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JOINT COMMITTEE ON PUBLIC WORKS

Reference: Chancery upgrade, Australian High Commission, Wellington

THURSDAY, 24 JUNE 2004

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JOINT COMMITTEE ON PUBLIC WORKS

Thursday, 24 June 2004

Members: Mrs Moylan (*Chair*), Mr Brendan 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 Mrs Moylan and Mr Brendan O'Connor

Terms of reference for the inquiry:

To inquire into and report on:

Mid-life upgrade of existing Chancery building for the Australian High Commission, Wellington, New Zealand.

WITNESSES

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

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

JONES, Mr Stephen John, Capital Works Program Manager, Multiplex Facilities Management.....1

MORAN, Mr Philip John, Assistant Secretary, Property Management and Strategic Planning, Overseas Property Office, Department of Foreign Affairs and Trade1

MORGAN, Mr Graham John, Design Manager, Wellington Project, GHD Pty Ltd1

SULLIVAN, Mr Nigel Guy, Associate and Manager, Building Economics, Sinclair Knight Merz.....1

Committee met at 9.08 a.m.

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

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MORAN, Mr Philip John, Assistant Secretary, Property Management and Strategic Planning, Overseas Property Office, Department of Foreign Affairs and Trade

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JONES, Mr Stephen John, Capital Works Program Manager, Multiplex Facilities Management

SULLIVAN, Mr Nigel Guy, Associate and Manager, Building Economics, Sinclair Knight Merz

CHAIR—I declare open this public hearing into the mid-life upgrade of the existing chancery building for the Australian High Commission in Wellington, New Zealand. This project was referred to the Public Works Committee on 12 May 2004 for consideration and report to parliament in accordance with section 17(3) of the Public Works Committee Act 1969, which states:

- (3) 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 our earlier briefing. The committee has received a submission from the department. The submission will be made available in a volume of submissions for this inquiry and is also available on the committee's web site. Does the department wish to propose any amendment to the original submission it has made to the committee?

Mr Davin—Yes, I would like to submit an amendment. In the department's statement of evidence dated May 2004, section 14 regarding zoning and approvals indicates that the Commonwealth has complete authority to lease, dispose of or undertake developments on the site in accordance with local authority by-laws. The ground lease for the chancery in fact only permits the building to be used for diplomatic purposes. The Commonwealth can surrender the lease at any time, providing all moneys have been paid to the lessor. No compensation is deemed payable by the lessor. I would like to table these amendments to the department's submission and provide a copy to the inquiry secretary.

CHAIR—Are members agreeable to that? It is so ordered. Would you like to make an opening statement before we go to questions?

Mr Davin—This submission seeks approval for the Department of Foreign Affairs and Trade to proceed with the mid-life upgrade of the existing chancery building in Wellington for use as Australia's ongoing mission to New Zealand, at a total cost of \$9.309 million, consisting of \$6.5 million for base building upgrades funded from the Overseas Property Office and \$2.8 million for tenant fit-out funded by agencies. The refurbished chancery will continue to be occupied by the Department of Foreign Affairs and Trade and the Department of Defence. The Commonwealth leased the current High Commission site in August 1974 for a period of 99 years, and the chancery building was completed and first occupied in 1978. The building was designed and built to a high standard that was suitable for the Commonwealth's accommodation requirements at the time. It has been well maintained, but much of the internal building and engineering services infrastructure has reached the end of its effective life. Significant mid-life upgrade works are required to ensure operational efficiencies. The building does not fully comply with current Australian and New Zealand building codes and other applicable standards, many of which have changed since the time of the original design and construction. The works that form this proposal will address, where practical, areas of noncompliance.

The Commonwealth's utilisation of the building has changed significantly in recent years, and a considerable proportion of the building is underutilised. Several Commonwealth departments and agencies that originally occupied areas of the building have subsequently relocated their operations to Auckland or withdrawn from the site. A detailed accommodation study of the chancery conducted in 2002 identified its refurbishment as the most cost-effective option to meet the High Commission's future accommodation requirements. The refurbished premises will provide appropriate space, functionality and amenity for the occupying tenancies, including the provision of appropriate security and representational facilities. The majority of building and engineering services, including mechanical, electrical, fire protection and lift services, will be comprehensively upgraded or replaced as part of this proposal.

The mid-life upgrade of the chancery building will cause minimal disruption to the operation of the High Commission, as there is sufficient surplus space within the building to enable effective staging of the works until the entire facility is fully refurbished and operational. In developing this proposal, detailed consultations have been held internally in DFAT and with Department of Defence. A comprehensive accommodation brief has been produced in conjunction with the post and it has been used as the basis for the functional planning of the proposal. The planning has been accepted by departments, the head of mission and High Commission staff, who support the need for the refurbishment and consolidation of chancery functions.

