

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

**Agriculture and Water Resources**

**Question:** 113

**Division/Agency:** Grains Research and Development Corporation

**Topic:** Business Plan

**Proof Hansard page:** 77

**Senator CAMERON asked:**

**Senator CAMERON:** Is this a new business plan that you have?

**Mr Harvey:** It is a model that we have been working on over the last 12 months. GRDC has grown over the last five years from a \$140 million spend to \$200 million. We have needed to adapt and we needed to get better regional engagement, which that means getting closer to growers and hence the—

**Senator CAMERON:** Mr Harvey, is this a new business plan you are developing?

**Mr Harvey:** Yes.

**Senator CAMERON:** Is that business plan available?

**Mr Harvey:** We can certainly make it available.

**Senator CAMERON:** Can you provide copies of the business plan? Is this the hub and spoke business plan?

**Mr Harvey:** Yes.

**Senator CAMERON:** Can you provide copies to the committee of that hub and spoke business plan?

**Mr Harvey:** Yes.

**Answer:**

The Grains Research and Development Corporation (GRDC) 'hub and spoke' business plan is provided as an electronic copy (Attachment A): *GRDC Relocation Independent Cost Analysis 16 June 2015*.

# GRDC Relocation Independent Cost Analysis

## Initial Results Report

16 June 2015

# Background

Marsden Jacob Associates (Marsden Jacob) has been engaged to undertake an independent relocation cost analysis for the Grains Research and Development Corporation (GRDC).

The GRDC's offices are currently located at: 4 National Circuit, Barton, ACT 2600

The Minister for Agriculture (the Hon, Barnaby Joyce MP) has recently expressed a preference for the GRDC to relocate from the ACT to Wagga Wagga.

# Methodology and Scenarios

## Methodology

- **Cost-effectiveness:** The results are based on a cost-effectiveness analysis of the base case (business as usual) as compared to two alternative relocation scenarios. Please note that this means that neither financial nor cost-benefit analysis has been undertaken.
- **Timeframe:** The relocation cost is modelled over 4 and 10 year time horizons using nominal values and nominal discount rates.

## Scenarios

- **Base Case:** GRDC remains in the ACT.
- **Scenario 1 (Full Relocation):**
  - a) GRDC relocates to Wagga Wagga (NSW) and immediately pays out the balance of the ACT lease.
  - b) (Sensitivity test) GRDC relocates to Wagga Wagga (NSW) and a 'full cost' sub-lease is agreed after 3 years, triggering the make good requirement.
- **Scenario 2 (Hub and Regional Offices Model):**
  - GRDC retains its head office in the ACT and establishes regional offices in Wagga Wagga (NSW), Adelaide (SA), Perth (WA) and Toowoomba (QLD).
  - FRDC and RIRDC take up the GRDC's vacant office space in the ACT.

# Initial Results

The key conclusions from the analysis are:

- **Base Case:** Staying in the ACT is the most cost-effective alternative because this avoids a number of significant costs such as redundancy, make good, relocation and fitout costs.
- **Scenario 1a:** Relocating to Wagga Wagga is estimated to cost the GRDC between \$27 and \$29.5 million in present value terms, if the lease is paid out in full.
- **Scenario 1b:** Relocating to Wagga Wagga is estimated to cost the GRDC between \$21 and \$23 million in present value terms, if it is possible to sub-lease the ACT office after Year 3 at full lease cost.
- **Scenario 2:** The 'Hub and Regional Locations' model is considerably more cost-effective than full relocation options. It is estimated that this alternative would cost the GRDC between \$1 and 1.5 million in present value terms.

The assumptions and analysis that underpins these results are discussed in more detail on the following slides.

Results	Incremental Present Value	Incremental Total
<b>Scenario 1a (Wagga) incremental to Base Case</b>		
- 10 years analysis period	\$ 27,456,634	\$ 29,124,248
- 4 years analysis period	\$ 29,490,547	\$ 32,329,361
<b>Scenario 1b (Wagga) incremental to Base Case</b>		
- 10 years analysis period	\$ 21,140,893	\$ 21,995,439
- 4 years analysis period	\$ 23,174,806	\$ 25,200,551
<b>Scenario 2 (Hub and Regional Locations) incremental to Base Case</b>		
- 10 years analysis period	\$ 991,696	\$ 812,056
- 4 years analysis period	\$ 1,504,904	\$ 1,578,065

