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Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

**Reference: Construction of a new Chancery building for the Australian High
Commission, Colombo, Sri Lanka**

THURSDAY, 19 JUNE 2003

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JOINT COMMITTEE ON PUBLIC WORKS

Thursday, 19 June 2003

Members: Mrs Moylan (*Chair*), Mr O'Connor (*Deputy Chair*), Senators Colbeck, Ferguson and Forshaw and Mr Jenkins, Mr Lindsay, Mr Lloyd and Mr Ripoll

Senators and members in attendance: Senators Colbeck, Ferguson and Forshaw and Mr Jenkins, Mr Lloyd, Mrs Moylan, Mr O'Connor and Mr Ripoll

Terms of reference for the inquiry:

To inquire into and report on:

Construction of a new Chancery building for the Australian High Commission, Colombo, Sri Lanka.

WITNESSES

CHAPPE de LEONVAL, Mr Mark Ashton, Director (Quantity Surveyor), Rider Hunt Canberra Pty Ltd1

CHRISMAS, Mr Rodney Gordon, Managing Director, James Cubitt Architects Pty Ltd1

DAVIN, Mr Peter Julian, Executive Director, Overseas Property Office, Department of Foreign Affairs and Trade1

HANCOCK, Mr Brian Richard, Head, Project Development, Overseas Property Office, Department of Foreign Affairs and Trade1

McKAY, Mr Ian Stuart, Capital Works Manager, Multiplex Asset Management1

MORAN, Mr Philip John, Assistant Secretary, Portfolio Strategy, Overseas Property Office, Department of Foreign Affairs and Trade1

Committee met at 8.40 a.m.

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

HANCOCK, Mr Brian Richard, Head, Project Development, Overseas Property Office, Department of Foreign Affairs and Trade

MORAN, Mr Philip John, Assistant Secretary, Portfolio Strategy, Overseas Property Office, Department of Foreign Affairs and Trade

CHAPPE de LEONVAL, Mr Mark Ashton, Director (Quantity Surveyor), Rider Hunt Canberra Pty Ltd

CHRISTMAS, Mr Rodney Gordon, Managing Director, James Cubitt Architects Pty Ltd

McKAY, Mr Ian Stuart, Capital Works Manager, Multiplex Asset Management

CHAIR—I declare open this public hearing into the construction of a new chancery at Colombo in Sri Lanka. The project was referred to the Public Works Committee on 25 March 2003 for consideration and report to parliament, in accordance with subsection 17(3) of the Public Works Committee Act 1969, which states:

In considering and reporting on a public work, the Committee shall have regard to—

- (a) the stated purpose of the work and its suitability for that purpose;
- (b) the necessity for, or the advisability of, carrying out the work;
- (c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
- (d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
- (e) the present and prospective public value of the work.

We thank you for the information you have provided us with to help us conduct this public hearing. We have received a briefing this morning from the Department of Foreign Affairs and Trade. The committee will now hear evidence from the Department of Foreign Affairs and Trade. On behalf of the committee, I welcome you all here today and thank you for your presentation. Does anyone have anything to add about the capacity in which they are appearing today?

Mr Christmas—I am the Managing Director of James Cubitt Architects in Brisbane. My task is to be the design architect for the project.

Mr McKay—Multiplex is the outsource service provider for the government for the construction of this facility.

CHAIR—The committee has received a submission and a supplementary submission from the department. These submissions will be made available in a volume of submissions for the inquiry and will also be available on the committee's web site. Does the department wish to propose any amendment to the submissions it has made to the committee?

Mr Davin—No, thank you.

CHAIR—Would you like to make a short opening statement before we go to questions?

Mr Davin—I have an opening statement I would like to make, thank you. This submission seeks approval for the Department of Foreign Affairs and Trade to construct a new chancery building in Colombo for use as Australia's ongoing permanent mission to Sri Lanka at a cost of \$11.19 million. It is proposed that the facility will be constructed on vacant land purchased by the Commonwealth for the purpose in 1997. The new chancery will replace an existing unsuitable building and will be occupied by the Department of Foreign Affairs and Trade, the Department of Immigration and Multicultural and Indigenous Affairs, the Australian Trade Commission and the Australian Agency for International Development. A new building is required due to the significant shortfalls in space, functionality and amenity provided by the existing facility.

