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JOINT COMMITTEE ON PUBLIC WORKS

Reference: Fit-out of new leased premises for the Department of Agriculture, Fisheries and Forestry in Civic, Australian Capital Territory

FRIDAY, 17 FEBRUARY 2006

CANBERRA

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JOINT STATUTORY COMMITTEE ON
PUBLIC WORKS
Friday, 17 February 2006

Members: Mrs Moylan (Chair), Mr Brendan O’Connor (Deputy Chair), Senators Forshaw, Parry and Troeth and Mr Forrest, Mr Jenkins, Mr Ripoll and Mr Wakelin

Members in attendance: Senators Forshaw, Parry and Troeth and Mrs Moylan and Mr Ripoll

Terms of reference for the inquiry:

To inquire into and report on:

Fit-out of new leased premises for the Department of Agriculture, Fisheries and Forestry in Civic, Australian Capital Territory
WITNESSES

LEIFHEIT, Mr Gerhard Werner (Gary), Chief Information Officer, Department of Agriculture, Fisheries and Forestry

PAHL, Mr William J, Chief Operating Officer, Department of Agriculture, Fisheries and Forestry

RICHARDS, Mrs Yvonne Carolyn, Project Manager, ACT Accommodation Project, Department of Agriculture, Fisheries and Forestry

WILKIN, Mr Paul Arthur, Project Manager, Property Advisory Australia
Committee met at 11.29 am

LEIFHEIT, Mr Gerhard Werner (Gary), Chief Information Officer, Department of Agriculture, Fisheries and Forestry

PAHL, Mr William J, Chief Operating Officer, Department of Agriculture, Fisheries and Forestry

RICHARDS, Mrs Yvonne Carolyn, Project Manager, ACT Accommodation Project, Department of Agriculture, Fisheries and Forestry

WILKIN, Mr Paul Arthur, Project Manager, Property Advisory Australia

CHAIR (Ms Moylan)—I welcome you all to the Public Works Committee hearing on the proposed fit-out of the new leased premises for the Department of Agriculture, Fisheries and Forestry in Civic, ACT. I declare open the public hearing.

This project was referred to the Public Works Committee on 1 December 2005 for consideration and report to parliament. In accordance with section 17(3) of the Public Works Committee Act 1969, which concerns the examination and reporting on a public work, the committee will have regard to:

(a) the stated purpose of the work and its suitability for that purpose;

(b) the necessity for, or the advisability of, carrying out the work;

(c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;

(d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and

(e) the present and prospective public value of the work.

The committee this morning has received a confidential briefing from the department and inspected the site of the proposed works. The committee will now hear evidence from officials from the Department of Agriculture, Fisheries and Forestry who will be sworn in by the assistant secretary. The committee has received a statement of evidence from the Department of Agriculture, Fisheries and Forestry. This will be made available in a volume of submissions for the inquiry and is also available on the committee’s website. Does the department wish to propose any amendments to the submission it has made to the committee?

Mr Pahl—We do not.

CHAIR—I now invite you, Mr Pahl, to make an opening statement and then we will go to questions.

Mr Pahl—Thank you for the opportunity to make this proposal presentation today. By way of background, the department is seeking to provide our staff with a modern, efficient work...
environment, one that will meet our needs for the next 15 to 25 years. The proposal is a 15-year lease with two five-year options. We believe that we can meet that objective by the lease of a new A-grade building which meets the Commonwealth standards, both environmental and security, by providing a new fit-out that takes account of the occupational health and safety needs of our employees. The fit-out we are proposing will also take advantage of the latest technology and is designed to reduce churn cost by adopting a modular, generic approach to the provision of workspace and office sizes. Today we are seeking approval for the fit-out of the new building, known at the moment as 18 Marcus Clarke Street, Civic, and a portion of a new building at 3-5 London Circuit, which is more commonly called the NICTA building. NICTA stands for National Information and Communications Technology Australia.

