

Proposed construction of a new Australian Embassy complex including Chancery and Head of Mission residence in Bangkok, Thailand

- 2.1 The Department of Foreign Affairs and Trade (DFAT) seeks approval from the Committee to build a new Australian Embassy Complex in Bangkok, including a chancery and head of mission (HOM) official residence.
- 2.2 A key objective of the project is to construct an official residence to house the Australian Ambassador to Thailand, the Ambassadors family members and high level visitors. The residence will be capable of catering for a range of representational functions.
- 2.3 The second key objective is to construct a new chancery building to serve as Australia's ongoing permanent mission to Thailand, which would be tenanted by the following agencies:
 - DFAT;
 - Department of Immigration and Citizenship;
 - Australian Federal Police;
 - Australian Trade Commission;
 - Australian Agency for International Development;
 - Australian Customs Service;
 - Department of Agriculture, Fisheries and Forestry;
 - Department of Education, Employment and Workplace Relations;
 - Department of Infrastructure and Transport;

- Department of Defence.

2.4 The project was referred to the Committee on 15 September 2011.

Conduct of the inquiry

2.5 Following this referral, the inquiry was advertised nationally and submissions sought from those with direct interest in the proposed project.

2.6 The Committee received one submission and one confidential supplementary submission from DFAT. A list of submissions can be found at Appendix A.

2.7 The confidential submission comprised the project costings and sensitive information which DFAT submitted could not be published for security reasons. The Committee accepted DFAT's submission in this regard and the selected information was not authorised for publication, on DFAT's advice.

2.8 The Committee conducted a public hearing on the project and an in-camera hearing on the project costings on 4 November 2011 in Canberra. As the Committee was not able to conduct a site inspection for the project in Bangkok¹, DFAT provided the Committee with a private briefing on the project design and elements just prior to the public hearing.

2.9 A transcript of the public hearing and a copy of DFAT's public submission to the inquiry are both available on the Committee's website.²

Need for the works

2.10 DFAT submitted that the new Embassy complex is required to provide the following:

- more secure accommodation;
- appropriate accommodation for DFAT and the nine other Government departments and agencies;
- an efficient and effective modern office environment;
- a design which meets requirements of the Building Code of Australia, the Disability Discrimination Act and appropriate occupational health and safety standards;

1 See Part III, Section 18B of the *Public Works Committee Act 1969*.

2 <www.aph.gov.au/pwc>

- a complex which will meet current and future operational and technological requirements; and
- a complex which will act as a hub for other Australian missions in the region.³

2.11 DFAT told the Committee that the driving need for the project was to meet a security deficiency in the current facility:

The main driver or need for this project is to meet current security requirements. Our existing embassy, unfortunately, does not meet the security requirements of our embassy building in Bangkok. Since the Jakarta Embassy bombing in 2004 new standards have been applied and threat assessments made against all our overseas properties. The embassy in Bangkok was one of those identified as being deficient. Substantial work was done in analysing whether improvements could be made to that building to meet the current security requirements but, unfortunately, given the nature of that building, the method of construction and its proximity to busy roads, the only answer is a relocation. That is the basis of this particular project.⁴

2.12 The Committee was told that the National Security Committee of Cabinet approved the relocation of the Bangkok Embassy on security grounds, following a global review of physical security at Australia's overseas missions. The current Embassy complex would be relocated to a new site adjacent to the Embassy of Japan in the Panthum Wan district of Bangkok.⁵

2.13 DFAT submitted that the new site would enable the construction of appropriate setbacks to the chancery and HOM buildings for blast mitigation while the buildings themselves would also be designed to mitigate blast.⁶

3 Department of Foreign Affairs and Trade, Submission 1, p. 3.

4 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 2.

5 Department of Foreign Affairs and Trade, Submission 1, p. 3.

6 Department of Foreign Affairs and Trade, Submission 1, p. 3.

- 2.14 DFAT noted that the Australian Embassy in Bangkok was identified from other Australian missions because it is a substantial Australian facility in Thailand, with a regional role:

There are, as I mentioned earlier, the Department of Foreign Affairs and Trade and nine other agencies represented in that building. The relationship with Thailand is substantial. It goes across commercial, tourism and in aid terms. The building that we currently occupy in Bangkok is a substantial office building. It is near enough to 10,000 square metres. So, it is a substantial presence and is a very important embassy for us. It is one that we need to have proper facilities available for the Australian government's representation.⁷

- 2.15 The Committee is satisfied that there is a compelling need for the works.

