

Report 1/2016

Referrals made September, October and November 2015

- Land 121 - Unit Sustainment Facilities Project
- Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA
- Australian Chancery Project Paris, France - Base Building Refurbishment, International Energy Agency Tenancy Fit-out

Parliamentary Standing Committee on Public Works

February 2016
Canberra

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Membership of the Committee

Chair	Senator Dean Smith
Deputy Chair	Mr Graham Perrett MP
Members	Senator Matthew Canavan
	Ms Sharon Claydon MP
	Senator Alex Gallacher
	Mr Ian Goodenough MP
	Ms Joanne Ryan MP
	Ms Fiona Scott MP
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Committee Secretariat

Secretary	Dr Alison Clegg
Inquiry Secretary	Ms Susan Cardell
A/Inquiry Secretary	Dr Cathryn Ollif
Senior Research Officer	Ms Melita Caulfield
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List of recommendations

2 LAND 121 – Unit Sustainment Facilities Project

Recommendation 1

The Committee requires that the Department of Defence report back to the Committee after six months of tabling this report on the effectiveness of its consultation strategies with community groups around Gallipoli Barracks, including:

- the type of consultations undertaken
- lessons and improvements to engagement with community groups
- issues raised during consultation and Defence's response
- the effectiveness of quarterly consultative meetings and the project team's email-box

Recommendation 2

The Committee requires that the Department of Defence advise the Committee on the development of the site-specific Construction Environment Management Plans for the LAND 121 project, including any increase in environmental risks found during the Initial Environmental Review.

Recommendation 3

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: LAND 121 – Unit Sustainment Facilities Project.

3 Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA

Recommendation 4

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: Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA.

Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Assistant Minister for Productivity.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.¹
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
- the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures
 - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures
 - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures)
 - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures
 - the clearing of land and the development of land for use as urban land or otherwise
 - any other matter declared by the regulations to be a work²
- 1.4 The Act requires that the Committee consider and report on:
- the purpose of the work and its suitability for that purpose
-

1 The *Public Works Committee Act 1969* (The Act), Part III, Section 18(8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work, and work by prescribed authorities listed in the Regulations.

2 The Act, Section 5.

- 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
 - the present and prospective public value of the work³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Referrals

- 1.6 On 16 September 2015, the Parliamentary Secretary to the Minister for Finance, The Hon Michael McCormack MP referred the following proposed project to the Committee for consideration and report:
- Land 121 - Unit Sustainment Facilities Project
- 1.7 On 22 October 2015, the Assistant Minister for Productivity, The Hon Dr Peter Hendy MP, referred the following proposed project to the Committee for consideration and report:
- Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA
- 1.8 In considering the above works, the Committee analysed the evidence presented by the proponent agencies, submissions and evidence received at public and in-camera hearings.
- 1.9 On 12 November 2015, the Assistant Minister for Productivity, The Hon Dr Peter Hendy MP, referred the following proposed project to the Committee for consideration and report:
- Australian Chancery Project Paris, France - Base Building Refurbishment, International Energy Agency Tenancy Fit-out

Structure of the report

- 1.10 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on significant issues of interest or concern.
- 1.11 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in

3 The Act, Section 17.

this report are encouraged to access the full inquiry proceedings available on the Committee's website.⁴

- 1.12 Chapter 2 of this report addresses the Land 121 – Unit Sustainment Facilities Project. The estimated cost of the project is \$276.5 million, excluding GST.
- 1.13 Chapter 3 of this report addresses the fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA. The estimated cost of the project is \$27.5 million, excluding GST.
- 1.14 Chapter 4 of this report addresses the Australian Chancery Project Paris, France – Base Building Refurbishment, International Energy Agency Tenancy Fit-out. The estimated cost of the project is \$27.7 million, excluding GST.
- 1.15 Submissions are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

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

LAND 121 – Unit Sustainment Facilities Project

- 2.1 The Department of Defence (Defence) seeks approval from the Committee to conduct works at a number of Australian Defence Force (ADF) units around Australia to provide new and upgraded facilities to support the introduction, operation and deployment of the ADF's new vehicle fleet.
- 2.2 LAND 121 is a multi-phased project providing the ADF with approximately 7500 high-capability field vehicles, modules and trailers. The key phases of the project to achieve this are:
1. Phase 3A will provide a fleet of lightweight and light vehicles and trailers.
 2. Phase 3B will acquire medium and heavy vehicles, together with associated modules.
 3. Phase 4 will provide Protected Mobility Vehicles - Light (PMV-L) with companion trailers for command, liaison, utility and reconnaissance roles.¹
- 2.3 The primary objective of the project is to provide the infrastructure necessary to maintain the new fleet of vehicles.²
- 2.4 The estimated cost of the project is \$276.5 million, excluding GST.
- 2.5 The project was referred to the Committee on 16 September 2015.

