

Reserve Bank of Australia, National Banknote Site, Craigieburn, Victoria

- 5.1 The Reserve Bank of Australia (the Bank) proposes to construct a National Banknote Site (NBS) adjacent to the Bank's existing facilities in Craigieburn, Victoria.
- 5.2 The NBS would enable the transition to the Next Generation Banknote (NGB) series and meet the Bank's storage, distribution and processing requirements for the next 25 years.
- 5.3 It will also allow for the relocation and expansion of the existing National Note Processing and Distribution Centre (NNPDC), and will include storage capacity to accommodate the Bank's banknote holdings that are currently held in the Bank's Melbourne site.¹
- 5.4 The project aims to:
- Meet the additional banknote storage, distribution and processing requirements for the transition to NGB, future banknote upgrades and the projected growth of banknotes in circulation;
 - Integrate a new logistics system including automated storage and handling;
 - Implement the Bank's physical security standards to achieve international security benchmarks;
 - Manage potential disruption to the existing operations on the site; and
 - Develop a long-term strategy to optimise the site to allow flexibility for the Bank's operations associated with banknote storage and distribution.²
- 5.5 The estimated cost of the project is \$72 million.

1 Reserve Bank of Australia, Submission 1, p. 2.

2 Reserve Bank of Australia, Submission 1, p. 11.

Conduct of the inquiry

- 5.6 The proposal was referred to the Committee on 10 December 2013.
- 5.7 The inquiry was publicised on the Committee's website and by media release. The Committee received one submission and three supplementary submissions from the Bank. A list of submissions can be found at Appendix A.
- 5.8 The Committee conducted a site inspection, a public hearing, and an in-camera hearing on the project costs, on 17 February 2014 in Melbourne.
- 5.9 The transcript of the public hearing and the submissions to the inquiry are available on the Committee's website.³

Need for the works

- 5.10 The Bank has established a project to upgrade the security of Australia's banknotes. This Next Generation Banknote (NGB) project will progressively replace the currently circulating banknotes with new upgraded banknotes over the next decade.⁴
- 5.11 While the Bank's storage capacity has declined over the past 20 years, the number of banknotes in circulation has increased by almost 5 per cent per annum over the same period. As a result, the Bank has insufficient storage capacity to accommodate the storage of the NGB that will have been printed and await issue, and the current series banknotes that will have been withdrawn from circulation and scheduled for verification and destruction. Over the NGB issuance period, approximately 5 billion banknotes will be handled by the Bank.⁵
- 5.12 It is estimated that banknote storage requirements will exceed current capacity by early 2017, and peak well over current capacity during the issuance of the NGB. Beyond NGB, the Bank's strongroom capacity will need to accommodate the projected increase of banknotes in circulation and provision for future banknote upgrade programs. The Bank aims to meet its banknote storage requirements for a minimum of 10 years, and to include provision for a future strongroom expansion if required.⁶
- 5.13 The existing processing capacity at the National Note Processing and Distribution Centre (NNPDC) consists of four high-speed processing machines. This allows the processing of 170 million banknotes a year. During the issuance of the NGB, over 1.7 billion banknotes will be

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

4 Reserve Bank of Australia, Submission 1, p. 3.

5 Reserve Bank of Australia, Submission 1, p. 4.

6 Reserve Bank of Australia, Submission 1, pp. 4-5.

withdrawn from circulation and returned to the Bank for validation and destruction.⁷

- 5.14 The Bank considered upgrading and extending the existing facility, constructing a new building inside its existing secure site perimeter, and constructing a new building outside the existing secure site perimeter. This third option was selected for its benefits to the Bank, including its limited impact on existing operations, security and production of the NGB during construction, and the segregation of Bank facilities following construction.⁸
- 5.15 The Committee is satisfied that there is a need for the works.

Scope of the works

- 5.16 The scope of the works includes:
- Banknote strongroom;
 - Banknote processing facility;
 - Secure loading dock;
 - Integration of logistics system;
 - Security control room;
 - Data centre;
 - Administration;
 - Support facilities;
 - Services building; and
 - Perimeter security.⁹
- 5.17 Subject to parliamentary approval, construction is scheduled to commence in January 2015 and be completed by February 2017.¹⁰
- 5.18 As the new facility will be constructed outside of the Bank's existing secure perimeter, the construction phase will not compromise existing secure facilities. However, protecting security for the new site during the development and construction phases of the project is a risk that needs to be managed.
- 5.19 At the public hearing, the Bank outlined the measures that it will put in place to protect security in all phases of the project. For example, during the development phase:

7 Reserve Bank of Australia, Submission 1, p. 5.

8 Reserve Bank of Australia, Submission 1, pp. 5-7.

9 Reserve Bank of Australia, Submission 1, pp. 14-15.

10 Reserve Bank of Australia, Submission 1.2, p. 1.

This project documentation will be very sensitive, so we will be establishing a project office in our head office, where all of the professional advisers will make their contribution. The documentation itself will be retained within the Reserve Bank's secure network. We will have data-leakage-prevention software to make sure that this information remains where it should be—behind our firewalls. This is a very important risk. The risks around the project documentation remain unacceptably high, and we are well aware of that, but we are working towards bringing them down to a level that we regard as acceptable.¹¹

5.20 During the tender process:

... bidding firms will be required to prepare their bids on the Reserve Bank's premises, on site. We will redact sensitive information. We need to devise—and we have some thoughts as to how we will do this—how we will cost the redacted information. We will ask them for rates for certain things and we will do the sums. So what is sensitive will remain sensitive and will not be viewed by the tendering firms until one is appointed. Needless to say, the current set of professional advisers and others in the future, including people who are tendering, will be required to sign deeds of confidentiality.¹²

5.21 During the construction phase:

... there will be a secure project office. The site will be secured, all contractors will require police checks and we will be devising processes in which information is provided to subcontractors on a strictly need-to-know basis. So we understand all of these issues and we will be progressing them with the firms that are appointed as we proceed. But we are acutely aware of the issue, and it is a high risk for the project.¹³

5.22 The Committee is satisfied that the Bank has taken, and will continue to take, all possible measures to protect security throughout the project.

5.23 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

5.24 The total estimated cost of the project is \$72 million.

11 Mr F. Campbell, Reserve Bank of Australia, transcript of evidence, 17 February 2014, p. 5.

12 Mr F. Campbell, Reserve Bank of Australia, transcript of evidence, 17 February 2014, p. 5.

13 Mr F. Campbell, Reserve Bank of Australia, transcript of evidence, 17 February 2014, p. 5.

- 5.25 The Committee received two confidential supplementary submissions detailing the project costs and held an in-camera hearing with the Bank on those costs.
- 5.26 The Committee considers that costs for the project have been adequately assessed by the proponent agency. The Committee is satisfied that the proposed expenditure is cost effective. As the work is not revenue generating, the Committee makes no comment in relation to this matter.

Committee comments

- 5.27 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 5.28 The Committee commends the Bank for presenting information in a clear and consistent manner, and for preparing thoroughly for the inspections and hearings.
- 5.29 Proponent agencies must notify the Committee of any changes to the project scope, time and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A template for the report can be found on the Committee's website.
- 5.30 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

- 5.31 **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: Reserve Bank of Australia, National Banknote Site, Craigieburn, Victoria.**