Scope of the works

- 2.16 The proposed scope for the construction of a new Australian Embassy complex in Bangkok is detailed in Submission 1: Department of Foreign Affairs and Trade.⁸
- 2.17 DFAT proposes to construct a new chancery on the chosen site to a size of approximately 9,000 square metres. In addition, DFAT would construct an official HOM residence, associated services and support buildings. All buildings would be constructed in accordance with DFAT's security requirements and individual agency spatial and DFAT security requirements.⁹
- 2.18 In addition to the main buildings, the scope of the works includes the following elements:
- two pedestrian and vehicular access points;
 - a main guard station to provide vehicle and pedestrian screening;
 - a smaller guard station for the HOM residence to provide vehicle and pedestrian screening;
 - an engineering and maintenance services building;

7 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 2.

8 Department of Foreign Affairs and Trade, Submission 1, p. 3.

9 Department of Foreign Affairs and Trade, Submission 1, p. 3.

- a perimeter security wall, complete with CCTV and appropriate lighting;
- project specific engineering services including mains electricity and back-up power supply, mains water supply treated to World Health Organisation standards, storm water drainage and harvesting, a sewerage treatment system and comprehensive ICT facilities;
- integrated office fit-outs for each tenant agency, including security measures such as forced entry and ballistic partitions, doors and glazing, security counters, security air locks and doors and specialised door hardware;
- fixed work-stations, workstation partitions, built-in joinery, compactus storage units, window treatments, floor coverings, representational furniture for the HOM residence and loose office furniture.¹⁰

2.19 It was noted that individual Australian Government agencies would provide office supplies such as photocopiers, computers and other devices.

2.20 Subject to Parliamentary approval of the project, it is anticipated that construction would be complete by late March 2016, with occupation of the new complex scheduled around the end of June 2016.

2.21 The Committee finds that the proposed scope of works is suitable to meet the need.

Cost of the works

2.22 DFAT initially estimated the total out-turn cost of the proposed project to be approximately \$193.4 million.¹¹ However, DFAT subsequently revised its estimate of the total out-turn cost to \$190.8 million, having regard to savings offsets mandated by the Department of Finance and Deregulation.¹²

2.23 DFAT provided evidence to the Committee on the costings prepared for the project, through a supplementary confidential submission and during the in-camera hearing.

10 Department of Foreign Affairs and Trade, Submission 1, p. 7.

11 Department of Foreign Affairs and Trade, Submission 1, p. 23.

12 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 1.

- 2.24 The cost estimate provided by DFAT includes construction, integrated fit-out, construction contingency, furniture and other related design and project management elements.¹³
- 2.25 The items excluded from the cost estimate included office and business machines, computers, artworks, white goods and interest charges.
- 2.26 DFAT submitted that the cost estimate does not include Thai Government Import Duty as goods imported for the Embassy project are anticipated to be nil. The cost estimate does include Thai Government VAT, however DFAT noted it would endeavour to receive any VAT payable using reciprocal arrangements between the Thai and Australian Governments.
- 2.27 The Committee is satisfied that the costings of the project provided to it have been adequately assessed by the proponent agency.

Project issues

Land ownership and leasing arrangements

- 2.28 DFAT submitted that the site proposed for the new Embassy complex has been procured on a long term lease agreement between the Commonwealth and the Crown Property Bureau of Thailand.¹⁴
- 2.29 The Committee was interested in the parameters of the lease arrangement and requested that DFAT outline how it had mitigated any risk in the handover of land to the Australian Government.
- 2.30 DFAT detailed the leasing arrangement to the Committee:

The lease we have on the new site is a 30-year lease with an option to exercise a further 30 years. So, in effect, we have a 60-year lease on the land. That lease is with the Crown Property Bureau, a commercial entity in Bangkok. The terms of the lease are that for the first three years, during the construction phase, we pay approximately \$330,000 each year and, at the end of construction, we formally enter into a 30-year lease and we pay a sum of funds upfront for the 30 years. At current exchange rates it is about \$30 million. At the 27th year of that lease, we have a two-year window to exercise a further 30-year lease on terms to be agreed between

