



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

**Reference: Fit-out of new leased premises for the Department of Industry, Tourism
and Resources in Civic, Australian Capital Territory**

FRIDAY, 11 FEBRUARY 2005

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**JOINT STATUTORY COMMITTEE ON
PUBLIC WORKS**

Friday, 11 February 2005

Members: Mrs Moylan (*Chair*), Mr Brendan O'Connor (*Deputy Chair*), Senators Ferguson, Forshaw and Troeth and Mr Forrest, Mr Jenkins, Mr Ripoll and Mr Wakelin

Members in attendance: Senator Troeth and Mr Forrest, Mr Jenkins, Mrs Moylan, Mr Ripoll and Mr Wakelin

Terms of reference for the inquiry:

To inquire into and report on:

Fit-out of new leased premises for the Department of Industry, Tourism and Resources in Civic, Australian Capital Territory

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Committee met at 10.39 a.m.

FOSTER, Mrs Robyn Elizabeth, General Manager, Business Services Group, Department of Industry, Tourism and Resources

NOONAN, Mr Philip Joseph, Head, Corporate Division, Department of Industry, Tourism and Resources

PHILLIPS, Mr Richard Sidney, Manager, Post 2006 Accommodation Project, Department of Industry, Tourism and Resources

HARALAMBOUS, Mr Haralambos, Director, Haralambous Dowse and Associates

CHAIR—I welcome those who have joined us for this public hearing and I declare open this hearing into the fit-out of the new leased premises for the Department of Industry, Tourism and Resources in Civic, ACT. This project was referred to the Public Works Committee on 6 December 2004 for consideration and report to the parliament. In accordance with subsection 17(3) of the Public Works Committee Act 1969, which concerns the examination and reporting on a public work, the committee will have regard to the following:

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

We have had a briefing this morning and we thank the Department of Industry, Tourism and Resources for assisting us with the inspection of the site of the proposed work. The committee will now hear evidence from the Department of Industry, Tourism and Resources and we will go to questions after that. Mr Noonan, I invite you to make an opening statement.

Mr Noonan—Thank you, Madam Chair, for the opportunity to present our proposal to the committee. As outlined in our submission, the Department of Industry, Tourism and Resources currently occupies four buildings in Allara Street in Civic, ACT. The current leases expire by 31 December 2006 and there are no options to renew. The buildings are up to 30 years old, inefficient, difficult to secure and generally of a poor standard. We surveyed staff to determine their requirements and sought expressions of interest by public invitation early last year. The department was able to benefit from a competitive situation for the development of new office building sites and was able to short-list seven proposals in an exhaustive tender process which culminated in an exchange of contracts on 30 June 2004. Our existing landlords put forward a

proposal for refurbishment of the existing buildings. However, the costs were similar to those of new buildings and the department would still be fragmented across multiple sites, would still suffer from some fundamental inefficiencies in the current buildings and would still have security concerns associated with multitenanted buildings. We therefore found that a number of the new building proposals offered better value for money, especially considering the superior security and other functionality provided by single, largely sole tenanted facilities. Negotiations with the top contenders resulted in a deal which not only was affordable but also had many advantages for the department.

Flexibility is one of those advantages. The large open floor plates of the new building enable DITR to achieve an interior design that can adjust to meet changing needs in the future. It also enables us to use space more efficiently, allowing us to achieve better building facilities and better amenities for staff while still achieving a useful reduction in the total square metreage. The new building gives the department the opportunity to provide an independently operated child-care centre and other facilities sought by staff in the last certified agreement, including parenting rooms and a carers room. Improved staff amenities, including an outdoor area on level 10 and an independently operated cafe on the ground floor, are also included. There are facilities to cater for team based work, including two break-out areas on each floor and a range of meeting rooms throughout the building. A conference centre with seven meeting rooms of various sizes is included on the ground floor, to enable meetings to be held with persons from outside the organisation without the need to enter the secure parts of the building. This will be a useful efficiency for our external stakeholders as well as our staff. Security is enhanced by minimising the number of entry points and maintaining separation between the departmental offices, the child-care centre and the two retail tenancies. The mail room is also separated for security and operational reasons, an important consideration which is simply impossible to achieve with our current buildings.

The new building will have superior environmental performance. In addition to the range of measures included in our submissions I am pleased to advise that solar hot water will also be provided, with the solar panels located on the roof—subject to planning approval, of course. An estimate of the resulting energy consumption for the building gives it a 4½-star rating. Given the region's dry conditions, we believe the water saving measures, including use of collected rainwater for irrigation and WCs, and water-free urinals, will be of particular benefit.

