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PARLIAMENTARY STANDING COMMITTEE ON PUBLIC
WORKS

**Reference: Midlife engineering services refurbishment of the Australian Embassy,
Paris, France**

MONDAY, 26 OCTOBER 2009

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PARLIAMENTARY STANDING
COMMITTEE ON PUBLIC WORKS

Monday, 26 October 2009

Members: Senator McLucas (*Chair*), Senator Troeth (*Deputy Chair*), Senator Forshaw and Mr Champion, Mr Forrest, Ms Hall, Mr Lindsay, Mr Price and Mr Slipper

Members in attendance: Senators Forshaw, McLucas and Troeth and Mr Champion, Mr Forrest, Ms Hall and Mr Lindsay

Terms of reference for the inquiry:

To inquire into and report on:

Midlife engineering services refurbishment of the Australian Embassy, Paris, France

WITNESSES

CHALAK, Mr Mays Adel, Director, ITC Group Pty Ltd..... 1

DAVIN, Mr Peter Julian, Executive Director, Overseas Property Office, Department of Foreign Affairs and Trade..... 1

FIGGIS, Mr Matthew Richard, Director, Cost Management, Turner and Townsend Pty Ltd 1

HARMSWORTH, Mr Keith Robert, Acting Assistant Secretary, Property Projects Branch, Overseas Property Office, Department of Foreign Affairs and Trade..... 1

Committee met at 9.07 am

CHALAK, Mr Mays Adel, Director, ITC Group Pty Ltd

DAVIN, Mr Peter Julian, Executive Director, Overseas Property Office, Department of Foreign Affairs and Trade

FIGGIS, Mr Matthew Richard, Director, Cost Management, Turner and Townsend Pty Ltd

HARMSWORTH, Mr Keith Robert, Acting Assistant Secretary, Property Projects Branch, Overseas Property Office, Department of Foreign Affairs and Trade

CHAIR (Senator McLucas)—I declare this meeting open. This is an inquiry into the proposed midlife engineering services refurbishment of the Australian embassy in Paris. I welcome the witnesses and thank you for the visual presentation. I look forward to hearing the oral presentation. Is there anything you would like to add about the capacity in which you appear today?

Mr Figgis—I am the cost planner on the project.

Mr Chalak—I am the services engineer.

CHAIR—Thank you. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would you like to make some opening remarks?

Mr Davin—This submission seeks approval for the Department of Foreign Affairs and Trade to undertake an engineering services upgrade at the Australian embassy in Paris at a total out-turn cost of \$28.3 million. The Australian embassy in Paris is one of the government's largest and most valuable overseas properties, comprising two nine-storey buildings providing approximately 18,000 square metres of office and residential accommodation.

The scope of the proposed work has been developed based on two key drivers. The first is the requirement to maintain efficient operations through the provision of a safe, modern working environment for chancellery tenants. The complex was constructed in the late 1970s and the engineering services are now over 30 years old. The building plant, equipment and many of the associated services have reached their end of life and are becoming increasingly difficult and costly to maintain.

The second project driver relates to our tenancy relationship with the International Energy Agency, the IEA. The IEA has been a commercial tenant in the building since 1996 and now occupies approximately 45 per cent of available office accommodation. Lease renewal negotiations were successfully concluded in April 2008 and were based in part on a requirement to upgrade and replace the base building engineering services in the IEA tenancy in return for a substantial increase in rent. This agreement recognised the existing condition of the engineering services, as well as the need to replace the systems with more energy efficient and zone

controlled equipment that will deliver improved performance and through-life energy savings for both the Commonwealth and the IEA.

The project will substantially redesign the operation of the building services to address environmentally sustainable design and incorporate modern building energy management features. The design of these systems will be undertaken in accordance with the Energy Efficiency in Government Operations policy and local codes, as appropriate. The works will also conform to the provisions of the Building Code of Australia and will meet all required occupational health and safety standards.

