

Introduction

Referral of Work

- 1.1 On 10 May 2007, the proposed Rationalisation of Facilities at RMAF Butterworth, Malaysia was referred to the Public Works Committee for consideration and report to Parliament in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).¹ The proponent agency for this work is the Department of Defence (Defence).
- 1.2 The Hon Gary Nairn MP, Special Minister of State, informed the House that the estimated out-turn cost of the proposal is \$23.6 million, and that subject to parliamentary approval and further design works, construction will start in early 2008 for completion in late 2009.

Background

- 1.3 The Government's White Paper on Defence, *Defence 2000: Our Future Defence Force*, describes the basis for Australia's defence relationship with Malaysia in the following terms:
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¹ Extract from the *Votes and Proceedings of the House of Representatives*, No. 167, 10 May 2007.

5.37 Australia and Malaysia have a long history of military cooperation, demonstrated over the years by Australia's support of the territorial integrity of Malaysia in earlier crises and through the ongoing ADF presence at Butterworth. A wide range of practical bilateral cooperation underlines the durability of our shared interests in regional security.

5.38 Australia's membership of the Five Power Defence Arrangements (FPDA) commits Australia, along with New Zealand and the United Kingdom, to assist Malaysia and Singapore against external aggression. Membership of the FPDA serves enduring Australian interests in the security of maritime Southeast Asia, and complements our bilateral relationships in the region.²

- 1.4 The presence of the ADF at RMAF Butterworth is reflective of Australia's support of the FPDA. The arrangements provide a forum for policy, planning and operations between each of its parties as well as providing an important training opportunity for members of the Singaporean and Malaysian armed forces. Initially the arrangements were conceived as a transitional agreement to provide for the defence of Malaysia and Singapore in the event of an external threat. Against the background of 9/11, combined with the probability of conventional state-on-state conflict being low, there has been a policy shift from direct threat scenarios to a focus on non-conventional challenges such as global terrorism, piracy, protection of exclusive economic zones, disaster relief and smuggling of illicit drugs.³
- 1.5 Established in 1992, the Malaysia-Australia Joint Defence Program provides a framework for defence activities from high-level policy talks to individual training programs. A Status of Forces Agreement, which took effect in 1999, set up standard conditions for the presence of visiting forces of either country on issues such as jurisdiction, claims, immigration, and customs.⁴
- 1.6 The Defence International Engagement Plan 2006-2009 reaffirms Australia's commitment to the FPDA and underpins a commitment to a continuing ADF presence at RMAF Butterworth at the current level of manning.⁵

2 *Defence 2000: Our Future Defence Force*, Commonwealth of Australia, 2000.

3 Appendix C, Submission No. 1, paragraph 6.

4 *ibid.*, paragraph 7.

5 *ibid.*, paragraph 8.

- 1.7 The arrangement for the ADF's use of facilities at RMAF Butterworth is set out in a 1988 exchange of letters between the Malaysian and Australian Ministers for Defence. The essential features of the agreement are:
- the nomination of facilities to be made available for ADF;
 - the arrangements for payment by Australia for use of the facilities, repairs, maintenance and refurbishments;
 - the requirement to seek consent from the Malaysian Government for the construction of new facilities or the altering of existing facilities used by the ADF;
 - the arrangement of payment for the provision of infrastructure services; and
 - the agreement to transfer all ADF facilities to the Malaysian Government when the ADF withdraws from the base.⁶

Site

- 1.8 RMAF Butterworth is on the North West coast of Malaysia, opposite the island of Penang. The primary runway runs north-south, parallel to the shoreline, and the western boundary of the base is only some two hundred metres from the shoreline. The main built up area of the base, including the ADF facilities, lies between the main runway and the western boundary.⁷

Options Considered

- 1.9 The ADF is committed to a continuing presence at RMAF Butterworth at the current levels of personnel in order to sustain operational requirements. The options considered for the provision of appropriate facilities to support that commitment were to either replace all facilities or adopt a mix of replacement and refurbishment.⁸
- 1.10 Defence concluded that of the two options a mix of replacement and refurbishment was the most viable and cost effective. New construction

6 *ibid.*, paragraph 15.

7 *ibid.*, paragraph 49.

8 *ibid.*, paragraph 36.

would be restricted to the replacement of facilities that have been condemned, are uneconomical to upgrade or extend, or pose health risks to ADF personnel. For the remaining facilities, refurbishment was considered to be suitable. The decision to adopt a mix of replacement buildings and refurbishment was also believed to be an option that would keep the ADF facilities in proportion to its presence at RMAF Butterworth while meeting the disparate needs of the units.⁹

- 1.11 Defence considered but rejected the collocation of all administrative and headquarters elements on one site on the basis that:
- a single large headquarters building accommodating all ADF requirements on one site would be inconsistent with the heritage and landscaping of the precinct. It would dominate other nearby buildings and was considered to be inappropriate given ADF's role and status on the base;
 - the existing arrangement of three headquarters buildings would retain the operating advantages inherent with 92 Wing Detachment A and Army elements being close to their functional areas, i.e. Hangar 51, Hangar 50, the Quartermaster stores and armoury respectively;
 - the poor condition of the existing administrative buildings meant that there would be little difference in cost between refurbishment and replacement; and
 - the refurbishment of existing administrative buildings would limit the functionality of outcomes, in view of the shape, size and layout of existing buildings.¹⁰

Inquiry Process

- 1.12 The Committee is required by the Act to consider public works over \$15 million¹¹ and report to Parliament on:
- the purpose of the work and its suitability for that purpose;
 - the need for, or the advisability of, carrying out the work;
 - whether the money to be expended on the work is being spent in the most cost effective manner;

9 *loc.cit.* See also paragraph 39.

10 *ibid.*, paragraphs 37 – 38.

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

- the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
 - the present and prospective public value of the work.¹²
- 1.13 The Committee called for submissions by advertising the inquiry in *The Weekend Australian* and *The Canberra Times* on Saturday, 19 May 2007. The Committee also sought submissions from relevant government agencies, local government, private organisations and individuals, who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

Inspection and Hearing

- 1.14 Under the terms of the Act, the Committee may not convene at any place outside Australia and its external Territories. Where a public work is to be carried out outside Australian and its external Territories, the Committee:
- ...shall consider the work on the basis of plans, models and statements placed before it and of evidence (if any) taken by it.¹³
- 1.15 On Friday 15 June 2007 the Committee conducted a confidential hearing attended by officials of the Department of Defence on the costs of the proposed works to be undertaken at RMAF Butterworth followed by a public hearing, both of which were held at Parliament House, Canberra.¹⁴

12 *ibid.*, Section 17.

13 *ibid.*, Section 18B.

14 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday 15 June 2007 at Parliament House, Canberra.

