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JOINT COMMITTEE ON PUBLIC WORKS

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JOINT COMMITTEE ON PUBLIC WORKS
Monday, 10 May 1999

Members: Mrs Moylan, (Chair), Mrs Crosio (Vice-Chair), Senators Calvert, Ferguson and
Senators and members in attendance: Senators Calvert, Ferguson and Murphy and Mrs
Crosio, Mr Forrest, Mr Hollis, Mr Lindsay, Mrs Moylan and Mr Ripoll

Terms of reference for the inquiry:

Australian Embassy, Berlin - Refurbishment of heritage buildings as a chancery and apartments

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Committee met at 9.20 a.m.

CHAIR—I declare open this public hearing into the Australian Embassy, Berlin—refurbishment of heritage buildings as a chancery and apartments. This project was referred to the Public Works Committee for consideration and report to parliament by the House of Representatives on 17 February 1999 at an estimated out-turn cost of \$43.57 million. A further \$3.83 million will be spent by occupying agencies for tenancy fit-out. In accordance with subsection 17(3) of the Public Works Committee Act 1969, 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 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.

Today the committee will hear evidence from the Department of Finance and Administration, the Department of Foreign Affairs and Trade and the Department of Foreign Affairs and Trade CPSU sub-delegates committee.

The committee was unable to inspect the proposed site in Berlin due to the provisions of the Public Works Committee Act which do not allow the committee to meet overseas. Senator Ferguson, though, has been to Berlin on other parliamentary business and inspected the site whilst there, but he is the only member of this committee to have done so. This restriction is making the committee's task of assessing the merits of the proposal a little difficult. I now call representatives from the Department of Finance and Administration.

[9.22 a.m.]

HANCOCK, Mr Brian Richard, Assistant Secretary, Development Management Branch, Property Group, Department of Finance and Administration

PEEL, Mr Bill, First Assistant Secretary, Property Group, Department of Finance and Administration

PLATT, Mr Paul Richard, Director, Project Management, Property Group, Department of Finance and Administration

RUDLAND, Mr Raymond David, Director, Asset Management Commercial, Property Group, Department of Finance and Administration

CHAIR—The committee has received a submission from the Department of Finance and Administration dated February 1999. Do you propose any amendment to that?

Mr Peel—Yes, I have two minor amendments. Paragraph 2.4 of the evidence gives an outline as to the dates on which the property was acquired. I would like to amend the final sentence of that paragraph, which should now read:

Australia's tender bid of DM18 million (\$A15.2m) was submitted to TLG in December 1995. The project was purchased in January 1996 and the purchase was formally completed in January 1997.

Paragraph 12.1, the final point, point 7, has some figures related to the actual area of the building. The figures should be amended so that the paragraph would now read:

vii)the gross floor area of the building is approximately 7,900 m² which includes 4,700 m² for the chancery (including expansion space and associated facilities), 1,500 for the basements, 1,700 m² for apartments.

CHAIR—Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The document read as follows—

CHAIR—Would a representative of the department now read the summary statement to the committee, after which we will proceed to questions.

Mr Peel—This submission seeks approval to refurbish and fit out the heritage listed Wallstrasse 76-79 and Markisches Ufer 8 buildings in Berlin to provide office and residential accommodation for the Australian embassy, which is to relocate from Bonn to Berlin. Following the reunification of Germany, the German government decided to relocate its capital from Bonn to Berlin. As part of that move, the diplomatic corps is also to relocate to Berlin. The German government plans to relocate by mid-1999.

The government purchased two separate but connecting heritage buildings in central Berlin for approximately \$15.2 million in 1996. Both buildings were constructed earlier this century. Although structurally sound, the buildings have passed their useful operational age and have inadequate building services and layouts. There is a need for complete refurbishment of the buildings to provide a satisfactory standard of accommodation.

The proposed refurbishment, restoration and fit-out work includes demolition of the non-structural interior of the buildings, as well as some elements of the facade, roof, basement and courtyards; conversion of the basement for use as car parking; refurbishment of the heritage elements of the building, including the facades, the main meeting room and a number of staircases; replacement of all building engineering services and installation of three new lifts; fit-out of the chancery; and fit-out of two apartments in the Wallstrasse building and four apartments in the Markisches Ufer. The Wallstrasse building is well suited to open plan office design because most of the existing internal walls are non-load bearing and, therefore, are able to be demolished. Its open plan design provides flexibility for use as both office and apartment accommodation.

The tenant departments of Foreign Affairs and Trade, Immigration and Multicultural Affairs, Defence, and Education, Training and Youth Affairs were consulted in the development of the space needs in the chancery, and each provided a space brief and an outline of their functional requirements. Detailed planning will be undertaken in close consultation with agencies.

The chancery will be approximately 4,700 square metres in area, accommodating 53 staff. The Wallstrasse building has sufficient space to include two apartments, which are planned on the Markisches Ufer side of the building, providing a pleasant and quiet outlook with a separate address from the chancery. The chancery's main entrance is on Wallstrasse, which is on the opposite side of the building. Four apartments are planned for the Markisches Ufer 8 building. The apartment designs have been developed within the constraints of the existing buildings, taking into account the needs for privacy and the formal representational requirements of the occupants.

The buildings are located in Berlin Mitte, which was the traditional old central Berlin before partition into east and west after World War II. Berlin Mitte is again emerging as a centre of government and the CBD of Berlin. It has been the scene of massive new construction and refurbishment of heritage buildings over the last five years.

Subject to a favourable Public Works Committee report and parliamentary approval to proceed, it is expected that tenders will be called in late 1999. Following a construction period of 18 months, the project will be completed towards the middle of 2001. The revised limit of cost

estimate for the refurbishment is \$37.277 million, in accordance with our advice to the committee of 4 May 1999. That completes the opening statement.

CHAIR—Thank you. We can now move to questions from the committee.

Mrs CROSIO—I have a couple of questions, having read the information supplied to us. It was a very good video. It gives you a better understanding of what you are doing when you are trying to read the reports. Could you explain to me how you reduced your estimates by \$2.6 million from the time it was originally indicated? Where did that come from?

Mr Peel—We undertook a detailed analysis of the estimates a few weeks ago. It is the normal procedure we undergo. We continually revise the cost of all of our programs.

Mrs CROSIO—Did that come about because of the public works inquiry?

Mr Peel—That was part of the reason, but we do continually update these things. We got professional advice from consultants located in Berlin. After a detailed examination of the proposal, their advice to us was that the building could be completed for \$2.6 million less than we originally proposed. In the costs we had earlier provided to the committee, we had also erroneously included in the building cost \$2.5 million for temporary accommodation, which we have now taken out. That is funded from other sources. They are the main elements of the changed estimate.

Mrs CROSIO—With regard to the preparation of those apartments for DFAT staff, was that taken into consideration as part of the purchase of the building? Or was it intended always to have accommodation provided?

Mr Peel—The buildings were purchased as a lot. We could purchase both but we could not just purchase one or the other. Four of the apartments are to be in a building which was formerly an apartment building, and two in the main office building. The buildings themselves were too large for what we required in terms of office accommodation.

Mrs CROSIO—Surely, it would give a greater return to the government if you were to rent it out as office space rather than apartments, wouldn't it?

Mr Peel—We have always looked at apartments in the building rather than office space. There are security considerations in having co-tenants in an embassy, but we have decided to go ahead with apartments on this occasion.

Mrs CROSIO—Security is an issue if you are looking outside. What if you are looking at it for other Australian government departments?

Mr Peel—Other government departments are a possibility, but we really have just gone along the road of apartment accommodation in the building. We have not given serious consideration to office accommodation.

Mrs CROSIO—Also in the video it mentioned three-bedroom apartments. I notice in the plans provided to us that two of those are four-bedroom apartments.

Mr Platt—That is right. There are six apartments.

Mrs CROSIO—There are six apartments: four by three and two by four.

Mr Platt—That is right.

Mrs CROSIO—Is there any reason for the four-bedroom apartments? They are rather large. If you were thinking of having staff accommodated, wouldn't it have been better to reduce it to two by two?

Mr Peel—Yes. We did examine the configuration of the apartments within the buildings. The configuration that we have of the three- and four-bedroom apartments is really all we can do. We looked at putting a greater number of smaller bedroom apartments in, but the restrictions of the building itself limit us to the six apartments along the configuration that we have provided for.

Mrs CROSIO—Will the staff who will be utilising that building as apartments be paying rent? What type of rent would you be looking at?

Mr Peel—The Department of Foreign Affairs and Trade will pay the rent. I understand, through their overseas allowances, that staff make a contribution.

Mr Rudland—The rent will be a total of \$1.187 million for the six apartments.

Mrs CROSIO—Per year?

Mr Rudland—Yes, per annum. DFAT are taking four of those apartments and DIMA are taking two.

Mrs CROSIO—So they are basically already leased out before you have done the refurbishment.

Mr Rudland—Yes.

Mrs CROSIO—As you have said, it has come out of a separate budget, but if it were to go over time then that \$2.5 million for renting temporary premises would escalate, I should imagine. Have you covered that?

Mr Peel—No, it is only for a short period of time. The rent will stay static for the period of our occupation. There will be no escalation.

CHAIR—Have you finished, Mrs Crosio?

Mrs CROSIO—Yes, at this stage. I will come back to it.

CHAIR—How does the rent that DFAT and DIMA are going to pay for the apartments compare to other apartment rentals in the locality?

Mr Rudland—It is quite a considerable rent but it is roughly comparable with what they are paying at the moment in Bonn. The issue is that we are amortising the rent over the period of the expected life of the building.

The apartments themselves have a configuration which requires a certain amount of expenditure to be put into them and they are reasonably costly. Having said that, that costliness I believe is offset by the fact that they are exceptionally central. They are in a rather beautiful part of the old East Berlin, right next to the cultural centre of Berlin, and those people who find it convenient to live in inner city space will, I have no doubt, find them quite delightful in terms of location.

CHAIR—What does the rent per square metre equate to, how does that compare to what analysis has been done, and how does it compare to other rents per square metre for residential accommodation in the district?

Mr Rudland—The average rental rate per square metre—and that is the way we have done it because one tends to charge apartments by three or four-bedroom apartments, rather than on a per square metre basis—is \$875.

CHAIR—How does that compare with other accommodation in the area?

Mr Rudland—There is not a lot of that type of accommodation in Berlin Mitte to compare with. The main accommodation is more dormitory type accommodation over in the former western side.

CHAIR—What are the comparisons?

Mr Rudland—I have no doubt that, if you could find comparable accommodation, it would probably be reasonably favourable having regard to the rent we are charging.

CHAIR—So has no analysis been done?

Mr Rudland—Yes, there has been an analysis done. I do not have the exact figures of—

CHAIR—Can we have copies of the figures?

Mr Rudland—Yes, indeed.

CHAIR—What is the return on investment anticipated for the apartment?

Mr Rudland—For the property as a whole?

CHAIR—For the apartment?

Mr Rudland—Right, I will let you have that.

CHAIR—We might as well have it for the whole building.

Mr Peel—It is 8.27 per cent for the whole building.

CHAIR—Has an analysis been done to compare that with rates of return on the properties in the district?

Mr Peel—Yes, it has.

CHAIR—How does it compare?

Mr Rudland—It compares well. The long-term yield for A-grade office accommodation in Berlin is approximately 5.75 per cent; 8.27 per cent reflects the special purpose nature of this building and the considerable enhancements which have been put into it to meet the needs of the tenants.

CHAIR—Thank you very much. Any other questions?

Senator FERGUSON—I am interested in paragraph 2.4. You talk about a tender bid being submitted in 1995, yet the purchase was not being formally completed until January 1997. I remember in 1994, when talking with people in relation to Treuhand, they said their work had been 90 per cent completed in 1994 with the privatisation of what was classified as people's property in East Germany, and basically, all that was left to sell were some woodlands and areas where it was difficult to find out whether there were previous owners from that 1945-49 period. Treuhand's job was to privatise all of the people's property in 1994.

In 1996, when I was first shown the proposed site for the embassy, I was under no misapprehension that, in fact, the property had been purchased. We were taken there with the then Chairman of the Public Works Committee, Mr Neil Andrew, and told, 'This is the property we have purchased for the Australian embassy.' Yet you say here that the purchase was not formally completed until January 1997, which was about eight months after we first saw it. It is now well over two years since January 1997 and we are now being presented with plans to refurbish this building when, in fact, we have known since 1990 that the German government would move from Bonn to Berlin in 1999.

It is now four years since we submitted our first tender, but still nothing has taken place and so we are up for at least \$2½ million a year in rent. I am wondering whether you can confirm this tender bid because in 1996 I was under no misapprehension that the building had been purchased, yet you say the purchase was not formally completed until 1997.

Mr Peel—Yes, Senator Ferguson. Perhaps I could take you through a few dates. I preface that by saying that there has obviously been a long delay in getting to the point where we are now. We do not try to hide that from you and we can explain that to you. In terms of the tender process, we first got the clearance to submit a tender in December 1995. Our tender was accepted on 23 January 1996 and the contracts were formally signed in May 1996. We made the final payment for the building in January 1997 and the title deeds were formally transferred in

May 1997. Talking about formal completion of the sale, we had to go through various processes with the authorities in Germany. These took quite some time to go through.

Senator FERGUSON—Were you dealing with Treuhand all the time?

Mr Hancock—I understand so.

Mr Peel—It was formalised in May 1997 when we got the title documents for the building. So we did agree to purchase in 1996, as you said, but then we had to go through a long process of getting the title documents through the appropriate authorities in Germany.

Senator FERGUSON—I do not understand why at least some proposed action was not taken, although the formalities had not been completed, once we knew the property was going to be bought or it was signed off on and it was only that the final payments had not been made until 1997. What caused the delay between 1997 and now?

Mr Peel—Principally, what occurred was that the government decided to review the way in which it would administer its own property portfolio. During this period we saw the introduction of user pays for departments and agencies, and they are being required to pay rent for the accommodation they occupied. Unfortunately, because of the discussions and negotiations that were going on at that time between departments and the then Department of Finance about the funds that they would receive to meet their rental costs, departments were not prepared to make final commitments to the building until those issues were resolved. It took quite some time to get through the process, so we were basically held up while that process was going on.

Senator FERGUSON—In the document that you have given us you have given us some costings—about nine lines. For instance, the architects talk about demolition. You have, 'Construction works, \$24.485 million,' and that is that. Is there a more detailed breakdown elsewhere in these papers, because I thought I had read the lot and I have not seen them?

Mr Platt—We can supply those.

Senator FERGUSON—You would not expect us to approve something that just says 'Construction works, \$24.485 million'.

Mr Platt—Construction does allow for a lot of specific issues, but I can supply those to you.

Senator FERGUSON—I would be very keen to know what the cost of demolition was as a percentage of that.

Mr Platt—The demolition work, as I recall, is worth some \$200,000.

Senator FERGUSON—What about the basement? It says 'Conversion of the basement'. I presume there is no structural work to be done other than a conversion.

Mr Platt—No, there is structural work. The basement at the moment, as the video showed, is full of load bearing walls supporting the central courtyard. The central courtyard will be demolished and some structural work done to open up that area for car parking. The cost of that will be in the order of \$1 million.

Senator FERGUSON—Will there be water problems there?

Mr Platt—There are no water problems at the moment. We have had investigations undertaken, both structural and geotechnical. Whilst the property does lie close to a canal, there are no water problems.

Senator FERGUSON—Even properties that do not lie close to canals have water problems in Berlin, don't they?

Mr Platt—This one seemed to be watertight. Certainly, there will be work done to make a new slab.

Senator FERGUSON—What sort of cost does this refurbishment of the heritage section involve? We had been told from the start that it was concluded that the best way to go was to buy this building. What additional costs are likely to be placed upon the government because of the refurbishment of the heritage system other than would have been in a normal building?

Mr Peel—Between \$1 million and \$1½ million.

Senator FERGUSON—That is the extra cost for the heritage section?

Mr Peel—Yes.

Senator FERGUSON—Have you got a separate cost for the fit-out of apartments?

Mr Platt—It is in the order of \$2 million.

Senator FERGUSON—In total? That is out of the \$24.5 million?

Mr Peel—Yes.

Senator FERGUSON—I noticed that Mr Rudland talks about rents in Berlin being comparable to those they are paying in Bonn. Rents in Berlin are not comparable to Bonn, are they?

Mr Rudland—I probably need to correct that part of it on re-thinking. The situation is that the Prime Minister, the Treasurer and the Minister for Finance and Administration have agreed that tenant departments in this complex will be supplemented for the difference between their existing Bonn rents and the price which we will be charging them for these buildings. They will not in that sense be out of pocket—only if they require additional space or whatever.

The point I was trying to make was that at the moment you have a very large number of German government departments and embassies from just about every country moving into Berlin and doing the same thing that we are doing, which is seeking residential accommodation. It is probably reasonable to expect that even if residential rental levels have stayed reasonably constant until now, there will fairly soon be some quite high demand put on them which will probably be reflected in the price.

Mr Peel—We do have a breakdown of that construction cost if you would like it now.

Senator FERGUSON—Could we get it photocopied and tabled?

Mr Hancock—I could read it out to you and then we can certainly provide it to you in a crisp form.

Senator MURPHY—Why don't we just get a print-out?

Senator FERGUSON—That might be better. We will get a copy of it if that is possible.

Mr Platt—It is quite a lengthy document.

Senator FERGUSON—How far advanced is the residence?

Mr Peel—The residence is due to be completed in November.

Mr Hancock—At the end of November.

