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The Parliament of the Commonwealth of Australia

# **Extension and Accommodation Upgrade to the Existing Chancery of the Australian Embassy in Beijing, China**

Parliamentary Standing Committee on Public Works

December 2006  
Canberra

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## **Membership of the Committee**

**Chair** Hon Judi Moylan MP

**Deputy Chair** Mr Brendan O'Connor MP

**Members** Mr John Forrest MP

Senator Michael Forshaw

Mr Harry Jenkins MP

Senator Stephen Parry

Mr Bernie Ripoll MP

Senator the Hon Judith Troeth

Mr Barry Wakelin MP

## **Committee Secretariat**

**Secretary** Mrs Margaret Swieringa

**Inquiry Secretary** Mr John Fuhrman

**Senior Research Officer** Mr Raymond Knight

**Research Officer** Ms Penny Wijnberg

**Administrative Officer** Mr Peter Ratas



## List of Acronyms

AFP	Australian Federal Police
ACIAR	Australian Centre for Agricultural Research
ACS	Australian Customs Service
AusAID	Australian Agency for International Development
Austrade	<i>Australian Trade Commission</i>
DAFF	Department of Agriculture Fisheries and Forestry
DEST	Department of Education Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMA	Department of Immigration and Multicultural Affairs
OPO	Overseas Property Office



# **Extract from the Votes and Proceedings of the House of Representatives**

**No 126 Dated Thursday, 14 September 2006**

13 PUBLIC WORKS – PARLIAMENTARY STANDING COMMITTEE –  
REFERENCE OF WORK – PROPOSED EXTENSION AND ACCOMMODATION  
UPGRADE TO THE EXISTING CHANCERY OF THE AUSTRALIAN EMBASSY  
IN BEIJING, CHINA

Mr Billson (Minister for Veterans' Affairs) for Mr Nairn (Special Minister of State), pursuant to notice, moved – That, in accordance with the provisions of the Public Works Committee Act 1969, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Proposed extension and accommodation upgrade to the existing Chancery of the Australian Embassy in Beijing, China.

Question – put and passed.



# List of Recommendations

## 3 Issues and Conclusions

### Recommendation 1

The Committee recommends that DFAT provide it with a detailed breakdown of consultant fees and the mechanical, electrical and plumbing works, as soon as details become available.

### Recommendation 2

The Committee recommends that the extension and refurbishment of the Chancery at the Australian Embassy Beijing proceed at an estimated cost of \$21.61 million.

## Introduction

### Referral of Work

- 1.1 On 14 September 2006 the proposed extension and accommodation upgrade to the existing chancery of the Australian Embassy Beijing was referred to the Public Works Committee for consideration and report in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).<sup>1</sup> The proponent agency for this work is the Department of Foreign Affairs and Trade (DFAT).
- 1.2 The Hon Bruce Billson MP, Minister for Veteran's Affairs and Minister Assisting the Minister for Defence, advised the House that the estimated cost of the proposed works was \$21.61 million. Subject to parliamentary approval, the proposed works would commence in September 2008, with practical completion and occupation scheduled for October 2010.

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1 Extract from the *Votes and Proceedings of the House of Representatives*, No. 13, Thursday 14 September 2006

## Background

### Site

- 1.3 The chancery is contained within a compound constructed by the Australian Government in 1992 to provide office, representational and residential accommodation for Australian agencies in Beijing. The compound comprises the chancery of approximately 4,500 square metres of office accommodation, a head of mission residence and 35 residential apartments.<sup>2</sup>
- 1.4 The total site of approximately 15,000 square metres is located in the Sanlitun diplomatic area. The chancery and residential accommodation are owned by the Australian Government.<sup>3</sup>
- 1.5 The site is leased to the Australian Government until 2072, with an option to extend for a further 90 years, as part of a reciprocal exchange of sites for diplomatic purposes agreed with the Chinese Government in 1982.<sup>4</sup>

### Options Considered

- 1.6 Three options were considered by DFAT to enhance operational effectiveness:
  - do nothing
  - relocate some embassy functions to leased accommodation away from the embassy compound; or
  - construct additional suitable accommodation on the compound.<sup>5</sup>
- 1.7 In DFAT's view the preferred third option to expand and upgrade existing accommodation will:
  - provide efficient, high quality, purpose-built office accommodation and representational facilities that meet the current security, operational and building code requirements of the embassy;
  - ensure that all agencies are collocated on the compound, thereby minimising security and communication costs and administrative inefficiencies associated with splitting functions at separate locations;

