

## Fit-out of the Australian Embassy in Doha, Qatar

- 2.1 The Department of Foreign Affairs and Trade (DFAT) seeks approval from the Public Works Committee to fit-out 895 square metres of leased space to establish an Australian Embassy in Doha, Qatar.<sup>1</sup>
- 2.2 This project was originally submitted to the Committee as a medium work, which are projects valued between \$2 and \$15 million that are not usually subject to full inquiry by the Committee.
- 2.3 When the Committee considered this project as a medium work it found the square metre cost of the fitout to be excessive when compared to other medium works which have come before it. The breakdown of costs was not detailed enough to allow the Committee to be satisfied that the estimated cost was justified and, therefore, the Committee sought referral of the project from the Assistant Minister for Finance, The Hon Dr Peter Hendy MP.
- 2.4 The estimated cost of the project is \$7.04 million, excluding GST.
- 2.5 The project was referred to the Committee on 25 February 2016.

### Conduct of the inquiry

- 2.6 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.7 The Committee received two submissions which are published on the Committee's website, and one confidential submission containing the project costs and risk register from DFAT. A list of submissions can be found at Appendix A.

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<sup>1</sup> Department of Foreign Affairs and Trade (DFAT), submission 1, p. 3.

- 2.8 The Committee received a briefing from DFAT and conducted public and in-camera hearings in Canberra on 3 March 2016. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.<sup>2</sup>

## Location

- 2.9 Qatar is a small country in the Persian Gulf with a population of approximately 1.8 million people. It is bordered on one side by Saudi Arabia and is adjacent to Bahrain and the United Arab Emirates. Doha is situated on Qatar's central east coast.<sup>3</sup>

## Background

- 2.10 Qatar's sovereign wealth fund is a valued source of foreign direct investment in Australia, and Qatar has invested significantly in Australia's wheat, barley and other grain-producing farms, and sheep properties, to support its food security strategy. Two-way trade between Australia and Qatar was worth \$1.75 billion in 2014-15 and is growing strongly.<sup>4</sup>
- 2.11 An estimated 5,000 Australians currently reside in Qatar, and Australian visitor numbers are increasing by nine per cent per year. Over 80 Australian companies already have a presence in Qatar, and increased aviation links and accompanying cargo capacity is expected to further boost trade. Increased tourism and trade requires increased consular services.<sup>5</sup>
- 2.12 Qatar Airways entered the Australian market in 2009 and has expanded its network, with daily flights to Sydney and Adelaide commencing in the first half of 2016.<sup>6</sup>
- 2.13 The Qatari Embassy in Australia opened in early 2012.<sup>7</sup> Australia is currently the only G20 member country which does not have a diplomatic presence in Doha.<sup>8</sup>

## Need for the Embassy

- 2.14 In May 2015, the Minister for Foreign Affairs announced that the Australian Government has committed \$98.3 million to open five new

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2 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>.

3 DFAT, submission 1, p. 7.

4 DFAT, submission 1, p. 3.

5 DFAT, submission 1, pp. 3-4.

6 DFAT, submission 1, p. 3.

7 DFAT, submission 1, p. 3.

8 DFAT, submission 1, p. 3.

overseas missions, one of which is the new embassy in Doha. The Minister said in a media release that the new policy “is the single largest expansion of Australia’s diplomatic network in forty years”<sup>9</sup> and would include new posts in:

- Doha, Qatar
- Buka, Bougainville, Papua New Guinea
- Makassar, Indonesia
- Ulaanbaatar, Mongolia
- Phuket, Thailand

2.15 According to the Department of Foreign Affairs and Trade, the presence and activity of an embassy in Doha will raise the status, profile and appeal of Australian companies currently working, or seeking to establish businesses in Qatar while expanding Australia’s diplomatic footprint in the Middle East.<sup>10</sup>

