



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

Reference: Refurbishment of Royal Australian Mint building, Canberra

FRIDAY, 19 AUGUST 2005

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

**JOINT STATUTORY COMMITTEE ON
PUBLIC WORKS**

Friday, 19 August 2005

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

Members in attendance: Senators Parry, Troeth and Wortley and Mr Forrest, Mr Jenkins, Mrs Moylan and Mr Ripoll

Terms of reference for the inquiry:

To inquire into and report on:

Refurbishment of Royal Australian Mint building, Canberra.

WITNESSES

BROUGHTON, Ms Natalie, Senior Planner, National Capital Authority 19

HUDA, Mr Shamsul, Acting Managing Director, Planning and Urban Design, National Capital Authority..... 19

SCOTT-MURPHY, Mr Rick, Division Manager, Property and Construction Division, Department of Finance and Administration..... 2

STALTARI, Mr Domenic, Senior Project Manager, Root Projects Australia..... 2

THOM, Dr Vivienne, Chief Executive Officer, Royal Australian Mint 2

Committee met at 11.07 am

CHAIR (Mrs Moylan)—We welcome you all to the public hearing into the proposed refurbishment of the Royal Australian Mint in Canberra, ACT. I declare open this public hearing. The project was referred to the Public Works Committee on 16 June 2005 for consideration and report to parliament. In accordance with subsection 17(3) of the Public Works Committee Act 1969:

- (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.

Earlier, the committee received a confidential briefing from the Department of Finance and Administration and inspected the site of the proposed work. We would just like to thank Dr Vivienne Thom and her team for facilitating that visit for the committee. The Department of Finance and Administration and the National Capital Authority will both produce evidence today.

[11.08 am]

SCOTT-MURPHY, Mr Rick, Division Manager, Property and Construction Division, Department of Finance and Administration

STALTARI, Mr Domenic, Senior Project Manager, Root Projects Australia

THOM, Dr Vivienne, Chief Executive Officer, Royal Australian Mint

Witnesses were then sworn or affirmed—

CHAIR—Welcome. The committee has received a statement of evidence and supplementary submissions from DOFA. These will be made available in a volume of submissions for the inquiry and they are also available on the committee's website. Does DOFA wish to propose any further amendments to the submissions it has made to the committee thus far?

Mr Scott-Murphy—No, we do not but I would like to offer an opening statement and then respond to any questions. Thank you for the opportunity to brief the committee on this exciting project for the Department of Finance and Administration and the Royal Australian Mint. Appearing before you is myself representing the department of finance, Dr Thom representing the Royal Australian Mint and Domenic Staltari representing Root Projects, who are the project directors for this start-up phase of the project.

This is a joint proposal where approval is sought by the Department of Finance and Administration for the refurbishment of the building complex and by Treasury for the tenant's integrated fit-out. Finance manages the Royal Australian Mint buildings on behalf of the Commonwealth. The complex consists of the process building, which is about 13,000 square metres of net lettable area, and the administration building, which is approximately 3,000 square metres of net lettable area, both of which are leased to the Mint until 30 June 2009.

Building condition reports have identified occupational health and safety issues and have indicated that the building, which has not had any major works undertaken since its construction in 1965, has reached its useful economic life. The risks that were identified in those reports impinge on both the staff and visitors, including children. The refurbishment will address those occupational health and safety risks. They will improve the building's energy efficiency and enable the Mint to meet its functional requirements more efficiently, extending the life of the building by at least another 25 years. It will improve the space utilisation by the Mint, allowing the administration building to be leased to another Commonwealth agency tenant.

Due to the current state of the buildings, it is necessary to undertake a substantial refurbishment to enable us to meet the needs of the Royal Australian Mint and current occupational health and safety standards. The cost of the refurbishment is approximately \$41.2 million budgeted over the three years, 2005 through to 2008. Finance and the Mint are providing separate funding in respect to the building owner, base building works of \$25.1 million and the tenant fit-out works relating to the process building of \$16.1 million. The base building out-turn cost estimate of the proposed works is \$24.14 million based on 2005 prices. The process

building is \$18.14 million and the administration building is \$6 million. Included is an allowance for escalation to the construction commencement date of October 2006. The out-turn cost estimate includes construction and other related elements such as consultants' fees, project management and supervision.

To allow the Commonwealth to better utilise the buildings and assist in preserving their heritage value, the Department of Finance and Administration proposes to refurbish the buildings and lease the administration building to an Australian government agency, with the Commonwealth retaining possession. Best heritage management practice supports the ongoing occupation of heritage assets where their use is compatible with heritage values. If these buildings were left in their current state, they would continue to deteriorate. Refurbishing the buildings so that they can be tenanted will enhance their aesthetic appeal and ensure that they are properly maintained in the long term. Thank you, Committee and Chair. I would now like to introduce Dr Vivienne Thom, the Chief Executive Officer of the Royal Australian Mint, who will issue an opening statement.

Dr Thom—Thank you for the opportunity to brief the committee on this project. This proposal seeks approval for the fit-out for the refurbished Royal Australian Mint in Deakin, to be leased by the Mint from the Department of Finance and Administration. The Mint is a purpose-designed facility built to carry out the production of Australia's circulated coin. It was constructed by the Commonwealth and opened 40 years ago by the Duke of Edinburgh on 22 February 1965. Australia's decimal currency was introduced in February 1966 and the Mint has a strong association with this nationally significant event.

The Mint is an operating division of the Department of Treasury, responsible for producing circulating coin for Australia. It also produces a range of high-quality numismatic coin, together with minted non-coin products for the private and public sectors. The Mint is responsible for promoting public understanding about the cultural and historical significance of coins. It attracts about 200,000 visitors each year, including significant numbers of schoolchildren. It offers guided tours, exhibitions and displays of coins, including the national coin collection. These strong visitor numbers emphasise the status of the Mint as a national institution.

