the same way that Fishermans Bend was? Perhaps we would not be sitting here now saying it is a run-down facility, that no development has taken place over a number of years. Was there a specific direction that Fishermans Bend became the site rather than Maribyrnong, or is there a problem there?

Dr Schofield—There are a number of reasons why the Fishermans Bend site was chosen. You did not see all the sites yesterday. The one reason to do with money is that the investment on Fishermans Bend is much larger than that on Maribyrnong. There are four major wind tunnels on the Fishermans Bend site. There is a large combustion test facility. The fatigue laboratory you went into, although it looks like an ordinary building, is a very specialised building with very thick and very strong floors. It far outweighed the investment on Maribyrnong. Secondly, in the Fishermans Bend area we are developing by co-locating a defence industry complex centred around the AMRL. We have centred around our laboratory the CRC and advanced structures. We have British Aerospace setting up a new 300-person building just across the road, and they are doing that specifically to be close to AMRL. We have Tenix and Hawker de Havilland, and Aster down the road, in which work on many aircraft related products for the Defence Force is being conducted. We also have the R&D arm of RMIT's aerospace department just down the road. We are working with the state department and the Melbourne City Council to develop that area to try and get a real co-location critical mass and make it a centre in Australia for R&D and the industry related to the R&D we do. We do not have that at Maribyrnong.

Mr FORREST—Madam Chair, you asked a question earlier about the cost-benefit analysis. Could a detailed cost-benefit analysis of each of the options be provided to the committee so that we can have it clear? You may have brought it with you.

Brig. Kelly—Prior to the hearing the secretary did ask for a copy of the major capabilities submission, which has a summary of the economic analysis at the back. We would be happy to provide any additional information that is required.

Mr FORREST—Other members have asked some of the questions I was interested in. I would like to ask specific questions about the site at Fishermans Bend and how the project is to be developed. Firstly, what is the status of the master plan? I notice that the one that has been provided is 2½ years old and already there are changes to what has been proposed on that. I note in particular the increase in car parking by 50 spots. I know that master plans are hard to keep up to date, but are there other clashes with a long-term master plan and how long will it be before the current one is out of date with the interests at Fishermans Bend? This always means expensive ripping up of fire service and replacements, which I note are very high in the cost estimate.

Brig. Kelly—The master plans are normally updated every 10 or 15 years in routine circumstances, or prior to a major proposal such as this. That master planning exercise of several years ago was to facilitate the development of this project and I am not aware of any great variations from the outline master plan. As we get into a project, we do refine the options.

In fact there has already been some revision of the proposal for this project in the last 12 months. For example, what was proposed to be two buildings has been found to be significantly more efficient and cost effective if delivered as one building, and that is satisfactory to the clients who will occupy the building. Once we get our managing contractor on board, there will be further revision when we attempt to build in early in the design process the builder's ability. Nevertheless, we would not anticipate that those changes will vary significantly from the broad master plan.

Mr FORREST—I notice on page 12 the requirement for nearly 650 car park spots. I looked at the model over there, because I did not have the benefit of the inspection yesterday. It is a difficult site to provide car parking on; and it sounds from the responses earlier by Dr Schofield about how people will get to the site that car requirements will probably be even higher than has been allowed for? Can you tell me about the car park?

Brig. Kelly—There is an additional approximately 170 car parks being provided. In terms of new people on site, 209 moving from AMRL at Maribyrnong, and I think there are some enhancements as well. But we would anticipate that that number of car parks slots is adequate.

Mr FORREST—Would there be any initiatives to encourage people to use public transport, because car parking is more expensive—at about \$12,000 per spot, probably?

Dr Schofield—We do have quite a large part of our work force coming by the bus down Lorimer Street. It is not an easy place to get to, because you have to go into the city and change your mode of transport, usually, and then come down. I did it for years as a young scientist. The people we employ are highly qualified and the salaries they are paid are very high by Public Service standards. Our average salary is much higher. We do have a fairly high level of car ownership, therefore, and we would expect to have more people travelling by car. Many people who travel from a long way away to get here come in car pools with as many as four or five in a car. I know of three cars that come from the area of Frankston every day to Fishermans Bend—which is quite a hike. That car pool leaves at a certain time, and they all leave their cars. We encourage that as much as we can. However, I cannot see us getting the number of cars down drastically, sir.

Mr FORREST—It never ceases to amaze me, when I drive around this city here, the number of cars that have one person in them. The money that has to be invested to cater for that just does not make sense to me as being a logical way to spend public money. Never mind. Tell me about the procurement procedure. This is a large, scattered site with different buildings and so forth. What are the arrangements for how the project is to be procured? What are the roles of all of the different consultants that would be involved in that?

Brig. Kelly—The project will be delivered by a managing contractor, which Defence is using increasingly for projects over about \$25 million. A managing contractor is a very suitable form of contract when you have a site which continues to operate during the construction process. It is a form of contract which enables very close cooperation between the designers, who are managed by the managing contractor, and the users. This is a project where we anticipate that there will have to be a great deal of close cooperation between the users and the designers

because of the specialist requirements. A managing contractor is very appropriate for the delivery.

The designers are actually engaged as subconsultants by the managing contractor and work to the managing contractor—that is, the managing contractor is responsible for managing the design and building buildability at the early stages, so we anticipate getting both a very functional and a very efficient outcome. In terms of progressing what would be a fairly difficult construction program, I might ask our consultant to comment on the requirements to decant people from one building to another and the requirement to progress in a staged manner so that we can accommodate the people who are still required to work on the site.

Mr FORREST—The reason for my question is that one-quarter of the cost of the project you put before the committee is the procurement cost. A quarter of it just seems staggering.

Brig. Kelly—I am not sure what you mean by procurement. My understanding of the procurement is—

Mr FORREST—I mean non-construction costs. I can refer to the detailed estimate.

Brig. Kelly—No, I can handle that in general terms. Included in that is the managing contractor's fee and sum; the design consultants, who actually work for the managing contractor, which we would normally show separately; and the project consultant. The project manager in this form of contract is referred to as the project consultant. In addition, we have a contingency and an escalation factor which gives us our costs.

Mr FORREST—A quarter of the cost is procurement costs. I need to know that that has been properly tendered and is subject to normal scrutiny. It just seems enormous.

Brig. Kelly—It has not been tendered at this stage, with the exception of the project consultant. We have already commissioned the project consultant on a staged basis. They have an option to extend for the actual construction phase, subject to the approval of parliament. The managing contractor, of course, has not been engaged at this stage. We intend to go to registrations of interest very shortly and, subject to approval, we will then go to tender. The actual percentage of the total cost allocated to the project consultant, to the managing contractor and to contingency is actually lower on this project than history would indicate to us in general projects. There are a couple of reasons for that. One is that we have developed the project with our project consultant to a greater degree than we normally would have at this stage in terms of doing value management and developing room data sheets. For the first time in many projects we will actually be working in a major capital city area, so we will not be paying the overheads that we are normally paying at remote sites like *Albatross* in Eden and Amberley in Townsville to mention just a few of the recent projects that we have taken to the committee. From that point of view, procurement costs actually will be lower on this project than on most of our projects, but they are well based on experience.

Mr FORREST—I want to make sure you are aware of my concern here. If I add up in the detailed cost estimate the non-construction costs, we are talking about half of the project costs you propose to us being made up of procurement costs, project contingency and then an

escalation on top of that. Nearly half of the money you have asked us to approve does not give us one brick or one car park or one chimney in any tangible sense.

Brig. Kelly—But in any construction process it would be anticipated that at least 10 to 12 per cent of the project would be for consultants—that is, the project manager and the designers. An element would be in there for the construction contractor's management which we have actually separated out. Normally, if you saw a design and construct or a head contract proposal, that managing contractor component, which is in this case \$4 million or \$5 million, would actually be within that construction component. The contingency which we propose is on the lower end of what we normally would, and escalation is to accommodate increases in the building price index over the three years of the construction timetable.

CHAIR—Can I perhaps ask for a clarification on this further to Mr Forrest's question. We saw on the inspection yesterday—and I agree with my deputy chair here—that the work that has been carried out there is impressive. Given the complexity of the move—it is not exactly like moving house or moving an office—it is an enormous undertaking. But is the cost of moving that equipment and machinery and so on part of this, or is this purely for the construction site?

Brig. Kelly—There is a relocation cost factored into the project cost. That is to cover the relocation of critical pieces of large equipment or anything which has to be relocated which we would call hard wired or hard plumbed.

CHAIR—Is that part of the role of the managing contractor as well, to oversight the relocation?

Brig. Kelly—It will be. The managing contractor actually has quite extensive responsibilities, and the best way to achieve an efficient outcome is to centralise the responsibilities. So the managing contractor will be responsible in cooperation with the project consultant—

CHAIR—For the whole oversighting.

Brig. Kelly—For developing a schedule and coming up with a plan to move equipment from Maribyrnong to Fishermans Bend in accordance with the usage requirements so that down time is minimised and so that we meet all of their requirements.

CHAIR—This is a very high tech, high level operation, and clearly there would have to be additional costs in making this move.

Brig. Kelly—There are.

CHAIR—What about insurance? Is there any insurance? Who will carry that? Is this also part of the managing contractor's responsibility so that it is built in? I imagine that the premium to cover someone in the event of something happening to just one of those machines or one of those pieces of equipment could be extremely high.

Mr Lowson—In our projects and contracts, the managing contractor is required to take out an all risks policy of insurance which, normally, could be anything up to \$100 million insurance cover that they have to guarantee that they carry to cover both themselves and the Commonwealth as joint policyholders.

Brig. Kelly—I should point out that other aspects of the relocation would not normally be funded as part of the project; that is, the administrative relocation—moving books and portable equipment. Nevertheless I anticipate that it will be useful to roll the general programming of all of that into the managing contractor's responsibility and perhaps for them to even control it, even though they might not be funded to do it.