The refurbishment will require the works to be undertaken in a number of stages to minimise the potential disruption to the IEA and embassy tenants. Subject to parliamentary approval, construction is scheduled to commence in mid-2011, with practical completion scheduled for mid-2013.

CHAIR—Thank you, Mr Davin. When we were discussing earlier, you indicated that this building was co-designed by Harry Seidler, a very important Australian architect. I note in your submission that you say you have advised Harry Seidler and Associates of the proposed works. Has he had any input into the works as proposed?

Mr Davin—No. His firm, which continues to practice, has not had any input into the design works. I should make the first point that the works that are proposed do not go to any of the intellectual property aspects of the building. There are no proposals to change any of the design features. As a courtesy and as a matter of course we contacted his practice and mentioned that we were undertaking the survey. They acknowledged our letter but did not indicate that they had any particular concerns with what was proposed.

CHAIR—I think the important thing is that, if it is not going to the integrity of the design, it is not particularly relevant. This committee has been pursuing environmental considerations fairly strongly over a long period of time. Can you give the committee some understanding of what other elements of your proposal will deliver a better environmental outcome?

Mr Davin—Certainly. I can give you an overview and then I might turn to my colleague for a more detailed presentation. The most important element is the introduction of a building service management system that will enable the services, such as air-conditioning, to be zoned so that we are not turning on the entire plant in the building when we are using it. This is a very important feature which will save energy. The systems we are installing are far more efficient, given that they are some 30 years on. We are also looking at improved lighting—automatic systems. Perhaps at this point I might be better off referring to my colleague Mr Chalak, who designed the system and can give you more detail.

Mr Chalak—Basically, we are putting in a much more efficient air-conditioning system. As Peter mentioned, it can be zoned on and off accordingly. We would look at saving about 30 per cent in energy compared to the existing system.

CHAIR—I wonder whether you have seen the CH2 building in Melbourne. The committee visited it a month or so ago. It is completely air-conditioned without anything to do with electricity. It is just extraordinary.

Mr Chalak—With wind turbines?

CHAIR—No, it is basically a water cooling system—sorry, this is a little bit off topic—that uses these balls that are in a tank under the building, which then heats and cools as required.

Mr Chalak—It is an ice storage system. There were some around 20 or 30 years ago that have been overridden. So it is good that they bringing it back and I think the big push for energy efficiency has brought that on, no doubt.

CHAIR—It is extraordinary. It was brilliant.

Mr Chalak—Our system is much simpler.

CHAIR—But a 30 per cent saving is considerable and not to be sneezed at.

Mr Chalak—It is important to note that, as Peter mentioned, with the turning off and on of the system, even if there is one tenant that needs air conditioning after hours, the whole building comes on. It cannot be zoned floor by floor, or zone by zone within the floor. Again, the system that we are proposing will provide a lot more flexibility in that regard.

Senator TROETH—You said in the overview that the project is in two parts. The engineering services are for the entire building and the IEA tenancy is the air-conditioning part. Could you just explain the relationship between the two parts of the project?

Mr Davin—The project is not really in two parts. I mentioned that there were two main drivers for the project. The first is just a more efficient replacement of plant that is breaking down and is very hard to maintain. The second element is that we have a commercial tenant in that building, the IEA, and as part of our lease negotiations we entered into obligations that we would upgrade these services. It is the International Energy Agency. They are very keen to be seen to be at the cutting edge of these sorts of things. So they are the drivers for us doing it. Our focus in this project is to look after the IEA tenancy as its priority. The rest of the building will receive various services upgrades but not the same as what we are doing with the IEA tenancy at this time.

Senator TROETH—Is the rest of the building in need of this upgrade?

Mr Davin—Certainly, they are connected to the same general outdated services. By introducing the revised air conditioning and services upgrade to the IEA tenancy, it will remove half of the burden on the main plant servicing the existing building. We believe that will give it another five years of life. We will need to come back to the committee with a further upgrade but we think that is in about five years' time. We will have a much better idea at that time about what the long-term space requirements of the IEA are and what the reduced requirements of the embassy tenants are likely to be. At the moment that is not quite clear. As part of this, the IEA have increased their tenancy quite substantially, taking up surplus space.