Timing is critical, as it is imperative that the new building is completed and sufficient time allowed for relocation and reinstatement of the current premises before the current leases expire at the end of 2006. Fortunately, one of the advantages of the selected site was that work could commence as soon as ACT government approval was obtained. In order to meet the department's time frames the developer was required to commence construction of the base building in September 2004. Subject to parliamentary approvals, the fit-out work will be integrated with the next stages of the base building construction, and both are due for completion by the end of September 2006. Integrating fit-out and base building work significantly reduces the overall construction period. With assistance from project consultants, and suitable contingency provisions, we are confident that the completion date will be met. However, there is a need to progress with the more detailed phases of the fit-out design as soon as we can.

The department will fund the fit-out from internal resources. The budget estimate of \$19.4 million for the fit-out has been developed in consultation with our quantity surveyors. This

estimate reflects the lower costs associated with integrated fit-out and re-use of existing furniture where suitable. Our department has few specialist accommodation requirements, and the fit-out is mainly standard type offices and open-plan workstations. This also reduces our fit-out budget requirements.

In conclusion, I wish to highlight the importance of the new building in meeting the long-term operational and security needs of the department. The site was selected following an open public process that included extensive financial, architectural, security and risk assessment. We are convinced that the location, building and proposed fit-out will serve us well. My colleagues and I will be pleased to answer your questions on the proposal.

CHAIR—Before we go to questions, the committee has received a submission and two supplementary submissions from the Department of Industry, Tourism and Resources. The submission will be made available in a volume of submissions for the inquiry and it is also available on the committee's web site. Does the department wish to propose amendments to the submissions it has made to the committee?

Mr Noonan—No.

CHAIR—I neglected to ask a question during the confidential briefing so I am going to put it now, but you are of course quite free to provide the answer confidentially in writing to the committee. The question came to my notice when I was looking at the net lettable area of the four sites that you currently occupy, which is a bit more than what you are proposing. Your current rent ranges from \$280 per square metre to \$310 per square metre, but we did not ask you during the confidential briefing what the rate per square metre will be for the new building. As I said, you may wish to provide the answer to that question confidentially to the committee.

Mr Noonan—If I could, I will provide that confidentially.

CHAIR—Thank you. I will now proceed to the question of the floor space. This is perhaps one of the contentious issues that have come up in the submissions to the committee. You have currently a net lettable area of 23,353 square metres and you are proposing to go into a building that is providing you with 21,500 square metres of net lettable area, plus a basement, which I understand will be used largely for storage. Would you like to explain on the record to the committee how that is going to work—squeezing your current staff, I presume, into a building that is smaller than the ones that you currently occupying?

Mr Noonan—My contention will be that we are able to achieve that saving in lettable area, while at the same time improving amenities to staff. The gap, as you point out, is about 1,600 metres—that is, the new building has about 1,600 metres net lettable area less than the combined four buildings. Looking just at the question of circulation space, that has an enormous impact. Currently we have buildings that are very awkward. One of them has a long curve along its full length, so in trying to design the number of workstations that fit there it is a matter of constantly adjusting for the length of the curve. Another has a very small floor plate—830 metres square. In fact, that is our central building. This is a dimension, once you take out the central lift core, that enables you to put in one office and a set of workstations, plus a little bit over—but not enough to put in anything useful. Added to that is the fact that there will be one point of entry, as opposed to scores of points of entry at the moment—as required by the current security

arrangements. The amount of space we have to set aside for people just walking around in is about 6,500 square metres. That all comes out of the net lettable area. In the new building, that will fall to about 3,800 metres—more than making up for the gap in overall net lettable area.

But there are some other key areas of efficiency that enable us to save space so that we can devote those savings towards better staff amenities. For instance, with receptions and ground floor foyers—we obviously have four of those at the moment in various sizes—we will be able to save about 200 metres while still having a much more presentable and attractive main reception area and proper provision for security guards to supervise it and so forth.

On the question of storage, which you referred to, it is true that the basement will be largely used for storage but, at the moment, the storage of records is done mainly on the floor. It is part of the net lettable area. People have extra filing cabinets and other storage facilities on their floors, including for material that they do not access regularly but need occasional access to, which is ideal to be placed in the basement storage within the building. At the moment our only options are to store them on the floor, paying nearly \$300 per square metre, or to send them out to Mitchell and other storage places, which is sometimes inconvenient if you need to respond quickly to a question from Parliament House. The basement store area of 330 metres represents a saving off the net lettable area within the office space.

Because we have so many floors and so many buildings, we use up 1,100 metres on meetings and conference rooms. We have been able to accommodate more rooms—accommodating in total the same number of staff, if they were all full—with a saving of 250 metres.

So how have we deployed those savings that have been made? Firstly, regarding break-out areas, at the moment many of our floors are rather boring; they are open-plan and it is very hard for staff who need to break out and work in a group to do so without disrupting their colleagues. The amount of break-out areas will be almost doubled—from 400 square metres to 785 square metres. Often we have to go offsite to conduct training courses. Our training rooms will be increased by 70 metres—about a 50 per cent increase in the square metreage devoted to training rooms.