Conduct of the inquiry

- 2.6 Following referral, the inquiry was publicised on the Committee's website and via media release.

1 Defence, submission 1, p. 3.

2 Defence, submission 1, p. 13.

- 2.7 The Committee received one submission, two supplementary submissions and two confidential submissions regarding the project costs from Defence and one submission from the Gallipoli Precinct Action Group (GPAG). A list of submissions can be found at Appendix A.
- 2.8 The Committee received a briefing from Defence and conducted public and in-camera hearings in Canberra on 27 November 2015. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.³

Need for the works

- 2.9 The vehicles provided under LAND 121 will deliver a networked and integrated capability as part of modernisation of the ADF. They represent a significant increase in capability, replacing multiple vehicle fleets that have been in service since the early 1980s. The functionality and level of protection against current threat offered by the existing fleet is well past its useful life. The current aging fleet also incurs a maintenance liability with the continued decrease in spare parts availability.⁴
- 2.10 At the public hearing, Defence stated that approximately 7500 protected and unprotected vehicles providing battlefield mobility, logistic support and tactical training are proposed to be procured under the complete Land 121 project.⁵
- 2.11 At the public hearing, the Committee queried if there was a compromise on the distance that can be travelled by the vehicles as a result of the improved protection or the inclusion of more sophisticated communications systems. Defence responded that there is no compromise on the distance to which the vehicles will travel. Colonel Palmer from Defence described the key benefits of the LAND 121 vehicles:

There are clear benefits of these new vehicles, mainly around the protection afforded by the vehicles – protection from things such as IED threats, small arms and other blast threats – such as RPG [rocket-propelled grenade] protection for the vehicles. The other key benefits were the communication systems. This better network thing is about providing our soldiers with situational awareness on the battlefield so that they have a better feel for how to deal with the threats or the threat forces that they are combating on that battlefield. The other clear benefits to the vehicles are the environmental compliance and that vehicles are safer than the

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

4 Defence, submission 1, p. 3

5 Brigadier Noel Beutel, Defence, transcript of evidence, 27 November 2015, p. 7.

legacy fleet vehicles. That has been proven in a number of incidences we have had to date, even here in training in Australia. All of our soldiers have walked away from vehicle accidents to date.⁶

- 2.12 The new vehicles will be larger and heavier than the ones they are replacing. In many instances, existing facilities will not be able to support the new fleet.⁷
- 2.13 Suitable infrastructure is therefore required for a number of ADF units around Australia, including:
- Lavarack Barracks, Queensland
 - Gallipoli Barracks, Queensland
 - Royal Australian Air Force (RAAF) Base Williamtown, New South Wales
 - Holsworthy Barracks, New South Wales
 - Puckapunyal Military Area, Victoria
 - Campbell Barracks, Western Australia
 - RAAF Base Edinburgh, South Australia
 - Robertson Barracks, Northern Territory.⁸
- 2.14 The Committee is satisfied that the need for the work exists.

Options considered

- 2.15 After identifying which facilities were required at which locations, Defence investigated various delivery approaches including shared facilities, non-facility solutions, adaptive reuse of existing facilities and the construction of new facilities at the proposed sites.⁹
- 2.16 Defence has chosen to provide new and adaptively reuse existing facilities. Construction of new vehicle shelters was considered only where existing facilities do not exist, or cannot be practically modified to suit the new vehicle types.¹⁰
- 2.17 At the public hearing, Defence explained that non-facility solutions referred to a 'do nothing' scenario. Brigadier Beutel outlined the three primary options considered by Defence if a facility solution is required:

