



Australian Government
Defence

DELIVERING THE FUTURE ESTATE

DEFENCE ESTATE AUDIT REPORT



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Defence acknowledges the Traditional Custodians of Country throughout Australia. Defence recognises their continuing connection to traditional lands and waters and would like to pay respect to their Elders both past and present.

Defence would also like to pay respect to the Aboriginal and Torres Strait Islander people who have contributed to the defence of Australia in times of peace and war.

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Contents

PART A: Forewords.....	1
Ministerial Foreword.....	2
Defence Foreword	4
PART B: Defence Estate Audit – An Independent Assessment of the Defence Estate ..	7
Foreword	9
Terms of Reference.....	10
Executive Summary	12
Key Points	14
Legislative framework	14
Heritage	14
Behaviour & culture	15
Infrastructure investment	15
Divestments.....	15
Implementation.....	16
Recommendations	18
Chapter 1: The Defence Estate.....	23
Defence Strategic Review	25
Audit methodology	25
Past reviews.....	26
Drivers for change	31
Data and metrics	31
Fifth generation estate	33

Chapter 2: Assessment of the Estate.....	35
Work health and safety	36
Contamination.....	38
Housing.....	41
Heritage	42
Museums.....	45
Third-party access	46
Property leases.....	47
Workplace evolution	49
Pathways to Net Zero	52
Reserves and Cadets	55
Divestment	56
Chapter 3: Prioritising Investment	57
Climate change resilience.....	59
Impacts on estate investment.....	59
AUKUS	60
Planning now for 2050	62
Northern bases.....	63
Progress is being made.....	66
Protective security.....	69
Structural challenges	72
Chapter 4: Infrastructure & Private Investment.....	75
Traditional procurement models.....	76
Leverage civil infrastructure	77
Cooperation with states and territories	79
Repurpose and co-location	80
Innovative methods for investment.....	80
Market appetite	83
Alternate financing models	84
Challenges to adoption	86

Chapter 5: Embedding Reform.....	87
Incentivise behaviours and culture	88
Reinvestment in Defence capabilities	91
Reduced sustainment and operating expenses	92
Budget processes	93
Commonwealth Property Management Framework.....	95
Benchmark new capital investments	98
Commitment to change	98
Property descriptions.....	101
Table 1.1: Establishments recommended for divestment.....	101
Table 1.2: Sites subject to further investigation	113
References	114
PART C: Government Response to Defence Estate Audit Recommendations ..	115
Australian Government Response	116



Photo: A RAAF No.2 Squadron E-7A Wedgetail, callsign Magpie91, conducts a flypast in honour of those who fought in the Vietnam War, over Parliament House in Canberra.

Forewords

PART

A

Ministerial Foreword

The Defence Strategic Review and National Defence Strategy make clear that our nation faces the most challenging strategic circumstances in decades. In response, the Government is committed to delivering an Australian Defence Force that is ready, resilient, and capable of safeguarding Australia's interests now and into the future.

A critical enabler of this capability is the Defence estate.

The independent Defence Estate Audit provides a comprehensive and evidence-based assessment of the estate and infrastructure that underpins our national defence capability. The Audit found that Defence held a large and costly estate portfolio, which was fast decaying, increasingly irrelevant and would cost billions of dollars to maintain over coming decades, while not reflecting the current or future capability needs of the Australian Defence Force. It identifies where the Defence estate must evolve to meet the demands of an integrated focused force. Defence analysed the findings of the Audit and confirmed that properties identified were no longer needed for current or future capabilities.

The Government welcomes the Audit's recommendations and endorses a targeted program of consolidation and divestment of properties from Defence. This approach, taken on a capability-basis, will ensure Defence has a fit-for-purpose estate that serves current and future strategic needs.

Importantly, this reform is not just about the Defence estate. It is about people. Modernisation of the Defence estate will better support our personnel, improve workplace experiences, and reinvest in the people and capability that Defence needs in line with the strategic priorities of the National Defence Strategy and Integrated Investment Program. This includes enhancing Defence's agility, readiness, and national posture—particularly in northern Australia.

We recognise the deep historical and personal significance of many Defence sites, particularly for our veteran community. These places are reminders of Australia's military heritage and the sacrifices made in the service of our nation. The Audit revealed that many of these places and collections are not accessible to the public. As part of our response, the Government is committed to preserving and enhancing public access to historically significant sites and collections to ensure that as many Australians as possible can access and appreciate our military history.

We extend our sincere thanks to Ms Jan Mason and Mr Jim Miller for their leadership of the Audit, and to the many Defence personnel and stakeholders whose insights shaped this important work.

Together, we are committed to delivering a modern Defence estate that will keep Australians safe now and into the future.



A handwritten signature in blue ink that reads "Richard Marles".

The Hon Richard Marles MP
Deputy Prime Minister
Minister for Defence



A handwritten signature in black ink that reads "Peter Khalil".

The Hon Peter Khalil MP
Assistant Minister for Defence

Defence Foreword

Delivering the Future Defence Estate

Australia's strategic circumstances require Defence to be equipped, resourced and postured to protect our nation and our national interests.

The Defence estate is the largest land holding in the Commonwealth, with a footprint of over 3.8 million hectares. It comprises 70 major bases, 100 plus training ranges, more than 1,000 leased or owned properties and 30,000 built assets.

As the Defence Strategic Review made clear, the Defence estate is critical to our ability to meet the nation's strategic challenges.

The Defence Estate Audit

In response to the 2023 Defence Strategic Review, an independent enterprise-wide audit was conducted to assess whether the estate meets Defence's contemporary operational and capability requirements, now and in the future.

The Defence Estate Audit made a series of findings and recommendations which have laid bare that the Defence estate is not fit for purpose. We acknowledge and accept the key findings of the Audit and we are committed to implementing the Government Response rapidly.

The Defence estate must reflect the strategic needs of the nation.

Change is needed to ensure our people and critical defence capabilities are where they need to be to defend Australia and our national interests.

Implementation of the Government's Response

Our people are Defence's most important capability.

The Australian Defence Force has a proud history that is embodied in the ethos and commitment to service of our personnel.

We must ensure our personnel have the necessary facilities to respond to the nation's strategic needs, including the financial resources required to sustain the Defence estate.

That is why we are making the difficult decisions required to facilitate the biggest reform to the Defence estate for decades. This is a whole-of-Defence mission that we – the leadership of Defence – are committed to executing.

Implementation of the Government's response to the Estate Audit will enable an even greater focus on investing in and supporting our people and capability.

The Defence estate is not only a critical asset to our national security, it is a core part of our community.

We acknowledge the deep connection that our people and their families, both current and former serving, have with the establishments on which they live, work and train.

Divestment of sites identified in the Defence Estate Audit will occur in a manner that is sensitive to our people and their families, and to the organisations and community who support us.

The Australian public should have every confidence that Defence will do what is necessary to meet the challenges our nation faces and continue to keep Australians safe.

This has been and will always be the core mission of Defence.



Admiral David Johnston AC RAN
Chief of the Defence Force



Mr Greg Moriarty AO
Secretary of the Department of Defence



**Vice Admiral
Mark Hammond**
AO RAN
Chief of Navy



**Lieutenant General
Simon Stuart**
AO DSC
Chief of Army



**Air Marshal
Stephen Chappell**
DSC CSC OAM
Chief of Air Force



Photo: An Australian Army High Mobility Artillery Rocket System is off-loaded from a Royal Australian Air Force C-17A Globemaster III at Avalon airport.

Defence Estate Audit

An Independent Assessment
of the Defence Estate

PART

B





Photo: A Royal Australian Air Force F/A-18F Super Hornet from 1 Squadron takes off during Exercise Talisman Sabre 25 at RAAF Base Tindal.

Foreword

We are pleased to present our independent public report to the Deputy Prime Minister and the Assistant Minister for Defence for their consideration.

This public report, using the analysis from 2023, excludes sensitive data, due to national security and commercial sensitivities.

The report takes account of the changed strategic environment Australia faces, as outlined in the Defence Strategic Review released in April 2023.

Our report aims to enable Defence to avoid unnecessary costs and free up financial and operational resources to support future capability, particularly in northern Australia. It includes recommendations to assist in making the necessary cultural changes in the use and ongoing management of the estate.

We urge Defence to ensure that implementation of the recommendations agreed by Government occurs with a sense of urgency. Early steps in the implementation process should build momentum and drive outcomes over the short, medium and longterm.

We hope this report will be regarded as a living document, to be revisited on a regular basis to ensure the Defence estate keeps pace with any changes in the strategic outlook.

In delivering this report we undertook wide-ranging site visits and conducted extensive internal and external consultations. This allowed us to develop a considered understanding of the history, culture, challenges and opportunities presented by the estate.

We thank the Secretariat within Defence for their unwavering commitment and support in assisting to deliver this work. We also wish to thank all stakeholders who provided advice and input to the Audit process. We listened very carefully to what they told us.

We understand that implementing our recommendations will be challenging and will require significant cultural and organisational change. However, it is clear to us that this is the time to make hard decisions that will pave the way for a positive future for Defence and our nation.

We thank the Ministers for entrusting us to lead this important work. It has been a privilege.



Ms Jan Mason

A handwritten signature in black ink, appearing to read 'Jan'.



Mr Jim Miller

A handwritten signature in black ink, appearing to read 'Jim'.

Terms of Reference



DEFENCE ESTATE INDEPENDENT AUDIT TERMS OF REFERENCE

INTRODUCTION

1. In response to the recommendations of the 2023 Defence Strategic Review (DSR), the Deputy Prime Minister and Minister for Defence, in conjunction with the Assistant Minister for Defence, has directed an audit of the Defence estate ('the audit').
2. The audit will make recommendations to ensure Defence's estate is best structured to support the force posture, force generation and resourcing of Defence in response to Australia's strategic circumstances, in line with the agreed DSR recommendations.
3. The audit is to be overseen by an independent lead or leads, with a report to the Deputy Prime Minister and the Assistant Minister for Defence by no later than 31 December 2023. The independent lead(s) may also provide interim findings and recommendations to the Deputy Prime Minister and the Assistant Minister for Defence.

PURPOSE

4. The Defence estate is the Commonwealth's largest land holding, with a footprint of over 3.8 million hectares. This includes 70 major bases, over 72 training ranges and more than 30,000 built structures. Defence is projected to spend at least \$12.2 billion over the forward estimates on sustaining its estate.
5. Defence has a presence in every Australian State and Territory, including major bases in capital cities and key regional centres across the country. Its estate also includes sites and buildings of historic, cultural and national significance.
6. The audit will develop recommendations to optimise the Defence estate to support the Australian Defence Force's (ADF) posture and basing requirements to meet the nation's future security needs and to support the long-term management and sustainment of the Defence estate.
7. It will assess whether Defence's holdings reflect its contemporary needs, particularly those in high-density urban areas, and in light of the Government's direction to prioritise investment in Australia's northern network of bases, ports and barracks.
8. The audit will take into account the force posture and infrastructure implications of:
 - a. agreed DSR recommendations for priority upgrades and development of northern infrastructure;
 - b. agreed DSR recommendations for Defence capability and operational planning;

- c. programmed infrastructure upgrades at Defence bases across Australia as well as offshore territories;
- d. the facility and estate requirements to support agreed partner country activities in Australia and to support implementation of the AUKUS Optimal Pathway;
- e. climate change and the requirements to strengthen the resilience of Defence's estate;
- f. future energy security requirements; and
- g. any other drivers identified by the audit which are deemed to be significant.

TASK

9. By no later than 31 December 2023, the audit will deliver a report on the Defence estate having regard to:
 - a. prioritising investment in upgrades and development of Australia's northern network of bases, ports and barracks in line with the agreed DSR recommendations;
 - b. the infrastructure implications of current and planned activities with partner nations and the implementation of the AUKUS Optimal Pathway;
 - c. the suitability and affordability of Defence's existing holdings, with a particular focus on holdings that are no longer fit-for-purpose and present commercial opportunities;
 - d. the extent to which existing heritage obligations impact the practical use of the estate or the realisation of commercial opportunities;
 - e. opportunities to leverage civil infrastructure as well as future co-investment in civilian infrastructure (both private sector and state and territory governments); and
 - f. the agreed DSR recommendation to baseline the Defence estate and infrastructure, including protective security levels.
10. The audit will be required to:
 - a. draw on all available resources to deliver informed, evidence-based recommendations;
 - b. conduct targeted consultations across Commonwealth, State/Territory and local governments, with Defence Force personnel and other appropriate stakeholders as necessary; and
 - c. present cost estimates to underpin recommendations, including assessments of value for money and sustainability.

Executive Summary

The primary purpose of the Defence estate is to support the preparedness of the ADF to meet Australia's needs. Our nation's history is intertwined with iconic Defence sites that have supported our national interests since before Federation, during times of global conflict and in the aftermath of catastrophic events.

While these properties have served us proudly, many are no longer fit-for-purpose and are constraining Defence's ability to reposition to meet current and future requirements.

It is very clear and widely acknowledged that Defence does not need and cannot afford all of the current estate. This conclusion is validated by data. The greatest challenge will be delivering the necessary change.

Underutilised portions of the Defence estate are draining resources from higher priority needs. Sustainment budgets as they relate to this part of the estate are stretched too thinly, resulting in critical failures and costly unscheduled repairs.

The lived experience of users of the estate is also falling short of the aspirations Defence has for fostering positive workplace experiences and improving the employee value proposition. This has negative implications for workforce retention and capability.

The disposition of major bases across Australia has remained largely static since the late 1990s despite recommendations from past reviews and white papers. While individual units have relocated and consolidated across bases, there has been no substantial realignment in Defence's posture this century. The notable exception has been of facilities supporting increased rotational deployments of international partners across northern Australia.

Interventions are needed to break the cycle of underinvestment in facilities and align the Defence estate with the recommendations of the DSR. The size of the estate must decrease and rebalance towards current and future needs. Resources should be prioritised to the areas of greatest possible impact. Difficult decisions will be required to address years of underinvestment and entrenched behaviours that treat the estate as a free and uncapped resource. The proposed changes to the estate are likely to evoke strong emotions associated with its history, scale and diversity.

However, the case for change is compelling given the need to support emerging capabilities and associated regulatory requirements. This is made clear with the acquisition of conventionally-armed nuclear-powered submarines under the AUKUS initiative and the Navy's surface combatant fleet renewal, as well as the establishment of the Guided Weapons and Explosive Ordnance Enterprise and investments in the space and cyber domains. Adding emerging demands to current estate pressures will only exacerbate existing stressors.

The primary role of the estate in supporting and generating Defence capability is being eroded by well intentioned but inefficient pursuits of heritage preservation and by third-party use agreements that divert resources from core business.

The rise in sophistication of modern threat vectors against the backdrop of a deteriorating strategic outlook creates an imperative to recalibrate permitted uses of the estate. These problems will continue to grow if difficult decisions to rebalance the estate are deferred.

It is clear that maintaining the status quo is not an option. Lengthy timeframes for the development and delivery of infrastructure projects are not aligned with the rapid responses required to meet current and future needs. Expediting delivery of infrastructure solutions based on the principles of minimum viable capability in the shortest possible time and replicated across the estate needs to be the default position adopted. The use of deployable and reconfigurable infrastructure solutions also provides the opportunity to realise capability sooner in remote areas and adjust as needs change over time.

Defence has successfully demonstrated that alternate delivery models can meet its needs when clearly defined, both for replicated facilities delivered across the country and for the most critical and secure of operational headquarters. In reducing upfront capital demand, alternate delivery models can ensure sustainment and operating costs are appropriately provided for. There is a strong desire within industry to partner on alternate financing initiatives. However, for this to be realised inherent obstacles within existing procurement practices need to be overcome.

A new, Ministerially directed and focussed body with specialist skill sets will be needed to realise the significant divestment program outlined in this report. Organisational reform and behavioural changes are required to ensure the estate is no longer treated as a free and endless resource. Long-term strategic plans for the estate will be essential to guide investment prioritisation based on capability needs. Further divestment of sites should occur where ongoing retention is no longer aligned with current or future capability needs.

For reform to be enduring, proceeds from the divestment of property must be reinvested in Defence capability. The biennial NDS planning cycle will establish the cadence for ongoing reviews of estate holdings linked to Defence priorities.

Difficult decisions are needed to correct the current unsustainable trajectory the estate is on. Experience has shown that necessary adjustments will better prepare subsequent generations for the challenges ahead. Now is the time to act.

Key Points

- ▶ The Defence estate is too large and is on an unsustainable trajectory.
- ▶ Parts of the estate are unsafe, unused or unserviceable.
- ▶ Sustainment funding is insufficient to avoid critical infrastructure failures.
- ▶ There are too many facilities in southern parts of the country.
- ▶ There are critical shortages in priority areas across northern Australia.
- ▶ Housing personnel is not sufficiently planned or funded.
- ▶ On-base accommodation is of variable quality—some of it is substandard.

Legislative framework

- ▶ The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires that Commonwealth resources be used efficiently, effectively, economically and ethically.
- ▶ The Commonwealth Property Management Framework (the Framework) requires that property only be held where ownership demonstrably contributes to Government service delivery outcomes and represents value for money.
- ▶ The Commonwealth's *Land Acquisition Act 1989* (Cth) is used for the acquisition or disposal of land or an interest in land in Australia by a Commonwealth 'acquiring authority'.
- ▶ The Framework further requires that properties that have no alternative efficient government use, must be sold on the open market at full market value, unless otherwise agreed by the Minister for Finance.
- ▶ The structure and conditions of all disposals of land suitable for housing are subject to the approval of the Minister for Finance.
- ▶ Many assets are no longer needed and must be consolidated or sold.

Heritage

- ▶ Defence is spending on legacy sites with no clear link to current or future capability needs.
- ▶ The merit of self-assessed parts of the estate having heritage value is questionable.
- ▶ Sites with high heritage value are not broadly accessible to the public.
- ▶ There is an over-emphasis on heritage stewardship obligations over the core role bases have in generating capability outcomes.

Behaviour & culture

- ▶ Significant cultural barriers (service licence) impede the adoption of more efficient estate management practices.
- ▶ Greater sharing of facilities between the services and user groups must be enforced.
- ▶ Estate management practices are not consistent with contemporary property management approaches—they are costly and uncommercial.
- ▶ Defence does not have sufficient financial incentives, accountability and execution capacity in managing the estate where social and service licence issues arise.
- ▶ Utilisation rates of leased office accommodation in Canberra and Sydney are sub-optimal, better use should be made of these facilities or leases consolidated.

Infrastructure investment

- ▶ Estate sustainment funding is often reallocated to the acquisition of new capability at the long-term detriment of the estate and the financial position of Defence.
- ▶ Defence does not need to own all facilities.
- ▶ Some facilities could be leased long-term or shared with other users.
- ▶ There is significant scope for alternative and innovative financing models provided Defence can be sufficiently clear on its future requirements.
- ▶ Defence infrastructure procurement takes too long.
- ▶ Defence needs to define its future energy requirements and pathway to Net Zero.
- ▶ Defence needs to make more effective use of its buying power across the estate to drive greater efficiency and responsiveness to all expenditure.
- ▶ Current decision making processes as they relate to the Defence estate are slow and convoluted—they should be streamlined.

Divestments

- ▶ Defence should release capital through divestment and reduce its overheads and expenses accordingly.
- ▶ The proceeds of sales and resources must be retained in Defence to allow for further divestments and priorities outlined in the DSR.
- ▶ Some sites identified as surplus have potential to be developed for housing purposes, consistent with the National Housing Accord.
- ▶ A number of sites are contaminated and this will need to be addressed as part of the divestment process.

Implementation

- ▶ Strong political commitment (social and service licence) will be needed to ensure that the recommended changes happen.
- ▶ Ministerial direction will be required to ensure implementation.
- ▶ Estate decisions should ensure the outcomes specified in the DSR retain priority.
- ▶ Delivering the necessary uplift in capability and the estate within an acceptable timeframe will require coordination across all three tiers of government.
- ▶ Agreed recommendations need to be implemented as a matter of priority by a skilled multi-disciplinary taskforce comprising representatives from relevant Commonwealth agencies and industry.
- ▶ There must be regular reporting on progress to the Government and to Defence senior leaders.
- ▶ The Audit has not adopted a 'razor gang' approach rather, it responds directly to the condition of the estate, the imperatives of the DSR and market appetite.
- ▶ The recommendations are interdependent and 'cherry picking' should be avoided.

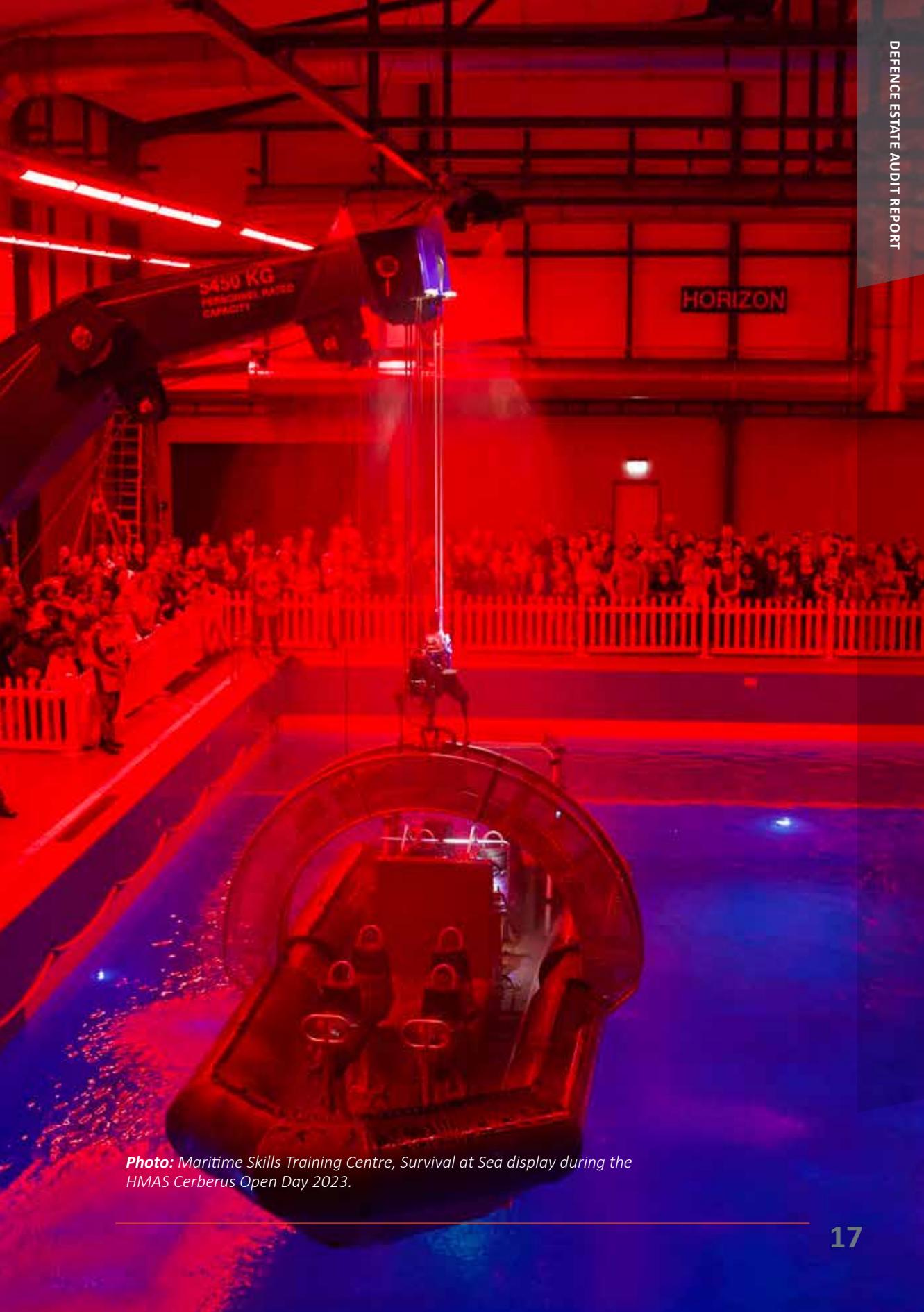


Photo: Maritime Skills Training Centre, Survival at Sea display during the HMAS Cerberus Open Day 2023.