The Mint currently occupies the whole of the administration and process buildings. Some areas of the Mint are underutilised or vacant, and refurbishment should optimise space utilisation. The proposed fit-out will provide for commercial A-grade office space and a standard manufacturing and production environment and contemporary education and visitors gallery of approximately 13,000 square metres net lettable area. Refurbishment will provide greater flexibility for the floor plan and increased operational synergies. Office accommodation will provide for individual modular workstations that afford more efficient operation of new technologies. The manufacturing and production environment will provide for enhanced production capability with flexibility and superior efficiencies.

Refurbishment will address the inadequacies of the current accommodation and the operational inefficiencies of outdated services and facilities. The facility will also provide a contemporary education centre and visitors gallery in line with other national institutions. It will provide for dedicated facilities and resources to service the public, to ensure that the Mint maintains its responsibilities as curator of the national coin collection and promoter of public understanding about our coins.

The Mint's staffing complement is stable, currently numbering around 120. This proposal was developed after extensive evaluation of the Mint's business needs and, similarly, consultation with staff, union representatives and other interested parties. The total out-turn cost of the fit-out component of the refurbishment project is approximately \$15.17 million. This includes professional design and management fees and charges, furniture, and fittings and equipment, including relocation costs and appropriate allowances for contingencies. Funding for the fit-out was provided in the 2005-06 budget over three years. Subject to parliamentary approval, the proposed schedule has construction commencing in mid-2006 with a Mint accommodation component completed in mid-2008.

CHAIR—Thank you very much.

Senator TROETH—I am interested in the heritage considerations for the building. Your main submission states that the Mint buildings are not registered on the Commonwealth heritage list, but the Minister for the Environment and Heritage has identified the Mint buildings as having Commonwealth heritage values. Could you tell us about the specific heritage values that have been identified in the Mint buildings?

Mr Scott-Murphy—We engaged in consultation with the Australian Heritage Commission and with the Department of the Environment and Heritage, and it is correct to say that the buildings are not currently listed, but we are aware of special heritage characteristics that those buildings exhibit, particularly the external facade and the form and character of the main building in its setting. So our riding instructions, if you will, to look at schematic design, were sympathetic to those heritage considerations and especially to the fabric of the building so that, should it be considered worthy of listing in the Australian heritage register, we will have preserved those characteristics which are of high value.

Senator TROETH—I understand that you undertook a statement of heritage impact report in April this year. Who conducted that?

Mr Scott-Murphy—With your permission, I will direct the question to Mr Staltari.

Mr Staltari—It was conducted by Peter Freeman Pty Ltd, a Canberra based heritage architect and town planner, and associates. Their statement looked at the cultural aspects, as well as the heritage value of the building. That report formed the basis of a submission to the Department of the Environment and Heritage under the Environment Protection and Biodiversity Conservation Act. It went through that process and the decision from the department was that it was not a controlled action. There is cultural significance, and it is to do with the introduction of decimal currency into Australia.

Senator TROETH—So the significance was determined by that report, then, and that stated it?

Mr Staltari—That is correct.

Senator TROETH—You also mentioned, I think, in your submission that the Mint buildings have a form and articulation that they share with a number of significant buildings constructed in

Canberra in the 1960s. Could you give us some examples of the buildings that share those characteristics?

Mr Staltari—The Anzac Park West and Anzac Park East buildings are of similar vintage, as are some of the Department of Defence buildings in Russell. It is the buildings that were built in the sixties. During the process we had dialogue with the original architect. At that time, he worked for the National Capital Planning Authority and he was instrumental in planning some of those significant buildings, and he certainly was instrumental in building the Mint.

Senator TROETH—Thank you for that. I also have some questions about the number of staff you will have working in the refurbished office accommodation.

Mr Scott-Murphy—With your leave, I will ask Dr Thom to respond.

Dr Thom—We anticipate that our staffing complement will be approximately the same in the future as it is now, and I think that is about 80 in the production areas and about 40 occupying office space. Those are approximate numbers. We anticipate that it will be the same in the refurbished building.

Senator TROETH—Right. What is going to be the area of the proposed workstations for those staff?

Dr Thom—The area for individual work points was allocated at 7½ square metres plus 20 per cent for storage and pedestrian circulation. The chief executive will have 42 square metres. Directors will have 24 square metres and managers 12 square metres.

Senator TROETH—I think we saw for ourselves as we walked around this morning the current inadequacies, so could you tell us in general terms how that is being resolved. What changes are you making to improve the present situation?

Dr Thom—One of the major changes is bringing all the staff together. At the moment they are dispersed throughout the two buildings, so to have all the staff located together is a major and very important change. The offices will be refurbished up to A-grade office accommodation standard. At the moment they are definitely not of that standard. There will be some use of open-plan offices in appropriate areas but some of our staff, even at quite moderate levels, supervise a large number of people and so open-plan offices are not suitable throughout the whole building. The changes are to bring it up to current standards.

Senator TROETH—With regard to noise and sound, obviously in a building such as that it cannot be avoided sometimes, but can you tell me the particular measures that you have taken to minimise sound and noise?

Mr Scott-Murphy—Yes. You will have noticed during the inspection tour this morning that the process area has sound-attenuating beams suspended over it. Those are foam wrapped in a perforated metal covering. It is proposed that those beams will be cleaned, refurbished and reused as part of sound attenuation, also preserving the character of the design. Is there anything I should add to that?

Mr Staltari—The production areas are acoustically isolated from the office areas. So, for instance, where there is a public gallery, you have a glazed partition. Above that partition an acoustic partition would continue to the slab or the roof above and keep the noise isolated from one side to the other.

