

## Issues and Conclusions

### Project Costs

- 3.1 Defence has provided an estimated outturn cost for the redevelopment of the Defence Force School of Signals of \$101.3 million including constructions costs with fit-out, professional fees furniture and fittings and a contingency sum.<sup>1</sup>
- 3.2 While acknowledging comments made by Defence in terms of the justification of the project, the Committee noted during the course of the inquiry that in addition to the accommodation upgrade proposed, Simpson Barracks will also be the recipient of a major investment of Commonwealth funding associated with the 2<sup>nd</sup> phase of Project Single LEAP.
- 3.3 The Committee expressed concerns that the proposed accommodation upgrades at Watsonia were being undertaken independently of Single LEAP that might rule out economies of scale.
- 3.4 Defence has subsequently informed the Committee that the time-line for the delivery of the 2<sup>nd</sup> phase of single LEAP would not be completed until around 2011 – 12 whereas the current proposal would see an estimated completion date of 2009. Given the identifiable demands for additional

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<sup>1</sup> Appendix C, Submission No. 1, paragraph 18.

accommodation arising from the requirement to consolidate the various campuses of the DFSS, there was some degree of urgency to expedite work on the current project.

- 3.5 That notwithstanding the Committee has learned that the estimated costs of providing a separate development as proposed for Simpson Barracks, independently of the works to be undertaken as part of Single LEAP, may be higher than what would be incurred under the delivery of a 'bulk' project.

### **Recommendation 1**

**To take advantage of economies of scale the Committee recommends that where possible Defence consider coordinating future accommodation works with the phases of Single LEAP.**

## **Rationalisation of the DFSS**

- 3.6 In its Statement of Evidence, Defence explained that as a result of its historical single service origins, the DFSS is located across three campuses; two in southern Victoria (Simpson Barracks and the Maritime CIS Wing at HMAS CERBERUS) and one in Queensland (EW Wing at Borneo Barracks, Carbarlah).<sup>2</sup>
- 3.7 Rationalisation of communications and information training conducted at the three campuses was identified as a priority in 1998 on the back of the Defence Efficiency Review undertaken at that time, with Simpson Barracks becoming the centre for the new DFSS. Arrangements to relocate the EW Wing at HMAS CERBERUS are in place.<sup>3</sup>
- 3.8 Borneo Barracks at Carbarlah in Queensland may, subject to government agreement, also be relocated to Watsonia.<sup>4</sup>

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2 *ibid*, paragraph 3

3 *ibid*, paragraph 4

4 Appendix D, Official Transcript of Evidence, p. 3.

## Recommendation 2

**As there is some uncertainty over the relocation of the EW Wing at Carbarlah, the Committee recommends that Defence inform it as to the final decision on its future, and any savings that might be achieved if relocation does not proceed.**

## Recommendation 3

**The Committee recommends that if it is decided not to relocate Carbarlah to Watsonia, it be informed as to any consequential savings.**

- 3.9 The Committee drew the department's attention to the submission from the Federal Member for Flinders expressing concerns that the relocation of the EW Wing at HMAS CERBERUS to Watsonia may have an impact on the economy of the town of Hastings and that the decision to relocate the EW Wing at HMAS CERBERUS to Watsonia should be reassessed.<sup>5</sup>
- 3.10 Defence was also asked what advantages there were in the expenditure of significant funds to include the maritime wing at Cerberus in the current redevelopment when that facility was only about 2½ hours away from Watsonia.<sup>6</sup>
- 3.11 The department replied that of nearly 800 Navy personnel located at HMAS CERBERUS only 50 would be relocated to Watsonia.<sup>7</sup>
- 3.12 Further, Defence explained that the rationalisation of training was identified as a priority in 1998 and confirmed in 2002 with the establishment of the DFSS that would rationalise service specific training schools. Since then and where possible there has been a program of rationalising training facilities into DFSS as a single entity. In addressing the Committee's question regarding the maritime Wing at HMAS CERBERUS, Defence informed the Committee that:

