
The Parliament of the Commonwealth of Australia

Fit-out of New Leased Premises for the Australian Customs Service at 1010 LaTrobe Street, Melbourne Docklands

Parliamentary Standing Committee on Public Works

December 2005
Canberra

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Contents

Membership of the Committee	v
List of Abbreviations	vi
Extract from the Votes and Proceedings of the House of Representatives	viii
List of Recommendations	ix

REPORT

1 Introduction	1
Referral of Work	1
Background	1
Australian Customs Service	1
Location	2
Inquiry Process	2
Inspection and Public Hearing.....	3
2 The Proposed Works	5
Purpose.....	5
Need	5
Scope	6
Project Delivery	7
Cost	7
3 Issues and Conclusions	9
Project Approval	9
Ministerial Approval	9
State Government Approval	10

Security	10
Sky Bridge.....	10
Other Tenants	11
Access to Roof.....	11
Incident Room.....	12
Options Considered	12
Airport	12
National Monitoring Centre	13
Space.....	13
Air-conditioning	14
Staff Amenity	14
Public Transport and Services	14
Parking.....	14
Consultation	15
Staff.....	15
Community and Public Sector Union (CPSU)	15
Environmentally Sustainable Development	16
Project Delivery	16
Future Expansion	17

APPENDICES

Appendix A – List of Submissions	19
Appendix B – List of Witnesses	21
Appendix C – Submission No. 1 from the Australians Customs Service	23
Appendix D – Official Transcript of Evidence	63



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 Secretaries Mr Raymond Knight

Ms Vivienne Courto

Administrative Officer Mr Peter Ratas



List of Abbreviations

AFP	Australian Federal Police
AGS	Australian Government Solicitor
AQIS	Australian Quarantine and Inspection Service
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
BMS	Building Management System
CBD	Central Business District
CCTV	Closed Circuit Television
CPSU	Community and Public Sector Union
Customs	Australian Customs Service
Customs Guidelines	Customs Draft National Space Fit-out Standards and Guidelines
CUTEP	Clean Up to the Extent Practicable
DEH	Department of Environment and Heritage
DEWR	Department of Employment and Workplace Relations
DPP	Director of Public Prosecutions
EOI	Expression of Interest

ESD	Environmentally Sustainable Development
NMC	National Monitoring Centre
NPV	Net Present Value
PCG	Project Control Group
PEMP	Precinct Environmental Management Plan
PWC	Public Works Committee



Extract from the Votes and Proceedings of the House of Representatives

No. 57 dated Wednesday, 14 September 2005

14 PUBLIC WORKS – PARLIAMENTARY STANDING COMMITTEE –
REFERENCE OF WORK – FITOUT OF NEW LEASED PREMISES FOR
AUSTRALIAN CUSTOMS SERVICE AT 1010 LATROBE STREET, DOCKLANDS,
MELBOURNE, VICTORIA

Dr Stone (Parliamentary Secretary to the Minister for Finance and
Administration), 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: Fitout of new leased premises for Australian Customs
Service at 1010 LaTrobe Street, Docklands, Melbourne, Victoria.

Question – put and passed.



List of Recommendations

3 Issues and Conclusions

Recommendation 1

The Committee recommends that the proposed fit-out of new leased premises for the Australian Customs Service at 1010 LaTrobe Street, Melbourne Docklands, proceed at the estimated cost of \$12.507 million.

Introduction

Referral of Work

- 1.1 On 14 September 2005 the proposed fit-out of new leased premises for the Australian Customs Service at 1010 LaTrobe Street, Melbourne Docklands, 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).¹ The proponent agency for this work is the Australian Customs Service (Customs).
- 1.2 The Hon Dr Sharman Stone MP, Parliamentary Secretary to the Minister for Finance and Administration, advised the House that the estimated cost of the proposed works was \$12.5 million. Subject to parliamentary approval, the proposed fit-out and associated installation of services will, to the maximum extent possible, be integrated with the base building structure in order to reduce costs. The building is planned for completion in December 2006, and Customs anticipates occupying the building progressively throughout February and March 2007.