Mr Lowson—Can I just come back to Mr Forrest's question and try and give a simple explanation to his concerns about the non-construction costs. In this form of contract we actually separate out the managing contractor's costs and design costs, whereas in the other forms of contracts that we use the head contract costs and the contractor's overhead costs and what we have termed here as managing contractor's costs would all be tied in, rolled in to his actual costs for the individual components. Hence, normally in projects that we bring before you under the head contract costs, these would not be seen so clearly as they are set out in this thing, and hence normally you would not realise that head contract costs can be anything up to 10 to 15 per cent just profit margin and overhead items, and that is what this item covers.

Mr FORREST—I will have a look at the cost-benefit analysis for other sites, but it seems fairly unusual the high proportion of dollars we are being asked to approve does not give us something tangible. I know that indirectly you have got to have designers—don't get me wrong—but maybe one of the other sites might have been a much cheaper site. Maybe some of these high proportions of costs are due to the constrained nature of the site.

Brig. Kelly—I do not believe that they are site specific.

Mr Ross—Madam Chair, if I could pick that up: I think in a way it is just in the provisioning. While there is a fair amount of money allocated to relocation costs, both the escalation and the contingency will be converted to bricks and mortar as the project is delivered or they will be handed back. It is just the way the cost plan is presented at the moment. We expect those to be actually used up in delivery elements.

Mr FORREST—Yes, but as a member of parliament you are asking me to approve the expenditure of money—nearly half the cost of the estimate—on things I cannot see yet, and I am very nervous about it. Perhaps you could explain to me. I know that we are not building a brand-new single building and everything is in one building and it is tidy. You have got building extensions and refurbishment all over the place, and then you have got car parking on other parts of the site. But I imagine that discrete parts of the overall project will be able to be properly tendered, and for smaller projects there will be some sort of overall manager for the whole site. Somewhere before that someone has got to do some design work. This site, as a result, is more complex than others. Is that why I have ended up being concerned about the way you have presented the figures? Is that the reason?

Brig. Kelly—I might just say up front that with the managing contractor we will not be packaging components as such. The managing contractor generally lets trade packages and achieves economies across the site in his programming to get those trade packages moving from one site to another where possible. That will be somewhat of a challenge here. But we do not break it up into a series of head contracts or design and construct contracts, for example. The managing contractor normally lets trade packages and is responsible for the design as well. So the managing contractor subcontracts designers, meeting our general business principles: required to do registrations of interest and propose to us their short list, the way they are going to do that registration, and then propose their preferred tenderer to us or, on our behalf, the project consultant. So our fairly stringent business principles are passed down through the managing contractor to ensure that the Commonwealth's interests are protected.

Senator MURPHY—Brigadier Kelly, at the outset you sought to amend your submission to take out the GST. Why?

Brig. Kelly—Initially we indicated that there will be a GST cost to the project, and yet it is not accommodated in the project budget. But because it will be taken out it was misleading to not have both figures on the same basis.

Senator MURPHY—Why would it be taken out?

Brig. Kelly—GST within Defence will be handled centrally. Even though we have only got three months to go, there is still a long way to go in determining exactly how GST is going to work in the building industry and how we are going to work with the building industry to deliver our products. We are getting there fairly quickly. But within Defence it has been decided that GST will be handled separately, and so it is not included in our project budget. There are a couple of ways of putting that. The simple way I have been using is to say that the net costs of GST will be fully supplemented. In other words, we do not have to worry about it; someone else in Defence will pick that up. I think the more technical way of saying it is that Defence can claim the full input tax credits equal to the GST payable.

Senator MURPHY—That is a very interesting concept—hiding the GST which is applicable to a project.

Brig. Kelly—I find it interesting and also very welcome because clearly the GST was going to have a significant impact on our budgets.

Senator MURPHY—But it is going to have a significant impact on somebody's budget.

Brig. Kelly—It will. I cannot tell exactly how that works; I can only say that the proposal is that we are fully supplemented—in other words, it will not come out of our budget—although the benefits to be reaped by the abolition of wholesale sales tax and so on may come out of our budget. But it is anticipated that that would be a very small benefit in the case of the construction industry.

Senator MURPHY—If I understand this, all projects in the future that we get from Defence will never have a GST component?

Brig. Kelly—I cannot say that we would not make that visible. We probably should make that visible. In my slide presentation yesterday I did indicate what the GST was going to be but for the purposes of clarity here, given that we have been funded to a certain amount and will have the GST over and above that supplemented, I wanted to simplify it. It is not correct to say that all projects will be covered in such a way in the future. I believe that on projects relating to residential accommodation—what we call ‘living-in accommodation’ in Defence—we will have to pay the GST from our budget, unless we pass on the GST to the rent that soldiers, sailors and airmen pay, in which case we would not call it ‘residential accommodation’ but we would call it ‘commercial accommodation’ and we would then be exempt from the GST and it would be on the rent component. There is still a long way to go.

Senator MURPHY—I think so, and there will be a few questions at estimates. I wish to go to the question of the overall project. Why is it not the case that a lot of this work, as we have seen with a lot of Defence research, supply and development work, has been either contracted out or in general sourced from the private sector? Why is it not the case that a lot of this work could not be sourced from the private sector?

Dr Schofield—DSTO is encouraged to source as much work in the private sector and in industry as possible. As I said before, we have more work than we can handle.

Senator MURPHY—If I may interrupt you, who does the work that you knock back at the moment?

Dr Schofield—It does not get done in general. To give you an example, I have recently written to two of the three deputy chiefs of the Army, Navy and Air Force saying that I have a large number of projects to do with helicopters—the interface with the instruments that pilots look at and the human factors involved in what a helicopter pilot has to do. This is very important work because flying helicopters onto the back of ships is a very difficult environment. We have eight psychologists in this area and I think I have in the order of nine proposed programs. It is just not possible for us to do it. There is nobody else who has our facilities to do it and I do not believe there are too many people who could do it. We do knock back an awful lot of work.

We also outsource a great deal of our work. My science budget is standing around \$90 million and approximately \$10 million of that goes out in our contracting work out. We also do contracting work in for industry. Because we live in such a problem-rich environment, wherever I can find somebody who can do the work outside the DSTO and who will give good reliable service to the Defence Force—in other words, is going to be there for the long term—it is my objective to get the work out of the laboratories and into industry. That is always difficult to do because we are separately funded through the Defence vote for a certain amount of money. If I then want to say, ‘This is work that we should not be doing; industry can do this work,’ then the Army, Navy and Airforce who have been getting the work for free from DSTO would now have to pay for it, because I am not going to give up that money and I want to then move on from technology that industry can do, which is not at the cutting edge, to the next cutting edge where nobody else can do the work. I want us to keep the laboratory up the ‘big R, little d’ end of the scale and move the ‘little r, big D’ end of the scale into industry whenever I can.

We have at the present time some 19 alliances with industries. We meet them regularly and talk about what they are doing and what we are doing. We develop joint programs. We do work for them and they do work for us. It is developing a very close relationship. I recently did a review of the work coming into the laboratory, and the most collaborative work we do is with government laboratories in the United States of America. The second biggest area of collaboration was with Australian Defence Industry. The third was with the United Kingdom. So our connection with the Australian industry is very large. We have just about every sort of relationship that it is possible to have with industry. We license our inventions. We do contract work for them and they do contract work for us. We allow them access to our facilities, which we buy not for economic efficiency but for the defence of the nation and therefore are not always 100 per cent used. And, if they are an Australian industry, we seek only to recover costs plus some 10 or 15 per cent handling charge.

That is a long answer, but it is a very large and growing area of our activity and one which is non-traditional for scientists and has taken some change in culture in the laboratory to get up and running. I have been there and I have been doing it for the last 10 years.

Senator MURPHY—What is the five-year cost recovery period based on?

Brig. Kelly—The five-year cost recovery that I briefed yesterday was a very simplified version of the economic analysis that had been done. It excluded the enhanced capabilities. It was an attempt to justify the expenditure on moving from Maribyrnong and from integrating like functions on both sides. So I took out, initially, the cost of enhanced capabilities, which we would be able to justify or propose as a separate project anyway. The intent of my exercise was to simply show that it made economic sense as well as sense in all the other ways to move from Maribyrnong to Fishermans Bend. That part of the project, offset against the income from disposal of the property, the operating costs per year and also the costs avoided in bringing Maribyrnong up to an acceptable standard, had a pay-back period of five to six years.

Senator MURPHY—Finally, I will go to the question of the redevelopment sale of the site. You have heard a number of concerns that were expressed by Nicola Roxon this morning. Is there a strategic plan for the redevelopment of the site?

Brig. Kelly—I might pass to Ms Clark to talk specifically about this site and what has actually been done so far, but I will make a couple of general observations first. One is that this project is not based on the sale of Maribyrnong—it is a separate exercise—nor does it depend on the financial income from the sale of Maribyrnong. It is completely separate. This project is fully funded as is. I can assure Ms Roxon that, on several of her points, we would agree completely. The requirement to dispose of the site or to consider the site as a complete entity is completely agreed with. That is the logical way to do it. It is the best way to achieve an outcome that is most effective from our point of view and from the point of view of the community.

The requirement to dispose of the site or to consider the site as a complete entity is completely agreed with. That is the logical way to do it. It is the best way to achieve an outcome that is most effective from our point of view and from the point of view of the community. There is no doubt that the site will be considered as a single entity. I would also make the observation that Defence takes it as a given that we will conduct consultation with all levels of

government and the community. We are required to do that, and it is just a given that we will have to take into account the heritage and environmental issues associated with the site.

