

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Supplementary Budget Estimates Hearing 2012-13
17 October 2012

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

TOPIC: Coffee Machines

REFERENCE: Question on Notice (Hansard, 17 October 2012, page 52)

QUESTION No.: SI-23

Senator BUSHBY: What was the department's justification for buying \$15,000 coffee machines. We are in a constrained fiscal environment. We have been hearing questions today about freezes on very worthwhile grants programs. How do you justify spending \$15,000 on a coffee machine and then doing that five times over?

Ms Graham: Since 2006 we have had, in Industry House where we have most of our staff, coffee machines in the building. They generate value for employees and, we believe, increased productivity. When the machinery of government change happened and we had 800 staff in Mort Street in Canberra we chose to put coffee machines into that building because it made sense to provide the same amenity to all staff based in Canberra. The machines are fully automated. They have to cope with a fairly large number of staff using them. There is one per floor. The nature of the machine is such that it is heavy duty and it can cope with that load. That therefore reduces maintenance costs.

Senator BUSHBY: That may well justify, to some extent, the type of machine but it does not really fully explain—you mentioned productivity—the need to have a coffee machine in the first place. I am quite sure there are very good coffee shops nearby. I am quite sure that a kettle, in most workplaces, seems to suffice and ensure that most people can make themselves a coffee in the breaks that they have. That does not really explain the need to have a coffee machine that presumably makes all sorts of varieties of coffee.

Ms Graham: There was certainly an analysis undertaken, when they were first put into Industry House, on the benefits associated with having coffee machines in the building.

Senator BUSHBY: Was that a formal analysis that was undertaken or—

Ms Graham: My understanding is that there was a review undertaken—

Senator BUSHBY: Is that something that we can get a copy of?

Ms Graham: I will have to take that on notice.

ANSWER:

The Department conducted a review process as part of the procurement of six coffee machines for 16 Mort Street, following a similar review undertaken by the New Building Project Team in 2006 at the time of construction of Industry House.

2006 Review

Coffee machines for Departmental staff have been provided since the opening of Industry House, 10 Binara Street in 2006. These machines have been in use now for over six years. The review process undertaken in 2006 involved consideration of relevant literature and a

cost-benefit assessment. A summary of this assessment is included in the following extract of a Minute held on the Department's files relating to the 2006 Industry House Project:

Coffee Machine Brief

New Building Project

Introduction

As part of the New Building Project, DITR is considering the installation of 20 self-service commercial grade coffee machines. One in each breakout space of the new office accommodation. The machines would have the capability to make various styles of coffee and be easily maintained and cleaned. Currently, only Resources Division has a coffee machine. This paper examines the cost and other implications of installing coffee machines in the new building.

Background

In order to buy coffee, staff in all four of DITR's buildings must leave the office and go to one of the surrounding coffee shops on Allara Street which can considerably encroach on work hours.

Research conducted by Australian recruitment firm Talent2 shows that 1 in 4 workers purchase coffee every day away from their desk. The study also suggests that coffee breaks are costing businesses more than \$1.8 billion a year in lost productivity.

The provision of coffee machines in the breakout spaces of the new building has the potential to minimise 'out of office' time while maximising efficiency and productivity. Providing coffee machines in the breakout spaces also creates a forum for the interchange of thoughts and ideas away from desks but still within the on-floor environment – having a positive effect on staff satisfaction, morale and intra-office communication.

Cost Efficiency

Average staff classification: EL1

Working Week: 37.5

Average staff hourly rate: \$44

Average time to purchase coffee outside: 10 minutes

Number of Staff: 335 (assuming 1 in 4 leave their desk for coffee once a day)

Assuming that the approximate time it takes to buy a coffee is 10 minutes in a 37.5 hour working week, the cost to the Department of the average staff member taking one coffee break is about \$8 per visit. That is \$1,920 annually per staff member who buys coffee.

The total annual cost to the Department of 1 in 4 people leaving their desk for a coffee equates to \$643,200.

Supplying coffee machines in the breakout spaces of the new building has the potential to minimise 'out of office' time by half. Assuming that the approximate time it would take to make a coffee 'on floor' in the new building is 5 minutes (assuming that 1 in 4 staff leave their desk for coffee) the cost to the Department is \$321,600.

The net cost to DITR for time lost due to staff purchasing coffee outside compared to using in-house coffee machines is therefore about \$321,000pa.

[This estimate is conservative; drinking coffee is a matter of personal preference, as is the amount of cups per day a person wishes to consume. However, it is reasonable to assume that more than 1 in 4 people within DITR will have a coffee if it is provided free of charge]

Summary

The provision of coffee machines in the breakout spaces of the new building has the potential to minimise 'out of office' time while maximising efficiency and productivity.

The total cost of having coffee machines in the breakout spaces of the new building is approximately \$200,000pa, but the savings in time lost is \$321,600pa. It therefore appears that the cost of coffee machines is outweighed by the benefits. Providing coffee machines in the breakout spaces creates a forum for the interchange of thoughts and ideas away from desks but still within the on-floor environment – having a positive effect on staff satisfaction, morale and intra-office communication. Moreover, staff also save the cost of purchasing coffee outside – typically \$3 / cup.

2012 Review

On 15 December 2011, the Government announced a machinery of government change, where staff from the Tertiary, Skills and International Education Divisions and support divisions were transferred to the Department. As a result, approximately 800 staff in Canberra were relocated from their accommodation at DEEWR's head office at 50 Marcus Clarke Street to 16 Mort Street.

As a part of the relocation project, the Department provided coffee machine facilities in Mort Street to ensure consistency across Canberra tenancies. The review process undertaken as a part of the procurement of the coffee machines in 2012 involved assessing the record of the original installation of coffee machines, conducting a further literature review, market testing and then undertaking the procurement arrangement.

The review identified research which indicates that improving the working environment reduces complaints and absenteeism and increases productivity. The inherent 'value' to employees generated by workspaces with facilities such as coffee machines, break out areas and collaborative workspaces is the subject of significant bodies of work in workplace and office design. This supported the original cost-benefit assessment undertaken in 2006.

Based on the market research (literature and internet searches); previous experience with the coffee machine fleet in Industry House; and liaison with contacts across Government property teams and industry, the review also identified that the Melitta Bar Cube Machines were the most appropriate machine to meet the Department's needs in the timeframe and budget available. .

The Melitta Bar Cube machines were identified as the most appropriate based on:

1. Experience with the maintenance cycles of the machines used in Industry House;
2. Higher utilization rate required in Mort Street;
3. Portability to allow the opportunity for re-use of the machines at other sites (including Industry House) if required; and
4. Ownership rather than lease to support the flexibility for re-use as in 3 above.