The proposal will develop a modern, fully functional four-storey building consisting of a basement car park, ground, first and second floors and a rooftop services area. The ground floor will accommodate consular services and a multiuse facility capable of providing for official receptions, exhibitions, trade displays, meetings, lectures and business missions. The first floor will be refurbished as an office shell suitable for future tenancy fit-out, otherwise being mothballed to minimise energy and building management costs. The second floor will accommodate the Department of Foreign Affairs and Trade and the Department of Defence. Subject to parliamentary approval, construction is scheduled to commence in April 2005 with practical conclusion in March 2006. The out term cost of the proposal will be contained within the project budget of \$9.309 million.

Mr BRENDAN O'CONNOR—Would there have been any advantage in moving from Wellington to Auckland?

Mr Davin—No, we are required to be represented in the national capital.

Mr BRENDAN O'CONNOR—In paragraph 21 of your submission, you state:

With some exceptions the existing Chancery makes provision for people with disabilities ...

It then goes on to say that there are deficiencies which will be looked at in the refit and refurbishment. What are the current deficiencies and what would be catered for in the new fit-out to overcome those deficiencies?

Mr Davin—I might speak in a general sense and I can refer to others to be more detailed. Currently, the lifts do not provide state-of-the-art facilities for people in such ways as vocal or tactile guidance on the floors. Also, the toilet facilities in the building do not conform to the modern requirements for unisex disabled toilets.

Mr Morgan—Currently the door to the consular interview room is not wide enough to take a wheelchair. The toilet accommodation does not meet the requirements in the current building code of Australia. You will see in the plans that we propose to install a unisex disabled toilet on the second floor.

Mr BRENDAN O'CONNOR—Will there still be impediments, such as access, for people with disabilities in the building?

Mr Morgan—No.

Mr BRENDAN O'CONNOR—There was a reference earlier in the confidential briefing to hazardous materials. We understand that is the need to remove asbestos from the building. What assurance do you have that the safety measures would be in place to ensure that those things would be done properly?

Mr Davin—The hazardous material that is identified in the brief relates to asbestos sheeting which has been used externally in the building in the construction of the eaves. The project envisages that that material will be removed and replaced with nonhazardous material. The tender documentation will require that a properly authorised and licensed person will be engaged to carry out those works to the appropriate standards.

Mr BRENDAN O'CONNOR—There would be a specific tender for that removal; therefore you would be looking at a particular contractor who would perform that work, as a norm—in other words, an expert in the field—or would it be part of the overall tender?

Mr Davin—I expect it would be part of the overall tender but there will be a requirement for the major tenderer to engage an appropriately licensed and experienced person to undertake these works. We would not see it as being a separate contract.

Mr BRENDAN O'CONNOR—So you feel sure that the workers on site will be properly experienced in removing asbestos sheeting?

Mr Davin—It would be a requirement of the contract that this work be undertaken to the highest safety standards by people licensed to undertake that work.

CHAIR—Mr Morgan, paragraph 2.7 of the submission states that your consultancy included the examination of three accommodation options in relation to this project. Of course, we know about the choice that has been made. Could you outline briefly what the three options were that you looked at and why the option you have chosen represents the best value for money for the public.

Mr Morgan—The three options referred to are the options included in the 2002 report undertaken by GHD.

CHAIR—I do not think we have a copy of that report.

Mr Morgan—They were essentially variations on a common theme that had been arrived at by that point, which excluded earlier options of the nature of sublease, use by other agencies, use by other countries and residential accommodation. Those options had been discarded for various reasons in consultation with the department of foreign affairs. The lease restrictions precluded things like commercial leases.

The three options that we examined looked at which floor would be appropriate to meet the accommodation requirements of DFAT and Defence. So we looked at a combination of using part of the first floor and part of the second floor; using the first floor and not the second floor; and using the second floor and not the first floor. As a result of all of those deliberations, it was felt to be very important to consolidate the fit-out as much as possible for operational reasons. The first floor, as you will note, has two large voids in it. Therefore its effective floor area is less than that of the second floor. In reality, the first floor would simply not accommodate the final accommodation brief that emerged. So, while the use of the first floor was possible and the use of part of two floors was possible, they were not as attractive as the option of consolidating on the second floor, which was the original secure floor. For other reasons as well, it is the safest and the most remote from threat and it has the square metres that are required.

CHAIR—In other words you are saying that the three options all involved looking at different ways of configuring this building to suit the needs of the department.

Mr Morgan—That is correct.

CHAIR—How does this option represent value for money against the other two?