2.16 At the public hearing, Mr Nixon from the Department of Foreign Affairs and Trade stated that:

Opening a post in Qatar would facilitate Australia's growing political and commercial links with an increasingly important economic and political player in the pivotal Middle East region. Qatar has a very ambitious and independent foreign policy agenda and is rapidly expanding its international engagement.<sup>11</sup>

2.17 Additionally, Mr Nixon said that the value of an Australian Embassy in Doha to trade relations between the two countries would be considerable:

Qatari officials place a high value on diplomatic representation in Doha and have often suggested that having a post in Qatar would help Australia secure more Qatari trade and investment. Qatar has a highly centralised government system with strong links between business and government, which lends greater importance to the role of government in facilitating business links than is usual in Australia. The presence and activity of an Australian embassy will raise the status, profile and appeal of Australian companies working or seeking to establish businesses in Qatar.<sup>12</sup>

2.18 Mr Nixon went on to say that:

Qatar is positioning itself as a regional and global hub for sporting events and will build new infrastructure, roads, hotels, stadia and

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9 The Hon Julie Bishop MP, Minister for Foreign Affairs, media release, 12 May 2015.

10 DFAT, submission 1, p. 3.

11 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 1.

12 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 1.

residential development worth an estimated US\$95 billion for the World Cup, with total World Cup implementation costs expected to reach in the order of US\$200 billion.

Australian companies are well positioned to participate in these opportunities, with expertise in sporting events management, infrastructure development and other sectors.<sup>13</sup>

- 2.19 In addition to the political and commercial imperative, the Committee heard that as Doha grows in importance as a transport hub between Europe, the Middle East and Australia, working closely with Qatar on the issue of foreign terrorist fighters is becoming ever more important:

We are working with Qatar towards a bilateral counter-terrorism memorandum of understanding to increase cooperation on this critical national security issue. We also need to engage with Qatar on our interests in Syria and Iraq.<sup>14</sup>

- 2.20 The Committee sought to further understand the current nature of our security cooperation and what that might look like in the future. Mr Ralph from DFAT said:

I just note that the occasion of my last visit to Doha [I] was accompanying the Australian Ambassador for Counter-Terrorism, Miles Armitage, on his first visit to Doha and that was to take forward some of the work that we are doing in that space jointly between Australia and Doha. Relevant agencies in both countries are working well with each other already, but there is certainly space for stepping that up. We are looking at some ways of doing that, including ... a memorandum of understanding on counterterrorism to work particularly in that space.<sup>15</sup>

- 2.21 Expanding on the need for greater security co-operation in the region, Mr Ralph said:

One of the things that we are particularly focused on ... [is] the increase prospect that we will need to work closely with Qatar to handle foreign terrorist fighters. One of the things about the geography of Australia and the region in the Middle East where foreign terrorist fighters have to go is that most of them transit the Gulf on the way there. We are increasingly having to work closely with ... Qatar on people transiting through Doha to get to the Middle East, and also on their way back. When it comes to our security agencies' attention that we have a potential Australian

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13 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 1.

14 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 1.

15 Mr Greg Ralph, DFAT, transcript of evidence, 3 March 2016, p. 10.

returning from the field in the Middle East, we need to work very closely with relevant agencies in those countries to know how to deal with the level of threat that those people might pose. That is a particular focus of attention of the moment, but more broadly there is an awful lot of work that we can do on the counter-terrorism front with our Qatari counterparts.<sup>16</sup>

2.22 In the only submission that the Committee received from a member of the public for this inquiry, Mr Carter, an Australian citizen who currently resides in Doha questioned the need for an embassy in Doha. Mr Carter did not mention the importance of international security co-operation but his concerns relate more to the needs of Australians wishing to leave Qatar:

... an embassy can offer no help in getting an exit permit from the relevant employer for an Australian to leave the country ... Qatar has the Kafala system which means no one (except [Gulf Cooperation Council] nationalities) can leave unless they have an exit permit from their employer.<sup>17</sup>

2.23 However, DFAT said its work helping Australian citizens in the Gulf region is currently constrained because it does not have an embassy in Doha:

... our consular folk visit [Doha] ... about every six weeks. Their last trip was a fairly usual example: they were there for a day and a half, they had 120 Australian clients come through in the course of that day and a half. Most of that work is passport work or legalisation of documents.