Whilst agreeing with those two points, I would be concerned with Ms Roxon's recommendation that the committee did not recommend that this proposal goes ahead until Maribyrnong's future was sorted out. I believe that the activities can occur concurrently. The development of the Fishermans Bend site will take two to three years. We are not planning on being out of Maribyrnong before about September 2002; that is the preferred date for us to move. And there will be some more works following from that point. So it is at least two years before the Maribyrnong site can be vacated, and I think it is appropriate that concurrent activity for the planning of the disposal occurs during that time. If we do the planning for disposal first and, once we have got a solution there, then agree to the proposal to actually move, we will simply extend the time that AMRL operates in less than efficient facilities by several years. I might ask Ms Clark to speak specifically about what has been done on the site to date and what the long-term plan is.

Ms Clark—Since we have known that Maribyrnong is going to be going, we have actually been speaking with the council on a number of occasions about the property. From our perspective, yes, it is one of Defence's largest sites that we are disposing of and it is one of the most significant sites in the Melbourne area, and particularly for the member for Gellibrand and the council. But it has issues in it which are similar to what we have been dealing with on other properties around the country. On this particular property, we are hoping to appoint a project manager around September of this year who will have responsibility for addressing the various issues that are associated with the site, including the heritage and the various layers of heritage here. We have got Aboriginal, we have got the racing industry link, industry and also the environmental issues. Studies will be conducted to look at all of those and to bring those together, and also to look at the potential of the site and the future use options. That is done through extensive and quite exhaustive consultations with the state and the local council as to what they see as the opportunities the site presents to them and what their particular concerns are. Certainly we are well aware of the heritage issues—the opening up of the site for the public, access to the river and a number of issues. But we want to make sure that that process is continuing consultation. I can assure the member for Gellibrand that we are quite happy throughout that process to continue to brief her as to where the project is going.

Senator MURPHY—I have one final question with regard to the engineering facility. Are there any strategic plans to move it from where it is located currently?

Ms Clark—The engineering facility?

Senator MURPHY—The AEA.

Ms Clark—I actually only heard about that this morning, so I am not in a position to comment.

Mr Lowson—The present situation on the AEA is that Defence are presently considering that for the Commercial Support Program and it is being looked at to be tested for outsourcing.

Senator MURPHY—What does that mean for the people who work there?

Brig. Kelly—I cannot comment on whether the unit would put up an in-house option. If the in-house option won, it might mean no change. But I think it is fair to say that our intent is nevertheless to vacate the entire site when appropriate, and one way of doing that would be through the commercialisation process. The sorts of activities which occur on that site are not so core as the sorts of activities you are described for DSTO. Army's core business is not in these areas to such an extent.

Senator MURPHY—Has a decision be made about CSP?

Brig. Kelly—The answer is no.

Senator MURPHY—It is being considered, though?

Mr Lawson—It is being considered at the moment. A consultant has been appointed to look at that and report on the feasibility of outsourcing it. That report is awaited.

Senator MURPHY—How far away is that report?

Brig. Kelly—We do not have that information but I would be happy to get the information and get back to the committee.

Senator MURPHY—That might be useful.

Proceedings suspended from 10.35 a.m. to 10.49 a.m.

CHAIR—As AEA was the last point that was being discussed, we will ask Brigadier Kelly to provide us with further information that has just come to hand.

Brig. Kelly—Thank you, Madam Chair. I will provide some information. I do not have a great deal of depth, but during the break I was able to find out some additional information on the outline I had. The AEA is currently being tested in the Commercial Support Program. It is currently out to tender. There is an in-house option. No decision will be made until late this year, perhaps in October. The intent, nevertheless, remains, as with AMRL, to eventually quit the site at Maribyrnong. A plan is currently being developed to move some of the administrative elements from Maribyrnong AEA to Defence Plaza in Bourke Street. The remaining elements are the ones being tested under CSP and the outcome of that will influence the short-term future of the AEA site at Maribyrnong.

The intent is to vacate the entire site, other than some critical, high-tech or high cost components which are, nevertheless, not mandated facilities. That is, if a commercial provider—the winner of the commercial tender—has a better option on another site, then that would be welcomed. Nevertheless, if the winning tenderer has to undertake operations in those facilities, then that would be accepted in the short to medium term. That is about all the information I can provide at this stage, but it does expand on what I said before the break.

CHAIR—On the consultation process with the council, and indeed with the member for Gellibrand, there were absolute assurances. We have heard from you, Brigadier Kelly, that there will be ongoing consultation in relation to the site at Maribyrnong. Can we get some kind of absolute that that consultative process will continue and that it will include the local member as well as the council?

Ms Clark—It will increase substantially prior to and after the project manager has been appointed.

Senator MURPHY—There is probably a view that it has not really started as yet.

Ms Clark—I suppose it is a situation where we have been having informal discussions with a number of entities, including the Heritage Commission, Heritage Victoria and council. Certainly it will move into a much more structured process now.

Brig. Kelly—I would have thought it would be simply impossible to avoid that consultation process.

Senator MURPHY—I don't know about that, Brigadier Kelly.

CHAIR—You could certainly sell off the site. You do not have to get council permission to sell it. I think what people are concerned about is that it might be sold to someone with agendas that would give some rise for concern in the community and certainly to members of this committee. There are issues that clearly have to be looked at and resolved in terms of heritage and just what is in the public interest in terms of any future sale of the site.

Brig. Kelly—I understand those concerns. I can give a guarantee that that consultation will occur.

CHAIR—Thank you.

Senator MURPHY—In terms of the question of the redevelopment, when you say it will be treated as a single entity, I assume that will also be the case if there is any requirement in terms of decontamination.

Brig. Kelly—That is correct. As part of the disposal process we would have to address decontamination, and there are some contaminated areas on the site. The degree of contamination will, of course, inform the overall plan for how the site is zoned. Ms Roxon was concerned that employment opportunities would move from the area. I would hope that, even if that were a residential development, the number of people moving into the area as residents would offset that. In any case, I see no reason to assume that the development would not include commercial, light industrial or whatever. That is pure speculation, but I would anticipate that, as part of the consultation process, that would be considered. The statutory requirements for open space, for example, would also be considered, and the degree of contamination and what needs to be done to various areas to prepare them for different sorts of zoning would influence what was left as green space or open space.

Mrs CROSIO—I have a number of questions, but I would like to continue, Brigadier, if you do not mind, with the questioning that has just now been encountered because of the information you have just supplied the committee with. I have to go back to the member for Gellibrand's submission, on page 2, where she expressed concern that:

... the relocation of these facilities will, to the best of my knowledge, leave the Army Engineering Agency (AEA) as the only functioning facility on the whole site north of Cordite Avenue. This facility remains a significant employer in the region of, as far as I'm informed, several hundred people.

I she right in that submission? Are there several hundred people employed at this other AEA site?

Brig. Kelly—I do not know the exact numbers but yes, there are at least several hundred people there.

Mrs CROSIO—And AEA shares a common boundary, we have just been informed. We have also now been informed that this is under investigation and that it possibly will be moved in the future. I suppose my question comes back to evidence that was supplied to us by Ms Roxon. Exactly how many people, if you are able to estimate, have been employed in this site of Maribyrnong over the last ten years and how much loss has occurred in the last decade we are now looking at?

Brig. Kelly—You are talking about the whole site.

Mrs CROSIO—The whole site of Maribyrnong, yes.

Brig. Kelly—For AMRL the figures are somewhere near 600 at its peak maybe ten years ago, probably longer ago than that, now down to 230. So we add that to whatever AEA is. I have no good advice on AEA. I have no advice also on the EFM. That is another part of the organisation that I am not related to.

Dr Schofield—That is the major area that you saw vacant yesterday.

Brig. Kelly—Correct. I believe that activity there ceased about ten years ago. Back in World War II the number employed there was something like 14,000, I believe, but that was unusual circumstances. I do not know how many people were employed there up until about 1990, when it closed down.

Mrs CROSIO—But I suppose you, as the local member, and, I should imagine, the community around there as a whole, would be saying, ‘There are 200 going to go from this.’ Obviously, looking at the facilities, which we did yesterday, it is probably opportune that it does. But there again, there is another site now that is already going out for tendering processes. Another couple of hundred people will possibly go by the wayside as well.

Brig. Kelly—That is correct. There is very little comfort I can give in that circumstance except to say that Defence is required to conduct its business in as efficient and effective a manner as possible. The defence budget is certainly not improving and there are a number of initiatives under way to ensure that we are effective and efficient.

Mrs CROSIO—I want to come back to my original questioning. Looking at your submission, Brigadier, I take you to page 15, ‘Environment’, paragraph 64, which says that the site is located within the industrial zone and is situated in the city of Melbourne, remote from residential areas and that it has been assessed that there are no significant environmental impacts which would affect implementation of the proposal—there are no ‘social, economic or heritage interests in the proposed site. There are no significant public environmental impacts on the project.’ I am virtually quoting verbatim from your submission. But you are stating in evidence provided to the committee with the Defence response to the Australian Heritage Commission that you have accepted the AHC’s recommendation to conduct a heritage study of the Maribyrnong and Fishermans Bend sites, and buildings 1, 51, 16, 93 and 12 have some heritage value. Doesn’t this evidence appear to be in conflict with what you provide?

Brig. Kelly—Only one of those buildings is at all associated with the scope of this project, that is building 1. The statutory upgrade of that building is unlikely to impact on it. We have agreed that we will undertake another heritage investigation. We did discuss it recently and decided that it would probably be a desktop study. There have been a number of studies done. The buildings that you refer to are identified in the master plan as being of some heritage significance. The evidence specifically related to those parts of the site which are impacted by this project. Nothing on the site is on the register of the National Estate.

Mrs CROSIO—Do you believe that the project consultant should be the appropriate person to engage a heritage architect?

Brig. Kelly—On our behalf, yes. It would not be unusual for us to vary the commission of the project consultant if they had the resources in-house to actually do that work for us. We commission all consultants directly but the project consultant can initiate that work for us.

Mrs CROSIO—I come back to the last line of your statement, paragraph 64 that I read out: ‘There are no significant public environmental impacts on the project.’ Brigadier, what do you mean by ‘public environmental impacts’?

