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The Parliament of the Commonwealth of Australia

# Refurbishment of Staff Apartments, Australian Embassy Complex, Tokyo, Japan

Parliamentary Standing Committee on Public Works

March 2008  
Canberra

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# Membership of the Committee

## Committee of the 42<sup>nd</sup> Parliament

Chair            Mr Mark Butler MP

Deputy Chair   Senator the Hon Judith Troeth

|         |                      |                      |
|---------|----------------------|----------------------|
| Members | Mr Nick Champion MP  | Senator Mark Bishop  |
|         | Mr John Forrest MP   | Senator John Forshaw |
|         | Mr Damian Hale MP    |                      |
|         | Hon Peter Lindsay MP |                      |
|         | Hon Peter Slipper MP |                      |

### Committee Secretariat

Secretary                    James Catchpole

Inquiry Secretary        Siobhán Leyne

Senior Research Officer   Mark Rodrigues

Administrative Officer    Gaye Milner

## Committee of the 41<sup>st</sup> Parliament

Chair            Hon Judi Moylan MP

Deputy Chair   Mr Brendan O'Connor MP

Members        Mr John Forrest MP

Senator Annette Hurley

Mr Harry Jenkins MP

Senator Stephen Parry

Mr Bernie Ripoll MP

Senator the Hon Judith Troeth

Mr Barry Wakelin MP

### Committee Secretariat

Secretary                    Stephen Boyd

Inquiry Secretary         John Fuhrman

Senior Research Officer   Raymond Knight

Research Officer         Penny Wijnberg

Administrative Officers   Peter Ratas

Jessica Butler



## List of acronyms

|      |   |
|------|---|
| DFAT | Department of Foreign Affairs and Trade |
| OH&S | Occupational Health and Safety          |
| OPO  | Overseas Property Office                |
| PWC  | Public Works Committee                  |







# List of recommendations

## 3 Issues and Conclusions

### Recommendation 1

The Committee recommends that the proposed refurbishment of staff apartments, Australian embassy complex, Tokyo, Japan proceeds at an estimated cost of \$22 million.



## Introduction

- 1.1 The refurbishment of staff apartments, Australian embassy complex, Tokyo, Japan, was referred to the Public Works Committee (PWC) of the 41<sup>st</sup> Parliament on 21 June 2007. The Committee had completed the inquiry process and adopted its report but did not table the report prior to the dissolution of the Parliament.<sup>1</sup> The referral therefore lapsed.
- 1.2 The refurbishment of staff apartments, Australian embassy complex, Tokyo, Japan, was referred to the PWC of the 42<sup>nd</sup> Parliament on 13 March 2008. This Committee decided not to repeat the inquiry process as it was advised by the Department of Foreign Affairs and Trade that there had been no significant changes to the works since the original referral. Evidence taken on this inquiry is available on the Committee's website.<sup>2</sup>
- 1.3 This Committee has resolved to adopt the report as adopted by the PWC of the 41<sup>st</sup> Parliament without amendment. The following chapters are the report as adopted by the PWC of the 41<sup>st</sup> Parliament. Therefore any references to 'the Committee' in Chapters 2 to 4 refer to the PWC of the 41<sup>st</sup> Parliament.

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1 In accordance with s.7 (a) of the Public Works Committee Act 1969 (the PWC Act), members of the Parliamentary Standing Committee on Public Works of the 41<sup>st</sup> Parliament ceased to hold membership of the Committee on Wednesday 17 October 2007 when the Parliament dissolved for the general election held on Saturday 24 November 2007.

2 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

- 1.4 The Committee thanks the former Chair, the Hon Judi Moylan MP and the members of the PWC of the 41<sup>st</sup> Parliament for their time and expertise in conducting the inquiry.

## Introduction– Report of the Public Works Committee of the 41<sup>st</sup> Parliament

### Referral of Work

- 2.1 On 21 June 2007 the refurbishment of staff apartments, Australian embassy complex, Tokyo, Japan, was referred to the Public Works Committee for consideration and report to the Parliament in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).<sup>1</sup> The proponent agency for this work is the Department of Foreign Affairs and Trade (DFAT).
- 2.2 The Hon Peter Lindsay MP, Parliamentary Secretary to the Minister for Defence, advised the house that the estimated out-turn cost of the proposal is \$22 million. Subject to Parliamentary approval, DFAT plan to commence work in early 2008 with completion planned for 2010.<sup>2</sup>

### Background

- 2.3 The embassy complex comprises the Chancery, the Head of Mission residence and 43 staff apartments occupying eight apartment blocks. The site also houses a recreational block which contains a tennis court, squash

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1 Extract from the *Votes and Proceedings of the House of Representatives*, No. 182, 21 June 2007.