Recommendations

Recommendation 1. Defence reduce its property holdings through focussed divestment of sites at market value in areas not aligned with current or future capability priorities, with proceeds reinvested to the priorities outlined in the Defence Strategic Review.

Sites identified for divestment grouped by state and territories in alphabetical order:

1. Fairbairn (golf course), ACT
2. Pialligo South, ACT
3. Banksmeadow Training Depot, NSW
4. Bathurst Stores Training Depot, NSW
5. Haberfield Training Depot, NSW
6. HMAS *Penguin*, NSW
7. Lancer Barracks, NSW
8. Londonderry Transmitting Station, NSW
9. Penrith Training Depot, NSW
10. Pittwater Dive Annex, NSW
11. RAAF Glenbrook, NSW
12. Randwick Barracks (partial), NSW
13. Spectacle Island, NSW
14. Timor Barracks, NSW
15. Victoria Barracks Sydney, NSW
16. Defence Establishment Berrimah (partial), NT
17. Kowandi North, NT
18. Stokes Hill Fuel Installation, NT
19. Atherton Rifle Range, QLD
20. Garbutt (Duckworth Street), QLD
21. Kokoda Barracks (partial – golf course), QLD
22. Magnetic Island (Amaroo Apartments), QLD
23. Milne Bay Training Depot, QLD
24. Mount Isa Rifle Range, QLD (lease)
25. Purga Rifle Range, QLD
26. St Lucia Training Depot, QLD
27. Strathmuir, QLD
28. Victoria Barracks Brisbane, QLD
29. Wangetti Rifle Range, QLD (lease)
30. Edinburgh Parks, SA
31. Hampstead Barracks, SA
32. Warradale Barracks, SA
33. Woodside Barracks, SA
34. Bridgewater Training Depot, TAS (lease)
35. Buckland Military Training Area, TAS
36. Burnie – Training Ship Emu, TAS (lease)
37. Burnie Training Depot, TAS
38. Derwent Barracks, TAS
39. Devonport – Training Ship Mersey, TAS (lease)
40. Devonport Training Depot, TAS
41. Fort Direction, TAS
42. George Town – Training Ship York, TAS (lease)
43. Hobart – Training Ship Derwent, TAS (lease)
44. Launceston – Training Ship Tamar, TAS (lease)
45. Scottsdale, TAS
46. St Helens – Training Ship Argonaut, TAS (lease)
47. Stony Head Military Training Area, TAS
48. Youngtown Training Depot, TAS
49. Carlton Training Depot, VIC
50. Defence Site Maribyrnong, VIC
51. Fort Queenscliff, VIC
52. Geelong (Air Force Cadet Unit), VIC
53. Geelong – Training Ship Barwon, VIC (lease)
54. HMAS *Cerberus* (partial – golf course and off base land), VIC
55. Kyneton Training Depot, VIC
56. Latchford Barracks, VIC
57. Newland Barracks, VIC
58. RAAF Williams – Laverton, VIC
59. RAAF Williams – Point Cook, VIC
60. Repatriation Clinic – 310 St Kilda Road, VIC
61. Sandringham Training Depot, VIC
62. St Kilda Training Depot, VIC
63. Swan Island (partial – golf course), VIC
64. Victoria Barracks Melbourne, VIC
65. Coolilup Rifle Range, WA (lease)
66. Irwin Barracks, WA
67. Karratha/Dampier Rifle Range, WA (lease)
68. Leeuwin Barracks, WA

Given the range of issues, including external market factors, associated with proposed divestments, the below figures are based on a combination of independent market valuations, internal valuations and an assessment of comparable data. They are preliminary in nature and could be subject to significant change with time and as further work occurs.

A focussed program of estate consolidation and rationalisation could generate sales revenue of approximately \$3 billion, based on the divestment of 68 properties.

The majority would be generated from the sale of large metropolitan sites, which are estimated to have an adjusted market value between \$2.2 and \$2.4 billion across 26 locations.

Defence may incur upfront costs of approximately \$1.2 billion in relocating staff to alternate premises, remediating contamination, fulfilling heritage obligations and administration expenses not already allowed for.

The timing and sequence of property divestments could be structured to be close to cost neutral, although it would take longer to realise the full potential of properties identified for divestment. Alternate funding arrangements could be considered, including borrowing to cover upfront costs and payback upon settlement.

Net proceeds could potentially reach approximately \$1.8 billion. Defence will also reduce annual sustainment pressures for ageing and non-compliant facilities, estimated at approximately \$100 million per annum. These are currently unfunded cost pressures on the estate sustainment budget which are contributing to the poor material condition of many additional sites.

If Defence retains and continues occupying these large metropolitan properties, investment of approximately \$3 billion may be required across the decade to remediate, if possible, non-compliant infrastructure and deferred capital works. These will increase the longer works are deferred and the risks to work health and safety will continue to grow.

Relocating and consolidating staff into contemporary and higher-density facilities could also support the Government's Net Zero emissions reduction targets and uplift the protective security of Defence workplaces.

Further testing and refinement is required to validate cost assumptions for relocation and remediation expenses, as well as the estimate of future costs avoided.

Recommendation 2. Defence undertake further due diligence on the consolidation of all domain command headquarters (Fleet, Forces, Air Command) to a single location to accelerate the transition to an integrated force consistent with the Defence Strategic Review.

This analysis must be considered against forecast investment proposals for the redevelopment of HMAS *Kuttabul* and AC Lewis House at Potts Point, Sydney.

Recommendation 3. Defence reduce and divest smaller property holdings used to accommodate Reserve units and Cadet programs through greater utilisation of other Defence facilities, shared Multi-User Depots or, as a last resort, alternate leased premises.

Recommendation 4. A multi-disciplinary divestment implementation taskforce be established within the Defence portfolio. The taskforce should comprise skilled representatives from relevant departments and industry. It must have the authority and focus to drive site divestment outcomes in a timely and commercially orientated manner and be resourced to deal with social and service licence issues.

Initial funding to establish the taskforce activities should be provided by Defence and then from divestments. If required, further funding could be sought from other Government programs where practicable with repayment from future divestment proceeds.

Recommendation 5. Defence adopt common base naming conventions that reflect the integrated force outlined in the Defence Strategic Review in lieu of service-specific base names.

All sites be prefaced as 'Defence Base' followed with a name that identifies the geographic location or historic function, for example, Defence Base Larrakeyah, Defence Base Harman and Defence Base Amberley.

Recommendation 6. The reporting and accountability for designated Senior Australian Defence Force Officer (SADFO) appointments be to Australian Defence Headquarters rather than single-service representatives to promote greater shared use of Defence sites and enhanced visibility of base related issues.

Recommendation 7. Appropriate accounting processes be established between the Department of Finance and Defence to manage proceeds and expenses related to the estate divestment program, to ensure proceeds from property disposals are retained by Defence and used initially for further divestments, then for other Defence Strategic Review priorities.

Recommendation 8. An assessment of the suitability of alternative financing and delivery models be provided for all estate capital investment projects at the outset, including indicative cost estimates covering the full cost of ownership and operation over the life of the asset.

Ministerial agreement be obtained to progress any bespoke infrastructure projects that do not include alternate financing and delivery options.

Recommendation 9. An assessment of the suitability of existing civil and other infrastructure outside of Defence to support Defence capability requirements be provided for all estate capital investment projects at the outset. Defence should maintain situational awareness of investment projects outside of Defence and actively seek opportunities to leverage projects that may help accelerate implementation of the Defence Strategic Review priorities.

Ministerial agreement be obtained to progress any bespoke infrastructure projects where existing infrastructure exists, or is under development or could be adapted to meet Defence's capability requirements.

Recommendation 10. Align Government and Parliamentary approval pathways for projects adopting alternate finance and delivery models to reduce barriers that currently discourage private investment in major infrastructure projects.

Establish a dedicated function with the requisite financial and commercial skills to work with private investment providers to identify suitable alternate finance and delivery options for future infrastructure investments. These might include Public Private Partnerships or other alternate financing initiatives where the long-term requirements of Defence are stable and clearly defined.

Recommendation 11. All estate capital investment projects provide a budget estimate and funding provision for future sustainment costs prior to seeking Government approval.

Project costings must focus on minimum viable capability and also account for the demolition of legacy facilities, which cannot be retained and repurposed without an identified source of sustainment funding post project approval.

Recommendation 12. All infrastructure and property management related positions across Defence be consolidated in Security and Estate Group as the Capability Manager for the estate.

Recommendation 13. Defence develop an integrated strategy for all Defence facilities in the Exmouth region in Western Australia, covering all legacy sites and future infrastructure developments.

The suitability of private investment, including the timing and scope of the proposed Gascoyne Gateway development, be benchmarked against planned Defence infrastructure redevelopments at Naval Communications Station Harold E Holt and RAAF Learmonth.

Recommendation 14. Ongoing review of the estate and assessment of progress against agreed recommendations be a key pillar of the biennial National Defence Strategy planning cycle.

Recommendation 15. The Minister for Defence consult with the Minister for the Environment and Water to determine options for a strategic assessment of Defence heritage places, including proposals for accreditation of Defence management processes, assessment by independent third-parties and any associated legislative changes needed.

Recommendation 16. The *Defence Act 1903* be amended to empower the Minister for Defence to make estate decisions in the national interest. The definition of Defence Purpose must include the imperative for the use of proceeds from divestments to go to other Defence purposes.

Recommendation 17. The Government clarify conflicting priorities between Workplace Health and Safety, Heritage, Environment and Capability.

Recommendation 18. The Government direct that all future capital expenditure requests by the Services be required to incorporate co-location and sharing of facilities that drive greater integration and joint training outcomes in submissions presented to the Investment Committee.

The design of future estate works should incorporate shared facilities to the greatest extent possible—particularly for facilities such as messes, gyms and training rooms.

Recommendation 19. Reduce estate resources in line with divestments and redeploy resources towards higher priorities.

Recommendation 20. Defence implement the business process improvements listed at *Chapter 5*.

Chapter 1:

The Defence Estate

- 1.1 Defence is the largest custodian of land in the Commonwealth, holding over 3.8 million hectares and more than 30,000 built structures. This vast and diverse property portfolio is critical to the generation and projection of military capability to defend the nation.
- 1.2 The Defence estate is geographically dispersed, extending across all states and territories and a number of foreign missions overseas. It is a complex mix of facilities of varying ages and it supports a variety of users. It covers vast exercise areas, advanced research laboratories, maintenance facilities and bulk explosives storage compounds. It also encompasses accommodation, dining, medical and sporting facilities to support the wellbeing of Defence personnel and their families. The remoteness of many sites, coupled with harsh climatic conditions and heritage and environmental obligations, makes management and upkeep of the estate a constant and costly challenge.
- 1.3 Portions of the estate trace their origins back to Australia's colonial period, predating Federation. Others hold exceptional biodiversity and cultural significance, connecting today's custodians to our past. Over generations these sites have supported technological advances, from the advent of flight through the subsequent space race and now the digital revolution. These sites have shaped our national identity during times of peace and war and have become a reflection of our rich military history.



Figure 1.1: Major Defence sites.

Defence Strategic Review

- 1.4 As the DSR identified, our strategic circumstances are now radically different to any other period since World War II. It emphasised the need to go back to fundamentals and move with urgency to a more focussed force that is equipped to respond rapidly to risks as they emerge. For the estate, the DSR included a recommendation to reorientate towards our network of northern bases, ports and barracks with support from facilities located in the south. It also recommended rationalising sites that no longer directly contributed to Defence capabilities.
- 1.5 In accepting the recommendations of the DSR, the Government directed that an enterprise-wide audit to baseline Defence estate and infrastructure be completed no later than the end of 2023. A focus on workplace health and safety and the protective security of bases was incorporated in the Audit's Terms of Reference.
- 1.6 The Government directed that the Audit be independently led and findings reported directly to the Deputy Prime Minister and Assistant Minister for Defence. The schedule for completion was necessary to support the implementation of priorities arising from the DSR and to inform the ongoing development of the inaugural National Defence Strategy.

Audit methodology

- 1.7 This was not intended to be a traditional audit conducted to the accounting standards normally used to measure performance or financial results. Rather, it has been designed to provide an independent assessment of Defence's estate and infrastructure to ensure it was fit for purpose and to provide clear, strategic and actionable advice to the Government against recommendations made in the DSR and any other estate challenges identified during the Audit.
- 1.8 We engaged a broad range of stakeholders through outreach to associations outside of traditional national security domains, gaining different perspectives on the challenges and opportunities they saw for managing such a large and diverse range of assets.
- 1.9 Whilst it was not feasible to visit all areas of the estate within the available timeframe, insights were drawn from a sample size of 70 locations in every state and territory, identifying common themes and issues. These discussions were considered and further informed by engagement sessions with over 50 senior executives and senior non-commissioned officers. Broader perspectives were gathered through internal roundtables and informal discussions with industry partners, external assurance providers, and representatives from Commonwealth, state and territory governments, and peak industry bodies. These sessions were informative and integral to shaping audit findings and recommendations.

- 1.10 In preparing our report we have endeavoured to provide clear, evidence-based advice and deliverable solutions. We have benefitted from the candour and willingness of a broad range of dedicated staff who shared their insights and knowledge. It has enabled us to better understand the factors inhibiting Defence's ability to deliver and maintain a modern, secure and effective estate.
- 1.11 Our aim for this report is to promote change within Defence, across governments, industry and local communities. It establishes a starting point for an ongoing process of reviewing Defence's estate holdings. It should be viewed as an essential component of the biennial NDS planning cycle. It will require continual oversight and accountability to be effective in guiding consolidation and divestments efforts. This Audit should be made accessible to multiple audiences to help achieve these aims.

Past reviews

- 1.12 We started by reflecting on all of the major policy reviews, white papers, parliamentary inquiries and performance audits conducted over the past 35 years. We have drawn on institutional knowledge to understand why lasting reform of the Defence estate has eluded successive governments.
- 1.13 Recurring themes and challenges included:
 - ▶ a reoccurring bias in favour of investment in military capability over facilities maintenance;
 - ▶ inconsistent political will to deliver difficult initiatives to achieve an efficient and actively managed estate;
 - ▶ lack of incentives within Defence to ensure the estate is efficiently and actively managed;
 - ▶ inconsistent application and approaches to heritage matters;
 - ▶ resistance to change including greater integration of shared facilities and adoption of agile work practices;
 - ▶ tensions arising from the concentration of major population centres and industrial capacity in the south despite strategic priorities favouring an increased presence in the north;
 - ▶ harsh environmental and operating conditions in the north compared to the more benign conditions further south;
 - ▶ inefficiencies of maintaining too many small and dispersed sites;
 - ▶ chronic underfunding of estate operating and maintenance costs and unregulated demand for services;
 - ▶ complex approval processes that slow the delivery of timely outcomes;

- ▶ unwillingness to leverage shared use of state and territory or private sector infrastructure; absence of a dedicated, sufficiently skilled and empowered entity to drive disposal plans through to completion; and
- ▶ the absence of mechanisms that allow proceeds of sales to be reinvested according to Defence's strategic priorities.

1.14 The 2007 Defence Management Review referred to a relatively wealthy Department of Defence, acknowledging that increased budgets were mainly directed at major capital equipment rather than the “poor cousin” of estate management, facilities maintenance and garrison support¹. The report also identified a behaviour of unrestrained demand from users who treated estate services as free goods to which they were entitled—unfettered by the reality of resource limitations². These behaviours endure to this day.

1.15 The 2009 Defence White Paper directed that a consolidation of units should occur and these should relocate to fewer, larger and more sustainable multi-user bases. This was aimed at increasing the alignment of functions at Joint and Service level and improving their capacity to support operations³. The superbase model, stemming from the recommendations of the 2008 Audit of the Defence Budget, was designed to optimise efficiency by achieving greater economies of scale and a reduction in the frequency of relocations and travel through co-location with major training facilities⁴.

1.16 The 2013 Defence White Paper put forward the proposition that Defence had too many bases and emphasised the need to consolidate units into fewer, larger and more sustainable multi-user bases⁵. It reinforced the findings of the 2012 Force Posture Review about the need to improve the capacity of bases in the north and west to sustain high tempo operations in northern Australia and our approaches in the wider Indo-Pacific region⁶.

1.17 Consolidation of units followed at sites including RAAF Edinburgh and RAAF Amberley. Unfortunately, this was not matched with a corresponding uplift in the capacity of utilities such as baseload power, sewerage, fire main and potable water to properly cater for increased populations on base. It is critical that future capability related investments account for the corresponding uplift required to base engineering services and communal infrastructure to avoid costly and critical failures.

1.18 The Report of the National Commission of Audit, in 2014, again observed that the previous two decades of Defence's capital funding had been primarily directed to military equipment rather than facilities, resulting in the average capital investment in the estate falling by around a third⁷. This observation was repeated by the 2015 First Principles Review. It acknowledged that the estate had largely evolved over time, was a product of history, with much of it redundant and in some cases boarded up to prevent access and minimise maintenance costs⁸.

1.19 The First Principles Review identified that Defence was caught in an unsustainable cycle of insufficient funding to maintain the estate, which lowered the remaining useful life of the estate from 22 years to 16 years⁹. Recent assessments have placed the remaining useful life of the estate around 13 years¹⁰.

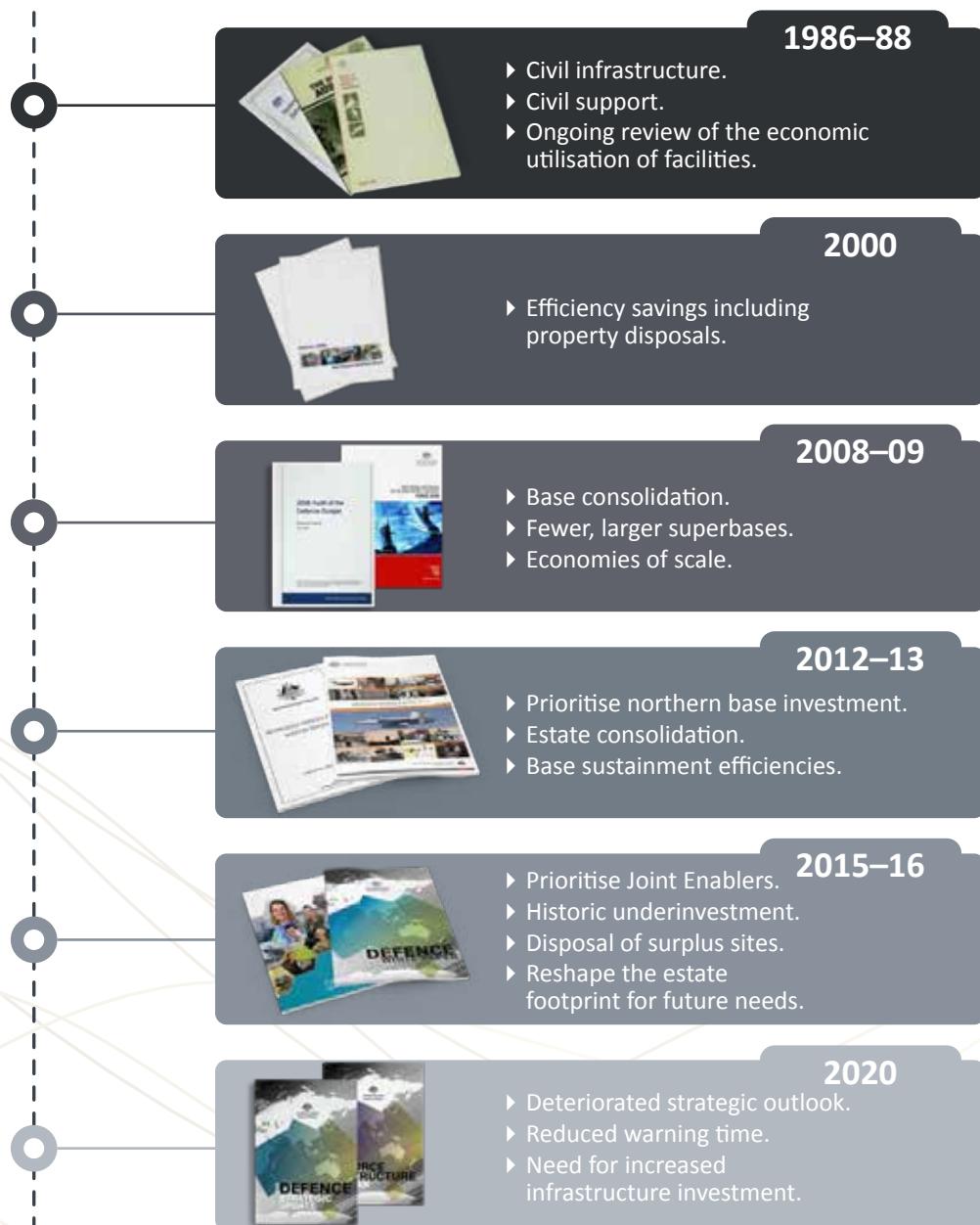


Figure 1.2: Highlights from past reviews.

Average Remaining Useful Life

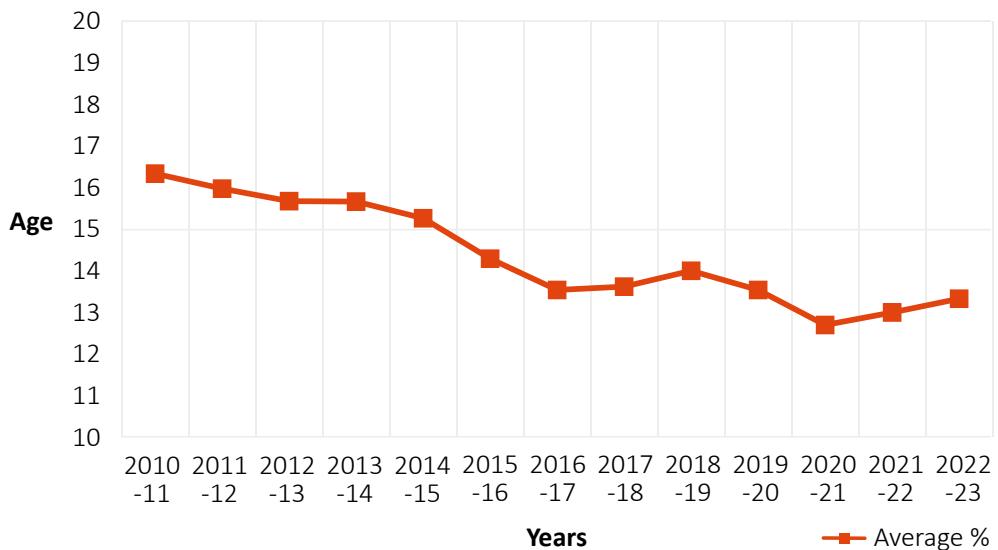


Figure 1.3: Remaining useful life of the estate.

- 1.20 The 2016 Defence White Paper acknowledged the need to prioritise and balance funding to remediate the historic underinvestment in key enablers, including the estate¹¹. The accompanying 2016 Integrated Investment Program committed 25 per cent of funding over the decade to 2025–26 to strengthening the enablers required to maximise the effectiveness and operational sustainability of Australia’s defence capability¹².
- 1.21 The 2016 Integrated Investment Program outlined a spend of approximately \$195 billion on the capital budget. We have assessed the expenditure on infrastructure from the Integrated Investment Program over the same timeframe to be approximately \$21.7 billion.
- 1.22 Not all proposed infrastructure projects progressed to the indicative timeline presented in the 2016 Integrated Investment Program. However clear commitments to prioritise estate investment at sites including HMAS *Cerberus*, HMAS *Watson*, Point Wilson, the Garden Island Defence Precinct, national airfield capital works and United States Force Posture Initiatives enabled the delivery of contemporary new and upgraded facilities.