...

There is also ... the classic kind of consular workload, where we have Australians in trouble ... in jail or having other difficulties, accidents in hospital and so forth. So, again, it is quite hard to deal with those kinds of things when you are ... a 45-minute flight away in Abu Dhabi.<sup>18</sup>

2.24 In summary, DFAT told the Committee that the establishment of the Australian Embassy in Doha will achieve the following:

- provision of a permanent diplomatic representation in Qatar which will enable the Australian Government and Australian business community to strengthen existing trade relationships and to build new opportunities for growth;

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16 Mr Greg Ralph, DFAT, transcript of evidence, 3 March 2016, p. 10.

17 Mr Julian Carter, submission 2, p. 6.

18 Mr Greg Ralph, DFAT, transcript of evidence, 3 March 2016, p. 8.

- strengthen ties between the Australian and Qatari Governments; and
- provide consular support for the increasing numbers of Australians living in or travelling to Qatar.<sup>19</sup>

## Need for the works

2.25 DFAT told the Committee that after considering the available accommodation options, described below, it intends to secure a ten-year lease in the Tornado Tower building in Doha to house the new embassy:

The rental rate negotiated within the Tornado Tower on a per-square-metre basis is consistent with the market analysis the grade-A office leases in the West Bay area and consistent with the rate paid by the Canadian embassy, also within that same building.<sup>20</sup>

2.26 The total floor area to be leased is 895m<sup>2</sup>. The space will accommodate a total of 15 DFAT and Austrade staff and will provide representational facilities to enable the Embassy to host conferences and events to build trade and diplomatic relationships with Qatar.<sup>21</sup>

2.27 The project under consideration by the Committee is in fact the fitout of the leased accommodation. The Committee is satisfied that the need for the work exists.

## Options considered

2.28 Construction of a dedicated stand-alone embassy building was considered, but not found to be a cost effective solution for the current requirements. Similarly, co-location with either the Canadian or United Kingdom missions was also explored, but neither has sufficient spare space available to meet Australian Government requirements.<sup>22</sup>

2.29 Therefore, DFAT investigated leased accommodation in Doha. Following a shortlisting process from an initial 11 options considered, four properties were inspected, with three of these identified as feasible options, being:

- Tornado Tower;
- Burj Doha; and
- The Gate.<sup>23</sup>

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19 DFAT, submission 1, p. 5.

20 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 4.

21 DFAT, submission 1, p. 3.

22 DFAT, submission 1, p. 5.

23 DFAT, submission 1, pp. 4-5.

- 2.30 Each of the three buildings provided differing standards of amenity, physical security, work health and safety (WHS), quality and building compliance, as well as presenting varying sizes of available space.<sup>24</sup>
- 2.31 DFAT concluded that:
- all three buildings would require works to address WHS and duty of care compliance with Australian Codes and Standards;
  - the Tornado Tower provided the highest levels of security and safety and was in a highly suitable location; and
  - the Burj Doha and Gate buildings were in suitable locations; however they both required additional security, compliance and safety works.<sup>25</sup>
- 2.32 The Tornado Tower was determined to be the preferred property for the Australian Embassy for a number of reasons including:
- the building is in a prime CBD location in close proximity to host government departments and other diplomatic missions;
  - the building is a high quality commercial building providing the highest standard of security;
  - the proposed tenancy area on the 21st floor can be fitted out to provide a functional embassy which will meet DFAT security requirements;
  - the capacity and quality of the building engineering services make it a technically very suitable building with only minor compliance and fire safety issues that can be satisfactorily addressed;
  - the tower has a high quality building management company providing confidence in long term maintenance; and
  - the fitout will require the lowest scope of work of the three options.<sup>26</sup>
- 2.33 DFAT told the Committee that the tenancy in the Tornado Tower would comprise an area of 895m<sup>2</sup> at a cost of A\$81.05 per square metre per month:
- Rental costs for the tenancy identified within the Tornado Tower are less than either of the short-listed alternatives when the unit rate per square metre is considered together with the minimum area to be leased. ... A tenancy within the Burj Doha required a commitment of \$91.20 per square metre per month for a whole floor of 1,090 square metres, and the building known as the Gate

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24 DFAT, submission 1, p. 5.

