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The Parliament of the Commonwealth of Australia

Report 2/2011

# Referrals made in November 2010

Facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria

Proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales

Parliamentary Standing Committee on Public Works

March 2011  
Canberra

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## Membership of the Committee

Chair	Ms Janelle Saffin MP
Deputy Chair	Senator the Hon Judith Troeth
Members	Mrs Karen Andrews MP
	Mr John Forrest MP
	Senator Michael Forshaw
	Mr Steve Georganas MP
	Senator Gavin Marshall
	Mr Bernie Ripoll MP
	Hon Malcolm Turnbull MP

## Committee Secretariat

Secretary	Sharon Bryant
Inquiry Secretary	Anthony Overs
Senior Research Officer	Thomas Gregory
Administrative Officers	Shaun Rowe Claire Young



## List of recommendations

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## Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to enquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Special Minister of State.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.<sup>1</sup>
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
- the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
  - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
  - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
  - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
  - the clearing of land and the development of land for use as urban land or otherwise; and
  - any other matter declared by the regulations to be a work.<sup>2</sup>

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1 The Act, Part III, Section 18 (8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work, and work by prescribed authorities listed in the *Regulations*.

2 The Act, Section 5.

- 1.4 The Act requires that the Committee consider and report 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;
  - 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.<sup>3</sup>
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

## Structure of the report

- 1.6 Works considered in this report were referred to the Committee on 24 November 2010 by the Special Minister of State, the Hon Gary Gray MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on major issues of concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria. The project is estimated to cost \$50.291 million.
- 1.11 Chapter 3 addresses the proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales. The project is estimated to cost \$19.17 million.
- 1.12 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.

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3 The Act, Section 17.

## Proposed facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria

- 2.1 The proposed facilities for the introduction into service of Land 121 vehicles would provide for the reception of vehicles, as well as for training vehicle drivers and mechanics. The project would be delivered by the Department of Defence, and has an estimated cost of \$50.3 million.
- 2.2 The proposal was referred to the Committee on 24 November 2010.

### Conduct of the inquiry

- 2.3 The inquiry was advertised in *The Australian* newspaper and submissions sought from those with a direct interest in the project. The Committee received two submissions and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 2.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 31 January 2011 in Brisbane.
- 2.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.<sup>1</sup> Plans for the proposed works are detailed in Submission 1: Department of Defence.

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1 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

## Need for works

- 2.6 Defence's submission states that the works are necessary because the introduction into service of the new vehicles cannot be undertaken with existing facilities. In particular, there are three necessary activities:
- Reception of vehicles will take place over a long period of time, but current facilities could not handle the volume nor vehicle size involved. Defence advised the Committee that up to 7,500 vehicles will be acquired under the Land 121 project.<sup>2</sup> In particular, hardstand and warehouse facilities are needed for receipt and inspection, minor repairs, fitout with accessories, and eventual dispatch;
  - Operator training requires classrooms, an undercover training area, inspection ramps, a vehicle compound for training vehicles and administration facilities for training staff;
  - Maintenance training requires space for vehicle inspection (including bays with cranes, and parts storage), as well as classrooms, administration facilities and amenities for staff and students.
- 2.7 Defence's submission states that its decision to centralise each of these operations on three individual sites (two in the Brisbane region and one in northeast Victoria) is supported by its own cost and risk modelling.<sup>3</sup> During the hearing Defence submitted that it was inefficient to construct and operate a series of facilities in different regions, and that such an approach would entail the movement of staff to each new location as the rollout continued.<sup>4</sup>
- 2.8 As for its decision to locate the reception and operator training facilities in the Brisbane region, Defence advised the Committee that 30 per cent of both total delivery locations<sup>5</sup> and prospective vehicle students<sup>6</sup> are in the region. In addition, constructing the operator training facilities on RAAF Base Amberley will enable use of the existing 'safe driver training area' on the Greenbank training area, rather than building a new facility of this type.<sup>7</sup>

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2 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 1.