1.23 The 2020 Defence Strategic Update and accompanying Force Structure Plan set the proportional capability investment for the decade 2020–2030 for estate and infrastructure at 11 per cent of total expenditure, worth about \$30 billion¹³. While annual expenditure on capital facilities has grown each year since, it remains below the \$3 billion per annum average required to achieve the target over a decade.



Photo: The Point Wilson Wharf in the Corio Bay region of Victoria was reopened on 23 October 2023, following remediation works. It will play an important role in the delivering upon the DSR's recommendation for guided weapons and explosive ordnance investments.

1.24 The 2020 Defence Strategic Update identified the planning assumption of a 10 year warning time was no longer valid. The DSR urges that Defence move away from a business as usual approach to capability development and adopt three distinct time periods for future planning: a three-year period to 2025, a five-year period to 2030 and the period from 2031 onwards. This has profound implications for the estate given typical capability development timescales of seven years from requirements identification through to the delivery of major capital infrastructure programs.

Drivers for change

1.25 Our nation currently faces a substantially different strategic and economic outlook than most Australians have experienced in their lifetime. Geopolitical uncertainty coupled with significant shifts underway in the economy, industrial base and climate are intersecting to make this a defining decade for our future.

1.26 Given the systemic budget pressures the Government faces, all Commonwealth budgets will continue to be constrained. Defence must therefore drive greater efficiency in its current outlays, which are spread too thinly over an excessive number of sites.

Data and metrics

1.27 Defence holds considerable amounts of data on the condition of the estate. Analytical tools used to assess the strategic importance of bases and key assets are robust and routinely updated. There is good use of third-party validation of maintenance activities. However, examination of this data has raised concerns as it became evident that critical non-conformance trends were increasing rather than decreasing.

1.28 Defence undertook robust and evidenced-based comparative assessments on the degree to which key bases delivered against strategic objectives. This analysis has informed a prioritised assessment framework to support investment related decision-making. These insights have been incorporated into the recommendations, noting national security and commercial sensitivities and dependencies.

1.29 As assets on the estate continue to age, the task of maintaining base functionality grows in cost and complexity. Investments in the estate are being prioritised to replace or remediate key assets such as underground utilities, power distribution and fire safety systems. This often results in limited or no capacity to address above ground infrastructure priorities, such as the replacement of buildings. With Defence now locked in an unsustainable cycle of having to extend the use of assets already at or beyond their useful remaining life, there have been more frequent and costly running repairs and growing instances of non-compliance.

- 1.30 Planning and management of the Defence estate is subject to a range of legislative and policy controls and Commonwealth budget constraints. Advocacy from user groups for bespoke designs must be resisted given the associated cost premiums and requirement to adopt minimum viable capability solutions. The benefits that come from repeated use of common designs can be leveraged to drive greater standardisation in equipment and increase the Commonwealth's relative purchasing power, driving greater efficiency and responsiveness in through-life maintenance of facilities.
- 1.31 The relative purchasing power of project budget estimates developed prior to COVID-19 have been eroded by substantial cost escalation post pandemic. This has forced trade-offs during the design and development phase of construction projects, which has led to reduced scope and greater whole-of-life costs. Additional costs have been incurred due to the frequency of extreme weather events and changes to environmental protection regulations, which have placed further pressure on already stretched budget provisions.



Photo: Flooding at the Puckapunyal Military Area caused damage to roads, culverts and bridges in during the October 2022 Victorian floods. Repairs costing approximately \$2.5 million.

1.32 Within Defence there are multiple instances of duplication of infrastructure and estate related functions. Duplicative functions should be abolished and associated staff teams consolidated in one area to ensure they are properly resourced to meet the estate needs across Defence.

Fifth generation estate

1.33 Defence is constrained by the weight of its past when it comes to management of the estate. Today's estate footprint comprises numerous legacy sites without a clear ongoing link to current or future capabilities. Urgent interventions are needed to correct the unsustainable trajectory that has resulted from decades of deferred decisions on contentious estate issues.

1.34 All institutions must adapt to changing environments to remain successful and relevant. For Defence this will require hard decisions to reprioritise activities on the estate, particularly where effort and resources are being diverted from core activities. Activities not directly linked to national security outcomes should be relocated off the estate to ensure they are not draining resources from facilities needed for core business.

1.35 The size of the estate must decrease to ensure resources are available for infrastructure upgrades and upkeep. Defence faces a turning point where it can either attempt to maintain a fast decaying and increasingly irrelevant estate footprint with finite resources and growing cost pressures or rationalise to a more focussed and strategically aligned posture that is better positioned to face the challenges of the future.

1.36 There is a need to embed a regular cycle of formal reviews of property holdings to ensure they remain aligned to contemporary and future needs. The overarching framework established for production of a biennial NDS, along with the three-tier system adopted to oversee and lead implementation of the DSR, should be used to ensure implementation of agreed recommendations.

1.37 Decisions taken by former governments in the 1960s and the 1980s to shift large portions of the Australia Defence Force from the south-east to newly established bases in the north and on the west coast transformed our ability to generate Defence capability across the Indo-Pacific region. As challenging as these decisions were to implement, the passage of time has shown them to have been the right ones for defending and advancing our national interests. They provide a useful reference point for the difficult decisions recommended here.

2



Photo: Australian Army soldiers from the 2nd/14th Light Horse Regiment (Queensland Mounted Infantry), mounted in a M1A1 Abrams Tank, cross an anti-tank ditch during the 7th Brigade's combined unit training activity at Shoalwater Bay training area, Queensland.

Chapter 2:

Assessment of the Estate

- 2.1 Planning and management of the Defence estate is subject to a range of legislative and policy controls and Commonwealth budget constraints. Instances of non-compliance of critical infrastructure are increasing, fueling a greater risk of failure and potential for significant negative impacts on capability. Some sites are so old that they cannot be made compliant with contemporary standards and the issues associated with their non-compliance are risk managed. This is clearly a sub-optimal situation.
- 2.2 Attempts to consolidate and rationalise property holdings in the past have been stymied by a lack of political and organisational will to overcome challenges. The sustained advocacy of motivated interest groups has also contributed to the status quo. A focus on current and future investment priorities has resulted in vacant legacy sites not being appropriately dealt with, largely due to the resources required to address remediation issues, complex ownership and rezoning requirements. The primary role of the estate in supporting and generating Defence capability has been eroded by well-intentioned but inefficient pursuits of heritage preservation and third-party access arrangements that have detracted from core business.
- 2.3 The combined result is a Defence estate that is unaffordable and unsustainable. Defence is holding more property than it needs and is carrying the burden of past indecision to reorientate the estate towards more contemporary and future needs. These problems will continue to grow the longer hard decisions to rebalance the estate are deferred.
- 2.4 The sustainment budget faces a multitude of growing pressures due to the combination of ageing facilities, increased demand, extreme weather events, inflationary pressures, security risks and expenses associated with sophisticated technology-driven equipment across the estate.

- 2.5 These pressures are further exacerbated as new facilities are delivered without adequate—or in some cases any—sustainment funding to cover the operating life of the asset.
- 2.6 The inadequacy of whole-of-life cost provisions is further compounded when local decisions are made to subsequently retain and repurpose existing facilities after replacement facilities have been delivered. It further stretches the sustainment budget and continues the use of buildings that are beyond the end of their useful life and not fit-for-purpose.
- 2.7 Sustainment budgets will continue to face additional upwards pressures from the requirement to absorb legislative and regulatory changes, the increasing impact and frequency of severe weather events and price growth in the services and utilities sectors that continue to run above budget assumptions. The solution is not to increase sustainment funding but to reduce costs through fewer sites and improved efficiency.

Work health and safety

- 2.8 It was clear from a number of our site visits that many facilities had already deteriorated beyond the point of economical repair. In multiple locations, entire buildings lay dormant as they were no longer safe for occupancy. In some places large sections of buildings had been declared off-limits due to safety concerns. While measures have been put in place to mitigate risks to occupants and to ensure compliance with Work, Health and Safety obligations, overlapping heritage preservation obligations has resulted in large sections of the estate gradually decaying, with minimal maintenance being undertaken and no clear pathway for resolution.
- 2.9 The starker example is RAAF Williams—Point Cook where a cluster of vintage World War II Bellman hangars located adjacent to the main runway have deteriorated to the point there is no prudent or feasible way to remediate them. The area has been fenced off, yet the advanced state of corrosion still presents a risk to aviation safety, given that there is a flight school operating from the base under a third-party access agreement.
- 2.10 While it would be convenient to view this as an isolated case study, Defence's work health and safety liability has increased due to underinvestment in the estate. This is particularly concerning for sites where users may have limited appreciation of such risks about unsafe conditions, such as those more vulnerable cohorts at initial training establishments.



Photo: The Bellman Hangars at RAAF Williams—Point Cook, Victoria, are in an advanced state of disrepair and have been fenced off for safety reasons. The heritage value attributed to the hangars has seen them retained, but not restored. The corrosion of the building materials is evident in the picture and presents a significant health and safety risk.

- 2.11 The prevalence of black mould in multiple locations is very concerning and reflects broader challenges stemming from poor design, inadequate maintenance and periods of heavy rain and flooding, followed by high humidity. This was particularly concerning in accommodation buildings, given the potential for negative health impacts upon occupants. Black mould has been evident in tropical regions such as RAAF Darwin, where temporary accommodation has been rendered unusable ahead of the peak exercise season. The demountable units were found to be in very poor condition and unsuitable for ongoing habitation. Fortunately, the recently leased Howard Springs accommodation facility from the Northern Territory Government has provided Defence with a significant increase in self-contained accommodation and modern amenities of a high standard, as outlined in *Chapter 3*.
- 2.12 While Defence is not alone in dealing with black mould, it was surprising to see this was not limited to older buildings. Recently delivered facilities at Randwick Barracks also reported ongoing outbreaks of black mould..
- 2.13 Structures at many locations are at or beyond their original design life making retrofits uneconomical to address changes in technology, regulatory obligations and contemporary work practices. There are a number of sites where inadequate or non-existent fire safety systems have impaired the use of accommodation facilities for Cadet units.

2.14 Many of the Cadet units are accommodated in legacy buildings that have been handed down over time and repurposed for their current use. The buildings are not fit for ongoing use due to the accumulation of works required to bring them back to a habitable and compliant condition. The justification for such expenditure is difficult to reconcile with the volume of higher priority unfunded pressures across bases throughout the country. The capital for, and speed of, remediation is itself a significant issue.

Contamination

2.15 Defence manages a property portfolio that contains a number of contaminated sites. They are the legacy of past industrial and military activities and practices. Often, contamination is not dissimilar to other legacy industrial sites, including hydrocarbons, asbestos, lead, per and polyfluoroalkyl substances (PFAS), polychlorinated biphenyls (PCBs) and heavy metals. Others sites contain more unique hazards specific to Defence, such as unexploded ordnance, explosives residues and chemicals associated with the manufacture and testing of munitions. The presence of contaminants increase the cost of managing estate assets and must be addressed when assets are divested.

2.16 Prolonged divestment processes have resulted in Defence carrying ongoing safety and reputational risks associated with contaminated sites. One prominent example is the former explosives factory and research facility at Maribyrnong. The 127 hectare site was declared surplus to requirements in 1997 and has been vacant since 2006. It is subject to frequent trespassing, vandalism and stripping of abandoned buildings.



Photo: The Defence site Maribyrnong, Victoria, has repeatedly been vandalised. The use of spray paint is self-evident and there are ongoing safety risks at the site. The former explosives factory and research facility has been vacant since 2006.



Photo: The Defence site Maribyrnong, Victoria.



Photo: Remediation of Defence site Maribyrnong, Victoria, will be a significant undertaking due in part to the significant damage to buildings, as seen in this image.

- 2.17 The annual cost associated with Defence's ongoing management of the Maribyrnong site is approximately \$2.8 million and growing. A grass fire on the site in 2022 damaged 23 buildings and blanketed a portion of the Melbourne metropolitan area in smoke. While 10 buildings were damaged beyond repair and later demolished, works were undertaken to stabilise the remaining 13 to preserve their heritage values.
- 2.18 Clearly, it would be preferable for this well located site at Maribyrnong to be remediated and made available for development without further delay.
- 2.19 The number of reports of work health and safety incidents for older buildings on the Defence estate has increased and Comcare premiums are rising for the Defence portfolio. The demolition or divestment of older assets that are no longer fit-for-purpose should place downward pressure upon this trend.

Housing

2.20 The provision of appropriate housing for personnel close to their workplaces is an important part of the employee value proposition. When considering housing options, members take into account the proximity to amenities such as childcare centres, schools, shops, broadband connectivity, storage, and spousal employment opportunities.

2.21 Housing satisfaction is important for the wellbeing and retention of ADF personnel and families. It is a significant issue for Defence families, who make decisions at the commencement of each posting cycle as to whether they accept the posting or cease their military service. For some families, the availability of 'fly in, fly out' arrangements for certain postings could tip the balance in favour of retention. Given the cost and time needed to recruit and train new members, improving retention rates would have clear cost and capability benefit to Defence.

2.22 The Defence Pay and Conditions Manual sets out housing entitlements for members. Entitlements vary according to family composition and rank. Housing is provided in a number of different ways:

- ▶ transit and living-in accommodation on bases;
- ▶ service residences for families living on base;
- ▶ service residences and apartments provided by Defence Housing Australia (DHA) in the community;
- ▶ rental accommodation sourced from the private rental market and subsidised by Defence; and
- ▶ some members live in their own homes.

2.23 Accommodation provided by DHA is informed by demand forecasts provided each year by Defence. The forecasts are routinely inaccurate. This makes it difficult for DHA to meet Defence needs, given the long lead times associated with constructing or acquiring houses. It is imperative that the accuracy of the housing forecast be improved to reflect modern day requirements. It should be updated in real time when material decisions are made that will impact on housing demand in particular locations.

- 2.24 Service residences generally need to be located within a 30 kilometres radius of bases. Stand alone housing that meets Defence's specifications is not readily available or affordable in inner city locations. Available DHA residences are often in the outer suburbs. For members working in inner city locations such as Garden Island in Sydney, this can involve a lengthy commute to and from work. There would be benefit in relaxing the strict specifications in the Pay and Conditions Manual to provide greater flexibility, enabling members to make trade-offs between the type and location of housing that would meet their needs.
- 2.25 Future accommodation options for personnel undertaking training could include the use of serviced apartments in inner city locations. Private sector providers could potentially help Defence meet these needs. The availability of suitable accommodation for rotational forces from other nations will need to be considered in growth areas to support force posture initiatives.

Heritage

- 2.26 The application of heritage management policies on the Defence estate is a significant and recurring challenge. This stems from Defence's legislative obligations under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) to identify, assess and monitor the heritage values of its properties, regardless of whether they are on the Commonwealth Heritage List.
- 2.27 Our national identity has been heavily shaped by our military history and many active establishments have tangible links to the past. Heritage obligations are not limited to built structures but also include areas with exceptional natural, Indigenous and cultural properties. The application of the heritage provisions of the EPBC Act are more arduous and complex for Defence than most other Commonwealth agencies due to the size and diversity of its estate holdings.
- 2.28 The EPBC Act and its associated regulations place prescriptive requirements on Commonwealth agencies to develop and update heritage management plans. This prevents actions from being undertaken that would significantly impact identified heritage values unless strict conditions were met.
- 2.29 The EPBC Act requires agencies that own or control property to develop a heritage strategy which differs in size and complexity based on the size of the property holdings. Of the 19 Commonwealth portfolio departments, Defence is one of only four that has completed a heritage strategy¹⁴.

- 2.30 Each site on the Commonwealth Heritage List requires development of a separate heritage management plan, updated every five years. Defence sites account for approximately one third of the total listings on the Commonwealth Heritage List, with 132 places spread across 60 sites. We were advised that Defence had developed more than 100 heritage management plans, with each costing an average \$200,000 to produce and taking more than two years to complete.
- 2.31 Despite the considerable resources being expended to meet its heritage obligations, it is unlikely Defence will ever be able to fully satisfy all provisions of the EPBC Act given the vastness and diversity of its property holdings. Many of these compliance challenges are well recognised, as reflected in the recommendations of the 2020 Independent Review of the EPBC Act¹⁵.
- 2.32 We observed a lack of consistency in heritage identification, classification and management by Defence. Heritage assessments are being undertaken on a base by base approach and have resulted in common structures being preserved despite being prevalent across the estate. Bellman hangars that were intended to serve as temporary and transportable aircraft structures are one example. There are multiple examples remaining at civil airfields across the country.
- 2.33 Well-intentioned efforts to comply with provisions of the EPBC Act are impairing the ability for Defence bases to be used for their primary purpose. It has placed further pressure on strained sustainment budgets and led to dysfunctional outcomes. The application of heritage protections are not well understood across Defence and there has been a tendency to over-protect older structures out of an abundance of caution.
- 2.34 Defence should consider the potential for a strategic assessment of portfolio heritage places and seek to accredit its own approval processes for certain actions involving heritage sites. This would be within the provisions of the current EPBC Act and would reduce the number of referrals for approval by the Environment Minister. It is possible to seek accreditation of Defence management processes for heritage impact assessments through a declaration by the Minister for Environment and Water. Legislative reform of the EPBC Act could remove the requirement for Department of Climate Change, Energy, the Environment and Water endorsement of heritage management plans by the use of Third Party Heritage Expert Certifications, similar to the regime currently used for contaminated land assessments.

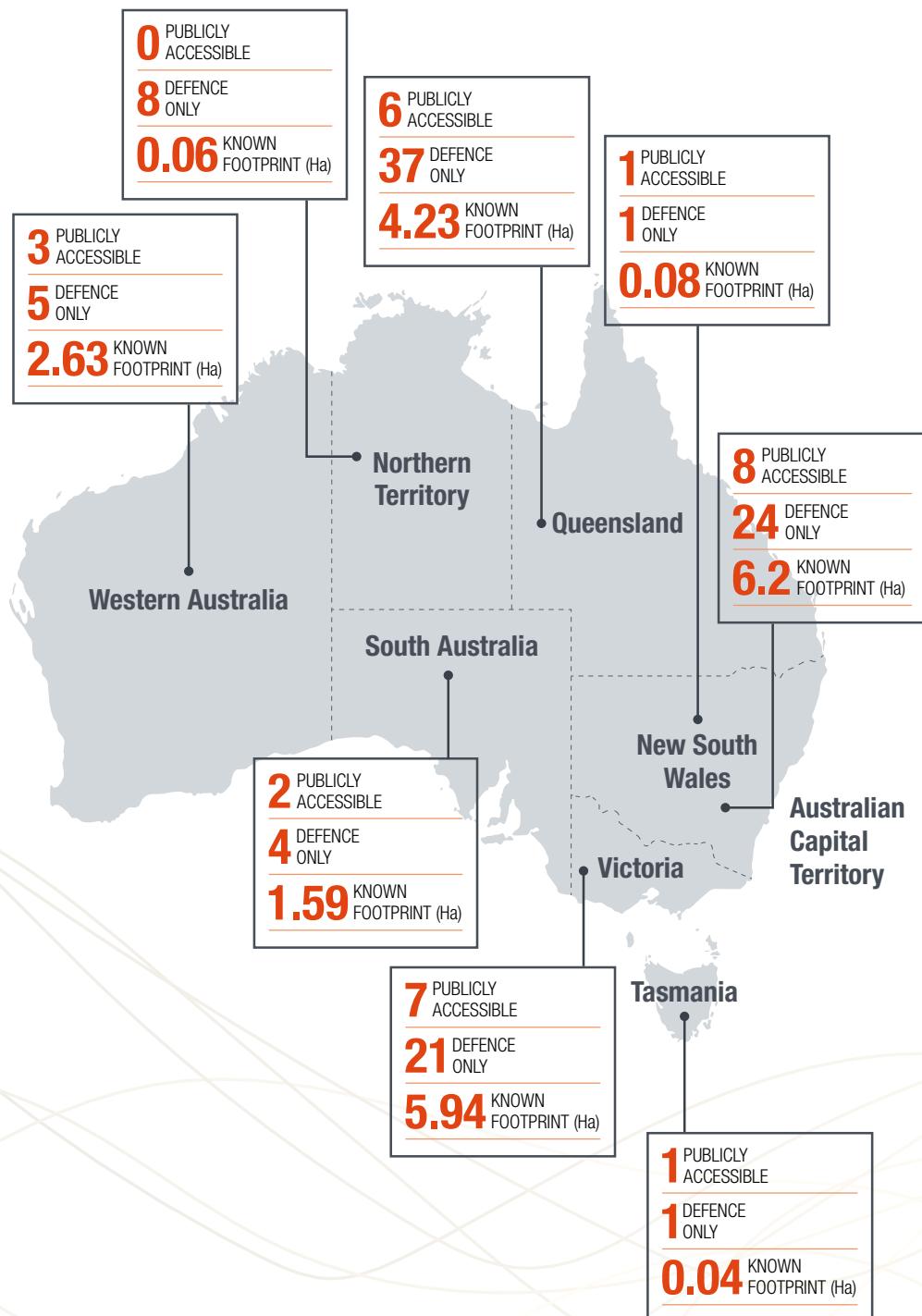


Figure 2.1: Museums and historical collections.

Museums

2.35 Occupied premises with minimal to high heritage values are generally maintained to high heritage standards. This contrasts starkly with operational areas of the Defence estate that are not afforded appropriate levels of priority, particularly those in northern Australia which the Government has directed as the priority for future estate investment. There are instances where legislative compliance with heritage obligations seems to be afforded priority over other legislative obligations, including work health and safety and the PGPA Act.

2.36 Defence maintains at least 130 known museums, history rooms and displays however, 80 per cent of these are not easily accessible to the public. Collectively this equates to 20 hectares of the estate dedicated to the storage of heritage items. This impacts the use of the estate and can hinder proper preservation, research and public engagement for items of historical significance.

2.37 These heritage collections typically rely on volunteers to curate displays, often without the resources or materials needed to properly preserve items of significant value. Access to these displays is often restricted as they are located on base and require visitors to be signed in and escorted. Managing third-party access to the estate carries inherent costs and risks to Defence.

2.38 While local arrangements have been made to open sites at set times to visitors or relocate museums closer to external boundary perimeters, there remains a fundamental question as to whether accommodating these collections on active Defence bases represents the best use of finite estate resources. There would be greater value in a more systematic and centrally coordinated approach to the assessment, curation and public exhibition of historic items currently stored across the estate.



Photo: Publicly inaccessible, heritage displays are common on the Defence estate. Exhibits like this one of Navy ship models at the Main Repository located on Spectacle Island, Sydney, are frequently curated by volunteers.

Third-party access

2.39 There are instances of where Defence has licensed access to third-party users at below market rates, despite considerable maintenance and administrative costs to Defence. For example, the Army Museum of Western Australia is a 1.4 hectare area located at Artillery Barracks in Fremantle that is licensed to a non-profit foundation for a nominal cost of \$1 per annum. Plans to close and dispose of the site in the early 2000s triggered a Parliamentary inquiry resulting in the museum remaining under a special licensing agreement. Last financial year the site cost Defence approximately \$78,000 in maintenance and upkeep for these premises.

2.40 The estate's purpose to generate and support Defence capability is being eroded by initiatives that are not directly linked to national security outcomes. Many are relics of a past era when Defence bases were geographically isolated and nearby amenities in the broader community did not exist. These include the maintenance of golf courses, childcare centres, libraries and office accommodation on base, particularly where there is minimal use of these facilities by service personnel and their families.

- 2.41 There is a clear justification for some on-base services to continue such as cafes, banks and hairdressers. Local knowledge is important to ensure the provision of such amenities are in step with accessibility of services in the broader community. Licensing arrangements should take account of the risks and costs Defence incurs in allowing third-party activities to occur on the estate. While Defence has established protocols to enable external access to its bases, it comes at a cost to the sustainment budget and erodes finite resources.
- 2.42 Costs include issuing and managing of Defence Common Access Cards, building upkeep, grounds maintenance and electricity and water consumption which are often far greater than the nominal license fees paid by third-parties operating on the estate.