Mr RIPOLL—I have a question about the purpose. In your initial statement, you said you were going to provide more efficient use of space—you were going to reduce the space from 16,000 square metres down to 13,000, which would give you an available 3,000 for an extra tenant. Could you describe to the committee what type of tenant you are looking for, whether there will be any restrictions on a tenant, whether there is any need for extra security or any special requirements in terms of keeping the integrity of the Mint as it is and allowing another tenant on site?

Mr Scott-Murphy—The lease conditions are determined to an extent by the National Capital Plan, which describes it as ‘for government purposes’, so we are restricted to leasing to a Commonwealth agency tenant. We would certainly seek to ensure that the tenant was compatible, if you will, with the operations of the Royal Australian Mint. In terms of security, we are incorporating in the design the same level of security to the administration building as we would for the process building, so the tenant would enjoy the same level of security protection as is offered to the Royal Australian Mint.

Mr RIPOLL—Just following on from that, can you tell me who has the authority or who will make the final decision about the type of tenant and the requirements?

Mr Scott-Murphy—Yes, the Department of Finance and Administration carries responsibility for administering the Commonwealth’s non defence property portfolio, including this building. We therefore enter into negotiations with Commonwealth tenants to occupy. The decision would rest with the delegate—ultimately the Secretary to the Department of Finance and Administration—to be satisfied that we have discharged our responsibilities appropriately.

Mr RIPOLL—Could you also explain to the committee whether the current activities that are taking place at the Mint are expected to continue as they are today into the future and whether there is any expectation of growth in what the Mint does? In other words, do you expect to have an expanding business, as it were, or any changes in technology? What are your expectations about where the Mint is going over the next 25 years?

Mr Scott-Murphy—I will refer that to Dr Thom.

Dr Thom—In terms of producing circulating currency, the demand is forecast by the Reserve Bank of Australia after consulting with commercial banks. They give us a three-year indicative forecast. At present, that looks as if, if anything, the demand for coin will increase somewhat. But certainly over the 10-year horizon we expect that the demand for coin will remain similar to what it is currently. The technology is changing, and I think you saw that today. We are introducing more robotics. There is more IT on people’s individual workstations. Currently, the airconditioning in particular is not really suitable for that kind of equipment, and the proposed refurbishment will allow us to make better use of modern technologies that will bring about efficiencies.

Mr RIPOLL—Is your splitting off of 3,000 square metres for another tenant going to have any impact on any growth in the future of the Mint and its activities, or is that something that is flexible into the future, in that you may be able to reclaim that space?

Dr Thom—The proposed fit-out is very flexible and in fact would allow us to have a 10 to 20 per cent increase in growth in staff numbers. We have allowed ourselves some flexibility in terms of space. However, more modern equipment usually means less space rather than more space, and so we do not anticipate that we will be having extra space requirements in the future.

CHAIR—Can I go to a question that was asked at the confidential briefings—without of course divulging any confidential costings—just to clarify the point that the main submission by DOFA had a total project cost of \$41.2 million and the confidential cost figures ended up at \$39.33 million. For the public record, could you just clarify this for us again, please.

Mr Scott-Murphy—The budget appropriation was calculated very early in the process when we were going through the budget rounds. It was based on a concept design. In the intervening period, we have been able to bring a little more cost certainty to that forecast through schematic work, sufficient to bring enough cost certainty so that we can present to this committee. What is not included in the out-turn cost are the Department of Finance and Administration's operations to deliver this project, so some of that will be absorbed within the difference. The balance is, if you like, a little ceiling space as a contingency that we hope we will not need to draw upon. But, given the volatility of the construction industry, we think it is healthy to have both an adequate contingency provided in the contract directly and for there to be a small gap left between project out-turn prediction and the budget appropriation.

CHAIR—Let me say that it is very unusual for this committee to find projects coming before it that have managed to find some savings before the construction is completed. It is a very refreshing concept, I might say. Maybe it is because DOFA's actually in charge of the numbers! Anyway, it is good.

There is another question I want to ask in relation to costings. This committee has a responsibility under the act to also look at the revenue-producing aspects of a work. We note that a very big component of this is preparing to better utilise space and leasing that space out, which presumably would bring in some revenue. We do not want you to divulge those potential figures in the public hearing, but I wonder if you might provide for the committee an estimate of the rental value of the space you would make available to a tenant. I also wonder, in terms of the revenue-producing character of these works, whether you might find your visitor numbers lifting significantly once the refurbishment takes place. I think all the members of the committee were struck by the fact that this is an iconic Canberra building—a national building—and it is very popular, as you say, but there is enormous scope to update it and probably make it much more popular than it is today. Is there a revenue aspect to the visitor numbers coming through? I do not think you charge entry fees, do you?

Dr Thom—No. Along with other national institutions, we do not charge any entry fees.

CHAIR—But people would sometimes buy coins when they come to visit?

Dr Thom—A large proportion of our visitors are schoolchildren, who in fact do not buy much from the shop. We do not really see the shop as a revenue-raising exercise for the gallery; however, as you say, there is the potential with increased numbers that that could happen. We tend to think of the gallery, in its own right, as showing off the national coin collection.

CHAIR—So you would not anticipate an increase in revenue because of an increase in visitor numbers?

Dr Thom—Yes. We would hope for an increase in revenue.

CHAIR—You would? All right. Have there been any projections done on that?

Dr Thom—No.

CHAIR—Is it perhaps worth while looking at that aspect of the revenue-producing character of this refurbishment? I do not know what the complications are there, but normally we would expect to have a look at those. As I said, it is a requirement under the act that we examine that aspect of a refurbishment. The other aspect was the cafe. Is this going to be a cafe that is available to the public, or is it something purely for the staff's enjoyment?