Our current central office building in Canberra is the Edmund Barton Building. Most of our staff presently reside in that building, although we have a lease on an adjacent building, Bligh House, as well where a small number of our staff are currently tenanted. We also have two other sites in Canberra: a small building at Fyshwick and another at the airport, which meets some of the needs of the quarantine element of the organisation. The current building, Edmund Barton Building, is about 30 years old. It was built in a different era in respect of security and other issues. It is not currently compliant with Commonwealth standards. Also, any refurbishment that is undertaken there will need to be sensitive to its heritage listing.

In our view, staying in the current building beyond the lease expiry would require substantial investment and considerable dislocation and disruption as essential refurbishments are undertaken. As we showed you earlier today when you were touring the building, the proposal, if we did stay, would require us to cycle staff through a basement area. We would, at any one time, probably have 200 staff in that basement area. From a value-for-money point of view, we investigated whether or not we could strike a new lease on the Edmund Barton Building. We also looked at options of alternative accommodation. In the final analysis it came down to two options: one was to stay and refurbish, and the other was to go to new building. In this case the new building that we chose was the Marcus Clarke option. Overall, we believe the Marcus Clarke-NICTA option was a better business proposition in terms of value for money for the Commonwealth.

There were many other things we took into account but I will just mention a few. Energy efficiency is one. We will make considerable gains in the new building and we will significantly reduce our energy footprint, maintenance and ongoing costs. We are looking to achieve a rating of 4.5 stars in this area. That will mean sophisticated systems will be implemented in the airconditioning, heating and lighting and also water-saving initiatives. Given the region’s dry conditions, we believe the water-saving measures, including use of collected rainwater for irrigation and water-free urinals, will be a particular benefit. The external facade of the building will have high-performance glazing and sun-shading elements to reduce solar heat gain to the internal environment and to reduce the cooling loads in general energy consumption of the building. In the submission there is some detail about how this building can be ‘flushed’—that is the term they use—to take either cooler or warmer air into the building and, again, use outside ambient temperatures more effectively to reduce energy consumption.

Subject to parliamentary approval, the fit-out work will be integrated with the base building construction. Both are due for completion by October 2007. That will ensure that we do not have a period of dead rent when the building core and shell is being delivered and we are then
spending some months fitting out and paying rent at the same time. The department intends to fund the fit-out of the building. We have entered into some negotiations and consultation with quantity surveyors in respect of the cost and how we will go about that.

In conclusion, I want to highlight the importance of the new building in meeting the long-term operational and security needs of the department. The site was selected following an extensive process that looked at financial, architectural, security and other issues. We have prepared an extensive risk assessment to ensure that the option we chose was the right option. We believe that this option will meet the department’s long-term accommodation needs.

CHAIR—Thank you very much. My understanding is that you are making a move that involves moving staff from two different sites—

Mr Pahl—that is correct.

CHAIR—with two different lease expiry dates. The new building has a lease commencement date of October 2007. Could you explain on the public record—I know we talked about this in terms of the costing—what the cost implications are if the new building is not ready and you cannot move in. The lease on the Edmund Barton Building expires on 28 February 2007 with a date of occupation for the new building of October 2007, so there is a time lag there. Could you run through with us how you propose to manage the move of the staff from two locations into two locations?

Mr Pahl—Sure. We believe the Marcus Clarke Street building will be of a sufficient size to take all of our staff. With the NICTA option, which is two floors of the NICTA building, we are looking to utilise that for amenity areas, conference facilities and similar sorts of facilities. We are taking some advice about how we do that to improve the overall security of the main building. As part of the integrated fit-out of the building, we will be looking to move staff in one go. We will be looking to have people sign off from their old location and start at the new location some days later. We have not worked out exactly how many days later, but very few. We are looking to refresh our information technology in the new building so that it is waiting for people and we do not have to uplift any of our IT desktop facilities. Clearly, the cutover in terms of the main computing facility will have to have regard to when we can have access to the new building and so on.

CHAIR—I am more particularly looking at the issue of a lease expiry in February and the new building not being available until October.

Mr Pahl—Presently we are negotiating with the building owner, Stockland, to see if we can reach a mutually acceptable, short-term extension that would allow us to stay until the new building is ready. If we are unable to reach an agreement with the building owner, then we will have to exercise one of our other two options, which will involve moving the department twice—one to a temporary location for that period and then on to the new building.