Brig. Kelly—The changes to the site will not create noise, fumes, smoke or any other public nuisance, nor will there be run-off or anything that we would call a public environmental impact.

Mrs CROSIO—I suppose we cannot because of commercial-in-confidence, but are we able to assess what the Maribyrnong site would be worth eventually, after decontamination?

Brig. Kelly—I would prefer not to put a dollar value on it. It is worth a significant amount of money, we believe. Nevertheless, until we actually identify just how much contamination remediation is required on site, it is hard to predict what the net outcome would be.

Mrs CROSIO—Would Defence be responsible for all of the decontamination of the site in the event that this project would be approved?

Brig. Kelly—I am not sure that I can guarantee that because there are so many different ways of doing business. Ms Clark can possibly expand on the way we normally do business. It could be that there would be other ways of doing business; that is, we could dispose of the site with a guarantee to a joint venture firm which might be responsible, as part of their proposal, to conduct the remediation. The more normal way is, as you suggest, for us to remediate the site before it is disposed of.

Ms Clark—Until we have done initial assessments of the site to understand what we are dealing with on the property, it is difficult to make judgments on how much remediation will be carried out. It will be remediated to meet its intended future use, whatever that might be. There are different techniques of dealing with contaminated material. It could be that you actually cap and contain it on the site, which is quite acceptable to the EPA. Whatever remediation strategy is adopted, it will fit the purpose for the future use and it will be done in line with EPA requirements in Victoria.

CHAIR—What percentage of the current site are you using at Maribyrnong and what is the cost to Defence in terms of the inefficiency of spreading your work over two sites?

Dr Schofield—I do not know that I can give a good answer to that. I think we no longer use one or two buildings which we have closed on that site. We are using the rest of the buildings partially, with much reduced numbers. Some of the old explosives and ordnance buildings we are not using at all. Some of the old test buildings in the explosives and ordnance area we have actually knocked down. Some of the people who are being relocated from Maritime Operations Division, which will be complete, I believe, in July this year, may still be in the old Maritime Operations Building. When they leave in July this year, that building will not be used, although

it has a conference room which we might use. I cannot give you a definitive answer on that. What was the other part of the question?

CHAIR—Would it be 10, 15, 20 or 30 per cent of the site that is being utilised?

Dr Schofield—For the AMRL site, we can take it roughly on percentage. I suppose compared with a full usage, say, of the 600 we are using 230-odd, so we are using roughly one-third of the site.

CHAIR—What is the cost of maintaining that site at the present time?

Dr Schofield—I am afraid I do not have that sort of answer.

Mr Domney—I have some figures, Madam Chair. In terms of the savings that we would expect from moving out of the site and moving to Fishermans Bend, some of the figures, which I think are quoted in our evidence, are roughly \$630,000 for the guarding, for instance, which would no longer need to be provided once we had moved to the other site. With no further duplication of libraries, which are obviously pretty important in an R&D organisation, we would save roughly \$195,000. There would be some administrative savings in vehicles and staffing of roughly \$360,000. Then there are some other elements such as facilities operations on minor new works and repairs and maintenance of roughly \$560,000. And there are other elements, too.

CHAIR—I noticed yesterday during the inspection some fairly serious problems with some of the buildings. I think one of them had a massive crack through wall.

Mr Domney—Yes.

CHAIR—What is the cost of maintaining the buildings on the site?

Mr Domney—In terms of the savings that we expect and in terms of facilities operations, roughly \$560,000 a year, and then there are other property services such as electricity, gas, water, reduced cleaning and so on which is again roughly \$260,000. As I indicated earlier, we are, of course, seeking to minimise expenditure in these areas.

CHAIR—I have not mentally totalled that as you have gone on, but do you have a total on your sheet of the current cost of operating that building, or the amount you would save by making this move?

Mr Domney—I do not have a current figure.

Brig. Kelly—The capability submission, in informing the economic analysis, assumed a saving of \$3.18 million per year by progressing with the option which we are proposing. That would be an early 1998 figure, I would think. So, presumably costs would have gone up since then.

CHAIR—I notice in your submission also that in option 2, which you say provides the best financial performance of all options, you talk about non-quantifiable benefits. Can you explain what you mean by non-quantifiable benefits?

Dr Schofield—Non-quantifiable benefits come from the nature of research which is fundamentally different from banking, trading or commerce. It is about innovation and innovation is a funny flower. It requires large groups of similarly trained people in similar areas working together in teams. It has very large components of what I will choose to call morale. You might have noticed in the tour yesterday that morale differed between the two sites. As I have stated before, working in an environment which is decaying, running down and does not have the services it used to have gives one sort of morale, and working in a new, clean campus-like environment gives another sort of morale. It is the single biggest determinant, I suppose.

I believe that you cannot order up people to be innovative. You have just got to give them the best environment, the stimulation and rewards for being innovative. It comes from many factors, but one is being able to talk to peers in your area easily; meeting them for morning tea; if you have a problem, going down the corridor to an expert in the field; and being able to get that sort of advice quickly and efficiently. I expect that we will have very large intangibles in the form of better innovation, but that is just based on my experience of being at the laboratory for 35 years. I have no definite, and what I would call scientific, proof for the committee.

CHAIR—This also leads me to the other question, because in your preferred option you state that you should have productivity gains in the order of two per cent. That is a conservative estimate. What methodology did you use in order to determine the productivity gains of your preferred option?

Dr Schofield—I do not know where the figure of two per cent came from. I cannot recall that. We will get productivity gains. For instance, we have fatigue tests to do with ships taking place in Fishermans Bend for Maribyrnong staff at the moment. The Maribyrnong staff spend quite a bit of time travelling between the two sites. You cannot do a fatigue test over the telephone. We will get efficiencies by having one library, as we have mentioned before. We will have efficiencies by needing only one set of those testing machines you saw. We had testing machines in Fishermans Bend and Maribyrnong which were very much the same. The work in the composites is very similar. We will be able to share equipment, expertise and facilities, and in the end that will give very large productivity gains.

We will be able to have classified conferences by like-minded scientists in like areas on ships and aeroplanes together on the one site and we will not have to bus people over. Inevitably you do not get everybody coming over on a bus trip because they are pressured to do things, but if they have to walk to the conference centre on the same site you are likely get more of them there. I am a great believer in scientists talking to their peers and exposing their work to their peers. In all those areas they are hard to quantify, but I think the strength of the arguments is that they will produce significant efficiencies.

Brig. Kelly—I have to acknowledge that that productivity benefit of two per cent was not exactly a scientific assessment but in the capability submission an assessment was made based on consultants' reports for the DSTO consolidation at Salisbury in South Australia which moved

staff from dispersed and old buildings to purpose designed accommodation. That analysis found probable productivity benefits of 10 per cent. For this site, simply a more conservative estimate of two per cent was taken, noting that it was virtually impossible to approach it in a more scientific manner.

CHAIR—I just noticed, flicking through, that in your summary of financial non-quantifiable benefit analysis for preferred option 2, under productivity benefits it says that there would be no savings relative to the status quo.

Brig. Kelly—I have to take your advice, Madam Chair. I will check it.

CHAIR—I will show you the page later. It is not numbered.

Senator MURPHY—I have a follow-up question about that. With regard to the expansion of Fishermans Bend, is that going to allow you to expand in an overall sense to cater for what would seem to be, given the work that you do, a likely increase in that work in terms of gaining all the benefits we gain from the work that you actually do?

Dr Schofield—I anticipate a growth of the work we are doing, for the following reasons. Those of you who came on the tour yesterday saw some fatigue tests of aircraft structures. When I was the chief of that division in 1991-92, we had one fatigue test and were contemplating starting the FA18 fatigue tests. Today we are doing a fatigue test on the F111. We have just finished one on the PC9 trainer. We are starting one on the PC3 Orion, which you saw yesterday. We have the FA18 fatigue tests continuing. We are considering joining the new Hercules test on the C130J with the United Kingdom. We are considering life extending the C130H Hercules. We have considerable work being proffered to us for helicopters. As the defence budget goes down, we will be keeping our aeroplanes longer and longer. I see a large and increasing workload for our expertise. We are trying to cope with this by putting the more mundane work or the more engineering type work out to industry and doing more of the high-tech work and the theoretical work that you saw yesterday, with the corrosion points joining up together to make a fatigue crack. That sort of work on the interaction of corrosion and fatigue is a new area where we will keep doing the high-level work and trying to get as much as possible of the other work done by industry, which is now clustering around us in Fishermans Bend.

As far as ships are concerned, there is a lot of difference technically between a submarine and an aeroplane. They both fly in fluids. They are both in very dangerous environments and if you get the structure wrong you are dead. They both have fatigue problems. So there are many things in common technically between the Collins submarine and aircraft. We have a very large program with the Collins submarine and that will continue over the lifetime of that submarine because nobody else in the world has a Collins submarine. We are on our own and we alone must solve the technical problems on that. On top of that we are looking at several new ship types on which we will be giving advice. They are very large projects at the multibillion dollar level for the military, as smart buyers of these ships. As you might know from reading the press, it is very good to get smart buyer advice on some of these purchases. So I look forward to an era of increasing workload from our military. Increasingly, I hope to outsource as much of that engineering work to industry while maintaining the high level of advice as smart buyer and smart maintainer at the high technical end of the spectrum for Defence officials.

Senator MURPHY—If you needed to construct another building or another test facility, does Fishermans Bend have the capacity for that? Does the site have the capacity to allow you to expand if you needed to?

Brig. Kelly—The consultants' reports indicate that there is still a 25 per cent expansion capability on site.

Senator MURPHY—At the end of this?

Brig. Kelly—Yes. I think that would require us to be fairly careful in the future though. As you noted yesterday in moving around, the site is fairly tight already. I suspect that there are local opportunities for expansion for the new buildings in particular but further expansion might very well require us to be more innovative and, for example, have a multistorey car park because I think we would certainly have to take over car parking spaces.

