

Report 1/2011

Referrals made in October and November 2010

**Proposed fitout of new leased premises for the Attorney General's Department
at 4 National Circuit, Barton, ACT**

**Proposed fitout of new leased premises for Divisions of the Department of
Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside
Corporate Park, North Ryde, NSW**

Parliamentary Standing Committee on Public Works

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Membership of the Committee

Chair	Ms Janelle Saffin MP
Deputy Chair	Senator the Hon Judith Troeth
Members	Mrs Karen Andrews MP
	Mr John Forrest MP
	Senator Michael Forshaw
	Mr Steve Georganas MP
	Senator Gavin Marshall
	Mr Bernie Ripoll MP
	Hon Malcolm Turnbull MP

Committee Secretariat

Secretary	Sharon Bryant
Inquiry Secretary	Anthony Overs
Senior Research Officer	Thomas Gregory
Administrative Officers	Shaun Rowe Claire Young



List of recommendations

Proposed fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory

Recommendation 1

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: Proposed fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory.

Proposed fitout of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, New South Wales

Recommendation 2

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: proposed fitout of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, New South Wales.

Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to enquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Special Minister of State.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.¹
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
- the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
 - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
 - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
 - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
 - the clearing of land and the development of land for use as urban land or otherwise; and
 - any other matter declared by the regulations to be a work.²

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

2 The Act, Section 5.

- 1.4 The Act requires that the Committee consider and report on:
- the purpose of the work and its suitability for that purpose;
 - the need for, or the advisability of, carrying out the work;
 - whether the money to be expended on the work is being spent in the most cost effective manner;
 - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
 - the present and prospective public value of the work.³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Structure of the report

- 1.6 Works considered in this report were referred to the Committee on 28 October 2010 and 18 November 2010 by the Special Minister of State, the Hon Gary Gray MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on major issues of concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the proposed fitout of new leased premises for the Attorney General's Department at 4 National Circuit, Barton, Australian Capital Territory. The project is estimated to cost \$18 million.
- 1.11 Chapter 3 addresses the proposed fitout of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, New South Wales. The project is estimated to cost \$25.7 million.
- 1.12 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.

3 The Act, Section 17.

Proposed fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory

- 2.1 The proposed fitout of new leased premises for the Attorney-General's Department (AGD) at 4 National Circuit, Barton aims to provide additional office space for the Department, consolidating a number of dislocated premises across Canberra. Approximately 500 departmental staff would be accommodated in the new premises.¹ The estimated cost of the project is \$18 million.
- 2.2 The proposal was referred to the Committee on 28 October 2010.

Conduct of the inquiry

- 2.3 The inquiry was advertised in *The Australian* newspaper and submissions sought from those with a direct interest in the project. The Committee received one submission and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 2.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 19 November 2010 in Canberra.
- 2.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.² Plans for the proposed works are detailed in Submission 1: Attorney-General's Department.

1 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 3.

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

Need for works

2.6 The AGD submission states that the works are needed because:

- administrative staff are currently spread across five different properties in Canberra (including the majority of staff at the National Office at 3-5 National Circuit), creating organisational difficulties and inefficiencies, particularly where the properties are separated by significant distances;
- the four smaller premises' leases will all expire within the next eighteen months;
- some of the smaller premises meet neither the Australian Government's energy efficiency requirements nor the Department of Finance and Deregulation's Occupational Density Target, and would need considerable refurbishment to meet those requirements; and
- some of the premises do not comply with the Building Council of Australia's standards for disability access.

2.7 The Committee finds that there is a need for the proposed works.

Scope of works

2.8 The proposed scope of the works is detailed in Submission 1: AGD. In short the project proposes to fitout 8,000m² of the new 'West Building' at 4 National Circuit, including:

- allocated office space for Senior Executive Service (SES) and Executive Level 2 officers;
- open plan office accommodation for Executive Level 1 and APS Level officers;
- flexible, modular office design utilising workstations and demountable partitions;
- breakout areas and kitchens;
- meeting rooms;
- utility areas for office machines and storage;
- separately air conditioned communications equipment rooms;
- carers' and first aid rooms;
- showers, lockers and bicycle storage;
- standard workstations and personal storage units; and

- white goods and loose furniture.

- 2.9 Fitout works are expected to commence in early 2012, and to be completed by the end of June 2012.
- 2.10 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

Cost of works

- 2.11 The total estimated out-turn cost for this project is \$18 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with AGD on those costs.
- 2.12 The Committee is satisfied that the costings for the project provided to it are adequate.

Project issues

Open-market testing

- 2.13 The Department did not conduct an 'open-market' process to identify suitable new office accommodation; instead, it specifically identified the 'strategic' site at 4 National Circuit as the best site for additional premises.³ In its submission, AGD acknowledges that there are risks inherent in securing new premises in this way,⁴ because there is no effective competition to provide the Department with multiple options from which to select the best option.
- 2.14 AGD states that it carried out 'extensive market investigations'⁵ in order to ensure that the proposal put forward by the owner of 4 National Circuit was 'comparable to the market'⁶. AGD also advised the Committee that its legal and probity advice confirmed that the way in which the Department

3 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 4.