Property leases

- 2.43 Our observations on the estate are not intended to reflect on its current stewardship but instead point to the cumulative effect of many years of neglect and ingrained behaviour. We observed high levels of dedication and professionalism from base management staff and personnel across the Department. They strive to deliver positive outcomes despite severe resource limitations across a footprint that is too large and regarded as a free resource by users.
- 2.44 This behaviour is most evident in the leased estate which has grown sporadically to meet the emerging needs of users without a clear guiding strategy. This has led to highly bespoke fit-outs, a reluctance to adopt agile work practices and an unwillingness to share or cohabit with other user groups.
- 2.45 Mandated Australian Government occupational density targets also apply to Defence. In 2022, Defence reported 50 leased tenancies totaling 317,345m² of controlled area—the fourth highest of all Commonwealth entities behind Services Australia, the Australian Taxation Office and the Department of Home Affairs¹⁶. Defence has one of the highest average occupational density rates of 16.4m², with the average across all Commonwealth agencies being 14.8m² against the target of 14m² of usable office area per occupied work point. This shows Defence is not using leased office space as efficiently as other Commonwealth agencies.

- 2.46 The adoption of flexible work practices has seen reduced office attendance. Monthly occupancy data from physical inspections and swipe access statistics show low usage rates across leased office accommodation. In some places average occupancy is below 40 per cent yet there remains a constant demand for more working accommodation despite the inefficient use of existing spaces. This was evident at the recently completed Defence Plaza Sydney, where modern secure and agile office space has been delivered in the heart of the central business district. We observed low levels of occupancy of this building which was confirmed by swipe pass data showing an average daily attendance rate of 29 per cent.
- 2.47 Behavioural practices are also placing undue pressure on the estate. Some of the user groups have been reluctant to relinquish unused work spaces. They also apply outdated practices of assigning dedicated work points to individuals regardless of the frequency of use. An unwillingness to embrace agile work practices in shared office environments has also seen functions previously performed from Defence Plaza Sydney relocate to the nearby Garden Island Defence Precinct, placing further strain on already congested amenities needed to support fleet units.
- 2.48 These inefficient practices place pressure on other enabling functions, including in the fit-out and ongoing maintenance of underutilised information technology equipment. They entrench inefficiency and generate unnecessary costs.

Workplace evolution

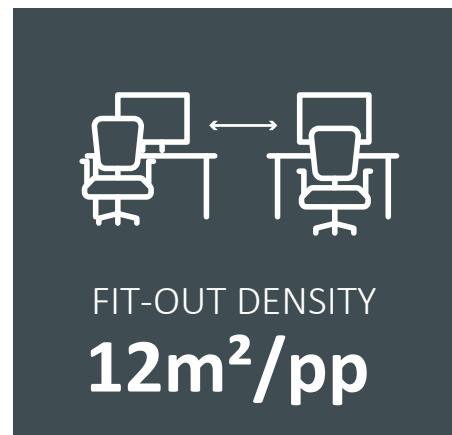
2.49 Across the past decade there have been significant economic, technological and social shifts in the ways people work, live and train on the Defence estate. The global COVID-19 pandemic accelerated the trends towards greater automation and flexibility in the way work is done. Work is now less defined by physical attendance at a specific location and more as an activity that can be performed in a variety of ways to maximise productivity.

2.50 Legislative, regulatory and policy requirements continue to evolve to make workspaces more accessible, safe and sustainable. Defence has an obligation to ensure it provides a safe and healthy work environment for all workers, including service personnel, civilian employees, contractors and others on the estate.

- ▶ Retrofitting older buildings is difficult and costly, resulting in organisations carrying greater risks due to the number and types of non-conforming structures.
- ▶ Liabilities associated with remediating known contaminants on the estate will continue to grow unless proactively addressed during major refurbishments and base upgrades.

2.51 Well-designed agile workspaces promote collaboration and boost productivity while protecting the health and wellbeing of employees. Talent attraction and retention strategies rely on providing contemporary work environments that cater to Defence's workforce.

2.52 Defence lags well behind Australian Government and private sector policies on adopting agile office accommodation practices, despite positive feedback from users of the flexible workspaces delivered to date. There are opportunities for Defence to consolidate its current fragmented and inefficient portfolio of owned and leased office accommodation. A behavioural shift among user groups would be required to make best use of the new spaces.



Average Daily Utilisation

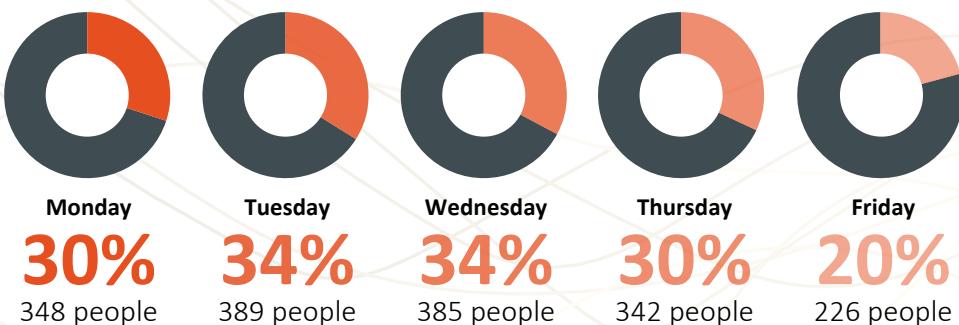


Figure 2.2: Defence Plaza Sydney utilisation (August 2023)



Photo: The refurbished interior of Defence Plaza Melbourne included a complete reconfiguration of the ground floor and modernisation of the working accommodation floors, designed by Harmer Architecture. Photos by Gallant Lee.

Pathways to Net Zero

2.53 As the operating environment continues to change, Defence needs to change with it. A key illustration is the Australian Government's path to Net Zero. Defence accounts for approximately half of the energy consumed by the Australian Government¹⁷. As a large energy user, Defence is required to improve its operations by contributing to energy efficiency and emissions reduction targets. Although the ADF and security agencies are excluded in certain circumstances from the 2030 target to drive a 43 per cent reduction in greenhouses gas emissions, Defence is still required to reduce emissions where possible in areas such as standard office accommodation and passenger vehicles¹⁸.

2.54 Defence is only at the start of this journey. The way energy is supplied and used continues to transform at an increasing rate, with renewable power generation now accounting for 32 per cent of Australia's electricity generation¹⁹. Domestic petrol consumption is at its lowest levels since the 1970s and 23 per cent below levels recorded 10 years ago.

2.55 National rating systems to measure the environmental and energy performance of Australian buildings will also factor into future investment decisions for Defence in meeting Net Zero targets. These decisions will need to balance community expectations, heritage preservation, remediating contamination, protecting the biodiversity of the estate and the need to meet Defence's pressing operational needs.

2.56 Detailed efforts are underway to implement legislated emissions reduction targets. However, there remains an urgent need for Defence to forecast current and future energy load requirements and ensure these are visible to the market.

2.57 Timing lags and competition for clean energy resources across the public and private sectors, domestically and internationally, present opportunities for Defence to prioritise implementation of its Net Zero strategy to reduce energy costs and enhance energy security.

2.58 Defence requires all new and refurbished buildings to meet industry best practice for energy and water efficiency through compliance with the *Energy Efficiency in Government Operations Policy 2016*. The policy applies minimum energy performance standards for Government office buildings and requires the ongoing measurement of efficiency levels using the National Australian Built Environment Rating System (NABERS).

2.59 Approximately 90 per cent of office space in Australia is NABERS rated and this system has enabled average energy savings of 30–40 per cent over the past decade by identifying areas for improvements²⁰.



Figure 2.3: National Australian Built Environment Rating System.

- 2.60 The policy provides some flexibility to agencies where it is too difficult for office spaces to achieve a NABERS rating of 4.5 stars or above due to factors such as location, heritage, security or operational constraints. The policy also contains unique provisions for Defence that take account of the diverse range of facilities often located on bases, including climate-controlled stores, laboratories, hospitals, communications and data facilities²¹.
- 2.61 Defence has made progress towards recording and reporting emissions since the policy was introduced in 2006. A 22 per cent reduction was recorded in 2021–22 through a mix of energy efficiency initiatives and the limited introduction of more renewable energy generation and storage across the estate. However, the current approach is episodic, frequently deprioritised and has not benefited from a whole of Defence definition of requirements and approach. New ways of working will be required for office based activities across the Defence estate, as it will not be practical or cost-effective to retrofit all existing buildings to meet energy efficiency targets.
- 2.62 Energy efficient and resilient infrastructure will be more cost effective to operate and maintain, provide more contemporary and secure work environments and reduce Defence's liability in maintaining ageing and inefficient assets. There is also potential for land parcels not suited to divestment to be repurposed to support climate related targets by using environmental offsets such as those being delivered at Defence Establishment Orchard Hills or carbon sequestration programs.

2.63 Advances in immersive simulation technologies have transformed the way training is delivered and proficiencies maintained. These present Defence with opportunities to reconsider the relative value and benefits of a blend of physical and virtual training. In doing so, consideration must be given to the total cost of maintaining large numbers of training ranges, exercise areas, armouries and accredited explosive ordnance storage facilities against their relative use. The current arrangement of attributing costs across multiple cost centres within Defence makes it challenging to benchmark actual costs against alternate delivery models.



Photo: Australian Army soldiers use the jump simulators at the ADF Parachuting School to practise a military free-fall parachute jump.

2.64 The ability of training and exercise areas to support a range of preparedness objectives, rather than just catering to a narrow range of users, must be balanced with consideration of fixed costs associated with the ongoing management of these large tracts of land.

Reserves and Cadets

2.65 A review currently underway will weigh up future operating models for Reserve members of the ADF. Notwithstanding its findings and recommendations, it is clear that the current estate disposition of Reserve units is extremely inefficient. We observed unreasonable duplication of facilities dedicated to units that often paraded only once a week after standard business hours. This has resulted in large parcels of land and facilities being underutilised for more than 85 per cent of the time.

2.66 While these sites do offer contingency capacity, the depots in which they are accommodated are often not well suited to an influx of additional personnel and equipment that could more effectively be staged at other locations including non-Defence locations. Many depots are legacy parts of the estate passed down through generations that in many cases now support fewer than ten people.

2.67 The poor material condition of many Reserve sites detracts from the ability to recruit and retain personnel. While the notional strength of some units appears high, actual numbers of personnel routinely parading are much lower. Units are often accommodated in small numbers across different buildings on the same base, resulting in duplication of facilities and costly upkeep. In some regions, Defence is maintaining separate Cadet buildings for each service rather than consolidating all into a single location. The shared use of existing Defence facilities after hours, when not being used, would present a more sustainable and cost-effective solution.

2.68 There are changes to the way Reserve service is performed, where the model of regular parade nights (normally Tuesday evenings) is instead undertaken over a two-week block on a quarterly basis. We were advised feedback on this operating model has been positive, leading to better capability and preparedness outcomes.

2.69 There are examples where large amounts of land and specialist facilities are being maintained to support the training needs of decreasing numbers of personnel. The total cost to Defence of maintaining live firing ranges and explosive ordnance storage that are permanently staffed by contracted security guards, but used only occasionally, should be benchmarked against alternate training options such as simulation or travel to more frequently used facilities.

2.70 In Tasmania there are 16 Defence sites, including two military training areas, to support a disproportionate number of full-time and Reserve personnel. The indirect costs to Defence of excessive land holdings includes: the administrative overheads of developing and updating environmental management plans, bushfire mitigation measures, weed and invasive species management, conservation efforts, heritage and asset accounting.

Divestment

- 2.71 The Commonwealth Property Management Framework mandates property should only be held by the Commonwealth where it demonstrably contributes to Government service delivery outcomes and ownership represents value for money²². The ongoing retention of underutilised portions of the estate must be considered against the requirement to achieve efficient, effective, economical and ethical management of Commonwealth resources as required by the PGPA Act.
- 2.72 Defence retains a substantial number of properties in urban areas with significant market value that are not designed for today's operational needs. For this capital to be realised there needs to be a coordinated effort to relocate personnel and functions and sell these properties on the open market on a highest and best use basis. It is imperative that the proceeds be retained within Defence and directed towards the highest priority areas.
- 2.73 The threshold question applied throughout the Audit in assessing sites for divestment has been: does continued retention and investment best meet Defence's current or future capability needs? It does not mean functions performed on these sites are no longer valued or required. Rather, the ongoing performance of certain functions within current sites is delivering suboptimal outcomes for Defence. This is evident in the continued occupation of heritage-listed sites as 'make do' workplaces, when these functions would be better performed in modern and secure facilities.
- 2.74 In determining options for relocating functions to alternate facilities, minimum viable thresholds must be applied. Not all legacy facilities need to be replicated on a one-for-one basis, particularly where there are high levels of underutilisation of existing facilities. Greater use of shared facilities within geographic regions should be mandated, particularly for infrequent activities. Office based functions must conform with Australian Government density targets and protective security zoning requirements.
- 2.75 In undertaking this Audit, the net costs associated with relocation and preparing sites for divestment have been considered against the estimated full market value of sites. To assess the full opportunity cost, base redevelopment estimates and sustainment outlays required to remain at current locations need to be considered.
- 2.76 A commercially resourced and orientated approach is needed, with clear authority to drive property divestments through to successful closure. This will incentivise the release of surplus property and provide the necessary seed funding to establish and maintain the divestment program without adding to demands on the IIP.

Chapter 3:

Prioritising

Investment

- 3.1 Defence's departmental structure has changed significantly over the past five years, following the establishment of two new statutory agencies: the Australian Signals Directorate (ASD) and the Australian Submarine Agency.
- 3.2 In response to the changing strategic environment a number of new groups and divisions have been created to address emerging challenges and Government priorities. The commitment to continuous national naval shipbuilding and the formation of a guided weapons and explosive ordnance enterprise represent substantial long-term investments in the development of domestic industrial capabilities. Space Command and Cyber Division have been formed, which now reside within Joint Capabilities Group, along with Defence Intelligence Group following the Defence Intelligence Enterprise Review in 2020.
- 3.3 A dedicated Data Division was founded to support enterprise business capabilities, along with the Office of Business Transformation to drive adoption of the new Enterprise Resource Planning system. The creation of a dedicated Pacific Division within Strategy, Policy and Industry Group is responsible for translating strategic objectives into practical outcomes to deepen Defence's engagement with partners across the Pacific region.
- 3.4 In response to the recommendations of the DSR, an Advanced Strategic Capabilities Accelerator was established to rapidly transition emerging technologies into game-changing capabilities. A new Chief of Personnel was appointed to lead the centralisation of ADF's personnel management into a single integrated system.

- 3.5 The past decade has seen a substantial increase in the scale of multinational exercises and rotational forces hosted throughout Australia. Exercise Talisman Sabre 2023 was the largest iteration of this exercise. Australia hosted more than 34,000 military personnel from 13 nations as participants and a further three nations as observers²³. The DSR acknowledged the need for more major exercises to be conducted given their positive preparedness and deterrent effect.
- 3.6 The United States Force Posture Initiatives, coupled with the Australia–Singapore Military Training Initiative, have resulted in thousands of additional military counterparts accessing Defence training areas and ranges in central and north Queensland and across the Northern Territory. These arrangements have built upon longstanding arrangements for bilateral training with the Singaporean Armed Forces pilots at RAAF Pearce and the Army Aviation Centre Oakey.
- 3.7 The estate incorporates expansive training and exercise areas that are unique on a global scale. However, the aggregate demand from Defence and international partners has strained the capacity of some facilities. Pressure has been placed upon the enabling infrastructure that supports large numbers of visiting forces and there has been potential for impacts upon surrounding regional communities when there is an influx of additional personnel.



Photo: A Royal Australian Navy sailor guides a US Marine Corps MV-22 Osprey during take-off and landing practice on the flight deck of HMAS Adelaide in the Whitsunday Islands during Exercise Sea Raider 2023.

Climate change resilience

- 3.8 The events of the past decade have highlighted the ongoing impacts severe weather and domestic contingencies can have on Defence preparedness. As the frequency and severity of natural disasters increase, Defence must make judgements on the future viability of sites that are more susceptible to the long-term impacts of urban encroachment, congestion and climate change.
- 3.9 The vastness and diversity of the Defence estate is staggering, stretching across a broad range of climatic and operating conditions. Harsh environmental and operating conditions in the north compared to the more benign south needs to be considered against the backdrop of climate change and the increased frequency of severe weather events.
- 3.10 The vulnerability of single points of failure on the estate and in connecting road, rail and air infrastructure that Defence relies upon, has been especially evident over the past two years following extreme rainstorms impacting southern, central and north western Australia. This needs to be addressed. Multi-modal support bases that underpin the logistics movements of essential equipment, including ready access to secondary and tertiary avenues of transportation, will be essential to providing for redundancy in the event of unforeseen contingencies.
- 3.11 Defence has acknowledged the compelling energy security and resiliency benefits linked to the early adoption of renewable energy supplies as an alternative to dependency on long liquid-fuel supply chains at a number of its remote sites. The initial results of the Defence Renewable Energy and Energy Security Program, which is piloting a range of low-emissions technologies and delivery mechanisms across multiple locations nationwide²⁴ are promising.

Impacts on estate investment

- 3.12 The culmination of these changes, coupled with the accepted recommendations in the DSR and evolution of the ADF into a more Integrated Force across five capability domains (maritime, land, air, space and cyber) necessitates a reconfiguration of the estate at scale and speed.
- 3.13 Foundational estate and infrastructure must support Defence to maintain a qualitative edge, not hinder it through constrained, outdated and siloed facilities. The case for substantial and immediate change is compelling against the need for climate change resilience and in response to more Australians being targeted for espionage and foreign interference than at any other time in our history²⁵ and the rise in frequency and sophistication of cyber-attacks. Choices made today will determine whether Australia is prepared to meet the challenges of tomorrow and beyond.

AUKUS

- 3.14 The AUKUS partnership announced in September 2021, has irrevocably changed the security landscape for Defence over the coming decade. This trilateral partnership represents a major long-term commitment that will demand a determined and sustained national effort to deliver.
- 3.15 The acquisition of conventionally-armed nuclear-powered submarines brings with it new stewardship and regulatory obligations. These will be overseen by a new independent statutory body—the Australian Nuclear Powered Submarine Safety Regulator. The Regulator will be independent of the ADF chain of command and directions from the Department of Defence. It will have responsibility for regulating nuclear safety and radiological protection across the submarine enterprise, including associated infrastructure and facilities.
- 3.16 Early planning and ongoing works at HMAS *Stirling* in Western Australia on infrastructure upgrades will support the increased frequency and duration of visiting nuclear-powered submarines from as early as 2027 as part of the Submarine Rotational Force—West (SRF-West) rotational presence²⁶. Under the first phase, up to four United States Virginia-class submarines and one United Kingdom Astute-class submarine will comprise a rotational presence²⁷, in addition to the Royal Australian Navy fleet units already homeported at HMAS *Stirling*.
- 3.17 The pathway to realise the essential and substantial uplift in facilities and infrastructure in such a compressed timeframe will require close coordination across three tiers of government and the ongoing support of the local community.
- 3.18 Institutional knowledge gained from continuous base redevelopment and upgrade works at HMAS *Stirling* over the past decade is being applied to future investment plans to ensure they remain realistic and achievable. We note that the cumulative investment in core infrastructure and essential services across HMAS *Stirling* has been in the order of \$1 billion since 2015. Further planned investment of up to \$8 billion over the coming decade represents a substantial uplift over what has been achieved at HMAS *Stirling* during the past eight years.
- 3.19 The full refurbishment of underlying infrastructure and base services will provide a solid foundation for expansion. Essential services—including baseload power will need to increase ahead of the arrival of larger workforce numbers beyond the 3,600 personnel who currently work on the base.



Photo: Aerial photographs of the upgraded facilities around HMAS Stirling and Fleet Base West in Western Australia.

- 3.20 Plans for an initial uplift in base infrastructure to enable the SRF-West presence will remain highly dependent on a commensurate improvement in off base support facilities within the community. Housing availability and access to community amenities such as schools, hospitals, transport and recreational facilities will be needed at a time when existing services are under significant pressure. While delivery of these facilities will fall outside of Defence's direct remit, early and seamless coordination with state and local government stakeholders will be required.
- 3.21 Access to the island via a single 4.2 kilometre causeway, coupled with the significant volume of traffic on local streets, regularly creates a bottleneck effect. We understand that preliminary consideration has been given to the feasibility of duplicating the causeway connecting Rockingham to Garden Island to improve traffic flows during peak periods. Duplication of the causeway would represent a significant financial commitment and have environmental implications for the marine ecosystem and water flows in Cockburn Sound. Both issues require further consideration and the need for modelling of projected future demand based on the SRF-West presence, rather than historical data.

- 3.22 Demand for skilled workers in the construction sector in the surrounding Kwinana and Henderson regions will remain challenging. The Westport development, to build a future port at Kwinana integrated with road and rail networks on the adjacent side of Cockburn Sound, presents both potential challenges and opportunities for Defence. Estimates of the value of the Westport development range between \$4 billion and \$4.7 billion. It is expected to be built over the same period as the expansion of HMAS *Stirling*, which is forecast to cost \$8 billion.
- 3.23 As cited in Infrastructure Australia's 2022 and 2023 Market Capacity Reports, workforce and materials demand continue to significantly outweigh available supply. Skilled labour remains the top capacity constraint which increases the risk of project slippage. While this is impacting every jurisdiction, Western Australia previously recorded the highest demand-to-supply ratio for labour, with 2.7 workers demanded for every one supplied²⁸. The occupation group with the deepest shortages is still engineers, scientists and architects, which carry long career pathways in and high churn rates out²⁹. Ensuring alignment between requirements and industry capacity is vital to ensuring the successful delivery of facilities against the AUKUS Optimal Pathway timelines.

Planning now for 2050

- 3.24 The increase in demands at HMAS *Stirling*, coupled with the need to establish an east-coast nuclear-powered submarine facility, highlight the importance of a long-term, coordinated solution for these elements given the lead times in site selection, decision making, community engagement, securing resources, design and construction.
- 3.25 The critical importance of the Captain Cook graving dock will necessitate Defence maintaining a substantial presence in Sydney for the foreseeable future. Constraints associated with the Garden Island Defence Precinct, coupled with the expiry of the existing lease covering HMAS *Waterhen* in North Sydney in 2065, require development of a coordinated plan to reduce the total number of Defence personnel in the greater Sydney metropolitan region. Consideration must be given to relocating functions not directly linked to ship maintenance and fleet support to alternate locations outside of Sydney to ease acute pressures on housing for service personnel.



Photo: HMAS Adelaide in the Captain Cook dry-dock after an extended maintenance period at Garden Island, Sydney.

3.26 Investment priorities in the land domain to accelerate and expand Army's littoral manoeuvre watercraft need to be closely integrated with upgrades to Navy's maritime infrastructure. Defence cannot afford to duplicate facilities or miss the opportunities that would come from further progress towards a full integrated force. While the regulatory framework associated with an east coast facility to support nuclear-powered submarines will drive unique requirements, the total needs of current and future Defence capabilities should be considered as part of future force posture demands. This will include the need for critical integrated enablers such as fuel, logistics and explosive ordnance storage and handling, as well as housing, medical facilities and community amenities for families.

Northern bases

3.27 As the DSR identified, there is an urgent need to reorientate towards our network of northern bases, ports and barracks with support from facilities in the south and for a rationalisation of sites that no longer directly contribute to current or future Defence capabilities. This builds upon consistent recommendations over the past three decades to increase Defence's presence in the north and north-west of Australia, in order to project credible military power from the most vulnerable part of the continent³⁰.

3.28 Northern Australia provides a gateway to the Indo-Pacific region. As Australia's northern most capital city, Darwin sits at the epicentre of the fastest growing and most important geostrategic region in the world. Australia's network of northern bases, ports and barracks provide unique training opportunities for regional partners to exercise at scale and across a vast range of operating environments and conditions.