Senator FERGUSON—Will the ambassador be moving into temporary accommodation or move straight from Bonn? They will not move from Bonn until the residence is completed?

Mr Hancock—We would have to ask foreign affairs that question.

Senator FERGUSON—I have some other questions for later, but I have a couple of things I want to look up first.

Mr LINDSAY—In the video, when you were dealing with the facade of the building, the words were that the detailed assessment had to be done but no details of cost were known because of how the facade had to be refurbished. How does the committee deal with that unknown?

Mr Platt—There has been quite a detailed heritage report done by a German consultant. He has given us an indication of the work that is required to be undertaken and we have put cost estimates against that. There is some more detailed work to be done on some of those areas but, again, the cost estimate has been established for those works.

Mr LINDSAY—What are those estimates?

Mr Platt—They have just gone out of the room to be photocopied.

Mr LINDSAY—In relation to the day-to-day operations of the building and how it functions on the ground floor, could you explain to me the security arrangements that are proposed in the layout?

Mr Platt—The security arrangements are worked up jointly with the Department of Foreign Affairs and Trade security people. They are similar in terms of actual security issues that we place into embassies throughout the world. There would be—

Mr LINDSAY—On the floor plan, if you are a customer coming in and you need to go to the first floor or whatever, how does that happen?

Mr Platt—Embassies are divided up into specific security zones. The ground floor and waiting areas are public zones. The public can come in off the streets and enter that area that has been labelled as 'Waiting'. To move from there into the building proper they would have to go via the receptionist. They would probably be met by somebody coming down from upstairs. They would go through what we call mantraps or security traps, which is that area between the reception and the consular spaces that are listed there, and then escorted to the respective areas within the building.

Mr LINDSAY—Okay. On the coloured diagram over here, the blue is the public area. Do you see how blue extends to the right and the bottom which seems to be access to the car park? Is that right?

Mr Platt—No, I would think the car park would be accessed via a car lift and under security car provisions.

Mr LINDSAY—Do you see that room on the bottom on the right-hand side that seems to be a stairwell? Can you see that?

Mr Platt—Yes.

Mr LINDSAY—I would have assumed that that went down.

Mr Platt—It is the access to the upstairs immigration area.

Mr LINDSAY—So that is a public area?

Mr Platt—It is a public area. It comes up into the immigration waiting area, which again is public.

Mr LINDSAY—Okay. Is that the first floor then?

Mr Platt—That is the first floor, yes.

Mr LINDSAY—But that does not show on the first floor over there?

Mr Platt—Yes. That area.

Mr LINDSAY—Okay.

Mr Platt—Immigration and consular are the two areas that have public access within any embassy.

Mr LINDSAY—How do the staff get to the staff recreation area?

Mr Platt—The staff within the building?

Mr LINDSAY—Yes.

Mr Platt—It is via lift or stairs.

Mr LINDSAY—I see. You go through that fire escape thing, over to the lift adjacent to the first floor living area. Is that the way it happens?

Mr Platt—Yes, you go via the area which is labelled 'Future fit-out', or you come up the lift that is adjacent to the apartments.

Mr LINDSAY—That is on the fifth floor. Can you get through the future fit-out area? Will you be able to?

Mr Platt—Yes. These drawings within the evidence are notional block lay-outs; they do not show specific break-ups of corridors, et cetera. Obviously we would not stop staff from going from lifts to the recreation area.

Mr LINDSAY—Again, on the ground floor, the purple area that is over there, just have a look at that. What is the legend for purple there? Is it apartments?

Mr Platt—It is apartments, except that that area on the ground floor is not fitted out as an apartment.

Mr LINDSAY—What are you going to do with that? Currently it is showing as unused.

Mr Platt—It is currently under review, but we are looking at storage or children's play areas. The configuration of it makes it difficult to design an apartment within that space. Also, the central stair that comes from the street makes it very difficult to plan as an apartment. That level is in actual fact a half level above the street. So you are actually coming up to that level.

Mr LINDSAY—These buildings are basically in a U-shape. Was any thought given to using the open space between the buildings?

Mr Platt—In a built form?

Mr LINDSAY—Yes.

Mr Platt—No. I think it was decided to keep it as a landscaped courtyard, as a central relief. There is a glazed link that connects the building with the front of the embassy. No, I think it is important to keep that as a landscaped area, as a visual relief to the tenants and the workers.

Mr FORREST—Firstly, I am still stuck on the cost. If you add the original purchase price to the \$37.2 million, the \$52.4 million, from what I can read to be 'access to usable space of 4,700 square metres', that is \$11,150 per square metre which seems to me, on Australian standards, exorbitant, but I am not aware of what it costs to build greenfields office accommodation in Berlin. The submission you have made makes no reference to standardising this against other options. It is probably revisiting old ground but I would still like to know, on a comparative cost basis, what a greenfields, brand new building would cost per square metre of usable space in reference to the \$11,150.

Mr Peel—We could do that for you but I think it is true to say—and I stand to be corrected—that, in any event, there were no greenfields sites available in Berlin that we could have developed. There was one possibility which we did seek to purchase but the German

government subsequently made it unavailable, so there just was not the option for a greenfields site. In terms of construction costs in Germany, the costs are around 20 per cent greater than they are in Australia. If you want a more detailed breakdown we could provide that later. A greenfields site just was not an option.

Mr FORREST—Was there any other alternative site? That was one thing I was looking for, to be able to say that this is the site and these are the reasons we have to have this one and there is no comparison with any other.

Mr Peel—We could provide the committee with that information separately. We did look at 50 different sites in Berlin. We had a detailed examination of those sites. The option that we finally chose, leaving aside the greenfields site that was not available to us, is the most cost-effective option of the ones that we examined. We could provide to the committee, on a confidential basis, a more detailed costing of that.

Mr FORREST—I think that would be more useful to get some context of that. My second question goes to the structural adequacy of the building. I have to say to you, from viewing the video, that I am a bit horrified—I have not seen it like the good senator has. With respect to the load bearing walls adjacent to the canal—I have no perspective of how the cross-section that you have provided relates to the elevation in respect of the canal—I expect it would be very wet down there in the basement. Other than a passing comment about the building being structurally sound, there is no evidence given about how that has been investigated.

Mr Platt—There has been a detailed structural investigation undertaken by a firm of engineers, Ove Arup, which we could make available.

Mr FORREST—Are they German engineers or Australian engineers?

Mr Platt—No. Ove Arup is an international engineering firm with offices in just about every country in the world including Berlin.

Mr FORREST—I would like to see a copy of that report and also any comments they might make about removing the structural requirements that I heard you describe with the basement, and taking the roof out. That might affect the whole integrity of the building at ground level.

Mr Platt—No, it will not. Obviously we will have structural engineers working with us in the design documentation. The building, by all accounts and by all reports, is structurally sound and has stood the test of time and a world war, of course, and the basement is dry. They probably knew how to build them better in those days than we do today.

Mr FORREST—In relation to the cross-section that is provided in section A, it shows ground level at 99.25 with a basement level of 95.67. What is the water level of the canal in reference to that data?

Mr Platt—It would be above basement level, I assume. The water table is higher than the ground floor of the basement.

Mr FORREST—It is probably covered in the report and I understand you will provide that.

Senator FERGUSON—Do you really mean that they knew better how to build buildings in 1910 than they do now?

Mr Platt—In some ways I think they did, Senator.

Senator FERGUSON—You would not want to tell the modern school of architects.

Mr Platt—I am an architect, so I suppose I am giving away a few tricks. I think, in terms of the mass of the building and the structural integrity and quality of the building, they relied more on mass and perhaps we rely on more finely tuned structure these days. In essence, that mass does two things for us. It provides a building that is watertight and it also provides a building in relation to energy usage that has a good deal of thermal mass. To some extent we have lost that art in modern architecture.

Senator FERGUSON—You have put it on the record, not me.

Mr Peel—I respect Mr Platt's opinion, but it is a personal opinion.

Mr FORREST—I could add that it is a professional club. We do rely on elasticity these days rather than mass. I am just a bit confused about fire safety. My interpretation of what I read was that the German fire safety requirements are not as substantial as Australian ones. I would be very worried if I were living on level 3 and there was a major fire in the building. The stairwells are constrained; there is no evidence of smoke proof and all of that and I am a bit concerned about egress for—

Mr Platt—There are two fire stairs that provide egress for the apartments, one within the apartment on the right-hand side and a central escape stair. Both would be designed as fire stairs.

Mr FORREST—They do not seem to exit externally.

Mr Platt—They exit into the courtyard which is considered an external space, and from there you would exit externally to the street.

Mr Peel—Could I just make a general comment about fire safety?

Mr FORREST—It is one of the constraints of having to use this building. It is what we have got to work with. That is very unsatisfactory.

Mr Peel—In relation to fire safety, we adopt the higher of the Australian or the local standards. In this case the fire safety protection provided will comply with Australian standards.

Mr FORREST—I have a few more questions. Just further to Mr Lindsay's point about security: there are five entry points to the building, two from the rear—and that is the apartment access—and another stairwell on that street. There is the main entrance. There is the car lift itself and then there is the entry to immigration—all security problems. Perhaps you could extend your answer to Mr Lindsay's question about security. Again, it seems to be a constraint where we are trying to use an existing building rather than something we prefer.

Mr Platt—When working with existing buildings there are always constraints that we have to work with and around, but each of those access points will be subjected to security control

systems, whether by key card or digital punch codes, et cetera. There will not be points where the public can just walk off the street and into the building proper.

Mr Peel—There is also an allowance in there for closed circuit television to monitor the security.

Mr FORREST—That is probably all detailed in the cost estimate that we have been given. Is that so?

Mr Platt—There is \$750,000 for security provisions which do include door control systems.

Mr FORREST—Further to entrances, how does the car lift situation operate there?

Mr Platt—You drive in off the street and there is a lift. Press appropriate controls or insert your security card and it drops you down into the basement and you drive off into your car parking space.

Mr FORREST—What prevents some unsuspecting person stepping into the new hole that was not there a few minutes ago?

Mr Platt—I assume it has some form of barrier in front of it.

Mr FORREST—I have never seen a design like that before so close to a street entrance.

Mr Platt—In Europe car lifts are used a good deal because of the shortage of space. They do not have the space that we have in Australia where we can provide ramp systems in and out of car parks.

CHAIR—Even in the United States in the refurbishment of apartment buildings I have seen, they are used.

Mr FORREST—I am interested to discover why we have DETYA represented in this building. Is there a reason for that?

Mr Platt—I assume there are German students wishing to study in Australia.

Mr Rudland—They are represented currently in Bonn.

Mr RIPOLL—I just want to get a breakdown of the cost between the actual office building and the apartment side of the building. Is there a breakdown?

Mr Peel—Yes, there is.

Mr Platt—I think we would have to take that question on notice, Mr Ripoll. We have a detailed cost plan but when we are looking at basement works, courtyard works and structural works, on this list there is no distinction between apartment and chancery. I can make that available to the committee.

Mr RIPOLL—There is a distinctive sort of line that you could draw between the two. If you know there are some shared areas in terms of the basement—

Mr Platt—Yes, there are, except in the Wallstrasse building. There is a combination of chancery and—

Mr RIPOLL—Even if you separate those shared areas, there must be a distinctive cost because there are two buildings really, aren't there—

Mr Platt—Yes.

Mr RIPOLL—even though it is one complex? I would like to get an idea of the separated cost between those.

Mr Platt—That is true.

Mr RIPOLL—Also, before you said that the demolition cost was, I think, about \$200,000. In your report here at 2.2, it has got 'demolition works' and it looks like \$205,000. On the front page you have got demolition at 2.2, \$805,000. I am wondering which one is the actual figure.

Mr Platt—I am sorry, I think it is \$805,000.

Mr RIPOLL—Also, I have read what the apartment fit-out encompasses, and just doing a quick division by the six apartments, you have got roughly \$2.1 million. It is about \$350,000 per apartment for fit-out. I am assuming that is on top of your internal and external building works of \$10.5 million. The building services, when you have got those figures, are a total figure for the whole complex?

Mr Platt—That is right.

Mr RIPOLL—On top of that you have got an extra \$350,000 approximately per apartment for fit-out?

Mr Platt—That is right. Fit-out is normally associated with internal walls and fixtures, as distinct from base building work.

Mr RIPOLL—It just seems excessively high. You have already got the building fit-out cost. The building cost—internal walls and anything else—and in each department, is another \$350,000.

Mr Platt—No, I think that is within the scope of the works.

Mr RIPOLL—Under 3.5 you have got provision for temporary chancery accommodation. How many people is that for, that 2½?

Mr Platt—It is for 53 as I recall.

Mr Peel—There is a slight difference, I think, in the evidence. We are saying 53 and I think foreign affairs say 55. So I think whatever they tell you is probably the right answer.

Mr RIPOLL—Give or take a couple.

Mrs CROSIO—I will begin where Mr Ripoll left off. Of those 55 staff, I notice that in the report there are only 14 Australian staff. Why are there so many locally—if I can say it—employed staff?

Mr Peel—I think you will have to ask the Department of Foreign Affairs and Trade questions about the staff break-up in the embassy. That is really their area to comment on. We do not have that information.

Mrs CROSIO—I have a number of questions on the staff situation. I will come back to them later. Let me ask about the situation with the location. When you were saying how convenient it is for trains, et cetera, the buildings and the occupants will not suffer any vibrations or noise, will they? I know you said the windows will be double glazed but what if you are right over a railway station? Has anyone tested that?

Mr Peel—All the professional advice we have indicates that will not be a problem.

Mrs CROSIO—Looking at all of this design, was that done because of Australian requirements or was it taking into account any of the codes from Germany? Do you look at the local codes? What is happening?

Mr Peel—We look at both and, where there is a difference, we go with the highest code. So if an Australian code is higher, we use that; if a German code is higher, we use the German code.

Mrs CROSIO—Who actually controls the heritage code in Germany—is it the local government or is it the federal government?

Mr Platt—It is the local government—Berlin City Council.

Mrs CROSIO—Is Australia obligated to follow the local government code?

Mr Platt—We do.

Mrs CROSIO—The answer is no, we are not; but we do, do we?

Mr Platt—We could probably test it, but we do. That is our philosophy in any part of the world. We tend to work with authorities.

Mr Peel—We want to be a good citizen and comply as much as we can with what others would have to do in similar circumstances.

Mrs CROSIO—You have also said in your report that you are going for a lump sum contract.

Mr Platt—Yes, traditional tender contracts. So we prepare all contract documentation and then tender it out to selected German contractors.

Mrs CROSIO—As a lump sum?

Mr Platt—As a lump sum.

Mrs CROSIO—What is the competitive market like in the building industry in Germany at the moment, with the shift to Berlin going on?

Mr Platt—Our understanding is that it is reasonably competitive.

Mrs CROSIO—Following on from Mr Forrest's area of questioning, if a fire were to break out, who runs into the building? I should imagine it is the German fire brigade—is that right? What about security?

Mr Platt—We have an EWS, an early warning system throughout the building which alerts the occupants of the building that there is a fire. It also alerts wardens so that people can be given instructions.

Mrs CROSIO—But you do not ask them to shred before they run, do you?

Mr Platt—No, but we also have attached to that a fire control panel in the ground floor of the building which the Berlin fire brigade would attend to first.

Mrs CROSIO—How much of the actual contract will be carried out by Australian contractors?

Mr Platt—We are tendering the project in Germany. There are a number of leading Australian building contractors who do have associations or affiliations with German building contractors. Our intention is to tender it in Germany and look for a contractor that is experienced in building in Berlin and experienced in undertaking restoration and heritage type work. So to answer your question, it may be—

Mrs CROSIO—None.

Mr Platt—an Australian contractor will be there, but he would be in association with a German contractor.

Mrs CROSIO—It also crosses my mind: I know we purchased the building from the federal government; how much of the purchase price actually went to the real owners of it? I know it is nothing to do with the costing, just a curiosity question.

Mr Peel—I presume all of it did in one way or another.

Mrs CROSIO—In other words, the federal government. Thank you.

Mr HOLLIS—Mr Peel was saying in response to a question that the building costs in Germany were some 20 per cent higher than in Australia. Is that because of GST or VAT?

Mr Platt—No, VAT actually is an additional 16 per cent across that. The cost of labour and services are that percentage higher.

Mr HOLLIS—Let us move back to this delay and the additional cost: what period is that \$2½ million over? Is the total cost \$2½ million or is it \$2½ million per year that we are delayed?

Mr Peel—I think it is the total cost.

Mr HOLLIS—The total cost is \$2½ million. The point that Senator Ferguson made, though, is that it was common knowledge that the building was going to be purchased. It was also common knowledge that the federal German government was going to move from Bonn to Berlin. Whether it was the department of finance or whoever it was—if there was a delay on that, that is an additional cost to the Australian taxpayer of \$2½ million. I do not see why it should not be put into the final cost estimate for this building. Everything else—like solicitors fees and demolition costs—is put in. Because someone is slack and cannot get their act together, the Australian taxpayer is up for an additional \$2½ million. Do we wash our hands of that and just say, 'That is tough'? Why can't that be put in the final cost of this building? It relates to the cost of the building. We are being told that this is an inquiry into the relocation of the Australian embassy from Bonn to Berlin. As far as I am concerned, all the costs should be in there, including the \$2½ million to cover someone's slackness.

Mr Peel—The cost is identified as a cost of the project. I guess all we are saying is that it is not a capital cost of the project. My understanding is that our estimate normally is focused on the capital cost. We have identified it as a separate item for \$2½ million. So if you are looking at the total cost of the project, you would include it. But if you are just focusing on the capital building cost, we did not think it was appropriate to include it. The \$2½ million gets funded from separate sources within government, so we needed to separate it.