The Australian High Commission in Colombo is currently located in two converted houses that were constructed more than 50 years ago. One of the buildings was first occupied as a chancery in 1961. The second was a residence that was later converted and annexed at the chancery as the needs of the High Commission expanded. The buildings have now deteriorated due to their age and the harsh environmental conditions. Despite normal maintenance, they are in a poor state of repair and would require significant expenditure to restore them to acceptable standards. In addition, the buildings no longer meet the amenity and functionality requirements of a modern representational office environment. Space is cramped and staff amenities are virtually non-existent. A comprehensive review of the High Commission's accommodation requirements has identified a need for expanded floor areas which cannot be accommodated in the existing building.

The construction of a new purpose-designed building to meet the requirements identified in the detailed accommodation study has been identified as the most cost-effective option to meet the need. The new premises for the Australian High Commission will provide appropriate space, functionality and amenity for occupying tenancies, including the provision of appropriate security and recreational facilities for use by both the locally engaged and Australian staff and their families. The construction of the new chancery building will cause minimal disruption to the operation of the High Commission as the existing facility will continue operation until the new facility is fully constructed and operational.

Following the completion and occupation of the new premises, the current High Commission property will be sold. Based on the most recent valuation, the market value of this property is in the order of \$2.4 million. A preliminary design has been developed in consultation with the occupant agencies. This has resulted in a schematic design concept with a cost plan indicating that the facility can be provided within the approved project budget. We have consulted with local authorities in Colombo on issues of planning and land use, and the municipal council of Colombo has provided a preliminary planning clearance. This will be further considered by the

council once the detailed design is complete and approval will be sought before the works commence.

This proposal will deliver a modern, fully functional, two-storey building to accommodate the Department of Immigration and Multicultural and Indigenous Affairs and the Australian Trade Commission on the ground floor, with the Department of Foreign Affairs and Trade and AusAID occupying the upper floor. The ground floor will also include a multiuse facility capable of providing official receptions, exhibitions, trade displays, meetings, lectures and business missions. Consultation has occurred at Commonwealth and local government levels during the development of this proposal. Subject to parliamentary approval, construction is scheduled to commence in May 2004, with practical completion and occupation in July 2005. The outturn cost of the proposal will be contained within the allocation of \$11.19 million. Thank you.

CHAIR—Mr Lloyd, would you like to ask your questions.

Mr LLOYD—Thank you, Madam Chair. Thank you for that introductory statement. I have not had the opportunity to visit Colombo or Sri Lanka. Obviously these buildings will be designed and constructed to Australian standards. What are some of the difficulties with constructing a building to Australian standards in that country? Are there particular difficulties in that country? If you were to construct this building in Australia, would it be the same?

Mr Davin—The local trades in Colombo we assess as being quite capable. However, the level of technical requirements to meet Australian specifications in the building design will require quite substantial expatriate professional Australian supervision. So whilst we believe the local trades will be okay, we will need to supervise most of the construction and technical works to ensure that we get a building that meets the design specifications.

Mr LLOYD—Obviously, you have taken that into account in the overall cost of \$11 million?

Mr Davin—The costings provide for quite substantial expatriate supervision of these works. Yes, they will be met within that budget.

Mr LLOYD—With respect to the block of land that the building is to be constructed on, what sort of land title is on that land?

Mr Davin—The land is owned by the Commonwealth under freehold arrangements. It was purchased in 1997.

Mr LLOYD—Thank you.

CHAIR—I notice in the mechanical services section that the new building is going to be cooled by airconditioning. Is that an evaporative style of system?

Mr Davin—I will defer to my colleagues.

Mr Christmas—To answer that question properly, we should defer to the mechanical services engineer, who is also present today.

Mr Davin—Perhaps we can obtain that information over the next couple of minutes and respond accordingly.

Mr Christmas—I have been informed that the system of airconditioning that is proposed for the building is air-cooled as opposed to evaporative or water-cooled. One of the issues with water-cooled systems is the possibility of legionnaire's disease.

CHAIR—That is the reason for my question. So it is not a system that would give rise to a concern about legionella disease. Another reason for the question is that it seems in many of the buildings there are always problems with airconditioning, heating and cooling. In this case, it would be the cooling system that might come into question. I just wonder whether you are aware of difficulties in the past with heating and cooling systems and whether you have given consideration to a system that will actually do what it is supposed to do.

Mr Christmas—With the airconditioning, as I said earlier, we have done exercises. We have looked at the alternatives. It is an air-cooled system. We are designing for a hot, humid climate. Therefore, heating is not required. It is a cooling process.

CHAIR—Thank you. The other issue was to do with fire control measures and the safety of people working within the building. Can you explain to us what the fire control measures are that are integrated into the building?