Dr Thom—No, it will be available to the public. The 120 staff we have on site could not justify our having a cafe on site. In general, the national institutions do not make a good deal of profit or revenue out of their cafes; they usual work on a cost-recovery basis.

CHAIR—And you would expect this to be a cost-recovery exercise in relation to this cafe?

Dr Thom—Yes.

CHAIR—Has work been done to demonstrate a cost-recovery situation?

Dr Thom—We are still in the planning stages—there has not been a model of it.

CHAIR—Perhaps, when that work is complete, the committee might be appraised of the potential or otherwise of that being a source of revenue—it is a source of revenue, but the potential once you account for expenses.

Mr Scott-Murphy—Turning to the first part of your question, and without divulging the precise details of the commercial arrangements, we charge rent, of course, for the space based on market rates. One of our responsibilities in the department of finance in the administration of the property portfolio is to show an appropriate commercial rate of return on the capital invested. I can assure you that this does indeed do that. It achieves its appropriate rate of return on capital.

CHAIR—I am sure the committee will be interested to see some numbers on that on a confidential basis. Thank you.

Mr JENKINS—I think the committee would have no question about the way in which the option to refurbish the buildings has been decided. Given the decision to do that, what elements of the present processing regime restricted the ability to modify the processing building? I

suppose what I am saying is: if you had actually had a site that you were not operating on, how differently would you have set out all those elements of the processing and how much did that really hinder you in delivering the project?

Mr Scott-Murphy—I can probably provide a general response to that—I do not have the information detail.

CHAIR—That is fine.

Mr Scott-Murphy—We did examine a greenfields option as one of the business cases before recommending the refurbishment of the building. It was significantly more expensive to start from a greenfields base to construct a new Royal Australian Mint. As to the efficiency of the structure, I believe that the refurbishment does achieve a very high level of efficiency not at all dissimilar to a greenfields solution when we take into account the various activities that are undertaken in processing and the needs of visitors and staff as key stakeholders in the totality of the process. If I were to guess at an efficiency figure, I doubt I could get within 10 per cent without doing fairly substantive design comparisons. But, based on cost, it was clearly a preferred option to refurbish the existing building rather than start from a greenfields site.

Mr JENKINS—I have been trying to come up with an expression that does not sound offensive, but the whole place is actually a living museum. One element of it is that you want to encourage visitors to go and watch what the Royal Mint does, but the Royal Mint's core business out there is to produce the coinage. I acknowledge that the outcome of this project will create a much more efficient flow of visitors and incredibly increase the experience for visitors, but to what extent did that itself hinder what you decided to do in the way that you shifted things around?

Dr Thom—We do view this proposed refurbishment as an opportunity to improve our processes and workflow. So, concurrent with the planning of the refurbishment, we have also had project teams working on such things, for example, as materials handling and how we should be setting out the presses in the factory. We are just changing the loading dock and introducing a lift down to the basement, but that will make tremendous improvements to our efficiencies.

The current layout has been proven over time. It has been changed in the past and it has been proven over time. The introduction of the visitors gallery is at another level compared to the factory. The factory is on the ground floor. The visitors galley is on the mezzanine floor. So we are not compromising the effectiveness of the factory by the layout of either the offices or the visitors gallery.

Mr FORREST—Of the \$40 million expenditure, what is the ratio of what is needed to increase your efficiency on the floor and what would also relate to increased and better public access? I can tell by the look on your face that you do not get my question.

Dr Thom—No.

Mr Scott-Murphy—I think I do understand your question.

Mr FORREST—In other words, of the \$40 million, \$30 million is attributed to increased efficiency and \$10 million to better public access.

CHAIR—A cost-benefit analysis.

Mr FORREST—Yes.

Mr Scott-Murphy—That is something our project director might be able to respond to.

Mr Staltari—I have not got finite figures, but effectively most of the funds will upgrade the building and improve the efficiency, not only the operational efficiency but also the service efficiency. That includes all the services—mechanical systems, electrical systems and hydraulic systems. That is all part of the upgrade budget. The element of bringing in the public does not have a high cost to it compared to the cost of bringing up to grade the whole building. I would hazard a guess, but it would probably be only 10 or 15 per cent, if that.

Mr JENKINS—I was building up to asking a similar question. The engineer was rushing in; I was smelling the roses; and we have got there. You have answered the question that at some stage I would have asked you. The question to Dr Thom leads into another set of questions I want to ask—consultations. Getting the processes of the factory more efficient obviously involves groups coming together. I will start with the more formal groups, such as unions and staff associations. The submission indicates that you have carried out those types of consultations. It does not tell us what advice you had coming out of those consultations.

Dr Thom—We have had consultations on a number of layers. The former consultative mechanism at the Mint is the workplace consultative forum, which meets regularly, is chaired by me and comprises staff representatives and union representatives from the Community and Public Sector Union and the Australian Manufacturing Workers Union. Refurbishment is a standing agenda item on that agenda. I have to say that the overall reaction from the staff has been very positive. This is something that they see as being long overdue. They do of course have a great interest in their work function, so we have set up focus groups to deal with particular work functions. For example, we have an IT focus group, a visitors gallery focus group, a marketing focus group and a number of factory focus groups. They have been looking at the nitty-gritty of how the proposed floor plan might affect their own work functions. So they have been very involved in the development of the sketch plans, as they are at the moment.

We have also consulted with external groups—the Canberra Tourist Association, the National Gallery, the Australian War Memorial and ACT Tourism—to see how we might better fulfil our function in terms of the visitors gallery.

Mr JENKINS—There is an item that we discussed that was a below-the-line item about landscaping, but in the submission there is some commentary that elements of the landscaping are very important architectural aspects for getting people to find the front door. Are we talking about two different elements of landscaping?