Background

Australian Customs Service

- 1.3 The Australian Customs Service has three principal roles:

1 Extract from the *Votes and Proceedings of the House of Representatives*, No. 57, Wednesday 14 September 2005

- to facilitate trade and the movement of people across the Australian border while protecting the community and maintaining appropriate compliance with Australian law;
- to collect Customs revenue; and
- to administer specific industry schemes and trade measures.²

Location

- 1.4 Customs has occupied its current headquarters at 414 LaTrobe Street since 1992, and has a net lease due to expire on 31 May 2007. Customs is seeking to relocate its headquarters to premises currently being constructed at 1010 LaTrobe Street, Melbourne Docklands, also known as the Port 1010 Building.³

Inquiry Process

- 1.5 The Committee is required by the Act to consider public works over \$6 million⁴ 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.⁵

- 1.6 The Committee called for submissions by advertising the inquiry in *The Age* on Saturday, 8 October 2005. 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.

2 Appendix C, Submission No. 1, paragraph 1.2.2

3 *ibid*, paragraph 1.2.4

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

5 *ibid*, Section 17

Inspection and Public Hearing

- 1.7 On 11 November 2005 the Committee visited Customs' existing headquarters and inspected the site and environs of the proposed works. A confidential briefing from Customs and a public hearing was conducted in Melbourne later that day.⁶

6 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday, 11 November 2005 in Melbourne, Vic.

The Proposed Works

Purpose

- 2.1 Customs is seeking to relocate from its existing headquarters building at 414 LaTrobe Street, Melbourne to premises currently being constructed at 1010 LaTrobe Street, Melbourne Docklands, known as the Port 1010 Building.¹

Need

- 2.2 Customs' current lease at 414 LaTrobe Street, Melbourne will expire on 31 May 2007.² The anticipated operational and administrative benefits expected to derive from relocation to the Port 1010 Building include:
- a cost effective property solution, with lower energy consumption and improved environmental initiatives;
 - technological improvements in building services;
 - increased efficiencies in infrastructure such as staff amenities, training facilities, conference facilities and floor layout;
 - inclusion of Customs requirements into base building, such as security and air-conditioning;
 - improved provision for public contact, the majority of which occurs on the ground floor;
 - minimisation of the costs of internal churn through an open office fit-out; and

1 Appendix C, Submission No. 1, paragraph 1.2.4

2 *ibid*, paragraph 1.3.2

- operational work allocation and resource utilisation efficiencies.³

Scope

2.3 The proposed scope of the project includes:

- integration of services into the base building works including:
 - electrical, mechanical, communication, security, fire and hydraulic services;
 - lighting with perimeter controlled lighting;
 - data installations to Customs specified requirements;
 - flexible air-conditioning zoning to enable ease of change with spare capacity for additional package units;
 - back up power generation principally for the National Monitoring Centre (NMC);
 - spare electrical capacity within the floor distribution boards to allow for the fit-out;
- fit-out to meet Customs' specific requirements of the premises;
- architecturally designed office accommodation including construction of:
 - a public counter;
 - general office areas;
 - a computer facility;
 - meeting rooms;
 - utilities;
 - store;
 - kitchens;
 - first aid room;
 - carer's/family room; and
 - conference and training facilities.⁴

2.4 A covered 64-space asphalt surface car park will be provided immediately to the east of the Port 1010 Building. Customs anticipates that a multi-

3 Appendix C, Submission No. 1, paragraph 1.2.5

4 *ibid*, paragraph 1.9.7

storey car park will be built nearby within twelve to eighteen months of Customs' occupation, pending commitments from other tenants.⁵

Project Delivery

- 2.5 Construction of the base-building began in June 2005 and is scheduled for completion in December 2006. Customs proposes to lease the office accommodation for ten years with one five-year option, commencing from 1 April 2007, or three months after practical completion, whichever occurs later.⁶