Senator FORSHAW—Sorry for interrupting but I am just trying to ascertain something. You renegotiated the lease with the IEA and this is, as you say, one of the major drivers of these works. What is the term of the new lease—or do you want to discuss this in a private hearing?

Mr Davin—It is a 10-year lease, with two five-year extension options, with the International Energy Agency.

Senator FORSHAW—I might ask you some further questions. So 10 years—

Mr Davin—From 2008.

Mr LINDSAY—Talk to me about the ability to upgrade the services while the building is being used. What are your plans there? Explain that to me.

Mr Davin—The fact that it is an occupied building obviously adds to the complexity and the time frame. We are going to achieve the upgrade by staging our tenants in and out of the various areas that we will be working on. At this stage we propose there will be eight stages, each about three months in time. We will, if you like, decant our tenants out of the relevant areas while these works take place, restore them once the work is done and then move to the next area. So it will be decanting through the building.

Mr LINDSAY—Is it floor by floor? Is that what you are going to do?

Mr Davin—I think it is half a floor at a time. That is the project at this stage.

Mr LINDSAY—Who will pay for the relocation of the existing office arrangements?

Mr Davin—That is incorporated into the project cost.

Mr LINDSAY—So the tenant does not pay?

Mr Davin—No, the tenant will not be paying for that.

Mr LINDSAY—My understanding, from looking at that, is that the building is actually two buildings—is that correct?

Mr Davin—That is correct.

Mr LINDSAY—Is the IEA only in one building?

Mr Davin—The IEA occupy the lower floors in the office. The building really is in two parts, although they are connected over three or four floors at the bottom. One side is embassy residential apartment accommodation. The other side is all office accommodation except that the Australian ambassador has his residence on the top floor.

Mr LINDSAY—So is a just one building that is being upgraded?

Mr Davin—Yes.

Mr LINDSAY—Is the other building the one that can be done in five years time?

Mr Davin—No, the other building was upgraded about four years ago. We did the apartments, and that was not so much a services upgrade as—

Mr LINDSAY—So half of one building is being upgraded in this project?

Mr Davin—A number of floors. A number of the services are being upgraded for the entire building—the electrical services, lighting and things like that. The actual air-conditioning services are only being done in the IEA tenancy at this stage.

Mr LINDSAY—As to the air-conditioning upgrade, is the upgrade to plant or is it to all the pipes and things that run around the place?

Mr Davin—It is introducing localised, smaller and more compact units. But perhaps I can refer to Mr Chalak to give us more detail.

Mr LINDSAY—Is this so that you can run them independently?

Mr Chalak—Yes. It is basically quite a modular system which allows us to build on it as we work on further levels within the building. The system is quite sympathetic to the complex structure of the building. There is quite an extensive T-beam structure through the floors. In a nutshell, it integrates with the building quite well and it allows us to add future units on an as-needs basis.

Mr LINDSAY—Okay—pull up there; I understand that. Where I am coming to is: if you upgraded the whole building now, what would be the cost saving to the Commonwealth compared to just doing some of the job now and then in five years doing the rest of the job? We have to get evidence on the record as to why we should not just do the whole building now—okay?

Mr Davin—I mentioned earlier that we are doing it in a staged approach. This is partly to relieve the tenants of a sustained project which would be disruptive for many years. So we figured that we would do it this way, in two parts. The savings that would flow from doing it as a whole project are not so substantial, we believe, that it would warrant the level of disruption that could be introduced in approaching it this way.

Mr LINDSAY—The disruption is on individual floors.

Mr Davin—Yes.

Mr LINDSAY—That does not affect other floors.

Mr Davin—As much as we can minimise it, we will, but it will disrupt the operation of the building. There would be the entrance of workers each day, back and forth, and, while we will quarantine the areas they are working in, it will be disruptive. There will be some vibration in the well; although we are not doing a lot of drilling work, there will be some. And it is not a building that lends itself to after-hours work, because we also have a residential component to it.