Mr Morgan—The difference in costs was marginal—within an order of accuracy you could not justify the decision on a cost basis. Different operational costs might have been a consideration but we were looking simply at the capital cost. So cost was not an issue; value for money therefore was not an issue in those terms.

CHAIR—You mentioned security. For the record can you tell us what measures have been taken to ensure the security of staff working in this building—obviously without going into confidential details? You mentioned that one option was chosen above another because it represented better security. Can you explain that a little more?

Mr Davin—There are some particular security features in our current building. The option that we have opted to go ahead with leaves those specialist security features largely intact—a number of the options would have required replication of those features on different floors. One of the more persuasive elements of going with this model is that we do not have to replicate these security features. In broader terms, much more rigorous access arrangements will be put into the main entrance to the High Commission. We will be incorporating some specialist features, which I will not go into, but some of the more common elements we will be putting into the area are a metal detector and some other control features to improve entry to the building. We will also be handling reception arrangements in a more secure manner than they are currently managed. The particular design we are proposing is a much more efficient and practical office layout.

Senator FERGUSON—In the base building cost, what is involved in the structural, civil and landscaping items?

Mr Morgan—There is very little structural alteration. We are replacing the existing theatrette with an extension of the central representative area. That will involve cutting out a concrete wall, which is nonstructural but, in terms of estimating, is put under the banner of ‘structural’, as is the construction of a new floor at the main floor level, which will remove a stepped floor and put in a platform floor. Other than that, some repairs are necessary to some seismic joints, which come under the structural category, although they are not related to any structural deficiencies. That is an essential maintenance item which is difficult to do at a time other than during a major refurbishment, so that will be addressed at the same time. There is very little civil work.

Senator FERGUSON—What do you call ‘civil work’?

Mr Morgan—Civil engineering outside the building. Due to the climate, we have a ramp beside the building which goes down to the basement. Some of that area is fairly wet and is a slip hazard, so there will be minor replacement of that with new concrete. There will be additional external bollards to separate a pedestrian path from a car parking area, and that also comes under the civil banner.

Senator FERGUSON—I am wondering why you include structural, civil and landscape works under the same line. What I am really trying to find out is how much money you are going to spend on landscaping.

Mr Morgan—Very little. The landscaping of the site is in pretty good condition; it is very well established. Depending on the construction work, there may be the need to make good any landscaping that is damaged, but that would be within the contractor’s responsibility. We are not proposing to undertake external landscaping works.

Senator FERGUSON—So it is structural expenditure more than anything else?

Mr Morgan—Yes.

Senator FERGUSON—While all this work is going on, will it still be possible for the High Commission staff to work in the building, or will they have to be relocated?

Mr Davin—No. There is sufficient space in the building that we can stage these works. We will be moving staff out of their existing offices, refurbishing those offices and then moving staff back in. There will be a staging process and, whilst the activities of the High Commission will be disrupted to some extent, they will be able to continue uninterrupted.

Senator FERGUSON—At the end of the process you will have quite a bit of spare space?

Mr Davin—That is correct.

Senator FERGUSON—It is better that there be too much than not enough, I suppose.

Mr Davin—Yes. It gives scope for additional expansion.

Senator FORSHAW—So that we have it on the public record, could you clarify the position on the future usage or possible usage of the first floor. I understand that it is to be mothballed or will potentially be available for use by other agencies, expansion of diplomatic personnel or whatever. Is that correct?

Mr Davin—That is correct. The activities of the High Commission will be consolidated primarily on the second floor and the ground floor. The first floor will be refurbished to just a shell condition and sealed off. It is available for future expansion should other government agencies require representation in the capital, Wellington. We are not able to use that space or make it available for commercial use under the terms of the diplomatic lease that we hold on the site. So we are restricted to use for future expansion by agencies.

Senator FORSHAW—Can I take it from that that the security measures and arrangements that are in place, and whatever else is done as part of this refurbishment, would be suitable to cover any expansion of activity on the first floor or would you expect to have to do further work in that regard?

Mr Davin—Depending on the nature of any future Commonwealth agency that may take up that space, the security arrangements would be flexible enough to assist. It is a controlled building and any agency taking up that space on the first floor would do so in the knowledge that members of the public just cannot freely walk in and out of that site. It would be a major consideration of their agreement to take the space, but we could always be flexible to an extent with that.

Senator FORSHAW—Just looking at it, if the work is being done now and even if the floor is being let vacant, I was wondering whether, if anything further had to be done to that floor, it would be more cost effective to have it done now rather than at some time in the future. But that appears not to be an issue.

Mr Davin—That is correct. We will be incorporating lift controls, for instance, in the building, so the lifts will not stop at that floor and things like that. They can be readily reversed in the event that we make the space available. But it is a controlled site, and those security measures are just a requirement of operating a high commission.