2 See House Hansard for 21 June 2007.

court, bar and lounge, indoor swimming pool, basketball court and barbeque area.<sup>3</sup>

- 2.4 The apartments comprise two, three and four bedroom configurations, ranging in size from 83 square metres to 253 square metres. The building was designed in 1980 and completed in 1990 and no longer complies with current standards. Subject to the completion of mid-life upgrade works, the remaining useful life of the building is 35 years.<sup>4</sup>
- 2.5 In June 2006 a scoping study was undertaken by Denton Corker Marshall Architecture and Urban Design. This included a current condition assessment for each apartment, budget cost estimates and delivery strategies. Apartment 421 has been refurbished as a prototype apartment to evaluate the finishes, test feasibility assumptions, assess unknown factors, ascertain the time and cost of the works, identify likely problems and solutions, and establish a quality benchmark for all apartments.<sup>5</sup>

## Location

- 2.6 All works will be carried out at the existing embassy complex in Tokyo, Japan.<sup>6</sup>

## Inquiry Process

- 2.7 The Committee is required by the Act to consider public works over \$15 million<sup>7</sup> and report to Parliament on:
- the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of, carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>8</sup>

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3 Submission No. 1, paragraph 2.1.

4 *ibid.*, paragraphs 2.2 and 2.3.

5 *ibid.*, paragraphs 2.4 and 2.5.

6 *ibid.*, paragraphs 11.1 and 13.1.

7 *Public Works Committee Act 1969*, Part III, Section 18 (8).

- 2.8 The Committee called for submissions by advertising the inquiry in the *Australian* on Wednesday, 4 July 2007. The Committee also sought submissions from relevant government agencies, local government, private organisations and individuals, who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

## Inspection and Hearing

- 2.9 Under the terms of the Act, the Committee may not convene at any place outside Australia and its external Territories. Where a public work is to be carried out outside Australian and its external Territories, the Committee:
- ...shall consider the work on the basis of plans, models and statements placed before it and of evidence (if any) taken by it.<sup>9</sup>
- 2.10 On Thursday, 13 September 2007, the Committee received a briefing from DFAT officers on the scope and environs of the proposed works to be undertaken. A confidential briefing from officers of the Department of Defence and a public hearing were held at Parliament House, Canberra, later that day.<sup>10</sup>

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8 *ibid.*, Section 17.

9 *ibid.*, Section 18B.

10 See <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)> for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Thursday, 13 September 2007 at Parliament House, Canberra, ACT.





## The Proposed Works

### Purpose

- 3.1 The purpose of the works is to refurbish 43 staff apartments at the Australian Embassy complex in Tokyo. The refurbishment is required to ensure compliance with current Occupational Health and Safety (OH&S) regulations, continued acceptable standards of amenity for residents and ongoing viability of the asset as a source of income.<sup>1</sup>

### Need

- 3.2 The apartments are 17 years old, and while they have been maintained, routine wear and tear associated with residential occupation have damaged surfaces, fixtures and fittings.<sup>2</sup>
- 3.3 The submission lists the following specific issues which require addressing:
- bench and fixture heights, which were based on Japanese standards, require redesign;
  - services access doors off corridors require fire rating in order to fully isolate shaft from apartment spaces;

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1 Submission No. 1, paragraph 1.1.

2 *ibid.*, paragraph 3.1.