CHAIR—So you do have a plan B? I guess that is what I am asking.
Mr Pahl—Yes. We have a plan B and a plan C. But we are quite open: we do not want to exercise that option if we can avoid it. We would much prefer to move the department once and keep the disruption to our business and employees down.

CHAIR—In a similar vein, some of these projects have come before us because departments have had difficulty in managing staff who are occupying two adjoining or separate buildings. How do you feel about managing the overflow of office space into the NICTA building, and what challenges may that pose for the department, if any? Often departments come before us saying: ‘We need to make this shift because we are located in a building here and across the road we’ve got staff working there. There’s an overflow problem for us and a management problem’? How is that going to be for your department?

Mr Pahl—I do not think it will present us with much of a challenge at all. We are a department of about 4,200 people. We presently have more than 50 per cent of our staff geographically dispersed right around Australia so we have a much higher level problem in how we manage that than a lot of other departments that are very central to Canberra. Managing the overflow in the current environment, we have a building that is immediately adjacent to the Edmund Barton Building, which is called Bligh House. It would be in proximity very similar to what is proposed here. We have not encountered any difficulties with that. When we move staff in there, we put in process an arrangement that encourages people to physically move between the two buildings from time to time to ensure that we do not have any isolation of staff. We are certainly striving to have everybody in the main building, but if that is not possible we will look at the organisational unit that best fits into NICTA, the one that we believe can best exist even with that bit of separation.

Senator FORSHAW—I was going to ask about the issue the chair has raised of moving from two buildings to two buildings. In your department are you able to have discrete sections, if you like, located in different buildings? You have Agriculture, Forestry and Fisheries. Whilst you do not want people to be isolated, the nature of the department is such that you could work within the two buildings with those sections.

Mr Pahl—Yes, that is true.

Senator FORSHAW—I am not trying to tell you how to manage it. That is what occurred to me. I am not sure that that applies to other agencies or departments.

Mr Pahl—When we recently moved staff out, we deliberately chose corporate staff—indeed, half of my group is in one building and half in the other building—because we did not want to lose the synergy that is necessary across the core activities of the department. If you look at our product integrity in our animal and plant health group and the Quarantine and Inspection Service group, and indeed Biosecurity Australia, having that close proximity is very good in terms of the synergy you derive from that. So, again, if we do have to locate people outside of the Marcus Clarke Street building, we will be looking at ensuring that the people that go are the people who are least affected by that.

Senator FORSHAW—Another issue is car parking. Can you give us more information about the impact it will have on staff in the new building? You say in your submission that there is a
fair amount of public car parking space nearby. How will that impact on your staff who now have parking on-site and the others who do not?

**Mr Pahl**—Starting at the top, in terms of the number of car parks that come with the Marcus Clarke and NICTA options, we end up with about six or eight more than we currently have. So it is line ball in that sense. What we will do with those parks is allocate them according to the policy we presently have in place at Edmund Barton Building. But the bigger issue for staff is that they presently enjoy access to free parking in Barton and it will be paid parking in Civic. That is the downside.

**Senator FORSHAW**—Where is the free parking in Barton?

**Mr Pahl**—On both sides of the building—behind the cafeteria at the back of the building and also in the Kings Avenue car park next to Edmund Barton Building. The problem for staff right now is that, while they have free parking, there is not enough of it, particularly for people who have to drop children off at child care or school and who arrive a bit later than colleagues. There is just nowhere to park. I forget how many the car park holds, but we have some very creative staff who manage to add a considerable number of places by creative parking.

At the new site there are, in our estimation, about 600 car park spaces that would be available over and above what people are already parking in. We have done some surveys over there, going over on various days of the week and at various times of the day, counting the empty car spaces. So, availability in Civic when we move there will be better than it is in Barton, but you will have to pay for it. In presenting this to our staff, most people are not too pleased that they are going to have to pay for parking at some point in the future.

In terms of the Barton option had we stayed there, there is also, I understand, talk of development in that car park area behind the canteen. If that were to go ahead that will take out, I think, about 400 car parks. Even if there is some other parking tower or whatever erected as part of that development it is bringing more people into the precinct and, undoubtedly, parking is going to get worse and worse in Barton.