Mr Staltari—Yes, we are. The elements you are referring to are at the entrance. There will be a new entry podium which takes you from the existing ground levels up to the loading dock level, because that is where the new entrance will be where the visitor enters. That element

contains a complete new canopy and colonnade and an address point, because it is quite an important aspect to actually identify the process building for the visitor. So there is a point of address. The landscape podium for the cafe is behind that. It is only accessible from within the building; you cannot access it from the main entrance. You actually enter the building and then enter out onto that podium space.

Mr JENKINS—That is not the landscaping that is below the line.

Mr Staltari—No. It is all the forecourt, the VIP area. There is a VIP drop-off point with formal landscaping that takes you up to the new entry.

Mr JENKINS—My final question is in the context of public self-humiliation, because I should know the answer to this one. Your submission states that plant materials are selected for their 'xeric qualities'. What is a xeric quality? Some of my lecturers at ANU will turn over in their graves.

Mr Staltari—Is that in the landscaping?

Mr JENKINS—It is on page 18 of 25. I am sure it was the architects who put that in.

Mr Staltari—It is low water use.

Mr JENKINS—Of course. Final sketch plans and xeric!

Senator WORTLEY—You explained that a number of building condition reports have concluded that the building services and facilities are at the end of their useful life, and you go on to talk about occupational health and safety work that is requiring attention, including the removal of some hazardous materials. What are the hazardous materials that have to be removed? What precautions are being put in place with regard to them?

Mr Scott-Murphy—The building condition report has identified a number of hazardous materials in the building, including PCBs and some asbestos in lagging and friction pads, and also a small amount contained in the caulking, or at least sealed behind the caulking, of the building facade. We will be observing, throughout the delivery of this project, all of the national construction code requirements for the handling of hazardous material and we will be putting in place a management plan for the very small amount of asbestos that will remain behind the caulking of the building facade. It is not proposed within this development to remove all the caulking because of the threat to damage to the external facade fabric of the building, but we are reliably advised that the material presents no hazard in its contained state.

Senator WORTLEY—So there will be some asbestos left in the building because of the possible damage to the heritage aspects of the facade.

Mr Scott-Murphy—That is correct. We have costed the removal of the caulking from the panels and formed a judgment that it was simply not justified to threaten the fabric of the building or expend that amount of money to remove what is not a threat to human health in its contained state.

Senator WORTLEY—Have there been previous projects to remove hazardous materials? I imagine that, given the building was built in the 1960s, that would have been the case. If so, why was hazardous material left behind which is now going to be addressed?

Mr Scott-Murphy—I will direct that question to our project director.

Mr Staltari—There have been removal projects in the past. What is effectively left in the building is asbestos associated with fire doors, which is encapsulated within the doors. There is some asbestos material left in some electrical switchboards. They will be removed. And the boards will be removed and replaced. There is also some pipe lagging. It has been left behind because it is inaccessible. It is contained and managed currently. As we go through our refurbishment process and start to expose those areas, all that material will be removed and disposed of under the code requirements.

Senator WORTLEY—Is it possible to provide us with the costings for the removal of all of the asbestos, including the asbestos contained within the facade?

Mr Scott-Murphy—I understand we have prepared an estimate of that. My recollection is that it was \$350,000. I will take advice to see if that is correct.

Mr Staltari—Certainly the removal of the facade component was in the order of \$350,000. The other removal aspects, such as the lagging and friction pads, would be approximately \$40,000. So there is not a lot in there.

Senator WORTLEY—Can I clarify that: the \$40,000 is for—

Mr Staltari—The stuff that is inside the building.

Senator WORTLEY—That will be removed.

Mr Staltari—That is correct.

Senator WORTLEY—And for the remainder to be removed will be the \$350,000.

Mr Staltari—That is correct.

Senator PARRY—I want to go back to the matter we raised in the private session this morning—without going into costing, of course. The public gallery, the walkway, is going to be opened up and the public will have access to a greater portion of the Mint—which is commendable. The airconditioning system will be completely separate for the public and the staff office amenities as distinct from the processing areas, in particular, where there was chemical activity—so where we visited this morning and where we could detect quite clearly the chemical odours. I want to make sure, and have that on the public record, that there will be distinct airconditioning cooling systems for those areas so that there will be no cross-contamination of fumes.

Mr Staltari—That is correct. There is a central plant which provides all the central energy for the building. Individual areas are separated and contained. In that chemical mixing area there are

extraction fans to deal with the fumes. There is specific airconditioning, which is a separate system from adjacent spaces. Similarly, the office space will have its own unique system because it needs to provide a different level of comfort condition. The public spaces will also be operating separately. We will have acoustic and mechanical separation of the various areas.

Senator PARRY—Are you satisfied that the costings allow for the correct movement of air and the right air exchanges from those chemical processing areas?

Mr Staltari—Yes, we are.

Senator PARRY—Are you also satisfied that when that air is extracted it is sent into a non-sensitive area?

Mr Staltari—Yes. The extraction systems, particularly in those chemical areas, are being upgraded. There are new fume cupboards. It is the latest technology available so that the systems are upgraded. The extraction points are separated from intakes. There are code conditions that need to apply so that you are not extracting into a prevailing wind and then recirculating within another area. All those measures have been taken into account.

Mr FORREST—I would like to return to the detailed cost estimate. We are grateful for the in camera brief on that but I think we should put something on the public record to ensure the public know we have given proper examination to the way their money gets spent. I think you may have answered this question but, in all of the estimates you have provided, you have separated two items. One is for consultant fees—and you can discuss this without referring the figures—and the other is ‘management fees (margin)’. Those two things have some level of overlap. Firstly, could you explain what is in ‘management fees (margin)’?

