

## Joint Standing Committee on Public Works

### QUESTION ON NOTICE Date of hearing: 02 February 2023

**Outcome: Corporate and Enabling Services**

**Department of Employment and Workplace Relations Question No. IQ23-000013**

Senator David Van on 02 February 2023, Proof Hansard page 8

#### ***Building Density***

##### **Question**

Senator VAN: We all want something nice, new and shiny, but you're asking the taxpayer to pay for this. We're here to test whether the work has been done to ensure that taxpayers' money has been spent in the most efficient way possible. I'm not hearing any evidence that it has been.

Ms Jenkins: I'll just give a bit of background to an alternative which would be to stay in our current buildings or to reduce on those floor plates. There are a couple of complications there. One of the buildings, in fact, is going to be demolished. Some of the buildings need significant work to happen on them to maintain those buildings. That would mean that, while that maintenance is happening, we may not be able to occupy those spaces. The alternative, which might have been to stay in the same buildings and renegotiate the leases or an extension to the leases, wasn't available to us. So there are other alternatives. Do you want to provide a bit of the context to some of that thinking around value for money at that time?

Mr Munro: Yes, definitely. With your space allocation, one of the key contributors to the reduction in space is our ability to reset the fit-out. We're now redesigning that to current technologies and current density ratios, which is greatly improving how we can use that space. We mentioned before how some of the existing stock, or existing leases, are not fitted out in a proper way. To then re-use those buildings we'd also require a fit-out, and using that fit-out and putting more density in there would put pressure on their aged base building systems, like their air conditioning, lifts and things like that. That in turn adds another problem or complexity to the situation. Moving to the new building, with state-of-the-art technology, and having the ability to redesign large floor plates in a more efficient and higher density way creates that saving.

Senator VAN: Okay, I'm going to test that and ask you to put all that on notice. With the various alternatives with those buildings that you say won't be usable under those circumstances, carve them out and show us what the added costs would be and, in that way, justify this whole new build. You're saying you need higher density, yet you're saying fewer people are coming to work.

Ms Jenkins: We'll take that on notice.

##### **Answer**

The Department of Employment and Workplace Relations (DEWR), the Department of Education (DE) and the Australian Electoral Commission (AEC (together the departments)) are spread across eleven buildings in Canberra, some of which are nearing 30-years old.

Many of these buildings have aging infrastructure including lifts, heating ventilation and air conditioning systems, bathrooms, kitchens and end of trip facilities.

In accordance with the Commonwealth's Leasing Strategy (managed by the Department of Finance), the departments undertook a two-stage tender process in 2020 and 2021 to procure new office accommodation in the Canberra CBD. This was an open market process which was open to the departments' existing landlords and prospective landlords.

The departments considered responses to the tender process against the following technical criteria:

- Built Form and Lease: Compliance with the Accommodation Requirements
- Site: Suitability for Commonwealth operational requirements, amenities and proximity to public transport
- Capability, experience and previous performance of the Respondent (as applicable in relation to designing, constructing and leasing commercial office accommodation)

As a result of the tender process, the proposal put forward by Walker Corporation (the developer) was deemed best value for money. The developer's incentive will be used to fund the fit out.

The benefits of the proposed new building compared to remaining in the departments' existing property portfolio include:

- net lease savings of around \$9m per annum
- the developer's lease incentive will cover the cost of the fit out works
- construction of the base building and fit out will be completed before the lease commences
- fit out will be undertaken in the most efficient way to significantly reduce site management costs
- where possible, the departments will only require a single relocation into the new building with no need for staging
- floorplates are large allowing greater use of space and a significant reduction in duplication of service areas such as kitchens
- environmental performance of the new building will result in cheaper running costs.