Mr HOLLIS—Yes, but it all originally comes from the taxpayer. Whichever department funds it, it is the taxpayer who picks up the tab, isn't it? Or is it the person who made the mistake that picks up the tab?

Mr Peel—I doubt that they would have sufficient funds to cover that.

Mr HOLLIS—I take it that they are still in Commonwealth employment?

Mr Peel—I do not honestly know, Mr Hollis, whether they are or not.

Mr HOLLIS—That is all for the moment.

Senator MURPHY—With regard to child-care facilities, it says in the report that there has been no specific provision for child-care facilities. Given the nature of the building and the housing arrangements, why was that not given a bit more consideration?

Mr Peel—There is space available for a children's play area.

Senator MURPHY—Yes, I heard that.

Mr Peel—It is really a matter that we have not addressed in any detail with the tenants. But there is scope to put some facilities in the building for children, which we would talk to tenants about as we go further down the track. So we are not excluding it. We just have not locked it in at this stage.

Senator MURPHY—Has there been any costing done for that?

Mr Peel—No.

Senator MURPHY—I am just curious. In looking at the overall cost, I would have thought that, with the nature of this building and the housing arrangements, child-care facilities ought to have been reasonably important. Listening to the points made as to the reason why you have got co-location with residential and office space, what I do not want to see is that you know how much this costs and you are not including it in the cost. Then next year you will say that it will be \$2 million or \$3 million to provide child-care facilities. There ought to have been some assessment done, surely.

Mr Peel—We have not costed child-care facilities into the project. The cost of those facilities would normally be a cost to the tenant departments rather than ourselves. But before we went forward to put any child-care facilities in the building, we would need to look with the tenant agencies at what might be available in the private sector. There may well be child-care facilities in close proximity. I just do not know the answer. As I said, all we have done is identify an area which could be used as a facility for children. But that really is a matter for the tenant departments to determine, rather than ourselves.

Senator MURPHY—If they said, 'We want it'—

Mr Peel—We have space available which they could then use for that purpose.

Senator MURPHY—But there would be some cost.

Mr Peel—Yes, but they would meet the cost, I guess, is what I am saying.

Mr Platt—We have included in our estimate the base building works associated with that area, which includes ceilings and floor finishes. What it does not include is specific fit-out plus, I suppose, the children's toys and whatever goes with a child-care centre.

Senator MURPHY—No, I am not worried about children's toys. What I am worried about is that quite often we get projects presented to us that may be incomplete and then more money has to be spent on refurbishment of these types of buildings because they said, 'We didn't think we needed that at the time, but now we are going to have to spend another \$2 million,' when it ought to have been more appropriately estimated in the first place. That is all I will say about that. The project delivery system of lump sum contract—is that the same as alliancing?

Mr Peel—The same as what?

Mr Platt—No, it is not a partnering alliance process.

Senator MURPHY—I am curious about DOFA going for a lump sum contract for this particular reconstruction. I can recall evidence from DOFA that alliancing was the way to go, it was the way all construction work was being done overseas, and it was the best way to ensure that the outcome was delivered on time, within budget, et cetera. The most recent one I can recall in evidence from DOFA was to do with the National Museum.

Mr Platt—I think there are a number of points there. In certain countries, yes, the alliance and partnering process is a good one. For instance, I spent 2½ years in Vietnam, where we constructed a new embassy compound based on a partnering agreement. In Germany, no. We have a sophisticated building industry. We will be going through what we call a series of value

management sessions with all parties, leading up to and during the construction process, but we see no reason to move away from what is a traditional form of contract in that area.

Senator MURPHY—It is interesting you should say that, because I posed a similar sort of question but got a totally different statement with regard to the Australian building industry. I was told that our building industry is not sophisticated, it is not traditional. I am just curious about this. I find it interesting that DOFA can come before this committee with regard to a major project, a lot bigger project than this—

Mr Peel—Excuse me, Senator. What project was that?

Senator MURPHY—The National Museum.

Mr Peel—We have not been involved in that.

Senator MURPHY—No, you have not. DOFA is paying for this, are they not?

Mr FORREST—I would not think so.

Mr Peel—Anyway, I take your point.

Senator MURPHY—Isn't DOFA paying for this?

Mr Peel—For this building or the museum?

Mr Rudland—This one, yes. The National Museum, no.

Mr Peel—We are the principal owner representative but the museum would be the department of the environment's.

Senator MURPHY—That is where the funds came from, I can tell you. That is who came before us and gave evidence to the effect of what contract or construction contract arrangement would be used.

Mr Platt—I think it was a specific project, too, which has attracted a good deal of sensitivity from the public perspective.

Senator MURPHY—With the greatest respect to you, that was not the case—the point that was argued. I am just curious as to why in one country we would say that, because we have a traditional building industry, we are going to use this arrangement in delivering projects on time and within budget. I would be very interested to hear what the basis was for not going down that road. The windows in the Markisches Ufer side: has the approval been given to put metal framed windows in?

Mr Platt—No, but it is mentioned in the heritage report that the German consultant did not see a problem in doing that as long as the windows retained the character of the existing building.

Senator MURPHY—But has the approval been granted?

Mr Platt—Not specifically, no.

Senator MURPHY—Has it been sought?

Mr Platt—No, it will be sought during the detailed design phase.

Senator MURPHY—What happens if the approval is not granted?

Mr Platt—We would probably go to an alternative window treatment. It will still be a double glazed unit. It could be timber instead of metal.

Senator MURPHY—I understood the evidence to be that approval had been sought for replacing the existing wooden windows, which the government had required to be maintained. I am not sure whether it is the local government or the national government, but I want to know if an application has been made to replace the windows with metal framed windows. If not, why not, and what cost factoring have you done, if you have to, for maintaining the wooden windows, double glazed or not?

Mr Platt—We have costed double glazed metal windows, which would be equal to, if not more expensive than, double glazed timber windows.

Senator MURPHY—It must be the only place in the world where metal framed windows are more expensive than wood.

Mr Platt—I do not think so, Senator.

Mr HOLLIS—Haven't you got a bit of a contradiction there? It is just a small point. You made much before about always following the local heritage requirements. If the central Berlin council—or whatever they call themselves—have put a requirement on you to have wooden windows and you say, 'No, we want metal windows there,' surely that contradicts what you have just told the committee. You told the committee before that, although there is not a legal requirement, as good citizens you—the department or whoever 'you' is—always follow the dictates of the local council. Now you are telling us that the local council are asking for wooden window frames and you are saying, 'No, we are going to have metal ones.'

Mr Peel—What we are saying is that we do not blindly follow the requirements of the local authorities.

Mr HOLLIS—You did not say that before.

Mr Peel—We do talk to them and, where we think another approach is appropriate, we attempt to convince them. If, at the end of the day, the local authorities insist on one thing or another, we would comply with it. But if we believe there is a better solution, obviously we would argue for that solution. I am sorry if I misled you in the previous answer, but that is the approach that we take.

Mr FORREST—Does that mean you would have to try to find some extrusion that has some heritage relevance, such as a special shape?

Mr Platt—No, it is more of a profile. It is not an unusual exercise, either in this country or overseas, to replace timber windows with metal ones that exhibit the same character. It is more a fenestration pattern, a window pattern, as distinct from the actual detail of individual windows.

Senator MURPHY—I might have misunderstood you, but I thought you said it was a heritage requirement.

Mr Platt—No, it is not. The use of timber is not a specific heritage requirement. The heritage requirement is to maintain the facade in terms of a character and a pattern.

Senator MURPHY—I will check the *Hansard* about that. What is the normal fees rate in Australia?

Mr Platt—For consultants?

Senator MURPHY—Yes.

Mr Platt—It varies, depending on what type of job it is. For a refurbishment job of this type, it would probably be about 13 per cent or 14 per cent in total.

CHAIR—Have you finished, Senator Murphy?

Senator MURPHY—I have a couple of other questions with regard to the contingency costs. What are the actual contingency costs? They go from \$1.6 million to \$2.4 million.

Mr Peel—I think it is \$1.6 million.

Senator MURPHY—Why is that?

Mr Peel—That is our assessment of what a reasonable contingency allowance would be in a project of this nature.

Senator MURPHY—On attachment 1, you have it at 3.1 at \$2.4 million, which you say—in handwriting there—is 10 per cent of construction costs. Over the page, where you have the handwritten notes—

Mr Platt—I think that is a summation of a number of the issues listed from tender stage right up to contingency and rise and fall costs, which add up to \$2.4 million.

Senator MURPHY—But the totals are the same. You have two totals. You have handwritten notes of \$1.6 million and it all comes to \$37,277,000, and the handwritten notes are the same but you have a contingency—I am sorry, I did not add it all up but I am curious. You have made an estimate, rather than what is the normal practice of 10 per cent of construction costs as a contingency.

Mr Platt—The construction contingency of \$1.6 million is approximately 13 per cent. Industry norms vary; they can range from 10 per cent to 15 per cent on a building of this nature.

Senator MURPHY—If it was 10 per cent of the construction cost, that would be \$2.4 million, wouldn't it?

Mr Platt—Yes.

Senator MURPHY—How was the \$1.6 million arrived at?

Mr Platt—The contingency allowances include the three items that are listed on the back page—tender stage write-up, construction contingency and rise and fall costs are all contingency amounts. That is the way industry describes them. Tender stage write-up is a bucket we use to accommodate variations in the construction market at tender stage. Construction contingency is an allowance that allows for us to meet costs associated with variations or latent conditions we find once we get into the building proper. Rise and fall costs is an allowance that allows us to accommodate cost escalation within the market that we are building in. But, added together, they form a contingency.

Senator MURPHY—So you have the \$2.4 million there in the three things.

Mr Platt—Yes.

Senator FERGUSON—Will the contracts be written in Australian dollars?

Mr Platt—No, they will be written in German deutschmarks.

Senator FERGUSON—I see you have used a conversion rate of 1.03 deutschmarks to the dollar. What is the current rate of the deutschmark?

Mr Platt—It is about 1.2, I believe.

Senator FERGUSON—I saw 1.21 yesterday. Have you taken into account the effect that that will have on the cost of the project?

Mr Platt—Currency fluctuations go up and down during the duration of the project. That is something we have to live with, to a certain extent. If there are wild fluctuations, as there were a few months back, we may have to look at—

Senator FERGUSON—But with the deutschmark at its current rate, the building cost will be considerably less, won't it?

Mr RIPOLL—They have got another contingency built into it, Senator.

Mr Platt—In six months time, it might be considerably more.

Mr RIPOLL—Not after tomorrow's budget.

Senator FERGUSON—I do not think so.

Mr Platt—All I am saying is that currency fluctuations do occur and we have seen some fairly wild ones over the last six years.

Senator FERGUSON—I know; but you chose 1.03, which is about as low as the deutschmark has ever got. I think it got to 0.99 once—that is about the lowest it has ever been.

Mr Platt—It was the figure as of December last year, I think, when the estimates were put together.

Senator FERGUSON—I want to follow on from Mrs Crosio's question about contracting and who might be doing the work. Have you got proponents that you actually ask to tender for the actual construction work? Have you moved into that phase yet or not?

Mr Platt—No, we have not, although we sought advice from our German consultants. We will be selecting a short list from a group of German consultants that our German architects and cost planners put together for us and inviting them to make expressions of interest. From that we would probably come down to a list of six or seven contractors whom we would invite to tender for the project.

Senator FERGUSON—That is local contractors?

Mr Platt—Yes, German contractors.

Senator FERGUSON—Which means it will be built by Poles, Czechs and Bulgarians.

Mr Peel—There are some Australian firms with connections in Berlin. I have some of them listed here: Concrete Constructions, Leightons and Hollands all operate in Berlin, so they may well be interested in the project.

Senator FERGUSON—How confident are you—seeing that we have only got this far by now—that the proposed project can be completed on time?

Mr Peel—I think we are pretty confident. Our track records in the past have come in pretty much on time. Where they have not, there have been special reasons for that. We have got professional advice on the construction program and we are as confident as we can be that it will be completed on time.

Mr Platt—I think the one good thing with this building's refurbishment program—as compared to Washington's—is that we are refurbishing it unoccupied which makes life a lot easier for us.

Senator FERGUSON—It does, but there is also a lot of competition for the people to do the work in Berlin.

Mr Platt—The program times have been given to us by our German consultants. We have asked them to be realistic in their program times.

Senator FERGUSON—I want to make one final comment, rather than ask a question. You must sometimes think that we are rather sceptical of things that you put before us, but I have to say that I think that this submission you have put in today is one of the most inadequate ones I have ever seen. When you have a proposal to spend \$37 million and you give us nine lines of expenditure, we have to come to the meeting and then ask for this sort of information to be given to us so that we can split it up and see what is actually spent. This means that we have not had a chance to read it to see where the money is being spent or how it is being spent. There are things like preliminaries of \$4.3 million, which seems an awful lot to me as a lay person. If I had this

information a week ago or a few days ago, I could have asked John Forrest, who does know a bit about it, whether he thought that was an adequate amount.

Mr FORREST—You did.

Senator FERGUSON—To have to come to a public works hearing and virtually get this sort of information when we get here is an inadequate process. We have had other dealings where you have provided us with information and we have had to go back and get additional information. When I read this on Friday, I was not very much more informed about what was going to be spent than I was prior to getting the information at all—because nine lines on a \$37 million expenditure is simply totally inadequate. In future, I would request that you give us additional information and breakdowns so that at least we can have a look at what is happening and where the money is going to be spent before we come to a public hearing like this.

Mr Peel—Could I respond to that? First of all, I am sorry that you do not believe that you have sufficient information. We certainly can provide more detailed information for you. I guess when we prepare our submissions we need to look at the balance between overloading you with information and not giving you enough. My understanding was that the cost breakdowns that have been provided to the committee were in the normal range of costs that we provide, but certainly we are happy to take it on board for the future to provide more detail and we will do that. We will certainly get back to you with more detailed information on this project.

Mr Platt—That can be done, but there is obviously a confidentiality, too, in the estimates that go forward. If we are going out into the marketplace to tender for these projects, we certainly want to keep a few of the facts and figures confidential.

Senator FERGUSON—I do not think any of us are likely to leak this information to the Germans.

Mr FORREST—I will lay it on the table: it is unfortunate that we are trying to work with a building where you cannot knock walls out and get them out of the way to make it bigger—because they are part of the structure and integrity. If I were a potential German investor who wanted to come to Australia, this building would not say anything to me about what Australia is. When I walked into it and went up in one of these lifts to see the ambassador, I would get into a lift that is four feet by four feet. It does not say enough to me about Australia and the fact of who we are, because we are working within existing constraints. On the scale you have shown us, one of those lifts—straight in front of the entrance—is four feet by four feet.

Mr Platt—There are two lifts provided. The one in the lift well is a small one. It is constrained by the existing shaft and stairwell that is there, but there is one to the right which will be a bigger one.

Mr FORREST—But it is not much bigger; it is likely to be six feet by six feet.

Mr Platt—The space will accommodate a reasonably sized passenger lift and one which includes stretcher provisions. I suppose, in terms of the image of Australia, we will look at the incorporation of Australian products—timbers and furnishings to give the ground floor and public space some feeling that you are in an Australian building.

Mr Peel—One thing that might be worth mentioning in relation to that, Mr Forrest, is that in acquiring this building, we were under riding instructions from the government which indicated that it wanted to make a contribution to the restoration of Berlin.

Mr FORREST—Did you have any idea then that you would have to spend \$40 million on the building to get it up to standard?

Mr Peel—As I said, we looked at 50 buildings; and this was the most cost effective of those.

Mr FORREST—What was the estimate of how much extra would have to be spent on the building when you made the tender bid of \$15.2 million?

Mr Peel—I believe that it was within range of what we are talking about today.

Mrs CROSIO—If we want to make such a contribution to the reconstruction of Berlin, has the minister put out any statements accordingly? Have we done any press on that? Have we made any statements on that?

Mr Platt—I could check for you, but it was certainly something—

Mrs CROSIO—Why put it under the carpet, if we are doing what you are saying—wanting to refurbish and contribute to what is happening?

Mr Peel—I do not think we are putting it under the carpet.

Mrs CROSIO—The statement was made by whom?

Senator FERGUSON—It was the former Prime Minister's commitment.

Mr FORREST—I am not happy about the size of these lifts; and I would like to see something done about it.

Mr Platt—The drawing is in scale; when we get into the detailed design documentation, the lift will be a big lift. In a building of this size, in many ways you would only expect one lift; in fact, we have two—albeit one is small.

Mr FORREST—I would sooner have one bigger lift and do something more effective about the stairwell. It just does not say anything to me about Australia. We have got wide open spaces and people have to get into a lift that is four feet by four feet.

Mr LINDSAY—It represents Sydney.

Mr RIPOLL—I have done a quick calculation. Each apartment costs about \$2 million. What value do you place on each apartment—construction, fit-out, furnishings? Is it two point something?

Mr Peel—In response to an earlier question, we apologised that we did not have the breakdown for the apartments here. We would have to take that on notice.

CHAIR—I have asked for the rent per square metre—the return on investment which ultimately gives you the total cost.

Mr RIPOLL—How many people will be living in the six apartments? Do we know the breakdown? Give us a rough idea. For example, we have got a four-bedroom apartment. How many people do you expect to be living in that one four-bedroom apartment?

Mr Peel—That is a matter that the post would decide from amongst the staff at the post. I would expect that a four-bedroom apartment would probably accommodate five people, but that is something that the post would need to determine.