The amenities room will be about 30 metres—about 15 per cent bigger than the current amenities room—and it will have access to the external terrace on level 10, which we have no equivalent for at all in the current buildings. Other staff amenities, including first-aid rooms, parenting rooms, carers rooms and a prayer room, will almost triple in size—from 35 metres that we are able to devote to those purposes at the moment to 85 metres.

Looking at other improved staff facilities, car parking spaces will increase slightly—from 244 at the moment to 261. We have no parking for motorbikes within our properties at the moment. The only available space is a very insecure location underneath one of the buildings in an alleyway. We will have 25 motorbike parks. Bicycle space—we have about 50 spaces at the moment—will increase to 60 to 80, depending on the final aspects of design. As I mentioned, we have 25 meeting rooms at the moment and we will have 30.

Overall, we have been able to achieve all those improvements at the same time as achieving about a 10 per cent increase in the amount of space available for workstations and about a 10 per

cent increase in the amount of space available for offices within the building. It is a much more efficient use of space.

CHAIR—That was another question I was going to ask you: will the space per person decrease? You have just answered that. There will be a 10 per cent increase in space. Is that what you are saying?

Mr Noonan—Yes, workstations and associated areas. At the moment, the average number of metres per square for a staff member is—

Mr Phillips—Overall, it is 17.1 square metres but, because of the efficiencies, that comes down to 16.1 square metres per person in the new building. But that is overall of course; that is not their personal space.

Mr Noonan—Looking at the individual workstation space per square metreage, it is—

Mrs Foster—It is 7.8 square metres.

Mr Phillips—It goes up from 7.8 to eight square metres. At the moment, those people in the open plan workstations, on average, have 7.8 square metres. In the new building, everybody will have eight square metres.

Mr Noonan—That will be quite a uniform proposal. At the moment, because of the shape of our building, a number of our staff have much smaller work spaces. For instance, 15 per cent of staff have less than seven square metres, which is really starting to get a bit tight.

CHAIR—The other thing that goes to the heart of this whole issue of space is that it seems to me unlikely that the department will contract in the next 10 years or even over the whole term of the lease. I would be interested to know what the growth rate of the department has been in the last decade. What provision will you make if you are going to rent space in the whole new building? What will happen in a few years time, when you have some growth in the department? How will you accommodate people? What has been the growth rate in the last decade of the department?

Mr Noonan—We do not have a steady growth rate. The nature of our department is such that programs come and go and that has a significant effect. The administrative changes have a big impact on our size. After the 1998 election, we expanded quite a bit. There was almost no change after the last two elections. So it is really hard to predict in the future what the overall size of the department will be. It will depend on our responsibilities. We have provided for increase without having to go outside the building. The current building will accommodate 1,350 workstations and offices and, at the moment, 1,240 people will be moving into this building.

CHAIR—What would your staff numbers have been like, say, around the 1990s? Does anybody have that data? Have you looked at what the growth factor has been over, say, a 10- or a 15-year period?

Mr Noonan—There is a tendency to grow somewhat. I remember after the 1996 election there was quite a reduction in the size of the department. I think it came down to about 1,000 at that time. But the more general trend has been for it to be a bit above 1,000.

CHAIR—One understands the point you have already made that programs will come and go and the numbers will ebb and flow accordingly. But, if you look at your growth over that period, can anyone quantify that?

Mr Noonan—That is a difficult question to answer, partly because our weight between Canberra and the regions has changed quite a bit. We have tended to expand our state offices over that time, and we have taken on board the National Measurement Institute, which is predominantly based in the state capitals. We could try to extract a number, but it would be very difficult to compare. I mentioned that, after the 1998 election, the resources function—which was originally three divisions—came into the department. That was something that we could not have anticipated, in a sense, and it did make us quite a bit larger. If we had an increase of that size after an election, we would have trouble fitting within a building of the size that we are proposing.

CHAIR—Will we see a contraction of staff in the building? Will you be leasing surplus space, particularly if there is a trend of devolving operations out into the regions?

Mr Noonan—We do have a capacity written into the contractual negotiations with the developer to sublease parts of the building. So it would not be our intention to do that but if, for instance, we arrived at the end of 2006 and we had 200 vacancies then we would have to very seriously consider that.

CHAIR—There is scope to do that within your lease arrangements?

Mr Noonan—Within the contract. That is right.

Mrs Foster—We have discussed it with the developer.

Mr JENKINS—To clarify those figures: the workstations in the open office increase from an average of 7.8 square metres to an standard of eight square metres.

Mrs Foster—That is right.

Mr JENKINS—Then there is an allowance for circulation around that workstation.

Mr Noonan—Yes.

Mrs Foster—Yes.

Mr JENKINS—What would that bring that figure up to?

Mr Noonan—It is probably best to look at the overall numbers for the building, which is the total net lettable area divided by the people who are in it. That figure is 16.1.

Mr JENKINS—That is the overall average.

Mrs Foster—Yes.

Mr JENKINS—Does that include the space that is set aside for separate offices?

Mr Noonan—Yes. It would also include corridors, conference rooms and things like that.