- inadequate drainage in bathrooms;
- stairs and handrails in stairwells need to be upgraded to meet current standards;
- inadequate sound proofing between apartments;
- removal of asbestos from bathrooms and terrace balcony under-surfaces throughout the apartment blocks;
- upgrades to power and data reticulation, electrical and fire detection infrastructure, engineering services access and air reticulation;
- OH&S concerns, particularly in relation to fire, electrical and ventilation require addressing; and
- amalgamation of some of the apartments to meet new requirements.<sup>3</sup>

## Scope

3.4 The proposed refurbishment will upgrade to current standards the mechanical, electrical, data and plumbing services throughout the apartments. Amenity within the apartments will also be improved by refurbishing surface finishes, including painting throughout, joinery, visible architectural fixtures and fittings. Bathrooms, laundries and kitchens will be fully refitted, including replacement of fixed appliances. Specific works involve:

- checking of and essential replacement and upgrade to existing electrical wiring and fittings;
- replacement of lighting throughout;
- installation of new telephone, data and television wiring and fittings, providing flexible reticulation of outlets to all major rooms;
- upgrading fire detection and alarm equipment to meet current standards;
- installation of building code compliant fire escape systems;
- upgrading all plumbing services to meet current Australian and local building standards;
- upgrading air conditioning to meet new Japanese building code requirements;

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3 *ibid.*, paragraphs 3.1 – 3.5.

- complete kitchen and laundry refurbishment including new joinery and new fixed appliances including ovens, range hoods and gas cook tops;
- refurbishment of bathrooms and toilets including new fittings and fixtures, retiling, and repairs to plumbing installations.<sup>4</sup>

## Project Delivery

- 3.5 A traditional project delivery method of detailed design, documentation, construction tendering and contracting on a lump sum basis has been selected. This represents the best value-for-money for the Commonwealth and allows DFAT to control the building delivery stages.<sup>5</sup>
- 3.6 A single construction contract will be awarded for the refurbishment works. A selected shortlist of qualified Japanese and international based contractors will be invited to tender for the project.<sup>6</sup>

## Cost

- 3.7 The estimated cost of the work is \$22 million including:
- construction fees;
  - consultants fees;
  - project management and supervision;
  - travel expenses; and
  - Japanese Government 5% Consumption Tax.<sup>7</sup>
- 3.8 This cost is estimated on current prices and exchange rates.<sup>8</sup>

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4 *ibid.*, paragraphs 12.1 – 12.1.9.

5 *ibid.*, paragraph 28.1.

6 *ibid.*, paragraph 28.2.

7 *ibid.*, paragraphs, 27.1 and 27.2.

8 *ibid.*, paragraph, 27.1.



## Issues and Conclusions

### Need

4.1 According to DFAT, while the apartments have been well maintained over their 17 year life span, routine wear and tear has taken its toll on surfaces, fixtures and fittings. The submission lists the following specific issues which require addressing:

- bench and fixture heights, which were based on Japanese standards, require redesign;
- services access doors off corridors require fire rating in order to fully isolate shaft from apartment spaces;
- inadequate drainage in bathrooms;
- stairs and handrails in stairwells need to be upgraded to meet current standards;
- inadequate sound proofing between apartments;
- removal of asbestos from bathrooms and terrace balcony under-surfaces throughout the apartment blocks;
- upgrades to power and data reticulation, electrical and fire detection infrastructure, engineering services access and air reticulation;

- OH&S concerns, particularly in relation to fire, electrical and ventilation require addressing; and
- amalgamation of some of the apartments to meet new requirements.<sup>1</sup>

## Bench and Fixture Heights

- 4.2 The Committee questioned the Department as to the rationale for initially designing bench and fixture heights to Japanese standards. The Committee was concerned that had the benches originally been designed with Australian occupancy in mind, then fixtures and benches would not now require redesign.<sup>2</sup>
- 4.3 DFAT responded that the Japanese standards, which were utilised in the construction of the apartments, do comply with Australian standards. However, practical occupation of the apartments has highlighted the deficiencies in the design of fixture and bench heights.<sup>3</sup>
- 4.4 The Committee sought assurances that, given the high number of overseas properties that had recently been before it; that the issue of fixture and bench heights was addressed in the design of those works. The Department assured the Committee that
- ...those projects certainly have been built to the Australian Standards and do meet the norm in Australia.<sup>4</sup>

## Asbestos

- 4.5 Given that the building was occupied in 1990 and constructed in the late eighties, the Committee was surprised to find that asbestos had been discovered in the complex. The Department responded that once the issue had been brought to its attention, investigations had revealed that it was not against Japanese standards to use the asbestos sheeting which had been discovered.<sup>5</sup>
- 4.6 During the confidential hearing the Committee heard that the asbestos is in the form of sealed hardboard. Asbestos had been discovered in the car park basement area, and in some of the wet areas of the apartments and the balcony areas. Further, the Department stated that the asbestos which had been found in the car park had already been removed, and that the refurbishment works presented an opportunity to remove the asbestos
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1 Submission No. 1, paragraphs 3.1 – 3.5.