13 Department of Foreign Affairs and Trade, Submission 1, p. 23.

14 Department of Foreign Affairs and Trade, Submission 1, p. 9.

the parties at that time. So, in effect, we have a 60-year arrangement.¹⁵

- 2.31 DFAT noted that the handover of the site would be expected in December 2011, as existing buildings on the site had to be removed and site remediation works were to be conducted. The lease arrangement directed that the Crown Property Bureau hand over the site in uncontaminated form.¹⁶

Committee comment

- 2.32 The Committee was satisfied with the evidence provided to it on the leasing arrangements for the proposed new embassy site in Bangkok and the protective measures DFAT has undertaken to ensure the desired land is provided to it in an uncontaminated form.

Construction in Bangkok

- 2.33 In the Committee's view, one issue pertinent to the success of the proposed new Embassy complex in Bangkok was DFAT's ability to engage and consult with local authorities and the construction industry in Bangkok, including the issuing of tenders and abiding by local regulations and laws.

Consultation with local authorities

- 2.34 DFAT submitted to the Committee:

There will be a very substantial series of approvals required that will go to the nature of the building itself but also to the provision of utilities and all of those issues. We have only had very preliminary exposure at the moment.¹⁷

- 2.35 DFAT noted that the Bangkok Metropolitan Administration (BMA) was the controlling authority for approval of planning and building works and that they would be consulted throughout the design development phase

15 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 2.

16 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 2.

17 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 7.

to ensure DFAT complied with local authority requirements.¹⁸ DFAT informed the Committee that they had undertaken preliminary investigations with the BMA to ensure the form, size and height of the proposed new building would comply with local planning requirements.¹⁹

2.36 Preliminary discussions had also been held with local supply authorities to determine capacity of adjacent infrastructure.²⁰

2.37 DFAT explained to the Committee that one way they would manage their consultations with local industry and the local authorities was to engage a local partner, being a reputable architectural practice of Australian origin, who would guide them through the town planning issues as well as administrative and legal issues regarding construction.²¹

Consultation with local industry and contractors

2.38 DFAT submitted to the Committee that there were reliable contractors in Bangkok who could be engaged as part of the construction process, should the new Embassy complex be approved to proceed.

2.39 DFAT told the Committee:

... there are many with Australian connections and there are reputable international contractors there. To mitigate the procurement risk we are going to a lump sum tender arrangement. We will undertake a two-stage procurement of the head works contractor where we will call for expressions of interest. We will assess those expressions of interest, we will shortlist and then we will go to tender with the shortlisted organisations. Having a fully developed design with an internationally recognised lump sum form of contract gives us the surety before we actually start the works in terms of the levels of quality that we are getting from the design documentation. Also, from a financial perspective, a lump sum gives us the surety we require moving forward through the construction phase.²²

18 Department of Foreign Affairs and Trade, Submission 1, p. 23.

19 Mr K. Harmsworth, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 7.

20 Department of Foreign Affairs and Trade, Submission 1, p. 23.

21 Mr J. Growse, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 7.

22 Mr K. Harmsworth, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, pp. 9-10.

2.40 DFAT noted that to ensure construction proceeded in accordance with their design and on schedule, tenders would be assessed for compliance with the agency's brief. DFAT would also engage a project management organisation to oversee the construction personnel.²³

2.41 DFAT submitted:

The local construction industry in Thailand has the capacity to undertake a project of this complexity although a high degree of supervision will be required by the Australian based consultant team along with the project manager and client representatives.²⁴

Committee comment

2.42 The Committee is satisfied that DFAT has undertaken all necessary preliminary investigations regarding the local authorities who would be consulted over the design and construction phase of the proposed project. Further, the Committee is pleased that DFAT will engage a local partner to ensure compliance with the local planning and construction requirements.

Flood mitigation and civil works

2.43 With Bangkok's history of floods, and with the 2011 Bangkok floods at the forefront of the Committee's mind at the time of the public hearing, the Committee was concerned to ensure that DFAT had appropriately assessed and mitigated the risk of flood.