Mr FORREST—Thank you, Brigadier Kelly, for your comment about car parks. You always get procurement questions from me and also questions about wasted money on infrastructure. Someone has to start asking the public interest question about car parks. You are now talking about multistorey car parks to make way for future development. Can you tell me how much it costs to construct a car park on this site at Fishermans Bend including the value of the land?

Brig. Kelly—My comment on multistorey car parks was pure speculation as to what we might have to do in the future.

Mr FORREST—But you did not stop, you did not even hesitate, to say that—that is my point. How much does it cost to construct a car park at Fishermans Bend including the value of the land?

Mr Ross—Certainly \$50 to \$100 a square metre is the typical car park figure. The value of the land I could not comment on, particularly at Maribyrnong.

Mr FORREST—How much does that make the cost of the car park?

Mr Ross—A total cost of the order of half a million dollars.

Mr FORREST—Per car park?

Mr Ross—No, that is all up.

Mr FORREST—I am asking for the cost of one car parking space.

Mr Ross—It would be at 20 square metres by 100.

Mr FORREST—That would be \$2,000. What about the value of the land?

Mr Ross—I could not comment on that; I am sorry.

Mr FORREST—I notice on the site plans that you have presented that we have an increasing car parking requirement from an existing 474 to a new total 648. The implication from the evidence you have already given, Brigadier Kelly, is that we therefore need another 174 car parking spaces. What in fact we need to do is demolish existing car parking spaces to make way for new buildings and rebuild new car parking spaces, so you are really up for more than 174 extra car parking spaces. We have to rebuild a certain number, probably more than half of the existing spaces. So, of the 648 car parking spaces, how many are new because they have had to be relocated?

Brig. Kelly—We cannot answer that off the top of the head other than with speculation. I would prefer, with your indulgence, Madam Chair, to come back and provide you with accurate advice on that.

Mr FORREST—You could probably do that and indicate that amount in the cost estimate that has to be allocated for the demolition of existing car parks and their replacement.

Mr Ross—It would be of the order of 250 in total.

Mr FORREST—So it would be a substantial investment and yet nobody is asking the question about the philosophy of people just driving to the site. Is Defence aware that there are proposals for a new rail link into Port Melbourne? Is there any interest being shown in the proximity of the new route that might be taken to this site at Fishermans Bend?

Brig. Kelly—We only became aware of that on Friday. We are not aware whether that is purely a freight railway or able to be used for commuting.

Mr Ross—On the first issue of car parks, the car park provisioning is as advised by the local government authorities in that area. They are obviously privy to their plans for increased provision of public transport services. In terms of the rail link, there is a draft report that is about at the moment which I do not think has been made public, so we are a bit unclear but I think it is essentially a freight service that is talked about there.

Mr FORREST—So the end result is that taxpayers' money will have to be invested, probably to the tune of \$2 million or \$3 million, just for car parks for this site—and we do not get any new science and we do not get any new space age advantage.

Mr Ross—Our figure for the car parking is about \$450,000. The point to be made is that, were we to build some of the extensions other than on adjacent car parks, they would be a lot more expensive both in construction and operating costs terms for the people who were walking from building to building. It is a constrained site and in a perfect world we would not take up the existing car parking, but I think the efficiencies of extending buildings where appropriate are relevant here.

Mr FORREST—I am just concerned that the broader issue of the provision of car parking crops up on every site we are asked to investigate and nobody seems to ask if there is a better way to do this, to deliver accessibility to the site. Nobody ever bothers to do a bit of research and save us a whole lot of effort and basic capital.

CHAIR—We probably need to address that one to the council. As there are no further questions, I would like to thank the witnesses for appearing.

[11.24 a.m.]

GIBSON, Mr Ian Andrew, Manager, City Development, Maribyrnong City Council

CHAIR—Mr Gibson, on behalf of the committee I welcome you to this hearing. The committee has received a submission from Maribyrnong City Council dated 24 March 2000. Do you wish to propose any amendment?

Mr Gibson—No.

CHAIR—It is proposed that the submission dated 24 March 2000 be received, taken as read and incorporated in the transcript of evidence. Do members have any objection? There being no objection, it is so ordered.

The submission read as follows—

CHAIR—I now invite you to make a short statement in support of your submission before we proceed to questions.

Mr Gibson—Thank you. I have a couple of very quick comments. I thank the committee for the opportunity to speak today. Firstly, it has given us an opportunity to present material on behalf of council regarding this very important site for us. Secondly, it has been an opportunity to learn new information. For example, the information we have just heard about AEA is very important for us. Also, in my submission I have made reference to a directions plan for future land use and development for the Commonwealth land in the north of Maribyrnong, and I have extra copies if the committee would like to have copies of that report. I only have one coloured one and a number of other black and white ones. We can provide coloured ones in the future if that is your preference.

In our submission there are a couple of issues we have covered in some detail. First is the planning for the site, the future use of the site, and the second one relates to the loss of jobs. To speak briefly to the planning for the site, the council is likely to have much greater success in terms of the quality of planning for the site if we are working with the owner of a site on planning for a large brownfield site like this one. This is a particular issue with regard to Commonwealth land because of the limited powers which council have relating to Commonwealth land prior to its disposal. So it means that the communication and consultation processes prior to disposal become even more critical in the case of Commonwealth land and other privately owned land.

In the case of the Naval Stores and CSIRO developments next door, the planning did not work as effectively as we would have liked to see. That is why we are extremely concerned to ensure that the planning for the AMRL site and the wider northern Maribyrnong area is done in a more effective way in the future. The key issues relating to planning relate to the development planning prior to the disposal of the site and include also looking at the method of disposal—for example, as was referred to earlier, the issue of an outright sale or joint venture developments such as happened in the case of the ADI developments at Wests Road and Gordon Street where Comland have a joint venture with Lend Lease Development in the development of those sites. So the issue of the way in which they are sold influences, I suppose, how we deal with developers and the planning for a site. The more significant issue is whether the disposal occurs as a sale of a single lot or in many lots, and then the staging, depending on the disposal.

Our experience with a number of other large brownfield sites, particularly Commonwealth owned sites, brings out a number of issues that have been challenging over the last few years. For example, the Waterford Green development across Cordite Avenue is on 40-odd hectares of land, and that has produced a number of lessons for us which we have transferred to the Gordon Street ammunition factory development which is in the process of master planning at the moment. We are at an earlier stage, perhaps, in the northern Maribyrnong planning, but we have learned a number of things. One is the factor I have stressed in our submission, the need for integration—an integrated approach across disciplines and between the site itself and its neighbouring community to make sure there is good integration and you do not have an enclave established with the redevelopment of a site. In the case I mentioned of the naval stores and CSIRO that did not work as well as it should have. That is part of the experience we bring.

A second issue is the complexities relating to remediation of industrial sites, which are particularly significant in the city of Maribyrnong, which has been the site of a number of heavy industries and defence industries. So remediation has become an extremely important issue for us. The example of the ADI Gordon Street site in recent times has been a case in point. In association with the developers, a concept plan, a primary development plan, was developed in 1996 for the site. But following further environmental audit assessment, that master plan got changed quite substantially over the last year or two when areas that had previously been identified as possible certificate of environmental audit areas became statement areas. That limited what could be done on them and required a change in planning to take place. I suppose the key there is that the planning has to be robust to enable changes to take place and has to be flexible but also has to provide certainty for community and the developer as well. So the issue of contamination and remediation we found in the case of that site really is a terribly important one.

With regard to heritage issues, in the environmental effect statement process for the ADI sites, the two sites at the old ordinance factory and the old ammunition factory, the argument was presented by ADI at the time that the most significant heritage issues relating to the defence industries were on this EFM site, the northern Maribyrnong area. So there was perhaps a soft approach to heritage in those ADI sites. I suspect in the case of the northern Maribyrnong site there will be a much closer analysis of the heritage issues.

In my submission I point out that there has been a lot of study but that has not turned into planning controls yet. The issue of a variety of open space options has not always worked in the past and, possibly equally significant, the need to maintain jobs has been terribly difficult in our planning for other sites. For example, the Waterford Green site across Cordite Avenue has a mixed use zone. The aim of the mixed use zone was to have a mix of employment generating areas as well as some residential built within the mixed use zone in a sort of urban village type arrangement. As it has turned out, the market has not generated terribly much employment and we have ended up with a higher percentage of residential rather than employment activities. We are trying to work hard on methods to turn that around with the ammunition factory site in Gordon Street. Certainly this site, and in particular the area along Cordite Avenue, including the AMRL site, are ones that we would regard as terribly important to retain in employment. In my submission I mention that we would prefer AMRL to be there but if not AMRL, some equivalent industry that will provide significant employment options.

Finally, in our experience the key is the need for community consultation. We have not yet started a community consultation process in the case of planning for this northern Maribyrnong site. We will be very keen to work with Defence in establishing a process that brings the community into the consultation process. To sum up, with regard to planning we think that the council's role is to be active in the planning process and not reactive when we have a developer approach us with a proposal some time down the track after disposal.

The final main issue related to the loss of jobs. That has been discussed this morning in some detail. In a number of areas within the metropolitan area, I suppose it does not matter because it is easy to shift jobs from one place to another. In the case of Maribyrnong, though, our unemployment rate has been around double the Australian average and a bit more than double the Australian and Melbourne averages for quite some time because of the mismatch between

the skills of our workers and the jobs available, which has been brought about by several decades of the restructure of industry that was alluded to this morning. So, in Maribyrnong it is a special concern for us. Any loss of jobs is a concern. We are desperately keen to try and use any method we can use to try and encourage further jobs or the replacement of jobs that depart.