Senator FORSHAW—How many personnel are working in the building?

Mr Davin—There are 15 Australian based staff and 15 locally engaged staff in the building at the current time.

Senator FORSHAW—What are the locally engaged staff involved in? You do not have Immigration there now, do you?

Mr Davin—That is right. They are primarily operating in a support capacity. I do not have a breakdown with me now, but we would have locally engaged staff, consular assistance and accounts clerks. There would be an office manager, a property clerk and people like that in support roles doing some research for us there.

CHAIR—I want to ask about the building codes in New Zealand, particularly given the seismic activity that occurs there. For the record, can you explain to us what measures you have taken to ensure that the building meets the local codes in relation to seismic activity?

Mr Davin—When the building was originally constructed in 1978—and we are not proposing in this refurbishment to alter the original structural position of the building—it met the high standards of seismic requirements. But I might just defer to my colleagues to get an update. I am not sure whether our local seismic rules have changed over the ensuing years.

CHAIR—I understand that you are not entering into a major building works here. But, as part of your process of refurbishment, has an audit been done to assess the adequacy of the building in case of an earthquake?

Mr Davin—I might defer to my colleague here.

Mr Morgan—Our company, GHD Pty Ltd, undertook a detailed structural audit of the building as part of the condition audit in 2002. The building was originally designed in 1977 to the relevant Australian and New Zealand codes. The New Zealand code is more onerous for the obvious reason that that country has significant earthquakes and Australia, generally speaking, does not. The current earthquake code is NZS4203: 1992; and NZS1900 chapter 8: 1965 was the original design code. Our company looked at the difference between those two codes and the impact, if any, on the structure in 2002. The differences were not considered to be significant and the building in its current configuration is considered to largely comply with the current codes and does not require any upgrade or strengthening.

CHAIR—What do you mean when you say ‘not significant’? Can you elaborate a little on that.

Mr Morgan—I am not a structural engineer.

CHAIR—Can our colleague Mr Jones from Multiplex answer that?

Mr Jones—I am afraid I am not a structural engineer, either.

Mr Morgan—I think the differences were considered to be fairly technical. The 2002 report has a number of pages that describe that investigation. I do not feel qualified to try to summarise those but I assume that information could be provided.

Mr Davin—Perhaps I could take that on notice. If I am right, the question is: what is the variation in code from 1977 to now and what impact, if any, is there?

CHAIR—And whether the building is adequate to minimise any impact on staff working in the building in the case of an earthquake. That is the general thrust of the query. I have a question on energy conservation. It has become the favourite because the government has well and truly stated its intention to do everything it can to reduce greenhouse gas emissions, and I suppose it would want to do that offshore as well as onshore. Have you consulted with the Australian Greenhouse Office to make sure that you are putting into place the maximum number of devices to minimise energy consumption in the building?

Mr Davin—I cannot say that we have had consultations with the Greenhouse Office but certainly there has been a considerable emphasis given to energy efficiency in this refurbishment. I can outline some of the features that are in the new building. We are going to achieve overall energy efficiency. We will be replacing the existing cooling towers with air-cooled systems which eliminate the obvious risk of Legionella. We will be introducing separate hot water storage units to avoid the year-round use of one major boiler unit. We will be replacing the existing chillers with new units that are greenhouse gas compliant. There will be an improved water usage throughout the building through the introduction of dual flush toilets, low-flush outlets to showers and control flow into hand basins. There will be much more energy-efficient lighting and intelligent lighting control systems introduced into the building. On the building services side we are putting in a state-of-the-art building management system which will have remote control features. Overall, we estimate that we will be able to save something like 20 per cent of the energy costs on the current building. I am sure there is a lot more that we could elaborate on. Does someone want to add more to that?

Mr Morgan—One of the significant features is the fact that we are mothballing the first floor and isolating the first floor from the ground floor by glazing the voids. We are also subdividing the ground floor representative area so that we do not have to heat and aircondition the whole of that large ground floor space all year round. We can now do just the main lobby area, which is only about a third of the floor. Also, the terrace enclosure will act as an additional buffer to the thermal gain and loss from the harbour side. So those measures, apart from improving the operation of the ground floor, will also enhance energy use and efficiency.

CHAIR—I was interested in the modern light sources, because they can reduce energy consumption in a building dramatically, and also the control mechanisms that can ensure that lights are off when people are not needing to use those spaces.

Mr Morgan—The lighting throughout the whole building will be replaced as part of the base building upgrade. It will include an intelligent, energy saving lighting system.

CHAIR—Could you provide us with the 2002 report into the options?

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

CHAIR—The committee will consider that request. I thank you for appearing before the committee today.

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.

Committee adjourned at 9.41 a.m.