Cost

- 2.6 The estimated cost of the proposed fit-out is \$12,507,000 including costs for:
- GST;
 - reusable items such as whitegoods, gymnasium equipment; and
 - some reusable loose furniture such as chairs, tables, mobile storage units and lockers.⁷

5 Appendix C, Submission No. 1, paragraph 1.9.3

6 *ibid*, paragraphs 2.20.1 and 2.21.1

7 *ibid*, paragraphs 2.19.2 and 2.19.3

Issues and Conclusions

Project Approval

Ministerial Approval

- 3.1 Customs states that at the time of drafting of the project submission (September 2005),

...the proposed tenancy of the Port 1010 Building remains subject to approval by the Minister for Finance under regulation 10 of the Financial Management and Accountability Act.¹

The Committee enquired whether Customs had received approval for the lease agreement and whether any issues had arisen during the approval process.

- 3.2 The Committee remains concerned to ensure that departments do not commit to major contracts prior to the completion of a comprehensive parliamentary inquiry into proposed works, as required under the terms of the Act. To this end, the Committee questioned Customs as to how far its contractual arrangements had progressed prior to parliamentary scrutiny. Customs informed the Committee that the proposed arrangements for the lease had received Ministerial approval and that no substantial changes to the agreement had been recommended. Customs added that the heads of agreement were signed on 14 September, with the agreement for lease signed on 31 October. Customs added that all arrangements were:

...subject to the ability to annul the arrangement or stop works if the committee or parliament were not satisfied that it was an appropriate expenditure of public funds.²

1 Appendix C, Submission No. 1, paragraph 1.12.1

State Government Approval

- 3.3 The Committee further enquired whether local and state government authorities had approved that Customs intended use of the Port 1010 Building. Customs advised the Committee that the state government authority VicUrban is responsible for the approval of tenants with the Digital Harbour precinct, and that Customs had undergone an extensive program of satisfying VicUrban in respect of its use of technology and commitment to research and development. Furthermore, Customs assured the Committee that all appropriate state government and local council approvals for base building construction and proposed occupancy had been received.³

Security

- 3.4 At the public hearing Customs informed the Committee that it planned to engage a security consultant by the end of November 2005.⁴
- 3.5 The Committee expressed concern at the possible flow of dangerous goods to and from the building, and the risks this may pose to building occupants. Customs assured the Committee that whilst no specific approval is required from state or local authorities for the movement of seized goods in and out of Customs House at Melbourne Airport and at current premises, Customs observes all safety measures. The proposed building design reflects these safety considerations through features such as a sky bridge from the proposed multi-storey car park.⁵ Until the car park is built, Customs will implement procedures for the safe transit of seizures to and from the Port 1010 Building.⁶

Sky Bridge

- 3.6 The multi-storey car park proposed for construction within the next few years will include a secure sky bridge to level four of the Customs building. The sky bridge will enable secure transit of contraband in and out of the building. Customs proposes to locate sensitive areas such as its armoury on level four of the Port 1010 Building. Locating the armoury

2 Appendix D, Official Transcript of Evidence, page 5

3 *ibid*

4 *ibid*, page 2

5 *ibid*, page 5

6 *ibid*, page 6

close to the sky bridge will allow Customs officers to collect and deposit weaponry safely when required.⁷

Other Tenants

- 3.7 Customs proposes to occupy approximately half the ground floor and levels one to five of the Port 1010 Building, with parts of levels six, seven and eight to be let to Victorian Government tenants.⁸ The Committee enquired as to any security concerns with possible tenants and their access to the Customs-occupied levels of the building.
- 3.8 To address such concerns, Customs proposes to install secure access systems at lifts and entry doors on each level. These precautions will restrict unauthorised persons accessing Customs floors. In the event that an unauthorised person was to access a Customs foyer area, further ingress would be prevented by the requirement for a security pass.⁹ Customs also anticipates that security contractors will have an enhanced role and be more mobile.
- 3.9 Customs explained that levels seven and eight of the Port 1010 Building had already been let to Film Victoria and VicTrak prior to Customs expressing an interest in the tenancy. However, Customs informed the Committee that its agreement with the building developer stipulated that all co-tenants would comply with Customs' security requirements.¹⁰ Whilst Customs will not seek to arbitrarily impose security initiatives, recommendations would be made following an assessment by a suitably qualified security consultant.