# Other costs and benefits

- This cost-effectiveness analysis has been undertaken from the perspective of the GRDC. Cost-effectiveness analysis is founded on an economic analysis framework and thus it ignores sunk costs, because they have already been incurred. A key consequence of this is that it excludes the cost associated with the recent fitout of the GRDC's new offices in Barton (estimated at \$3,784,000). A full financial analysis would confirm that the GRDC would need to 'write-off' this fitout cost, because it is an asset on GRDC's financial accounts.
- If the GRDC were to relocate to Wagga Wagga a number of additional costs would be incurred by other stakeholders (that have not been quantified in this analysis), including:
  - Australian Government: Department of Agriculture officers may incur additional travel costs because they would have to fly to Wagga Wagga for meetings with the GRDC.
  - Industry and State Government: Stakeholders travelling from all states and territories (except NSW) will incur additional costs because there are only frequent direct flights between Wagga Wagga and Sydney. This means stakeholders travelling from other locations will typically have to travel via Sydney and will probably have to overnight in order to make meetings in time.
  - Research providers that are not locally based will incur additional travel costs when they meet with the GRDC.
- The key beneficiaries from the relocation would include:
  - New employees of the GRDC.
  - Local research providers. However, the GRDC will have to be careful that 'local bias' does not emerge that could threaten relationships with other stakeholders.

# Key assumptions: Base Case

The base case assumes:

- **Workforce:**
  - The current workforce is retained and no redundancies are anticipated.
- **Office location:**
  - The GRDC is based at 4 National Circuit for the full 10 years.
- **Other costs:**
  - All other costs remain unchanged.

# Key Assumptions: Scenario 1a

GRDC relocates to Wagga Wagga in 2016/17:

- Existing workforce:
  - 90% of the workforce is made redundant.
  - Financial advice and counselling services are provided to the existing workforce.
  - 8 key staff are paid a retention bonus for three years and relocation costs (moving, real estate sale/purchase costs, rental assistance).
- New workforce:
  - Recruitment agents are engaged costing 20% of the annual salary of new recruits.
  - Salary costs are assumed to be 10% lower in Wagga Wagga (Source: 2015 Hays Salary Guide)
  - Conservatively the analysis assumes that no additional staff members are required to offset additional travel time. Increased travel time results from staff having to (1) transit via Sydney when travelling to VIC, SA, WA and QLD; (2) overnight more frequently because they can't reach their destination early enough in the morning.
- Transition:
  - A 12 month transition period is assumed, this is a conservative estimate because a longer transition period may be necessary. Over this period the analysis assumes that 90% of the existing Canberra and new Wagga Wagga workforce and accommodation costs are duplicated, this could take the form of consultants/contractors/existing staff.
  - This transition period is essential to ensure continuity of research and development (R&D) outcomes and to maintain relationships with stakeholders.



# Key Assumptions: Scenario 1a, continued

- Office location:
  - GRDC board decides to pay out the balance of the Act lease in 2017-18.
  - GRDC will relocate to A Grade offices in Wagga Wagga. The analysis assumes that there is available office capacity, but this needs to be tested because if a new building needs to be developed this could increase the cost. The office accommodation cost has been estimated based on web research.
  - GRDC will not be co-located with CSU in Wagga Wagga, to avoid the risk of ‘local stakeholder’ capture impacting on relationships with other stakeholders.
  - Establishment costs for the new offices include fitout, fixtures and fittings, ICT setup.
  - Make good is payable for the ACT offices.
- Travel and telecommunication costs:
  - Additional travel costs are incurred because direct flights only operate frequently to Sydney.
  - Additional telecommunication costs are incurred because it is anticipated that more video and tele-conferencing will take place.

# Key Assumptions: Scenario 1b

GRDC relocates to Wagga Wagga in 2016/17:

- Existing workforce:
  - 90% of the workforce is made redundant.
  - Financial advice and counselling services are provided to the existing workforce.
  - 8 key staff are paid a retention bonus for three years and relocation costs (moving, real estate sale/purchase costs, rental assistance).
- New workforce:
  - Recruitment agents are engaged costing 20% of the annual salary of new recruits.
  - Salary costs are assumed to be 10% lower in Wagga Wagga (Source: 2015 Hays Salary Guide)
  - Conservatively, the analysis assumes that no additional staff members are required to offset additional travel time. Increased travel time results from staff having to (1) transit via Sydney when travelling to VIC, SA, WA and QLD; (2) overnight more frequently because they can't reach their destination early enough in the morning.
- Transition:
  - A 12 month transition period is assumed, this is a conservative estimate because a longer transition period may be necessary. Over this period the analysis assumes that 90% of the existing Canberra and new Wagga Wagga workforce and accommodation costs are duplicated, this could take the form of consultants/contractors/existing staff.
  - This transition period is essential to ensure continuity of research and development (R&D) outcomes and to maintain relationships with stakeholders.