6 Colonel Palmer, Defence, transcript of evidence, 27 November 2015, p. 8.

7 Defence, submission 1, p. 4.

8 Defence, submission 1, pp. 5-6.

9 Defence, submission 1, p. 8.

10 Defence, submission 1, p. 13.

Again, in our development we always tend to look at three primary options if a facility solution is actually required – I am not counting a commercial type arrangement or a leasing arrangement. Within a built solution we look at a 'do nothing'. So we look at the existing facilities to see whether or not those existing facilities are safe, compliant and fit for purpose. If they are not any of those then the next stage we look at, as far as the facilities are concerned, is: can we adaptively re-use or refurbish the facility the meet safety requirements, compliance requirements, or fitness for purpose requirements? If that is not possible, what then comes next is looking to demolish existing – what we call a brownfield construction – and to build new or to look to build a new construction on a greenfield site.¹¹

- 2.18 Further, Defence noted that not all bases will require all new facilities with the introduction of the new vehicles. An example is Robertson Barracks, where current facilities were designed and developed for the Army's heavy brigade and the Northern Territory climate. Therefore, even though Robertson Barracks will receive a number of vehicles under LAND 121, there is minimum requirement for new facilities.¹²
- 2.19 The Committee found that Defence has considered multiple options to deliver the project and has selected the most suitable options taking into account specific needs at each location.

Scope of the works

- 2.20 The scope of this project covers:
- Maintenance Facilities - New or refurbished vehicle maintenance workshops and associated spare parts storage facilities that would contribute to improve vehicle availability and be capable of maintaining the new larger vehicles
 - Support Facilities - Upgraded or new facilities to support efficient vehicle operations and legislative compliance for road operations, including weighbridges, vehicle wash points, Petroleum, Oil and Lubricants (POL) and Adblue (a fuel additive required to meet the Euro5 emission standards) delivery points, loading and inspection ramps and internal base road upgrades
 - Sustainment Facilities – Facilities designed to reduce wear and tear and increase the effective life of the vehicles i.e. shelters and hardstands¹³

11 Brigadier Noel Beutel, Defence, transcript of evidence, 27 November 2015, p. 8.

12 Brigadier Noel Beutel, Defence, transcript of evidence, 27 November 2015, p. 8.

13 Defence, submission 1, pp. 4-5.

2.21 Defence has separated the works into eight project elements:

- *Project Element 1 – Lavarack Barracks*
A new combined maintenance and storage facility will be shared between two units. It will also include working accommodation. This will also replace two outdated and separated facilities. Some roads and parking areas will be upgraded to accommodate the new LAND 121 vehicles. Facilities will also be provided to meet legislative requirements
- *Project Element 2 – Gallipoli Barracks*
The current centralised maintenance facility, including working accommodation, will be replaced. Facilities will also be provided to meet legislative requirements
- *Project Element 3 – RAAF Base Williamtown*
Works include a new maintenance facility that will support units at RAAF Base Williamtown, as well provisions to meet legislative requirements
- *Project Element 4 – Holsworthy Barracks*
A weighbridge will be provided to support Sydney-based units in meeting legislative compliance
- *Project Element 5 – Puckapunyal Military Area*
Works will include facilities to meet legislative requirements
- *Project Element 6 – RAAF Base Edinburgh*
A new maintenance facility is required to support units at RAAF Base Edinburgh, as well provisions to meet legislative requirements
- *Project Element 7 – Campbell Barracks*
Works will comprise a fuelling point, weighbridge, wash point and loading ramp to support LAND 121 vehicles
- *Project Element 8 – Robertson Barracks*
Works will include a weighbridge to assist Darwin based units in meeting legislative compliance¹⁴

2.22 The following 'below the line' scope items have been approved by Government, pending available funds:

- *Puckapunyal Military Area* - works will comprise new shelters, hard standing, and inspection ramps to improve the training environment for soldiers on the LAND 121 vehicles
- *RAAF Base Darwin* - a hardstand is required for the 114 Mobile Control and Reporting Unit¹⁵

14 Defence, submission 1, pp. 7-8.

- 2.23 Subject to Parliamentary approval, construction is expected to commence in March 2016, with staged completion of facilities occurring between late 2016 and late 2019.¹⁶
- 2.24 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Community consultation and concerns