Mr RIPOLL—Do we have a total number of people that will be living in the six apartments—a ballpark figure?

Mr Peel—You would have to ask foreign affairs.

Mr Rudland—Foreign affairs would probably give you more of an idea when they give evidence.

Mr Platt—It would vary from one year to another in the family make-up.

Mr HOLLIS—I am not talking about the lift, but this is an issue I have raised with foreign affairs and with the Overseas Property Group for some time. What sort of statement are we making with our missions abroad? Do we ever consider what sort of building it is? If you look around Canberra at the various chanceries and the residences here, in the main they reflect the architecture of the home country. Here, whether this is a good building or not, we are reflecting the historic architecture of Berlin. We are preserving tiles that are unique—no other group of tiles there. The building itself is a historical, symbolic Berlin building.

It would seem to me that that would be fine for the German foreign ministry or a significant German institute to move into. I wonder if this is the building for Australia. From the exterior, the only thing that will say anything about Australia is the Australian flag flying somewhere there. It would be photographed and regarded as a historic Berlin building—the architecture, the tiles, everything. We are spending an extra million on preserving the tiles. It may be like you said in the answer to Mrs Crosio: that someone—whether it is Paul Keating or someone else—wanted to make a contribution to the rebuilding of Berlin.

Mr Rudland—Yes, that is correct. Perhaps I could respond to that. Effectively, that was the major constraint that the Overseas Property Group was operating under in its search for a location for the chancery. The riding instructions from the government were for a Berlin Mitte location. Senator Ferguson will be aware that there are not a lot of greenfields sites in Berlin Mitte. While there is a lot of construction going on, there are certainly very few stand-alone sites available, with every mission, every foreign country, trying to find something there.

The then government required us to locate a building of some historic merit and to engage in a restoration project of some significance which would have an Australian contribution. After the search of just about every building that was standing in Berlin Mitte which had not been snapped up by somebody else, we came down to a limited number of options. The one which the government was very enthusiastic about was, as Mr Peel has previously mentioned, virtually the only greenfields site that we identified in Berlin Mitte. The problem with that was twofold.

Firstly, it had a large number of claims over it. Secondly, it was in such a prime area of Berlin Mitte that the German government decided that it should not be allowed to be used for construction of a chancery.

Senator FERGUSON—When you say `claims', do you mean previous ownership claims?

Mr Rudland—Yes. Then it came down to a very small number of options with freestanding buildings and, after analysis and consideration, the government of the day decided that this particular building best suited its parameters.

Mr HOLLIS—Don't do to me what a former head of Overseas Property did. When I raised this question about another embassy, a week or so later in the mail I got about six colour photographs of dilapidated farm sheds and I was asked to identify which building I thought best illustrated Australia and that I would like to see reproduced overseas.

Mr Platt—It is a question that vexes architects at many levels: how do you make a building representative of the country which it comes from?

Mr FORREST—To follow on with that, what will make this obviously the Australian embassy, even to an Australian travelling past? Probably just a brass plaque at the doorway and a flag—that is all that will be on it.

Mr Platt—I think in an urban setting like Berlin it is very difficult to give a building a character whereby you could look at it and say, `That's an Australian building. That's an American building.' On a greenfields site it is a lot easier.

Mr RIPOLL—In relation to the apartments again, I am looking at the fit-out costs. You have got `apartment fit-out' at 2.5 on the front page of your costings, which is \$2.12 million. If you turn to 2.10, `apartment fit-out', it is the same cost, and you actually say that, based on the provision for six apartments, the fit-out comprises internal walls, finishes, joinery, sanitary fixtures, additional requirements of engineering services, furniture costs and window treatments included. If you go to 2.8, `internal works and finishes', it includes provision for all works to provide the necessary level of floor, wall and ceiling finishes such as granite, marble, carpentry, parquet, et cetera, except joinery fittings proposed for office and apartment fit-outs. That is the provision for representational areas on the ground floor, stair and lift finishes. So, according to your costings, 2.8 includes fit-out for both the apartment and the proposed office. Again, you have got fit-out with the same words—internal walls, finishes, joinery, sanitary fixtures, et cetera—for another \$2.12 million. Could you explain?

Mr Platt—I think I will have to take that question on notice and come back to you. I do not think there is a duplication. It may be just in the words.

Senator MURPHY—In relation to costings, I want to see another one of these produced which is a bit more accurate than this one—more details and accurate.

Mr Peel—We have undertaken to provide that.

Senator CALVERT—I have a brief question regarding fire safety. It may already have been asked—has it?

Mr Peel—Yes.

Senator CALVERT—It seems a lot less—

CHAIR—What was your question, because some aspects were explored.

Senator CALVERT—I was looking at this and thought that it is obviously not a building that is being erected in Australia because usually the fire requirements are much more strict, particularly when you have wooden floors and all the rest of it. But obviously we are conforming with the fire restrictions that are current in that area.

Mr Peel—We adopt the higher standard. If the Australian standard is higher than the German standard, we will adopt the Australian standard. If the German standard is higher than the Australian standard, we will adopt the German standard.

Senator CALVERT—Were you asked about access by the local fire brigade? Do you have to invite them in or do they force their way in?

Mr Peel—Yes, there is an electronic panel that connects up to the fire brigade to alert them.

Senator CALVERT—It is not necessary to have fire sprinklers?

Mr Peel—No, not for the Australian standards or the German standards.

Mr Platt—There will be a considerable amount of work to bring them up to certain standards. You did speak about timber floors. We will certainly be covering those timber floors with fire rated materials. The fire escape stairs will be rated with the appropriate material and will have fire rated doors. There is still an amount of work to be done.

Senator CALVERT—Knowing the European style of buildings—and I have been in a few of them—are you satisfied with the fire escape requirements?

Mr Platt—Yes, the fire escape exit requirements actually meet Australian standards in terms of the number and the classification of the building types. Under the fire code we are dealing with two separate buildings—a chancery building and an apartment building.

Senator CALVERT—For one thing, there is plenty of water nearby.

Mr Platt—There is no shortage.

Senator FERGUSON—Having been there, I think the location is excellent. I think the choice of location is first class because it has the canal alongside and, even more importantly, the railway station is so close that people can actually access the embassy. When you go to a reasonably old city like Berlin, it would be wonderful to get a greenfields site, but anybody who has been there would know they just are not available. I think the location is excellent.

Senator MURPHY—I have a question in regard to 2.9, 'Building services'. Do I take it that 'Building services'—which goes to accommodation, full airconditioning, ventilation, communications backbone, fire protection, lighting protection, passenger lifts—includes the lifts to the car park?

Mr Platt—Yes, it does.

Senator MURPHY—Are you sure about that?

Mr Platt—Yes.

Senator MURPHY—Can you tell me then why 2.3 includes 'for building engineering services and the requirement for a car lift'?

Mr Platt—I thought the question was: does the estimate include an allowance for a car lift? And it does.

Senator MURPHY—No. Under 2.9, it says, 'passenger lifts for building services'—

Mr Platt—Passenger lifts are the three lifts incorporated within the chancery and the apartment building.

Senator MURPHY—So the one up the top is the car lift?

Mr Platt—Yes.

Senator MURPHY—Sorry, yes, it says 'for a car lift'. So you drive it on, get lifted up and drive out?

Mr Platt—You do not get lifted; you get taken down.

Senator MURPHY—It is a bit like the Batman and Robin cave.

Mr HOLLIS—How much did the video cost to make?

Mr Peel—It was \$4,000.

Mr HOLLIS—Was anyone brought out from Germany to give supporting evidence today?

Mr Peel—No, no-one was.

Senator MURPHY—Why wouldn't the car lift be considered part of the building services?

Mr Platt—It is just the way it has been divvied up in terms of the elemental breakdown. I am not sure whether that meets with Australian code requirements on where one puts car lifts. To answer your question, I do not know.

Mr FORREST—If I get my way, it will fit fine in the lift. There is a huge airwell right in the middle of the building. There is plenty of room for a bigger lift, and it could be very cheaply done.

CHAIR—If we have finished our questioning, we will take a break for 10 minutes before we return to hear from the Department of Foreign Affairs and Trade.

Proceedings suspended from 10.54 a.m. to 11.06 a.m.

CHESTER, Mr Douglas Owen, Assistant Secretary, Staffing Branch, Department of Foreign Affairs and Trade

DAVIN, Mr Peter, Director, Overseas Property Section, Department of Foreign Affairs and Trade

LARKIN, Mr John Terence, Assistant Secretary, Services and Property Branch, Department of Foreign Affairs and Trade

RIGBY, Mr Colin St John, Staff Counsellor, Department of Foreign Affairs and Trade

ROBERTSON, Mr Adam Andrew, Executive Officer, Europe Branch, Department of Foreign Affairs and Trade

CHAIR—On behalf of the committee, I welcome you. The committee has received a submission from the Department of Foreign Affairs and Trade, dated March 1999. Do you propose any amendments?

Mr Larkin—Yes, Madam Chair. With regard to paragraph 4.1 on the staff numbers at the German embassy, we would like to amend the second sentence to read:

There will be 15 Australia-based staff reporting to the Ambassador and working in the Embassy, comprising eight from the Department of Foreign Affairs and Trade . . .

CHAIR—It is proposed that the submission be taken as read and incorporated in the transcript of evidence. There being no objection, it is so ordered.

The document read as follows—

CHAIR—I now invite you to make a short statement in support of your submission before we proceed to questions.

Mr Larkin—Thank you, Madam Chair. The Department of Foreign Affairs and Trade—or DFAT—is pleased to have the opportunity to appear before the Public Works Committee today. The Australian embassy in Germany currently operates to promote Australia's interests in three countries: Germany, Switzerland and Liechtenstein. The embassy functions are presently conducted out of a commercially leased chancery in Bonn and a leased consular office in Berlin. Following a decision of the German government to relocate its capital from Bonn to Berlin, the embassy's functions will be consolidated in Berlin later this year.

The department supports the proposal to refurbish the two heritage buildings in Berlin purchased by the government in 1997 to accommodate the Australian embassy. The purchase of the buildings and their refurbishment will significantly reinforce Australia's commitment to the bilateral relationship with Germany and in a broader sense with Europe.

Germany is the world's third largest economy. It has a pivotal role in European political and economic developments. Germany is Australia's third largest export market in the European Union with exports totalling \$1.24 billion in 1997-98. In fact, the market for Australian exports to Germany has grown significantly since 1997, reflecting the effective diversification of Australian exporters in response to the Asian economic downturn. Australia also has a constructive relationship with Switzerland based on shared economic and political interests. For example, Australia and Switzerland have concluded several bilateral agreements covering such matters as taxation, defence, employment, nuclear safeguards and extradition. In essence, the functions of the Australian embassy in Berlin will be threefold: firstly, to advance Australia's economic interests in Germany, Switzerland and Liechtenstein; secondly, to advance Australia's strategic interests in the region; and, thirdly, to provide Australians with secure travel identification and consular services.

In terms of staff numbers, the Australian embassy in Berlin will be the second largest mission in Europe, second only to London. There will be 15 Australian based staff reporting to the ambassador and around 41 locally engaged staff after the move, although the final numbers of locally engaged staff are yet to be determined. The Department of Foreign Affairs and Trade will be the largest government agency represented at the post with nine Australian based staff. Other government agencies represented will include the Department of Defence and the Department of Immigration and Multicultural Affairs.

Subject to parliamentary approval to proceed, we will be liaising closely with the Department of Finance and Administration in their capacity as the owner's representative in the design and construction aspects of the project to ensure that the buildings, both internally and externally, properly fulfil the Australian government's diplomatic and representational needs. There will be close consultation with the Australian Ambassador to Germany, Mr Paul O'Sullivan, at all stages in the process. Of course, there has already been substantial consultation with the post in bringing the project to the preliminary stage it is now at.

From a tenant's perspective, we are confident that the proposed buildings will be well suited to the embassy's functions and objectives. The buildings have considerable historical merit and are in close proximity to the German foreign ministry, other key government institutions and a number of diplomatic missions, including the US, French and British. The status and location of the buildings and the proposed refurbishment process will make an important public statement about the value placed by the Australian government on our bilateral relations with Germany, Switzerland and Liechtenstein into the new millennium.

CHAIR—Thank you. We will go straight to questions.

Mrs CROSIO—On the statement you have just made, and we have changed our figures accordingly, there are 15 Australian based staff and 41, or possibly more or less, engaged locally. You have omitted the eight unattached Australian based Defence staff located elsewhere in Germany. What do they do?

Mr Larkin—That would be a matter for the Department of Defence to answer. We can only speak for our department.

Mrs CROSIO—I come back then to the Department of Foreign Affairs and Trade. Of the staff—the number has now been amended—who are going to be based at Foreign Affairs and Trade, how does that number compare with our embassies in, say, Washington and London? You have just described how important Germany is to us and how we are going to have 15 staff, eight of those probably doing defence and trade. How does that compare?

Mr Chester—I will try to answer. I do not have the staffing figures with me for all our embassies around the world but, as far as DFAT's presence in Washington is concerned, I believe the number is around 23.

Mrs CROSIO—How did the consultation come about and how did the formulation come into being that DFAT required these apartments in this building? I am very concerned about them. Why? At the same time, so I can put one question into four, is it going to be based on a lottery basis? How did you define the staff situation with regard to the size of the apartments? Are they mainly couples going over or do we now have staff going over with three or four

children? What happens to those who are not allocated? Is it going to be done on seniority? I would like to have an overall view as to why this building is going to have six apartments—two by four and four by three.

Mr Larkin—You heard from the Department of Finance and Administration this morning the explanation as to why the decision was made to build apartments in the chancery complex.

Mrs CROSIO—I heard, but I am not necessarily satisfied by it. That is why I am questioning you further.

Mr Larkin—It concerned the efficient use of space and the configuration of the building. We were consulted in the initial design aspects of the apartments and will continue to consult with the department of finance. The design of the apartments at present does not necessarily reflect the specific staff profile of the embassy staff in Germany at present because these will be a longstanding fixture or feature of the chancery. So it was not done with the specific needs of the post in mind.

Mrs CROSIO—So we have no idea?

Mr Larkin—Having said that, we have consulted with the post on the potential demand for the apartments. We have been advised, and I believe the committee has been advised as well, by the ambassador that he is confident that there will be a demand for the apartments and that staff are interested in the location there. With regard to the actual allocation of the apartments in future, that will be a matter for the post to determine. They will take into account people's preferences, family composition, their desire to be in the central business district or further out into the suburbs and so on. It is not possible for us to state definitively at this stage precisely who and what the family composition will be of the staff who will take up the apartments.

Mr RIPOLL—How many staff do we actually need to accommodate?

Mr Larkin—There are 16 Australian based staff.

Mr RIPOLL—So we need to accommodate 16 staff who are not accommodated anywhere else?

Mr Larkin—Yes, correct.

Mr RIPOLL—How many will actually take up residence in the chancery?

Mr Larkin—DFAT will be leasing four of the apartments and the department of immigration will be leasing two.

Mr RIPOLL—So do we know how many people that represents?

Mr Larkin—On the face of it, four from DFAT and six of the—

Mr RIPOLL—All I am trying to get at is this: if there are 16 people, how many of those 16 will actually take up residence in the chancery? How many will need residences outside?

Mr Larkin—On the face of it, 10.

Mr RIPOLL—So 10 out of the 16 will take up residence in the chancery?

Mr Larkin—On the face of it, yes.

Mr Davin—Of the 16, six families would occupy them. These 16 are individuals. They are 16 A-based staff who may or may not be accompanied by family members.

Mr RIPOLL—Forgetting family members, I want to know this: of your staff that you pay and employ, how many of those do we need to accommodate? Is it 16? I am talking about the 16 staff who are employed by you whom you need to accommodate, regardless of how many other family members they have with them. Do you understand my question?

Mr Davin—I do, but I think the Department of Foreign Affairs and Trade has nine staff, not six. There are 16 Australian based staff altogether, made up of a number of different agencies—Defence, DIMA and DFAT. We have nine staff, apart from our ambassador, and that leaves eight. So of the four apartments we have leased, four of our staff will be accommodated on the site and four outside. So, basically, half of the DFAT representation will be accommodated in these apartments.

Mr HOLLIS—But there would be a separate residence for the ambassador?

Mr Davin—That is correct.

Mr HOLLIS—And that is being constructed or refurbished or whatever it is?

Mr FORREST—Yes, we are spending \$7 million on that.

Mr HOLLIS—Where is that? Out in the suburbs, is it?

Senator FERGUSON—I cannot remember the name of the suburb, but we bought a block for about \$3 million and we are spending \$3.4 million on the residence.

Mr Larkin—That is a question you should direct to the Department of Finance and Administration.

CHAIR—Which other missions have accommodation on the premises?

Mr Larkin—We would have to take that on notice.

CHAIR—Has any survey been done—and I presume not, if you have to take it on notice—of how the staff feel about being accommodated on the embassy premises?

Mr Larkin—We have consulted closely with the post to date, and I believe the Ambassador to Germany, Mr Paul O'Sullivan, has lodged with the committee on behalf of staff a letter indicating broad support amongst staff for the collocation of the apartments with the chancery.

CHAIR—Is that the existing staff in Bonn?

Mr Larkin—Bonn and the Berlin consulate, yes.

Mr RIPOLL—In relation to the apartments again, if you are leasing four, have you already got people ready to go into those? Once it is all completed, will they actually be filled immediately and be continually filled? What process will you go through to ensure that what you have leased will be used?