# Key Assumptions: Scenario 1b, continued

- Office location:
  - GRDC sub-leases 4 National Circuit, Barton from 2019-20 onwards. Market analysis by the Property Council of Australia and Savills confirms that current vacancy rates are high for A Grade office accommodation in the ACT (over 15%) and are expected to remain that way for 2-3 years after which it is forecast that there will be a demand recovery.
  - GRDC will relocate to A Grade offices in Wagga Wagga. The analysis assumes that there is available office capacity, but this needs to be tested because if a new building needs to be developed this could increase the cost. The office accommodation cost has been estimated based on web research.
  - GRDC will not be co-located with CSU in Wagga Wagga, to avoid the risk of ‘local stakeholder’ capture impacting on relationships with other stakeholders.
  - Establishment costs for the new offices include fitout, fixtures and fittings, ICT setup.
  - Make good is payable for the ACT offices.
- Travel and telecommunication costs:
  - Additional travel costs are incurred because direct flights only operate frequently to Sydney.
  - Additional telecommunication costs are incurred because it is anticipated that more video and tele-conferencing will take place.

# Key Assumptions: Scenario 2

GRDC established the ACT Hub and 4 Regional Offices model in 2016/17:

- Existing workforce:
  - 54 of 78 permanent staff are retained in the ACT. 24 staff are located in regional offices in Wagga Wagga (NSW), Adelaide (SA), Perth (WA) and Toowoomba (QLD). There will be 6 staff in each office.
  - Redundancies are paid to 14 staff to facilitate this change.
  - Financial advice and counselling services are provided to the redundant employees.
  - No retention payments are made.
- Regional workforce:
  - Recruitment agents are engaged costing 20% of the annual salary of new recruits.
  - Salary costs are assumed to be 5% lower on average across the regional offices (Source: 2015 Hays Salary Guide).
  - No relocation costs are payable because staff can be found locally in the regions.
- Office location:
  - ACT workforce remains at 4 National Circuit, Barton ACT. Vacant office space is assumed to be taken up by FRDC and RIRDC at GRDC's negotiated rates.
  - New offices are established in Wagga Wagga (NSW), Adelaide (SA) and Toowoomba (QLD). Perth staff are accommodated at the existing GRDC office. The office accommodation cost has been estimated based on web research.
  - Establishment costs for the new regional offices include fitout, fixtures and fittings, ICT setup.
  - No make good is payable for the ACT offices.

# Key Assumptions: Scenario 2, continued

- Transition and Revenue:
  - 8 staff are duplicated over the first 12 months to facilitate the transition to regional hubs.
- Travel and telecommunication costs:
  - Additional travel costs are incurred for staff in regional locations. The analysis assumes that two additional trips to the ACT will be required. However, it is noted that basing staff in regional offices could reduce the travel cost and time for GRDC staff, because they no longer have to travel from the ACT.
  - Additional telecommunication costs are incurred to ensure that staff in regional hubs are well connected to the ACT.

# Results – Scenario 1a

Cost-Effectiveness Analysis			4 years (TOTAL)	10 years (TOTAL)	PV 4 years	PV 11 years	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>1.00 BASE CASE - Canberra</b>																	
1.01	Input 1	Staffing cost															
		3.0%	\$ 48,554,432	149,349,225	43,866,554	106,709,003	11,520,000	11,923,400	12,339,808	12,771,224	13,154,361	13,548,992	13,955,461	14,374,125	14,805,349	15,249,510	15,706,995
1.02	Input 2	Redundancy	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.02	Input 2	Office Accommodation	\$ 4,073,608	11,202,422	3,691,011	8,171,231	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402
1.03	Input 3	Travel	\$ 8,222,608	24,931,551	7,437,876	17,855,387	1,995,000	2,034,900	2,075,598	2,117,110	2,180,623	2,246,042	2,313,423	2,382,826	2,454,311	2,527,940	2,603,778
1.04	Input 4	Telecommunications	\$ 1,590,116	4,821,350	1,438,362	3,452,937	385,800	393,516	401,386	409,414	421,696	434,347	447,378	460,799	474,623	488,862	503,528
1.05	Input 5		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.06	Input 6		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.07	Input 7		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.08	Input 8		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.09	Input 9		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.10	Input 10		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Base Case (BAU)</b>			<b>\$ 62,440,764</b>	<b>190,304,548</b>	<b>56,433,802</b>	<b>136,188,558</b>	<b>14,919,202</b>	<b>15,370,218</b>	<b>15,835,194</b>	<b>16,316,150</b>	<b>16,775,083</b>	<b>17,247,783</b>	<b>17,734,664</b>	<b>18,236,152</b>	<b>18,752,685</b>	<b>19,284,713</b>	<b>19,832,703</b>
<b>2.00 SCENARIO 1a - Wagga Wagga (early termination and payout of lease)</b>																	
2.01	Input 1	Staffing cost	\$ 55,709,058	146,441,122	50,779,248	107,347,896	11,520,000	21,584,926	11,107,908	11,496,224	11,841,111	12,196,344	12,562,235	12,939,102	13,327,275	13,727,093	14,138,906
2.02	Input 2	Redundancy + Recruitment + Retention															
		Bonus + Relocation cost	\$ 5,139,260	5,139,260	4,748,072	4,748,072	-	4,526,460	306,400	306,400	-	-	-	-	-	-	-
2.02	Input 3	Office Accommodation															
		3.0%	\$ 18,466,584	24,317,211	16,599,897	20,247,583	1,018,402	6,279,552	10,427,326	741,304	763,544	786,450	810,044	834,345	859,375	885,157	911,711
2.03	Input 4	Travel	\$ 13,559,067	37,590,666	12,091,294	27,074,256	1,995,000	3,480,700	4,285,342	3,798,025	3,136,276	3,230,365	3,327,276	3,427,094	3,529,907	3,635,804	3,744,878
2.04	Input 5	Telecommunications	\$ 1,896,156	5,940,536	1,705,838	4,227,385	385,800	493,516	503,386	513,454	527,817	543,652	559,961	576,760	594,063	611,885	630,241
2.05	Input 6	Incentive payment from State Governme	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.06	Input 7		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.07	Input 8		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.08	Input 9		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.09	Input 10		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Scenario 1</b>			<b>\$ 94,770,125</b>	<b>219,428,796</b>	<b>85,924,350</b>	<b>163,645,192</b>	<b>14,919,202</b>	<b>36,365,154</b>	<b>26,630,362</b>	<b>16,855,407</b>	<b>16,268,749</b>	<b>16,756,811</b>	<b>17,259,515</b>	<b>17,777,301</b>	<b>18,310,620</b>	<b>18,859,938</b>	<b>19,425,737</b>
<b>INCREMENTAL COST</b>			<b>\$ 32,329,361</b>	<b>29,124,248</b>	<b>29,490,547</b>	<b>27,456,634</b>	<b>0</b>	<b>20,994,936</b>	<b>10,795,168</b>	<b>539,257</b>	<b>- 506,334</b>	<b>- 490,972</b>	<b>- 475,149</b>	<b>- 458,852</b>	<b>- 442,065</b>	<b>- 424,775</b>	<b>- 406,966</b>