**Senator FORSHAW**—What proportion of your staff drive to work, rather than use some other form of transport?

**Mr Pahl**—We have that number somewhere, but I do not think I have it with me today. We have surveyed to try to understand the number of staff who come by public transport, the number who drive, the number who come by bicycle, motor cycle and so on, and we even have some who walk. We have also had a look at where our staff live to try to understand the impact this will have. One or two people who live quite close to the building presently clearly will be disadvantaged when we move to Civic. We have another group of people who will be advantaged because they travel on public transport. The frequency and availability of public transport in Civic is much higher than it is in Barton.

**Senator FORSHAW**—I assumed that, all other things being equal, the transport would be better in Civic than where it is currently.
Mr Pahl—On the parking issue, like all cities around the world, people are being encouraged not to drive to work. I do not see that trend changing.

Senator TROETH—I noticed in your submission that the area requirement for the new building is based on an average space allocation of 16.5 square metres per person.

Mr Pahl—that is correct.

Senator TROETH—And the existing Edmund Barton building office space allocation is between 17.6 and 18.6 square metres.

Mr Pahl—that is correct.

Senator TROETH—Could you explain to us why, even though it is bigger, the present allocation at Edmund Barton is more inefficient?

Mr Pahl—There are a couple of things. The first thing is that the larger wings in Edmund Barton—and we should have said this morning that we have short wings and long wings—are about 1,200 square metres in total; so the floor plate size is 1,200 metres. In the Marcus Clarke Building, the floor plate is 2,400 square metres, which means that we will be able to more efficiently use the larger area than we can in our present building. There is also an interconnecting open stair between the first—I never quite know how to say this—eight levels. Every two levels have an interconnecting stair, which means that you effectively are getting towards 5,000 square metres in which you can put a whole division of the department in or whatever.

The fact that Edmund Barton has the six cores and is difficult to navigate has meant that we have probably more meeting rooms than we need. We think in the Marcus Clarke fit-out we will be able to dispense with a number of the meeting rooms that we presently have and bring it down to a smaller number but still provide the same amenity to our staff. With the combination of those things, we believe we can bring it down but not reduce the personal space of employees.

Senator TROETH—Would you like to give us the benefit of your knowledge on the fresh air flush cycle?

Mr Pahl—Essentially the building has a facility that allows it to open after hours—or any time really. As I understand it, you can open it after hours and take advantage of pushing fresh air through the building. Also, at this time of year—when it is extremely hot—in the early hours of morning you can open the building and take in cooler air from outside rather than using energy to bring down the temperature. That is the limit of my expertise. I will hand it onto someone else.

Mr Wilkin—that is a pretty good explanation. Each floor has four automatic louvre sets in various locations and also automatic temperature sensors so that when the ambient temperature outside drops to a certain point the louvres can open and the temperature differential will automatically flush the air. That saves a lot of energy in the start-up in the morning when, normally, airconditioning is battling to bring down the temperature of a hot building. This uses
the outside coolness to do that. It also uses fresh air, so you are not just getting continual circulation of the same air.

Senator TROETH—I take it that does not present any security risks in terms of open—

Mr Wilkin—No. All of the floors that are flushed are from level one on, so there is no issue with that.

Mr Pahl—We would certainly be ensuring that the security requirements in the protective security manual are fully met. If that means some form of additional alarm or perimeter surveillance we will of course put that in.

Senator TROETH—You have said that in the Edmund Barton building there are multiple entry and exit points, whereas in the new building this will be much more self-contained and manageable from a security point of view.

Mr Pahl—The Edmund Barton building has six core entries. We have had to close two of those, so we currently have four entries open. The guarding costs of those are quite high. With the new Marcus Clarke building, the intention is to have a single guard point on the ground floor of the building through which everybody will pass. We are looking at some savings there in our outgoings. More importantly, it will improve the security of the building overall.

Senator TROETH—Good. Thank you very much.

Mr RIPOLL—When you move out of your building, what happens with the gap between your lease running out and your potential move to the new building? How is that going to work?