In comparison, if the departments' remained in the existing property portfolio:

- current landlords would need to undertake base building upgrades to address aging infrastructure (e.g., lifts, bathrooms, air-conditioning, end of trip facilities and kitchens) possibly precluding them being able to offer incentives on lease renewal
- if no incentive (or a lower incentive) was available, the departments would need to fund (in addition to lease commitments) the cost of fit outs to improve densities and deliver a modern working environment. It is estimated that across the property portfolio this could cost up to \$180m based on \$2,000 per sqm across 90,000sqm
- the departments would experience major disruption as work is undertaken to deliver base building upgrades required to meet current standards. This may require the departments to relocate while this work is being undertaken increasing lease costs
- construction to upgrade fit outs of existing buildings will be extended and complex. This will increase cost through longer site establishment and management by the landlord
- the departments may require additional lease space to be used as staging space while fit out works are undertaken. This would result in multiple relocations to enable the fit out works to be undertaken
- existing small floor plates introduce unnecessary duplication of services for each floor including kitchens and storage

- annual running costs would be higher due to the duplication of plant and equipment and the lower environmental performance of the existing property portfolio.

DEWR and DE will reduce their office footprint by over 20,000sqm as part of this tender process. Remaining in situ would result in more expensive rent (higher rates and higher office space), significant disruptions due to base building upgrades, additional costs for new fit outs across multiple buildings and higher operating costs.

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**QUESTION ON NOTICE**  
**Date of hearing: 02 February 2023**

**Outcome: Corporate and Enabling Services**

**Department of Employment and Workplace Relations Question No. IQ23-000014**

The Hon Keith Pitt MP on 02 February 2023, Proof Hansard page 6

**CO2 Costs**

**Question**

Mr PITT: What I'm looking for is a cost in dollars per tonne of CO2. You might want to take that on notice and come back to the committee. If you are going to over design the building, and my understanding is that that's what happens, given your expectation on the star rating and everything else.

.....

Mr Munro: We'll probably take that on notice with your previous question.

**Answer**

The departments' new building is in the early design phase, so it is not possible to estimate the emissions for the building at this stage of its development.

The departments' lease of the building will cover all base building design features to be included in the energy efficient design. Through the open approach to market in the tender process, the departments determined that the proposed building and lease represented the best value for money. The rental rate will be approximately \$9m lower than what the departments would be paying for their existing sites.

In addition to the proposed lease savings, the higher environment performance of the new building will lead to lower operating costs compared to the existing property portfolio.

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**Department of Employment and Workplace Relations Question No. IQ23-000015**

The Hon Keith Pitt MP on 02 February 2023, Proof Hansard page 6

***Green Lease Auditor Cost***

**Question**

Mr PITT: ..... The green lease that has been included also includes costs for an auditor, an accredited assessor. What cost does that add on to the operations per annum?

Mr Munro: ..... The green lease schedule is obviously a template document. We'll get those costs in operation quantified and come back to you.

**Answer**

The estimated cost for an accredited assessor is approximately \$5,000 per annum. Both the landlord and tenant have assessment obligations under the green lease schedule and these costs are shared.

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**QUESTION ON NOTICE**  
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**Outcome: Corporate and Enabling Services**

**Department of Employment and Workplace Relations Question No. IQ23-000016**

Senator David Van on 02 February 2023, Proof Hansard page 8-9

***Car Parking***

**Question**

Senator VAN: .....As well, you said you've calculated the car parks needed on what staff are using currently—that is, the 600. Surely, with these new facilities, the light rail and the end-of-trip facilities, people are going to be using fewer car parks, aren't they, since they're all going to reduce emissions?

.....

Ms Jenkins: We'll take those questions on notice and see what we are able to provide you in relation to that.

**Answer**

The Commonwealth's new office accommodation will hold approximately 850 car parking spaces:

- 650 Commonwealth car parking spaces (620 for the Department of Employment and Workplace Relations (DEWR) and the Department of Education (DE) and 30 for the Australian Electoral Commission); and
- 200 public car parking spaces.

DEWR and DE are reducing the number of car parking spaces from the current number of 756 to 620.

The reduction in car space numbers is based on our analysis of entitlement and use of existing spaces, and the expiry of some short-term leases.

Staff contribute to the cost of car parking spaces.