Reference has been made to the significance of Commonwealth employment. There are numerous Commonwealth operations including defence operations—the RAAF base at Tottenham, which was not mentioned this morning, the AAFCAN part of this northern Maribyrnong site and so on, as well as other Commonwealth operations like the migrant hostel and Telstra—which have all left the area or have reduced their operation very substantially over the last decades. We do not have exact numbers. We would have to go back to the employers for them. I did try to chase up census figures on residential employment. I will need a little bit more time to get those, but even those show significant numbers. If AMRL was to depart and—following this morning—if AEA is also to downgrade its operations or depart as well, our argument is that we would very much like to see the Commonwealth and Defence in particular play an active role in helping us and state and regional agencies in replacing those jobs to ensure that we remain with a focus on jobs instead of just being a residential area—which we have no intention of being.

CHAIR—Obviously the key issue here is the consulting process with the council and between defence services. Are you satisfied to date with the level of discussion? I know it is early days, but are you satisfied with the preliminary discussions that have taken place?

Mr Gibson—I suppose there is not a black and white answer. We have had numerous meetings with DEO in particular about mid 1998. A workshop was held on the site at EFM in July 1998 where a number of agencies, particularly the state agencies and Commonwealth and us as local government worked through a number of the issues. Or rather, we laid the issues on the table rather than worked through them. We have periodically met on specific issues but over the last year or two it has been on hold. Or we thought it was on hold. There has been less communication over the last year or two. I think Ms Clark mentioned that the project manager that DEO were intending to appoint would play a major role in that consultation. We are eagerly awaiting the appointment and keen to work with them. There have been discussions at the level of the council and initially with some of the state agencies. But, as I mentioned, we have not, nor have Defence, yet started any community consultation process, which will be very important in this site.

CHAIR—You must be heartened by Brigadier Kelly's assurance—in fact, guarantee—to the committee that that consultation with the council will take place.

Mr Gibson—Absolutely delighted, and we will certainly be keen to talk with him about the method of communication and consultation to make sure it is effective.

CHAIR—I might just ask you a couple of questions in relation to your submission. Do you think any new industry could be established immediately on that site, or would there have to be work done on the remediation? This may not be within your ability to answer, but do you have a view on this?

Mr Gibson—I suspect that most new industries would require a planning permit and, in the year 2000, we as a planning authority tend to require, at minimum, an environmental assessment. But where there is any likelihood of significant contamination we would require more like a statement rather than a certificate of environmental audit. So almost certainly there would need to be some initial analysis and a statement of environmental audit that an industry would require.

CHAIR—It would probably require some preliminary work. Would it be possible to carry that out to the satisfaction of the council while staff were still in a locality?

Mr Gibson—The environmental audits are carried out under the Environment Protection Act, the EPA, and the outcome is either a certificate which says you have got clean land or a statement which says that you can develop the land according to the conditions. The statement itself has to be to the satisfaction of the auditor, and really we do not have any other powers, as council, to require anything in addition to what an auditor would require.

CHAIR—I am saying that there is likely to be some remediation work on that site from evidence we have heard to date. Would it be reasonable to expect that that work could take place while current staff are working on the site?

Mr Gibson—I would not be able to answer that. It would depend very much on the nature of the contamination. Certainly you could not on some of the contaminated sites that we deal with in the City of Maribyrnong because of a very high level of contamination, but it may be possible. Again, that would be dependent upon what the auditor says.

CHAIR—The reason I ask this is that recommendation 2 of your submission says that the transfer of employment from AMRL Maribyrnong site should be deferred until replacement employment opportunities are found at the site, and I can fully understand why that would be your preference. I wonder whether that would be a reasonable request given the complexities of actually dealing with this site and, indeed, given the cost to the taxpayers of Australia of maintaining the site which we just heard this morning runs into several million dollars for 200 or thereabouts employees. I guess they are issues the committee also has to weight up in its deliberations.

Mr Gibson—I suppose the 200 employees from our viewpoint are extremely important workers within our city. In the case of whether it is possible for AMRL to move out and another industry to move in immediately, again it would be absolutely up to the auditor. Again it reflects the fact that we still do not know a lot about the site. It is very early days in the planning and, until we know more about the AMRL site in particular and the wider northern Maribyrnong area, that is precisely why our plan is very much a directions plan. There are such gaps in information at the moment.

CHAIR—Do you think that approach might also, on reflection, inhibit the opportunity to perhaps consider that site as a whole with a properly structured redevelopment approach?

Mr Gibson—If we had an alternative employer our preference would certainly be to have an integrated planning approach for the whole site in some detail. Already, in our municipal

strategic statement—which is the very broad strategic plan for the entire municipality—we do make very general references to this site, saying we expect it will be developed substantially for residential but we also make reference to employment along Cordite Avenue. So already we have flagged our preference for employment along Cordite Avenue. In this directions plan we reinforce that. And I suspect, if there was an industry about that would replace AMRL, we would be very keen to work very hard on the rest of our planning to ensure it was attractive. We are not going to lose an industry because we are slow in planning.

CHAIR—It looks as if it is going to be a bit of a juggle. I noticed a statement in the member for Gellibrand’s submission urging the committee to note the significance of this site and the impact of its activities on the lives of the citizens there, and to make sure that areas of open space are set aside for the public, that there is maintenance of historic and heritage aspects of the site, and that there is affordable public housing. It sounds like it is going to be a major job to determine the overall future of this, and I imagine that a piecemeal kind of development could create a few problems.

Mr Gibson—Indeed, it could. Our preference would be for that wider and more integrated planning approach, but the reality of local government is that sometimes you have a proposal that has to be dealt with immediately. The classic case here was the naval stores and CSIRO land where we had an application that we had to deal with immediately, in the absence of the wider plan. So we ended up with what was our best guess as to what might be the linkages into the wider northern Maribryngong area. In the case of AMRL, if we had an application for a replacement of jobs, we would have to look at it; but, obviously, it would be much better if it was dealt with in the wider planning sense. We are looking for jobs not only along the AMRL/AEA sites on Cordite Avenue but also, as our directions plan indicates, at the possibilities for additional small scale employment with some local shopping towards the middle of the site, around the old buildings of the existing administration areas of EFM. We have identified a location where we think a school might be appropriate.

CHAIR—If you were to start today, how long do you think that process of determining the complete future and perhaps attracting new industry into the locality might take?

Mr Gibson—Madam Chair, it could take months or years. From my experience, firstly within the city of Maribryngong, it has been terribly difficult in some parts to try to attract industries, and at other times you get an industry that arrives in two weeks. Prior to my work at Maribryngong, I worked in the Latrobe Valley and the difficulty of attracting industries there meant that you worked for years. So it is very difficult to put a time scale on it, but it is fair to say that it requires active work. Replacement of jobs does not just happen; it requires facilitation by the council and support from regional bodies, as well as the state and Commonwealth.

CHAIR—Would it involve the council in rezoning that area to accommodate new industry?

Mr Gibson—Absolutely, because at the moment it is for Commonwealth purposes.

CHAIR—So the rezoning would eventually have to go through the state?

Mr Gibson—Yes, eventually it is approved by the state minister. But the nature of planning for this site—I think I have mentioned it in my submission—is particularly complex because there are a number of Commonwealth and state levels, as well as local government levels, that need to be addressed. Our view is that, if we do that in a piecemeal or sequential way that does not make sense, we could end up with a second best solution or 10th best solution for planning for the site. I think it is going to require a pretty creative approach between the three levels of government to make sure that all of the issues are addressed. The two obvious ones are heritage—where you have Commonwealth and state heritage bodies—and contamination—where you have state and local environmental and Commonwealth environmental requirements.

So I think it is going to require a pretty creative approach between the three levels of government to make sure that all the issues are addressed. The two obvious ones that jump out are heritage, where you have got Commonwealth and state heritage bodies, and contamination, where you have got state environmental requirements, and ours too, as well as Commonwealth environmental requirements.

CHAIR—Given all of those points you have now made, I wondered how realistic your recommendation to the committee was that a move be deferred. I can understand very much the city's desire to keep the employment base here, but, given all the complexities that you have just outlined for the committee in dealing with this as a site, I wonder if that is actually a very realistic request.

Mr Gibson—We would be keen to start immediately on trying to facilitate replacement industries. There would be some complexities with regard to the planning. The interface with the river, for example, is terribly important. Maintaining open space links is important. Maintaining transport links between the site and the Maribyrnong site is terribly important. But if it were possible to retain jobs we would start tomorrow.

CHAIR—But, as you have outlined, it is not entirely in your hands in terms of the timetable, so there are some constraints that you are working with there.

Mr Gibson—That is correct.

CHAIR—I had better let someone else ask some questions.

Mrs CROSIO—Could you provide us with the total population of your council area?

Mr Gibson—It is 61,000 in the city of Maribyrnong.

VICE-CHAIR (Mrs Crosio)—And in that 61,000 you estimate at times 14 to 16 per cent unemployment. Do you have a census indicating the age group of the unemployed?

Mr Gibson—Figures are not as easily available for age grouping. You can get census figures but they are out of date, clearly, and some Commonwealth figures—

VICE-CHAIR—Is it the younger side of your population or the older side?

Mr Gibson—My guess would be that it would probably be the older rather than the younger. Our population tends to be a little bit older than the state and Melbourne average but, with the very rapid growth in population through the redevelopment of mainly Commonwealth sites, our age distribution is coming down and going against the national trend. My guess is that the unemployed are probably slightly higher than average in the older age groups, but certainly there are issues with younger age groups and it is very high with regard to non-English speaking background people. We have a very big migrant population with a very high proportion of non-English speaking background people.

VICE-CHAIR—Can I take you back to looking at an overall plan you would like to have for the site. You would certainly be treating the site eventually with mixed zoning, not just all residential. Is that what you are assuming when you talk about job creation?