Mr Pahl—We are attempting to negotiate that gap with the current building owner to see whether we can stay until the new building is finished. If we are not able to reach a mutually agreeable position on that, we will move the department twice. We have two options open to us. I do not want to go into the details of those options, but when we were making a decision we seriously considered the risk of our current lease running out before the new building would be available for us to occupy. Our preferred position is to stay where we are until the new building comes on stream in October 2007.

Mr RIPOLL—Have you factored that potential risk into your costings?

Mr Pahl—Yes, we have.

Mr RIPOLL—Can you give us some idea of the commercial nature of the cafe, gymnasium and child-care facilities and where they would be situated.

Mr Pahl—We are still examining exactly where we will end up with those three facilities but it is highly likely that there will be a cafeteria on the ground floor. We have an option in the agreement that we have signed to hand back to the developer an area on the ground floor. We may exercise that. They would then bring a commercial operator in to run a cafeteria down there on the outside of the security perimeter. But we were also mindful that we needed to have the ground floor under our control. If we are to erect a child-care centre my understanding is that it
will have to be on the ground floor, to meet all the standards and requirements of child-care facilities. So we are keeping our options open. We will be providing some form of child care. We are surveying staff to try to understand what the requirement is and to make sure that anything we provide meets the requirements of our staff. Possibilities range from building one in the building through to meeting some of the costs and sharing a similar facility in another Commonwealth building through to buying permanent places from private providers not only in Civic but also in other town centres where we believe staff would want them.

Mr RIPOLL—Thanks for that.

Senator PARRY—I refer to page 9 of your submission to us. There are 1,750 current employees in one building, the Edmund Barton Building. How many do you have in the overflow building?

Mr Pahl—That 1,750 is the total number in Bligh House and the Edmund Barton Building.

Senator PARRY—Your submission just says ‘EBB’.

Mr Pahl—Yes. I am sorry; that is an omission on our part. That is the total number of staff currently located in the two buildings.

Senator PARRY—You expect staffing requirements to increase to about 1,900?

Mr Pahl—Yes.

Senator PARRY—Over what period?

Mr Pahl—That is a very difficult question to answer. We are trying to ensure that when we occupy the building we are not at maximum occupation and that we do not find that a slight change in our programs or a boost to our resources by government to take on new work immediately means we have to go and source additional accommodation outside. Balanced against that, you do not want to have a large space that you are paying high rental on and that no-one is occupying. We reached the figure of 1,900 by internal discussion, and some of my personal knowledge about where the department might be headed in the immediate future and the sorts of things that might come out of future budgets. In one of my other roles in the department I oversee the budgetary process, so I have been able to use that sort of input to come up with a number.

Senator PARRY—So you are satisfied that 1,900 will be a peak number in the foreseeable future, depending on agency requirements?

Mr Pahl—I am satisfied subject to one caveat, which would be a major change to administrative arrangements orders by central government that said, ‘We’ll go back to a primary industries and energy scenario,—’

Senator PARRY—But you are satisfied based upon your current core activity and where you see yourself going in the future?
Mr Pahl—Yes.

Senator PARRY—This has been widely canvassed through the minister’s office with respect to projected duties and any change in role of the agency?

Mr Pahl—We have had discussions and kept the minister’s office fully informed about the proposal. At a high level we have ensured that everybody is on the same page. But I repeat: it is our best estimate and it is very hard to get right. It is very hard to get that balance absolutely correct.

Senator PARRY—Just for the record, you are satisfied that for the peak loads you can anticipate in the future you will be accommodated in the two buildings that you wish to lease?

Mr Pahl—Yes, we are, subject to that one thing—that is, a major administrative arrangements order change. We would have to throw up the cards and start again.

Senator PARRY—Thank you. I will move on to pages 34 and 35 of your submission, concerning the security system. I notice as a side issue that on page 39 of your submission you have at 5.1.23 ‘Fire Protection and Security Measures’. Then you have on page 34 at 5.1.16 ‘Security Systems’, which goes over to page 35, and then you have at 5.1.17 ‘Fire Services’. Just a suggestion: I would have thought you could have done without 5.1.23 and kept it all under those two headings. You have three areas covering two topics. I notice that under ‘Fire Protection and Security Measures’ you do not mention anything about security, yet on pages 34 and 35 you have ‘Security Systems’. At 5.1.16.6, the final paragraph, you say:

Advice will be sought from relevant security agencies—

et cetera. Do you have a relevant security agency flagged at this point in time?