3.29 This northern network of bases is critical to enhancing the preparedness and capacity of the ADF and cooperation with international partners—particularly the United States and Singapore. The past decade has seen investments prioritised towards key sites in the Northern Territory that support increased Defence capability and the delivery of commitments outlined in the United States Force Posture Initiatives announced in 2012. This initiative has now grown to full-scale rotations of up to 2,500 United States Marine Corps personnel undertaking a range of exercises across northern Australia, as well as enhanced air cooperation with the United States Air Force.

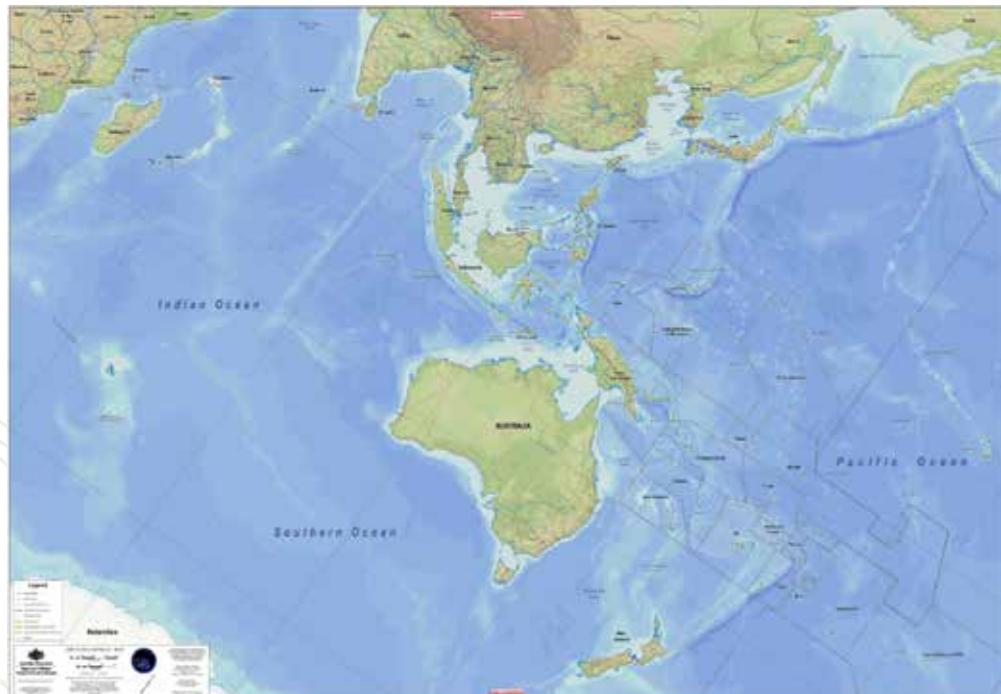


Figure 3.4: The Indo-Pacific Region.



Photo: Robertson Barracks Driver Training Area constructed under the United States Force Posture Initiatives Northern Territory Training Area and Ranges project.

- 3.30 Parallel with delivering United States Force Posture Initiatives related infrastructure, there have also been significant investments in upgrading Defence bases to boost the capacity of the ADF to operate across northern Australia. Examples include the redevelopment of Larrakeyah Barracks, construction of a 250 metre wharf and associated maritime logistics infrastructure at HMAS Coonawarra, airfield upgrades at RAAF Darwin to support P-8A Poseidon maritime surveillance operations and the strengthening and lengthening of the main runways and associated facilities at RAAF Tindal to support KC-30A Multi Role Tanker Transport operations.
- 3.31 Airfield upgrades at RAAF Tindal and across major training areas and ranges in the Northern Territory are due to continue through to 2027. New projects approved in the past 18-months will see follow-on infrastructure investment occur at RAAF Darwin and Robertson Barracks. There will be new facilities at RAAF Tindal to support the introduction into service and forward basing of the MQ-4C Triton remotely piloted maritime surveillance aircraft. Construction of the Triton facilities at RAAF Tindal commenced in July 2023 and is scheduled to be completed by early 2026.

3.32 Following release of the DSR, the Government committed a \$3.8 billion infrastructure investment over the forward estimates to strengthen Australia's northern bases³¹. The Government directed Defence to deliver upgrades to the northern base network as a matter of priority including:

- ▶ \$2 billion for critical air bases stretching from RAAF Base Learmonth through Cocos (Keeling) Islands, across the Northern Territory and into Far North Queensland including upgrades to runway and apron capacity, fuel supply and storage, accommodation and security;
- ▶ \$1 billion for upgrades to land and joint estate capabilities, including expansive training and exercise areas;
- ▶ \$600 million in the maritime estate including HMAS *Coonawarra*, HMAS *Cairns* and the Harold E Holt Naval Communications Station at Exmouth; and
- ▶ An additional \$200 million towards the acceleration of additional projects—which has since been committed to upgrades to RAAF Learmonth.

Progress is being made

3.33 In response, Defence has commenced a \$200 million package of resurfacing works for the runways at RAAF Darwin. This is the first major refurbishment of the runway and airfield infrastructure since 2007 and is critical to ensure the integrity of the runways and taxiways to support military and civilian air movements. Preliminary mobilisation activities are underway to deliver major airfield upgrades at Cocos (Keeling) Island to support P-8A Poseidon maritime surveillance patrols in the north-eastern Indian Ocean.

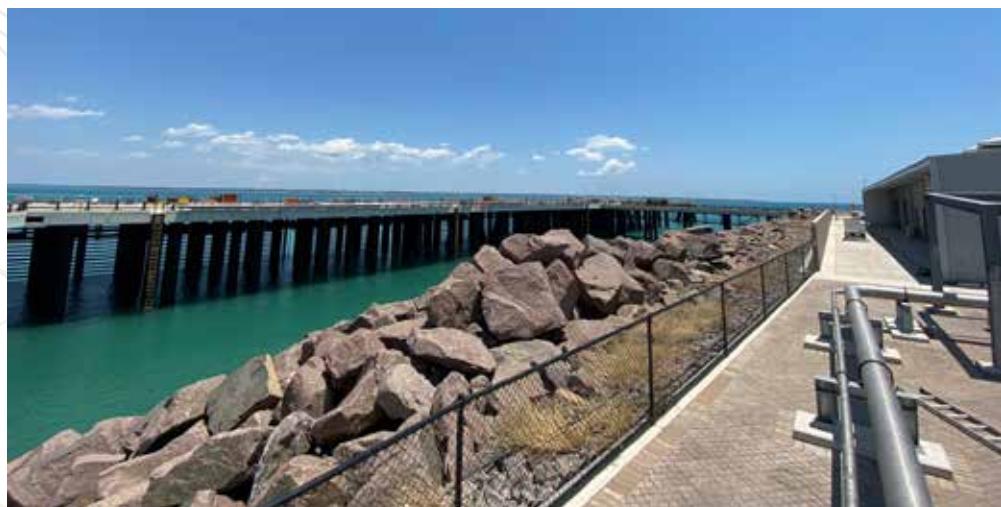


Photo: New wharf at HMAS *Coonawarra*, Darwin.



Photo: Left: An Air Force F-35A Lightning II at RAAF Base Tindal in the Northern Territory. Right: New aircraft hangar, maintenance and operational facilities to support the P-8A Poseidon aircraft at RAAF Darwin, Northern Territory.

3.34 There have been immediate benefits from Defence acting swiftly to deliver improvements to the estate. A critical shortage of suitable accommodation in the Darwin region to support large-scale international exercises has been addressed through leasing the former Centre for National Resilience at Howard Springs, which instantly added 3,484 self-contained rooms and high quality supporting amenities. Leveraging this existing facility through a lease agreement with the Northern Territory was achieved at a fraction of the time and cost that would have otherwise been associated with a traditional delivery model.



Photo: Defence Accommodation Precinct Darwin, formerly known as Howard Springs, Darwin, Northern Territory. Photos provided by the Northern Territory Government and Ventia.

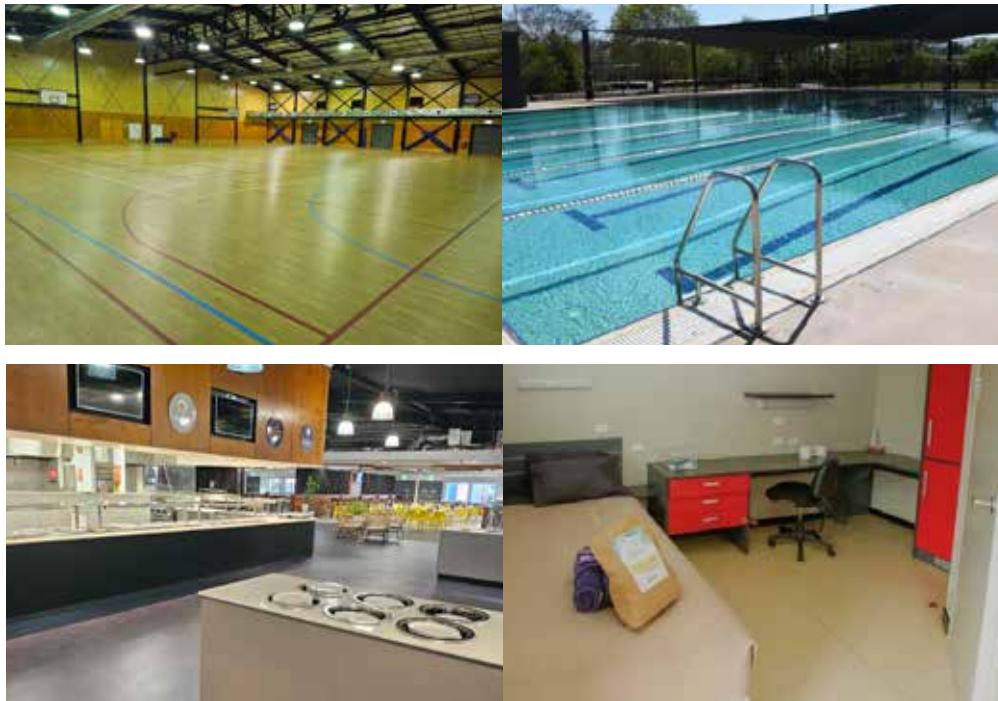


Photo: Defence Accommodation Precinct Darwin, formerly known as Howard Springs, Darwin, Northern Territory. Photos provided by the Northern Territory Government and Ventia.

- 3.35 Defence has established a positive and trusting working relationship with industry and peak bodies in the Northern Territory. This has helped boost industry participation and the capacity of local construction firms, sub contractors and suppliers. Through the enduring commitment of its major industry partners, levels of local industry participation have increased from around 30 per cent in 2017 to nearly 70 per cent in 2023 and rising.
- 3.36 Given competing demand for finite resources and skilled workers across northern Australia, Defence is refining its forward program of works to take account of simultaneous investments by state and territory jurisdictions and the private sector. Feedback provided by local industry leaders has highlighted the importance of a steady and predictable pipeline of forward investment to maximise productivity and minimise disruptions caused by peaks and troughs in demand. This approach also contributes to enhanced preparedness by generating and maintaining industrial capacity in remote locations that are able to be redeployed at short-notice to higher priority needs.

- 3.37 Accelerated delivery of infrastructure across northern Australia has gathered steady momentum in the past six years due to sustained investment and development of local industry capacity. Notwithstanding this record, it is important to acknowledge the constraints that will limit the achievability of forward investment plans.
- 3.38 Seasonal factors, including available work windows during the wet season and peak exercise periods during the dry season, will restrict the amount of works that can be delivered at different times throughout the year. The vast distances and limited support services present considerable logistical challenges in moving materials and skilled workers to remote sites. As an example, the Bradshaw Field Training Area is located 620 kilometres southwest of Darwin and represents a six-and-a-half-hour transit by road—almost equivalent to the route from Canberra and Melbourne.

Protective security

- 3.39 Protective security measures have needed to adapt in recent years to meet a range of potential threats, including counter-terrorism, counter-espionage and cyber-attacks. Similarly, rapid technological advances and changes in the international security environment have driven reforms to Australia's foreign investment review framework. These have implications for the ownership and operation of critical infrastructure, including the physical security of Defence workplaces. The cost of refurbishing and retrofitting older buildings to meet contemporary security standards is likely to be prohibitively more expensive than relocating to purpose designed and built secure workspaces.
- 3.40 The AUKUS Advanced Capabilities trilateral cooperation also underscores the importance of developing and deploying joint advanced capabilities at pace to achieve the asymmetric advantages outlined by the DSR. The majority of the lines of effort will rely on the estate as the fusion point that brings together emerging technologies and a highly skilled workforce within a secure environment to generate a decisive edge.
- 3.41 The strategic demand for Defence's capability innovation systems has never been higher. Defence relies on a national science and technology system to enable the development of disruptive capabilities, including harnessing advanced and emerging technologies. More than 80 per cent of Defence Science and Technology Group staff are located on two sites: at Edinburgh and Fishermans Bend. Both sites suffer from longstanding under-investment, leading to buildings and specialist laboratories exceeding or approaching the end of their useful lives.

3.42 As identified by the Australian Security Intelligence Organisation's 2023 Annual Threat Assessment, since the announcement of the AUKUS there has been a distinct uptick in the online targeting of people working in Australia's defence industry. The scale of future demand for secure and compliant work zones in accordance with the Protective Security Policy Framework cannot be met without substantial adjustments to the current estate footprint. Future infrastructure designs will need to be flexible and adaptive to respond to the changing threat environment and rapidly changing technologies. They will necessarily leave behind historical work practices that inhibit innovation and collaboration.

3.43 The ASD identified the need for innovation, creativity and determination to maintain Australia's competitive advantage. The \$9.9 billion investment in cyber and intelligence capabilities under the REDSPICE program aims to deliver the benefits of increased resilience and redundancy through dispersal and diversification. The REDSPICE program builds upon the ASD's culture of adaptation and advancement to remain at the forefront of technology. When fully delivered, the REDSPICE program will:

- ▶ triple the ASD's offensive cyber capabilities;
- ▶ enhance its signals intelligence capabilities; and
- ▶ boost defensive cyber capabilities through hardening and defending national systems and critical infrastructure.

3.44 In order to harness technological advances and its uniquely skilled workforce, the broader Defence portfolio must ensure that the estate is aligned to leverage, rather than inhibit, future ways of work. To position for the future, elements of the past will need to be let go, including sites that no longer support current or emerging capabilities. The REDSPICE program highlights the importance of planning facilities upgrades in conjunction with workforce development and retention initiatives. It will provide greater opportunities to attract the specialist skill sets needed now and into the future, noting strong competition from industry for cyber and information technology talent.

3.45 The ASD is successfully transitioning and growing its footprint within the Australian Capital Territory to modern fit-for-purpose leased facilities. This demonstrates that even the most secure of activities undertaken within the Defence portfolio do not necessarily need to be undertaken in owned premises. There is an opportunity to further consolidate the 16 different footprints the Australian Signals Directorate has in the Canberra region to gain greater efficiencies and further boost its employee value proposition in a competitive skills market.

3.46 Based on preliminary consultation and analysis with the ASD, there is a significant opportunity for consolidation of their presence in the Canberra region that will enable the replacement of aged buildings within the Russell precinct. The two buildings occupied by the Australian Signals Directorate within the Russell precinct (built in 1960 and 1990) received a \$75.4 million upgrade commencing in 2017, although it was noted at the time the base building engineering infrastructure had reached end of life, or in some cases had passed its design life.

3.47 All buildings within the Russell precinct are now more than 25 years old, with legacy buildings constructed between 1962 and 1972 and the two main buildings (R1 and R2) completed in 1998. Plans to undertake a major refurbishment and consolidation of the Russell precinct have been repeatedly deferred in favour of emerging pressures on the acquisition budget, despite being a crucial component of a functional modern headquarters.

3.48 The situation is replicated in other capital cities, where former colonial headquarters have been passed down through generations and repurposed for other applications. These sites hold substantial historic and architectural values that are not widely accessible. Fortified installations for the coastal defence of ports built during the era of cannons and sail are inherently different to the types of secure facilities needed to defend our national interests against the array of threat vectors presented via twenty-first century technologies. The opportunity cost of preserving underutilised sites is inhibiting Defence's ability to better reposition for an increasingly uncertain and contested future.



Photo: The new Australian Signals Directorate cyber and foreign intelligence facility in Canberra.

Structural challenges

3.49 There are two key categories of estate investment, within Defence's IIP:

- ▶ new infrastructure needed to support capability acquisition programs (Capability); and
- ▶ the upgrade or redevelopment of existing Defence facilities (Estate).

3.50 For Capability projects, Security and Estate Group acts as the Delivery Group for the facilities components needed to support the introduction into service of a new platform. Facilities requirements are set by the Capability Manager sponsoring the project and funding is provided from the overall acquisition and sustainment provision approved by Government from the IIP. Any trade-offs between cost, capability and schedule are informed by the Delivery Groups and agreed by the Capability Manager.

3.51 For Estate programs, Security and Estate Group acts as both the Capability Manager and Delivery Group for renewing or replacing critical shared infrastructure. Requirements are drawn from estate appraisal data and investment prioritised towards refurbishment or replacement of critical assets and areas of regulatory compliance.

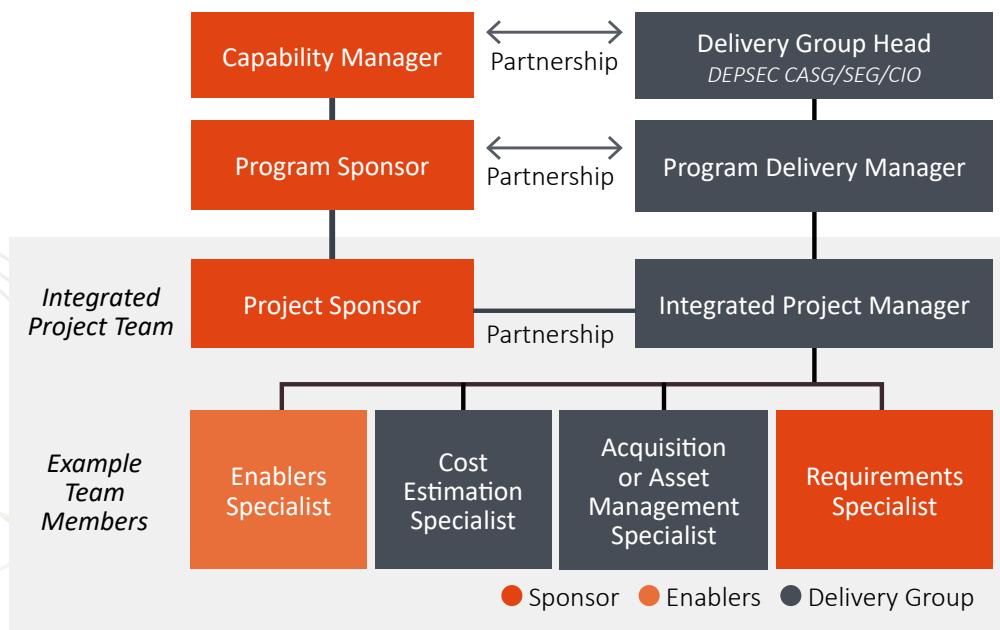


Figure 3.1: Capability Accountability Model.

3.52 Even before the force posture, other emerging changes outlined above are considered, this structure leads to an asymmetry between capability and the estate projects and a lack of incentive for these to be managed in an integrated way. Specifically, the Defence budget is prioritised towards capability projects.

3.53 Clearly, like many public and private sector organisations, there will be a need to prioritise expenditure between competing demands. However, individual users of the estate do not currently have a financial incentive or a clear prioritisation to either:

- ▶ ensure sufficient and maintained whole-of-life estate expenditure allocations; or
- ▶ consolidate estate footprints, adopt shared use of facilities or release work areas when ongoing retention is not of sufficient priority.

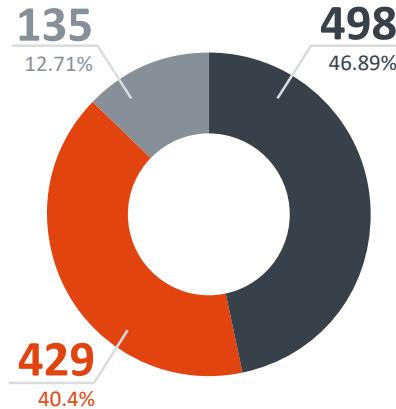
3.54 This has led to underinvestment in the estate and created a range of operational and safety issues which drive additional expense and management resource overheads. Users have often sought ways to retain structures for possible alternate future use even when there was no clear rationale for doing so. In colloquial terms, the estate has been treated as if it were a free resource. However, the sustainment costs associated with maintaining unnecessary legacy assets are depleting Defence's capacity to establish its high priority assets.

3.55 Defence has established robust processes for third-party assurance of estate maintenance, including critical base assets and we sought consolidated data on this. As identified earlier, the tools and methodologies used by Defence and its industry partners are methodical, updated regularly and used to inform investment decisions. Critical base assets should be compliant to support capability but they are not and we were concerned to see trend data associated with the rates of non-compliance of assets increase from historical levels of around six per cent to 20 per cent in 2023. This includes 26 instances of Category 1 non-compliances, where non-compliant assets were identified with no corrective action evidence identified out of a sample of 2,040 assets. The consequences of unmaintained equipment are more severe the higher the category rating against performance-based and scheduled maintenance regimes.

2018-2022 Corrective Action Record

Desktop Performance Based and Scheduled Maintenance

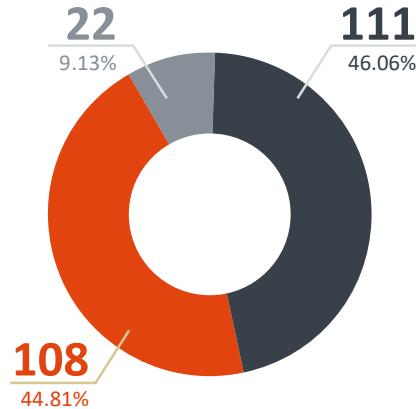
Historic rate of non-compliant assets was ~6% based on ~20,000 assessments



2023 Corrective Action Record

Desktop Performance Based and Scheduled Maintenance

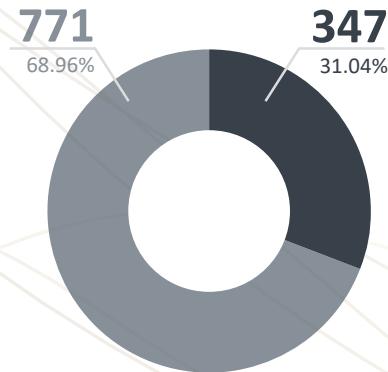
Current rate of non-compliant assets is 20% based on 1,200 assessments



2018-2022 Corrective Action Record

Desktop Work Health and Safety

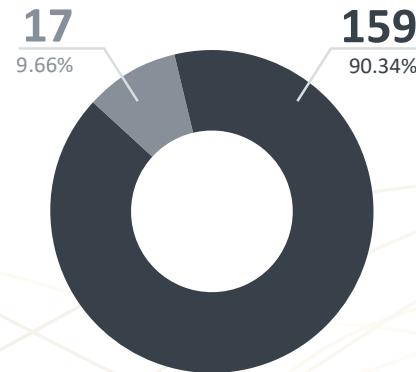
Historic rate of non-compliant WHS activities is ~6.4% based on 23,808 assessments



2023 Corrective Action Record

Desktop Work Health and Safety

Current rate of non-compliant WHS activities is 14% based on 1,920 assessments



Non-Compliance: Rating 1 ● Rating 2 ● Rating 3 ●

Figure 3.2: Third Party Audit Program on Critical Assets – Key Findings.

Chapter 4: Infrastructure & Private Investment

4.1 Given the size, breadth and diversity of its property holdings, Defence faces an ongoing challenge to provide sufficient maintenance funding for its assets. As previously noted:

- ▶ the changing nature of Defence, including the size and tempo of its major training exercises and advances to its technology driven facilities, add pressure to its budget;
- ▶ the increased frequency of extreme weather events are a challenge, and
- ▶ while not unique to Defence, there has been a material decline in the purchasing power of project budgets developed up to and including the COVID-19 pandemic period due to substantial escalation in construction and service delivery costs.