Mr Christmas—There will be a sprinkler system, fire hose reels, fire extinguishers and all the requirements to ensure that the building does satisfy those needs for the protection of the occupants.

CHAIR—And exit points?

Mr Christmas—Exit points will be controlled. They will be within the prescribed travel distances to ensure that the escape routes comply.

CHAIR—I notice you have made provision for people with a disability by incorporating a lift into the building. What is the situation for someone with a disability in the event of fire?

Mr Christmas—As is the case with other applications, the person will be carried downstairs, down to the fire egress points.

CHAIR—Thank you

Mr BRENDAN O'CONNOR—Paragraph 17.17 of the submission refers to hydraulic services. In particular, it talks about the town water and the need to have that water suitable for consumption. It is indicated here that although the water supply in the area is clearly chlorinated, it will be subject to further treatment to ensure it is of the required quality standard for consumption. What further treatment would be required to ensure that standard?

Mr Hancock—In other overseas projects where the question of water potability arises, we treat it with ultraviolet and, quite often, with reverse osmosis, depending on what quality is coming in. At the moment in Colombo, I think we are suggesting that the quality is not too bad,

but we will upgrade the treatment by UV. Whether or not we go to the extent of reverse osmosis, I do not think we are sure yet.

Mr BRENDAN O'CONNOR—Speaking of water, paragraph 7.5 indicates that the site is relatively flat and level with access from Gregory's Road and is located within an area that does not normally suffer from significant flooding. The submission then goes on to say:

Minor site earthworks will be required to raise the Chancery ground floor above the footpath and road levels.

What proposed work will be required to ensure that there is not flooding? Has the proposed worksite been affected by recent floods?

Mr Hancock—We do not recall any flooding of the site. We have not heard from the post in Colombo that there has ever been any flooding of the site since we bought it. What we are going to do is lift the level of the ground floor so that the ground floor is slightly above the crown of the road. Therefore, once the road floods, we still will not flood.

Senator COLBECK—What is the approximate height that you are lifting the site?

Mr Hancock—I think it is about half a metre.

Senator COLBECK—What about the run-off implications for sites surrounding that?

Mr Hancock—We will be grading and subgrading all of our site to link up with the local municipality.

Senator COLBECK—In the hydraulic systems information here, it does not mention anything about drainage services. There is a local service?

Mr Hancock—It will be drained, yes.

Senator COLBECK—So there is something to connect it to? That is what I was concerned about.

Mr Hancock—Yes. There is a stormwater drain that will take the run-off from the site.

Mr BRENDAN O'CONNOR—Paragraph 17.1 refers to ensuring the design and layout are suitable for some possible future expansion. Do you anticipate any future expansion in the foreseeable future? Indeed, if there is any anticipation of that need, what would be the anticipated need?

Mr Davin—We do not anticipate any expansion in the current numbers. Our best estimate of all the agencies is that the current numbers are fairly stable. In the event that there was some unanticipated expansion in numbers, the building has some capacity to be reordered to accommodate that modest increase. But the best guess at the moment is that there is no expansion anticipated.

Mr BRENDAN O'CONNOR—Finally, paragraph 23 is headed 'Child Care Provisions'. It indicates at the moment that due to the minimum number of A-based and locally engaged staff, no specific child-care facilities are included. Is there any likelihood that such facilities will be required in the near future? Why has this been mentioned in particular?

Mr Davin—It is a standard point that we note in all of our briefs. The local arrangements in Colombo are not such that child-care facilities have ever been required. So there is no need. That is why it is not incorporated in the building design.

Senator FERGUSON—We note that many of the materials need to be imported. What proportion of the cost of imported materials involves value added taxes and import duties?

Mr Davin—We anticipate that all of the imported materials will be exempted from taxes under our diplomatic status in Sri Lanka.

Senator FERGUSON—All of the imported materials?

Mr Davin—Yes.

Senator FERGUSON—So what does the \$748,000 value added tax cover?

Mr Davin—That is a different taxation regime. That is a domestically levelled tax, which will be charged on a whole variety of materials and services that we would be purchasing in-country.

Senator FERGUSON—What is the rate of GST?

Mr Chappe de Leonval—It is 10 per cent.

Senator FERGUSON—Are you anticipating that \$7.48 million of your proposed cost will be subject to GST?

Mr Chappe de Leonval—Yes.

Senator FERGUSON—Yet the importation materials will not be subjected to any value added cost?

Mr Chappe de Leonval—No. The imported materials will be brought into the system and therefore sold. We are contracting to a contractor to provide the building. That contract will be VAT applicable. Therefore, we are not importing directly. We are importing through a contractor.