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2 Appendix C, Submission No.1. paragraph 2.3

3 *ibid.*, paragraph 2.4

4 *op.cit.*

5 *ibid.*, paragraph 4.1

- maximise the value and use of the existing site; and
- provide the opportunity to consolidate current tenant accommodation within the chancery and its extension.<sup>6</sup>

## Inquiry Process

- 1.8 The Committee is required by the Act to consider public works over \$6 million<sup>7</sup> and report to Parliament on:
- the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of, carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>8</sup>
- 1.9 The Committee called for submissions by advertising the inquiry in the *Weekend Australian* and the *Canberra Times* on Saturday, 23 September 2006. The Committee also sought submissions from relevant government agencies, local government, private organisations and individuals, who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

## Inspection and Hearing

- 1.10 Under the terms of the Act, the Committee may not convene at any place outside Australia and its external Territories. Where a public work is to be carried out outside Australian and its external Territories, the Committee:
- ...shall consider the work on the basis of plans, models and statements placed before it and of evidence (if any) taken by it.<sup>9</sup>
- 1.11 On Friday 3 November 2006 the Committee received a confidential briefing from DFAT officers on the costs of the proposed works to be

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6 *ibid.*, paragraph 5.1

7 *Public Works Committee Act 1969*, Part III, Section 18 (8). Threshold as at the time of referral. The amount of \$6 million has now been increased to \$15 under recent amendment.

8 *ibid.*, Section 17

9 *Public Works Committee Act 1969*, Part III, Section 18B

undertaken in Beijing. This was followed by a public hearing held at Parliament House, Canberra.<sup>10</sup>

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10 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday 3 November 2006 in Parliament House, Canberra

## The Proposed Works

### Purpose

- 2.1 According to DFAT, the purpose of the proposed work is to extend and refurbish the existing Chancery in Beijing to meet increased office requirements of both DFAT as well as attached agencies that include the Australian Trade Commission (Austrade), the Australian Agency for International Development (AusAID), the Australian Centre for International Agricultural Research (ACIAR), the Australian Customs Service (ACS), the Australian Federal Police (AFP), the Department of Agriculture Fisheries and Forestry (DAFF), the Department of Defence, the Department of Education, Science and Training (DEST), the Department of Immigration and Multicultural Affairs (DIMA), Department of the Treasury, and Invest Australia.<sup>1</sup>

### Need

- 2.2 DFAT submitted that pressure on office space has been in evidence since the existing Chancery building was completed in 1992, exacerbated by the need to meet the demands of attached agencies, beginning with the

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<sup>1</sup> Appendix C, Submission No.1, paragraph 1.2

conversion of two staff apartments to offices to accommodate AusAID staff, and the conversion of the Chancery auditorium to office space.<sup>2</sup>

- 2.3 In 1997 a prefabricated temporary annex of 300 square metres was built to meet rapidly growing accommodation needs. The annex as well as the chancery is now crowded, placing pressures on the building and building services (including heating and ventilation) as well as increasing security pressures. Further, the current layout has evolved in an *ad hoc* way and does not meet efficient work practices.<sup>3</sup>
- 2.4 The annex is linked to the main chancery building at one level only by a narrow circular staircase that does not meet Building Council of Australia (BCA) standards or disability access requirements. Lighting and acoustics are also sub-standard.<sup>4</sup>
- 2.5 A consultants report commissioned by DFAT in May 2003 identified a net shortfall of 1,085 square metres of office space, poor efficiency of space usage, inadequate meeting and conference facilities, and problems associated with the use of residential accommodation as office space.<sup>5</sup>
- 2.6 A revision of the 2003 report undertaken in September 2005 confirmed the earlier report findings.<sup>6</sup>

## Scope

- 2.7 The proposed works encompass the following elements:
- demolition of the existing temporary annex and two apartments;
  - adding a three-level extension to the main building of 2,400 square metres that will comprise new office space and replacement office space lost through the demolition of the annex and two apartments currently used as office space;
  - refurbished and new access control, security and secure communications systems;
  - new office fit-outs for the tenant agencies;

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2 *ibid.*, paragraph 3.1

3 *ibid.*, paragraph 3.2

4 *ibid.*, paragraph 3.4

5 *ibid.*, paragraphs 3.5 and 3.6

6 *ibid.*, paragraph 3.7

- new mechanical, electrical and plumbing services (MEP) for the proposed extension, together with upgrades where required of the existing MEP services within the main chancery; and,
  - essential refurbishment of the mechanical, electrical, fire and standby power systems.<sup>7</sup>
- 2.8 The proposed works will require the relocation of some attached agencies to temporary accommodation until completion of the project<sup>8</sup>.