3 Submission 1, Department of Defence, p. 11.

4 Mr J. Fuster, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 10.

5 Submission 1, Department of Defence, p. 11.

6 Mr J. Fuster, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 10.

7 Mr J. Fuster, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 10.

- 2.9 The decision to construct the maintenance training facility in Victoria locates it with the Army's existing training facilities for mechanical and electrical engineers.<sup>8</sup> This ensures that, when the facilities are no longer used as part of the Land 121 project, they can be used for other training.
- 2.10 Both RAAF Base Amberley and Gaza Ridge Barracks also have sufficient spare capacity in living-in accommodation for the short periods during which students will undertake training.<sup>9</sup>
- 2.11 The Committee finds that there is a need for the proposed works.

## Scope of works

- 2.12 The proposed scope of the works is detailed in Submission 1: Defence. Briefly, the project proposes three main sets of works:
- Rollout facility – Damascus Barracks, Meeandah QLD:
    - ⇒ Open-portal frame building for delivery inspection, with vehicle bays and a small office, and capacity for repair of minor faults, with tool storage;
    - ⇒ Warehouse for fitout of vehicles, including 14 vehicle bays, offices, amenities for staff and storage for parts;
    - ⇒ Vehicle hardstand area of 32,950 m<sup>2</sup>, and perimeter road with roundabout to allow movement of commercial vehicles, and other base road upgrades as necessary; and
    - ⇒ New gatehouse to barracks.
  - Operator training facility – RAAF Base Amberley, QLD:
    - ⇒ Combined administration and instruction building, including two 24-student classrooms, offices and amenities for training staff and storage areas; and
    - ⇒ Vehicle compound (incl 12,896 m<sup>2</sup> hardstand) to accommodate training fleet (up to 45 vehicles) and 13 administrative support vehicles, with undercover training area and inspection ramps.
  - Maintenance training facility – Gaza Ridge Barracks, VIC:
    - ⇒ Building comprising 11 double vehicle bays with storage and cranes, two 12-person classrooms, offices and amenities.

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8 Mr J. Fuster, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 10.

9 Submission 1, Defence, p. 11-12.

- 2.13 Construction is expected to commence in early 2011, and to be completed in early 2012.<sup>10</sup>
- 2.14 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

### Cost of works

- 2.15 The total estimated out-turn cost for this project is \$50.3 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with Defence on those costs.
- 2.16 The Committee is satisfied that the costings for the project provided to it are adequate.

### Project issues

#### Land Transfer

- 2.17 The proposed site for the rollout facility, next to the existing Meeandah Barracks in Brisbane, is currently owned by the Department of Immigration and Citizenship (DIAC). According to Defence's submission, the transfer of this land (back) to the Department of Defence has been agreed, at no cost. The original submission added that the transfer would be finalised in 'December 2010'.<sup>11</sup>
- 2.18 At the Committee's hearing on 31 January 2011 in Brisbane, Defence advised the Committee that it 'had not met the [December 2010] milestone' for the transfer of land.<sup>12</sup> Later in the same hearing, Defence spoke to advice from DIAC (received in the morning of 31 January), that the land transfer would be further delayed by unforeseen processes within DIAC.<sup>13</sup>

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10 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 3.

11 Submission 1, Defence, p. 13.

12 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 2.

13 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 19.

- 2.19 Whilst the Committee understands that Defence has been invited by DIAC to commence works on the land as the project schedule deems necessary, regardless of whether the land transfer is complete,<sup>14</sup> this situation could bring some uncertainty to the project. The Committee is uneasy that the opinions of crucial decision-makers in DIAC were not known by Defence until the day of the Committee's public hearing.
- 2.20 Whilst the delays in the land transfer seem not to impinge on the project schedule, it is nevertheless concerning that Defence has not met its milestone of December 2010, and is now unable to give a new date by which the land transfer will be complete.