Mr Scott-Murphy—I think it is an incorrect description to call it a ‘margin’. We would like to be able to operate on margins, but in the Commonwealth we do not. The management fees: we have a series of consultants we propose to engage to deliver the project. And of course we have our own costs of administering the overall process from within my division. So those costs need to be articulated in the total cost plan. The consultants, if you like, would be the external providers of those services, and our internal costs need to be recovered as well.

Mr FORREST—Would it be fair to say that the consultant fees would be for the design phase, or is there an element in that of a construction management approach?

Mr Scott-Murphy—Both. We have design consultants in the preliminary phase, we have cost planners to help us budget and get the appropriate allocation of work packages, and we have project management consultants and contract superintendents to deliver the built form outcome. Each of them plays a role in the delivery process.

Mr FORREST—I am satisfied with that. Could I go to the site plan. That is drawing No. 2 that you provided for us. The chair will be delighted to see an item 11, which indicates that existing trees are being retained. I wanted to ask about the car parking. I can see what I am interpreting as security parking behind a boom gate for staff. Would you affirm that that is correct?

Mr Scott-Murphy—Yes, that is correct. The area identified as No. 5 on that plan would refer to that area of controlled car space.

Mr FORREST—They would be issued with some sort of electronic swipe pass, would they?

Dr Thom—That is existing in the Mint at the moment. We have electronic swipe cards that people have in their cars to get through those boom gates.

Mr FORREST—I wanted to go to the provision of public car parking space. The school groups that visit Canberra tell me that the highlight of their visit is the visit to the Mint. It is an ego slash for us: it is not Parliament House but the Mint. They arrive by bus. Compared with what I saw this morning in terms of bus parking, I feel that there has not been consideration given to a convenient place to park buses. There is a long parallel section which I assume is a put-down place for buses. Can they stay there for the time? Given that there were already four buses there this morning, I wonder if that is sufficient.

Mr Scott-Murphy—Yes, I believe the design does allow for both set-down and bus parking. In that area between numbers 4 and 5 on your plan, you will see a line. Parallel parking for five buses has been provided in that area.

Mr FORREST—How have you assessed whether that is adequate? There were four buses there, including the one we were in, this morning.

Dr Thom—The majority of school trips book a tour with us. I think four buses would perhaps be the limit of what we would expect. The five buses allowed for here is more than our current allocation, and we have not encountered any problems.

Mr Staltari—Peak numbers have been calculated. A visitor's stay at the Royal Australian Mint would be for approximately one hour. The traffic engineers calculated that there is a requirement for 35 car parking spaces to cover peak visitor numbers. Currently, we have made allowance for 51 car parking spaces, so we believe we have covered visitor peak periods.

Mr FORREST—This is just my judgment, and I have nothing better to go on than that because this is not to scale and I am lacking a concept of the size, but parallel parking for buses is not as efficient as the arrangement I saw this morning where the driver waits for an hour until the school comes back.

Mr Staltari—The traffic engineers have said that this will accommodate five buses quite comfortably. It is a bit difficult to see because it is quite a reduced scale but it is quite a significant distance. There is space for five buses. It allows people to be dropped off virtually at that new entry point, which enables them to experience the whole process of entering the building from a formal VIP drop-off point. If overflow bus parking is needed, there is a possibility of parking additional buses on Denison Street. It is a designated parking area at the moment. An approach to the ACT government would be made to turn that into a bus parking area. It is currently just a normal car parking area.

Mr FORREST—Who would have jurisdiction for control of that traffic arrangement?

Mr Staltari—ACT Roads. It is part of the ACT government.

Mr FORREST—Have you entered into any discussions with them?

Mr Staltari—We have had some discussions with them.

Mr FORREST—Could you provide us with some feedback? You can take it on notice.

Mr Staltari—In principle, there were no problems in looking at that for an overflow situation. As Vivienne mentioned before, five seems to be the most that occurs there at any one time. Any overflow would be the exception rather than the norm.

Dr Thom—We would manage that by people pre-booking. We would discourage the fifth bus from coming. They usually book a number of months in advance.

Mr FORREST—Everything else I wanted to ask has already been asked.

CHAIR—I would like to go to project delivery strategies. In your main submission, you say:

The project delivery strategy will be developed using delivery systems specifically tailored to achieve value for money and meet the objectives and risks associated with each building.

It seems to the committee from previous inquiries that sometimes the project delivery methodologies become a problem and add indeed to the cost overruns on projects. Could you run through with us the kinds of project delivery systems you propose to use for this project and explain to us the elements of a project delivery system that will be tailored specifically to this particular project? As part of that, could you outline the obvious challenges you face in doing this work while still trying to maintain the operation of the Mint? If you could run us through the whole project delivery aspect, that would be useful.

Mr Scott-Murphy—The task that we have before us does have several complications, as you would be aware, and we have examined several different types of project delivery systems. It will be controlled, if you like, through an agreement articulated in a memorandum of understanding between the Department of Finance and Administration and the Royal Australian Mint to guide our way forward on an integrated fit-out program. We gave consideration to the risks facing the projects and how they can best be mitigated through the choice of different forms of contracts. Specifically, the risks that we consider appropriate to consider in this case include the need for the Royal Australian Mint to maintain operation functionality throughout the progress of the works, the control that is required over the design and construction processes and the budget and time certainty that we want to introduce.

Traditionally, a head contract would have the design fully developed by the principal before going to construction. That would give you the highest level of design control, but the consequence of it is that it is a long process to go through detailed design before going to market, and there is a consequent risk, in that process, of a low level of tolerance to any changes that might flow once the contract is awarded. If we go to a document-and-construct form of delivery then the contractors tender on both the design side of the brief and respond to a preliminary design that we would prepare on behalf of the Royal Australian Mint. The contractor

then takes ownership of the design, and it would normally produce a better understanding and acceptance of risk. It is usually a quicker process for both the design and construction to be the responsibility of the successful tenderer. Again, that offers little control over the design development, so we need to have very clearly articulated the functional requirements as part of the schematic and preliminary design work.