2 Official Transcript of Evidence, page 3.

3 *ibid.*, pages 3 – 4.

4 *ibid.*, page 4.

5 *ibid.*, page 4 – 5.

sheeting from the apartments. The Department added that while the asbestos was in its sheeting form it presented no danger, but that there was always a risk that it could be broken.<sup>6</sup>

## Codes and Standards

- 4.7 DFAT submitted that the works would comply with current Japanese building regulations and relevant Building Code of Australia (BCA) requirements and that the works will comply with current Occupational Health and Safety (OH&S) regulations.<sup>7</sup>
- 4.8 The Committee sought an explanation as to the extent of the OH&S upgrades; in particular works relating to fire, electrical and ventilation upgrades, that the works would entail.<sup>8</sup>
- 4.9 The Department responded that with regard to fire upgrades, it would be installing a second method of egress from the apartments which was required so as to comply with Japanese standards. The Committee sought clarification as to what form the additional egress would take, and heard that it would be a harness mechanism from the external balconies. According to DFAT, these systems are specified and approved by the fire department in Tokyo.<sup>9</sup>
- 4.10 DFAT added that the building was originally constructed to the highest seismic standards, and that it still meets the local codes. Further, the emergency procedures for the building are 'finely calibrated and practiced' for the sorts of crises that the Tokyo location may present.<sup>10</sup>
- 4.11 The Committee heard that the ventilation upgrades were to satisfy the Japanese requirement that air is cycled through the apartments every two hours. The electrical upgrades would improve services to meet current standards,<sup>11</sup> including the number of power points available throughout the apartments and reticulation of data and television outlets.<sup>12</sup>
- 4.12 The Committee questioned the Department about the provision of wireless broadband within the complex in order to save on the expense of cabling. The Department responded that the advice from the local technician had been that it would be beneficial to hardwire in the first

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6 E-mail to the Overseas Property Office dated 20/09/2007.

7 Submission 1, paragraphs 16.1 and 16.2.

8 Transcript of Evidence, page 5.

9 *ibid.*, page 6.

10 *ibid.*, page 8.

11 *ibid.*, page 6.

12 *ibid.*, page 7.

instance. In addition, the cabling was a combined voice data system, which had to be done through hardwiring.<sup>13</sup>

## Drainage

- 4.13 The Committee enquired as to the challenges that DFAT faced regarding drainage issues in the apartments. The Department responded that the drainage systems under the baths had a collection mechanism under the bath from where the water finds its way into the pipes and runs away. Problems had arisen, due to the lack of filtration, where the system would become clogged and overflow. This system would be upgraded to deal with the drainage issues of the apartments.<sup>14</sup>
- 4.14 Further clarification was sought as to whether these drainage problems had impacted on the integrity of the base building. DFAT responded that no structural damage had been detected and that it was more of an issue of hygiene, convenience and damage to soft furnishings.<sup>15</sup>

## Scope

### Amalgamation of Apartments

- 4.15 The Committee sought clarification from the Department on the rationale for amalgamating some of the apartments. DFAT explained the reason for this was that some of the smaller two bedroom apartments were no longer being fully utilised. The current project offered the opportunity to amalgamate units not being fully utilised into larger apartments that could accommodate accompanied officers. This was consistent with changes to staffing profiles at Australian posts abroad, where the trend was toward fewer unaccompanied junior officers, and more senior staff with accompanying family.<sup>16</sup> The Committee heard that once the amalgamations were completed, there would be no two bedroom apartments left on the embassy complex.<sup>17</sup>

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13 *ibid.*, page 10.

14 *ibid.*, page 7.

15 *ibid.*, page 11.

16 *ibid.*, page 3.

17 *ibid.*, page 12.