Senator FERGUSON—For instance, in your list of hydraulic services, mechanical services, electrical services, fire protection services, would they be supplied locally, or would they have to be imported?

Mr Chappe de Leonval—We expect that most of the specialist services will be imported.

Senator FERGUSON—There is nothing in Sri Lanka that is of comparable quality?

Mr Chappe de Leonval—I cannot say nothing, but certainly all materials of quality and of a specialist nature need to be imported into Sri Lanka.

Senator FERGUSON—So for your building work for the whole of that building, you are talking about a total construction cost virtually for the building itself of \$2.2 million, not counting the cost of services? The building itself costs \$2.2 million. You have \$1 million of fit-out costs.

Mr Chappe de Leonval—Yes.

Senator FERGUSON—And \$1 million of security costs?

Mr Chappe de Leonval—Yes.

Senator FERGUSON—Which is a little over \$4 million. So we have \$7 million of services, project management fees, cost planning fees, design fees and contingency plans.

Mr Chappe de Leonval—I am not sure we can comment directly on the figures within the cost estimate. To answer your question, in a general sense, all the contracts for the supply of the chancery will be not VAT exempt. We will pay VAT on that. The consultant fees are for local contractors. In other words, they are consultants from Australia. They will not have VAT against them. They will be charged the normal GST, or will be exempt of GST in this particular case. So the value within the estimate for VAT provision is for the building works and anything related to the building itself.

Senator FERGUSON—It seems to me that a very large percentage of the costs are outside the initial construction costs. I know there are a lot of costs involved in fitting services and all those sorts of things. It appears to me that for an \$11 million project, there is a lower percentage of money being spent on the actual building itself and a lot higher percentage being paid for all of the other fees.

Mr Chappe de Leonval—I refer to the allowances. You will see that there is an allowance for escalation. The escalation also needs to be taken into account when you compare the total cost of the construction works. The escalation does not apply to the add-on fees; it only applies to the construction costs. So if you include those costs in the total building cost, you will see the VAT is applicable to the construction plus escalation costs plus the contingency as well. The construction and contingency need to have VAT applied as well.

Senator FERGUSON—I am only talking about the value of the Australian dollar against the local currency. In fact, if we are importing a lot of the gear, it is not going to make a lot of difference, is it? In other words, our fees are being paid outside Sri Lanka.

Mr Chappe de Leonval—No. That is not quite correct. Because we are importing a large percentage of the materials and we expect them to be sourced from the international market, including Australia, the effect of the exchange rate in Australia's favour at the moment will not necessarily be a direct positive for the project. In fact, we are not 100 per cent sure as to whether things might not change the other way around. This estimate was done in September 2002, when the dollar was equivalent to 50 rupees.

Mr RIPOLL—My question is about the specific issue you have just raised regarding the value of the Australian dollar. It is obviously rising against every other currency. Has any assessment been made of its value today in terms of the overall project cost?

Mr Davin—No. We have not updated our figures based on the current Australian dollar value.

Mr RIPOLL—Is there planning to do that? I am assuming that if the Australian dollar continues to rise, by the time the project actually begins and funds are being expended, there would be a better value in terms of what we would get for our dollar against the rupee. Would that be right?

Mr Davin—That is certainly possible. But a large portion of this project, as we have explained, is actually externally provided. So it is a bit hard to say exactly what the impact of the improvement in the Australian dollar will be on the project. But we will certainly be monitoring that.

Mr RIPOLL—But there could be an expectation of it coming under budget with an improving dollar?

Mr Davin—Well, that would be a welcome outcome.

Senator COLBECK—Can you give us a little history of the site itself. I think there was a comment earlier that it had previously been used for residential purposes. There is obviously going to be some significant fill going in there to raise the levels. What impact has that had on the foundation work for the project?

Mr Hancock—I guess in essence it is a two-storey, rather large house, if you look at the design. It is not a multistorey building. The geotechnical surveys done on the site show that the soil is quite stable. We see no difficulties in structural design supporting the building. With the additional fill, it will be additional fill on that part of the site that will take the building. It is about a half a metre above the grade that is there at the moment. So there will be a concrete slab poured on top of that fill and there will be foundations underneath in the usual way to pick up the columns that pick up the first floor. But we do not see it as being a structurally difficult building at all. It is relatively straightforward.

Senator COLBECK—What about previous disturbances of the site?

Mr Hancock—I know, having seen the site a number of years ago, that there was an old house on the site. I suspect that that was the only building that was ever on the site and that it did not occupy a large amount of the site. From walking around the site and having investigated the site as we have, we see no evidence of anything there at all.