Mr Davin—Basically, each post has in place a post property committee, which is a local structure which determines such common property issues as apartment allocation. We have leased four apartments. We will be paying rent on those four as an agency, and it will be our agency's responsibility to make sure that those apartments are fully utilised. Given the advice we have had from the post and the consultation that has taken place with the post at the moment, we are quite confident that those apartments will be fully occupied by our staff in approximately two years when the apartments are ready, and into the future.

CHAIR—What size are the current apartments that you said you have leased?

Mr Davin—We have not got any leased in Berlin at the moment. We have not relocated yet. It is still two years away that these apartments will be constructed.

CHAIR—I thought you said you had. It is my mistake.

Mrs CROSIO—What type of accommodation are your staff living in now, even though you have not relocated?

Mr Davin—We have two staff based in Berlin at the moment in the consulate.

Mrs CROSIO—They are not part of the eight unattached?

Mr Davin—No, these are DFAT staff that are operating out of a consulate at the moment. I have not got exact details, but I understand that both those staff occupy apartments in Berlin at the moment.

Mrs CROSIO—Roughly what type of rent would they be paying for those apartments?

Mr Davin—I do not have that detail at the moment.

CHAIR—Shouldn't that be a part of the analysis that would have been done to look at the overall benefit of the building that we are proposing to refurbish?

Mr Davin—I guess the primary concern for the Department of Foreign Affairs and Trade in the construction of these apartments is that under the user-pays arrangements that we operate now our funding base would be supplemented to the level of the rent demanded on those apartments. That really has been the focus of this department in considering the new apartments that were being constructed.

CHAIR—What I am driving at here is that surely if these apartments are going to be so costly to refurbish and so large it will set a precedent against what has already been taking place. Surely those apartments ought to be leased out at the best rental they can obtain and other accommodation sought in Berlin. That is why I think it is really important that we actually look at the cost and the size of apartments that are currently being leased for the consulate staff in

Berlin against what we are going to be providing in the refurbished apartments, including the total cost of refurbishment and fit-out.

Mr Davin—To some extent that question perhaps should have been directed more appropriately to the Department of Finance and Administration, who I am sure would have done surveys on that accommodation issue.

CHAIR—We have asked for that information, but it seems that there are some crossovers here in terms of what you are doing with staff at the present time.

Mr Larkin—I also add that once the threshold decision is made to include apartments in a chancery complex we are constrained by security considerations in leasing them out.

Mrs CROSIO—That was my questioning on the costing and the four people you are going to accommodate. The Department of Finance and Administration—and I will have to get the *Hansard*—estimated that they were going to have a return in the vicinity of \$1.8 million a year in rent. I will be corrected if the statement is incorrect. I am guesstimating then on what we heard previously. We have got six apartments; you are taking four. So you are assuming that we are going to be paying in the vicinity of \$6,000 a week, and now you are telling me that your budget is going to be supplemented by the government to accommodate that.

Mr Larkin—That is correct.

Mrs CROSIO—Surely, as part of the overall costing we are looking at here, we have got to be informed as to whether you think that is rational, reasonable. Is it the same as every other country? Is this how much rent we are now paying to accommodate our staff close to home, even though we have contrary evidence given to us? I know our ambassador wrote and said he was writing on behalf of all the staff, but we do have a submission where the staff said they were not even consulted, let alone that they wanted to live on-site. They are saying they object to living on-site, so we have to take that for what it is worth. Then we have a later letter that says no.

We cannot escape the fact that Mr Davin just told us in answer to Madam Chair's question that you will have your rent or your budget supplemented to accommodate the rent involved in leasing for your four staff who are going to be fortunately appointed to have one of these apartments in that area. I just cannot comprehend how a department could have a supplemented budget to cover nearly \$6,000 a week in rent so that one department on user pays can cover another department's expenditure for putting these six apartments in there in the first place.

CHAIR—I want to come back to the issue of security for a moment. We are talking about two separate buildings, and there must be buildings on either side of this building. So I believe the security issues could be taken into consideration in the total refurbishment, if that were the objective. I think that that ought to be looked at very, very closely.

Senator MURPHY—I want to ask a question. You may have been asked this question.

Mrs CROSIO—I have not got an answer to mine yet.

Senator MURPHY—No, it has to do with your question. You are taking four of these units, and let us say that four people or four families go into those. But you have other people that you are going to locate somewhere else. What is the cost of locating them?

Mr Larkin—That depends on the Berlin rental market.

Senator MURPHY—Haven't you done any research on that?

Mr Larkin—Yes, the post has done some surveys.

Senator MURPHY—What do they say?

Mrs CROSIO—How much is it?

Mr Larkin—The rents range from around 72,000 to 81,000 deutschmarks on current figuring.

Mr RIPOLL—What is that in Australian dollars?

Mr Larkin—On the current rate of Australian dollars it is \$60,000 to \$67,000.

Mr RIPOLL—Per annum?

Mr Larkin—Yes.

Mrs CROSIO—There are 52 weeks in the year, are there not?

Mr Larkin—Yes.

Mrs CROSIO—How do we say that outside accommodation would be \$60,000 per annum when, on my figures—and I am going to be corrected, and I have only taken a ballpark figure—it could be roughly \$6,000 a week to rent these apartments? We are talking about \$24,000 a month. We are talking about \$300,000 a year.

CHAIR—It is a one to six ratio. That is the point I was driving at before. I think we must get that information. Between yourselves and the Department of Finance and Administration, we must be provided with that kind of analysis.

Mr Larkin—I should supplement my answer. In the current market surveys that have been undertaken by the post, the figure for high quality apartments is about 25 to 28 deutschmarks per square metre per month.

Senator MURPHY—That is a little different from what we were told earlier.

CHAIR—I think that someone from DOFA told us that residential apartments were not computed per square metre; the figures depended upon whether it was three or four bedroom accommodation. I think the *Hansard* will verify that comment. Are you now telling us that you are measuring it in per square metres cost?

Mr Larkin—That is a single market survey that the post has obtained through engaging a real estate consultant. It is a confidential survey.

CHAIR—So residential apartments can indeed be measured on a per square metre cost basis, because that is the information you have got?

Mr Larkin—That was how the findings were presented to us. I do not know.

CHAIR—Thank you.

Senator MURPHY—Is it right that we are paying \$300,000 a year per unit in rent?

Mrs CROSIO—Roughly, for each apartment, if we are going to get \$1.8 million a year in revenue for user pays.

Senator MURPHY—I would have thought, on the basis of your research survey, that about \$60,000 a year for whatever standard of accommodation was comparative. Was it?

Mrs CROSIO—It is obviously adequate.

Senator MURPHY—Was it comparative accommodation?

Mr Larkin—Again, I have not observed at first hand the comparative accommodation. These apartments at the chancery have not been built yet.

Mrs CROSIO—Excuse me, Mr Larkin, why can't you?

Senator MURPHY—Somebody is spending the taxpayers' money here, and I want to know why you do not have the proper information to make an assessment about what the costs are going to be to your department for accommodating Australians overseas. Why is it that you cannot come here and tell us the reason you are paying \$300,000 per year of taxpayers' money to accommodate four people, or four families—whatever the case might be—versus the local market at one-fifth the cost? What is the justification for that?

Mr Larkin—The reason we will be paying rent on these apartments is that we have made a decision which has been heavily influenced by the fact that our property budgets will be supplemented to cover the rent.

Mrs CROSIO—That is a very poor excuse: the supplementary budget!

Senator MURPHY—That is unacceptable.

Mrs CROSIO—Talk about accrual accounting! Now I know why you have gone to it: everything is hidden rather than discovered.

Senator MURPHY—So every time another department comes along and says, 'We'll have \$300,000 a year'—

CHAIR—Senator Murphy, can we take one question at a time, please.

Mrs CROSIO—Madam Chair, I will not get enraged; I will just get rather angry, and I have not even started to yet. I would prefer that, rather than every answer you give us creating another question, you take this on notice and come back with how the decision was made, what the comparable rents are and how you are locating your staff now. I do not want apples and oranges compared. Other than just the address—I know it is a prime location—I would prefer to have the actual size of the apartments. If it is right at the train line—as we have been told it is—and there is going to be no effect from noise and everything like that and, on the other hand, German rail can provide adequate transport, even if the staff lived down the road or four miles away they would have accessibility. Could I please have a cost estimate of how this decision was made—other than the fact that you have been assured of the supplementary budget?

CHAIR—Is there some coordination between you and the Department of Finance and Administration on this? Certainly, from the evidence that we have taken today, it would not appear that there is.

Mr Larkin—There is certainly coordination on the fact that the apartments are being included in the chancery and on the fact that our budgets are being supplemented to cover the rent.

CHAIR—But we are getting different explanations for the way the rents are calculated and the actual rents per square metre. We do not have an analysis of that from DOFA, but you seem to have that information at hand here. I think there needs to be some coordination and a very clear analysis of this provided to the committee.

Senator MURPHY—I cannot understand how a department can make a decision just because somebody said, 'We will supplement your budget to the effect that allows you to pay five times the rent rate.' I would like the information about how that decision was arrived at. And this is for an indefinite period of time. I am curious as to why any department would make that decision if, as you said, somebody said, 'Here's the extra money.' I am sure a lot of other departments might be interested in how that works and whether or not there is somebody around who says, 'Here's supplementary income for you as well.' I just cannot understand that.

Taking into account what would appear to be the preference for separate accommodation—albeit the ambassador saying that that may not be the case, that they are all happy little vegemites who want to live together—that you can get for one-fifth the cost, it seems to me that that would have been a much more logical, cost-effective way to go.

CHAIR—As I understand it, I think it was Mr Davin who said that staff from both Bonn and Berlin had been consulted—

Mr Davin—That is right.

CHAIR—and that the general view of the staff was that they were very happy with these arrangements, that they were satisfied with the arrangements.

Mr Davin—Could I clarify that. Over the preliminary development of these plans, various sketches of the apartments were sent to the post administration, primarily, and in a dialogue between the post based in Bonn and the Overseas Property Group, as it was formerly known, the apartments took shape. That was within the constraints of the various walls and things within

them—for example, should the dining room be here or should it be on the other side. That is the type of consultation that took place.

CHAIR—But overall they were happy about those apartments being incorporated into the embassy building?

Mr Davin—There was never any correspondence or anything from the post to indicate that the staff were unhappy about the concept, which is what it was at that time.

CHAIR—Having clarified that, can I go to Mr Rigby, who I understand—

Mr HOLLIS—Just before you do that, could I ask Mr Davin a question. The staff who were commenting on this in all probability will not be the staff who will be occupying these apartments?

Mr Davin—That is quite correct.

Mr HOLLIS—If the average term there is two or three years, by the time these apartments are up and running those staff members will be back in their little suburban blocks in Canberra and there will be someone else there. That is when you are going to get the real flack. That has happened on every residential one. I see the ambassador says, 'This is not Bangkok.' But there are others there, and we find that when we go overseas as a committee people say, 'You are the crowd who has put us in this pigeon hole.' The present staff could think, 'I am not going to have to live there.'

CHAIR—Mr Hollis, that is why I asked the earlier question about some kind of analysis having been done in other missions around the world to ascertain how staff feel about these arrangements. It would seem that, as a broad exercise, that has not been done.

Having clarified those points with you, Mr Davin, could I just seek Mr Rigby's comments, because I understand that Mr Rigby is a staff counsellor and has a particular view on this. I wonder if you would like to let the committee know of your view in relation to staff satisfaction.

Mr Rigby—The first point to be made is that you have asked whether information has been collected about attitudes towards accommodation and meeting needs. In fact, this was something that was put before this committee a number of years ago—I think, in 1995—and OPG took some steps to undertake a program to collect attitudinal information from officers and their families who were living overseas and also from officers of the Department of Foreign Affairs and Trade on this very question about attitudes towards accommodation.

An independent agent, Purdon and Associates, were commissioned to undertake that study. They compiled a report which I understand was completed in 1996. I was nominated by the department to sit on the steering committee for that survey. I have to say that it is a very important document, and if members of the committee have not read it yet, I would encourage you to familiarise yourselves with that document.

It is an important document for two reasons: the first is that it was both a qualitative and a quantitative analysis of people's attitudes towards accommodation. The survey had a very high statistical return. Those who are familiar with opinion surveys will know that some return rates are quite low and a number of conclusions are made on a very small base. This was not the case

with this survey. Overall, 65 per cent of the total number of people serving overseas and in the department responded on the question of what they were looking for in accommodation. If you break that down to the department, 77 per cent of the Department of Foreign Affairs and Trade responded to the question of accommodation needs.

In addition to the survey, the agents undertook a series of workshops where they actually went to five posts to meet with people who were living in situ, in the accommodation, to gain an understanding of the types of issues and concerns that Mr Hollis referred to—that is, that when families arrived at a post, accommodation that had been considered to be appropriate did not necessarily meet family requirements due to the family compositions changing over time.

The information that was collected is quite detailed. It looks at the preferences between detached housing or low density, medium density and high density housing. It asked if people were comfortable with those arrangements and, if not, why not. Secondly, it asked, if given choices, what were people's preferences in design needs for those buildings so that in certain situations, where detached housing would not be available and medium density housing would be available, some of those design features could be incorporated—that is, essential items that needed to be incorporated. This was done on both medium and high density housing. In fact, if I may be so bold, the study is probably a landmark piece of research in that I am quite sure that other foreign services would be interested in this document because it is the first systematic attempt to collect the information about people's attitudes towards accommodation overseas.

Mrs CROSIO—But they did say they wanted close proximity but not co-location.

Mr Rigby—Indeed. There are problems with co-location in that privacy issues are paramount. As you are probably aware, in the foreign service, a lot is expected of people. There are very high demands made on their time, and families, in particular, often feel the need to have some distance between themselves and the workplace. In areas overseas where we have co-location, the benefit of having the officer co-located is that the officer is easily accessible to the workplace; the downside is that the family often finds that the imposition of the workplace becomes greater and that affects how the family deals with the whole question of posting.

Secondly, in co-location, the question of how the accommodation best meets children's needs must assume a much higher priority, largely because, children being children, they expect to be able to play, to interact. In some cases, the buildings do not necessarily allow for that type of interaction and that then creates problems for the families. This goes up and down, depending on family composition, but it is certainly an issue that affects how people feel about their accommodation.

Mrs CROSIO—Apart from your report, Mr Rigby, in part of Mr Martin Quinn's report, the original proposal in Berlin was that staff be accommodated separate from the chancery.

Mr Rigby—If that was part of the original brief that they were looking at, then certainly they must have had in mind the fact that family needs would be met more effectively if detached housing or housing better located to schools was considered.

Mr RIPOLL—Mr Larkin, which apartments has DFAT leased or which will they be leasing?

Mr Larkin—I do not have that information.

Mr RIPOLL—There are two four-bedroom ones and four three-bedroom ones. What are you taking?

Mr Davin—Our intention is to take two fours and two threes.

Mr RIPOLL—Why do you need the four-bedroom ones?

Mr Davin—Just for a better mix of accommodation for our staff.

Mr RIPOLL—By what process did you decide that? For instance, did you say, 'We are going to lease four apartments of this size; these are the people from whom we have expressions of interest' or 'These are going to best suit our needs'. The reason I am asking that question is that, if you end up with people saying, 'We do not want to live there' and you have leased the apartments, a four-bedroom one might end up going to somebody on their own or to a couple and then you have to accommodate a family of three, four, five or six outside. There would be substantial extra cost there. So what process did you go through?

Mr Davin—It was basically on the premise that, since we were the largest agency represented at the post, we would have the most likely mix of staff that would need that size of accommodation.

Mr RIPOLL—Have you got staff actually showing interest? Are there expressions of interest from people saying, 'I want to co-locate' or we are going to end up with a situation where staff say, 'I do not want to be there.'

Mr Davin—The actual allocation of those apartments will not take place until the people are at the post and a committee will be formed to consider the claims of various staff against the apartments.

Mr RIPOLL—The reason I asked is that, given some of the reports that we have in here that say people really do not want to co-locate, we are going to end up with a situation where we have got apartments sitting spare and people will say, 'I really do not want to be there. I want to be somewhere else.'

Mr Larkin—I think the information that you have that says people do not want to co-locate is an assertion that is contained in one submission before the committee. It has to be balanced against two other documents. Firstly, there is the letter that you have received from the Australian ambassador that indicates that staff present are comfortable with the prospect of co-location and that he is confident that there will be sufficient demand for those apartments.

Secondly, it must be balanced against the Purdon report, which Mr Rigby referred to, which sets out the results of quite extensive research globally of DFAT officers. Clearly, it indicated that medium-density housing has some appeal and that staff will make trade-offs. Indeed, there is a check list in the report which indicates that, provided some conditions are met, they will have some appeal for staff. On the checklist are things such as a high level of soundproofing, private entrance to the apartments—which is met in this case—the existence of family rooms, covered secure car parking—again, a condition that is met in this case—and recreational facilities for children, which are subject to consideration, as indicated this morning. So I think the information that the committee has on the aversion—or the alleged aversion—that staff have to co-locate has to be balanced against the other information before the committee.

Mr RIPOLL—Do you think an approximate cost of \$300,000 a year would be a reasonable expenditure on a per apartment basis? Is that something we could expect people to accept as reasonable?