Mr Pahl—Yes.

Senator PARRY—Can we inquire as to whom?

Mr Pahl—We will be using internal resources of the Commonwealth.

Senator PARRY—Are you satisfied that the buildings with their current design format do not pose a security risk?

Mr Pahl—Yes, we are satisfied with that but one of the decisions we need to take is what level of security we want the base building to come up to in terms of the protective security manual. We have had some discussion within the department about the pros and cons of lifting the department perhaps to a different security level and balancing that against what we do as a department. We are very conscious of the need to meet the protective security manual requirements, and we will meet them, but they are governed by where you choose to be on the scale. A full-on Defence facility is up here somewhere and we are somewhat down that line.

Senator PARRY—Have you been assessed with a certain security rating that you need to adopt for your building?
Mr Pahl—We have been in our existing building and we will be engaging the appropriate Commonwealth agency to give us advice about what we need to do in this building to ensure that we are fully compliant.

Senator PARRY—It is going to be easier in the first building but how are you going to cope in the NICTA building where there is joint tenancy?

Mr Pahl—That is one of the reasons we are looking to avoid, if we can, having any of our staff in there and having facilities in there that we are comfortable with the public having access to. My expectation would be that entry and exit to all these buildings will be governed by appropriate security swipe cards and so on.

Senator PARRY—You have to satisfy us of the need for the second building. Three times you have indicated that there may not be a need for staff to be in the second building. You indicated that it was for staff amenity; is there a better way of achieving staff amenity?

Mr Pahl—No, I do not believe there is, is the short answer. With respect to the second building we have an option to take two floors. If we get a bit further down the track and we believe we do not need one of the two floors we can hand back an entire floor with no penalty. We have engineered ourselves into a situation where once we have a much more detailed idea of the fit-out of Marcus Clarke we can, if necessary, hand back one floor. That is about 2,500 square metres roughly. If we need it, it is there. We have kept all options open and we have done that without any financial penalty.

Senator PARRY—In the interests of time I have only one final question and it is on governance, which is on page 20 of your submission. We elicited some of this information during the private session. What will the cost control committee, which we were impressed by, comprise? I do not necessarily mean which people but from what particular sections or divisions from the department—external people, in particular.

Mr Pahl—The intention at the moment is that I will chair that cost control committee. The committee would also take advice from a variety of people around the place, depending on what the issue is. My previous experience in this has been that you often need to bring in an expert to explain to you why something has to be done differently and to convince you that the additional cost is reasonable. Sometimes that is engineering type advice and similar. The committee will also have one of my other colleagues here, Mr Leifheit, as the chief information officer. The chief financial officer of the department will also be there, and we would be looking for him to keep us all on the straight and narrow in terms of realistic costings and so on. We would be using the expertise of one of our colleagues from the Australian Quarantine Inspection Service, which is our largest unit within the department. The reason we have chosen that person is that they have very recently completed new buildings all around Australia—not of the size we have here but they have first-hand knowledge of issues that come up in the various mainland capitals where they have done that.

Senator PARRY—Without going into actual dollars, will part payments, contingency payments or progress payments go through this committee?
Mr Pahl—They will have to be made in accordance with the contract we have signed. Clearly, we cannot have an administrative committee overruling that.

Senator PARRY—Someone must approve the payments.

Mr Pahl—Ultimately the approval will come from people, like me, who are on that committee.

Senator PARRY—Thank you.

CHAIR—Thank you for appearing before the committee today and for assisting us with the inspections this morning. We appreciated that. Mr Pahl, thank you to you and your staff for providing the information. It is very well documented and makes our job much easier. We have detailed plans, perspectives of the building, site maps and so on. It is very good and we thank you for the excellent presentation.

Resolved (on motion by Senator Troeth):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it and submissions presented at public hearing this day.

Committee adjourned at 12.11 pm