Mr JENKINS—To what extent is that standard negotiated with the work force?

Mr Noonan—The fact that the standard was higher than the average that we had, and a good deal higher than the smaller workstations we had—the 15 per cent that are currently operating at less than seven metres squared—gave us confidence that that was an appropriate measure to set.

Mr JENKINS—What about the physical nature of the standard workstation that is going to be used by the department?

Mr Noonan—That is yet to be designed. Our plan is to establish some trial workstations so that people can see what it looks like on the ground. There would be a period of a couple of weeks at least. I think that is scheduled for May.

Mrs Foster—That is right.

Mr Noonan—All staff will be able to come and have a look and a feel around this workstation rather than just look at a picture.

Mrs Foster—And provide us with feedback. That feedback will then go into the design of the specifications of the workstations, so it is an very important part of our consultation process.

Mr JENKINS—I want to ask a set of questions about the energy conservation matters. I will ask about the AGO's involvement with the department so we can get that on record.

Mr Noonan—We have been consulting with the Australian Greenhouse Office as we have developed the building proposals. The AGO has made a submission to the committee affirming that, if we achieve the things that we have indicated we will, that will be equivalent to a 4½-star rating.

Mr JENKINS—That gives us a rating. Will a procedure be put in place whereby that rating can be audited so that you do achieve what you expect to?

Mr Phillips—Yes. As part of the ABGR scheme there is a requirement that, after the building is occupied, there is a 12-month period where the actual energy usage has to be audited. That is how you achieve the-4½ star rating.

Mr JENKINS—Other agencies have signed a green lease schedule with the AGO. Is it the department's intention to enter into that type of process?

Mr Phillips—Our lease with the developer does include a schedule which requires not only the installation of the energy saving equipment in the first place but also that they maintain that equipment to ensure that the ongoing advantages of the energy saving features of the building are achieved and maintained throughout the life of the building. There is a requirement on them to report to us on a regular basis on the amount of water and energy being used and for that to be broken down so that we can see if there are any particular areas of concern, for instance if the energy usage is higher than anticipated, so we can then home in on any problems as they occur. That is incorporated into the lease, so those requirements of the developer extend throughout the life of our tenancy of the building.

Mr JENKINS—In the design phase you have achieved an improved rating of 4½ stars. Was there much additional cost in getting the shift from four to 4½ stars?

Mr Phillips—To a certain extent that is being provided through the developer, through the further refinement of the design where they have looked at the cost effectiveness of the additional measures such as, for instance, solar hot water. Also the organisation has moved from the traditional cathode ray tube monitors to LCD screens which not only reduce the amount of electricity that those devices consume but also give off less heat, therefore less cooling is required via the airconditioning. We have also agreed to install power factor correction equipment because that will reduce our energy bills as well as result in energy savings. Other aspects of the refined design are in terms of how we have laid out the break-out areas, for instance, with their tea-making facilities so that we have more consolidated, larger refrigerators. We have consolidated our photocopying and printing equipment. The larger equipment has a much higher star rating than some of the smaller equipment that we currently have. That is how we have been able to achieve the improvement from four to 4½ stars.

Mr JENKINS—I would usually pause to dwell on the admirable aspect of achieving the environmental gain in what you have done but for the sake of the committee I ask: is the department in a position to quantify the economic advantage of achieving the energy conservation rating?

Mr Phillips—We believe the savings will be about 10 per cent, or about \$30,000, a year.

Mrs Foster—That is a conservative estimate.

Senator TROETH—I would like to refer to the size of the building at present. I note that you have stated that an additional optional floor may be constructed and that that decision will be made in 2005. Will you give us an update on whether you have made a decision?

Mr Noonan—No decision has been made. There are two parties to that decision: the department and the developer. The department has notified the developer that we do not currently require that extra floor, so now it will be for the developer to decide whether to proceed with it.

Senator TROETH—Was the proposed construction factored into the overall cost of the fit-out works?

Mr Noonan—Yes. Irrespective of the developer's decision there will be no impact on the department because if the extra floor were built we would not be occupying it, so there are no fit-out implications.

Senator TROETH—You mentioned earlier the use of existing furniture. Have you quantified the amount of furniture, joinery and equipment that will be reused? If so, what is the total value of those items?

Mrs Foster—We have undertaken a furniture audit which we now need to drill down to the next level, but certainly we have not put a dollar value on the used furniture.

Senator TROETH—If the amount that you can reuse proves to be less than you anticipate, will that have an impact on the overall cost?

Mr Noonan—That would be because the furniture has aged to the point where it is replaced for other reasons.

Senator TROETH—Yes. I am not doubting that furniture wears out.

Mr Noonan—We have an annual budget for updating and replacing furniture. That would have to come out of that.

Mr WAKELIN—Just on the environmental issues, the estimated cost savings through solar hot water and the water savings, this morning we heard that 64,000 litres are used for toilet flushing et cetera. What analysis is done of the economic benefit? I understand the AGO's involvement. What is the cost-benefit ratio? Does anyone have a picture of that?