- 2.25 Defence provided an outline of the nature and extent of community consultations undertaken as part of the LAND 121 project. Broadly, the strategy for community consultation adopted by Defence was undertaken with the following objectives:
- ensuring that the public was informed about the project using cost effective, wide ranging communication channels
 - ensuring the public had every opportunity to raise issues of concern or seek further information¹⁷
- 2.26 Defence concluded that no significant issues were identified during its community consultations that would impact on the proposed works, and was satisfied that it had taken all reasonable steps to inform the community about the project and to provide opportunities for the community to raise concerns.¹⁸
- 2.27 At the public hearing, Mrs Harbeck, President of the GPAG, a local action group from the vicinity of the precincts at Gallipoli Barracks, Enoggera, raised concerns regarding traffic management, community consultation with Defence, and the security of Defence personnel and others.¹⁹
- 2.28 Mrs Harbeck and other community representatives attended the public consultation session with Defence on the LAND 121 project in October 2015. Mrs Harbeck commented that Defence representatives at the session assisted community members and provided information regarding the project.²⁰ However, irrespective of Defence's consultation Mrs Harbeck asserted that she has had unsatisfactory experiences over a number of

15 Defence, submission 1, p. 8. Brigadier Noel Beutel, Defence, transcript of evidence, 27 November 2015, p. 8.

16 Defence, submission 1, p. 24. Brigadier Noel Beutel, Defence, transcript of evidence, 27 November 2015, p. 7.

17 Defence, submission 1.3, p. 1.

18 Defence, submission 1.3, p. 2.

19 Mrs Mary Harbeck, GPAG, transcript of evidence, 27 November 2015, pp. 1-5.

20 Mrs Mary Harbeck, GPAG, transcript of evidence, 27 November 2015, p. 1.

years with Defence operations at Gallipoli Barracks, including ongoing traffic management issues around the base at Enoggera.²¹

- 2.29 On traffic management, Brigadier Beutel responded to GPAG's concerns with previous projects at the public hearing:

I can understand some of the concerns and issues with the traffic management, because it [Enhanced Land Force 2 Bravo project] was such a lengthy project over multiple fronts at the project site. I note that at that stage, when we started the project, there were only three main entries into the base, so there would definitely have been traffic concerns and traffic control problems. That is acknowledged. ...

With the traffic management, the reason that we can always do better is that we never get anything 100 per cent right. We always look to ensure that we take those lessons learnt from our previous approaches going forward. I am very cognisant of that. The managing contractor is very cognisant of that. The project manager and contract administrator is very cognisant of that, and those traffic management plans, which are ultimately finalised by the M[anaging] C[ontractor] but cleared by Defence for operationalisation or execution, will ensure that we are looking to meet those issues.²²

- 2.30 Defence advised that prior to commencing construction on any proposed works, the Managing Contractor for the project is required to prepare, for Defence approval, site specific Traffic Management Plans. Defence stated:

As part of the process to finalise the Traffic Management Plan for Gallipoli Barracks, meetings with local community members and known action groups, including the Gallipoli Precinct Action Group will be arranged. This meeting will allow community members to understand the proposed traffic measures and provide feedback to Defence. Defence will then consider any such feedback, and wherever possible, implement appropriate suggestions to minimise the impact of construction traffic on the local community.²³

- 2.31 Further, Defence stated that a quarterly meeting will be established for the duration of the proposed works at Gallipoli Barracks to provide local community members with regular updates on the construction work and opportunities to provide direct feedback to Defence on any other project

21 Mrs Mary Harbeck, GPAG, transcript of evidence, 27 November 2015, pp. 1-5.

22 Brigadier Beutel, Defence, transcript of evidence, 27 November 2015, p. 11.

23 Defence, submission 1.4, p. 2.

related issues. The project will maintain the 'email inbox' for community members to make contact at any time with the project team on issues relating to the project.²⁴

- 2.32 Following queries at the public hearing from the Committee regarding ongoing consultation with community groups around Gallipoli Barracks, Defence advised:

On the matter of regular consultation with community groups from an ongoing Base perspective, Commander 7 Brigade has advised me that as the Senior Australian Defence Force Officer for Gallipoli Barracks, he and/or his staff in consultation and engagement with the Estate and Infrastructure Group's Base Support Manager, do regularly consult with and respond to concerns from the community, including local action groups. However despite such efforts, Defence notes that it may not be possible to resolve all issues to the satisfaction of all community member and / or local action groups.²⁵