Mr Gibson—Absolutely. Not necessarily a mixed use zone, though we think that would have a role in some of the wider area. It may be business or industrial zones, but certainly not all residential. I suppose our vision for the city is one not just of residential suburbs but of a mix. The existing city of Maribyrnong has a history of heavy industry, changing very rapidly to commercial and education and entertainment sorts of industries. We would anticipate that the zoning probably would end up with a zone that is flexible. Mixed use is desirable but there may be some parts of the site that would be appropriate to be industrial or business zones.

VICE-CHAIR—What happened on the other sites? From looking at your overall plan that has been submitted to us and also visually, you seem to have all residential going in those sites. What happened there? Didn't you put mixed planning in, or what?

Mr Gibson—Roughly five-sixths of the area of the Waterford Green site from the river heading east is zoned residential, obviously with open space areas in the middle and so on. Along Wests Road it was all zoned mixed use and, as I mentioned earlier, mixed use allows residential with a permit, but the idea was to encourage the development of jobs and services as well. The current mixed use area will have a number of retail areas built on it and some services along west side of Wests Road. On the east side of Wests Road we are anticipating peripheral sales, which could be bulky goods, gymnasiums, service stations or whatever. We still have not had any applications for development of that east side of Wests Road yet, and the development of jobs in that area has been very difficult for a number of reasons. It is partly just the timing of the development and partly the proximity to Highpoint, which is 100 metres away. Clearly, this is an issue also for the northern Maribyrnong site.

VICE-CHAIR—From what you have said just now, you are not proposing in that plan that you have a ribbon development, are you?

Mr Gibson—No. We would very much like to see an industry with characteristics not unlike AMRL along there. That is the sort of industry that we would like to see. Whether it ends up there is another matter.

VICE-CHAIR—In my own area when I sat on local government for nine years we had to develop an industrial park which ended up in Sydney. I think it is one of the largest in the southern hemisphere, but it took a lot of years. I know you have a prime site here. Can I take

you back to some of the questioning by the chair concerning piecemeal development. It would completely go against what you have here as 3.6 which states:

3.6 We do not want to consider development of the AMRL site without a wider Development Plan ...

Basically, what you are saying, what Defence is saying and even what the member for Gellibrand is saying is that, if it is to come about, it has to be planned well and it has to be an overall development plan. This will be required with consultation, which we have now been assured will continue to happen. Do you have anything else following that questioning that you felt you wanted to add?

Mr Gibson—I would be delighted with that outcome. We keep stressing the need to ensure that that type of plan is exactly the sort of approach.

VICE-CHAIR—I still have to go back in my own mind to look at the development that has occurred in the past on what was previously Commonwealth land and realise—as you have admitted and council have admitted—that five-sixths is residential, allowing only one-sixth. Did council at the time envisage a larger area to be developed for a mixed zone development, in other words, to bring in industry, business or commercial activities? Or did you want to add that stage just settle for residential? When we look at the overall plans, an input has to come at every level. Consequently, at the end of the argument it is no good debating the issues after the event when the horse has bolted. Surely you would give consideration up front and say, ‘Yes, this is what we wanted. We only ended up with five-sixths, but we really wanted two-thirds, one-third or whatever, of industry to bring jobs into that area.’

Mr Gibson—When the environmental effect statement and the rezoning process was developed, ADI submitted a number of options for the redevelopment of the site that is now called Waterford Green. One was totally residential; one was totally industrial. There were a couple of other options, including the residential and mixed use option. Certainly the panel ended up supporting that option.

VICE-CHAIR—Were you on that panel at the time?

Mr Gibson—No, I was not. This is an issue relating to amalgamation of local governments, which is a bit of a problem because the Waterford Green site was in the former city of Sunshine and the ADI Gordon Street site was half in the city of Footscray and half in the city of Sunshine. We have good records on the city of Footscray’s presentations, but very poor records of the city of Sunshine’s position on the case. So I am not sure what exactly the city of Sunshine submitted at the time. With regard to the Gordon Street development, the city of Footscray certainly supported a residential and mixed use concept on that site.

Mr FORREST—I would like to congratulate your council, Mr Gibson, for seeing this as a big opportunity. Some communities collapse when change happens, but you have seen it as an opportunity. Council has obviously allocated a significant amount of resources. These consultants and pretty coloured maps do not come cheap. What drives council to make a financial commitment like that to preserve its interests here?

Mr Gibson—What drives council's commitment is a desperate desire to ensure that planning for this site is done effectively. We have three very big redevelopments of former Commonwealth land—the two ADI sites and this site—which are absolutely rebuilding our city. As the member for Gellibrand mentioned, it is desperately important that the planning for this is done correctly. We think the very early stages of planning are very important and we need to be active up front rather than reactive. With respect to throwing a lot of resources into it, we have an internal team across the branches of council that now have some really good experience in planning for brownfield sites in an inner city area, which is most unusual planning, and so I think we are starting to get some expertise.

With respect to the consultants who prepared the plans, it was a very small budget, I can assure you, to employ some people to come in, take our ideas and reproduce them in a diagrammatic form like that. Like a lot of other activities in the City of Maribyrnong, we have done it with a very limited budget, but I think the outcome still reflects a reasonable state of thinking about the future of the site.

Mr FORREST—Because of that commitment, I think you deserve every support in the request you have made of the committee. There is a lot of exciting urban renewal happening around Melbourne. As a committee, we see it in other cities too. I think it is a good opportunity and I would like to publicly congratulate you for the effort. It is up to us to make sure that it is not wasted. I think what you are asking is perfectly reasonable.

CHAIR—Thank you very much for your submission.

[12.02 p.m.]

ANDERSON, Mr Michael Charles, Senior Project Manager--Economic Development, City of Melbourne

CHAIR—Welcome. The committee has received a submission from the City of Melbourne Council dated 14 March 2000. Do you wish to propose any amendment?

Mr Anderson—No, Madam Chair, but there is reference within the council's submission to its municipal strategic statement called 'City Plan'. That was not part of the accompanying documents that came with the submission to the committee. If it is possible or relevant, I would like to submit that. If additional copies are required, I can certainly make those available.

CHAIR—It is proposed that the submission dated 14 March 2000 be received, taken as read and incorporated in the transcript of evidence. Do members have any objection? There being no objection, it is so ordered.

The submission read as follows—

CHAIR—I now invite you to make a short statement to your submission before we go to questions.

Mr Anderson—I had an aerial photograph that I was going to use as part of my presentation but it is not set up to comfortably view that. Unless you deem it necessary that I get it out, I will leave it to one side. The City of Melbourne is obviously the host council for not only the existing AMRL site at Fishermans Bend but also the proposed development. As a matter of interest, it became part of Port Melbourne only back in 1993 when the then state government resolved that it was important to bring all the strategically important assets surrounding the city, such as the ports, the South Bank areas and industry areas, within the capital city, which is the premier municipality within the state.

As Dr Schofield so eloquently paraphrased the City of Melbourne submission, since having the area within its boundaries the City of Melbourne has recognised its importance strategically, and certainly in terms of its research and development and advanced manufacturing capabilities. As was mentioned, there are some fairly significant aerospace activities in the area, with Boeing-ASTA, Hawker de Havilland, the Aeronautical and Maritime Research Laboratories and RMIT's department of aerospace engineering and, as Dr Schofield said, we are delighted to welcome—in August I believe—British Aerospace's research and development facility, which is on the immediately opposite side of the road called Todd Road. We would basically like to see about eight or nine more British Aerospace facilities if possible. The area has other significant research and development facilities such as Holden's design section for its Asia-Pacific region, which is also located in Fishermans Bend. That employs up to 200 engineers. Kraft has a significant research and development sector in the area as well, also for its Asia-Pacific region.

The City of Melbourne's strategy under the city plan, which is the document I tabled before, is basically to support the development of the aerospace, automotive and other industries of state significance. I know it is an overused term, but there is a definite aerospace 'cluster' that has been established in this area. We fully support this development as being one way that this cluster can be developed even further. It is interesting to note that the proposal by AMRL really looks at the knowledge end of advanced manufacturing, which we see as consistent with the area because, as I know Brigadier Kelly mentioned earlier, the area is a heavy manufacturing area. There are still components of heavy manufacturing and that will continue in the future but there is a definite shift. I think that is principally to do with the cost of land in the area. It is almost double the price of land of similar industrial areas in the more outer parts of Melbourne—certainly on the western side. There is a definite reason why organisations have to be in the Fishermans Bend area, and we believe that it is basically the location—the proximity to the road system; the proximity to similar industries, as in the aerospace industry; and the significant access that is provided by being close to the airport, ports and the CBD.

Council has done a lot of work in the area and AMRL is certainly represented on an industry organisation that council has set up in the area. Council has prepared a structure plan, not to be confused with the master plan, I guess, that AMRL have, and the desire there is to see that the area is developed into a clean, high profile, value added, manufacturing and research and

development area. We would see the proposal being put forward today as entirely consistent with that. We hope that will provide a further impetus to council's vision and the vision of other organisations in the area to see that area developed. I do not know whether it is appropriate at this point in time to talk about some of the issues that Mr Forrest raised about public transport and car parking or whether he wants to leave that until questions, but I can talk a little about some of the queries.

CHAIR—I think we can leave it that Mr Forrest asks some specific questions about that. That would be useful. Given that a couple of members of the committee were unable to present yesterday at the physical inspection of the site, I wonder whether you would just give us a very brief outline of the area on the map that you brought with you. Can you just outline the areas and let us briefly have a look at the rail link proposals.

Mr Anderson—It is probably not going to mean a hell of a lot to the people behind the map.

CHAIR—But it is for the committee's benefit because, as I say, a couple of the members did not manage to come to the inspection.

An aerial picture was then shown—

Mr Anderson—This is basically the area within the city of Melbourne. There is the West Gate Freeway and the Yarra River. The AMRL site is this particular area here.

CHAIR—Excuse me for a moment, Mr Anderson, but if there is anyone in the audience that really wants to have a look at this they are welcome to come and stand over here for a few minutes. Please proceed, Mr Anderson.