Mr Phillips—I have some information about the size of the tank and how that reflects the number of flushes in a WC. It is a 57,000 litre rainwater tank and that would take approximately 21 millimetres of rain to fill. From that you would get about 19,000 half flushes in a toilet.

Mr WAKELIN—My question is quite specific. I refer to the investment required and the savings that are made at, I suppose, the average cost of \$1 per kilolitre? What economic analysis is made of that?

Mr Haralambous—The developer has done those calculations in making the decision to supply the waterless urinals and the implementation of the tank in the ground is privy to the developer. We have not had access to those numbers.

Mr WAKELIN—Is it possible to find out? I am not looking for the number to the last dollar but I am curious to know about it. They are worthy aims but I am curious to know what it costs to achieve them. I would like to know about the analysis of energy saving in the case of hot water, and the analysis of the savings in water in terms of the 67,000 litre tank. I am particularly interested to know whether the analysis shows a particularly attractive economic benefit.

Mr Noonan—We will take it on notice.

CHAIR—In fact, we were discussing this in private and we assumed that the Greenhouse Office would have this kind of analysis because they are going to do an audit to give you a rating.

Mr WAKELIN—In other words it should not be that hard.

Mr Noonan—I would not be so concerned with the rainwater collection and the AGO. With the hot water service there is an issue but on the issue of rainwater—

Mr WAKELIN—These are standards right across government projects, one presumes, therefore I am interested to see where we are headed because this is a long-term analysis.

Mr Noonan—Yes.

Mrs Foster—Yes. We will have to take that on notice.

Mr RIPOLL—I am interested in the child-care centre and how it will operate. Could you brief us on the relationship between the department and the child-care centre?

Mr Noonan—Yes, the child-care centre will be independently operated. During 2006 we will have to engage a provider to run the centre. There will be a contractual relationship between us. Although the details of that are yet to be worked out, some of the principles are that staff of the department should have priority access to the child-care centre and that there will probably be a second level of priority to other government departments but, if there is insufficient demand, the child-care operator will be able to take in children from other sources. Generally, we would be aiming at our staff paying a commercial rate because the financial advantage to our staff of constructing a child-care centre can be found in taxation advantages. Whether it will be necessary for us to supplement the rent on the child-care centre so that the operator is able to operate in a way that enables normal commercial rates to be provided to our staff is something that we will have to work out during 2006. But our aim is that our staff should pay normal commercial rates.

Mr RIPOLL—When you say that the department may have to supplement the rent or the lease, is there a figure? Has the department looked at what the cost might be to supplement that lease?

Mr Noonan—No, we have not. We would not supplement more than we had to in order to achieve our primary objective, which is to keep the costs at a reasonable level for our staff. We will have to work out what that is during the tendering process for the provider.

Mr RIPOLL—Is the centre designed to be large enough to meet the needs of all of the staff of the department who will be contained in that department? Has there been some calculation of that?

Mr Noonan—Yes. We have surveyed staff about child-care needs. Of course, it is not possible to predict but, judging from other government run centres in Canberra, we feel that 74 is an appropriate size. Whether it is slightly shy or too much is something that we will only be able to tell with time.

Mrs Foster—And the child-care centre will accommodate babies up to preschoolers.

Mr RIPOLL—Thank you very much for that. I am also interested in the energy rating and some of the potential savings that the department will be making. I understand there are some solar panels that will be on the roof.

Mr Noonan—Yes, on the roof, subject to ACT planning approval, which we are confident about. Those solar panels will be used to provide hot water within the building.

Mr RIPOLL—Is there a cost-benefit analysis similar to the one mentioned in a previous question in terms of water savings and what that benefit is to the department? Is it purely an energy benefit where you are using less energy, or is there actually a saving?

Mr Noonan—There would certainly be a cost saving benefit involved in that, but I do not have the exact figure.

Mr RIPOLL—I would be interested to get some understanding of the cost-benefit ratio between having the solar energy panels and not having them—the cost of the panels weighed up over 10 or 15 years of the lease or whatever it might be. I would like some indication as to whether there is a net extra cost but a saving in energy and therefore there is still a benefit or whether it has an economic value as well as an energy value.

Mr Noonan—From the department's point of view, there is no cost in securing the solar panels on the roof, so there is no increase in the amount that we will be paying. We will be achieving a lot of benefits in the sense of lower power costs. I do not know what the savings will be but the costs will not be a problem.

Mr RIPOLL—Are you saying that there is no cost to the department in terms of terms of the solar panels?

Mr Noonan—Yes, that is right.

Mrs Foster—It is a cost to the developer. The savings will flow to us over the 15 years with reduced hot water bills.