Environmental considerations

- 2.33 An Initial Environmental Review (IER) for the proposed works was prepared in 2014. The IER determined that environmental risks associated with this project were minor and could be managed through site-specific Construction Environmental Management Plans (CEMP).²⁶
- 2.34 Defence advised that the CEMPs are being developed now as part of the planning phase. Following parliamentary approval, the contractor will be engaged to go forward into delivery phase and those CEMPs will be finalised.²⁷
- 2.35 At the public hearing, the Committee noted that site-specific plans have not yet been developed. The Committee commented that, especially considering risks associated with RAAF Base Williamtown (see Chapter 2), it is difficult to assess environmental risks and mitigation strategies without this information.
- 2.36 Defence advised that contamination investigations had been conducted at all proposed sites for the LAND 121 project. Low levels of trace elements of contamination were found at some sites and were classified as at a minimal level. Defence further advised the LAND 121 project in relation to contamination issues at RAAF Base Williamtown:

24 Defence, submission 1.4, p. 2.

25 Defence, submission 1.4, p. 2.

26 Defence, submission 1, p. 9.

27 Brigadier Beutel, Defence, transcript of evidence, 27 November 2015, p. 10.

The proposed works for Williamstown under Land 121 are nowhere near the three bores that Hunter Water have there. It is an existing brownfield area. Again, we are looking to extend an existing workshop for this. We are not looking to do any major earthworks, hence we have not experienced any groundwater in our investigations. Because it is an existing facility we are tying into existing infrastructure for that. But we will confirm whether there has been any discussion with Hunter Water or concerns. If there has not been, the reason is not that we have been ignoring them; it is the fact there was no requirement for that because of the proposed scope of works under this project, which is very different to the proposed scope of works for AIR5431.²⁸

Cost of the works

- 2.37 The estimated cost of the project is \$276.5 million, excluding GST.
- 2.38 At the public hearing, the Committee queried the expected life span of the infrastructure works compared to the expected life of the new vehicles. Colonel Palmer stated that most of the new fleet vehicles will have a 15-year life, however, the life of these vehicles could be extended. Defence expected the infrastructure lifespan would extend well past the extended life of the new vehicles.²⁹
- 2.39 Defence provided further detail on the project costs in the confidential submission and during the in-camera hearing.
- 2.40 The Committee considers that the cost estimates for the project have been adequately assessed by Defence and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating, the Committee makes no comment in relation to this matter.

Committee comments

- 2.41 The Committee notes issues surrounding community consultation and environment.
- 2.42 The Committee notes the nature and extent of Defence's consultations with local groups and State and Federal parliamentarians on the LAND 121 project, including the community consultation sessions, which the GPAG acknowledged.

28 Brigadier Beutel, Defence, transcript of evidence, 27 November 2015, p. 16. The AIR5431 Phases 2 and 3 Air Traffic Management and Control System Facilities and Australian Defence Force Air Traffic Control Complex Infrastructure project was referred to the Committee in September 2015, however the Committee has yet to report on this referral.

29 Brigadier Beutel and Colonel Palmer, Defence, transcript of evidence, 27 November 2015, p. 9.

- 2.43 However, Defence's initial submission did not mention local action groups, such as GPAG, as key stakeholders for consultation regarding works at Gallipoli Barracks. This does not assist to convince the Committee that genuine consultation has occurred in the past.
- 2.44 The Committee considers that known community groups, such as GPAG, should be involved more in consultation during the planning and development phases of Defence projects, including with traffic management plans. This consultation should continue throughout the delivery of the project and beyond.
- 2.45 The Committee is encouraged by Defence's undertakings to:
- consult with community members, including GPAG, on the development of traffic management plans
 - hold quarterly meetings with local community groups for the duration of the proposed works at Gallipoli Barracks to discuss any project related issue
 - maintain the 'email-box' for community members to make contact at any time with the project team
- 2.46 Defence acknowledged the concerns and issues with traffic management experienced by GPAG and the Committee notes Defence stated it would look take lessons from previous approaches to traffic management and consultation with GPAG.
- 2.47 The Committee requires that Defence report back to the Committee on the effectiveness of its consultation strategies with community groups around Gallipoli Barracks.