## Flooding in summer 2010-2011

- 2.21 Defence informed the Committee during its site inspection that the Meeandah Barracks site was not inundated during the flooding of Brisbane some weeks earlier. According to Defence, there remained a buffer such that a flood would need to be significantly higher to affect the land at Meeandah Barracks. Defence will also increase the site level by 300 millimetres.<sup>15</sup> Defence stated that it is also confident that the sites at RAAF Base Amberley and Damascus Barracks are above flood levels 'as experienced'.<sup>16</sup>
- 2.22 The extensive damage to and destruction of houses and civic and commercial buildings in Queensland is expected to greatly increase demand for construction labour and supplies, particularly for the so-called 'finishes trade'.<sup>17</sup>
- 2.23 Defence, however, believes there are circumstances which will mitigate the potential delays resulting from such an extensive flood. Firstly, construction in Queensland is still less than it was in 2008, and the increased construction from government stimulus is coming to a close. Secondly, the majority of works in this proposal will have minimal need for the 'finishes trade', as most buildings are of open portal-frame

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14 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 19.

15 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 12.

16 Brigadier D. Naumann, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 4.

17 Mrs B. Meszaros, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 4.

construction, and interior finishes are reserved for offices and classrooms.<sup>18</sup>

### Committee comment

- 2.24 Overall, the Committee is satisfied that this project has merit in need, scope and cost.
- 2.25 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

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### Recommendation 1

**The Committee recommends that the House of Representatives resolve, pursuant to Section 18 (7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: proposed facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria.**

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18 Mrs B. Meszaros, Department of Defence, *Proof Transcript of Evidence*, 31 January 2011, p. 5.



## Proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales

- 3.1 The proposed fitout of new premises for the Australian Taxation Office (ATO) in Albury would provide new office accommodation for all ATO staff currently based in Albury. The estimated cost of the project is \$19.2 million.
- 3.2 The proposal was referred to the Committee on 24 November 2010.

### Conduct of the inquiry

- 3.3 The inquiry was advertised in *The Australian* newspaper and submissions sought from those with a direct interest in the project. The Committee received two submissions and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 3.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 15 February 2011 in Albury.
- 3.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.<sup>1</sup> Plans for the proposed works are detailed in Submission 1: Australian Taxation Office (ATO).

### Need for works

- 3.6 The ATO submission states that the works are needed because the current premises have been occupied since 1991, and the fitout and building

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<sup>1</sup> <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

services were constructed in that year. The building and tenancy have a NABERS<sup>2</sup> Energy rating of 3 stars, 1.5 stars below the Commonwealth Government's minimum rating. The existing lease will expire in 2012, and the ATO conducted an open-market test to find possible accommodation options beyond the life of the lease.

3.7 The Committee finds that there is a need for the proposed works.

### Scope of works

3.8 The proposed scope of the works is detailed in Submission 1: ATO. The project proposes to fitout approximately 10,400m<sup>2</sup> of office space (including basement storage) across six floors and basement. The fitout will include:

- integration of building services (electrical, mechanical, communications, security, fire and hydraulic) into the base building works;
- supplementary air-conditioning for rooms with special requirements;
- lighting control system and data cabling, security infrastructure and supplementary fire services where necessary;
- reception areas, open plan work areas and workstations;
- standardised offices sized 28.8m<sup>2</sup> and 14.4m<sup>2</sup>;
- breakout spaces, quiet rooms and casual meeting space;
- computer rooms, storage facilities and security areas;
- conference, training, first-aid, amenities and kitchen facilities; and
- bicycle storage, showers, change rooms and lockers.<sup>3</sup>

3.9 The building and fitout will achieve or exceed 4.5 NABERS stars, a condition under the Green Lease Schedule.

3.10 Fitout works are expected to commence in March 2011, and to be completed in October 2012.

3.11 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

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2 National Australian Built Environment Rating System.

3 Submission 1, Australian Taxation Office, p. 19-21.

## Cost of works

- 3.12 The total estimated out-turn cost for this project is \$19.2 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with the ATO on those costs.
- 3.13 The Committee is satisfied that the costings for the project provided to it are adequate.