2.44 DFAT submitted to the Committee:

Bangkok is subject to periodic local flooding after heavy rain. The site levels and storm water management strategy will be designed to minimize reliance and impact on the local storm water infrastructure and to mitigate the impact of locally flooded roads. This will be achieved by raising the site grade levels and by retaining and delaying storm water discharge from the site via ponds and swales in the landscaping.²⁵

23 Mr K. Harmsworth, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 10.

24 Department of Foreign Affairs and Trade, Submission 1, p. 23.

25 Department of Foreign Affairs and Trade, Submission 1, p. 16.

2.45 DFAT expanded on their assessment of flood risk during the public hearing, noting that there was no evidence of substantial flooding in the area:

We had an assessment that it was not part of a likely floodplain – we were advised that. That has been borne out to some extent by the recent floods they have had in Bangkok, where this site remains above the waters. It has not been affected by the floods. Our design for the building does make provision for flood protections. We will be building it about one metre above the current ground level.²⁶

2.46 DFAT noted that the site was approximately two metres above sea level and approximately 2.3 kilometres from the river. DFAT submitted they had reviewed the history of the site and would construct the building at least another metre above the existing reference level. Finally, the intense design and strong perimeter wall would also tend to withstand any water inundation.²⁷

2.47 The Committee noted DFAT's plans to undertake a comprehensive geological survey to confirm subsoil conditions once the Commonwealth took possession of the proposed site.²⁸

2.48 The Committee recognised that geological surveys are different to hydrological surveys. The Committee is of the view that, due to known flood risks and events in Bangkok, DFAT should prioritise flood mitigation as an issue which requires further investigation, prior to construction, to ensure that the building would withstand intense flooding.

2.49 During the course of the public hearing, DFAT committed to undertake a thorough hydrological survey of the site to assess the risk of flooding and then report the results of this investigation to the Committee.

26 Mr P. Davin, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 3.

27 Mr K. Harmsworth and Mr J. Grose, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 3.

28 Department of Foreign Affairs and Trade, Submission 1, p. 13.

Committee comment

- 2.50 The Committee welcomes DFAT's prompt response to its concerns raised during the public hearing and is satisfied that DFAT will take the necessary steps to ensure the risk of flooding is minimised as far as possible.

Recommendation 1

The Committee recommends that the Department of Foreign Affairs and Trade conduct a hydrological survey of the site of the proposed new Embassy complex in Bangkok, as one part of a thorough review and investigation into the risk of flooding on the proposed site, and investigate further measures which may be undertaken to mitigate the risk. The Committee requests that the results of the hydrological survey be provided to the Committee at the earliest opportunity, along with details of any further steps required to reduce the risk of flooding, and any additional costs associated with these actions.

Existing security arrangements

- 2.51 Noting DFAT's proposal that the Bangkok Embassy complex be rebuilt at an alternate location, the Committee sought clarification on any interim measures which were in place to ensure the ongoing safety of personnel within the current complex, until such time as the mission relocated to the new complex.

- 2.52 DFAT responded as follows:

When this first came up, from the initial review, this mission in particular had some upgrades made to the security, to the best level it could within the framework of the building. The other thing we have done for the interim, before the new chancery and HOM residence is built, is put a lot of emphasis on operational security – which I will not go into much further – which has a lot to do with helping with practices and procedures, and how the

mission runs today. So we have done everything we possibly can.²⁹

Final Committee comment

- 2.53 The Committee was satisfied with the evidence provided by DFAT during the public and in-camera hearings regarding the security arrangements for the current Bangkok Embassy complex, pending DFAT's planned relocation to the new site.
- 2.54 The Committee was impressed with the extensive detail provided to the Committee by DFAT, as contained in their public and confidential submissions for the inquiry, and the evidence provided during the public and in-camera hearings.
- 2.55 In particular, the Committee was assisted greatly by the representatives who attended the hearings, all of whom had specific areas of expertise which covered the breadth of the Committee's questioning regarding the proposed public works.
- 2.56 The Committee is satisfied, having regard to the evidence before it, that this project has merit and would meet the project objectives and need to improve security for the ongoing operations of the Embassy complex. The Committee is further persuaded that the anticipated scope and cost is sufficient to meet the need and signifies value for money for the Commonwealth.
- 2.57 Accordingly, the Committee considers that it is expedient that the proposed works proceed.

Recommendation 2

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed construction of a new Australian Embassy complex including Chancery and Head of Mission residence in Bangkok, Thailand.

29 Mr S. Page, Department of Foreign Affairs and Trade, *transcript of evidence*, 4 November 2011, p. 9.