Mr LINDSAY—You cannot give us any evidence about the actual dollar savings in doing it all at the same time?

Mr Davin—We did talk about this earlier. Can you put a figure to that, Mays?

Mr Chalak—The system is modular. I think the premium that you would pay would probably be 10 to 15 per cent, roughly, by doing it after—sorry, by saving it and doing it all upfront. But the system is quite modular. You will not pay extra to add bolt-on. You can probably put the infrastructure within the building and, once it is there, you can just add to capacity as you need.

Mr LINDSAY—Moving on: in the IEA tenancy, your evidence says you are going to have smart metering in the distribution boards. Does that exist in the Commonwealth government's part of the building?

Mr Chalak—No.

Mr LINDSAY—And, if not, why don't we install it now, concurrently?

Mr Davin—First of all, there is no separate metering in the building as it currently is and as part of this project. It is part of the good energy efficiency process that we have introduced the separate meters. We are doing a lot of electrical works there but, once again, it just does not lend itself to that level of disruption just to introduce that feature. We are still running off a major plant so it could not be disaggregated.

Mr LINDSAY—But as for smart metering on a distribution board, there is no disruption in putting that in. There isn't, so why aren't you doing this for the whole of the building and being smart energy-wise?

Mr Davin—I will ask Mays to perhaps give a more technical explanation. But part of the issue for us is that we have a budget to undertake these works and we are bound to cut our cloth accordingly. We are doing what we think is the most efficient and practical works that we can within that budget. Mays might have more to say on the distribution board.

Mr Chalak—Basically, when we do add those smart meters we do have to turn off the supply and we do have to get to the risers and to the cupboards. We have to get to the various floors. Again, it is to a budget. That was our biggest challenge.

Mr LINDSAY—If we recommended that smart metering should be installed throughout the building at this time, how would you respond to that? Would you be okay with that?

Mr Davin—We would have to take technical advice on the implications of that recommendation.

Mr LINDSAY—Any indication as to what the cost might be to do the whole thing in one go for electrical smart metering?

Mr Davin—Before we perhaps go to that, I wonder if it is possible to introduce smart metering when we are not replacing the main plant.

Mr Chalak—You can do it. Each meter will cost in the order of \$1,500. We would probably need 10 meters costing in the order of \$15,000.

Mr Davin—We would be happy to accept that recommendation and we would do it.

Mr FORREST—I will reserve most of my questions for the in-camera hearing. I want to ask about asbestos. A building built in the seventies must have heaps of it, so I am wondering if you can assure the committee that there will be procedures to protect everybody from asbestos dust and say how extensive the problem is.

Mr Davin—As you suggested, it is a building constructed at that time and it does have asbestos in it. There was a removal program carried out many years ago when asbestos was first identified—so there was a removal program. Subsequently there has been further analysis of the asbestos in the building. There is an asbestos management plan in place to look after that. Where the asbestos can be managed it has been encapsulated. There is a plan that looks after it and there is a register that is maintained, which gives advice to any trades about where this asbestos might be and how it should be handled or not interfered with.

Mr FORREST—Is it possible for you to provide the committee with a copy of the management plan?

Mr Davin—Certainly.

Mr FORREST—You can have that question on notice. Okay, that is the overall picture. But I am referring particularly to the renovations because you are going to have to be breaking something up to make a new hole somewhere.

Mr Harmsworth—We are, particularly in areas such as risers. As we said, there is a management plan in place. It is encapsulated and we have an onsite Australian Facilities manager and his team who are responsible for maintaining the asbestos register and making sure that access to those areas is controlled. As we work through the design and where the design necessitates that we will need to enter those areas, that will be controlled by our onsite personnel in terms of providing permits to the contractor. The asbestos removal will be done in accordance with the international codes including disposal of the asbestos in the correct manner.

Mr FORREST—Where is it contained? Is it in panelling and false ceiling panels and things like that?

Mr Harmsworth—As I understand it, it is predominantly in the services riser areas.