Recommendation 1

- 2.48 **The Committee requires that the Department of Defence report back to the Committee after six months of tabling this report on the effectiveness of its consultation strategies with community groups around Gallipoli Barracks, including:**
- **the type of consultations undertaken**
 - **lessons and improvements to engagement with community groups**
 - **issues raised during consultation and Defence's response**
 - **the effectiveness of quarterly consultative meetings and the project team's email-box**

- 2.49 On environment, Defence has assessed that environment risks associated with this project as minor and manageable through the development of site-specific CEMPs. Defence assured the Committee that it has no information that would suggest any increase to the risks that have been assessed for this project.
- 2.50 The Committee would like to be kept advised of the development of the detailed CEMPs and any increases in environmental risks not initially found in the IER.

Recommendation 2

- 2.51 **The Committee requires that the Department of Defence advise the Committee on the development of the site-specific Construction Environment Management Plans for the LAND 121 project, including any increase in environmental risks found during the Initial Environmental Review.**
- 2.52 The Committee did not identify any issues of concern with Defence's proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 2.53 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

Recommendation 3

- 2.54 **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: LAND 121 - Unit Sustainment Facilities Project.**
- 2.55 Proponent agencies must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.

Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA

- 3.1 The Australian Taxation Office (ATO) seeks approval from the Committee to fit-out office accommodation at its current location in Francis Street, Northbridge, Western Australia.
- 3.2 The primary objective of the project is to refurbish a reduced leased area and to meet current legislative and efficiency standards.¹
- 3.3 The estimated cost of the project is \$27.5 million, excluding GST.
- 3.4 The project was referred to the Committee on 22 October 2015.

Conduct of the inquiry

- 3.5 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.6 The Committee received one submission and one confidential submission regarding the project costs from the ATO. A list of submissions can be found at Appendix A.
- 3.7 The Committee received a briefing from the ATO and conducted public and in-camera hearings in Canberra on 4 December 2015. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.²

Need for the works

- 3.8 The building at Francis Street, Northbridge was purpose-built for the ATO in 1992.

1 ATO, submission 1, p.3.

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

- 3.9 The ATO has a long term operational requirement in Perth, however, through the continual evolution of work practices, a significant area of the accommodation was being underutilised.
- 3.10 The ATO has renegotiated a reduced tenancy on the property. The ATO previously leased the entire building comprising of five floors and a basement. The renewed lease has reduced the nett lettable area by approximately 8154 m² [approximately 1/3 of the area previously leased].³ The ATO has a lease contract in place with the current landlord until 2024.⁴
- 3.11 The revised tenancy area requires a refurbishment as the current fit out is 13 years old and has reached end of life.⁵ At a private briefing the ATO showed the Committee a video of the existing fit-out. The video demonstrated the aged and poor condition of the existing fit-out.
- 3.12 At the public hearing, Mr Untersteiner from the ATO commented on the occupational density rates of the current and proposed fit-out:
The current fit-out has a density rate of 20 square metres per occupant. This is well outside the Department of Finance target of 14 square metres per person. The proposed fit-out will allow the ATO to meet the target. We anticipate that the post fit-out occupational density rate will be approximately 12½ square metres, a very big improvement on the current fit-out.⁶
- 3.13 The Committee is satisfied that the need for the work exists.

Options considered

- 3.14 A strategic lease assessment and market test exercise was undertaken to consider all accommodation options available to the ATO.⁷ The ATO stated in its submission that the most cost effective outcome for the Commonwealth was to renegotiate a reduced tenancy in the current property:
Through the reduction in nett lettable area and negotiating considerable extra value in incentives and refurbishment works from the landlord, that took into account the downturn in the Perth office market, the ATO will achieve significant savings during the lifetime of the lease.⁸

3 ATO, submission 1, pp. 3-4.

4 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 3.

5 ATO, submission 1, p. 3.

6 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

7 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 7.

8 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 4.