## Project Delivery

- 2.9 DFAT proposes that the project will be delivered via a traditional style of design, documentation, tendering and contracting process. DFAT considers that this represents the best value for money for the Australian Government, and allows the Department, as the building owner, to be fully in control of all the project delivery stages.
- 2.10 A single contract will be awarded for the construction works and the fit-out works. Tenders will be called from a selected list of contractors, short-listed on the basis of pre-qualifications received. The advertising for pre-qualifications will be called both in Australia and China.
- 2.11 Under the master control program the design development phase will be completed in December 2007. Tendering is programmed for January 2008, construction planned in September 2008; practical completion in October 2010, with Final Certificate at the end of the defects period in October 2011.<sup>9</sup>

## Cost

- 2.12 The estimated project cost is \$21.61 million, based on August 2005 costs escalated to construction. The estimate includes:
- construction costs;
  - fit out works;
  - project management including design and site management;

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7 *ibid.*, paragraphs 6.1 – 6.4; 12.1 – 12.5

8 *ibid.*, paragraph 12.6

9 *ibid.*, paragraph 31.1

- consultancy services, including supervision;
- site office overheads;
- temporary relocation costs; and,
- project allowances including construction contingencies and an escalation provision.<sup>10</sup>

2.13 It does not include:

- furniture;
- artworks; and,
- white goods.<sup>11</sup>

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<sup>10</sup> *ibid.*, paragraphs 29.1, 29.2

<sup>11</sup> *loc. Cit.*

## Issues and Conclusions

### Scope of works

- 3.1 During the Confidential Hearing, the Committee noted that the Department's Statement of Evidence was silent on the issue of fit-out arrangements associated with the proposed works. Specifically the Committee sought clarification of the break-up of fit-out required for the proposed extension and the existing chancery.
- 3.2 The Department subsequently informed the Committee that these works represented an approximate 50-50 split of the estimate between the new works and the existing chancery, and included provision for internal works to create tenancy areas and shared spaces that would include kitchenettes and conference rooms for use by attached agencies.
- 3.3 These areas had been determined on a square metre basis; however according to the Department final allocations of space would not be firmed-up until 2008 when design specifications had been finalised.

### Project Timing

- 3.4 The Committee noted that it appeared an inordinate delay had occurred in terms of the processes associated with the proposed works. Mention was

made that the need for the extension and refurbishment of the chancery was identified in 2003, but it would be another seven years, until 2010, before the project would be completed.<sup>1</sup>

3.5 The Department accepted that the deficiencies of the current chancery, particularly pressures on office accommodation, had been well known for a long time.

3.6 To meet the increased need, staff residential accommodation and the chancery auditorium had been converted into office space. This was followed by the construction of a prefabricated two-storey annexe in 1997 to meet further increases in staff numbers.<sup>2</sup>

3.7 As to the Committee's concern over delays in improving Office accommodation for embassy personnel, the Department responded that a number of options had been canvassed to alleviate the pressure on office space, that in addition to the works mentioned above, also included the possibility of acquiring an adjacent site. However negotiations with the Chinese government associated with an alternative site had been protracted, which together with the costs to the Australian government to develop a new site, made the decision to redevelop the existing site a more expedient option.<sup>3</sup>

3.8 When a decision was made to extend and upgrade the existing buildings, difficulties in commencing work arose due to a two year moratorium on major building works, other than those related to the Beijing Olympic Games, imposed by the Chinese authorities.<sup>4</sup>

## Security

3.9 The Committee sought assurance that the new premises would provide for the security of all staff given the current global climate.

3.10 In its reply, the Department informed the Committee that assessments are made of the likely threat environment of all Australian embassies. In the context of Beijing this assessment was comparatively lower than elsewhere. That notwithstanding, the current project design had a number of security features included taken on the advice of the

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1 Appendix D, Official Transcript of Evidence, page 3

2 *ibid.*, page 2

3 *ibid.*, pages 2-3.