Mr Larkin—I do not wish to make a judgment on whether the cost is reasonable or not. The fact is we have a government decision taken at ministerial level that our property budgets will be supplemented to pay the rent on the office accommodation and the residential space that is part of that complex. As the tenant agency, that has been a key factor which influenced our decision to rent the apartments. Had we not received that supplementation, the decision may well have come out differently on our part. It is a key factor, and under the user pays property environment, where the government agency is a tenant of the Commonwealth, as landlord, represented by the Department of Finance and Administration, we are prepared to pay that rent to occupy that space while its users—

Mr RIPOLL—But under the conditions of user pays, you would think of fair market value. In this case, if it were \$600,000, \$300,000 or \$900,000 a year, it would still be supplemented. That is really what is coming across. It is an unlimited budget. It just happens to be \$300,000 a year, which I think is unreasonable.

Mr Larkin—The valuation of the property is a matter for the Department of Finance and Administration and they base that, I believe—I do not wish to clarify—on the amortisation of the capital costs over a certain period of time and having regard to other assumptions.

Senator FERGUSON—How many of your staff currently have four-bedroom rental accommodation?

Mr Larkin—In Germany, Senator?

Senator FERGUSON—In Germany.

Mr Larkin—I think we would have to take that on notice.

Senator FERGUSON—I would not be surprised if it is none.

Mr Larkin—It would depend on the family composition of current staff members.

Senator FERGUSON—Because four-bedroom accommodation is pretty hard to find in Germany. Secondly, did we own or rent the consul's residence in Berlin?

Mr Larkin—We rented.

Senator FERGUSON—We rented, so we are no longer occupying that?

Mr Larkin—We occupy it at present, but we will relinquish the lease in around August this year, I believe.

Senator FERGUSON—So we will relinquish the lease?

Mr Larkin—Yes.

Senator FERGUSON—Do we have a consul there at present?

Mr Larkin—Yes, we have a consular office in Berlin.

Senator FERGUSON—But do we have a consul-general in Berlin? Margaret Adamson was there but she is back. Was she replaced?

Mr Davin—We have an office. I think it no longer has the title of consul.

Senator FERGUSON—The title of consul?

Mr Davin—No, I think it is just our Berlin office.

Senator FERGUSON—It is just an officer. It is a Berlin office of the embassy.

Mr Davin—Yes, that is correct.

Senator FERGUSON—Is it possible that a figure of \$300,000 a year to rent the apartments was arrived at in order to provide an adequate return on the expenditure of the building?

Mr Larkin—That is not a question that we would answer.

Senator FERGUSON—If it was \$60,000 or \$70,000 instead of \$300,000, the return on the building would be considerably less, I would think.

Mr Davin—I am not sure about the figure of \$300,000. The sort of indicative rents we have been quoted for these apartments is more in the nature of \$230,000-odd for the larger one and \$215,000 for the smaller—if that adds anything to the debate. These apartments will also be provided fully furnished, which is another factor, albeit not a decisive factor, perhaps, in the rent that is being charged.

Senator FERGUSON—I think it is important that we find out what the going rate is. There are other advantages. I am not one who subscribes to this theory of co-locations, because I think it depends on which city you are working in, and Berlin is maybe a lot different from many of the other cities where people find themselves being based. Co-location of four tenants of yours is not like having 20 or 30 in the compound.

CHAIR—In terms of its size, is the accommodation allocated according to family size or according to seniority within the service?

Mr Davin—Within the service there are accommodation guidelines that set out three levels of accommodation which are determined by your salary status and your position in the service. Family composition is a factor that would be taken into account in determining accommodation for you. The guidelines start at the bottom level, which is up to 150 square metres; then there is an intermediate level, which goes to 180 square metres; and then there is a senior level, which goes to 230 square metres. They are the guidelines which are applied universally across the world in informing staff about the type of accommodation they should be seeking. A mitigating factor in determining appropriate accommodation is family composition and, I guess, location and a whole lot of other factors.

CHAIR—But technically you could have a single person occupying one of the four-bedroom apartments as a sole person, or as a couple, and a family occupying a three-bedroom apartment.

Mr Davin—That is possible, but that would be an issue that would be determined at the local level, the post level. Once these apartments are allocated, it may be that there is some continuity in positions. So if the senior counsellor is allocated a four-bedroom apartment and he may have three children with him, a successor may come without that composition but may occupy the apartment because that is the counsellor's apartment.

CHAIR—On that basis, technically you could have a four-bedroom apartment occupied by one person?

Mr Davin—You could, yes. That does happen.

Mr LINDSAY—You have given evidence that DFAT is the principal tenant for this building. Mr Larkin, in part of your opening evidence in response to a question on this accommodation you said that DFAT was consulted by DOFA in relation to the accommodation. Did this process happen where DOFA suggested to DFAT that the accommodation would be available on site or did DFAT require of DOFA that accommodation should be provided on site?

Mr Davin—The situation for our department is that we certainly never put a spacing brief that required accommodation to be provided. The nature of the buildings that were eventually selected and bid for by the Department of Finance and Administration particularly lent themselves to the provision of apartments. I think when that proposition—and this pre-dates everybody on this side of the table—was put to the department on the basis that we would have a liability or obligation towards four of those apartments it was seen as a fair thing; we were quite agreeable to the provision of that accommodation.

Mr LINDSAY—So the accommodation was driven by the fact that the purchase lent itself to the prospect of having accommodation available on site?

Mr Davin—Yes.

Mr LINDSAY—Would it be your evidence today that DFAT would have no requirement for accommodation on site; that if the building did not lend itself to that, if that was not available, you would just go into the marketplace, get your accommodation and, it would appear, it would be at considerably reduced cost? Is that the case?

Mr Davin—Indicatively the cost would be less, yes. We would not put an accommodation requirement in a brief.

Mr LINDSAY—So you do not require accommodation on site?

Mr Davin—That would not be a departmental requirement if we were—

Mr Larkin—I was going to say a priori we would not. Once we have done the market surveys in Berlin, were we to find there was not suitable housing or residential accommodation for senior staff members that met their representational needs, our answer might be a little bit different. But certainly, prior to experience, we would endorse that.

Mr LINDSAY—Thank you, that is all I need to know.

Mr FORREST—I have a question about other services. The Germans interested in doing business with Australia will come to this site, but if they need services, or access to information from, say, Austrade and all the rest of it, where do they go? There is a whole floor for the immigration people, but the place where we can show off Australia seems to be a little bit limited in this building.

Mr Larkin—There is a small foyer which could be used to place Australian works of art, sculptures and other exhibition material, which could give the internal part of the building an Australian character.

Senator FERGUSON—Is there any reason why Austrade should not shift from Frankfurt to Berlin once we are there? I do not know what is so special about Frankfurt, except that that is where the planes land.

Mr Larkin—Yes, that is probably a question best answered by Austrade themselves. Factors may include the fact that Frankfurt is a large commercial centre, the financial centre of Germany. They may also face budgetary constraints because relocations are expensive.

Senator FERGUSON—One of the problems we seem to be skirting around is the fact that we have actually bought two buildings, and we have got more room in those buildings than we actually need so we have decided to put apartments there. In the absence of getting somebody from outside in, when you then may have some security problems, the only alternative is to get other Australian departments to actually be housed there. Until we can get around that problem, I do not know how we are going to solve the problem of having apartments that are actually a bit too expensive for what the going rate is—although I know accommodation is so scarce in Berlin. We have got these buildings that we are going to have to do up, anyway, and we have to do something with this extra space which is not required by your department or DETYA or the department of immigration. So it seems as though it was decided, 'Let's put some apartments there because we've got this spare space.' Unless we can get around that problem, I think we are stuck with apartments.

CHAIR—As there are no further questions, thank you very much.

[11.58 a.m.]

POLLARD, Ms Celia, National Industrial Organiser (DFAT), Community and Public Sector Union

QUINN, Mr Martin Joseph, Overseas Delegate, CPSU Sub-Delegates Committee, Department of Foreign Affairs and Trade

CHAIR—Welcome. The committee has received a submission from the DFAT CPSU Sub-Delegates Committee, dated 14 April 1999. Do you wish to propose any amendments?

Mr Quinn—No.

CHAIR—It is proposed that the submission and DOFA's response be received, taken as read and incorporated in the transcript of evidence. Do members have any objections? There being no objection, it is so ordered.

The submission and DOFA's response read as follows—

CHAIR—I now invite you to make a short statement in support of your submission before we proceed to questions.

Mr Quinn—Firstly, I would like to say on behalf of the CPSU that we are very grateful that the committee has afforded us this opportunity to speak on behalf of our members in relation to this project. I would also like to take the opportunity to briefly rebut some of the material that has been put before you today by DOFA and DFAT.

The first point I would make to the committee is that I would treat with caution any comments that are made by DOFA or by DFAT in relation to the views of staff on this proposal. Secondly, I would say as a general observation that, in considering the evidence of the two departments, it is better to talk to the organ grinder rather than the monkeys. The organ grinder in this case is DOFA. I think it is important to stress the power that DOFA has in relation to such projects because they control the money. If you are looking at in whose interest particular aspects of this project have been designed, I would be looking at DOFA first as the beneficiary in relation to, for example, rentals et cetera.

I would also like to take this opportunity to make some brief points about evidence given to the committee to date. I am amazed that Bill Peel from DOFA said that the option of refurbishing these buildings as office accommodation was not looked at—for example, using the extra space that is available to get commercial rents. I would put to you that the issue of security that has been raised is a complete furphy. I think you should examine those claims closely. If you have a look at our chancelleries overseas you will find that we share accommodation with commercial tenants in many locations overseas. Unfortunately, I do not have that information to supply to you, but I think you might want to go back and ask DFAT or DOFA about that.

Another point I would like to make is in relation to Ray Rudland's evidence. He described this accommodation solution as 'delightful'. I would put to the committee—and this is a problem over and over again with these sorts of projects—that Ray Rudland will not have to live in these apartments. He is the one who is making judgments and assessments about how good they are going to be. Of course, the problem arises that if Ray thinks they are delightful, and he is working in OPOG, then when someone moves into the apartments and has a problem with them and finds them less than delightful, Ray is one of the people who makes the decisions about whether those claims by the occupant are valid. This is one of the problems that we have in

relation to the general way that overseas accommodation is administered. I think the committee should look at these issues.

We come before you today primarily to make a plea that you look seriously at setting some guidelines in relation to overseas accommodation for our staff. We think some principles should apply in relation to overseas accommodation and that these principles should be applied to all projects. We think one of the fundamental principles should be that staff accommodation should not be collocated with offices. I would also like to mention that, in terms of assessments of staff attitudes, the Purdon report is a far more reliable guide to the preferences of staff than anything that has been said today.

Key issues affecting staff overseas were identified in that survey—which had 1,100 responses and was an anonymous survey, so no influence could be brought to bear on the views that those people put forward—and ‘presenting a positive image of Australia’ was the first key issue identified in the Purdon report. I would like to ask the question: in Australia, how many people live on top of a shop? What sort of image of Australia does that present? Someone asked what other foreign services do. The only foreign services I am aware of that collocate staff with their workplace are those of the former Soviet bloc, primarily, and most of those countries are now dismantling their compounds.

The second issue mentioned in the list of issues was ‘keeping home and work separate’. The third issue was ‘maintaining own privacy’. It is very difficult for people to maintain their own privacy when they are living in the same location as their workplace.

The fourth issue was having private outdoor open space. I would note that there is no private outdoor open space in this project but there may be a roof garden. The fifth issue was physical separation between home and office. I would note that there is no physical separation between home and office in this project. The sixth issue was the use of home for social contact and entertaining. As Colin Rigby has pointed out, you have to look at that in the broadest context in terms of the interests of children as well. We are aware of similar projects to this one in which children have been significantly disadvantaged because their accommodation has been collocated with their office. I draw particular attention to the project in Tokyo.

I will leave it there at this stage except to briefly comment upon these two letters, one from DOFA and one from DFAT. It is a matter of regret to us that this letter which was sent from the ambassador on 6 May was not passed to us by the department,

because we passed our submission to them. It is also regrettable, given that our submission was done on 12 April, that it took the department until 6 May to come back with an answer.

Taking the DOFA submission first, all I would say to the committee on that submission is that you should read the wording very carefully indeed. The DOFA letter says:

The thrust of the CPSU's submission is that staff are being forced to occupy apartments co-located with their office accommodation.

That is not the thrust of our submission. The thrust of our submission is that the apartment should not be collocated with the office. We would be very grateful if the committee could put in some guidelines that will prevent these projects coming forward again.

I would like to make something else absolutely clear in relation to some comments that members of the committee have made. If these apartments are built, staff will be forced to live in them. Let us be absolutely clear about that. There will not be a situation where these apartments are vacant, because in relation to accommodation at embassies overseas the owned accommodation is occupied first. So staff will be forced to live in these apartments regardless of their personal preferences.

Also, where you have some staff accommodated off the chancery and some on it, generally the practice is that people occupy the chancery apartments first until there is an opportunity to move off the chancery. The next newcomer to the post is put into one of the chancery apartments because of the unpopularity of these apartments. We would also note the wording:

. . . there is a strong demand for the apartments from Australia-based staff located in Germany.

I would say in relation to the DOFA and DFAT submissions that if you read our letter carefully you will find that we said nothing about the preferences of staff in Berlin. We are talking about the issues of principle here and the wider interests of the staff of DFAT. We did that deliberately because we are very well aware of the pressures that can be placed on staff at post not to oppose these kinds of proposals. We did not want to put our staff in the position where they might have to be facing some pressure from the management of the post.

In that regard I would also point out to you that certain officers of DFAT in Canberra and also officers at the post would have, in their performance appraisal, their performance

indicators, to get this project finished. That is often the driving force in relation to decisions that are made. Again, DOFA says:

DOFA as the property owner does not have a role in consulting with staff or unions on matters of this sort.

I think we need to go back to the fundamental issue. DOFA controls the money, so DOFA is the department that calls the shots in relation to these projects, in my experience. Also in my experience, departments have pretty much given up putting in submissions about staff interest to DOFA because DOFA does not listen.

I would also briefly like to comment upon Paul O'Sullivan's submission. The first thing I would like to say is that I imagine there is a typo in the last paragraph because it says:

The text of this letter has been circulated to staff in Bonn who agree with it . . .

Presumably there are a couple of commas missing there. However, that might be a Freudian slip because, as I said to you before, there can be quite a lot of pressure placed on staff to agree with these proposals. I have participated in consultations at post in relation to unpopular accommodation proposals. For example, what will happen is that someone from OPG will be there at a very senior level. Staff will be called together in a meeting. The OPG person will make a pitch in relation to the proposal. The ambassador will then speak in support of the proposal. The senior administrative officer will then speak in support of the proposal. Then the staff will be asked if they have any problems with this proposal.

I put to the committee: what chance do you think there is of a communicator or the head of mission secretary expressing a view contrary to those of the head of mission and the senior administrative officer, remembering that the head of mission is like the captain of a ship and can have a lot of influence over your working conditions, your performance appraisal and so forth? The senior administrative officer basically controls every aspect of your living conditions overseas—payment of allowances and so forth and accommodation. When there are repairs that need to be done to your house, he or she is the one who decides whether those repairs are done, who gets their repairs done first and so forth. It just reinforces the point that I would look closely at the claims in those two letters.

Finally, in relation to the points that Mr Larkin made on the Purdon report, I would say that the Purdon report overwhelmingly supports our view in relation to this proposal. I find his

reading of the Purdon report, as supporting collocation of staff accommodation with chancery, preposterous.

CHAIR—Does the committee have any questions for Mr Quinn?

Mr FORREST—Yes. It sounds like you are opposed resolutely to collocation even in those circumstances where someone wants to be that close. I would find it preferable to be close to work myself and not put up with public transport. It is a separate building in this case, but you are opposed to any collocation whatsoever.

Mr Quinn—Yes, we are. We think there would be better solutions. We are very surprised about the office accommodation solution—for example, that renting out as commercial space was not looked at. We are also surprised that the issue of using, for example, some apartments as transit accommodation was not looked at. Certainly, there are some people who might be of that mind that they prefer to live at the workplace, but the Purdon report clearly shows that the overwhelming majority of staff do not want to live in that style of accommodation.

Mr FORREST—You are speaking generically and not specifically for Berlin and Bonn, aren't you, on this policy of no collocation whatsoever?

Mr Quinn—Yes, that is one of the principles that we would like to see. For example, the Purdon report looked at compounds. It did not look at collocation because collocation was seen as being beyond the pale by staff. It was done after problems which this committee identified, from what I am told, in relation to some projects in the Asian region where, for example, as Mr Hollis pointed out, DFAT and DOFA made all the claims about staff views. When the committee went on their trip and talked to staff on the ground, they got a litany of complaints from people with those arrangements.

Senator FERGUSON—How many overseas posts have you served in?

Mr Quinn—I have been in Jakarta and also in Bangkok. I have also lived in every style of accommodation, as far as I am aware, that OPG offers in the course of those postings because of various moves whilst being on posting.

Senator FERGUSON—It may be difficult to compare every style of accommodation in Jakarta and Bangkok with Berlin and some other places in Europe.

Mr Quinn—I do not think that is correct. For example, in Bangkok I lived on top of the chancery in apartments. Again, this is not about my personal preferences, but I am well aware of the privacy issues concerned in relation to having to live collocated with the chancery and the difficulties that causes for officers, in terms of their privacy.

Senator FERGUSON—It depends what the alternative is, doesn't it?

Mr Quinn—In terms of?

Senator FERGUSON—Where you can get accommodation.

Mr Quinn—Not really. To me it is a threshold issue and you decide first whether you are going to collocate accommodation with chanceries as a principle, and then you look at what your

other options are. In terms of Bangkok or Berlin, I would imagine that there are not significant problems in finding alternative accommodation for people.

Senator FERGUSON—There can be in some cities depending on how far out you want to be and how far away from your place of work.