Mr Chalak—It is mainly in back-of-house areas.

Mr Harmsworth—Yes, engineering areas such as fire dampers and conduit risers and so on and so forth for fire separation.

Mr FORREST—So if we could have a copy of the report.

Mr Davin—Yes, we will certainly provide that.

Senator TROETH—With regard to the progressive way in which you are going to do the smart metering, you have also noted that you are going to address full compliance with current standards in relation to fire engineering services, which would be addressed progressively. So I take it that everything will still be safe while you are doing that even though it is being done progressively.

Mr Harmsworth—The building currently complies with the fire standards that were in place when the building was built. All the new installations, particularly a new fire indicator panel and an emergency warning and evacuation system, will comply with the new codes as that equipment is installed. The only remaining issue that we will have will be fire compartmentalisation in the building, and that is an issue that can only be dealt with as the tenancies are progressively refurbished. We will do that as we progressively refurbish the tenancies.

Senator TROETH—So it is as you go along.

Mr Harmsworth—Yes.

Senator TROETH—What is the timetable for that? At what stage will all of that be finished?

Mr Harmsworth—It is hard to put a definitive timetable on that because it depends on when the tenancy refurbishments will take place, because you need to strip out the floor. It will be done progressively as those tenancies are refurbished over the coming years.

Mr Davin—I might add that the tenancy refurbishments would not be a project that we would undertake. It is the tenants who would actually undertake that themselves.

Senator TROETH—I understand that.

CHAIR—On the question of fire compliance, what troubled me was this:

The key element of the building which will remain non-compliant with current fire codes will be the fire compartmentalisation.

Can you tell me what that means, please?

Mr Harmsworth—In a multistorey building each area of a floor forms a fire zone. Penetrations in areas such as service risers, and vertical penetration such as with intertenancy walls, form a fire compartment in terms of those walls and risers being rated two hour or one hour—or whatever the appropriate code is—against ingress by fire.

Mr Chalak—It is to protect the core area where people come to discharge themselves when people are trying to get out of a building in an emergency. That is the extent of the compartmentalisation around there, to allow safe egress. As Keith mentioned previously, when the building was built that level of compartmentation was not required. So now we will bring it up to speed progressively.

CHAIR—But it will still remain non-compliant in the long term. Is that accurate?

Mr Harmsworth—Eventually the building will be compliant with the current codes and standards, but it is work that can only be undertaken as you refurbish each tenancy.

CHAIR—I understand.

Mr Chalak—There is a clause in the Building Code of Australia that allows us to progressively upgrade a building. If you are not doing more than 50 per cent work over a three-year period, then you can leave it compliant with the previous code.

CHAIR—And the tenant is obviously aware of that?

Mr Davin—Actually the tenants have their own fire procedures which they develop and manage.

Senator TROETH—And those standards are Australian standards because it is an Australian building on Australian property?

Mr Davin—We always seek to achieve Australian standards when we build or the local codes, whichever is higher. So, yes, the building was built to the Australian codes although the French standards are of equal rigour.

Mr Chalak—There are also some elements there. We have put in extra and above the French standards. It is a DFAT requirement for their buildings. It even goes beyond some of the building code requirements.

Mr FORREST—Did somebody ask a question about increased rent for the IEA?

Mr Davin—We were going to take that in the confidential area.

Senator FORSHAW—There is a reference of sorts in the submission and I asked a question about the renegotiation of the lease, which is 10 years. I was going to leave the issue of the rent until we got into a private hearing.

Mr FORREST—So we are going to get some help paying for it?

Senator FORSHAW—I do not know.

CHAIR—We will do that in the confidential area.

Senator FORSHAW—I wanted to find out more details about the lease arrangement, including the increased rental. I thought it was appropriate that it be discussed in camera.

Mr Davin—It is probably commercial-in-confidence. I would feel more comfortable discussing it fully in the confidential—

Senator FORSHAW—It goes to the issue you have just mentioned, John.

