

Issues and Conclusions

Employment

Local and long-term employment

- 3.1 In its main submission to the Committee, Defence stated that some 200 personnel would be employed directly on construction activities over the four-year construction phase of the proposed works. Defence also anticipates flow-on of further job opportunities into the local area from the prefabrication of components and the supply of construction materials¹.
- 3.2 In her submission to the Committee, Mrs Vicki Tupman noted that the unemployment level in the Hunter region stands at around 11 per cent and queried the anticipated flow-on of indirect jobs². Defence responded that:
- the number of indirect jobs will be a function of the proposals submitted by tenderers and the nature by which the works will be carried out³.
- 3.3 The Committee questioned Defence as to the prospects for employment of local businesses and labour in the execution of the proposed works. Defence responded that the managing contractor delivery mechanism chosen for the project packaged work into elements that would allow local

1 Appendix C, Submission No. 1, paragraph 113

2 Volume of Submissions, p. 51

3 Volume of Submissions, p. 85

firms to compete, and that such an arrangement had achieved high levels of local input on a similar project undertaken by Defence at Townsville⁴.

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

long-term jobs are more likely to flow from the support to the capability being delivered through the contract for the AEW & C project⁵.

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

Training and apprenticeships

- 3.5 In its submission to the Committee, the Hunter Valley Training Company Pty Ltd (HVTC) proposed a formula of one apprentice per year to be employed for every \$2 million spent on the proposed works⁶.
- 3.6 In response to the submission by the HVTC, Defence stated that, whilst they understand the reasons for such a proposal, Defence
- has a core principle of achieving value for money in expenditure of Commonwealth funds⁷.
- 3.7 The Committee noted that achieving value for Commonwealth funds was also of primary concern to the Committee. However, the Committee questioned whether an arrangement of the kind proposed by the HVTC would be incompatible with this principle. Defence responded that they intended to follow Commonwealth procurement guidelines, which do not provide any guidance on inserting into tender documents conditions of the type proposed by the HVTC.
- 3.8 Mr Graham Moss of Gutteridge Haskins Davey Pty Ltd (GHD), appearing as a witness for Defence, noted that his company employed undergraduates at no significant increase to costs. He added that the New South Wales government required a ratio of one apprentice to every four tradesmen employed on government building projects, but that the Commonwealth had no similar conditions in place⁸.

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

5 Appendix D, Hansard Transcript, p. 7

6 Volume of Submissions, p. 45

7 Volume of Submissions, p. 83

8 Appendix D, Hansard Transcript, p. 40

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

Recommendation 1

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

Costs

Airfield user arrangements

- 3.11 The Committee queried current lease arrangements between Defence and Newcastle Airport Limited (NAL), specifically in respect of the proportion of maintenance, infrastructure and air services costs borne by each party.
- 3.12 The Committee noted that Williamtown is essentially a Defence airfield, and inasmuch, differs from joint user airfields such as those at Townsville and Darwin. Defence explained that the difference between the two types of airfield lies in the relative number of military and commercial aircraft movements. Defence estimated that some 80 per cent of aircraft movements at Williamtown were military⁹. Defence concluded that they would prefer:

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

- 3.13 In response to the Committee's concerns regarding charges applied to commercial operators using Defence airfields, Defence stated that they were currently reviewing all charging arrangements, particularly in relation to air traffic services¹¹.

Recommendation 2

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

Project delivery mechanism

- 3.14 Defence intends that the proposed works will be delivered chiefly via the managing contractor form. The exception to this will be the No. 2 Squadron headquarters and engineering services to the proposed AEW & C precinct. These elements will be delivered under a separate head contract for completion by January 2004, to coincide with the relocation of No. 2 Squadron from Canberra to RAAF Base Williamtown¹². Defence cited time constraints as the reason for this form of delivery¹³.
- 3.15 The Committee asked if it would be possible and more cost-effective to deliver both of the proposed contract elements under a single managing contract. Defence did not believe this to be the case. Defence reiterated that the defining requirement was to have certain work elements completed by January 2004. Defence stated that a managing contractor arrangement involved a preliminary project scoping and design period before commencement of construction, which would not satisfy all project timing requirements¹⁴. Defence added, however, that there was no impediment to a contractor bidding successfully for both contracts¹⁵.

10 ib id

11 Appendix D, Hansard Transcript, p. 41

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

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

14 Appendix D, Hansard Transcript, p. 15

15 Appendix D, Hansard Transcript, p. 42

Essential services

Sewerage

- 3.16 The Committee inquired as to the possibility of the water and sewerage authority bearing the capital cost of proposed alterations to the RAAF Base sewage treatment arrangements.
- 3.17 Defence replied that it would discuss the matter with the relevant authority, the Hunter Water Corporation¹⁶.

Electricity

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

Consultation

- 3.21 Several witnesses¹⁷ raised the issues of stormwater drainage, aircraft noise and coordination of the provision of essential services. These were presented as issues of significance to the broader Williamtown area. Witnesses were generally satisfied that communication channels remained open between Defence, stakeholders and the wider community¹⁸.

16 Appendix D, Hansard Transcript, p. 12

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

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

However, several witnesses requested that Defence continue to maintain the flow of information and negotiation. This view was supported by the Committee¹⁹.

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

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

master planning is a dynamic thing; there have been a number of options contained within that master plan that are no longer valid and we are removing these so that we are not creating the wrong understanding or expectation in the community²⁰.

Defence added that they had undertaken to supply a copy of the Master Plan to relevant stakeholders by the end of the year, but would endeavour to do so as soon as possible²¹.

Conclusion

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

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

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

20 Appendix D, Hansard Transcript, p. 39

21 ib id

Recommendation 3

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

Hon Judi Moylan MP
Chair
29 August 2002