...in the communications and information systems area...for the servicemen of ...Army Navy and Air force...this business is largely common. As [the services] deploy and operate in various parts of Australia and overseas, [we] use like equipment and interoperate between ourselves...having an element dislocated by

5 Submission No. 4, The Hon Greg Hunt MP, Federal Member for Flinders

6 Appendix D, Official Transcript of Evidence, p.2

7 *ibid*, p.4

a matter of a couple of hours does not maximise the training opportunity and does present ...some difficulties with command and control direction and day-to-day management.<sup>8</sup>

- 3.13 Defence also informed the Committee that the relocation of the maritime wing was included in the total package for the works to be undertaken at Watsonia, and that they could not now be extracted from the overall project without redesign of the project, and that:

...as difficult as those things are, in the medium to long term the best outcome is for the collocation of that capacity with the rest of it so [we] grow the capability together as a defence force.<sup>9</sup>

- 3.14 On the issue of the timing of the move from Cerberus to Watsonia, the Committee was informed that relocation would occur over the Christmas/New Year break 2009/10 depending on the ability of Navy to meet that timing. However Defence informed the Committee that there were some personnel issues that Navy needed to resolve that might see the relocation being delayed by up to a year.<sup>10</sup>

## **Efficiencies and Savings**

- 3.15 The Committee sought clarification on the matter of savings that Defence had indicated would be delivered as result of the rationalisation of DFSS to one campus.<sup>11</sup>

- 3.16 According to the department, savings would be delivered from two sources; one through base operations arising from the closure of the EW Wing at HMAS CERBERUS, and the second from efficiencies in the provision of training. Defence went on to say that while no dollar figure could be attached to those savings at this point in time, there:

....may be efficiencies in the delivery of training...through the amalgamation of these capabilities through a reduced number of instructors and that type of thing.<sup>12</sup>

- 3.17 The Committee pointed to the last Defence Efficiency Review that was conducted in 1998, noting that it was some time ago, and asked whether Defence had any more recent experience of co-locations of Defence

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8 *ibid*, p.3

9 *ibid*, p.4

10 *ibid*, pps 8 and 9

11 *loc. cit.*

12 *loc. cit.*

establishments, and how successful these have been. The Committee also noted that Defence had given an indication that in the case of Watsonia an estimated \$600,000 saving would result from the present project.<sup>13</sup>

- 3.18 Defence informed the Committee that the savings identified had been delivered by a mix of savings from lower facilities costs and efficiencies related to personnel.<sup>14</sup>
- 3.19 The Committee was subsequently informed by Defence that from concept designs it was estimated that annual operating costs for the preferred method of delivery for the redevelopment of Watsonia will increase by \$0.5 million annually based on scope of the development. This is balanced by an estimated \$1.1 million decrease in operating costs at HMAS CERBERUS producing the estimated savings in annual costs of \$0.6 million annually.

## Facility Occupancy

- 3.20 In its Statement of Evidence, Defence proposes that the DFSS Redevelopment project will in part involve the construction of 216 new Live-in Accommodation (LIA Level 5) rooms for long-term trainees and the refurbishment of some existing LIA Level 3 rooms.<sup>15</sup>
- 3.21 The Committee sought clarification of the occupancy levels for Watsonia, specifically the numbers of personnel participating on courses provided by the DFSS, and the number of personnel on base at any one time.<sup>16</sup> The Committee also sought clarification on the effect on existing facilities at Watsonia should the EW Wing at Borneo Barracks Carbarlah, Queensland also be relocated.<sup>17</sup>
- 3.22 Defence submitted that in addition to existing staff, there would be a further 50 personnel, and an additional 300 to 500 trainees, but that the possibility of the relocation of Borneo Barracks had been factored into the present project.<sup>18</sup>
- 3.23 On the broader enquiry as to the throughput of the DFSS in its entirety, Defence informed the Committee that:

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13 *ibid*, p. 5

14 *loc. cit.*

15 Appendix C, Submission No. 1, paragraph 12

16 Appendix D, Official Transcript of Evidence, p 5.

17 *loc. cit.*

18 *loc. cit.*

There are 5,000 [personnel] as an annual throughput for the school in its entirety....there are approximately 200, 250 to 300 for Cerberus, 300 to 500 for EW Wing, and the remainder are...at Simpson Barracks. The longest courses that run include, firstly, in maritime wing at Cerberus, a nine-month initial entry training course for the junior sailors<sup>19</sup>.