# Results – Scenario 1b

## Cost-Effectiveness Analysis

		4 years (TOTAL)	10 years (TOTAL)	PV 4 years	PV 11 years	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
<b>1.00 BASE CASE - Canberra</b>																	
1.01	Input 1	Staffing cost															
		3.0%	\$ 48,554,432	149,349,225	43,866,554	106,709,003	11,520,000	11,923,400	12,339,808	12,771,224	13,154,361	13,548,992	13,955,461	14,374,125	14,805,349	15,249,510	15,706,995
1.02	Input 2	Redundancy	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.02	Input 2	Office Accommodation	\$ 4,073,608	11,202,422	3,691,011	8,171,231	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402
1.03	Input 3	Travel	\$ 8,222,608	24,931,551	7,437,876	17,855,387	1,995,000	2,034,900	2,075,598	2,117,110	2,180,623	2,246,042	2,313,423	2,382,826	2,454,311	2,527,940	2,603,778
1.04	Input 4	Telecommunications	\$ 1,590,116	4,821,350	1,438,362	3,452,937	385,800	393,516	401,386	409,414	421,696	434,347	447,378	460,799	474,623	488,862	503,528
1.05	Input 5		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.06	Input 6		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.07	Input 7		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.08	Input 8		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.09	Input 9		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.10	Input 10		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Base Case (BAU)</b>			<b>\$ 62,440,764</b>	<b>190,304,548</b>	<b>56,433,802</b>	<b>136,188,558</b>	<b>14,919,202</b>	<b>15,370,218</b>	<b>15,835,194</b>	<b>16,316,150</b>	<b>16,775,083</b>	<b>17,247,783</b>	<b>17,734,664</b>	<b>18,236,152</b>	<b>18,752,685</b>	<b>19,284,713</b>	<b>19,832,703</b>
<b>2.00 SCENARIO 1b - Wagga Wagga (sensitivity analysis)</b>																	
2.01	Input 1	Staffing cost	\$ 55,709,058	146,441,122	50,779,248	107,347,896	11,520,000	21,584,926	11,107,908	11,496,224	11,841,111	12,196,344	12,562,235	12,939,102	13,327,275	13,727,093	14,138,906
2.02	Input 2	Redundancy + Recruitment + Retent	\$ 5,139,260	5,139,260	4,748,072	4,748,072	-	4,526,460	306,400	306,400	-	-	-	-	-	-	
2.02	Input 3	Office Accommodation	\$ 11,337,774	17,188,401	10,284,156	13,931,842	1,018,402	6,279,552	1,738,115	2,301,706	763,544	786,450	810,044	834,345	859,375	885,157	911,711
2.03	Input 4	Travel	\$ 13,559,067	37,590,666	12,091,294	27,074,256	1,995,000	3,480,700	4,285,342	3,798,025	3,136,276	3,230,365	3,327,276	3,427,094	3,529,907	3,635,804	3,744,878
2.04	Input 5	Telecommunications	\$ 1,896,156	5,940,536	1,705,838	4,227,385	385,800	493,516	503,386	513,454	527,817	543,652	559,961	576,760	594,063	611,885	630,241
2.05	Input 6	Incentive payment from State Gover	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.06	Input 7		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.07	Input 8		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.08	Input 9		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.09	Input 10		\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Scenario 1</b>			<b>\$ 87,641,316</b>	<b>212,299,986</b>	<b>79,608,609</b>	<b>157,329,451</b>	<b>14,919,202</b>	<b>36,365,154</b>	<b>17,941,151</b>	<b>18,415,809</b>	<b>16,268,749</b>	<b>16,756,811</b>	<b>17,259,515</b>	<b>17,777,301</b>	<b>18,310,620</b>	<b>18,859,938</b>	<b>19,425,737</b>
<b>INCREMENTAL COST</b>			<b>\$ 25,200,551</b>	<b>21,995,439</b>	<b>23,174,806</b>	<b>21,140,893</b>	<b>0</b>	<b>20,994,936</b>	<b>2,105,957</b>	<b>2,099,659</b>	<b>- 506,334</b>	<b>- 490,972</b>	<b>- 475,149</b>	<b>- 458,852</b>	<b>- 442,065</b>	<b>- 424,775</b>	<b>- 406,966</b>