Another form that we have considered is the managing contractor style of project delivery, and this is where a managing contractor would be paid a fixed amount to manage the overall design and construction of the works with all of the trade subcontract packages being reimbursed at cost. That method provides very good principal control over the design outcomes, but it comes at the risk of less cost certainty, and there is usually a higher management fee associated with managing contracts. We have to take into account in this task the integrated nature of the refurbishment and fit-out. It is likely, taking into account all of these factors, that the design-and-construct form of contract will achieve the best outcome. But this is a process that we would develop as a consequence of the preliminary design work if this committee should approve the proposal. In consultation with the tenant, in looking at the state of the construction market and in testing the appetite for competitive tension, my feeling for it is that we are most likely to go to an integrated design-and-construct form of project delivery.

CHAIR—Given that this is critical to managing projects on time and within the cost frame, I wonder if you would be able to provide to the committee some more detail on that once you have made a firm decision. We have found that these are potential problem areas.

Mr Scott-Murphy—Yes, I would be pleased to bring that forward to the committee at that time to demonstrate how cost certainty increases with the level of design work undertaken. At the moment we have concepts, and the cost certainty at this stage of the project is moderate. As we get to preliminary design work, cost certainty increases. I would be pleased to bring back to this committee the reforecast outcomes on our recommended method of work program and project delivery strategy.

CHAIR—I think the committee would welcome that. Thank you. Dr Thom, do you see any reduction in production levels over the period of construction?

Dr Thom—The total levels of production should be the same over the period of construction; however, there will be bigger peaks and troughs. Currently we have a quiet time of the year from December to February, so we will try to minimise disruption, make sure we can stockpile at the appropriate times and plan major changes when we have our usual quiet times.

Mr JENKINS—I want to ask about disability access, because I would not want to leave having made some assumptions that I had not given you a chance to assure me of. There is no mention of the Disability Discrimination Act in the submission. I want to make sure that things like the lifts and other aspects that are going in have taken that on board.

Mr Scott-Murphy—Yes. One of the findings in the occupational health and safety aspects of the building condition report that was referred to was that the current building does not fully meet the disability access requirements. However, I can assure you that both the concept design and our costings provide for full compliance with the disability access requirements and compliance with all the national codes.

Mr JENKINS—The other aspect I want to mention is the section about ESD and the rating systems. I thought that commentary was very helpful in general about the way the system operates. I note that it is compliant to a four-star rating and, whilst I might be ambitious and want a five-star rating, I accept that. Has the preservation of the skylighting in the office space been a help or a hindrance to the achievement of a four-star rating?

Mr Scott-Murphy—It has been a hindrance to the achievement of a 4½-star rating. The target that we strive for with all our commercial office accommodation is a 4½ star rating but, when we are refurbishing older buildings, this becomes problematic. The costs of providing, for example, double glazing to all of the skylights is prohibitive and the payback period for energy savings goes to 100 years. There is a degree of compromise in preserving those heritage characteristics of the building and accepting that we have a four-star rating target rather than a 4½-star rating target. I have been engaged in lengthy discussions with the Australian Greenhouse Office on this topic because I hold the view that the preservation of heritage buildings provides significant energy savings by not having to demolish them, construct new buildings and embed energy in the materials that might be constructed and that they might give consideration to a positive energy starting point.

CHAIR—I wanted to add a bit to that. We are running a wee bit late, but I think it is important, given the government's commitment to reduce greenhouse gases and having established the Australian Greenhouse Office. I notice that you have been in discussions with that office but I notice also that they make recommendation that the department should:

... use it's best endeavours to incorporate an appropriate Green Lease Schedule so that the finally agreed ABGR energy rating is maintained for the tenancy and base building over the term of the lease.

Can we have an assurance that you will continue to work with the office to achieve that?

Mr Scott-Murphy—Certainly. We share similar objectives and we would like to see energy reduction in all its forms. Where Green Lease can achieve some better energy outcomes we would strive to reach an agreement with our tenants that they embrace the same philosophies.

CHAIR—Obviously it is important from the point of view of reducing greenhouse gases, but it is also important over the life of the building to reduce the costs of maintaining buildings.

Mr Scott-Murphy—Indeed, and we are moving more and more towards this whole of economic life cycle cost modelling to recognise the value that energy savings present, sometimes justifying a capital spend at the front of the project to achieve an overall economic saving.

CHAIR—We welcome the trend that we have seen recently for new buildings, even when they have been leased, to incorporate water collection for use in the building and the gardens and also photovoltaics on the roof to supplement the energy. I know that these are difficult matters for you to incorporate into an old building but it is good to see so many agencies working along these lines.

Mr Scott-Murphy—Yes, we are conscious of this. In each of the projects we take on we are striving to achieve those savings in water and energy and to gradually improve the state of the Commonwealth's property portfolio accordingly.

Mr FORREST—In view of the next group of witnesses we are going to speak with: in the submission from the National Capital Authority on page 3 under heading 4, ‘Assessment Proposal’, they have said that they have provided support ‘in principle’, ‘subject to a number of minor matters’ and that they have requested that ‘these matters be addressed and documented in the final drawings’. I have not been able to find the response. Perhaps you can tell me now what those minor matters are.

Mr Scott-Murphy—I understand that the matters they refer to are the relocation of the existing coat of arms from the staff entrance of the administration building to the proposed new entry. I think in the original proposal the coat of arms was to be mounted on a plinth as part of the entry, but the National Capital Authority would prefer that we locate the coat of arms on the process building. We do not object to that; we would happily comply with that.