[Secondly]... initial entry training courses for Army's radio and information systems operators run between seven and eight months....the longest training courses ...run are those for the electronic warfare operators out of Carbarlah....they are between nine and eleven months long.<sup>20</sup>

- 3.24 In response to the Committee's request for clarification of the maximum capacity on base at any one time, Defence advised that:

...on any given day the maximum capacity...is about 650 school-wide. Here at the base it is a bed limit, but the capacity is 650 within the School of Signals on any given day.<sup>21</sup>

- 3.25 The department also submitted that maximum occupancy is 780 beds on base which is only achieved when there are three to four people to a room that translates to 450 rooms. According to the consultant engaged by Defence all the courses conducted at Watsonia, including the relocation of the maritime wing, were analysed from the perspective of the provision of accommodation. This analysis indicated the peak demand over a year, of which the figure of 80 percent was applied allowing for peaks and troughs in occupancy rates, but recognising that in times of peak demand there may be doubling up of four to a room. Eighty percent currently represents 798 beds which can be increased by putting four to a room in certain blocks.<sup>22</sup>

- 3.26 The Committee has subsequently received a satisfactory explanation as to how Defence arrived at the number of beds required for Watsonia.

## **Integration of the DFSS**

- 3.27 As described in the Statement of Evidence submitted by Defence, the DFSS provides trained CIS operators and technicians on behalf of all three services, and the wider defence organisation. The objective of the
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19 *ibid*, p. 6

20 *loc. cit.*

21 *ibid*, p.7

22 *loc. cit.*

rationalisation of the CIS training conducted on three campuses is to remove the limitations on joint and networking training; to minimise operating expenses; to improve the effectiveness of command and control, knowledge and resource sharing, and develop greater interoperability between the services.<sup>23</sup>

- 3.28 The Committee noted that in the floor plans supplied by Defence as attachments to its Statement of Evidence, the maritime wing appeared to be quarantined from other aspects of the development, and questioned the extent of integration that Defence indicated as important to the future of the DFSS.<sup>24</sup>
- 3.29 Defence responded by acknowledging that some elements of the maritime wing would indeed move into refurbished buildings, while others, those engaged on top secret and secret training, would be located to specialist spaces in the new building. Furthermore, according to Defence there were parts of the new building that would be especially adapted for use by the maritime wing in order to accommodate special equipment being transferred from CERBERUS.<sup>25</sup>
- 3.30 The Committee also enquired as the status of ‘network-centric warfare’ noting that if there were disquiet between the arms of the services was this a reflection of a reluctance to embrace integration.<sup>26</sup>
- 3.31 Defence explained that there was no issue surrounding communications *per se*, but in the context of the relocation of the maritime wing from Cerberus, there might be some issues more to do with Navy personnel moving from a Navy facility to one that aspires to be an integrated services facility. It was further explained that in the context of ‘network-centric warfare’ for it to be an effective network it was important that it be consistently applied throughout the services in terms of delivering a network-centric capability.<sup>27</sup>

## Decommissioning of Existing Buildings

- 3.32 The Committee noted during the site inspection of Simpson Barracks that a number of buildings were to be decommissioned, including building 160, but that the Master Plan for the estate contained no reference as to the

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23 Appendix C, Submission No. 1, paragraphs 3 and 4

24 Appendix D, Official Transcript of Evidence, p9

25 loc. cit.

26 loc. cit.