# Results – Scenario 2

## Cost-Effectiveness Analysis

		4 years (TOTAL)	10 years (TOTAL)	PV 4 years	PV 11 years	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26										
<b>1.00 BASE CASE - Canberra</b>																										
1.01	Input 1	Staffing cost																								
		3.0%	\$ 48,554,432	149,349,225	43,866,554	106,709,003	11,520,000	11,923,400	12,339,808	12,771,224	13,154,361	13,548,992	13,955,461	14,374,125	14,805,349	15,249,510	15,706,995									
1.02	Input 2	Redundancy	3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.02	Input 2	Office Accommodation	3.0%	\$ 4,073,608	11,202,422	3,691,011	8,171,231	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402	1,018,402									
1.03	Input 3	Travel	3.0%	\$ 8,222,608	24,931,551	7,437,876	17,855,387	1,995,000	2,034,900	2,075,598	2,117,110	2,180,623	2,246,042	2,313,423	2,382,826	2,454,311	2,527,940	2,603,778								
1.04	Input 4	Telecommunications	3.0%	\$ 1,590,116	4,821,350	1,438,362	3,452,937	385,800	393,516	401,386	409,414	421,696	434,347	447,378	460,799	474,623	488,862	503,528								
1.05	Input 5		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.06	Input 6		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.07	Input 7		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.08	Input 8		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.09	Input 9		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
1.10	Input 10		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
<b>Total Base Case (BAU)</b>			\$ <b>62,440,764</b>	<b>190,304,548</b>	<b>56,433,802</b>	<b>136,188,558</b>	<b>14,919,202</b>	<b>15,370,218</b>	<b>15,835,194</b>	<b>16,316,150</b>	<b>16,775,083</b>	<b>17,247,783</b>	<b>17,734,664</b>	<b>18,236,152</b>	<b>18,752,685</b>	<b>19,284,713</b>	<b>19,832,703</b>									
<b>2.00 SCENARIO 2 - Canberra HQ and regional office in Adelaide (co-location)</b>																										
2.01	Input 1	Staffing cost	3.0%	\$ 49,232,386	148,041,915	44,541,206	106,145,905	11,520,000	13,037,675	12,155,030	12,519,681	12,895,271	13,282,129	13,680,593	14,091,011	14,513,741	14,949,154	15,397,628								
2.02	Input 2	Redundancy + Recruitment + Retention Bonus + Relocation cost	3.0%	\$ 879,400	879,400	821,869	821,869	-	879,400	-	-	-	-	-	-	-	-									
2.03	Input 3	Office Accommodation	3.0%	\$ 3,792,647	11,323,513	3,435,851	8,131,114	1,018,402	821,500	974,264	978,481	982,826	1,012,311	1,042,680	1,073,960	1,106,179	1,139,365	1,173,545								
2.04	Input 4	Travel	3.0%	\$ 8,400,644	25,591,871	7,593,409	18,311,610	1,995,000	2,092,500	2,134,926	2,178,218	2,243,564	2,310,871	2,380,197	2,451,603	2,525,151	2,600,906	2,678,933								
2.05	Input 5	Telecommunications	3.0%	\$ 1,713,752	5,279,905	1,546,371	3,769,758	385,800	433,516	442,586	451,850	465,406	479,368	493,749	508,561	523,818	539,533	555,719								
2.06	Input 6	Incentive payment from State Government	3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-									
2.07	Input 7		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
2.08	Input 8		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
2.09	Input 9		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
2.10	Input 10		3.0%	\$ -	-	-	-	-	-	-	-	-	-	-	-	-										
<b>Total Scenario 2</b>			\$ <b>64,018,829</b>	<b>191,116,603</b>	<b>57,938,707</b>	<b>137,180,255</b>	<b>14,919,202</b>	<b>17,264,591</b>	<b>15,706,806</b>	<b>16,128,230</b>	<b>16,587,067</b>	<b>17,084,679</b>	<b>17,597,219</b>	<b>18,125,136</b>	<b>18,668,890</b>	<b>19,228,957</b>	<b>19,805,826</b>									
<b>INCREMENTAL COST</b>			\$ <b>1,578,065</b>	<b>812,056</b>	<b>1,504,904</b>	<b>991,696</b>	<b>0</b>	<b>1,894,373</b>	<b>-</b>	<b>128,388</b>	<b>-</b>	<b>187,920</b>	<b>-</b>	<b>188,016</b>	<b>-</b>	<b>163,104</b>	<b>-</b>	<b>137,445</b>	<b>-</b>	<b>111,016</b>	<b>-</b>	<b>83,795</b>	<b>-</b>	<b>55,757</b>	<b>-</b>	<b>26,877</b>