3.15 The ATO listed the following reasons for adopting the proposed course of action:

- the current premises is generally functional but the finishes have aged and the fit out has reached end of life. The proposed refurbishment will deliver an office that provides staff with accommodation that is contemporary and supports organisational agility and performance, plus meets Department of Finance density targets
- the ATO previously leased the entire building comprising of five floors and a basement. The renewed lease has reduced the nett lettable area from 22,556.3 square metres to 14,401.9 square meters by surrendering:
 - ⇒ east side of ground floor
 - ⇒ levels 4 and 5
 - ⇒ exclusive use of the basement and reducing basement car bays from 100 to 64
- this approach enabled the surrender of excess space and consolidation of staff over a smaller footprint, and will provide the ATO with refurbished accommodation at the current site.⁹

3.16 The refurbishment of the ATO's existing premises at 45 Francis Street, Northbridge was considered to public value to the community as it:

- is the most cost effective outcome for the Commonwealth
- enables the surrender of excess space and consolidation of staff over a smaller footprint
- will provide the ATO with contemporary and flexible office accommodation
- provides a long term commitment to staff and local businesses
- creates jobs during construction and fit-out works
- make use of existing public transport facilities¹⁰

3.17 The Committee found that the ATO has considered multiple options to deliver the project and has selected the most suitable option.

9 ATO, submission 1, p. 4.

10 ATO, submission 1, p. 10.

Scope of the works

- 3.18 The fit-out design is predominately a contemporary open-plan office space with:
- modular work points that can be easily and quickly reconfigured without disturbing productivity
 - offices and meeting areas that are flexible and designed for future reconfiguration
 - a robust security system that protects ATO information, people, other assets and operations
 - enhanced conference, training and video conference facilities to support contemporary work practices
 - new computer room designed to current specifications
 - first aid room and amenities areas
- 3.19 At the public hearing, the ATO advised that the life expectancy of a fit-out is in the range of 10 to 15 years. However, the ATO puts in high-quality furniture and fittings which gives it the longest return on the investment.¹¹
- 3.20 To support staff wellbeing, facilities to support exercise will be provided through:
- increasing the number of bike racks from 70 to 110; and
 - increasing the number of staff lockers used by cyclists and staff undertaking physical exercise at local gyms from 265 to 286¹²
- 3.21 As part of the lease incentives, the building owner will undertake, at their own cost, an upgrade to existing infrastructure and services. This work will be scheduled to coincide with the fit-out works to minimise disruption to ATO business. The following is specified as a program of works to be undertaken by the landlord:
- central plant
 - ⇒ chillers to be replaced
 - ⇒ install power factor correction unit for the building
 - lift services
 - ⇒ upgrade drive mechanisms with modern energy efficient systems
 - ⇒ upgrade cabins to meet current code compliance
 - electrical metering

11 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 3.

12 ATO, submission 1, p. 6.

- ⇒ reconfigure main electrical distribution boards on the ground level to separate house
 - ⇒ power from tenancy supply
 - control equipment
 - ⇒ install and integrate and new web based after-hours air conditioning booking system
 - ⇒ retaining key switches for on-floor use
 - amenities
 - ⇒ a full refurbishment of male, female and disabled amenities
 - ⇒ full refurbishment of base building tea rooms, staff showers and change rooms
 - lighting;
 - ⇒ upgrade of all luminaires with energy efficient lamps and electronic addressable control gear
 - ⇒ install a new automatic lighting control system, including occupancy sensors
 - air distribution, install air diffusers
 - replace all office ceiling tiles and ceiling grids
 - sun protection, install high quality block out roller blinds to all external windows
 - apply sun glare treatment to the Roof Skylights over the atrium
 - repaint the internal core base building surfaces¹³
- 3.22 The building as a whole currently holds a 5 star National Australian Built Environment Rating Scheme (NABERS) energy rating, which exceeds the Commonwealth guideline of 4.5 stars. The proposed ATO fit-out is designed to target at least a 4.5 star rating, however, at the public hearing ATO representatives stated that with the refurbishment, they expect the fit-out to exceed the 4.5 star target with at least a 5 star rating.¹⁴
- 3.23 Mr Untersteiner from the ATO summarised:
- We see that this proposal represents a good outcome for the Commonwealth. It secures our presence in Perth, represents a