4.2 Historically, macro-level estimation and allocation of sustainment funding across the estate has been poor. Defence has a broad range of estate sustainment services to deliver minor works and maintenance. This includes maintaining assets through the provision of estate works, estate upkeep and land management services. It also includes the provision of services to personnel working and living on the estate. The sustainment budget is allocated across product and service lines and both face fixed and variable cost pressures.

- 4.3 A recent comprehensive review into Security and Estate Group's sustainment budget highlighted that there had not been a consistent process in place to ensure appropriate adjustments were made when new facilities were delivered. Nor does it take into account emerging cost pressures. There have been repeated instances where infrastructure has been delivered without the accompanying sustainment funds, leading to premature degradation and greater life cycle costs due to the need for unscheduled repairs. When sustainment estimates have been developed, the mechanisms to ensure the relevant funding has been transferred have been inconsistently applied. This has further exacerbated pressures on the already growing and unsustainable management budget.
- 4.4 Greater use of partnerships with industry and private investors, coupled with more efficient and timely Defence processes, will provide opportunities for Defence to address budgetary challenges. Alternate finance and delivery models can spread development and delivery risk. They have the potential to reduce upfront capital investment for facilities and infrastructure projects and ensure facilities are properly maintained over their design life.
- 4.5 Partnering options may include working with private investors, such as banks, superannuation funds, venture capital and private equity providers. Additional partnering opportunities exist through co-investment with state governments and private sector businesses, contractors, investors, financiers or operators and with local councils.

Traditional procurement models

- 4.6 Defence has a positive track record of realised long-term benefits from its alternate infrastructure partnering engagements, yet still tends to develop, deliver and maintain the majority of its facilities in-house through traditional delivery models.
- 4.7 Defence's traditional procurement model for developing and delivering capital infrastructure projects is an effective method as it provides agility in defining scope and accommodating changing functional requirements. This approach carries lengthy development and approval time frames to satisfy legislative procurement frameworks. It often excludes consideration of long term sustainment costs and the benefits of whole-of-life risk transfer that other delivery models can provide. It also favours bespoke approaches to the delivery of facilities based on the preferences of project sponsors.

- 4.8 The traditional model is familiar and offers Defence flexibility to value-manage deliverables at a program level. Defence funds the costs of design and construction upfront which incentivises the builder to seek out cost efficiencies in the initial construction phase. Risk is often passed downstream in the form of higher sustainment costs following expiry of the constructor's latent defect liability period.
- 4.9 This traditional model can also lead to missed opportunities to leverage the full extent of Defence's purchasing power by standardising plant and machinery, reducing through-life sustainment costs. Decisions on the fit-out of buildings are often made by the builder, which places demands on service providers to sustain bespoke equipment such as air conditioning units, industrial kitchens and fixed firefighting and control systems.
- 4.10 Designing for supportability must be a key consideration for efficient asset management. Commonality of assets across bases and regions should be driven during the design phase so that future maintenance requirements can be defined before acquisition commitments are made. Better life cycle management will enable a more seamless transition from acquisition to sustainment and greater consistency in the way the estate is maintained. It will also ensure the eventual decommissioning and disposal of assets are accounted for in cost models, rather than these costs transferring to Security and Estate Group when the asset reaches end of life.

Leverage civil infrastructure

- 4.11 The Audit has identified that Defence investment decisions have historically been based on ownership and direct control of its facilities. In an economically constrained environment, Defence needs to look for more cost-effective ways for managing the estate. Partnering and leveraging civil and other infrastructure as well as future co-investment with the private sector and state and territory governments could achieve Defence's estate requirements.
- 4.12 Defence should decide which assets it needs to own and which functions could be shared with other users. Releasing control of some asset classes such as domestic facilities covering living and working accommodation, messes and gyms, would allow delivery of these assets by third-parties under longterm agreements.
- 4.13 This would allow Defence's focus to shift to key operational infrastructure development and delivery and improve its preparedness for future operations. It would enable Defence to leverage industry knowledge for delivering and maintaining contemporary domestic asset classes. Defence could then devote its specialist workforce to military specific infrastructure.

- 4.14 Defence should assess the viability of new and existing civil capabilities prior to investing in new independently owned and operated infrastructure. A mechanism should be identified to ensure a market sweep of suitable existing or planned infrastructure investment is undertaken prior to embarking on a traditional procurement approach.
- 4.15 Dual-use facilities and leveraging existing infrastructure accelerates delivery, reduces Defence's upfront capital costs and helps to better manage skilled labour shortages in remote areas. Industry participants are more likely to be early adopters of new technologies and work practices which could benefit Defence by leveraging their expertise, agility and innovation.
- 4.16 An example is at Henderson in Western Australia, where Defence acquired a large established warehouse adjoining the new Navy Capability Centre from the open market. This 3.2 hectare site provides a mix of office and warehouse space to support vessels undergoing maintenance within the adjacent Australian Marine Complex. These improvements were achieved at a fraction of the time and cost that would have otherwise taken to design and construct similar sized facilities using Defence's traditional delivery models.
- 4.17 The Centres for National Resilience are purpose-built quarantine facilities constructed rapidly by the Commonwealth in response to international border closures during the COVID-19 pandemic. Two 500 bed facilities were constructed on Defence sites at Pinkenba (Brisbane) and Bullsbrook (Perth), while a 1,000 bed facility was built on separate Commonwealth-owned land at Mickleham (Melbourne).

Cooperation with states and territories

- 4.18 Shared investment between the Commonwealth and Tasmanian governments to establish the Defence Innovation and Design Precinct in Launceston to build upon the region's maritime and marine research capabilities, is another example. It provides Defence with benefits from the shared use of specialist facilities and equipment without the need to exclusively own and control all the infrastructure. Shared access promotes collaboration and draws together more researchers and industry partners, which spreads the costs and provides greater long-term incentives for shared investment.
- 4.19 The coming decade will see substantial infrastructure investments by the states and territories to meet a range of near-term priorities. Facilities needed for hosting the 2032 Olympic Games present challenges and opportunities for Defence in terms of exploring future use case options and potentially influencing early designs. Similarly, demands placed on the construction sector will need to be considered for concurrent major investments Defence is planning, in order to minimise competition for resources and avoid premium prices.
- 4.20 The DSR identified substantial plans to increase base infrastructure in both the north and west of Australia. These plans will remain highly dependent on a commensurate uplift in off base support facilities being developed and delivered by the respective states and territories. The growth of these bases will have a direct impact on access to community facilities such as housing, schools, hospitals and recreational amenities. While delivery of these facilities falls outside of Defence's responsibility, coordination with state and local government stakeholders will be required to ensure that they can be delivered within the identified time frames.
- 4.21 Further consideration should be given to how major Commonwealth investments in complementary sectors, including freight and logistics corridors might also support Defence's future estate plans. This could include the Western Sydney International Airport, Inland Rail, multi-modal transport hubs for freight and logistics and the development of Avalon Airport given its proximity to the recently rebuilt Point Wilson Explosives Area.

Repurpose and co-location

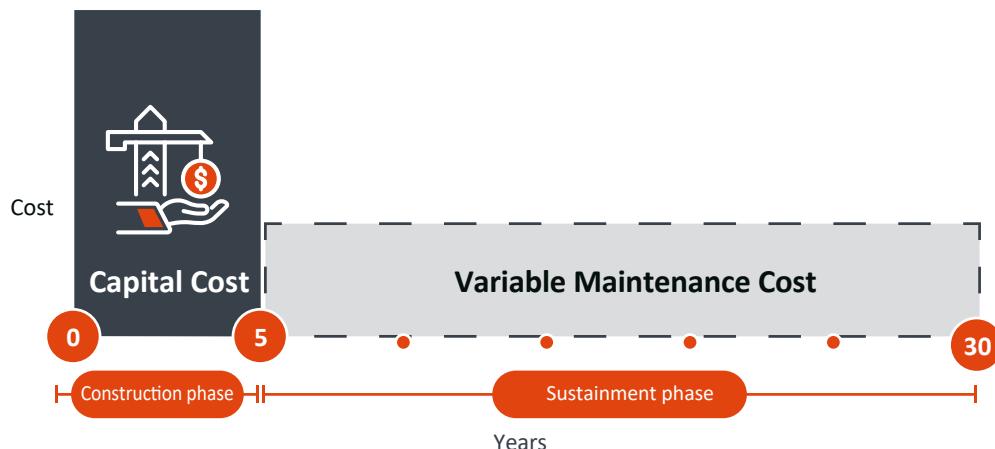
- 4.22 The introduction of new capability, technology and training practices coupled with shifts in organisational posture and functional relationships mean that the facilities and spatial requirements of Defence must keep pace. This provides the opportunity to transform elements of the estate through repurposing existing assets.
- 4.23 The control and ownership mindset over infrastructure and leasing practices contributes to estate facilities being underutilised. Users routinely claim a special requirement for sole occupancy and typically seek leases for exclusive use. While agile working environments are being prioritised, the traditional method of allocating facilities or work spaces to specific user groups generates a sense of ownership and a reluctance to release surplus space or relocate as demands change.
- 4.24 Some functions performed in Defence have legitimate safety, security, commercial and privacy considerations that render a shared working environment unsuitable. However, there are many functions which can readily adapt to a shared working environment. Use of facilities on the owned estate such as a military base, should be periodically reviewed to identify opportunities for consolidation, and prioritised to specialist functions that directly support Defence's mission and core purpose.
- 4.25 As in many industries, flexible work practices adopted during the COVID-19 pandemic have endured, reducing the ongoing demand for dedicated working accommodation. Expanding the accessibility of flexible working hubs not only boosts efficient use of the estate but also leads to improved worker satisfaction. This is evident in the high levels of use of flexible working hubs Defence has established within the greater Canberra region, including at the new building shared with DHA in Gungahlin.

Innovative methods for investment

- 4.26 There are various procurement models available to Defence that reduce upfront capital costs, increase the speed of delivery and ensure ongoing sustainment of facilities. Public Private Partnerships (PPP) are well known, though not widely adopted within Defence, as are pre-commitment leases. Other common models that have not typically been explored by Defence in detail include sale and lease-back contracts.
- 4.27 A PPP is a service contract where a government entity pays the private sector entity (typically a consortium) to deliver infrastructure and related services over the long-term. The private provider assumes the risk for constructing the facility and operating it to specified standards over a set term. The private provider usually finances the project and the costs are recovered over time through lease charges.
- 4.28 This model offers whole-of-life innovation and efficiencies that the private sector can deliver in the design, construction and operating phases of the project. Benefits include long-term facility defect liability periods, greater certainty in ongoing life cycle management and improved repair and maintenance outcomes.

4.29 Further mechanisms are needed to reduce current barriers to leveraging alternate finance and delivery models where industry arguably has more experience in delivering at scale than Defence and the ability to move with greater speed. Under PPP models, Defence benefits by obtaining a 'buy now, pay on delivery' solution to address immediate shortfalls in its capital investment budget. The private sector also benefits from obtaining a long-term, government-backed cash flow to cover its costs and provide a return on investment.

Traditional Procurement Model



Public Private Partnership Payment Model

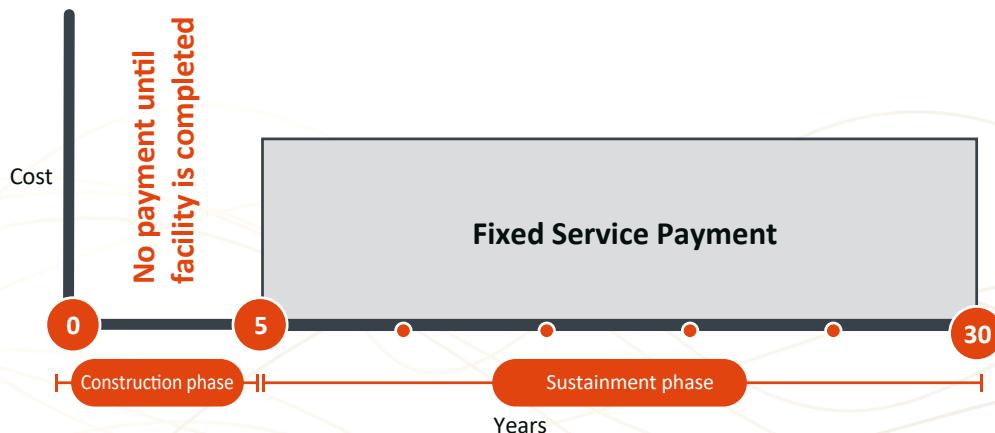


Figure 4.1: Traditional versus PPP payment model.

- 4.30 Traditional projects require Defence to make capital payments during the construction phase, with the total cost of design and construction being borne by Defence. PPP models remove the upfront cost impact during the construction phase.
- 4.31 Most procurement related to Defence infrastructure is focussed on the funding of upfront capital works and ensuring there is appropriate funding allocated to then sustain the asset. Private financing transfers the capital outlay to the industry proponent and the whole-of-life sustainment services to Defence. Locking sustainment budgets creates a long-term funding commitment for Defence.
- 4.32 Defence has successfully delivered three PPP infrastructure projects. The first was the Headquarters Joint Operations Command facility, completed in 2008. This was followed by Single Living Environment and Accommodation Precinct Phase 1 and 2 (Single LEAP), with the last completed in 2012. Each of these PPP contracts have 30 year terms. When comparing similar aged accommodation buildings, the condition and service for Single LEAP accommodation is superior to current Defence owned and managed assets.
- 4.33 Traditionally delivered living-in accommodation competes with other sustainment pressures for discretionary funding. In contrast, Single LEAP accommodation is contracted to meet a set level of service and responsiveness, while also having at least 10 years remaining useful life upon the expiration of the contract. Maintenance issues reported in Single LEAP accommodation are dealt with promptly before they evolve in to larger, more costly repairs whereas the broader estate typically operates on a break-fix approach.
- 4.34 Single LEAP outperforms traditional living-in accommodation and is the preferred accommodation choice for service personnel. Utilisation of Defence owned and managed living-in accommodation was 39 per cent, well below the 80 per cent target identified in Defence's National Accommodation Management Policy. Single LEAP accommodation has an average occupancy rate of 81 per cent.
- 4.35 User satisfaction levels with facilities delivered via PPPs has far exceeded traditionally delivered infrastructure. PPPs for living-in accommodation serve as positive examples for consistent delivery of contemporary and well-maintained facilities across multiple bases. Performance measures incentivise ongoing investment in social amenities, the provision of on-site concierge services and reduced response times for repairs.
- 4.36 Future comparisons between traditional or alternate delivery models must ensure the true costs of ownership are factored into cost estimates. It should be noted that there has been a trend for traditionally delivered infrastructure to not fully capture sustainment provisions or to transfer them. This will distort a balanced assessment of relative total costs of ownership over the life of an asset. Similarly, the prolonged design and development costs borne by Defence need to be assessed against the relative speed alternate delivery models offer.



Photo: Left: Living Environment Accommodation Precinct at Larrakeyah Defence Precinct, Darwin. Right: Interior of new accommodation at HMAS Albatross, Nowra.

Market appetite

- 4.37 Changes to accounting standards have meant that the delivery of Commonwealth assets through the use of PPPs is now more favourable from a budgetary perspective. The benefits of these changes are that Defence is no longer required to pay the upfront capital costs to the Department of Finance, which provides the 'pay later' advantage.
- 4.38 There is a strong and growing appetite within industry to partner with Defence on alternate financing initiatives. Some areas of Defence investment are better suited than others in attracting private capital, given environmental, social and governance screening applied by investors. Many routine infrastructure projects delivered by Defence are well suited to alternate finance solutions and are more likely to attract private investors than capability investments such as major platforms or weapons systems. To enable this, Defence needs to be able to more transparently articulate needs, timelines and certainty to the market to enable prospective investors to undertake their own due diligence..
- 4.39 Current policy states that any project over \$50 million in capital value must be considered for its suitability for procurement as a PPP³². Participants in the market sounding indicated the final scale and scope of the project may have impacted the ability and interest from some participants if the final capital cost fell below their internal investment mandate thresholds. This indicates projects of a smaller size and scale will not be as attractive to the private investment market as higher value projects, in the order of \$300 million to \$1 billion.

Alternate financing models

4.40 While the PPP model meets Defence's needs for some projects, Defence could also assess the suitability of other alternate financing models, including those listed at *Figure 4.2*. These models could be used to deliver capital facilities and infrastructure projects to ease the pressure on the IIP, particularly over the Forward Estimates period and ensure consistent delivery of contemporary and well-maintained facilities.

Alternate Financing Model	Commentary
<p>Availability Payment PPP:</p> <p>This is typically a long-term service contract between the public and private sectors where the private provider designs, builds, finances, operates and maintains the asset to specified standards.</p> <p>Defence pays the private sector a periodic service payment ('availability payment') once operations commence, provided the asset is available for use at specified service levels over an agreed project term.</p>	<p>Defence could adopt this model for a range of capital facilities and infrastructure projects. The standalone projects could also be structured to include other supporting infrastructure, such as gyms, car parks and messes within the scope of the PPP.</p>
<p>User Pays PPP:</p> <p>Similar to an Availability Payment PPP. However, under a User Pays PPP there is no ongoing service payment from Defence. Instead, the private sector obtains a return through a charge on users of the asset (which can be broader than Defence).</p>	<p>While only applicable to smaller capital facilities and infrastructure projects, Defence could explore a User Pays PPP model for projects such as car parks, childcare facilities and gyms, where there is a market for users who would be willing to pay to use the infrastructure.</p> <p>Such approaches could be delivered either on or off base, but would require Defence to allow the private sector to charge Defence users to access the facilities. If such conditions were agreed, Defence could achieve a superior budgetary outcome to either an Availability Payment PPP or Pre-Commitment leasing model.</p>

Alternate Financing Model	Commentary
<p>Pre-Commitment Lease: A type of developer-led delivery model under which the private sector designs, constructs, finances and maintains a new asset on the basis of a commitment from Defence to lease the facility (or a significant portion of it) over an agreed period.</p>	<p>Office accommodation projects are most likely to be suitable for delivery under this model.</p> <p>The conditions of each lease arrangement vary depending on the requirements of Defence as well as the levels of risk transferred to the private sector through the lease.</p>
<p>Government Business Enterprise with Public Non-Financial Corporation Status: This is a Government-owned entity that can be created for the purpose of delivering and operating an asset, where its primary function is to provide goods and services that are mainly market, non-regulatory and non-financial in nature. It is financed predominantly through sales of goods and services to consumers.</p>	<p>This model is subject to the Government Business Enterprise obtaining Public Non-Financial Corporation status by demonstrating a range of conditions.</p> <p>Defence could explore delivering some of the proposed infrastructure facilities using this model.</p>
<p>Sale and Lease-back: Under a sale and lease-back arrangement an asset previously owned by Defence is sold to someone else and is leased back to Defence over a long-term. The transaction allows Defence to be able to use the asset and not own it.</p>	<p>Office accommodation projects are most likely to be suitable for delivery under this model.</p>
<p>Lease and Lease Back/Land Lease: An alternative to sale and lease-back where Defence leases facilities to someone else under a long-term lease arrangement (30–99 years) with the possibility of leasing back existing or new facilities developed by the lessee.</p>	<p>This may have commercial advantages to a straight divestment and/or sale and lease-back.</p>

Figure 4.2: Alternate financing models.

4.41 Determining which procurement method is most suitable is a critical step in the project delivery process. The key issue is which form of project delivery provides the best value for money in meeting the Government's service objectives and balances risk.

Challenges to adoption

- 4.42 Defence is one of the largest Commonwealth departments and delivers some of the biggest infrastructure projects outside of dedicated Government Business Enterprises such as Defence Housing Australia, Australian Naval Infrastructure and NBN Co.
- 4.43 Defence has limited Public Private Partnership experience. It has sought to leverage the experience that exists at state-level where there are decades of experience in private development partnerships across the sector. The states have formed close working relationships between their infrastructure, finance and treasury agencies which has created long-term familiarity with the concept and models.
- 4.44 By comparison, the relatively infrequent adoption of alternate financing and delivery models at the Commonwealth level presents a challenge in understanding how such procurements will be governed and accounted for. The tendency is to try to make them fit into established approval pathways which focus on risks borne by the Commonwealth in traditional delivery models.
- 4.45 Current approval pathways within the Commonwealth for alternate financing initiatives are dated and no longer fit-for-purpose. A broader range of options should be considered. An accelerated, efficient and streamlined approval pathway for alternate financing procurements would require a holistic review.
- 4.46 The success of alternative finance proposals will rely on the requisite skills development across Commonwealth agencies. There will be a need for the provision of essential advice and support on such proposals. These skills are inherently different from those needed for oversight of traditional delivery models. However, as noted, the learned experience has been positive overall given the success of the projects undertaken.

Chapter 5:

Embedding

Reform

- 5.1 For the estate to respond adequately to current and future needs, continuous oversight and accountability across the entire capability lifecycle will be required. A comprehensive strategy to manage the estate must be developed, including long-term planning to relocate Defence out of areas that are not compatible with future capability needs.
- 5.2 Reform must be focussed on building Defence capabilities. Defence carries core obligations for the provision of safe, secure and suitable facilities for its workforce. These cannot be repeatedly deprioritised due to funding pressures elsewhere in the budget.
- 5.3 The implementation taskforce must have the requisite authority and expertise to act. It will be required to prioritise work through agreed short, medium and long term recommendations. The taskforce should report at least every six months on progress against expected outcomes to the Enterprise Business Committee, as the senior committee responsible for strategic control over corporate and military enabling functions. This regular reporting will enable it to provide assurance to the Defence Committee and the Government that strategy, capability and resources are aligned with policy and legislative requirements.
- 5.4 The taskforce should be empowered to consider innovative forms of divestment as a detailed program is developed. Examples may include:
 - ▶ long-term leases (such as those used previously for Federal Government Airports) with or without purchase options to allow the Commonwealth to retain planning and other controls;
 - ▶ sale and lease-back where an ongoing Defence presence on the site is needed and can be clearly defined; and
 - ▶ partnering arrangements with developers that deliver value for money, recognising that Defence is not in the property development business and will need to continue to deal with social and service licence issues if even partial interests are maintained.

Incentivise behaviours and culture

- 5.5 The estate is a reflection of our rich military history and the countless Australians who have dedicated their lives to serving our nation. Many current and former Defence personnel and volunteers are involved in preserving this legacy and ensuring it is accessible to current and future generations of service personnel, their families and the broader community. These heritage collections and stories need to be recorded and preserved in a way that makes them more accessible in the digital era.
- 5.6 Physical holdings of historic assets beyond their useful service life is creating an ever growing liability for Defence. Many are in advanced stages of deterioration, with only cosmetic upkeep applied to their exterior as they are beyond prudent and feasible reuse. Others are retained at a cost to the Defence budget even when there is no ongoing link to capability.
- 5.7 Large portions of the estate are self-assessed as having a high heritage value, despite not being listed on Commonwealth or State heritage registers. Self-imposing heritage obligations on these ageing and unused facilities hinders the ability to efficiently use the estate for more important needs. New capabilities are subsequently developed around these legacy structures due to the difficulty in making them compliant or the time needed to tackle the issues via heritage assessments. These legacy structures then become underutilised, with no funds to maintain them.
- 5.8 An example of this is the former Salisbury Munitions Factory at RAAF Edinburgh. The structure is fenced off and an exclusion zone has been established around the disused munitions production facility due to its deteriorating condition. This remnant is centrally located on the base, which is shared by Air Force and Army operational units.



Photo: Facility from the former Salisbury Munitions Factory, RAAF Edinburgh, Adelaide.

5.9 There are critical pressures on Defence's footprint at RAAF Edinburgh due to the influx of new capabilities expected to move into the precinct in coming years. Spatial allocation across the precinct remains challenging due to the increasing demand for land, which is placing pressure on core utility services. To have a large and centrally located area on the base effectively quarantined from future development appears counter-productive and should be subject to further scrutiny.