Mr Anderson—As I said, that is the Aeronautical and Maritime Research Laboratories site there. This picture was taken in September last year, but this here is the actual location of the new British Aerospace facility. Boeing-ASTA is located in this section here. RMIT's Department of Aerospace Engineering, which is actually on part of Boeing's site, is here. Hawker de Havilland are located here, but they are due to relocate sometime late this year or early next year. So you can see there is quite a definite clustering of aerospace activity geographically. Holden, which I was just talking about, has its design centre for the Asia-Pacific region located there. Kraft's research facility is located there.

CHAIR—And the plans for the rail link?

Mr Anderson—What used to happen is that the rail used to curve along this bridge here, and this area in here is all part of the docklands development, which I am not sure if you are aware of. What has effectively happened is that this line, which used to run along Lorimer Street, has effectively been cut off from here. The state government recently announced in its latest transport initiatives, which are centred on the Very Fast Train and a number of other things, that a new bridge is required to go across the Yarra. It would be a low level bridge for the rail, to come from down here through to Webb Dock, which is where the ultimate end of the rail is going to be because this is going to be developed as a container port.

CHAIR—So where, roughly, will it go when it comes off the bridge?

Mr Anderson—It will come down here. The rail line still exists along here. It comes along there, crosses Todd Road and Lorimer Street there, goes across there and winds down there. I should say that it did operate in the late eighties and into the early nineties but it was not something which was heavily utilised. A lot of shipping has been relocated from the docklands area as part of a development of Bolte Bridge, which is the new bridge effectively stopping that being used as a port. So expanded port facilities here will contain stacking areas, which are proposed down there.

Mr FORREST—The rail is only for goods and not for passengers?

Mr Anderson—It is only for goods. The public transport issue is a fundamental issue for the City of Melbourne and the area. It is basically serviced by bus at the moment but that is heavily underutilised at the moment. I think there are only about 1,500 trips per day done by bus. What you also have to realise is that my understanding of scientists in particular is that they keep unusual hours and the bus service is not necessarily catering for that. National Express own the bus service plus a few tram and train services in the city. We would ultimately like to see whether there would be any capacity to use that line as some kind of enhanced people movement system whether it be light rail or freight.

We did some work back in 1998. There are about 7,500 people working there at the moment. That will increase over time but I do not think there is that critical mass at the moment or that the transport system is flexible enough. Any inquiries we get from major real estate agents working on behalf of potential locaters into this area say that public transport is the number one issue that they like to see addressed. It is a weakness in the area.

CHAIR—Thank you for that. We will now proceed to questions.

Mr FORREST—Mr Anderson, in town planning requirements there is often a condition that relates to car parking where, if developers cannot provide the required number of car parks on their sites because they would prefer to take up those areas with building space, they can pay to council a contribution in lieu of car parking, which then gives council a fund to reinvest and to develop its own public car parking space. Does that happen in your city?

Mr Anderson—It does happen. It does not necessarily happen in this area and it would probably not happen in this case because of the planning permits that are required.

Mr FORREST—If it did happen in this Melbourne ports area, what would be the monetary contribution that the developer would have to pay to council?

Mr Anderson—You've got me there. I was once a town planner. I do not work in that area any more. I will answer it in a roundabout way. The strength of Fishermans Bend in the past has been, as on a lot of sites, that there has been ample area for car parking to be achieved, but we are rapidly coming to a time where we have to be more strict on car parking. We do not tend to take cash-in-lieu car parking payments, unless it is in strip shopping centres or areas such as

Lygon Street. We do have parking limitations in the city where we actively discourage the provision of car parking.

Mr FORREST—What do you do in the CBD if a property developer cannot provide car parking?

Mr Anderson—It is slightly different in the city. The city has a policy where we actively discourage provision of car parking in the city because the council has as one of its general aims to get more people to use public transport. That causes tensions because a lot of developers do want to provide car parking. So we do not promote the provision of car parking and we do not take cash in lieu because we do not necessarily want the car parking in the city of magnitudes that would exceed the normal requirements.

Mr FORREST—I suppose my question about car parking is to get the community to start thinking about this. With all those motor cars with one person in them—albeit they are scientists, and I acknowledge all the odd hours and all of that—there does not seem to be any carrots or sticks or anything to try to encourage people to use public transport. It is an environmental issue, as well as community health and a whole stack of other things. In the CBD you have been able to establish a philosophy because there is a shortage of car parks and people would rather use the tram. It is just not happening down this side. I am concerned that a lot of capital is being invested in car parks on this site and we would rather see it spent on leading edge science.

Mr Anderson—The council would share your concern and I think the majority of organisations in Fishermans Bend would share that concern as well. Dr Schofield alluded to the difficulties. I think the terminology is ‘modal split’ in that people have to come into town and get a bus to get out. That causes its own difficulties. We have been trying to work with the bus companies in more of an educational way in terms of improving public transport rather than reducing car parking or requiring more car parking. Yes, they will provide the services, but the people have to use it. There is a bit of a problem at the moment in that the service is not flexible enough to meet those people’s needs. If you surveyed a number of the organisation, there are people who would use public transport. But the public transport simply is not frequent and does not connect with other modes of public transport at this present time to make people make that shift from the easy option, as it seems at the moment, to drive you car to work to actually taking public transport. In the immediate future, we have to work with the bus and transport companies to try to improve public transport.

Mr FORREST—Do you have a process in play by which you can achieve that?

Mr Anderson—Yes. As I may have touched on, we have an organisation called the Port Melbourne Business and Industry Group, on which AMRL is represented, as well as all of the major industries in the area such as Kraft, Holden, Boeing and a lot of the other industries who work together as a collective group. We have had meetings with National Transport, which is the bus company owned by National Express, to try to improve public transport. It is certainly on the agenda to pursue in future some collective sort of bringing to the attention of both the state government and these companies that there is a significant problem down there and that there is a potential market to be tapped. It is really getting the right things in place. Long term,

the best option we see would be if we were to utilise that railway line in some way for some form of public transport—a light rail type.

Mr FORREST—Or trams?

Mr Anderson—Yes, like the articulate trams we have out there. I think there would probably be difficulty in the gauge situation, but you have the reservation there and the technology may exist to have a line within a line.

Mrs CROSIO—The new buses that come on the road and go on the rail.

Mr Anderson—Those as well. I suppose we have to look laterally as to the way in which we can provide flexible public transport without massive public infrastructure costs.

Mr FORREST—It is the broader question—excuse me for being philosophical about it. The kind of constituency that I represent resents the capital investment that is made here for road transport when there are more efficient options. Nobody who lives in these cities asks themselves the question.

CHAIR—I think we have pretty well covered the issues relative to this hearing. Thank you very much.

[12.20 p.m.]

CLARK, Ms Elizabeth June, Director, Property Disposals, Defence Estate Organisation, Department of Defence

DOMNEY, Mr Murray Francis, Assistant Science Corporate Management, Defence Science and Technology Organisation

KELLY, Brigadier Garry Ross, Director General Project Delivery, Defence Estate Organisation, Department of Defence

LOWSON, Mr Andrew Byars, Project Director, Defence Estate Organisation, Department of Defence

SCHOFIELD, Dr William Hunter, Director, Aeronautical and Maritime Research Laboratory, Defence Science and Technology Organisation

ROSS, Mr William John, Associate, Connell Wagner Pty Ltd

CHAIR—We do not have to swear you in again, but I remind you that you are still under oath. We are going to move straight to some questions from Senator Murphy.

Senator MURPHY—I have a few questions with regard to AEA. You said there is a tender that has been called for. I think the tender closes shortly.

Brig. Kelly—I do not know when it closes. All I know is that a decision will not be made until later in the year, possibly in October.

Senator MURPHY—What year or years was the tender called for?

Brig. Kelly—I regret I do not know, Senator.

Senator MURPHY—You might take these questions on notice and provide me with that information. In terms of an in-house bid, given that your objective is to vacate the entire site out at Maribyrnong, do you have any information pertaining to what limitations were put on the in-house bid in respect of their long-term accommodation? If they were to win a bid, what does that mean in terms of their ability to provide whatever they might be providing from an accommodation point of view? Has there been any instruction long term for them to vacate the site, whether or not they are successful?

Brig. Kelly—The short answer is that I do not know. I would speculate that the facilities have not been mandated, but if the in-house bid has to use those facilities and is nevertheless able to demonstrate that it is the best solution, then I imagine they would stay on the site occupying those facilities, as indeed I believe a commercial provider who wins the contract would be

entitled to, if that is the most efficient way ahead. I imagine it would be a short to medium term solution, but I have to repeat that I am speculating. I will get the answer for you.

Senator MURPHY—That would be useful. Finally, with regard to the progress, if, ultimately, you vacate the site—all of it or part of it, whatever the case might be finally—could you provide the committee with an up-to-date report sometime into the future within the next 12 months from the point of view of us being able to see how you are progressing?

Brig. Kelly—We can do that. The end of the year would be an appropriate time, after the move of the administrative people into Bourke Street has been completed and after the results of the CSP process are known.

Senator MURPHY—Thank you.

CHAIR—As there no further questions, it is proposed that the documents listed on the sheet that has been circulated to members of the committee be incorporated into the transcript of evidence. There being no objection, it is so ordered.

The documents read as follows—

CHAIR—Before closing, I would like to thank all the witnesses who have appeared before the committee today and those who assisted our inspections yesterday. It was a very comprehensive inspection, thank you. A special vote of thanks is due to the President of the Legislative Council for making the hearing facilities available today. I would like to thank the secretariat for the work they have done as well.

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

That, pursuant to the power conferred by subsection 2(2) of the Parliamentary Papers Act 1908, this sectional committee authorises publication of the evidence given before it and submissions presented at the public hearing this day.

Committee adjourned at 12.24 p.m.