25 DFAT, submission 1, p. 5.

26 DFAT, submission 1, p. 8.

required a commitment of \$84.20 per square metre per month for a whole floor of 1,200 square metres.<sup>27</sup>

2.34 At the public hearing, the Committee asked DFAT if the new embassy needed 895m<sup>2</sup> of floor space to carry out its business. Mr Nixon said that:

... the space allocated to staff includes a 34-square-metre office for the ambassador, and other offices that are sized between 15 and 22 square metres, including one 22-square-metre office that is shared by two officers. Open-plan workstations are approximately 10 square metres each, including an allowance for circulation. Therefore, we are satisfied that the size of the individual offices is appropriate.

[Additionally] ... the embassy will also include a multipurpose facility to be used for official functions and exhibitions. The inclusion of this facility at the embassy will likely result in property cost savings in the selection of an ambassador's residence through a reduction in representational space requirements and supporting facilities being required.<sup>28</sup>

2.35 In his submission to the inquiry, Mr Julian Carter argued that the location of the Tornado Tower is not well located for an embassy, noting that it is not close to the diplomatic area of Qatar.

2.36 In response to a question from the Committee and to address the issue raised by Mr Carter, DFAT informed the Committee that consideration was given to locating the new embassy in the diplomatic zone called Onaiza, however Mr Nixon said it was not found to be suitable because:

While access to the diplomatic zone is controlled tightly and security within the compound is of a high order, the location has a number of significant drawbacks, including that there is only villa-style accommodation available which, whilst suitable for residences, in DFAT's experience is problematic and expensive to reconfigure to functional office accommodation.<sup>29</sup>

2.37 Mr Nixon noted that the diplomatic zone is located at some distance from the host government and commercial centre of Doha and also that, importantly:

Members of the public are unable to drive into the diplomatic zone, which means consular, passport and other clients must park

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27 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 3.

28 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 2-3.

29 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 4.



near the entrance to the compound and then use an internal bus service to travel to the embassy.<sup>30</sup>

2.38 In relation to villa accommodation outside the diplomatic zone DFAT noted:

No villa-style options were presented by either DTZ or Colliers International. In any event, the cost of conversion of a villa outside the diplomatic zone to a secure embassy is considered to be more expensive than the alternative of seeking secured leased accommodation. Existing villas in Doha are generally of poor quality, often requiring significant additional expenditure on remedial work and security retrofitting, as well as then incurring increased ongoing maintenance costs.<sup>31</sup>

2.39 The Committee sought assurance from DFAT that the Tornado Tower could offer the level of physical and operational security that is required in Doha in regards to both the location and the building. The Committee was told that “the Tornado Tower was far and away the best [option] from a security perspective for staff there.”<sup>32</sup>

2.40 The Committee determined that DFAT has considered multiple options to deliver the project and found that DFAT has selected the most suitable option.

## Scope of the works

2.41 The lease 895m<sup>2</sup> on level 21 of the Tornado Tower building will initially be for 10 years.<sup>33</sup> DFAT will take over the tenancy as a complete floor with some existing fit-out. The works under consideration will be completed in two stages; firstly demolition and, following local authority approvals, fit-out works.<sup>34</sup>

2.42 The fitout of the new embassy will comprise the following elements:

- demolition of existing office fitout;
- a full office fitout including public areas, multipurpose/function area, staff offices and kitchenette;
- reconfiguration and supplementation of the base building air conditioning mechanical systems;

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30 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 4.

31 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 4.