# Assumptions

<b>BASE CASE - MJA Analysis</b>				
<b>Canberra Location: Base Costs</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Current staffing</b>				
Number of actual employees	76	78	78	78
Number of FTE employees	76	77	77	77
Staffing costs	11,500,000	11,903,000	12,319,000	12,750,000
Ongoing advertising and recruitment costs	20,000	20,400	20,808	21,224
<b>Total staffing costs</b>	<b>11,520,000</b>	<b>11,923,400</b>	<b>12,339,808</b>	<b>12,771,224</b>
<b>Ongoing redundancy costs (if applicable)</b>				
Termination payments (XX employees)	0	0	0	0
Legal costs	0	0	0	0
Counselling (XX employees @ \$X00)	0	0	0	0
Financial advice (XX employees @ \$X00)	0	0	0	0
<b>Total redundancy costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Office Premises: area currently rented = 2148 m<sup>2</sup></b>				
Lease costs	1,018,402	1,018,402	1,018,402	1,018,402
Ongoing fitout/upgrade costs	0	0	0	0
Make good	0	0	0	0
Fixtures and fittings (ongoing maintenance or replacement)	0	0	0	0
ICT hardware costs	0	0	0	0
<b>Total office premises</b>	<b>1,018,402</b>	<b>1,018,402</b>	<b>1,018,402</b>	<b>1,018,402</b>
<b>Travel and telecommunications</b>				
Board travel	275,000	280,500	286,110	291,832
Staff travel	1,720,000	1,754,400	1,789,488	1,825,278
Telecommunications	385,800	393,516	401,386	409,414
<b>Total travel and communications</b>	<b>2,380,800</b>	<b>2,428,416</b>	<b>2,476,984</b>	<b>2,526,524</b>
<b>Total base costs</b>	<b>14,919,202</b>	<b>15,370,218</b>	<b>15,835,194</b>	<b>16,316,150</b>
<b>FOUR YEAR TOTAL</b>				<b>62,440,764</b>