Mr LINDSAY—In relation to mobile phone coverage in the building, this contract will see mobile phone cells put through the building. How will you choose who the carrier will be in providing that service?

Mr Davin—I do not know whether we have actually taken it that far, but all of these works will be put out to public tender. I am not sure of the scale of that particular project.

Mr LINDSAY—That means you do not know whether the scope of works is: we will provide more than one carrier in the building. I do not know what French telecom services there are but I know that, if you get in a building where there is only one carrier, people get angry. Have you thought that through?

Mr Chalak—We have not gone that far, as Peter mentioned. You are correct. In Australia the Property Council of Australia recommend that for A grade buildings, which is the standard to which this building is going to be refurbished to, you do need two- or three-carrier coverage. So we will have to investigate that further.

Mr LINDSAY—You have no objection if we make a recommendation that that be included?

Mr Chalak—Not at all. I do know that the only area where there is not sufficient access is in the car parks. It is quite good in the rest of the building.

Mr LINDSAY—My reading of the evidence seems to indicate that IT services are pretty well up to standard in the building. Is there no intention to upgrade backbone cabling in the building?

Mr Davin—The IT services have been progressively upgraded over the years to service the building correctly. There is no immediate plan to do any work there. There was some work done in the residential part of the building. Some four or five years ago we upgraded that site, but the office part has been progressively upgraded, so there is no plan to do any works there.

Mr LINDSAY—Finally, I saw a fleeting reference to wet areas in the building. This is a discussion about upgrading midlife upgrade of engineering services. How are the water supply and toilet facilities, showers and all that sort of stuff? Have you looked at all of that and looked at the need to upgrade that in the building while you do the engineering services upgrade?

Mr Chalak—It is a cosmetic upgrade to those areas. As they are, they are actually in a pretty good condition. They have held up quite well, particularly our chancery areas. Because of the low usage, you would think they had been done yesterday. The IEA side is a bit more worn and torn, but mainly from an aesthetic perspective. We have looked at upgrading the fittings and fixtures accordingly.

Mr LINDSAY—I do not know because I have not been there, but has there been any move towards water-saving devices in the wet areas?

Mr Chalak—Basically, all new fittings and fixtures will be compliant with our WELS standard.

Mr FORREST—How far, though? Are their push button taps and automatic—

Mr Chalak—Not to that extent, no.

Mr FORREST—Light-sensitive urinal flushing—things like that?

Mr Chalak—Yes, we will have water urinals and flushing devices.

CHAIR—What is your expected reduction in water consumption as a result of the works that you are doing?

Mr Chalak—We have not yet gone that far in this first investigation, but we are happy to provide you with a figure.

CHAIR—That would be useful. Mr Davin, in your submission you talk about zoning and approvals. It is zoned ‘embassy,’ so you do not have any changes in the zoning. But then you say, ‘Local permits for the conduct of the refurbishment works and for the siting of the rooftop equipment will be required.’ What is the nature of those approvals, what is the process and is there any concern that you may not get those approvals?

Mr Davin—No, we do not have any concern that the approvals will prove difficult, but it is a process we will need to go through. Can I defer to you on the detail of that?

Mr Harmsworth—Certainly. It is primarily for the location of the condensing compressor units for the new air conditioning VRV systems. It is to do with oversight given that the building is lines of sight. They will be screened below the parapet but there is just a permit process that we have to go through. It is very straightforward. We believe that the design is compliant and therefore we do not foresee any problems with that.

CHAIR—So it is essentially one permit?

Mr Chalak—Yes, it is.

CHAIR—From the city council or someone like that?

Mr Harmsworth—From the local authorities.

Mr Chalak—During the process, Socotec, a local certifier, has looked over the plans to provide any cursory advice on whether there is any nonconformance that we should address.

CHAIR—There being no further questions we will move to the in camera hearing. Before doing so I call on a committee member to move that the transcript of the public hearing be published.

Resolved (on motion by **Senator Forshaw**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Evidence was then taken in camera—

Committee adjourned at 10.02 am