Access to Roof

- 3.10 Customs will have access to a secure rooftop compound which will house various communications equipment such as existing antenna and microwave dishes relocated from its building at 414 LaTrobe Street.¹¹ Customs also proposes to build a secure riser through the three floors it does not occupy to the roof compound to prevent any tampering at floors six through to eight. The compound access ladder will be security controlled and be monitored by closed circuit television (CCTV).¹²

7 Appendix D, Official Transcript of Evidence, page 3

8 Appendix C, Submission No. 1, paragraph 1.9.2

9 Appendix D, Official Transcript of Evidence, page 6

10 *ibid*, page 7

11 *ibid*, page 3

12 *ibid*, page 8

Incident Room

3.11 During its inspection of Customs' current premises, the Committee visited a small room used for monitoring of regional operations and specific projects. The Committee sought confirmation that the new building had greater capacity to handle regional operations, especially in times of peak capacity. Customs admitted that the regional operation control room observed by the Committee was:

...woefully inadequate - it was too small, it was ill-equipped...¹³

The new building will have a suitable regional operations control room with the ability to draw its feed from the NMC should it be required.

Options Considered

3.12 Customs' main submission outlines the progress of the site selection process as follows:

- July 2004 - Customs advertised for Expressions of Interest (EOI) to lease suitable office accommodation in the Melbourne central business district (CBD);¹⁴
- January 2005 - Customs appointed a negotiator to identify the most appropriate and best value-for-money option;¹⁵ and
- June 2005 - a final submission from the consultant recommended the Port 1010 Building at Digital Harbour, 1010 LaTrobe Street, Docklands as most suitable option.¹⁶

Prior to the public hearing the Committee was provided, in-confidence, with a detailed summary of Customs' tender process and evaluation of offers. The Committee was satisfied with the information provided relating to the site selection process undertaken by Customs.

Airport

3.13 During the site inspection Customs explained to the Committee that staff could be located at, or deployed to, the airport depending on work requirements. In view of this, the Committee wondered whether the airport had been considered as a suitable relocation option.

13 Appendix D, Official Transcript of Evidence, page 11

14 Appendix C, Submission No. 1, paragraph 1.4.1

15 *ibid*, paragraph 1.4.2

16 *ibid*, paragraph 1.5.1

- 3.14 Customs informed the Committee that the indicative costs provided for relocation to the airport did not compare favourably with the cost of relocating to a site in the CBD. Furthermore, moving to the Docklands represented a balance between maintaining close access to key stakeholders in the CBD; meeting the needs of staff travelling to the airport, waterfront or other agencies; and meeting the public transport needs of staff.¹⁷
- 3.15 Whilst no economies of scale had been undertaken specifically in respect of relocation to the airport, witnesses reported that Customs House at Melbourne airport has very little spare space. Relocation to the airport would therefore have necessitated a greenfield development to accommodate the 400 staff. Customs added that though there may be synergies in relation to its compliance assurance area, relocation to the airport would not ultimately have been as cost-effective or beneficial for staff.¹⁸

National Monitoring Centre

Space

- 3.16 During the site inspection of Customs' existing premises the Committee observed the NMC in operation. The Committee was impressed with the monitoring capabilities of the NMC, but noted shortcomings in the current NMC workspace. Customs indicated that the capability of the NMC would increase significantly following relocation, and the Committee enquired whether the new premises would be able to handle the extra residual radiation, air movement, and equipment required to accommodate the greater operational capacity.¹⁹
- 3.17 Customs assured the Committee that while the available floor space of the NMC would double in the new premises, not all additional space would be occupied by equipment. The extra space will also provide for an improved work environment for staff allowing including more work space and break-out areas.