Mr RIPOLL—If I understand it correctly, the developer is bearing the cost—

Mr Haralambous—There are a lot of initiatives to achieve a 4½-star rating for the developer on the base building. As I said earlier, those are cost analyses that the developer has done in terms of determining his rent and what he has offered the department. We would need to speak with them to get the actual numbers. We could do estimates. We have taken that on notice. We will work on some estimates of costs—again depending on the developer and whether he wants to release those numbers.

Mr RIPOLL—I would certainly be interested in getting some analysis so that the committee can know what the benefits are. It is certainly something commendable. I would be interested in how the figures stack up.

Mr Noonan—We can certainly take on notice that we will attempt to provide you with an update around the benefits.

Mr RIPOLL—Following on from the water question, yes.

Mr FORREST—I have three themes, but they have already been covered. Firstly, in addition to Senator Troeth's question about the extra floor, the department says it is not interested, but has the department secured some rights of say in terms of who it might be if the developer chooses to put the extra floor on.

Mr Noonan—The way the contractual documents work at the moment is that, if the floor is built, we would have absolute right of say over who occupied it. If we got smaller and found we never had to access this floor, then for 15 years of our lease we would be able to say, 'That floor stays empty.' But at any time we would be able to say, 'We need to access that floor because we have got bigger; extra functions have been conferred.' In that case we would obviously have to fit the floor out and our rent would then increase to take account of the extra metres. It would be inimical to our security position to have another tenant on a floor.

Mr FORREST—Has the developer yet made a decision to construct the extra floor? I imagine they have to build the design requirement structurally into it, but have they made the decision?

Mr Noonan—Yes; that was the question I took from Senator Troeth. We have made the decision that we do not currently need that floor, which is a decision we were asked to make by February. Now the developer has to decide, in the light of the information that on 1 January 2007 it will be an empty floor, whether they want to build it or not.

Mr FORREST—I have a question about the management of the project, and you can stay away from what the figures are if you like. There is an allowance for the developer to get paid a management fee to manage the fit-out and there is an additional allowance for the department to have its own manager. How many dogs do you want watching the other dogs? Why is it necessary, or is there some distinct difference between the roles of these two people?

Mr Haralambous—The amount that has been set aside in the cost plan for the management of the construction of the fit-out is the amount required for a builder to procure and coordinate the trade packages and manage the trade packages on site as the head contractor. The other management fees are those for consultants, such as me, the architects and other experts in the field, to ensure the requirements of the department are met.

Mrs Foster—Apart from that, we have a small team within my branch of four people who specifically work on this project. Mr Phillips is the project manager.

Mr FORREST—It is disappointing—and you would be aware of this—that there has been a submission complaining about consultation. Can you run us through what is being done? There must have been some comprehensive surveys done to establish that they need 74 places in child-care centres.

Mr Noonan—Yes.

Mr FORREST—I am interested in the future during the construction period with respect to the neighbouring building owners and their involvement in consultation. Have you established a procedure to resolve any disputes that might occur?

Mr Noonan—I will deal with the communication strategy first. I think you are referring to the submission from the CPSU.

Mr FORREST—Yes.

Mr Noonan—In fact, that submission was generally supportive of the building to a significant extent. There has been a lot of consultation, which I think is reflected in the results of the survey too. We started by establishing a consultative forum for the project in which every division is represented. Two staff representatives from the workplace relations committee, which is our main consultative committee under the certified agreement, also participate in that consultative forum, which meets roughly monthly to discuss current issues. At each meeting of the workplace committee, a briefing on the building is provided.

We have an intranet site dedicated to the building, and occasionally all-staff emails and all-staff briefings are available in our amenities room for staff who want to come and find out the latest details. In the foyer of the building, we have provided some of the material which you saw this morning, such as posters, so staff can see what stage we are up to at that time.

We conducted a comprehensive electronic staff survey in February 2004 about what staff needed. In fact, that fed quite importantly into our decisions about which area to put the building in, because we found our staff are spread fairly evenly north and south of Canberra, so the central area was one that was going to be most convenient for them. We were also able to tap into what usage there would be for a carers room, a parenting room, a prayer room and so forth. I mentioned the workstation trial, which is the aspect of the fit-out planning that will next affect a large number of staff, and we will have options available for people to come and see exactly what we mean when we are proposing the workstations.

There are some consultative forums that have grown up under their own steam. There has been a forum intimately involved in the planning of the child-care centre so far, and there has been very positive feedback from that. We have even had a bike riders action group talk to us about aspects of that. So I think the consultation has been comprehensive, and that was reflected in the CPSU survey when 73 per cent of respondents either agreed or strongly agreed that they were genuinely informed of and consulted on this project.

Mr FORREST—In the future, in terms of any construction-type disputes, who is going to be responsible for coordinating neighbours and so forth? Say, for example, in the future, there is a big construction site, the neighbours complain about obstruction, noise, and all that sort of thing. Is there a process for resolution of any disputes that will be created this way?