**SCENARIO 1: MJA**

Wagga Wagga:Incremental/Changed Costs (+ / -)	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Staffing</b>					
Permanent employment (5% saving for Wagga Wagga staff)	11,520,000	10,733,100	11,107,908	11,496,224	11,841,111
Duplicate workforce (12 months for 90%)	0	10,851,826	0	0	0
Additional staff reflecting travel time losses	0	0	0	0	0
<b>Total additional staffing</b>	<b>11,520,000</b>	<b>21,584,926</b>	<b>11,107,908</b>	<b>11,496,224</b>	<b>11,841,111</b>
<b>Redundancies: 90%, 65 employees</b>					
Termination payments (65 employees)	0	1,625,000	0	0	0
Legal costs	0	10,000	0	0	0
Counselling (68 employees @ \$150)	0	10,200	0	0	0
Financial advice (78 employees @ \$2,500)	0	195,000	0	0	0
<b>Total redundancy costs</b>	<b>0</b>	<b>1,840,200</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Employment (additional)</b>					
Retention bonus (8 staff at 20% of salary)	0	306,400	306,400	306,400	0
Recruit replacement employees (20% of salary cost)	0	1,705,860	0	0	0
Incentives to attract staff to the region	0	0	0	0	0
<b>Total employment costs</b>	<b>0</b>	<b>2,012,260</b>	<b>306,400</b>	<b>306,400</b>	<b>0</b>
<b>Relocation Costs for 8 employees</b>					
Employees and families (up to \$20,000 each for 8 employees + 5 new staff)		260,000			
Real estate sale and purchase costs (up to \$30,000 for 8 existing staff)		240,000			
Short term housing or rental assistance (\$3,000 for 8 existing staff)		24,000			
Office plant, equipment & records (incl. furniture)		90,000			
ICT equipment		50,000			
Insurance		10,000			
<b>Total relocation costs</b>	<b>0</b>	<b>674,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New Office Premises: area to be rented = 2150 m2</b>					
Project management (10% of total fitout)	0	378,400	0	0	0
Fitout (@ \$1760 per m <sup>2</sup> , A Grade office presentation)	0	3,784,000	0	0	0
Fixtures and fittings - included in the above	0	0	0	0	0
Additional ICT (setup, etc)	0	400,000	0	0	0
Lease per year (@ \$325/m2)	0	698,750	719,713	741,304	763,543
Retain existing location for one year	0	1,018,402	0	0	1
<b>Total new office premises</b>	<b>0</b>	<b>6,279,552</b>	<b>719,713</b>	<b>741,304</b>	<b>763,544</b>
<b>Current lease - immediate payout (Scenario 1a)</b>					
Payout to end of lease 30 Sept 2016 (3 months)	0	0	9,165,613	0	0
Write-off fit-out of existing building	0	0	0	0	0
Makegood	0	0	542,000	0	0
<b>Total current lease</b>	<b>0</b>	<b>0</b>	<b>9,707,613</b>	<b>0</b>	<b>0</b>
at there would be a big increase in the number of video and teleconference, e.g. funding agreement - weekly meetings with the Dept of Ag. Increasing it by 25% not unreasonable.					
<b>Current lease - ACT property is sub-leased after three years (Scenario 1b)</b>					
Payout to end of lease 30 Sept 2016 (3 months)	0	0	1,018,402	1,018,402	0
Write-off fit-out of existing building	0	0	0	0	0
Makegood (not applicable)	0	0	0	542,000	0
<b>Total current lease</b>	<b>0</b>	<b>0</b>	<b>1,018,402</b>	<b>1,560,402</b>	<b>0</b>
<b>Travel and telecommunications (additional costs due to regional location)</b>					
Board travel	0	33,600	68,544	69,915	71,313
Staff travel	0	500,000	850,000	867,000	884,340
Consultant travel	0	912,200	1,291,200	744,000	0
Telecommunications - additional teleconferencing facility	0	100,000	102,000	104,040	106,121
<b>Total additional travel and communications</b>	<b>0</b>	<b>1,545,800</b>	<b>2,311,744</b>	<b>1,784,955</b>	<b>1,061,774</b>
<b>Total incremental/changed costs (base analysis)</b>	<b>11,520,000</b>	<b>33,936,738</b>	<b>24,153,378</b>	<b>14,328,883</b>	<b>13,666,429</b>
<b>Total incremental/changed costs (sensitivity analysis)</b>	<b>11,520,000</b>	<b>33,936,738</b>	<b>15,464,167</b>	<b>15,889,285</b>	<b>13,666,429</b>
<b>FIVE YEAR TOTAL (base analysis)</b>					<b>97,605,428</b>
<b>FIVE YEAR TOTAL (sensitivity analysis)</b>					<b>90,476,618</b>