17 Appendix D, Official Transcript of Evidence, page 9

18 *ibid*

19 *ibid*, page 10

Air-conditioning

- 3.18 Customs' proposes that its new computer room will include separate air-conditioning.²⁰ The Committee sought clarification as to the type of air-conditioning system proposed, and whether this statement referred to the NMC. Customs responded that,

Because of the 24/7 nature and criticality of the work in the National Monitoring Centre, it will have a separate [air-conditioning] unit...that would be used after hours and at weekends when the base building system is not operational.²¹

Customs added that its budget makes adequate provision for the air-conditioning needs of the NMC and building as a whole.

- 3.19 Customs does not propose that the air-conditioning system will incorporate a water cooling tower, thus avoiding the risk of Legionella bacillus.²²

Staff Amenity

Public Transport and Services

- 3.20 The Port 1010 building site is well served by public transport with five tram routes running along LaTrobe Street and Harbour Esplanade, and two train stations within walking distance. A takeaway and café facility is proposed for the ground floor of the Port 1010 Building, however there are also other food outlets, a small supermarket and other services readily available in the area.²³

Parking

- 3.21 Customs submitted that a covered 64-space asphalt surface car park will be provided immediately to the east of the Port 1010 Building, and that a multi-storey car park will be built within twelve to eighteen months of Customs occupation of the building pending commitments from other tenants.²⁴
- 3.22 At the public hearing, Customs reported that provision for bicycle parking will be provided in both the temporary and multi-storey car parks. Visitor

20 Appendix C, Submission No. 1, paragraph 2.2.7

21 Appendix D, Official Transcript of Evidence, page 11

22 *ibid*, page 12

23 *ibid*, page 4

24 Appendix C, Submission No. 1, paragraph 1.9.3

parking is also available underneath nearby Telstra Dome and at other temporary car parks within the Digital Harbour area.²⁵

Consultation

Staff

- 3.23 In its main submission, Customs explained that the communication strategy for internal and external consultation would involve:
- briefings for managers and staff;
 - work area involvement in the development of the requirements;
 - information sessions for staff;
 - a comprehensive intranet site containing information and relevant pictures, and opportunities for enquiries and feedback; and
 - the establishment of a Reference Group comprising work area, union and occupational health and safety (OH&S) representatives; and appropriate consultants.²⁶
- 3.24 At the hearing, Customs reported that it has commenced extensive consultation with staff through a fortnightly electronic newsletter providing information on project developments. Face-to-face staff briefings and consultation have also begun and the feedback to date has been positive.²⁷

Community and Public Sector Union (CPSU)

- 3.25 The Committee sought clarification of the grounds on which consultation with staff and the CPSU had been undertaken. Customs replied that,
- There is certainly a section of the current certified agreement that talks of cooperation on significant issues, but my recollection is that there might also be a side agreement held by our [Customs] executive with the CPSU in relation to moves of this significance.²⁸
- Customs later confirmed that it is a registered federal certified agreement that binds parties, such as the CPSU, in relation to consultation.

25 Appendix D, Official Transcript of Evidence, page 3

26 Appendix C, Submission No. 1, paragraph 2.17.2

27 Appendix D, Official Transcript of Evidence, page 4

28 *ibid*, page 8

Environmentally Sustainable Development

- 3.26 While Customs anticipates that the Port 1010 Building will comply with the Digital Harbour Precinct Environmental Management Plan (PEMP), it will also exceed the required 4.5 star energy rating.²⁹ Environmentally Sustainable Development (ESD) features proposed for the new premises include:
- solar hot water heating panels which should provide up to 75 per cent of the building's hot water needs;
 - double glazed windows to the western side of the building and high-specification glass on the northern side;
 - building management systems for lighting and air-conditioning;
 - perimeter dimming lights to allow for enough natural light near windows;
 - sub-metering of electricity on each floor to monitor usage;
 - high performance tap wear in showers and bathrooms;
 - environmentally friendly carpet tiles; and
 - avoidance of workstations and joinery that may have harmful toxins such as formaldehyde.³⁰
- 3.27 In addition, Digital Harbour proposes to install a black water treatment plant that will have the capacity to recycle all waste water from the building. Whilst the recycled water would be suitable for consumption, it is intended that the water will be used for toilets, some air-conditioning and for watering gardens during the summer period.³¹