4 *ibid.*, page 3

Diplomatic Security Branch of the Department, and factored into the final estimates of the proposed works.<sup>5</sup>

## Technical Standards

- 3.11 The Committee sought further information regarding the existing air handling and air conditioning systems, noting from the Department's Statement of Evidence<sup>6</sup>, that these were to be upgraded.
- 3.12 In response to the Committee's enquiry as to whether the proposed upgrades were to do with the air quality in Beijing, and whether the upgrade could handle the entire complex, the Department responded that the upgrades were more to do with the turnover of carbon dioxide rates, and to keep these levels down than with the air quality of Beijing. The Department confirmed that the increased capacity of the system would meet the requirements of the new chancery.<sup>7</sup>
- 3.13 The Department responded on other issues raised to the satisfaction of the Committee.

## Staffing Levels

- 3.14 The Committee enquired about predictive staffing levels of the embassy, specifically whether the proposed works would meet staffing requirements both for attached agencies as well as the Department of Foreign Affairs and Trade including both Australia based staff and locally engaged staff. Noting that the Department stated in its Statement of Evidence that:

....pressures on space have characterised the chancery since it was completed....,<sup>8</sup>

the Committee sought assurances that these works would satisfy the demand for office accommodation in the longer term.

- 3.15 The Department informed the Committee that currently 47 Australia based staff and approximately 200 local employees worked within the existing

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5 *ibid.*, page 4

6 Appendix C, Submission No.1, Paragraph 3.1

7 Appendix D, Official Transcript of Evidence, page 4

8 Appendix C, Submission No. 1, paragraph 17.10

buildings. When the chancery was first commissioned, there were 30 Australia based staff and less than a dozen local staff.<sup>9</sup>

- 3.16 In terms of staffing, all attached agencies had been formally approached regarding future staffing levels, and these responses had served as a basis for the planning of the development proposal. However, as the Department noted, these projections may still be inaccurate. As the Department observed, difficulties were encountered in having an attached agency sign on to future leased office accommodation when that accommodation may not be fully utilised, particularly when it involves a commitment to pay rent.<sup>10</sup>
- 3.17 As to whether the current works proposal would be adequate to meet future staff increases, the Department pointed out that it could not build on a speculative basis. It explained that in the current design facilities had been included which could be used for additional office accommodation, noting that this amounted to around 100 square metres.<sup>11</sup>

## **Staff Residential Accommodation**

- 3.18 Since the Department's proposal included the removal of two staff apartments, the Committee asked what pressure this might place on existing staffing accommodation, and whether staff are able to express a preference for living on compound or off compound.<sup>12</sup>
- 3.19 In its reply, the Department explained that there would be no impact on current staff residential accommodation. It was pointed out that the Beijing residential market now provides suitable standard off-compound accommodation, noting that currently one-third of staff live outside the compound, translating to around 15 staff.<sup>13</sup>
- 3.20 As to staff preferences in terms of living accommodation, the Department explained that it was a personal choice. As the Department observed:
- ... people with young families would probably have a preference to live on compound where there are good facilities and support available, whereas other people who might have senior representational responsibilities or other interests might prefer to live off compound...As long as we ensure that the government

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9 Appendix D, Official Transcript of Evidence, page 6

10 loc.cit

11 loc.cit.

12 Appendix C, Submission No. 1, page 7

13 loc.cit.

owned apartments are fully tenanted we are able to allow people some choice.<sup>14</sup>

- 3.21 In terms of impact on staff living on compound during construction the Department expressed confidence with the measures that would be put in place including hoardings, and baffles to minimise disruption to families and to ensure that security is maintained. This would be a requirement of the contract and an obligation for the contractor.<sup>15</sup>

## Construction Related Issues

- 3.22 During the Confidential Hearing, the Committee noted an inconsistency on the plan submitted as an appendix to the Statement of Evidence over floor numbering. It transpired that there is a basement car park (not mentioned in the Statement of Evidence), and that part of the construction works will involve the construction of two additional columns to support the new structure.
- 3.23 The Department subsequently responded to this issue to the satisfaction of the Committee.
- 3.24 In responding to the Committee's inquiry, the Department acknowledged the omission of this need, although it confirmed that provision had been made in the cost estimates for this work.