4 Submission 1, AGD, p. 10.

5 Submission 1, AGD, p. 7.

6 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 4.

has undertaken this project is 'fair' to other developers and building owners.⁷

- 2.15 The Committee is particularly concerned to ensure that, given the nature of AGD's approach in securing these premises, the Commonwealth gets good value for money. Whilst it is clear that the property at 4 National Circuit is a 'strategic' property for the Department, the Commonwealth must not end up paying a premium because of the non-competitive selection and negotiation process. AGD gave evidence that, based on analysis of current market information, the proposal represents 'value for money'⁸.

Staff facilities

- 2.16 The Committee inspected part of the Department's National Office at 3-5 National Circuit. The Committee was impressed with the fitout of AGD's newest accommodation, and is pleased that the proposal for 4 National Circuit would use a similar fitout.
- 2.17 The Committee is concerned, however, to ensure that suitable staff facilities are provided, especially given the reduction in the total amount of space leased by the Department and the relocation of many staff.
- 2.18 The owner of the building which would house the proposed fitout gave evidence to the Committee that it would be possible for some meeting rooms to be used by staff for recreational exercise.⁹ The Department informed the Committee that there would be approximately 220 bicycle racks and lockers, as well as some twenty showers, in the entire development, which will enable Departmental employees to ride or walk to work.¹⁰
- 2.19 The Committee sought the Department's assurances that staff relocating to Barton would have access to childcare facilities. Departmental officers informed the Committee that they expected more childcare places to be available, as a proposed new childcare facility in number 4 National Circuit could provide some space for AGD employees' children, as well as reducing demand for the current facility in 3-5 National Circuit.

7 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 9.

8 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 2.

9 Mr J. Lourensz, AGD, *Transcript of Evidence*, 19 November 2010, p. 6.

10 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 5.

Committee comment

- 2.20 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 2.21 At its public hearing on 19 November, AGD presented a letter to the Committee asking for 'Concurrent Documentation' approval. The Concurrent Documentation process exists to enable agencies to continue the preparation of contract documentation for works before Parliamentary approval has been given. However, in this case, AGD asked the Committee to allow it to commit to tendered prices for fitout works. Such approval would be tantamount to approval for the entire project to proceed, something the Committee cannot do.
- 2.22 Agencies must be fully aware of the Committee's role, and remember that the Committee does not approve projects – it merely gives a recommendation to Parliament regarding approval, on which the House of Representatives may then act. The Committee is not empowered to give any sort of approval for projects to proceed, and any Concurrent Documentation (where Committee approval is given) must be accompanied by the caveat that the works are subject to Parliamentary approval.
- 2.23 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

Recommendation 1

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: Proposed fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory.

Proposed fitout of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, New South Wales

- 3.1 The proposed fitout of new leased premises for the Divisions of the Department of Innovation, Industry, Science and Research at Riverside Corporate Park, North Ryde, aims to provide new office and laboratory space for three organisations – the National Measurement Institute (NMI), the Australian Astronomical Observatory (AAO – formerly the Anglo-Australian Observatory), and Enterprise Connect. The estimated cost of the project is \$25.7 million.
- 3.2 The proposal was referred to the Committee on 18 November 2010.

Conduct of the inquiry

- 3.3 The inquiry was advertised in *The Australian* newspaper and submissions sought from those with a direct interest in the project. The Committee received four submissions, one supplementary submission, and two confidential supplementary submissions detailing the project costs. A list of submissions can be found at Appendix A.
- 3.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 9 December 2010 in Sydney.
- 3.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.¹ Plans for the proposed

¹ <www.aph.gov.au/pwc>

works are detailed in Submission 1: Department of Innovation, Industry, Science and Research (DIISR).

Need for works

- 3.6 The DIISR submission states that the works are needed because:
- the current accommodation for the three divisions is old, inefficient, and many of the laboratories are unsuitable for the research being conducted therein;
 - building engineering services do not comply with statutory requirements;
 - repairs to existing premises are difficult and costly, and there is some infrastructure for which replacement parts are no longer available;
 - premises are crowded, and staff are forced to undertake office-work in laboratories due to lack of space; and
 - two existing leases are due to expire within eighteen months.
- 3.7 The Committee inspected some of the premises of both the NMI and AAO, and considers there is an urgent need for new accommodation for these organisations.
- 3.8 The Committee finds that there is a need for the proposed works.