Project Delivery

- 3.28 Subject to parliamentary approval, Customs anticipates that works will commence in March 2006, with base building completion by December 2006. Customs expects to occupy the building from 1 April 2007. Due to the critical nature of the NMC, Customs' lease provides the NMC and computer server room be complete by 31 January 2007. This extra time will ensure the NMC will be fully functional and operative by the time Customs occupies the rest of the building.³²

29 Appendix C, Submission No. 1, paragraph 1.10.7

30 *ibid*

31 Appendix D, Official Transcript of Evidence, page 4

32 *ibid*, page 2

Future Expansion

- 3.29 The Committee enquired whether the proposed building would be able to accommodate any future increase in staff and equipment. Customs reassured the Committee that the proposed building and fit-out represents an appropriate solution for staffing needs over the next decade and possibly for the future five year option period. In order to maximise the flexibility of the workspace, workstations will have the ability to be reconfigured to accommodate increased staff numbers, whilst remaining within the Customs occupancy guidelines. The capacity for further installation of workplace specific equipment will also be possible.³³ Customs' also anticipates that the proposed lay-out, which comprises enclosed areas around a common core, with open-plan workstations around the perimeter, will allow for reconfiguration without major expense.³⁴

Recommendation 1

The Committee recommends that the proposed fit-out of new leased premises for the Australian Customs Service at 1010 LaTrobe Street, Melbourne Docklands, proceed at the estimated cost of \$12.507 million.

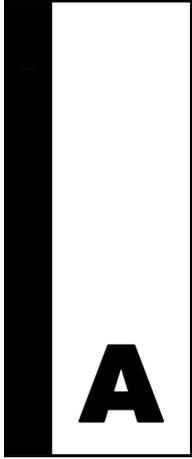
Hon Judi Moylan MP

Chair

7 December 2005

33 Appendix D, Official Transcript of Evidence, page 11

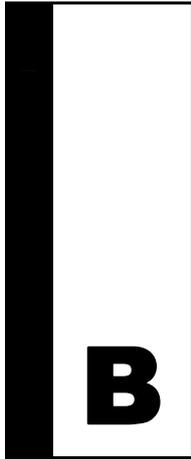
34 *ibid*, page 12



Appendix A – List of Submissions

Submissions

1. Australian Customs Service

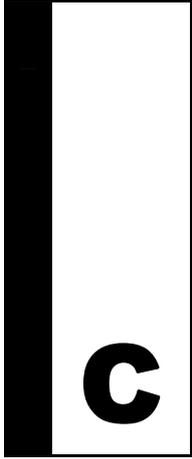


Appendix B – List of Witnesses

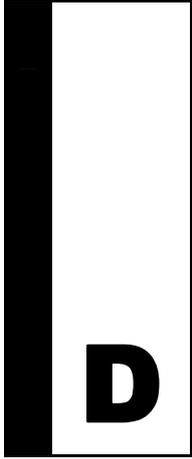
Mr Michael Harrison, Assistant Project Manager, Melbourne Accommodation Project, Australian Customs Service

Mr Richard Hume, Director, Montlaur Project Services Pty Ltd; project manager on behalf of Australian Customs Service

Mr David Plaisted, Director, Melbourne Accommodation Project, Australian Customs Service



**Appendix C – Submission No. 1 from the
Australians Customs Service**



Appendix D – Official Transcript of Evidence