They raised some issues relating to materials and colours and we are providing materials and sample boards, which will be provided as the project progresses through the detailed design phase. There was also an issue relating to screening. This was the proposed new chainmesh fence along the western boundary of the process building. I can assure you that we will maintain ongoing dialogue with the National Capital Authority throughout the design and construction process.

Senator WORTLEY—In your submission you state that as part of the fire services upgrade the existing EWIS system is going to be replaced. What will it be replaced with and how will it affect the emergency procedures? In addition to that, what prompted the change and what are the benefits of the new system that is to be introduced?

Mr Staltari—The system is being replaced because it is at the end of its useful life. It is actually a new EWIS system that does the same functions but it will be the latest technology.

CHAIR—Thank you very much.

[12.19 pm]

BROUGHTON, Ms Natalie, Senior Planner, National Capital Authority

HUDA, Mr Shamsul, Acting Managing Director, Planning and Urban Design, National Capital Authority

Witnesses were then sworn or affirmed—

CHAIR—On behalf of the committee, welcome. The committee has received a submission from the National Capital Authority. The submission will be made available in a volume of submissions and will also be available on the committee's web site. Does the National Capital Authority wish to make any amendments to its original submission?

Mr Huda—No, Madam Chair.

CHAIR—Then please proceed to a short statement in support of your submission.

Mr Huda—The National Capital Authority, previously known as the National Capital Planning Authority, was established in 1989 as part of the introduction of self-government in the ACT with the intent of securing the federal government's continuing role in the planning and development of Canberra as the national capital. One of the key functions of the National Capital Authority is to prepare and administer the National Capital Plan. The enabling act under which the plan is prepared is the Australian Capital Territory (Planning and Land Management) Act 1988. The act enables the plan to set special requirements for certain areas that are desirable in the interest of the national capital.

The National Capital Plan has set certain special requirements for national land sites which are located outside the designated areas. The Mint site is one such site. Therefore these special requirements apply to that particular site. The special requirements of the plan require any development proposal on such national land sites to be in accordance with a development control plan that is agreed to by the National Capital Authority. The development control plan needs to reflect not only the relevant special requirements of the National Capital Plan but also the development provisions of the Territory Plan.

Normally we prepare development control plans where a particular development proposal on a national land site involves a significant level of development, such as new developments and things like that. Where it is essentially refurbishment of existing buildings and does not involve major building on the site, we often do not ask the proponents to prepare a development control plan. That is what has happened in this particular case, because it is essentially refurbishment of the existing buildings. But in considering a development proposal on the site we do ensure that the proposal is still consistent with the special requirements that are set out in the plan and also reflect the Territory Plan provisions.

Some of the planning considerations that we took into account with regard to this particular proposal are obviously related to land use. The site for the Mint is shown as having a land use

policy of broadacre areas under both the National Capital Plan and the Territory Plan. There is a special notation that says ‘the Royal Australian Mint on its present site’—so, in a sense, as long as the Royal Australian Mint is the primary user on that particular site. We looked at the use of those 3,000 square metres in a refurbished building by a Commonwealth agency as being a subordinate use and a compatible use. We also recognise the fact that the buildings might have some heritage value. This is essentially to preserve that value as well. In terms of the scale of it, all of those issues were thoroughly taken into consideration in forming the view that the kinds of uses that are being suggested are consistent with the policies of both the National Capital Plan and the Territory Plan.

As part of our consideration, we referred the proposal to the ACT Planning and Land Authority to clear that issue—whether that particular proposal in their understanding reflects the relevant provisions of the Territory Plan. They have confirmed that they do not have any issues with it. Again, their considerations were based on the same issues that we looked at. On that basis we advised the Department of Finance and Administration that the proposal submitted be supported in principle, recognising that the design for that particular project was being developed further and that as part of that process a lot of the additional information will come in. Mr Rick Scott-Murphy mentioned some of the outstanding issues that would be addressed in the design development stage. Some of them are to do with getting some additional information when that is available, such as details of the materials of the pavings, the tree species, the landscape design details and so on.

We believe that, once that comes in as part of the next stage of the process, we should be in a position to advise the department that it is not inconsistent with the provisions of the National Capital Plan. That is the requirement. Because it is outside a designated area, there is no formal approval requirement as such, but national land developments such as the Mint site would need to be submitted to the National Capital Authority to confirm that the proposal is not inconsistent with the relevant provisions of the National Capital Plan, which is supposed to come in as part of the final design submission. That is pretty much it.

Mr FORREST—Your submission referred to minor matters. I have asked this question previously. There were three items; do you agree with that list? It sounds like there are some more.

Mr Huda—They are pretty much what Mr Rick Scott-Murphy just outlined. They are minor matters and there is a solution so it should not be a problem.

Mr FORREST—I am fascinated to know why the coat of arms has to go on a building and not where people are going to see it.

Mr Huda—I will let my colleague Natalie Broughton answer that.

Ms Broughton—There are two coats of arms that the National Capital Authority have as assets. They are both on the admin building at the moment. The department of finance have requested moving one of those to the process building. From a heritage perspective, we believe it would be better—and it is our preference—that it be placed on the building, either above the entrance or somewhere near the new entrance on the process building. Also, it is a more permanent solution than having it incorporated into a sign, so that in future it is fixed there. It is

a preference, so the department of finance can have a look at the options that might be available to them.

CHAIR—Do any members want to call back the Department of Finance and Administration? No-one wants to call them back. Before closing, I would like to thank the witnesses who have appeared before the committee today, Hansard and the secretariat for their assistance in this hearing, and those who assisted us with the inspections at the Mint this morning.

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 12.28 pm