13 ATO, submission 1, p. 8.

14 ATO, submission 1, p. 7. Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 8.

strong value-for-money outcome and allows us to meet government targets for density and environmental performance.¹⁵

- 3.24 Subject to Parliamentary approval, fit-out works would be undertaken in a staged approach commencing in March 2016, with an anticipated completion date of April 2017.¹⁶ The project schedule and plans have been developed to minimise disruption to employees of the ATO throughout the refurbishment.¹⁷
- 3.25 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 3.26 The estimated cost of the project is \$27.5 million, excluding GST. The project cost will be funded from the ATO's existing capital budget.¹⁸
- 3.27 At the public hearing, representatives of the ATO discussed procurement methodology, construction costs and leasing arrangements to demonstrate the proposed project represents the best value for money for the Commonwealth. Representatives of the ATO reiterated their confidence in the pricing and costings for the fit-out works.¹⁹
- 3.28 The ATO provided further detail on the project costs in the confidential submission and during the in-camera hearing.
- 3.29 The Committee considers that the cost estimates for the project have been adequately assessed by the ATO and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating, the Committee makes no comment in relation to this matter.

Committee comments

- 3.30 The Committee did not identify any issues of concern with the ATO's proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 3.31 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

15 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

16 ATO, submission 1, p. 10.

17 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

18 ATO, submission 1, p. 9.

19 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2 & 9.

Recommendation 4

- 3.32 **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: Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA.**
- 3.33 Proponent agencies must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.

Australian Chancery Project Paris, France - Base Building Refurbishment, International Energy Agency Tenancy Fit-out

- 4.1 The Department of Foreign Affairs and Trade (DFAT) seeks approval to proceed with the base building refurbishment and the integrated fit-out of the area leased by the International Energy Agency (IEA) within the Australian Chancery Complex in Paris.
- 4.2 The estimated cost of the project is \$27.5 million, excluding GST.
- 4.3 The project was referred to the Committee on 12 November 2015.

Inquiry update

- 4.4 This inquiry was publicised on the Committee's website and by media release. The Committee received one submission and one confidential submission regarding the project costs from DFAT.
- 4.5 The Committee's scheduled hearings on 1 February 2015 for the proposed project were postponed at the request of DFAT.
- 4.6 The Committee has suspended consideration of the project, pending further information from DFAT.

Senator Dean Smith

Chair

4 February 2016



Appendix A – List of Submissions

LAND 121 – Unit Sustainment Facilities Project

1. Department of Defence
 - 1.1 Confidential
 - 1.2 Confidential
 - 1.3 Department of Defence
 - 1.4 Department of Defence

2. Gallipoli Precinct Action Group

Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA

1. Australian Taxation Office
 - 1.1 Confidential

Australian Chancery Project Paris, France - Base Building Refurbishment, International Energy Agency Tenancy Fit-out

1. Department of Foreign Affairs and Trade
 - 1.1 Confidential



Appendix B – List of Hearings and Witnesses

LAND 121 – Unit Sustainment Facilities Project

Friday, 27 November 2015 – Canberra

Public Hearing

For Gallipoli Precinct Action Group

Mrs Mary Harbeck, President

For Department of Defence

Brigadier Noel Beutel, Director General, Capital Facilities and Infrastructure,
Department of Defence

Colonel Simon Palmer, Director, Major Systems Development – Army,
Department of Defence

Ms Julie Matthews, Acting Project Director – National (Land) Projects, Department
of Defence

Mr Stuart Yeaman, Project Manager/Contract Administrator, Jacobs

Mr Jarrod Gill, Managing Contractor's Representative, Lend Lease Building

Ms Alison Clifton – Assistant Secretary, Environment and Engineering,
Department of Defence

In-Camera Hearing

Five witnesses

Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA

Friday, 4 December 2015 – Canberra

Public Hearing

For the Australian Taxation Office

Mr Justin Untersteiner, Assistant Commissioner, Australian Taxation Office

Mr Dom Di Luzio, Director, Cushman & Wakefield

Mr Kieran McLaughlin, National Director, Project Management and Consultancy, Cushman & Wakefield

Ms Louise Hamilton-Gainey, Group Interior Manager, MODE Design

Mr Peter Coombs, Associate Director, Aquenta Consulting Pty Ltd

In-Camera Hearing

Five witnesses