Mr BRENDAN O'CONNOR—The three trees that have to be removed as noted in the submission, are they actually on the site of the construction?

Mr Hancock—I think they are probably just to the side. They are in the driveway area on the left-hand side of the site. One tree might actually fit into the building footprint, but I cannot say exactly.

Senator FORSHAW—You just said that the design is like a large house. The area that it is to be located in has similar residential style buildings, from what I recall when I visited there. Are there any particular restrictions applicable in terms of height? I know you are proposing two storeys, but what sort of restrictions exist in that area that you have had to work to build the design to?

Mr Christmas—We have had extensive consultation with the municipal council of Colombo, who have been very helpful in the process. We have established a street line setback that has been approved. We have also gained preliminary planning approval. With regard to height, we are within the prescribed limit. My recollection is that that is about 13.5 metres. The height is somewhat controlled by the nature of the materials we are using. We have our standard floor to floor heights. The roof tiling requires a particular pitch. That establishes the high point of the building, and we are within the limit.

Senator FORSHAW—Without giving any secrets away, have you had to take into account any additional security arrangements within the design, given the current situation and what has been an ongoing situation in not only Sri Lanka for many years but also internationally?

Mr Davin—I think the short answer is yes, the building does incorporate quite standard physical security measures that we apply to all of our overseas offices. They also reflect the local environment in Colombo.

Senator FORSHAW—What about access to the site? At the moment, one of the points you have made is that there is no separation on the existing site, as I understand it, between people coming in and staff and so on, which is one of the major problems in terms of the perimeter of the site.

Mr Davin—There is controlled access to the site for the public. They will come through a controlled monitoring arrangement. The building itself will be contained within a walled environment and will be secure in that sense.

Senator FORSHAW—My recollection is that there is actually a wall around it now. Is there going to be a new one built with guard posts?

Mr Davin—Not guard posts, but there will be a secure wall.

Senator FORSHAW—A new one?

Mr Davin—Yes, for around the site.

CHAIR—Paragraph 18.6 of the main submission states that acoustic treatment will be provided to mechanical plant and the diesel generator in compliance with local regulations. Then paragraph 16.1 says that the project will be delivered in accordance with the building code of Australia, the BCA, and relevant Australian standards or local or international standards where they are deemed to be of a higher or more relevant standard. Can you just explain for us whether the Sri Lankan standards related to the building acoustics are better than or comparable to Australian standards? Are the building acoustics covered by Australian building codes or

standards or the Sri Lankan regulations? This may well apply to many of the other services involved in the building.

Mr Christmas—It is intended that the project complies with the BCA requirements fully and Australian standards. If any international standards or standards applicable to Sri Lanka are deemed higher, then they would comply. As far as acoustics are concerned, the generator will be within an acoustic enclosure cabinet. It will be self-contained. I imagine it would comply with Australian standards as the product will be imported, anyway. So those standards can be controlled to ensure that the sound attenuation is fully committed. Acoustics within the building will satisfy the requirements set out in the design standards and the briefing requirements of DFAT.

CHAIR—Are the Sri Lankan standards relating to building acoustics different from the Australian standards?

Mr Christmas—As far as the acoustic requirements are concerned, we have not been able to make that comparison yet. The Sri Lankan standards are generally based upon the British standards anyway. There is compatibility between the British standards and the Australian standards. We have not sought that direct comparison.

CHAIR—Is it something you have to do before the services are installed?

Mr Christmas—We will do that.

CHAIR—There being no further questions, I thank all the witnesses who have appeared before the committee today and for their participation earlier this morning.

Resolved (on motion by **Mr O'Connor**):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it and submissions presented at public hearing this day.

CHAIR—Once again, thank you very much for a very comprehensive briefing paper.

Mr Davin—Could I make a brief closing statement?

CHAIR—I am sure that is in order.

Mr Davin—We have previously raised with the committee the issue of concurrent documentation. For the record, I wish to advise the committee that it is our intention to seek your approval to undertake concurrent documentation and short-listing activities for this proposal. Following the hearing, I will provide the secretariat with our formal request to commence these activities.

CHAIR—I notice the completion date is 2005.

Mr Davin—That is correct.

CHAIR—If you do not get agreement by the committee on concurrent documentation, what will the impact be on the project completion date?

Mr Davin—It would certainly impact on the project. I guess the time taken to get that approval will just put the project further behind.

CHAIR—The committee will certainly consider that request and will get back to you.

Committee adjourned at 9.15 a.m.