Mr Haralambous—The developer is responsible for complying with procedures in the building phase. They do have access to the neighbours. In our earlier consultations we consulted with the Property Council of Australia, the Australian Taxation Office—which is a major tenant adjoining the building—and Electric Shadows as well as the tenant. That is being given to the

developer, and the building site and the site manager are in constant communication with them. It is the responsibility of the builder under the developer's control to handle that.

Mr FORREST—What about if one of the cranes swings around and bowls out one of the so-called beautiful casuarina trees? Who is going to resolve the hoo-ha that that will create?

Mr Haralambous—There is a penalty for the death or removal of a tree: it is \$20,000 a tree. That has been dealt with.

CHAIR—I have a few questions on the changeover from your existing buildings to the other one. In your submission, at paragraph 1.36 in submission No.1, you say:

Base building construction commenced in September 2004. The proposed building must be completed to enable occupation before the current leases expire on 31 December 2006.

Further, the lease on 40 Allara Street expires six months earlier. In paragraph 1.24 you talk about the need to extend the lease on 40 Allara Street so that it runs until December 2006. It was being investigated at the time you made this submission: has that been finalised?

Mrs Foster—No, we are still undertaking that exercise and having a look at what the options are for those six months for the staff that are in that building. We will certainly be entering into discussions with the landlords but we will also be looking at what is available and what is the best value for money for the department.

CHAIR—You might like to keep the committee advised as to the progress there, because I guess we are always concerned in examining the suitability of projects and the value for money aspects for the public about, if the building is not completed on the due date and you cannot move, what the cost implications are for the parliament and what responsibility is placed on the developer to protect the department from escalating costs. You do have a contingency factor but, if this project were to not be completed on time, is there sufficient contingency? Can we go back to those two questions: what are you going to do, and how will it impact on the cost? Buildings are notorious for not being built on time. What is the responsibility placed on the developer to protect the department from further cost escalations in that event?

Mr Noonan—Some aspects of that might get into financial matters, but our first—

CHAIR—You can provide to us at a later date any of the actual dollars and cents values that are confidential. Can you give a bit of a run down on what your plans are?

Mr Noonan—Our first strategy is early regular governance, and that involves the team in Robyn's branch and our outside consultants constantly contacting the developers. We run a very tight governance system and we will pick up any slippages in the timetable very quickly. We want three months to move from the four buildings into the one, and that will minimise the disruption to us, but we could do it in a shorter period of time than that. There are also liquidated damages which become available to us in two tranches. If the building is finished late, it is set at a certain rate for the first few weeks, where we could recover, but after that it is essentially referable to the costs we have occurred, including relocation costs. There are bank guarantees in the contract documentation that also would give us some surety around some of that. I guess the

final point I make, having discussed it with Harry the other day, is that the ground slab is now almost done, and that is the biggest single area of risk for delay in a project.

CHAIR—So how is the construction looking in terms of the timeline at the moment?

Mrs Foster—It is on track.

Mr Noonan—The rain periods in December, where we did not have anything poured, put things back several days or a week or two, but we are very satisfied with progress.

Mrs Foster—As Mr Noonan said, we have weekly detailed meetings with the developer, so we are very much involved in monitoring progress in the project plans, so we would know about any delays straight away.

CHAIR—As no-one else has any further questions, I thank the witnesses very much. I now call the Community and Public Sector Union.

[11.32 a.m.]

HERMOLIN, Mr David, Organiser, Public Sector and Policy Division, Community and Public Sector Union

RODDA, Mr Graham, Division Secretary, Community and Public Sector Union

CHAIR—On behalf of the committee, I welcome you to this hearing and thank you for taking the opportunity to meet with us. The committee has received a submission from the CPSU. The submission will be made available in a volume of submissions for the inquiry, and it is also available on the committee's web site. Does the CPSU wish to propose any amendments to its submission?

Mr Hermolin—No, I do not.

CHAIR—Would you care to take a few minutes to speak to your submission?

Mr Hermolin—First of all, I would like to thank the committee for the opportunity to make the submission and to be present before the hearing this morning. The CPSU represents members across the Public Service, including in the Department of Industry, Tourism and Resources. Our interest in the proposed fit-out stems from our responsibility to represent our members in the department. Our submission was informed by a survey that we conducted of members and non-members. It was open between 12 and 24 January this year and was distributed by email via our volunteer CPSU communication network. We did receive 40 responses to the survey. We acknowledge that that was not as high a response rate as we would necessarily have liked. It was 3.3 per cent of staff, as was pointed out in the department's response to our submission, but we believe there were a couple of factors which did contribute to this.

First off, the survey was being conducted during the month of January, when a lot of staff were on leave. Also, we felt that there was a lack of cooperation from the department to distribute the survey to all staff, which we had requested. We feel that the department's cooperation would have resulted in a greater level of staff participation, and our intention was to complement the consultative work that the department conducted up until that point. We believe that the department's cooperation would have been appropriate, given we were seeking feedback on an issue that is of interest to all staff and at considerable public expense. Notwithstanding the low response rate, we do believe that the survey results are a reasonable sample and indicative of views in the department. We are happy to answer questions relating to them.