## Furniture Replacement

- 4.16 During the confidential hearing, the Committee questioned the replacement of furniture and whitegoods. The Department responded that only items that were built in would be replaced. Other furniture and whitegoods had been well maintained and would therefore not be replaced.<sup>18</sup>

## Tender Process

- 4.17 The Committee sought additional information as to the tender process and how it would be managed. The Department responded that once the works had received Parliamentary approval it would engage in a public tender process to appoint the various consultants. In addition, the process would be competitive and subject to the normal probity requirements, and would be advertised in Australia and Japan in order to give opportunities for Australian participation.<sup>19</sup>

## Project Delivery

- 4.18 The Committee made enquiries about how the department would manage the temporary relocation of staff while the works were being completed. The department responded that it was looking at leasing approximately six apartments for temporary relocation of families while work was being undertaken. DFAT stated that it had been informed that this was the most efficient and cost effective way of managing the project.<sup>20</sup>

## Prototype Apartment

- 4.19 DFAT submitted that a prototype apartment – number 421 – had been refurbished to evaluate the finishes, test feasibility assumptions, assess unknown factors, ascertain the time and cost of the works, identify likely problems and solutions and establish a quality benchmark for all apartments.<sup>21</sup>

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18 Correspondence with the Overseas Property Office dated 20/09/2007.

19 Transcript of Evidence, page 11.

20 Correspondence with the Overseas Property Office dated 20/09/2007.

21 Submission 1, paragraph 2.5.

4.20 The Committee sought clarification as to how the costs of the prototype apartment had been met. DFAT responded that it allocated funds from the Overseas Property Office (OPO) budget to pay for this type of development activity. The Department added that the development of the prototype allowed it

...to be better educated and more accurate in the development of the costings for the overall project delivery.<sup>22</sup>

## **Operation of the Overseas Property Office (OPO)**

4.21 At the confidential hearing, the Committee questioned officers from DFAT about the operation of the OPO. The Committee heard that the OPO charter is to operate the overseas estate on a commercial basis and as such it seeks to have fully commercial rents on the properties. The commercial arrangement places a commercial framework around the relationship that the OPO has with other agencies, and allows the properties to be managed in a commercial way.<sup>23</sup>

4.22 The Committee explored what, if any, parliamentary scrutiny was exercised on the OPO. The Department stated that its works go through the portfolio budget statements, are audited by the Australian National Audit Office (ANAO) and are also reported in the DFAT annual report.<sup>24</sup>

## **Cost**

4.23 The Committee heard that the value of the chancery complex in Tokyo was \$286.7 million as at 30 June 2007. DFAT added that the remaining useful life of the complex, subject to mid-life refurbishment and ongoing maintenance, is at least 35 years. As a consequence, DFAT argued that the projected out-turn cost of \$22 million represents a good investment.<sup>25</sup>

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22 Transcript of Evidence, page 12.

23 Correspondence with the Overseas Property Office dated 20/09/2007.

24 *ibid.*

25 Transcript of Evidence, page 2.

**Recommendation 1**

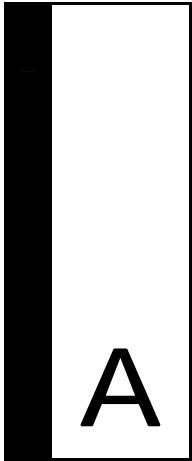
**The Committee recommends that the proposed refurbishment of staff apartments, Australian embassy complex, Tokyo, Japan proceeds at an estimated cost of \$22 million.**

**Mark Butler MP**

Chair

17 March 2008



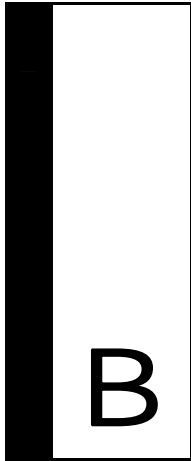


## Appendix A – List of Submissions and Exhibits

### Submissions

1. Department of Foreign Affairs and Trade





## Appendix B – List of Witnesses

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

Mr Kevin Nixon, Assistant Secretary, Property Planning and Project Services, Overseas Property Office, Department of Foreign Affairs and Trade

Mr Stephen Morgan, Capital Works Manager, Multiplex Facilities Management

Mr John Lochran, Director, Rider Levett Bucknall Victoria Pty Ltd