5.10 Army's recent announcement that it will be relocating some Adelaide-based units to Townsville, Darwin and Brisbane should alleviate some pressure at sites such as RAAF Edinburgh in the near-term. Nevertheless, it underscores that large, central portions of operational Defence facilities are being inhibited from their primary purpose of generating military capability by preserving past relics which serve no purpose and are inaccessible to the wider community.

- 5.11 There is an embedded practice of retaining elements of the estate in perpetuity without a clear capability need or appreciation of maintenance and upkeep costs. Some of this is self-imposed by Defence for reasons of sentimentality, tradition, local community perceptions and connections to ex-Defence personnel. There are also strong contingency-based sentiments that legacy sites should be retained ‘just in case’ a future use case emerges. Such sentiments are both costly and unproductive.
- 5.12 Surge capacity and undefined future capability are not valid reasons to retain a site in perpetuity, especially when there are more efficient solutions available. Attitudes need to change and recognition needs to be given to the ongoing cost to Defence of retaining surplus facilities, when viable alternatives such as commercial accommodation or leased space are available to cater for surge demands.
- 5.13 We have observed that there is a strong sense of ownership of the estate by individual user groups. This has led to localised efforts of repurposing buildings for alternate uses once they have served their original purpose. The cost to Defence of underutilised facilities is spread across multiple budget lines, leading user groups to assume that these costs are minimal. However, every space on the estate needs to be maintained at a cost, whether through building upkeep, landscaping, testing of emergency control systems or access control.
- 5.14 Defence owns or leases over 40 office facilities in the Australian Capital Territory, with over 21,000 work points. This is despite the full-time workforce numbers for ADF members and Australian Public Service (APS) employees being 15,707 in the Canberra region, as reported in the 2022–23 Defence Annual Report. This data suggests around 25 per cent of work points are either being underutilised or used by third-parties such as contractors or consultants without the total costs to the estate and information technology networks being captured or provisioned.
- 5.15 An underutilised work point costs approximately \$10,000 to maintain per annum. Every underutilised work point represents a missed opportunity for Defence to invest in essential facilities with higher utilisation. Similarly, a building that is only used sparingly once a week carries an ongoing sustainment cost to Defence.
- 5.16 Many units and user groups seek to protect workspaces as their own to the exclusion of others, regardless of the frequency of use. There are examples of opportunistic appropriation of a facility slated for demolition but an alternate use is identified. This perpetuates the retention of assets that are beyond their original design life and constrains Defence’s ability to more effectively locate new facilities on the estate. Security and Estate Group’s authority for long-term estate planning, spatial allocation and efficient use of facilities on bases needs to be reinforced including support from across the senior leadership group.

- 5.17 Under Defence's Joint Framework for Base Accountabilities, Security and Estate Group holds the responsibility, authority and accountability for spatial allocation, in close consultation with the Groups and Services. Historically, this authority has not been fully exercised due to a lack of integrated strategic estate plans. This is partly due to a focus on providing responsive customer service to base user groups and limited leadership support. It has led to spatial allocation requirements defaulting to favour the stated needs of the user without full validation.
- 5.18 Earlier collaboration is critical to ensure that the estate is able to support Defence capabilities rather than retrofitting at a later stage. Decisions that have had significant impacts on the estate are being tightly held within user groups. This behaviour sometimes stems from a risk averse culture where broad consultation is not undertaken until agreement has been reached within an individual user group. This can make it difficult for integrated strategic planning to occur proactively.
- 5.19 It seems that people are generally empowered and have strong opinions when it comes to building or infrastructure design but are less likely to question the design of a capability platform, which they are more likely to leave to the experts. While stakeholder engagement is critical to any project, final decisions should be made within Security and Estate Group, as the accountable and qualified capability manager for the estate. Solutions that deliver minimum viable capability in the shortest possible time need to be the default rather than highly bespoke solutions based on the individual needs of separate user groups.

Reinvestment in Defence capabilities

- 5.20 Reinvestment in the Defence estate as a capability enabler has historically been lacking and tends to be deprioritised in favour of additional Defence capability. To ensure a fit-for-purpose estate, capabilities need to balance funds for projects and sustainment funds that enable those capabilities.
- 5.21 Defence must consolidate its current fragmented and inefficient portfolio of leased office accommodation. Co-locating in more leased environments, in conjunction with consolidating and divesting ageing parts of the estate will unlock resources to reinvest in higher priority capability needs.
- 5.22 It is clear that maintaining the status quo is not an option. Interventions are needed to correct the unsustainable trajectory the Defence estate is currently on. We identified more than 50 sites that were underutilised across Australia. The sustainment funds required to maintain these sites are estimated to reach in excess of \$2 billion over the next 25 years with no direct contribution to capability outcomes.
- 5.23 The divestment of underutilised and ageing properties will enhance Defence's ability to deliver a more contemporary estate that better supports the health and wellbeing of personnel. Talent attraction and retention strategies rely on providing contemporary work environments that cater to the needs of the total Defence workforce.

Reduced sustainment and operating expenses

- 5.24 Sites with significant heritage attributes are increasingly prohibitive to capability. As an example, RAAF Williams—Point Cook is the birthplace of the Royal Australian Air Force. However, there is limited to no capability delivered at that site today and it is predominantly utilised for the RAAF Museum and RAAF Reserves.
- 5.25 In the past five years \$50 million has been spent at RAAF Williams—Point Cook in estate works and upkeep. It is projected that \$163 million will be needed over the next 25 years to maintain its current building assets.
- 5.26 Defence owns, leases and maintains a large number of training depots and drill halls. Many are in a state of disrepair and represent safety and reputational risks to Defence. There are 126 cadet facilities operating on the estate in owned or leased facilities. A further 220 are leased or operate under agreements with schools or local community associations.
- 5.27 Training depots and drill halls are generally used after hours once a week and in many cases are replicated in geographic regions to represent each of the three services. There are significant opportunities to consolidate these Cadet facilities into multi-user depots to achieve better utilisation of the assets or extend partnerships with school and community associations to locate them off the estate.



Photo: Dilapidated wharf at RAAF Williams—Point Cook, Melbourne.



Photo: Dilapidated buildings and hangars at RAAF Williams-Laverton, Melbourne.

Budget processes

5.28 The DSR recommended that Government procurement and Budget Process Operational Rules should be amended to ensure consistency with the required urgency and the strategic risk involved. The Budget Process Operational Rules outline the approach to Defence's IIP and the approval pathways for Defence projects. This program is managed through the Investment Committee which exercises strategic control over the investment portfolio and ensures that investments are consistent with strategic guidance.

5.29 The IIP encompasses funding to Defence's Groups and Services to plan, develop and deliver strategically approved projects. Any projects over \$75 million are also referred to the Parliamentary Standing Committee on Public Works. The timeframes in which these projects are delivered can be upwards of five years from design to delivery on site. A typical project timeline for a low-risk base redevelopment is outlined at [Figure 5.1](#).

5.30 Some of the steps involved have been self-imposed through a legacy of ingrained risk-averse behaviour, leading to a requirement for approvals at the 5 per cent, 30 per cent, 50 per cent and 90 per cent design stages of a project. The current process accommodates highly customised solutions based on the requirements of project sponsors without fully testing these against minimum viable capability solutions that could be delivered faster, at a reduced cost or are already commercially available.

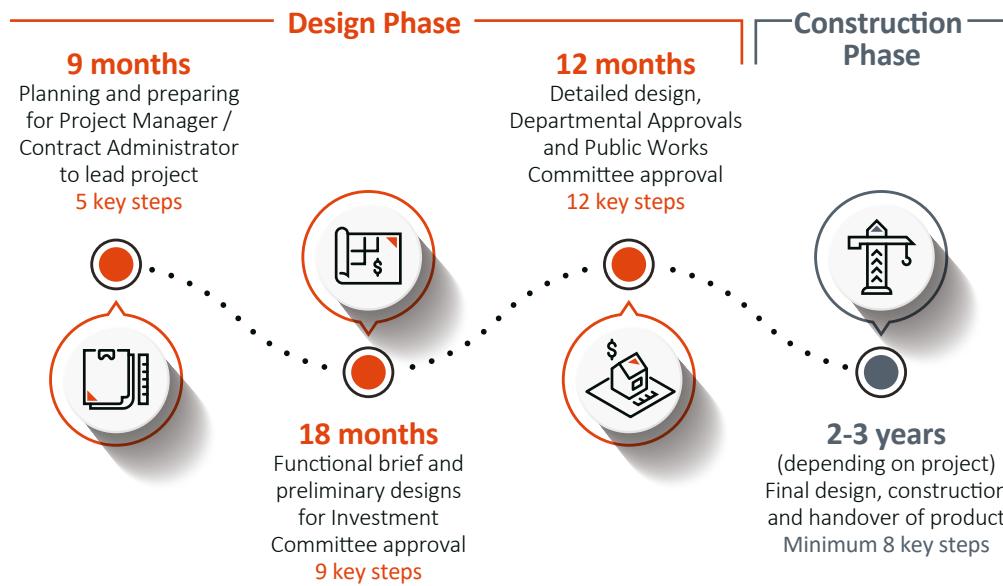


Figure 5.1: Indicative project development timeline.

5.31 Security and Estate Group is currently reviewing some of these processes in conjunction with Department of Finance. Processes that could improve timeframes include:

- ▶ reducing the number of design milestones and business cases required;
- ▶ timely release of outcomes once decisions are made;
- ▶ flexibility in shifting funds where required within a program of projects without the need to return to Investment Committee; and
- ▶ keeping risk provision funding easily accessible during project delivery to minimise delays that could trigger damages payments to contractors.

Commonwealth Property Management Framework

5.32 The Commonwealth Property Management Framework requires that property should only be held where ownership demonstrably contributes to Government service delivery outcomes and represents value for money. When surplus property is identified, it must be sold in accordance with the Commonwealth Property Disposal Policy. The framework clearly articulates that surplus property must be sold on the open market at full market value, unless otherwise agreed by the Finance Minister. The flowchart at *Figure 5.2* outlines the steps required to dispose of a property, which varies depending on the nature of the asset.

5.33 Defence is routinely approached by state and territory governments and local councils seeking to transfer parts of the estate at no cost. While appropriate at times to achieve broader social objectives, doing so diminishes the return on assets owned by the Commonwealth. It is clear that Defence must default to future property divestments being undertaken to realise full market value to ensure the proceeds can be reinvested into future capability needs. There is also a need to work with other Commonwealth agencies to achieve policy priorities, including unlocking surplus land for alternative uses such as social and affordable housing. Any decisions made by the Government to divest assets for less than full market value should be accompanied by an adjustment to the Defence budget to take account of any shortfall in proceeds.

5.34 It is apparent that existing processes are time consuming and current Defence arrangements are insufficient to manage a large number of concurrent divestments. Over the past two decades, lengthy delays have occurred, with many recommended divestments stalled due to complexities managing heritage and contamination obligations. There has also been a lack of political will to proceed with property disposals due to interest groups making representations on alternate use cases.

5.35 The resulting protracted processes means divestments rarely progress. Examples include the remediation and disposal of Defence Site Maribyrnong, the former Repatriation Clinic at 310 St Kilda Road and indecision on the future of RAAF Glenbrook in New South Wales and RAAF Williams–Point Cook in Victoria. Indecision leads to deferred maintenance and upgrades and greater deterioration.

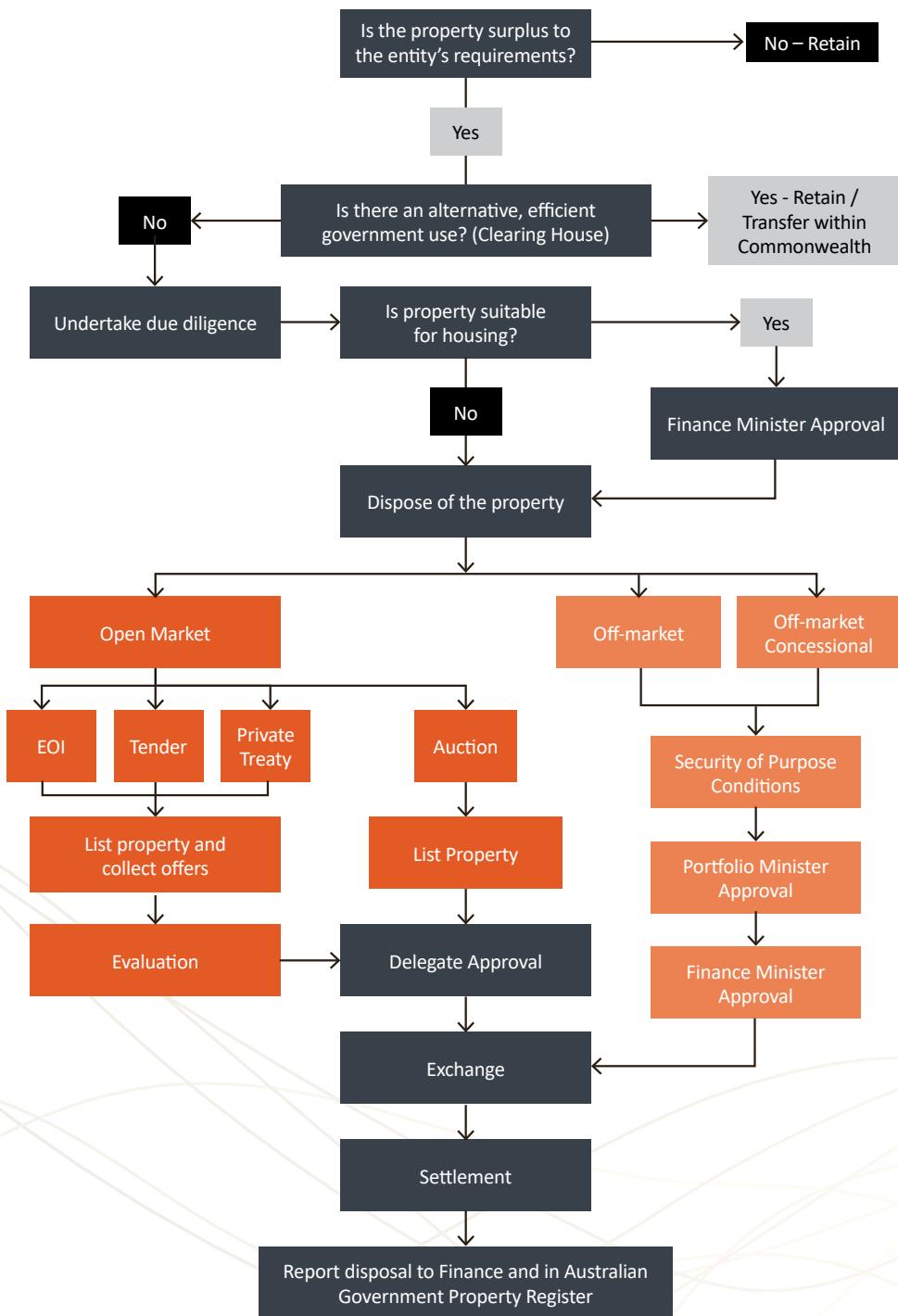


Figure 5.2: Property disposal flowchart Annual reporting against agreed metrics

5.36 There is a need for strengthened oversight and reporting to Government on agreed reductions to the estate and associated financial returns. Defence must formalise the annual reporting process as a critical tool for monitoring performance and demonstrating accountability for delivering against the agreed recommendations.

5.37 It is imperative that a robust system is established to ensure the accurate, relevant and transparent reporting on key metrics. Reporting should demonstrate performance against the short, medium and long-term divestment expectations. The metrics need to demonstrate measurable improvements in estate operations and the impacts on capabilities. Key metrics should include:

- ▶ overall reduction of the estate aligned with agreed recommendations;
- ▶ number of capability improvements and personnel movements;
- ▶ the financial achievement of divestments (gross and net values);
- ▶ improvements to the sustainment program;
- ▶ measuring and tracking reinvestment into the Defence estate; and
- ▶ identifying the remaining estate sites awaiting divestment, costs of continuing upkeep and future sustainment cost estimates.

5.38 Reporting against the short, medium and long-term achievements will serve as a transparent account of progress, enabling the Government to assess performance and make decisions. This methodology would support then escalation of any challenges to achieving required outcomes, such as prolonged environmental referrals or the impacts of severe weather events. The report should also include a review of how user groups are contributing to the effective management of the estate.

5.39 The Security and Estate Group Business Plan must contain the data that would be reported annually to Government which enables the Enterprise Business Committee to review performance against metrics biannually and subsequently endorse the annual report. The analysis should incorporate commentary on civil infrastructure benchmarking undertaken and the implementation of climate change initiatives associated with acquisition or divestment of the estate.

Benchmark new capital investments

- 5.40 Partnerships with local and state governments and industry can lead to accelerated outcomes. The use of civil infrastructure, rather than new Defence facilities which replicate those available, aligns with the requirements of the PGPA Act.
- 5.41 The PGPA Act requires Defence to ensure that public resources are used in the most efficient, effective, ethical and economic manner possible. The Commonwealth Procurement Rules are aligned with the Australian Government expectations of the proper use and management of public resources. Prior to Defence procuring additional estate, or establishing new facilities, it needs to assure itself that it is managing existing holdings to a high standard and with the proper use of public resources.
- 5.42 To achieve more efficient outcomes and remain compliant, Defence must routinely benchmark new capital investment requirements against a market sweep of existing infrastructure. This would involve comparing the potential return on investment of newly owned capability with the performance and cost-effectiveness of leveraging civil infrastructure opportunities.
- 5.43 Defence must assess whether a cooperative approach with industry would be more beneficial than upgrading or delivering new capabilities. Benchmarking should be included in existing capital facilities and infrastructure processes where the capability being sought has multiple applications across Defence and community.
- 5.44 By benchmarking new capital investment requirements against a market sweep of existing infrastructure, Defence can ensure that its investment decisions are well informed, strategic, and aligned with industry trends and best practices. This would maximise the chances of achieving value for money in the market landscape. It will also enable improved and more coordinated usage of limited financial and human resources, particularly across regional locations.

Commitment to change

- 5.45 The issues discussed in this report are not new. The same challenges and similar solutions have been effectively documented for almost four decades. Past failures can in part be attributed to the lack of an accountable body with appropriate governance and delivery timeframes. To break this inertia and implement enduring achievements, innovative approaches are necessary.
- 5.46 The recommendations formed within this Audit are intended for the Government to consider in response to the Terms of Reference issued. There are however, a number of business process improvements we identified in how estate activities are managed within Defence that should be adopted.

Business Process Improvement 1. The Enterprise Business Committee oversee progress against expected divestment outcomes biannually.

Business Process Improvement 2. A significant change management plan will be developed to lay the groundwork for success.

Business Process Improvement 3. Security and Estate Group's Estate Strategic Plan be incorporated into the biannual review by the Enterprise Business Committee, with mechanisms to translate these into base-level plans with appropriate communication.

Business Process Improvement 4. Establish a centralised recording and management process for estate critical assets, including annual reporting to the Enterprise Business Committee on compliance and to the Defence Finance and Risk Committee on future sustainment funding requirements.

Business Process Improvement 5. Developing more timely and accurate housing forecasts for its total workforce and providing these to Defence Housing Australia and other stakeholder groups, including the states and territory governments and local councils.

Business Process Improvement 6. Housing specifications and entitlements be made more flexible to better enable housing providers to meet the needs of Australian Defence Force personnel.

Business Process Improvement 7. Multiple areas duplicating infrastructure and estate related functions should be abolished and the associated staff moved into Security and Estate Group as the single shared service provider for the estate.

Business Process Improvement 8. Responsibility for long-term strategic planning and spatial allocation across the estate, including consolidation of Canberra office accommodation and other leases with underutilised facilities, be clearly specified as belonging to Security and Estate Group.

Business Process Improvement 9. Security and Estate Group engage with Australian Signals Directorate to finalise the preliminary analysis of potential for further consolidation of their facilities in the Canberra region.

Business Process Improvement 10. Security and Estate Group continue to examine the suitability of repurposing use of the Commonwealth-owned Centres for National Resilience as a means of immediately uplifting accommodation in close proximity to Defence bases.

Business Process Improvement 11. Require Base Managers and designated Senior Australian Defence Force Officers to develop detailed succession documentation at end of posting cycles to ensure agreed plans can be actioned and any unresolved issues have their history and context explained.

Business Process Improvement 12. The adopted recommendations be clearly communicated at the base level with readily actionable guides and templates.

Business Process Improvement 13. Security and Estate Group examine additional infrastructure requirements to improve access and egress from HMAS *Stirling*, including secondary supply lines for the provision of essential services to the island.

Business Process Improvement 14. Defence assess how major Commonwealth, state and territory and private investments are being undertaken in complementary sectors, on market value terms, for incorporation into future estate plans. These could include housing, ports and littoral capacity, air based movements, forecasting services, housing, technology precincts, energy supply and pathway to Net Zero.

Business Process Improvement 15. Establish a centralised procurement and management function for pre-determined items across the estate. These items could include energy supply, Net Zero implementation, standardised machinery, plant and equipment and consideration of market gaps, such as instances where industry providers are unable to procure suitable insurance.

Business Process Improvement 16. The design of current and future estate works should relocate shared facilities that require regular access by the public to outside base perimeters. These facilities, such as child care centres, should generally be owned and managed by industry.

Business Process Improvement 17. Revitalise the centralised heritage management function within Security and Estate Group to produce a clear estate-wide policy on heritage matters. This must be developed for and communicated to those responsible for management of the estate, including the final determination of all heritage issues and future management plans.

Business Process Improvement 19. Defence examine the suitability of some postings in remote locations to be performance on a fly-in, fly-out basis.

Property descriptions

Table 1.1: Establishments recommended for divestment.

Australian Capital Territory



Name:	Pialligo South
Location:	Pialligo, ACT 2609
Size:	270 Hectares
Workforce:	0
Description:	<p>This site comprises of land parcels situated south of Canberra Airport. It provides marginal grazing land with a section being licensed to Canberra Concrete Recyclers.</p> <p>Other users on site include the AFP (munitions storage facility), Tablelands Explosives (storage), ACT Government (landscaping storage), AirServices Australia (navigation facility).</p>

New South Wales



Name:	Banksmeadow Training Depot
Location:	Banksmeadow, NSW 2019
Size:	2.5 Hectares
Workforce:	0
Description:	Located near Port Botany, the site is used as an Army Reserve distribution centre and depot for logistics, operations and used by other Australian Government agencies and international partners.



Name:	Haberfield Training Depot
Location:	Haberfield, NSW 2045
Size:	1.9 Hectares
Workforce:	0
Description:	<p>Situated in the heritage suburb of Haberfield, recognised as Australia's first 'garden suburb', the site was vacated by Defence in the 1990s.</p> <p>Remediation was undertaken in 2003 and civil works has commenced to complete the 22 lot subdivision for residential use.</p>

New South Wales



Name: HMAS *Penguin*
Location: Mosman, NSW 2088
Size: 16.64 Hectares
Workforce: App. 350 – 400 predominantly Navy
Description: Commissioned in 1942, HMAS *Penguin* is part of Navy Fleet Command, providing personnel to the Royal Australian Navy (RAN).



Name: Lancer Barracks
Location: Parramatta, NSW 2150
Size: 1.2 Hectares
Workforce: App. 100–150 - predominantly Reserves.
Description: Completed in 1820, the site contains the Lancer Association Museum. It is located in Parramatta CBD opposite the railway station. Key users include Army Reserves.



Name: Londonderry Transmitting Station
Location: Londonderry, NSW 2753
Size: 63 Hectares
Workforce: 0
Description: Approximately 15 km north of Penrith, the site was previously used as a high frequency radio transmitting station from 1940. Operations gradually decreased in the late 1990s and it has been closed since 2005.



Name: Penrith Training Depot
Location: Penrith, NSW 2750
Size: 3.6 Hectares
Workforce: 0
Description: Originally a part of a much larger 47 hectare area, this site was established in 1941 for the Royal Australian Engineers. It was more recently used as a Reserve and Cadet training facility. It is currently vacant and on the Divestment Program.