32 Mr David Windsor, DFAT, transcript of evidence, 3 March 2016, p. 7.

33 DFAT, submission 1, p. 8.

34 DFAT, submission 1, p. 7.

- installation of IT infrastructure including communications, electrical and public address systems;
- installation of physical and electronic security systems including
- access control, closed-circuit television and duress alarms to meet DFAT security requirements;
- upgrade of fire services including sprinklers, and exit and emergency lighting;
- reconfiguration of the wet areas in the building core to provide accessible and additional female bathrooms; and
- decorative works in the building core lift lobby to align with the new fitout and provide a suitable entrance to the embassy.<sup>35</sup>

2.43 The perimeter of the controlled area of the tenancy will be secured with Forced Entry Bullet Resistant steel lined walls, doors and counter, with additional secure construction applied to the restricted areas of the embassy including installation of Intruder Resistant and B-Class doors as applicable. Additionally:

- anti-shatter film will be applied to the internal face of the perimeter windows of the tenancy;
- duress alarms will be installed at the reception, guard station and in the interview room;
- Closed-circuit television coverage and access control will be designed and installed in accordance with DFAT security standards; and
- the tenancy will be provided with a number of safes and secure storage receptacles appropriate for securing keys and information in accordance with their classifications.<sup>36</sup>

2.44 The Committee asked DFAT why there would be so many meeting rooms for the relatively small number of staff who will work in the embassy.

Mr Harmsworth from DFAT said that:

One of those meeting rooms is in the restricted area, and one of those other meeting rooms outside will also be doubled up as a videoconferencing facility. That is something that is also going into most of our overseas posts moving forward. Then the rest of the rooms are occupied. We do have one visiting officer room, which also allows for – should there be any expansion in the future – the permanent mission staffing.<sup>37</sup>

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35 DFAT, submission 1, p. 4.

36 DFAT, submission 1, p. 11.

37 Mr Keith Harmsworth, DFAT, transcript of evidence, 3 March 2016, p. 12.

- 2.45 Mr Nixon told the Committee that the number of meeting rooms planned for was appropriate because:
- ... the success of the mission will be, in part, reflected in the busyness and activity that they are engaged in. It would be our expectation that those meeting rooms were actively being used, because that would then be reflective of their engagement with external parties and their pursuing and promoting of those businesses and other commercial links that we spoke of earlier.<sup>38</sup>
- 2.46 Subject to Parliamentary approval of the project, fit-out works will begin in mid-2016 and be completed by late 2016.<sup>39</sup> The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

### Cost of the works

- 2.47 The estimated cost of the project is \$7.04 million, excluding GST.
- 2.48 Funding for this fit-out has been approved through the 2015-16 'Expanding Australia's Diplomatic Footprint' New Policy Proposal (NPP), along with several other diplomatic posts.<sup>40</sup>
- 2.49 The Committee was concerned that the cost per square metre appeared to be higher than it would expect. In the public hearing, Mr Nixon said:
- ... there is not a single per-square-metre fits-all solution when it comes to office space. Buildings differ in their floor plate, size and configuration. In the work space there are a number of variables at play, including what type of work is performed, what materials are in use at people's desks and how much storage they require. These factors, together with the work performed at an embassy, the need for public access and other security considerations, influence how much space is needed for individual officers and the overall tenancy size.<sup>41</sup>
- 2.50 In the in-camera hearing, DFAT went into greater detail about the various components that make up the total per square metre costs.
- 2.51 Regarding the security component of the per square metre cost, the Committee spent some time in the public and private hearings exploring this. The detail was explained fully in the in-camera hearing, but in the public hearing the Committee heard that in addition to \$1.4 million

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38 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 12.