27 *ibid*, pps 9 and 10

future of these. The Committee queried the appropriateness of decommissioning structurally sound buildings that were assets, representing value to the taxpayer.<sup>28</sup>

- 3.33 In responding, Defence informed the Committee that some of the buildings destined to be decommissioned were prefabricated living-in accommodation, while the future of others of more substantial construction was as yet undecided, but pending a decision they would be left vacant.<sup>29</sup>
- 3.34 The Committee heard that the department was currently undertaking a regional accommodation review within the Melbourne area that would include consideration of the future of surplus buildings, following which decisions would be taken as to whether there was an opportunity to reuse or demolish them.<sup>30</sup>

#### **Recommendation 4**

**The Committee recommends that Defence consider the refurbishment of structurally sound buildings over demolition, including Building 160, and that this work be undertaken either as part of the current scope of works or when funds are available.**

## **Environmental Impacts**

### **Removal of an obsolete Fuel Depot**

- 3.35 In its Statement of Evidence, the scope of the proposed redevelopment of Simpson Barracks will also include the removal of an obsolete fuel depot.<sup>31</sup>
- 3.36 The Committee was concerned as to how this would be achieved, particularly since in addition to removing the building, tanks and equipment the soil surrounding the site may also be contaminated through seepage and spillages.<sup>32</sup>

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28 *ibid*, p. 11

29 *ibid*, p.12

30 *loc. cit.*

31 Appendix C, Submission No. 1, paragraph 12

32 Appendix D, Official Transcript of Evidence, p. 12



- 3.37 Defence indicated that it had engaged specialist consultants to provide advice on the extent of the work required, and that a report had been prepared prescribing that the work to be undertaken should be in conformity with Victorian EPA-accepted guidelines, followed up by additional groundwater investigation if deemed necessary.<sup>33</sup>
- 3.38 The Committee also heard from the specialist consultant engaged by Defence confirming that an investigation into the presence or otherwise of hydrocarbons in the soil both at the site and in the surrounding soil had been undertaken and that there was no evidence of any leakage of hydrocarbons.<sup>34</sup>
- 3.39 On the basis of further information supplied by Defence the Committee was informed that an amount of \$75,000 estimated as the cost of remediation works following the removal of the fuel depot was confirmed by specialist consultants engaged by the department to undertake the demolition and removal of the facility.
- 3.40 The Committee was satisfied with the breakdown of estimated costs associated with works relating to the demolition and removal of the existing fuel tank depot, provided by Defence subsequent to the Inquiry.

## Energy Ratings

- 3.41 The department's Statement of Evidence states that:
- ...For the new DFSS building, specific performance targets for energy savings, water reduction, waste reduction and construction management have been set, based on Defence's Green Building Requirements policy and procedures. The ESD target is to meet the requirements to achieve 4 star Green Star rating.<sup>35</sup>
- 3.42 The Committee sought confirmation that the proposed redevelopment of Watsonia would take into account the recommendations made by the Australian Greenhouse Office (AGO) with a view to ensuring that the highest possible energy ratings are achieved and that Defence will give consideration to the wattage of lighting and IT matters.<sup>36</sup>
- 3.43 Defence informed the Committee that it could confirm earlier undertakings given in a letter to the Committee on 16<sup>th</sup> January 2007 that it could comply with AGO recommendations. The department added that in addition to meeting the AGO's energy requirements, the works would

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33 *ibid*, p. 13

34 *loc. cit.*

35 Appendix C, Submission No. 1, paragraphs 51

36 Appendix D, Official Transcript of Evidence, p. 14

also incorporate a number of other initiatives ranging from waterless urinals to rainwater tanks on all of the new buildings to offset approximately 33 percent of toilet ablution and other amenities.<sup>37</sup>

- 3.44 Defence also informed the Committee that the local water authority had awarded Simpson Barracks the 2005 Pathways to Sustainability Award in recognition of its water conservation efforts.

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**Recommendation 5**

**The Committee recommends that the proposed Defence Force School of Signals redevelopment at Simpson Barracks, Watsonia, Victoria proceed at the estimated cost of \$101.3 million excluding GST.**

**The Hon Judi Moylan, MP**  
Chair  
23 May 2007