Mr Quinn—There can be but, again, we can only go by what people have said, for example, in relation to the Purdon report. Most people are adamantly or strongly opposed to collocated accommodation. I might also say about that that the committee needs to be very careful about claims that are made about staff preferences, for example, in relation to living in CBDs and so forth. Firstly, as we pointed out in our submission, staff preference is the least of the factors driving this decision making process, in our opinion; it is actually the money.

From the evidence you had this morning, there are some serious questions over whether the taxpayer is getting the best value for money out of what is being currently proposed. But for example, in relation to London, the Colonnades was some accommodation we had in the CBD area of London. It was some apartments. Arguments were put, at the time that accommodation was being sold, that people would want to live in the city—that they would not want to live in London suburbs. My advice is that most people who moved right out of London or into the suburban areas of London were quite happy to move.

Also you have got the issue of flexibility. The question of family composition has been raised by a number of members of the committee. If you build these apartments, you are locked into the configuration of those apartments. You are also locked into, for example, a complete use of space in the building with only a small area for any sort of expansion of the building.

The point I would make, in relation to that, is that the Department of Foreign Affairs and Trade now is smaller than the Department of Foreign Affairs by itself was in 1984. The proportion of staff that we have overseas, at the moment that you are considering this proposal, is the lowest level since 1953. I would suggest that there would be better uses for this space and that there should be more consideration given to the possible expansion of this mission, under better budgetary circumstances, in the future.

Senator FERGUSON—You said in your evidence that there was collocation of commercial tenants in overseas embassies, but that you did not have any examples.

Mr Quinn—No.

Senator FERGUSON—It is not much different from some of the witnesses that you seek to criticise, who you said did not have examples.

Mr Quinn—I do not have any examples. I can take that question on notice, if you like, and get back to you.

Senator FERGUSON—But you have made a statement and expect us to accept it at face value.

Mr Quinn—No, I do not. I am quite happy to take it on notice and give you some more evidence.

Senator FERGUSON—You offered it. We did not ask for it. You said there is collocation of commercial tenants in overseas properties.

Mr Quinn—Yes, there is. We shared with—

Senator FERGUSON—What evidence have you got to back it up?

Mr Quinn—I did not bring evidence to back that up, because I am amazed that that point was put to the committee. It seems to me quite incredible.

Senator FERGUSON—You also talked about Tokyo, where there is some collocation.

Mr Quinn—Yes.

Senator FERGUSON—Have you got reports of dissatisfaction from staff in Tokyo?

Mr Quinn—Yes, we have.

Senator FERGUSON—That is contrary to the reports from somebody I know who has recently visited Tokyo. We may be talking to different people.

Mr Quinn—Maybe. I can give you some examples if you like.

Mr HOLLIS—I visited Tokyo several times. I was taken through the apartment lots there. When I was chair of this committee, I raised that issue with the staff there. People left me in no uncertainty as to their views. I was quite surprised because I thought the accommodation in Tokyo was quite good. I was surprised at the reaction of the staff in Tokyo. Again, that is going back a few years. I held a meeting with the staff there specifically about accommodation.

Mr Quinn—Could I give you an example from Tokyo?

Senator FERGUSON—Yes.

Mr Quinn—With regard to the accommodation in Tokyo, as I understand—I have not been there—there are two wings of residential accommodation and a chancery in the middle. The problem, as Mr Rigby pointed out, is that you need to think about the consequences for children of putting them into a location shared with the chancery. My source tells me that there were friends living in one wing of the building and there were friends living in the other wing of the building. Originally, the idea was that, in the open space, children would be allowed to play. Apparently, there is a common area. Someone in the embassy administration quickly decided that that looked unprofessional—having children playing outside the windows of the workplace—because 'We're having high level meetings with the Japanese.' So children were banned from playing in that open space.

The next thing that happened was—children being children—they moved down into the underground car park and started playing there. One child was hit by a car, according to my information, and after that happened the children were banned from playing in the underground car park. The children also tried to play on the perimeter of the building but, for the same reason they were not allowed to play on the common, they were banned from that area.

Some children wanted to find a way to get from one side of the wing to the other without having to go through all the security or whatever they had to do. They found a security lock or some sort of vent which they could climb through. They could jam one end of it, they could go through and, if they were quick enough, they could get through the other side. Apparently, according to my information, one child was too slow and got their neck caught in that device and ended up in hospital in a coma. To me, that shows the kind of pitfalls, if you collocate accommodation with offices, that you may face also in relation to this project.

Senator FERGUSON—I wonder how much space Japanese children have to play in.

Mr Quinn—That goes back to the conundrum, doesn't it? Are we providing accommodation for Australians and trying to approximate Australian conditions or are we going to approximate local conditions?

Senator FERGUSON—It depends what the opportunities are in each location.

Mr Quinn—It does. As we said in our submission, we are not of the view that, where there are pressing security or other reasons why you need to go for a collocated or compound solution, you should not do that. But it is very difficult to see why you need to do that in Berlin. In our interactions with the department's administration, we were told that, if people were not living on the chancery, they would have to live in the 'boondocks'. I am not aware of Berlin having boondocks and, having served in places like Bangkok and Jakarta, and also given the advice we have had from other posts in Europe like London, it seems to me that people might have a preference to live, for example, in the suburban areas of Berlin, or maybe even not in Berlin itself.

Senator FERGUSON—It is not very often that you have 100 embassies shifting into a city in one spot, all looking for apartments to rent out to staff, where you have a former Eastern bloc country where people are moving into the capital because they can no longer get jobs in the former east. So Berlin perhaps might be a special place.

Mr Quinn—Maybe, Senator. But you have to take into account the fact that the accommodation and office solution that they are putting forward here is not going to just be in place for this year. It is going to be in place for 30 or 50 years.

Senator CALVERT—Do you keep a file of the complaints you get from overseas staff who may be concerned about being collocated? Senator Ferguson did talk about evidence. I would not mind seeing it, if it is possible to give us some further evidence on just how many complaints you get about this.

Mr Quinn—That could raise a bit of an issue for us in terms of our sources of information within the union. I will take that on notice. We might be able to provide you with something. We do need to be careful. As I said, the views of staff tend to be filtered by the management sources and it is really important that people are able to tell us in confidence what they think about issues such as this project. We would not want to compromise that.

CHAIR—You could give us numbers and situations without revealing names?

Mr Quinn—Yes, we could give you something like that.

Senator FERGUSON—Can you also give us the percentage of people on overseas postings who are members of the union?

Mr Quinn—Sure. Well, can we?

Ms Pollard—We can give rough figures on that. Our information generally does not show that level of break-up as to where our members are.

Senator FERGUSON—Not where they are. I just want a total—how many of the total postings overseas are actually members of the union.

Ms Pollard—Okay.

CHAIR—Thank you very much.

[12.24 p.m.]

HANCOCK, Mr Brian Richard, Assistant Secretary, Development Management Branch, Property Group, Department of Finance and Administration

PEEL, Mr Bill, First Assistant Secretary, Property Group, Department of Finance and Administration

PLATT, Mr Paul Richard, Director, Project Management, Property Group, Department of Finance and Administration

RUDLAND, Mr Raymond David, Director, Asset Management Commercial, Property Group, Department of Finance and Administration

CHAIR—I recall officers from DOFA. May I remind you that you are still under oath. Would you like to make an overall response to some of the issues that have been raised?

Mr Peel—There are a couple of issues we would like to pick up. I think all of the evidence you have had since we were here has been pretty well focused on the apartments, the cost of the apartments and the level of consultation. There were some remarks made by the union about the motives of officers of the Department of Finance and Administration which I would like to totally reject. It is a reflection on not just the officers here but all officers of the department and I totally reject that reflection. Mr Rudland will give you some information on the cost of the apartments. They are expensive. They are not \$300,000 a year, but he will give you a breakdown of that.

Mr Rudland—To clarify the proportional split that we did between the rental for the chancery and the rental for the residential component—and it is a proportional split because of course we are treating it as one project, not two separate projects—the proportion for the residential component is \$1.187 million for six apartments.

Senator FERGUSON—\$1.187 million?

Mr Rudland—Yes. Just to look at the four apartments that DFAT has committed to rent, the rent for the larger apartments is around \$211,000 per annum and the rent for the smaller apartments is about \$190,000 per annum. We are not in any way denying that they are expensive apartments but they do have some extra overs in them that we think average apartments in Berlin do not. For example, quite often in Berlin a kitchen is not a standard fitting, strange as that may sound, but these of course are fully fitted out and furnished—as DFAT made the point—to Australian standards. It is a matter of comparing apples with apples. Provision for this price is for fully furnished and fitted out apartments.

I only have some very recent market information, which is on its way across to parliament, in terms of a report under the Lands Acquisition Act, for recent leasing in Berlin. There have been two fairly recent leasing activities there—not by us but by the Department of Foreign Affairs and Trade. One is for a lease for 60 months—five years—over a place called Bismarck Alley 17. I know nothing about it, I have to say, but the price there for the five years is \$491,803—close enough to \$100,000 per annum for this apartment. Again, I cannot say more than that. I do not know how it compares to what we are providing. I would be surprised if it was furnished and had some of the facilities that we are offering.

Senator FERGUSON—Can you find that out?

Mr Rudland—Yes, I can. That is probably the only recent information I can give you.

CHAIR—Can you also tell us whether that is a base rent or whether there are add-ons on top of that?

Mr Rudland—Indeed.

CHAIR—What? It is a—

Mr Rudland—No, sorry. I will find that out for you. I just had that bare information but I thought it might help the committee to give you some sort of benchmark, because there was some talk about rents of something like six times the average. What we are saying is, assuming that this is a fair, average quality three or four bedroom staff apartment, that is working out at about \$100,000 per annum and we are saying that our calculations are at about \$211,000 for that—

CHAIR—Mr Larkin was actually talking about around \$72,000 a year, I think.

Mr Rudland—Yes. So I just wanted to clarify that point.

Senator MURPHY—Could you just clarify that? How many square metres are in those units?

Mr Rudland—The larger ones are 242 square metres and the three-bedroom ones are 218 square metres. They are a reasonably decent size but, as was probably explained in the evidence much earlier on, the configuration of the Markisches building is such that it would not have been particularly practical to try and divide it into more, smaller apartments.

Senator MURPHY—What is the rent charged per square metre on the office space?

Mr Rudland—The office space per square metre rate is \$1,577.

Senator MURPHY—Did OPG do any investigation into external accommodation?

Mr Rudland—Yes, we did.

Senator MURPHY—What was the result of that survey work?

Mr Rudland—We looked, in more general terms, at the returns provided for accommodation in Berlin.

Senator MURPHY—I am not talking about the office space; I am just talking about the residential space.

Mr Rudland—The residential space, apart from the owned component that we are proposing to provide in this project, is a matter for the agencies themselves. They would take that on the leasing market.

Senator MURPHY—Do we have any properties overseas where we have collocated with other tenants—commercial tenants?

Mr Rudland—Are we talking office or residential?

Senator MURPHY—Office space.

Mr Rudland—Generally speaking, not for commercial. But for non-Australian, we do have some. The most striking example is in our Paris chancery, where we have almost half of the previous embassy space divided and rented to a component of the OECD called the International Energy Agency. But, because of the consolidation of the previous embassy, that is completely divided off and is a totally separate tenancy.

Senator MURPHY—Could you provide us with some information about other examples and how this question of security has been overcome in those other examples?

Mr Rudland—Yes.

Mr HOLLIS—We collocate with New Zealand in our chancery in Geneva.

Mr Rudland—That is quite right and Canadian missions quite often collocate with us. But, in terms of non-Australian or non-friendly missions, the examples that come to mind are the chambers of commerce. Quite often the embassies have some sort of a friendship chamber of commerce that they will give space to.

Senator CALVERT—We had some arrangement in Paris at one stage.

Mr Rudland—That is the International Energy Agency.

Senator MURPHY—You did some surveys in regard to rented accommodation in Berlin, didn't you?

Mr Rudland—Not for residential accommodation.

Senator MURPHY—You said that is a matter for the agencies.

Mr Rudland—That is a matter for the agencies.

CHAIR—But wouldn't that be essential information for you in making a decision about the best use of this particular property and the return to government on the investment?

Mr Rudland—Yes, we looked at comparable market information, but the actual decision to purchase this building with the MU8 building attached was made some time ago by a previous government and endorsed by this government. In terms of then calculating the return required, which is DOFA's charter, and the appropriate rental, we looked at the Berlin market for A-class office accommodation market yields.

Senator MURPHY—With regard to the rent you are charging for the accommodation, you said you did comparable research in regard to office space rent, but you did not do it in regard to

residential rent. You quoted an example a while ago of something that was about \$100,000 a year for some address—at this point, we do not know how it compares—

Mr Rudland—We will find that out.

Senator MURPHY—But we will find that out. Why would you not do that to arrive at the amount of rent that you would charge for the residential side of things?

Mr Rudland—One of the ways we conduct our valuations is to look at an investor return for projects. Basically, the total cost of the project was required to provide us with this return of about 8.2 per cent.

Senator MURPHY—I understand that. Let us just assume for a minute though that you did not have a Department of Foreign Affairs and Trade, a Department of Immigration and Multicultural Affairs, or a Department of Defence that were going to rent this space, but you had to put it into the commercial marketplace in Berlin for rent as residential accommodation. Do you think you would get the same amount of return?

Mr Rudland—No, quite clearly not.

Senator FERGUSON—Following on from that, is \$1,577 a square metre rent for office space the going rate?

Mr Rudland—I would say it is probably quite a way above the going rate. But have in mind that, again, we are talking about special purpose buildings with special characteristics. There is not a market for embassies in Berlin. All we have for comparison is a stock standard A-class building shell without the—

CHAIR—Is that an inflated rent so that we can justify the residential side rentals?

Senator FERGUSON—Can I say, following on from that, if you were to apply the \$1,577 to the residential component, on my quick calculation you would come up with an annual rental of about \$380,000 for an apartment so, obviously, it is a different scale that you are applying to the office space.

Mr Rudland—Yes.

Senator FERGUSON—Following on from Senator Murphy, I am just not sure why—I can understand now because you have to get a return of 8.2 per cent—the rents are as they are. It would appear to me that if you set a rental of, say, \$150,000 a year, nobody would have batted an eyelid because it has other people paying \$100,000 and you have got special needs and special requirements and special fittings, et cetera, that you are putting into these apartments. Once you go to twice as high it leaves you open to question a bit, I think.

Mr Rudland—We understand.

Senator FERGUSON—As long as we understand that you have set that rate because you are required to provide a certain return then I think that is how we can understand why the rates are what they are. Whether we agree with the reason is another thing. But that is why they are what they are.

Mr Peel—Could I just make another comment? In relation to using the building for office accommodation rather than apartments, that is something we would not mind coming back to the committee on. We have very serious doubts as to whether the building is suitable for office accommodation and could, in fact, be utilised for office accommodation purposes.

Senator FERGUSON—This is the residential—

Mr Peel—Yes, that is right. In our view, residential is about the maximum use we could make of it. As I say, we have serious doubts as to its suitability for office accommodation but we will provide the committee with some further information.

CHAIR—That is why I made the comment—

Senator CALVERT—The Communist Party used to use it for office accommodation.

Mr Peel—It was originally built as apartments.

CHAIR—That is why I made the point about whether the building construction and refurbishment ought not to appropriately be separated from the accommodation. It is such high class accommodation, over what you would normally pay for staff, that I wonder whether that should not be leased on the open market. I also find the accounting very strange. If you have said we have to provide an 8.5 per cent return, that is a return to government or the ratepayers—is that correct?

Mr Rudland—Yes.

CHAIR—But then you are inflating your rents which the government or the taxpayers are having to subsidise. It just seems to me to be a very strange accounting method and not a very good one to try to explain to the public, and that is what this committee has to do. So I am not satisfied with the accounting methods applied here.

Mr Peel—What the rental rates do is to point out the true cost of providing that accommodation in Berlin, and that is what we are seeking to do. The Department of Foreign Affairs and Trade and other departments are actually paying their rents to the Department of Finance and Administration. The rent is not actually going outside government into private hands. But what the government wants us to do is to make the cost of the accommodation as provided transparent to bring home the magnitude of those costs to individual agencies so that when they are taking their accommodation decisions they are conscious of the true cost. You may say that it is an inflated rent but that is the sort of rent that a private investor would seek to secure appropriate returns on.

CHAIR—That is the very point I am making.

Senator MURPHY—There are not very many private investors in Berlin getting that sort of rent.

Mr Peel—For this purpose built sort of accommodation, we believe that a private investor would charge that amount of rent. We do not think we are any different from them.

CHAIR—But wouldn't it be better then, if we are using such inflated figures for both residential rent and for office rent, to refurbish the building, lease it out in the open market where you are getting maximum rent and go and find another building to lease, and we would save the government and the taxpayer some money?

Mr Peel—The government has decided it wants this building and I think we explained earlier the reasons for that decision.

Mr Rudland—One of the aspects of having an enhanced or special characteristics building is that if one leased an ordinary building in Berlin—and, indeed, there is a huge amount of ordinary office accommodation construction going on there—we would still need to adapt it very radically to basically meet the special needs of Foreign Affairs and Trade and the other Australian agencies in terms of security and the like. That adaptation or fit-out cost would then itself need to be amortised and added on to whatever this commercial rent is that one can get in the open market. It is our contention that the two would turn out to be very much the same if one did it that way.