## Energy Conservation

- 3.25 The Committee sought clarification from the Department as to why it has based energy consumption rates on those developed by the Property Council of Australia rather than the Energy Efficiency in Government Operations Policy that has been developed by government. The Committee also asked whether the Department had consulted with the Australian Greenhouse Office.<sup>16</sup>
- 3.26 The Department commented that it was not building in Australia. It went on to say that there is an issue between the Property Council and other agencies in the Greenhouse Office in terms of the guidelines that the latter provides, and that consequently the energy targets provided by the

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14 loc.cit.

15 loc.cit.

16 Appendix D, Official Transcript of Evidence, page 10

Property Council have been superimposed onto the overseas environment.<sup>17</sup>

- 3.27 The Department acknowledged that in the past it had consulted the Greenhouse Office; however on subsequent projects, there had been no detailed consultation due to the approach the Department has taken on Property Council guidelines. It went on to explain that there was currently a review of energy use and the steps that might be taken to improve energy conservation throughout the entire overseas estate.<sup>18</sup>
- 3.28 Subsequent to the Hearing, the Department responded that it had consulted with the AGO to ensure that the nominated targets are consistent with the provisions of the policy.

## **Disability Provisions**

- 3.29 The Committee sought clarification on arrangements to be put in place as part of the construction for disabled people, and was reassured by the Department that facilities had been incorporated into the building design to meet disability requirements including the provision of a new lift in the proposed extension.<sup>19</sup>

## **Project Costs**

- 3.30 DFAT stated in its main submission that the project out-turn cost estimate is \$21.61 million, based on August 2005 prices. This figure includes escalation; construction costs; consultants' fees; project management fees; supervision; and site office expenses.<sup>20</sup> During the confidential briefing the Committee examined the project costs in more detail, discussing issues such as: currency conversion; consultants' fees; escalation and contingency; mechanical, electrical and plumbing works; construction costs; and demolition costs. Due to the project delivery schedule, DFAT were unable to provide some detailed cost information at the time of the hearing.

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17 *ibid.*, page 5

18 *ibid.*, page 10

19 *ibid.*, page 11

20 Appendix C, Submission No. 1, paragraph 29.1-29.2

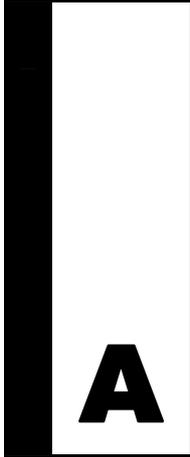
**Recommendation 1**

The Committee recommends that DFAT provide it with a detailed breakdown of consultant fees and the mechanical, electrical and plumbing works, as soon as details become available.

**Recommendation 2**

The Committee recommends that the extension and refurbishment of the Chancery at the Australian Embassy Beijing proceed at an estimated cost of \$21.61 million.

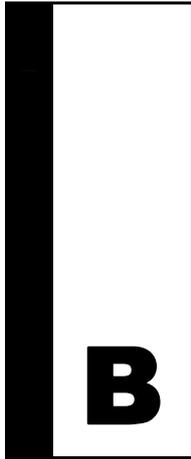
**The Hon Judi Moylan MP**  
Chair  
6 December 2006



## **Appendix A – List of Submissions and Exhibits**

### **Submissions**

1. Department of Foreign Affairs and Trade.



## **Appendix B – List of Witnesses**

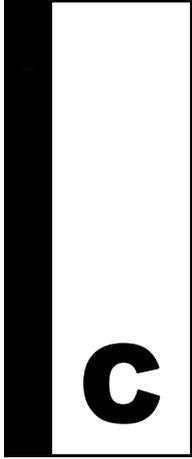
Mr Peter Davin, Executive Director, Overseas Property Office, Department of Foreign Affairs and Trade

Mr Kevin Nixon, Assistant Secretary, Property Planning and Project Services, Overseas Property Office, Department of Foreign Affairs and Trade

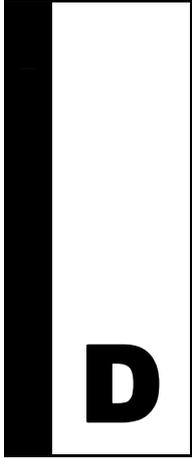
Mr Peter Marshall, Director, Strategic Planning, Department of Foreign Affairs and Trade

Mr Ian McKay, Capital Works Manager, Multiplex Facilities Management

Mr Stephen Morgan, Project Director, Multiplex Facilities Management



**Appendix C – Submission No. 1 from the  
Department of Foreign Affairs and Trade**



## **Appendix D – Official Transcript of Evidence**