Scope of works

- 3.9 The proposed scope of the works is detailed in Submission 1: DIISR. Briefly, the project proposes the fitout of some 10,200 m² of two buildings (linked at various levels) which will sit above a single carpark basement of two levels². The fitout will include:
- laboratories, offices and workstations;
 - meeting rooms, first-aid room, amenity area and dispersed tea stations;
 - a library;
 - sample reception facility, simplifying 'chain of custody' requirements for sport drug testing and forensic laboratories;
 - supplementary air conditioning in specialist laboratory areas;
 - fume cupboards and hoods;
-

2 Dr L. Besley, National Measurement Institute, *Transcript of Evidence*, 9 December 2010, p. 3.

- data cabling, including provision for expansion;
 - emergency generator for essential equipment and instruments including long-duration testing and sample storage;
 - security controls, including greater security for certain areas; and
 - secure bicycle, shower and locker facilities.
- 3.10 Fitout works are expected to commence in early 2011, and to be completed in mid 2012.
- 3.11 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

Cost of works

- 3.12 The total estimated out-turn cost for this project is \$25.7 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with DIISR on those costs.
- 3.13 The Committee is satisfied that the costings for the project provided to it are adequate.

Project issues

Bushfires

- 3.14 The Department's submission details aspects of fire protection to be incorporated into the proposed facility, including gas fire-retardation systems in some rooms to protect valuable instruments that would be destroyed by water from sprinklers.³
- 3.15 The submission also notes that a bushfire assessment has been undertaken by the building owner, the recommendations of which will be reflected in the development of the site and the building's construction. Given the site's proximity to the Lane Cove National Park, the Committee sought

3 Submission 1, DIISR, p. 15.

and received the Department's assurances that the building and fitout will be appropriate to the site's bushfire risk.⁴

- 3.16 The Committee also underlines the importance of giving clear and unambiguous information to staff regarding safety during a bushfire.

Childcare

- 3.17 The Committee is aware that childcare arrangements for staff may need to change as a result of the relocation of their workplace. The Department advised the Committee that the childcare centre in the enveloping business park is full for 2011, but that staff might be able to register for 2012 in the centre. The Department further advises that it recommends staff register in 'as many childcare centres as possible in the North Ryde area'.⁵ The Department should continue to provide as much assistance as possible to enable staff to change their childcare arrangements as necessary.

Committee comment

- 3.18 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 3.19 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

4 Mr J. Kent, DIISR, *Transcript of Evidence*, p. 4-5.

5 Submission 1.3, DIISR, p. 1.

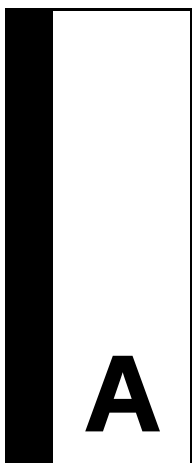
Recommendation 2

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: proposed fitout of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, New South Wales.

Ms Janelle Saffin MP

Chair

10 February 2011



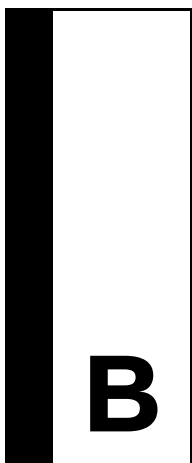
Appendix A – List of Submissions

Proposed fit-out of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory

1. Attorney General's Department
 - 1.1 Confidential
2. Department of Climate Change and Energy Efficiency

Proposed fit-out of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, NSW

1. Department of Innovation, Industry, Science and Research
 - 1.1 Confidential
 - 1.2 Confidential
 - 1.3 Supplementary
2. Department of Climate Change and Energy Efficiency
3. Food Standards Australia and New Zealand
4. Australian Federal Police



Appendix B – List of Inspections, Hearings and Witnesses

Proposed fit-out of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory

Friday, 19 November 2010 – Canberra, ACT

Site Inspection

Attorney-General's Department, 3-5 National Circuit, Barton ACT

Public Hearing

Attorney-General's Department

Ms Cathy Baily, Project Director, Finance and Property Division

Mr Brian Day, Director of Strategic Property, Finance and Property Division

Mr Stephen Lutze, General Manager, Finance and Property Division

Industry Super Property Trust

Mr Jason Lourensz, Property Development Manager

Wilde and Woollard

Mr David Warren, Senior Cost Planner

Property Advisory Australia Pty Ltd

Mr Paul Wilkin, Consultant

In-camera hearing

Five witnesses

Proposed fit-out of new leased premises for Divisions of the Department of Innovation, Industry, Science and Research at Buildings 2 and 3, Riverside Corporate Park, North Ryde, NSW

Thursday, 9 December 2010 – Sydney, NSW

Site Inspection

Australian Astronomical Observatory, 167 Vimiera Rd, Marsfield, NSW

Riverside Corporate Park, 105 Delhi Road, North Ryde, NSW

National Measurement Institute, 1 Suakin Street, Pymble, NSW

Public Hearing**Department of Innovation, Industry, Science and Research (DIISR)**

Mr Richard Byron, General Manager, Human Resources and Facilities Branch (DIISR)

Mr John Kent, Technical Project Advisor, (DIISR)

National Measurement Institute

Dr Laurie Besley, Chief Executive

Mr Reza Bilimoria, General Manager, Business Services

Mr James Roberts, General Manager, Analytical Services Branch

Australian Astronomical Observatory

Professor Matthew Colless, Director

In-camera hearing

Eight witnesses