New South Wales



Name: RAAF Glenbrook
Location: Glenbrook, NSW 2773
Size: 22 Hectares
Workforce: App. 350–400 predominantly Air Force and Reserves
Description: Acquired by Defence in 1949, it is home to Headquarters Air Command, and is predominantly used for administrative purposes. Notable buildings have State heritage significance, namely the Lapstone Hotel.



Name: Randwick Barracks (partial)
Location: Randwick, NSW 2031
Size: 17.67 Hectares
Workforce: App. 800–850 Tri-Services and Reserves
Description: Randwick Barracks is located in a residential area 7 km south-east of Sydney CBD. Established in 1891, the site was previously used for a rifle range and naval stores. Key users include Headquarters 17 Brigade, Headquarters 2 Division and Army Reserves.



Name: Spectacle Island
Location: Parramatta River, NSW 2047
Size: 2 Hectares
Workforce: Less than 10 reservists
Description: Spectacle Island was established in 1865. It was used to store gunpowder before subsequently being converted to store naval munitions. It is currently a depository of heritage items of the Royal Australian Navy.

New South Wales



Name: Victoria Barracks Sydney
Location: Paddington, NSW 2021
Size: 13 Hectares
Workforce: App. 450–500 predominantly Army and Reserves
Description: Completed by convicts between 1841 and 1846, the barracks was originally occupied by the British Army. It contains the Army Museum of NSW. Predominantly used as office accommodation, key users include numerous Army commands and other support units.

Northern Territory



Name: Stokes Hill Fuel Installation
Location: Darwin City, NT 0800
Size: 4 Hectares
Workforce: 0
Description: The site has been used since the 1920s. The site was subject to air raid attacks during World War II resulting in loss of an estimated 1000 tonnes of naval fuel from Tank 2. The site ceased to operate in 2014 and is now being considered for divestment, likely for commercial/industrial.



Name: Defence Establishment Berrimah (partial)
Location: Berrimah, NT 0820
Size: 166 Hectares
Workforce: Less than 50, predominantly Australian Public Servants
Description: Established in 1939 as a communication station, and located approximately 2km from RAAF Darwin, the site has developed to include a diverse range of administrative support, training units, APS and contract elements.

Queensland



Name: Garbutt (Duckworth Street)
Location: Garbutt, QLD 4814
Size: 1 Hectare
Workforce: 0
Description: Located in a commercial/industrial area approximately 8km from Townsville City, the site consists predominantly of a large warehouse and associated office accommodation. It was leased to the Endeavour Foundation since 1977. The site is used for eWaste and other waste recycling.



Name: Magnetic Island (Amaroo Apartments)
Location: Arcadia, QLD 4819
Size: 2.7 Hectares
Workforce: 0
Description: Located 200m from Arcadia Village, the site was previously leased to Defence Holidays North Queensland for holiday accommodation. It contains 4 timber-framed apartments, nestled within dense forest and steep terrain. The apartments have been uninhabited since 2016.



Name: St Lucia Training Depot
Location: Brisbane, QLD 4000
Size: 0.85 Hectares
Workforce: App. 350–400, predominantly Army Reserves
Description: Surrounded by the University of Queensland, this site is located approximately 3 km from Brisbane CBD and is used for reserve training.
 Key users include the Queensland University Regiment reserves.

Queensland



Name:	Strathmuir
Location:	Ogmore, QLD 4706
Size:	1,966 Hectares
Workforce:	0
Description:	Originally purchased in 2018 as part of the Australian Singapore Military Training Initiative, the site was originally used as grazing land. The site includes a railway line, public road and mining lease held by Central Queensland Coal, preventing optimal use by Defence. This area was placed on the Divestment List in 2021.



Name:	Victoria Barracks Brisbane
Location:	Brisbane, QLD 4000
Size:	2.7 Hectares
Workforce:	App. 50–100, predominantly Australian Public Servants
Description:	Located approximately 1 km from Brisbane CBD and accommodates office based functions and the Army Museum of South East Queensland. Key users include Army Headquarters.

South Australia



Name:	Edinburgh Parks
Location:	Edinburgh, SA 5111
Size:	7 Hectares
Workforce:	App. 100–150 Australian Public Servants
Description:	The site is about 2 km from the main Edinburgh Defence precinct, located within a growing industrial area. This includes the Penfield Housing Estate.

South Australia



Name: Hampstead Barracks
Location: Greenacres, SA 5086
Size: 7 Hectares
Workforce: App. 100–150, predominantly Reserves
Description: Located approximately 6km from Adelaide CBD in a suburban area, Hampstead Barracks is used predominantly for Reserves and Cadet training.



Name: Warradale Barracks
Location: Warradale, SA 5046
Size: 23 Hectares
Workforce: App. 300–350, predominantly Reserves
Description: Located about 11 km south of Adelaide CBD, the site contains maintenance areas, workshops, administration and training facilities, storage, two armour facilities and a petroleum, oil and lubricant store.
Key users: include Army Reserve combat support and logistics units, Air Force Cadets and Army Cadets.



Name: Woodside Barracks
Location: Woodside, SA 5244
Size: 145 Hectares
Workforce: App. 250–300, predominantly Army
Description: Established in 1927, the site was initially used for mustering Army units prior to and during World War II. It is now used for administration, equipment storage, maintenance and training exercises.
Key users: include the 16th Regiment, Royal Australian Artillery, Army Reserves and Cadets.

Tasmania



Name: Derwent Barracks
Location: Glenorchy, TAS 7010
Size: 31 Hectares
Workforce: App. 200–250, predominantly Reserves
Description: Bounded by the River Derwent and located approximately 10 km from Hobart CBD, the site recently underwent upgrades including offices, workshops, training rooms, warehousing and security fencing.
 Key users include Army Reserve, Army and Air Force Cadets.



Name: Fort Direction
Location: South Arm, TAS 7022
Size: 108 Hectares
Workforce: 0
Description: Located 45 km south of Hobart, the site was obtained in 1939 and was used as a munitions storage facility. It contains an emergency response facility, camp area, administration building and an ammunitions storage area.



Name: Scottsdale
Location: Scottsdale, TAS 7260
Size: 0.65 Hectares
Workforce: Less than 20, Australian Public Servants
Description: Established in 1954, the site was used to produce food and provided food and nutrition science capability for Defence for over 60 years.
 The property was redeveloped around 2013, including demolition of several former buildings and upgrades to chemical laboratories.

Victoria



Name: Carlton Training Depot
Location: Carlton, VIC 3053
Size: 0.26 Hectares
Workforce: App. 400–450, predominantly Reserves
Description: Located approximately 1.5 km northeast of Melbourne's CDB, the site includes 2 buildings comprising of offices, a lecture theatre, classrooms and gym.



Name: Defence Site Maribryong
Location: Maribryong, VIC 3032
Size: 128 Hectares
Workforce: 0
Description: Approximately 10 km from Melbourne CBD, and established in 1908, the site was a former armament and explosives factory.
 Closed since 2000, Defence and the Victorian Government have proposed a vision for residential development.
 Significant contamination and potential remediation and infrastructure costs has stalled the divestment of this site. The site is also Commonwealth Heritage Listed.



Name: Fort Queenscliff
Location: Queenscliff, VIC 3225
Size: 7 Hectares
Workforce: Less than 50, predominantly Australian Public Servants
Description: Built in the late 1850's, overlooking the shipping lanes to Melbourne, the Fort was built to defend the entrance of Port Phillip.
 It is now used for administration, archiving, historical research and the Fort Queenscliff Museum.

Victoria



Name: Newland Barracks
Location: Geelong, VIC 3220
Size: 1.1 Hectares
Workforce: App. 50–100, predominantly Army Reserves
Description: Located in the City of Geelong and established in 1900, the site has been in continuous use by military volunteers, Army and the Army Reserves. The historic buildings have been adaptively repurposed for multiple uses.



Name: RAAF Williams – Laverton
Location: Laverton, VIC 3028
Size: 150 Hectares
Workforce: App. 700–750, 702 predominantly Reserves and Air Force
Description: Established in 1925, it is the third oldest RAAF base in Australia. It is used predominantly for administrative, support and training services, warehousing and storage. Key users include RAAF Training Command, Defence Force School of Languages.



Name: RAAF Williams – Point Cook
Location: Point Cook, VIC 3030
Size: 342.5 Hectares
Workforce: App. 250–300, predominantly Reserves
Description: Established in 1913, Point Cook is the birthplace of the Royal Australian Air Force. Its main use consists of the RAAF Museum which manages the preservation, storage and display of RAAF heritage, as well as limited airfield use. Key users include Air Force, the RAAF Museum, Air Force Cadet Headquarters and the RMIT Flight Training Centre.

Victoria



Name: Repatriation Clinic – 310 St Kilda Road
Location: Southbank, VIC 3006
Size: 2.5 Hectares
Workforce: 0
Description: Located on the south-west corner of VBM, the Clinic is a two-storey heritage building built in 1937 for repatriation outpatient care for veterans. It was converted to office space in the post war period. The building is currently unused. Recent maintenance works were completed to resolve degradation of the heritage building.



Name: St Kilda Training Depot
Location: St Kilda, VIC 3182
Size: 0.97 Hectare
Workforce: App. 800–850 Joint and Reserves
Description: The property is primarily used for training, administration and storage by the Royal Victoria Regiment, 5th/6th Battalion, 2/10 Light Battery of the Australian Army Reserve. There is a weatherboard residential building to the north of the main parade hall.



Name: Victoria Barracks Melbourne
Location: Southbank, VIC 3006
Size: 5.7 Hectares
Workforce: App. 1,350–1,400, predominantly Australia Public Servants
Description: Built in the late 1850's, many of the buildings are directly associated with major phases in Australia's defence history. They now provide office accommodation for Defence staff and contractors.

Western Australia



Name: Irwin Barracks
Location: Karrakatta, WA 6010
Size: 61.5 Hectares
Workforce: App. 1,150–1,200, predominantly Army
Description: The site is about 7 km from Perth CBD, located within a densifying suburban area.
Key users include Army Reserves and Cadets.



Name: Leeuwin Barracks
Location: East Fremantle, WA 6158
Size: 14 Hectares
Workforce: App. 350–400, predominantly Reserves
Description: Located in an affluent residential area, the site accommodates Australian Public Service, Army and Navy Reserves.
Key users are Army and Navy Reserves

Table 1.2: Sites subject to further investigation

Name	Location	Name	Location
Fairbairn (golf course)	Majura, ACT 2609	Launceston (Training Ship Tamar)	Launceston, TAS 7250
Bathurst Stores Training Depot	Bathurst, NSW 2795	Stony Head Military Training Area	Stony Head, TAS 7252
Pittwater Dive Annex	Mosman, NSW 2088	Youngtown Training Depot	Youngtown, TAS 7249
Timor Barracks	Dundas, NSW 2117	Geelong (Air Force Cadet Unit)	Geelong, VIC 3220
Kowandi North	Howard Springs, NT 0835	Geelong (Training Ship Barwon)	Geelong, VIC 3220
Atherton Rifle Range	Atherton, QLD 4883	HMAS Cerberus (partial – golf course and off-base land)	Westernport, VIC 3920
Kokoda Barracks (partial – golf course)	Witheren, QLD 4275	Bridgewater Training Depot	Bridgewater, TAS 7030
Milne Bay Training Depot	Harristown, QLD 4350	George Town (Training Ship York)	George Town, TAS 7253
Mount Isa Rifle Range	Mount Isa, QLD 4825	Hobart (Training Ship Derwent)	Hobart, TAS 7000
Purga Rifle Range	Purga, QLD 4306	St Helens (Training Ship Argonaut)	St Helens, TAS 7216
Wangetti Rifle Range	Wangetti, QLD 4877	Kyneton Training Depot	Kyneton, VIC 3444
Buckland Military Training Area	Buckland, TAS 7190	Latchford Barracks	Bonegilla, VIC 3691
Burnie (Training Ship Emu)	Burnie, TAS 7230	Sandringham Training Depot	Sandringham, VIC 3191
Burnie Training Depot	Burnie, TAS 7230	Karratha/Dampier Rifle Range	Karratha, WA 6714
Devonport Training Depot	Devonport, TAS 7310	Swan Island (partial – golf course)	Swan Island, VIC 3225
Devonport (Training Ship Mersey)	Devonport, TAS 7310	Coolilup Rifle Range	Capel, WA 6271

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- 21 Department of Environment and Water Resources Australian Greenhouse Office (DCCEEW), 'Energy Efficiency in Government Operations (EEGO) Policy'
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- 29 Infrastructure Australia, 'Infrastructure Market Capacity 2023 report', page 7
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Government Response to Defence Estate Audit Recommendations

PART

C

The Australian Government welcomes the report on the independent assessment of the Defence estate and acknowledges the efforts of the independent co-leads, Mr Jim Miller and Ms Jan Mason, and their recommendations. In its response to the Audit's recommendations, the Australian Government acknowledges the historical and heritage significance of Defence estate sites, and the continued meaning these sites have for veterans and serving members of the Australian Defence Force, and their families.

Recommendation 1

Defence reduce its property holdings through focussed divestment of sites at market value in areas not aligned with current or future capability priorities, with proceeds reinvested to the priorities outlined in the Defence Strategic Review.

Government Response

The Australian Government agrees to this recommendation.

The Government will divest from Defence property holdings that do not align with current or future capability priorities. Net proceeds from the divestment program will be reinvested in the Defence portfolio to meet National Defence Strategy priorities.

Recommendation 2

Defence undertake further due diligence on the consolidation of all domain command headquarters (Fleet, Forces, Air Command) to a single location to accelerate the transition to an integrated force consistent with the Defence Strategic Review.

This analysis must be considered against forecast investment proposals for the redevelopment of HMAS *Kuttabul* and AC Lewis House at Potts Point, Sydney.

Government Response

The Australian Government agrees to this recommendation.

The Government, through Defence, will analyse the viability of consolidating domain command headquarters, with due consideration given to the redevelopment of current command headquarters.

Recommendation 3

Defence reduce and divest smaller property holdings used to accommodate Reserve units and Cadet programs through greater utilisation of other Defence facilities, shared Multi-User Depots or, as a last resort, alternate leased premises.

Government Response

The Australian Government agrees to this recommendation.

Consistent with its response to Recommendation 1, the Government will divest from Defence property holdings that do not align with current or future capability priorities.

The Government acknowledges consideration should be given to greater utilisation of other Defence facilities, shared Multi-User Depots or, as a last resort, alternate leased premises when divesting Defence holdings. Defence will consider options in conjunction with ongoing workforce recruiting and retention initiatives, the Australian Defence Force Cadets Strategic Intent and the Strategic Review of the ADF Reserves.

Recommendation 4

A multi-disciplinary divestment implementation taskforce be established within the Defence portfolio. The taskforce should comprise skilled representatives from relevant departments and industry. It must have the authority and focus to drive site divestment outcomes in a timely and commercially orientated manner and be resourced to deal with social and service licence issues.

Initial funding to establish the taskforce activities should be provided by Defence and then from divestments. If required, further funding could be sought from other Government programs where practicable with repayment from future divestment proceeds.

Government Response

The Australian Government agrees to this recommendation.

The Government will establish an Audit response implementation working group focused on delivering the government's response to Recommendation 1 with the skills required to deliver. Ongoing funding will be provided from divestment proceeds.

Recommendation 5

Defence adopt common base naming conventions that reflect the integrated force outlined in the Defence Strategic Review in lieu of service-specific base names.

All sites be prefaced as 'Defence Base' followed with a name that identifies the geographic location or historic function, for example, Defence Base Larrakeyah, Defence Base Harman and Defence Base Amberley.

Government Response***The Australian Government agrees-in-principle to this recommendation.***

The Government will consider renaming bases where there has been a significant change in the nature of activity, personnel, or capability on a Defence establishment as a result of implementing this Response to the Audit.

Recommendation 6

The reporting and accountability for designated Senior Australian Defence Force Officer (SADFO) appointments be to Australian Defence Headquarters rather than single-service representatives to promote greater shared use of Defence sites and enhanced visibility of base related issues.

Government Response***The Australian Government agrees to this recommendation.***

The Government will analyse reporting lines for designated Senior Australian Defence Force Officer (SADFO) appointments, and will realign these to Australian Defence Force Headquarters to promote greater shared use of Defence sites and enhance visibility of base-related issues.

Recommendation 7

Appropriate accounting processes be established between the Department of Finance and Defence to manage proceeds and expenses related to the estate divestment program, to ensure proceeds from property disposals are retained by Defence and used initially for further divestments, then for other Defence Strategic Review priorities.

Government Response***The Australian Government agrees to this recommendation.***

The Government agrees that proceeds from Defence estate divestments will be retained to support Audit implementation activities as related to divestments. Net proceeds from the divestment program will be reinvested in the Defence portfolio to meet National Defence Strategy priorities, with appropriate accounting and reporting protocols to be established between the Department of Finance and Defence.

Recommendation 8

An assessment of the suitability of alternative financing and delivery models be provided for all estate capital investment projects at the outset, including indicative cost estimates covering the full cost of ownership and operation over the life of the asset.

Ministerial agreement be obtained to progress any bespoke infrastructure projects that do not include alternate financing and delivery options.

Government Response

The Australian Government agrees to this recommendation.

The Government recognises this recommendation aligns with the objectives and agreed actions from the Defence Strategic Review. The Government will embed assessments of alternate financing models in processes for all estate capital investment projects, where they represent value for money. As part of this new process, ministerial agreement will be obtained to progress any bespoke infrastructure projects that do not include alternate financing and delivery options.

Recommendation 9

An assessment of the suitability of existing civil and other infrastructure outside of Defence to support Defence capability requirements be provided for all estate capital investment projects at the outset. Defence should maintain situational awareness of investment projects outside of Defence and actively seek opportunities to leverage projects that may help accelerate implementation of the Defence Strategic Review priorities.

Ministerial agreement be obtained to progress any bespoke infrastructure projects where existing infrastructure exists, or is under development or could be adapted to meet Defence's capability requirements.

Government Response

The Australian Government agrees to this recommendation.

The Government recognises this recommendation aligns with the objectives and agreed actions from the Defence Strategic Review. The Government will embed assessments of the suitability of existing civil and other infrastructure in processes for all estate capital investment projects. As part of this new process, ministerial agreement will be obtained to progress any bespoke infrastructure projects where existing infrastructure exists, or is under development or could be adapted to meet Defence's capability requirements.

Recommendation 10

Align Government and Parliamentary approval pathways for projects adopting alternate finance and delivery models to reduce barriers that currently discourage private investment in major infrastructure projects.

Establish a dedicated function with the requisite financial and commercial skills to work with private investment providers to identify suitable alternate finance and delivery options for future infrastructure investments. These might include Public Private Partnerships or other alternate financing initiatives where the long-term requirements of Defence are stable and clearly defined.

Government Response***The Australian Government agrees to this recommendation.***

The Government, through Defence, will develop an Alternate Financing Framework which will be consistent with the Commonwealth Investment Framework. Application of the Framework will be supported by a dedicated function in Defence with the requisite financial and commercial skills to work with private investment providers to identify suitable alternate finance and delivery options for future infrastructure investments.

The decision on use of alternate funding models will be a Government decision, informed by detailed comparative cost analysis, and will occur ahead of review by the Parliamentary Standing Committee on Public Works.

Recommendation 11

All estate capital investment projects provide a budget estimate and funding provision for future sustainment costs prior to seeking Government approval.

Project costings must focus on minimum viable capability and also account for the demolition of legacy facilities, which cannot be retained and repurposed without an identified source of sustainment funding post project approval.

Government Response***The Australian Government agrees to this recommendation.***

The Government will incorporate full asset sustainment costs for all future estate capital investments inclusive of expenses to manage legacy facilities as part of the Integrated Investment Program.

Recommendation 12

All infrastructure and property management related positions across Defence be consolidated in Security and Estate Group as the Capability Manager for the estate.

Government Response***The Australian Government agrees to this recommendation.***

The Government, through Defence, will consolidate infrastructure and property management positions in the Defence portfolio in the existing Security and Estate Group. Defence will first analyse the full-time equivalent Australian Public Service and Defence Force personnel engaged in infrastructure and property management positions in the Defence portfolio to then develop the proposal for how to consolidate these positions in the existing Security and Estate Group.

Recommendation 13

Defence develop an integrated strategy for all Defence facilities in the Exmouth region in Western Australia, covering all legacy sites and future infrastructure developments.

The suitability of private investment, including the timing and scope of the proposed Gascoyne Gateway development, be benchmarked against planned Defence infrastructure redevelopments at Naval Communications Station Harold E Holt and RAAF Learmonth.

Government Response***The Australian Government agrees to this recommendation.***

The Government will develop an integrated strategy for the Exmouth region aligned with Defence Strategic Review. The Government, through Defence, will establish a plan to manage the area as an integrated regional precinct.

Recommendation 14

Ongoing review of the estate and assessment of progress against agreed recommendations be a key pillar of the biennial National Defence Strategy planning cycle.

Government Response***The Australian Government agrees to this recommendation.***

The Government, through Defence, will facilitate an ongoing review of the Defence estate and an assessment of progress of Audit implementation activities within the biennial National Defence Strategy planning cycle. Defence will report on progress against agreed recommendations on an annual basis.

Recommendation 15

The Minister for Defence consult with the Minister for the Environment and Water to determine options for a strategic assessment of Defence heritage places, including proposals for accreditation of Defence management processes, assessment by independent third-parties and any associated legislative changes needed.

Government Response***The Australian Government agrees to this recommendation.***

The Government supports a more integrated and strategic approach between Defence and the Department of Climate Change, Energy, the Environment and Water on matters protected under the *Environment Protection and Biodiversity Conservation Act 1999*, including heritage related matters.

Defence will work with the Department of Climate Change, Energy, the Environment and Water to develop a more streamlined and effective approach for the management of Defence heritage places for consideration by relevant ministers as required. This work will consider appropriate policy and/or legislative changes to enable more streamlined and effective heritage management by Defence.

Recommendation 16

The *Defence Act 1903* be amended to empower the Minister for Defence to make estate decisions in the national interest. The definition of Defence Purpose must include the imperative for the use of proceeds from divestments to go to other Defence purposes.

Government Response***The Australian Government agrees-in-principle to this recommendation.***

The Government will consider this recommendation in the context of future reviews of the Defence Act.

Recommendation 17

The Government clarify conflicting priorities between Workplace Health and Safety, Heritage, Environment and Capability.

Government Response***The Australian Government agrees-in-principle to this recommendation.***

The Government acknowledges the need to meet legislative obligations and priorities relating to Workplace Health and Safety, Heritage, Environment and Capability as managed by different government portfolios.

Defence will work with the Department of Climate Change, Energy, the Environment and Water to consider a more streamlined and effective approach for the management of Defence heritage places, with appropriate consideration by relevant ministers as required.

Recommendation 18

The Government direct that all future capital expenditure requests by the Services be required to incorporate co-location and sharing of facilities that drive greater integration and joint training outcomes in submissions presented to the Investment Committee. The design of future estate works should incorporate shared facilities to the greatest extent possible—particularly for facilities such as messes, gyms and training rooms.

Government Response***The Australian Government agrees to this recommendation.***

The Government recognises submissions to the Defence Investment Committee must promote greater integration and joint training outcomes, in line with the need for an integrated force structure across relevant domains. To the greatest extent possible, future capital expenditure requests made by Services will incorporate co-location and sharing of facilities.

Recommendation 19

Reduce estate resources in line with divestments and redeploy resources towards higher priorities.

Government Response***The Australian Government agrees to this recommendation.***

The Government acknowledges that estate sustainment savings made through divestment strategies will contribute to reducing ongoing sustainment cost pressures.

Recommendation 20

Defence implement the business process improvements listed at *Chapter 5*.

Government Response***The Australian Government agrees to this recommendation.***

Defence will review and implement identified business process improvements.



Photo: An Air Force F-35A Lightning II aircraft from No.2 Operational Conversion Unit goes vertical during a handling display at the Australian International Airshow 2025



Australian Government

Defence