Mr JENKINS—You witnessed the questioning about space and I have a query about your response to that on two levels—the overall space being reduced from 1,600 square metres and then the explanation given by the department. There is also the comment in particular about the space provided for workstations in the open parts of the office.

Mr Hermolin—It was one of the issues raised by staff when we asked a question. Generally in terms of a reduction in space, it did not seem to be something that staff were hugely concerned

about because they were satisfied with the explanations about the increased efficiencies in the application of that space. But they did raise concerns about their individual allocations. We are quite happy with the commitments that the department have provided in response to our submission, many of which were presented here this morning. They have made the commitment that staff will be better off in the new building compared with the space that they have now. They have made a commitment that there will be more common staff facilities—meeting rooms, break-out areas, and internal and external amenities. They have also made a commitment that the design is including natural light and occupational health and safety considerations. We raised all of these in our submission because they were issues that came to our attention from staff when we surveyed them in the department.

Mr JENKINS—In general, what would your response be to that list of provisions from child care through to bike lockers and break-out areas in relation to standards throughout the service provided in Canberra?

Mr Rodda—I think that there are some advantages in this proposal compared to other public sector buildings and facilities. It certainly does have a lot of initiatives and I think is a genuine attempt to respond to staff demand. I think that there will be a number of public servants in Canberra who will look at this. For example, at the moment we do not have a child-care centre which people can use for salary packaging purposes in Woden, and that is problematic. We do have one in Belconnen and there is a newer one in Barton. These sorts of initiatives are certainly welcomed by us and I think that we will certainly want to talk to departments in any future development and use these sorts of examples as good initiatives.

Mr RIPOLL—Does the department give any particular reason why they would not assist in the distribution of the survey? Was there some disagreement between the union and the department or was it just timing?

Mr Hermolin—I provided the survey. It was accepted and was going to be asked, I believed, of Mr Noonan. I just received back a decline.

Senator TROETH—I take it that you have a formal mechanism through your union to have regular discussions with the department on ongoing issues?

Mr Hermolin—We sat on the workplace relations committee and we also have regular dialogue with people in the department. Basically, the invitation to make a submission came early in the new year and, since there was not a workplace relations committee meeting scheduled in the time it would have been required to put a submission together, we were not able to use any of those regular facilities to put forward the case for this. It was just done by telephone and email.

Senator TROETH—Do you have plans for future ongoing discussions on the project with the department?

Mr Hermolin—Absolutely. I believe that we made it clear in our submission that we do look forward to working cooperatively with the department on this. Generally, staff are very supportive of a lot of the facilities that are going to be going in. Staff certainly want to see it going forward in a positive way, as promised, and the union expects to be part of that process.

Mr FORREST—I just want to clear up one point. Neither of you two gentlemen are working with the department and are in the buildings, are you?

Mr Hermolin—No.

Mr FORREST—So you would not have any personal involvement in the consultation that was described to us earlier?

Mr Hermolin—No.

Mr FORREST—My curiosity is: what prompted you to do the survey? It seems to me that it has come at the wrong time—at the end of the Christmas-New Year holidays. What prompted you to do the survey?

Mr Hermolin—We represent members in the department and the invitation to make a submission came in January. We felt it would be more appropriate to have something more concrete that was representative of staff views through the department rather than come and share our own ideas about how a building would be outfitted that we do not work in ourselves. It is just a standard tool that the union uses on quite a regular basis in order to keep in touch with staff and make sure that we are doing our job as a representative body and to keep in tune with the things that are important to them. So the survey was done directly as a result of the invitation to make a submission to this committee.

Mr FORREST—It was not as a result of any particular person who was unhappy about the consultation? It was just a useful thing to do in a broad policy sense, rather than being something you were asked to do?

Mr Rodda—Certainly from our point of view it is very prudent. It is a large expenditure of government money. Although we had no reason to be particularly concerned about the consultation arrangements that had occurred, it was still prudent to give people an opportunity to respond directly to us. At times some people may raise things with us which they are not prepared to raise with management. Given the expense and the invitation we certainly felt it was prudent. In fact, people who did not fill in the survey thought it was a great initiative of the union. There was good feedback from staff.

CHAIR—Are there any further questions? I am not sure that we need to recall the department unless committee members want to requestion the department on any aspects. It seems to me that the matters primarily raised by yourselves have now been resolved—and they were space and light—and you seem to be satisfied that the consultation process is going on; is that right?

Mr Hermolin—Yes.

CHAIR—Do members want to recall the department? Does the department wish to make any further comment? If you wish to be recalled to make further comment we would be happy to facilitate that. That not being the case, I thank the witnesses who have appeared before the committee today, the department for assisting us with our inspections earlier and also the secretariat staff and *Hansard* for assisting us.

Resolved (on motion by **Mr Forrest**):

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

Committee adjourned at 11.43 a.m.