<b>SCENARIO 2: MJA</b>						
<b>Canberra HQ + Regional Offices: Incremental/Changed Costs (+ / -)</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2018-20</b>	
n other. Bayer thinks it is ridiculous for GRDC to move to a regional location.						
<b>Staffing</b>						
Permanent employment (5% saving for Regional staff)	11,520,000	11,801,000	12,155,030	12,519,681	12,895,271	
Duplicate workforce (3 of 5 staff for 12 months)	0	1,236,675	0	0	0	
Additional staff reflecting travel time losses (2 staff)	0	0	0	0	0	
<b>Total additional staffing</b>	<b>11,520,000</b>	<b>13,037,675</b>	<b>12,155,030</b>	<b>12,519,681</b>	<b>12,895,271</b>	
<b>Redundancies: 16 staff</b>						
Termination payments (14 employees, 12.7 FTEs)	0	400,000	0	0	0	
Legal costs	0	5,000	0	0	0	
Counselling (16 employees @ \$150)	0	2,400	0	0	0	
Financial advice (16 employees @ \$2,500)	0	40,000	0	0	0	
<b>Total redundancy costs</b>	<b>0</b>	<b>447,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Employment (additional)</b>						
Retention bonus (three staff members)	0	0	0	0	0	
Recruit replacement employees (20% of average salary cost)	0	432,000	0	0	0	
Incentives to attract staff to the region	0	0	0	0	0	
<b>Total employment costs</b>	<b>0</b>	<b>432,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Relocation Costs</b>						
Employees and families	0	0	0	0	0	
Real estate sale and purchase costs (up to \$30,000 each)	0	0	0	0	0	
Short term housing or rental assistance (\$15,000 each)	0	0	0	0	0	
Office plant, equipment & records (incl. furniture)	0	0	0	0	0	
ICT equipment	0	0	0	0	0	
Insurance	0	0	0	0	0	
<b>Total relocation costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>New Office Premises: area to be rented = 390 m2 across four states</b>						
Project management (10% of total fitout)	0	0	0	0	0	
Fitout (390m <sup>2</sup> @ \$1500 per m <sup>2</sup> )	0	585,000	0	0	0	
Fixtures and fittings	0	50,000	0	0	0	
Additional ICT (setup, etc)	0	50,000	0	0	0	
Regional leases per year (390m2 @ \$350/m2)	0	136,500	140,595	144,813	149,157	
ACT lease per year (1760m2 @ \$475/m2)	0	0	833,669	833,669	833,669	
<b>Total new office premises</b>	<b>0</b>	<b>821,500</b>	<b>974,264</b>	<b>978,481</b>	<b>982,826</b>	
<b>Current lease</b>						
Payout to end of lease 30 Sept 2016 (3 months)	0	0	0	0	0	
Makegood (not applicable)	0	0	0	0	0	
<b>Total current lease</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Location)</b>						
Staff trips to Canberra (24 staff * 2 trips per annum)	0	57,600	59,328	61,108	62,941	
Telecommunications - additional teleconferencing facility	0	40,000	41,200	42,436	43,709	
<b>Total additional travel and communications</b>	<b>0</b>	<b>97,600</b>	<b>100,528</b>	<b>103,544</b>	<b>106,650</b>	
when the property is subleased.						
<b>Total incremental/changed costs</b>	<b>11,520,000</b>	<b>14,836,175</b>	<b>13,229,822</b>	<b>13,601,706</b>	<b>13,984,747</b>	
<b>FIVE YEAR TOTAL</b>						<b>67,172,450</b>

# Caveats

- This report has been prepared in accordance with the scope of services described in the contract or agreement between Marsden Jacob Associates Pty Ltd ACN 072 233 204 (MJA) and the Client.
- Any findings, conclusions or recommendations only apply to the aforementioned circumstances and no greater reliance should be assumed or drawn by the Client. Furthermore, the report has been prepared solely for use by the Client and Marsden Jacob Associates accepts no responsibility for its use by other parties.
- The analysis in this report has been predominantly informed by information provided by the client.
- Only limited independent verification of key cost drivers has been possible in the timeframe available for the development of this Initial Report.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

**Agriculture and Water Resources**

**Question:** 114

**Division/Agency:** Grains Research and Development Corporation

**Topic:** Voluntary redundancies

**Proof Hansard page:** 78

**Senator CAMERON asked:**

**Senator CAMERON:** What was the cost of the voluntary redundancies?

**Ms Howitt:** I am sorry, I do not have that with me. I will have to take that on notice.

**Senator CAMERON:** You can tell me every other cost but you cannot tell me about the 12. You have actually paid this out and you cannot tell me.

**Ms Howitt:** I do not have that on me at the moment.

**Senator BULLOCK:** Can you find it? Can you ring someone and get it?

**Ms Howitt:** I am sorry but my HR manager is actually unwell and he is out of the office for the rest of this week. We only have one person who is available in that area.

**Senator CAMERON:** There is obviously a cost and I assume you will take that on notice.

**Ms Howitt:** Yes.

**Answer:**

The Grains Research and Development Corporation had six employees choose to take a voluntary redundancy during the recent organisational restructure. The cost of this to the corporation was \$144 025.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

**Agriculture and Water Resources**

**Question:** 115

**Division/Agency:** Grains Research and Development Corporation

**Topic:** GRDC restructure documentation (hub and spoke)

**Proof Hansard page:** 81

**Senator CAMERON asked:**

**Senator CAMERON:** So you are going to give us your business plan?

**Mr Harvey:** Yes.

**Senator CAMERON:** Can you also give us documentation, all internal emails in relation to the hub and spoke and any details of meetings that you have had in relation to the hub and spoke issue internally? I am trying to figure out whether this was in response to the minister or whether you were genuinely dealing with it prior to that?

**Mr Harvey:** As I said—

**Senator CAMERON:** You can just tell me the answer, if you like.

**Mr Harvey:** We will see what we can get out for you.

**Answer:**

Since July 2014, the Grains Research and Development Corporation (GRDC) has been working toward updating its investment systems and processes to better support projects that deliver benefits to growers.

As part of the investment process overhaul, Management flagged a need to revisit our organisational structure. An independent cost-analysis was undertaken by Marsden Jacob and Associates, which recommended a 'hub and spoke' organisational structure.

In line with the recommendations of the Marsden Jacob Associates analysis, *GRDC Relocation Independent Cost Analysis (16 June 2015)*, the GRDC Board and Executive considered the most strategically relevant and efficient operating structure to enable the GRDC to meet the needs of grower, industry and government stakeholders.