Senator FERGUSON—Madam Chair, I think we need to remember that the previous government in 1995 determined that it would purchase a building, and so the building was purchased, and this current government has agreed and confirmed that they want to have their own building and house the embassy in it. We have to work out and make sure that in spending the money that we are spending on this building it has been decided that we will have, that we are getting value for money. I think that is the real key.

In purchasing the building that we want to house the embassy and the offices, was it contingent on buying the other building with it at the time? They had to be bought together, didn't they?

Mr Peel—Yes, they had to be bought as a package.

Senator FERGUSON—Otherwise, I understand there was some difficulty in separating the courtyard in the centre and all sorts of other things.

Mr Peel—Yes, it was all done.

Senator FERGUSON—You say that the extra building, which was originally an apartment building, is really suitable only for an apartment building and not for office space?

Mr Peel—We do not believe it is suitable for office space to date, yes, and we will provide the committee with further information.

Senator FERGUSON—I think that is important for us.

Mr Peel—I do not think we have got the option to turn it into office accommodation. It is either apartment space or we leave it empty.

Senator FERGUSON—I think we need to know that.

Mr Platt—In a structural sense, they are two totally different buildings. The Wallstrasse building is quite open, a clear span structure. The apartment building consists of load bearing walls and it is very difficult to change it.

Mr RIPOLL—I have actually raised this as a question. On the first floor, you have actually got DIMA in one section, and straight above it you have got an apartment. By looking at the drawings, it would not seem that there are any load bearing walls in that section at all. There certainly appear to be in the smaller three-bedroom apartment.

Mr Platt—That is the one. The Wallstrasse building actually is the U-shaped building and the smaller one is the apartment.

Mr RIPOLL—You are saying that you cannot change the plans or it would not provide accommodation, but on the first floor you have got DIMA in that part and if you slip up to the next one, the second floor, you have actually got a four-bedroom apartment, and straight above it another four-bedroom apartment—on the second and third floors.

Mr Hancock—The building on the right-hand side only? You are talking about the small—

Mr RIPOLL—No, what I am saying overall—

Mr Platt—We can add walls. It is not a problem of adding walls.

Mr RIPOLL—The only load bearing walls that appear on these drawings are actually in the smaller three-bedroom apartments, not the four-bedroom apartments.

Mr Platt—That is right.

Mr RIPOLL—Can we get an overall cost, for a start, for each of the apartments, and the reason you chose to go for four-bedroom apartments? Could we do it for fewer apartments?

Mr Peel—I think I said earlier that we did have a look at putting more apartments in or reconfiguring and, really, the buildings constrain us in what we can do but, certainly, I think we undertook earlier to provide further advice on that.

Mr RIPOLL—Whereabouts? Where does it constrain us—in which part?

Mr Peel—Mr Platt can explain that.

Mr Platt—It is possible to convert the one in Wallstrasse probably to two two-bedroom apartments so there are an additional two apartments.

Mr RIPOLL—Let us just entertain the idea for a moment that we just do not need a four-bedroom apartment either on the second floor or the third floor. What would prevent us from doing that? There do not seem to be any load bearing walls and, in fact, on the first floor, which has exactly the same layout, you have actually got DIMA on the first floor in the same layout.

Mr Platt—Certainly we could take that off and use it for office space—for what purpose I am not sure.

Mr RIPOLL—I am thinking in overall terms of cost. That is why earlier I wanted to get a very good idea of the cost of each of the apartments. Earlier, you said there was a residential cost of \$1.87 million for the six units, and that is certainly not the cost to put them together.

Mr Rudland—That is just the rent.

Mr RIPOLL—Can we get a cost per unit? You must be able to work that out, separating the extra cost—if we leave one on the smaller side apart—and looking at the other two floors. You must be able to break that down even in terms of fit-out.

Mr Platt—That is possible.

Mr Peel—One of the points that we are making is that if we do not do the apartments then we do not have any other use for the space.

CHAIR—Has there been no analysis done of demands for rented space?

Mr Peel—If we take out the apartments we just have a couple of very small pockets of space within the overall office accommodation for the embassy.

CHAIR—These four-bedroom units are—

Mr Peel—We have not looked at renting them out to the private market if that is what you are asking.

CHAIR—There are 242 square metres so that is a fair sized office space.

Mr Peel—We have provided the apartments for accommodation for staff on the basis that the departments concerned have indicated to us that they wish to have the apartments. We have not tested them on the market, but I think Mr Rudland mentioned earlier that we probably would not get—

Mr RIPOLL—What I am trying to establish is that I do not think I have heard any evidence as to why we actually need the apartments at all let alone this configuration or any other configuration. You are saying you are constrained by the building and by a whole range of things. The issue is that on the first floor you have DIMA in that whole section. On the second floor you have a four-bedroom apartment—I am assuming at huge cost to actually construct and put together—and above it you have another four-bedroom apartment which, again, I assume at a huge cost to construct—not the externals and construction cost but the actual apartment. Straight above it, in the same space, you have DFAT. You have DIMA, apartment, apartment and DFAT. What is to say that shortly down the track in a number of years you might need to expand DIMA a little bit more into one of those areas, or maybe DFAT down another level?

Mr Rudland—That could be done.

Mr RIPOLL—It will not be done in the future if you have a four-bedroom apartment which has cost—until we know the exact cost—what I assume to be a huge cost.

Mr Peel—We are providing the apartments on the basis that the departments concerned have indicated a demand for them in the long term.

CHAIR—It is a \$300,000 fit-out cost to start with.

Mr RIPOLL—Yes, we are trying to establish that. Who is making the decision on how many apartments and the size of the apartments, and who has shown interest in actually leasing them?

Mr Peel—The number of apartments is determined on the basis of the building that we are working with and how many we can provide for in the building.

Mr RIPOLL—You have said they are going to be for the department leasing them, but who wants them and at what cost? It is a massive cost.

Mr Peel—We have consulted with the occupying agencies. Foreign Affairs and Trade want some of the apartments and Immigration and Multicultural Affairs want others.

Mr RIPOLL—We have asked Foreign Affairs and Trade about that configuration. I am sure you heard the evidence. There was no process to explain why they wanted it. They did not come to you and say, 'There is a need for us to have two four-bedroom and two three-bedroom apartments.' They said they would take whatever they have to take in order to meet the requirements of the buildings by DOFA.

Mr Peel—There is a need for the departments to have accommodation in Berlin. That is quite clear. In constructing these buildings we have utilised the maximum amount of space we need for office accommodation and there is space left over. In our view, the second building with the four apartments is not suitable for conversion to office accommodation to lease on the market. We are saying, essentially, that if we do not use that building for apartments we may have to leave it vacant.

In relation to the larger building, there is some vacant space over and above the office accommodation which agencies need. It does not really seem practical to rent that space on the open market because it is mixed in with the accommodation for the embassy. We have looked at putting two additional apartments in that building. The agencies have told us that they are interested in that space for apartments. We can take the apartments out but, if we do, I believe we will just be left with one vacant building and vacant space in another building. The government will then be paying rent to the private sector for other apartments in Berlin when the rent is currently being paid by Foreign Affairs and Trade and Immigration and Multicultural Affairs back to the Department of Finance and Administration and stays within the budget.

Mr RIPOLL—From the evidence we have heard today we do not know that there will be any cost saving. Whether we have these two apartments—which is all we are talking about—if they are leased at about \$422,000 per annum—

CHAIR—For the two.

Mr RIPOLL—for just the two, there would not be any benefit. Whether we have those leased, or did not have those and used that money elsewhere to provide other accommodation, we do not know whether the actual construction costs would not be, again, a massive saving in

terms of how we use the space, and whether we need that space immediately or whether we need it for future expansion. Surely there must be better use.

Mr Peel—We have undertaken to provide those calculations.

Mr RIPOLL—If there were a particular demand and you could show us who was driving the need for this many, for these reasons, or who was waiting and had shown expressions of interest in particularly wanting to be there, that would be useful. We are hearing something different. DFAT actually said, 'The only reason we are really taking four is because we have to.' Why not five or three or two? Whose decision is it to build the four-bedroom ones?

Mr Peel—We saw the opportunity to put apartments in the buildings because we did not have any other use for the space. One of the buildings is not suitable for office accommodation. We offered those apartments to the agencies and they were interested in taking them up. From that point of view the apartments are being provided on the basis of the configuration of the buildings and the fact that there would otherwise be vacant space in those buildings. But we will provide you with the calculations that you are seeking.

CHAIR—Has there been an audit done across government to see whether there is a need for this space? With the two four-bedroom units there is over 500 square metres of possible office space. Has there been any audit across government to determine whether that space could be absorbed as office accommodation?

Mr Peel—We have consulted with a number of departments in relation to the accommodation. We do not believe there is any other demand out there for it.

Senator MURPHY—Is that the rate that gives you the eight per cent return?

Mr Peel—That is not really fair. What we are saying is that if you were a private developer and the Department of Foreign Affairs and Trade or the Australian government came along and said, 'Build this building for me,' they would build it for you but they would expect to get a reasonable rate of return.

Senator MURPHY—I understand that.

Mr Peel—All we are saying is that we believe the private investor building this accommodation would charge the same as we are charging in terms of rates of return.

Senator MURPHY—But in this case would the commercially available rent—taking the point Mr Rudland made in regard to having to do certain things—then bring it up to the type of rental you are charging? When you proceed to do this you have to get a return for whatever it is—\$37 million—and you get 8.5 per cent back, but you have had to charge a very high rent by comparison.

Mr Peel—That is what the private sector has done.

Senator MURPHY—I would be interested to know what other countries have done if they have rented accommodation for their offices in terms of their chanceries.

Mr Peel—I am pretty sure that other countries, with the possible exception of New Zealand, do not have internal rental charging regimes. Australia and, I think, New Zealand are the other countries that do that. Others simply build the building and the departments occupy it and there is no internal rental or cost sharing arrangement.

CHAIR—Private developers do not come at it that way. Private developers will say, 'What is the maximum rent we can get for office space and residential accommodation space?' They will then go back and say, 'How much can we afford to pay for the land and the building or the building in situ plus the refurbishment?' They would then look at whether it is giving them a rate of return. Where you are coming from you are saying, 'We want this rate so we are going to inflate the price to deliver this result to government or to the public.'

Mr Rudland—Could I just clarify the developer aspect. A private developer would look at this as a brand new concept on a sheet of paper first and quite rightly would say, 'All we can afford to charge is this amount of rent for this amount of income stream and it is going to cost us this much to provide those facilities, therefore it is not a proposition.' They can go and rent on the open market.

CHAIR—They would do an audit of what is required in the CBD area and then they would look at what the rental range is that could be charged.

Mr Rudland—We agree with that 100 per cent, but this is not coming from the standpoint of looking at a clean sheet of paper. This is—

CHAIR—I understand the constraints you are under here because this is a decision that was taken by government and I can see the difficulty that this presents to you. What we are trying to do now is see how we can make the most of a situation that you have been confronted with and make sure the public interest is served.

Mr Ripoll has quite rightly asked the question: if you are able to convert on the first floor the space which on other floors is being proposed for four-bedroom accommodation, why couldn't you convert those spaces to office accommodation at the higher rent and rent it out? You say you have done an audit of Commonwealth requirements, but what about state government requirements? Are there any states that require space for their agents-general? Has that been explored?

Mr Rudland—The answer to that is that this is for Commonwealth diplomatic-type missions. It is probably something that the Department of Foreign Affairs and Trade might be best suited to answer because they, as the senior department or agency in all of our overseas posts, are very influential as to who should go into them. While we do have one or two areas around the world—and the Australia Centre in London is a prime example where we can provide accommodation—it is important to note that the Australia Centre is a completely locked off building to Australia House. Effectively—and I hesitate to say it—it is an investment, a speculative venture if you like, where we are providing space for income return. This would provide, I think, complexities in terms of integrating suitable and approved tenants in the middle of an embassy.

CHAIR—You will have to forgive us but, not being able to view the building, we have to try to build up a picture of what can or cannot be done. I think it is important that those questions are explored and answered appropriately in terms of the public interest.

Mr Rudland—With the building that has been provided for us to operate in and make work, the present configuration of the office space required—which very closely fits what is provided in the Bonn leased chancery and the Berlin leased office and the six apartments—is a good fit because there is demand for both. If we were to convert the apartments to office space we would find a different situation. There are options, of course. We could take a decision if government so wanted to completely lease the apartments on the private market, but DOFA and this government are probably not in the business of speculative ventures in that regard.

CHAIR—This is not about a speculative venture; this is about making sure that the expenditure undergoes public scrutiny and that we are doing the very best with the dollars that are being spent. In this case there is a considerable amount of money being spent.

Mr Platt—It needs to be investigated further, although there are conditions applied to sale of properties for diplomatic purposes in other parts of the world—I am not sure if they apply here—which restrict the nature of other activities that can go into these places.

CHAIR—We were told earlier in evidence that there are some precedents.

Mr Platt—There are in some countries.

Mr RIPOLL—Mr Rudland, have we got any clear idea on 2.8 and 2.10 on the apartment fit-out?

Mr Rudland—I do not have it. That is for Mr Platt to speak to.

Mr RIPOLL—There are clearly two separate figures.

Mr Platt—What is in front of you there is a working document. In retrospect it perhaps should not have been tabled today. I would like to take that away and resubmit it in a format that is finished and complete and without ambiguity. Also, with the chair's permission, I would rather it not be included in *Hansard*. It is, like the confidential estimate, a confidential piece of paper.

CHAIR—I think that is in order. I think there was an earlier commitment to provide a clearer set of figures for the committee.

Mr Platt—There is. It is always a catch-22 when one comes before the PWC at this particular stage of any development. It is at a comparatively early stage of design development, yet we are being asked to put forward confidential estimates that are specific. In the areas of estimating, it is probably better that we come before the committee when we have a design development stage.

Mr RIPOLL—With all respect, Mr Platt—

Mr Platt—I know we cannot do that.

Mr RIPOLL—What I am getting at is not so much that we have got a figure, but that we have actually got overall figures.

Mr Platt—Yes.

Mr RIPOLL—You are more than expected to actually give us some sort of a breakdown—

Mr Platt—Which we do.

Mr RIPOLL—regardless of the confidentiality of specific items, but it is going to come to a point where we say we are going to spend up to \$50-odd million, maybe more. Certainly, for that, we have to say what sort of value we are getting for our money. A lot of these costs would just seem to be way out of the ballpark. They are huge costs.

Mr Platt—No, they are not. The costs are based on quite detailed costing studies done by our German consultant. But having said it again, if you are familiar with the building industry and the trade, it is still an early time.

Mr RIPOLL—Even if it is early, I would only expect the cost to go up. I do not think I have ever seen costs go down. I would expect the costs to go up. So if we take it on a department basis, and even if we take the best possible scenario, there are two figures for apartment fit-out—\$2½ million and \$2.1 million. If we take the smaller figure and say the other one is a complete error—which I do not think it is because it is very specific in what it says—if you divide that by six you are going to get about \$350,000 per apartment for a fit-out. So that is just fit-out regardless of all the structural work—that is just painting of the walls, finishes, joinery. It just seems like a lot. We just want to know what we are getting.

Mr Platt—We will give you that.

Mr RIPOLL—Again, I am assuming that this is at the very bottom of the costings. If there is going to be any adjustment, it is only going to be upwards. You are not going to come back and say, 'We got a better deal and it is half that.'

CHAIR—Are there any other questions? I do not believe there are any further questions. It is proposed that the correspondence received that has been circulated to members of the committee be incorporated into this transcript as evidence, with the exception of the cost estimates provided. There being no objection, it is so ordered.

The correspondence read as follows—

CHAIR—Before closing, I would like to thank the witnesses—

Mr Peel—Could I raise something, please, Madam Chair? I hesitate to do this but I need to. We did write to the committee seeking your agreement to proceed with concurrent documentation for the project. We would appreciate the committee's consideration of that.

CHAIR—Yes. We are scheduled to meet. We will discuss that when we meet on Thursday. I would think if that is the case we will be able to address this in that meeting. So I would like to thank you and all of the witnesses for appearing today. I also thank the committee members, Hansard and the secretariat.

Senator MURPHY—Madam Chair, with regard to the concurrent documentation, my view is that I would like to have some of these questions that are currently unanswered answered before we deal with that. Is it possible for us to get some of that information, particularly as it relates to the reworked attachment 1?

CHAIR—I think there have been a number of requests throughout the proceedings today. I am confident that the information that has been promised will be received.

Senator FERGUSON—How long will it take?

Mr Peel—You are meeting on Thursday?

Senator FERGUSON—Thursday morning.

Mr Peel—We will need to consult with the secretariat and just see which ones we can do by then. We will do our best to get as much as possible by Thursday.

Mr HOLLIS—I think that is important. There were a lot of unanswered questions. I, for one, share Senator Murphy's concern. I would not be prepared to vote for anything until those questions were answered.

CHAIR—I think that is a reasonable position.

Mr Peel—I think it is mainly in relation to the apartments.

Senator MURPHY—Madam Chair, with regard to attachment 1, as to the breakup of the fees, I would like some explanation. You have design fees and quantity surveying fees and fees during the construction phase and minor fees. Then we have supervision and local fees and permits, some of which are self-explanatory, but it appears that some of them are duplications. I would like some explanation of that. It just appears to me to be particularly the fees during construction phase and design fees. I might be wrong.

Mr Peel—As Mr Platt mentioned, that document was literally pulled off a file while we were here. Maybe we should not have tabled it. But you wish to see it, so we will rework that paper for you.

CHAIR—Thank you.

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

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 today and submissions presented at the public hearing this day.

Committee adjourned at 1.06 p.m.