39 DFAT, submission 1, p. 14.

40 DFAT, submission 1, p. 4.

41 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 3.

specified in the budget for security elements “in a broad sense [the cost of additional security] is in the order of about \$1,300 a square metre.”<sup>42</sup>

- 2.52 At the end of the public hearing the Committee sought assurances from DFAT that the proposal before it is value for money for the Commonwealth. Mr Nixon replied:

I am very comfortable that we have clearly demonstrated there is a need for a post in Doha, and I am very satisfied with the process that we have undertaken to ... look at options, rule options out for various considerations, bring the shortlisted options to a point of competitive negotiation, et cetera, against our requirements and against the security environment. ... we are satisfied that the Tornado Tower building in Doha is the most cost-effective and suitable option. That is my position on this.<sup>43</sup>

- 2.53 In the context of the further information provided on per square metre costs, the Committee is satisfied that this figure falls within an acceptable range and reflects those additional costs incurred in establishing an operating secure embassy environment.
- 2.54 The Committee notes that the additional information provided by DFAT and Rider Levett Bucknall (RLB) noted the “indicative costs for the proposed works represent value for money for that location and the nature of the works to be undertaken.”<sup>44</sup>
- 2.55 Therefore, the Committee considers that the cost estimates for the project have been adequately assessed by DFAT and 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

- 2.56 The Committee notes that an Australian Embassy in Qatar will bring benefits to Australia in regards to our diplomatic relations with Qatar, will foster trade and security co-operation, and will serve Australian citizens living in the country.
- 2.57 The Committee is cognisant that the need for the new embassy is Government policy. As mentioned above, in May 2015, the Minister for Foreign Affairs announced that the Australian Government has committed \$98.3 million to open five new overseas missions, one of which is the new embassy in Doha. Therefore, the Committee has no role in assessing the need for the new embassy.

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42 Mr Mark Chappé, Rider Levett Bucknall, transcript of evidence, 3 March 2016, p. 8.

43 Mr Kevin Nixon, DFAT, transcript of evidence, 3 March 2016, p. 13.

44 DFAT, Letter to the Chair, Public Works Committee, 16 March 2016, p.1.

- 2.58 Under the Act, there is no capacity for the Committee to travel overseas to inspect projects which come before it. The need for vigilance was reinforced in 2014, when the Committee travelled to Indonesia on a Parliamentary Committee delegation, and discovered that an extra floor had been added to an Embassy without the Committee being notified.<sup>45</sup>
- 2.59 The Committee's role is to assess the appropriateness of the fit-out of the new Australian Embassy in Doha.
- 2.60 Initially, the Committee was of the opinion that the size of the accommodation to be leased seemed to be excessive for the anticipated number of embassy staff. However, the Committee accepts DFAT's assurances that leasing a whole floor in the Tornado Tower is the most cost-effective option available and that DFAT will fully utilise the leased space by including a multipurpose facility which will be used for official representational functions and exhibitions.
- 2.61 The Committee also notes that the inclusion of a multipurpose facility at the embassy should result in property cost savings during the selection of an Ambassador's residence as the requirement for representational space and supporting facilities will be reduced.
- 2.62 The Committee requests DFAT keeps it updated on progress and arrangements for the Ambassador's residence and advise it of the cost-savings achieved due to the reduction in the requirement for representational space and supporting facilities.
- 2.63 The Committee did not identify any issues of concern with DFAT's proposal to fit-out the leased premises in the Tornado Tower and is satisfied that the project has merit in terms of need, scope and cost.
- 2.64 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 1

- 2.65 **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 the Australian Embassy in Doha, Qatar.**

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45 *Parliamentary Delegation to Indonesia and Thailand by Members of the Public Works Committee*, December 2014, pp. 27-28.

- 2.66 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.

### **Recommendation 2**

- 2.67 **The Committee recommends that the Department of Foreign Affairs and Trade provides progress reports at key milestones during the fit out of the Australian Embassy in Doha, Qatar.**

### **Recommendation 3**

- 2.68 **The Committee recommends that the Department of Foreign Affairs and Trade establishes clear criteria for spatial requirements for different types of diplomatic work for its overseas embassies.**

**Senator Dean Smith**

**Chair**

**17 March 2016**