## Project issues

### Commonwealth Savings

- 3.14 During its public hearing, the Committee asked the ATO about the projected savings as a result of the proposal. The ATO informed the Committee that it would save approximately \$500,000 each year on reduced electricity, water and waste management, given the new building's more efficient systems.<sup>4</sup>
- 3.15 Additionally, the ATO will save money by avoiding upgrades to its existing premises. In all, the ATO believes it will save some \$15 million over the life of the lease, and the Committee commends the ATO for undertaking this course of action.<sup>5</sup>

### Local employment

- 3.16 The ATO is a major employer in Albury, and the Albury site is one of the ATO's larger offices.<sup>6</sup> At its hearing, the Committee asked the ATO about the extent to which local tradespeople and companies will be used in construction works. The ATO advised the Committee that the building owner expected to 'create 300 jobs locally for trades'.<sup>7</sup>

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4 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 3.

5 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 4.

6 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 5.

7 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 5.

- 3.17 The Committee is pleased that the ATO intends to remain a significant employer in Albury, especially given this commitment to a lease of between 15 and 25 years.<sup>8</sup> The Committee is also pleased that the ATO is contributing to new urban and civic infrastructure for Albury, consistent with the city plans of the Albury Council.<sup>9</sup>

### Committee comment

- 3.18 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 3.19 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

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### Recommendation 2

**The Committee recommends that the House of Representatives resolve, pursuant to Section 18 (7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales.**

Ms Janelle Saffin MP

Chair

3 March 2011

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8 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 7.

9 Mr S. Smillie, Australian Taxation Office, *Proof Transcript of Evidence*, Tuesday 15 February 2011, p. 8.



## Appendix A – List of Submissions

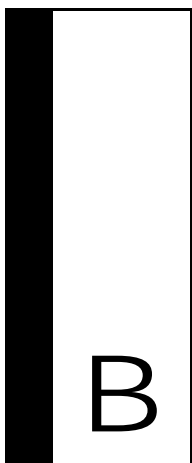
### **Facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria**

1. Department of Defence
  - 1.1 Confidential
  - 1.2 Department of Defence
  - 1.3 Confidential
2. Department of Climate Change and Energy Efficiency

### **Proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales**

1. Australian Taxation Office
  - 1.1 Confidential
  - 1.2 Confidential
2. Department of Climate Change and Energy Efficiency





## Appendix B – List of Inspections, Hearings and Witnesses

Facilities for the introduction into service of Land 121 vehicles at RAAF Base Amberley and Damascus Barracks, Meeandah, Queensland and at Gaza Ridge Barracks, Victoria

Monday, 31 January 2011 – Brisbane, ACT

### Public Hearing

Department of Defence

Mr Joseph Fuster, Director, Integrated Logistics Support Overlander Program

Mrs Brigitte Meszaros, Project Manager and Contract Administrator

Brigadier Darren Naumann, Director General, Infrastructure Asset Development

Mrs Ese Rainey, Acting Project Director Regional South East Queensland, Infrastructure Asset Development

Mr Rick Zentelis, Director, Heritage and Biodiversity Conservation

### In-camera hearing

Five witnesses

## **Proposed integrated fitout of new leased premises for the Australian Taxation Office in Albury, New South Wales**

Tuesday, 15 February 2011 – Albury, NSW

### **Site Inspection**

Australian Taxation Office, Albury, NSW

### **Public Hearing**

Australian Taxation Office

Mr Mark de Jager, Director, WT Partnership

Mr Dom Di Luzio, General Manager, United Services Group

Mr Nathan Munroe, National Program Manager, United Services Group

Mr Jammit Sandhu, Senior Director, Property Operations

Mr Stewart Smillie, Assistant Commissioner Property and Services

Gray Puksand Pty Ltd

Mr Craig Saltbush, Partner

### **In-camera hearing**

Six witnesses