

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

Report 6/2020

Referrals made in September and October 2020

Parliamentary Standing Committee on Public Works

December 2020
CANBERRA

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ISBN 978-1-76092-188-0 (Printed Version)

ISBN 978-1-76092-189-7 (HTML Version)

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Contents

Members v

List of Recommendationsvii

The Report

1 Introduction.....1

**2 Department of Health Proposed Fitout of New Leased Premises at
Fairbairn Business Park, Canberra.....3**

**3 Services Australia Proposed Fitout of New Leased Premises at 52–62 King
William Street, Adelaide.....13**

Appendix A. List of Submissions.....23

Appendix B. List of Public Hearings and Witnesses25

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List of Recommendations

Recommendation 1

- 2.46 The Committee recommends that the House of Representatives resolve, pursuant to section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Department of Health's Proposed Fitout of New Leased Premises at Fairbairn Business Park, Canberra.

Recommendation 2

- 3.47 The Committee recommends that the House of Representatives resolve, pursuant to section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Services Australia's Proposed Fitout of New Leased Premises at 52–62 King William Street, Adelaide.

1. Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works (the Committee) is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are made pursuant to section 18 of the Act, and by practice are made by the Minister for Finance or their delegate in the House of Representatives or the Senate.
- 1.2 All public works that have an estimated cost exceeding \$15 million¹ must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.²
- 1.3 Under section 5 of the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
 - the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
 - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
 - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);

¹ The threshold amount for a public work for Defence purposes is \$75 million as per *Public Works Committee Regulation 2016*, Part II, Section 7(a).

² The Act, Part III, Section 18(8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work and work by prescribed authorities listed in the Regulations.

- the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
- the clearing of land and the development of land for use as urban land or otherwise; and
- any other matter declared by the regulations to be a work.

1.4 Section 17 of the Act requires that the Committee consider and report 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.

1.5 The Committee pays attention to the above matters and any other relevant factors when considering the proposed work.

Structure of the report

1.6 In considering the works, the Committee analysed the evidence presented by the proponent agencies, including submissions and evidence received at public and in-camera hearings.

1.7 In consideration of the need to report expeditiously as required by section 17(1) of the Act, the Committee has only reported on significant issues of interest or concern.

1.8 Chapter 2 addresses the proposed Department of Health Proposed Fitout of New Leased Premises at Fairbairn Business Park, Canberra. The estimated cost of this project is \$60.7 million (excluding GST).

1.9 Chapter 3 addresses the proposed Services Australia Proposed Fitout of New Leased Premises at 52-62 King William Street, Adelaide. The estimated cost of this project is \$53 million (excluding GST).

1.10 Submissions for the projects are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

2. Department of Health Proposed Fitout of New Leased Premises at Fairbairn Business Park, Canberra

- 2.1 The Department of Health (Health) seeks approval from the Committee to proceed with the proposed Fitout of New Leased Premises at Fairbairn Business Park, Canberra. The aim of the project is to relocate the Therapeutic Goods Administration's laboratory from its current location in Symonston, ACT to Fairbairn Business Park, Canberra Airport. In addition, the project will create an additional 8,500 m² of office space that will serve as Health's second campus in the Australian Capital Territory.¹
- 2.2 The estimated cost of the project is \$60.7 million (excluding GST).
- 2.3 The project was referred to the Committee on 1 September 2020.

Conduct of the inquiry

- 2.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.5 The Committee received one submission and one confidential submission. A list of submissions can be found at Appendix A.

¹ Department of Health, *Submission 1*, p. 6.

- 2.6 On 30 October 2020, the Committee conducted a project briefing, public and in-camera hearing via teleconference. A transcript of the public hearing is available on the Committee's website.
- 2.7 On 20 November 2020, the Committee conducted a site inspection of the current Therapeutic Goods Association (TGA) accommodation in Symonston, ACT.

Need for the works

- 2.8 The TGA, a division of the Department of Health, 'is responsible for regulating therapeutic goods, including over-the-counter medication, prescription medications, vaccines, sunscreen, vitamins and minerals, medical devices, blood and blood products. This work is undertaken by a specialist TGA workforce and requires some special-purpose accommodation.'²
- 2.9 Health stated that:
- The existing facility at Symonston is no longer best supportive of the TGA in fulfilling this role. It has served the Commonwealth very well, but it is almost 30 years old. It does not have the flexibility within its design to meet modern standards, testing or scientific methods or modern workforce amenity. It is expensive to run and the site itself provides very limited amenities for our staff.³
- 2.10 In their submission to the inquiry, Health note that the Symonston 'fitout is not consistent with a modern workplace for ICT, amenity, design, or collaborative and flexible workspaces.' 'A full fitout refresh would likely be required and some significant structural remediation works to the aging building would likely be required', if the TGA were to remain in Symonston.⁴
- 2.11 In addition, Health told the Committee that the specialist plant and equipment servicing the laboratories will be close to thirty years old by the end of the current lease.⁵

² Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 1.

³ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 1.

⁴ Department of Health, *Submission 1*, p. 8.

⁵ Department of Health, *Submission 1*, p. 8.

2.12 Health stated that:

Advice received from engineering experts indicates that several of the building services require replacement or upgrading to meet modern standards, should TGA remain in the building beyond the existing lease expiry.⁶

Under the existing (status quo) triple net lease arrangement, the TGA is responsible for all repairs and maintenance costs of the Symonston facility. The current annual lease costs are approximately \$11.7m. This is comprised by rental costs of \$6.5 million per annum and associated outgoings of approximately \$5.2 million per annum.⁷

2.13 Health told the Committee that due to the changing requirements of the TGA, the TGA require less laboratory space than previously, allowing for an opportunity to downsize in a new location.⁸

2.14 Health stated that:

...the proposal will provide the TGA with modern purpose-built laboratory facilities with more flexible designs and updated modern office accommodation as well, with greater staff amenity in the buildings and precinct, and it will provide these for the long term.⁹

Options considered

2.15 In their submission Health stated that in 2019-20 they undertook a two-stage approach to market to identify the best value for money solution to meet its needs, from the expiry of the existing Symonston lease (30 June 2022). This resulted in nine competitive lease offers, which were shortlisted to three proposals for new buildings.¹⁰

2.16 Health also considered an unsolicited offer by the existing landlord (Cromwell Group) to refurbish the current building in Symonston.¹¹

2.17 Health noted that:

⁶ Department of Health, *Submission 1*, p. 8.

⁷ Department of Health, *Submission 1*, p. 7.

⁸ Department of Health, *Submission 1*, p. 8.

⁹ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 1.

¹⁰ Department of Health, *Submission 1*, p. 5.

¹¹ Department of Health, *Submission 1*, p. 5.

The type of work undertaken by the TGA in the laboratories does not allow for accommodation in CBD areas, due to land use permissions associated with the Crown Lease. Based on the TGA's activities, it must be located in an industrial zoned area. In the ACT, these areas include Hume, Symonston, Fyshwick, and Majura (including the airport).¹²

- 2.18 At the conclusion of the second procurement stage, Health selected the Canberra Airport Group's proposal as preferred.
- 2.19 Health state that the 'new proposed leases combined represent a reduction in NLA [Net Lettable Area] of around 4,800 square metres (or 26 per cent) compared with the current Symonston facility.'¹³
- 2.20 As well as providing a new facility for the specialist TGA workforce, the proposed facility will serve as Health's second ACT campus with a capacity for around 730 employees in total. Health stated that this 'provides its broader workforce with flexibility of preferred work location and additional amenity, and the Department itself with a business continuity solution away from the main Woden Headquarters campus.'¹⁴

Scope of the works

- 2.21 The proposal at Fairbairn Business Park is comprised of two separate buildings, an 8,500 m² office building, and a 5,200 m² laboratory with the two connected by a covered walkway.¹⁵ The office has the capacity to accommodate up to around 730 employees.¹⁶
- 2.22 Health stated in their submission that the proposed office fitout works includes:
- Integration of services into the base building works including electrical, air-conditioning, ventilation, lighting control, voice and data communications, audio visual equipment, security, fire, and hydraulic services.
 - Office accommodation including partitioning for individual office, meeting and conference rooms, reception areas, utility and storerooms, secure rooms,

¹² Department of Health, *Submission 1*, p. 5.

¹³ Department of Health, *Submission 1*, p. 5.

¹⁴ Department of Health, *Submission 1*, p. 6.

¹⁵ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 2.

¹⁶ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 2.

training rooms, break-out and staff amenities (including end of trip facilities) and communication and equipment rooms.

- Workstations including desks, team storage units and personal lockers. Power cables will be reticulated in the workstation screens while data will be predominantly wireless.
- Loose furniture.¹⁷

2.23 Health told the Committee that:

- the office fitout is aligned with the principles of the department's New Ways of Working Initiative, which focuses on improved information and communications technology, enhanced collaboration spaces and a variety of work settings.¹⁸
- the large floor plates in the office building will be connected through a central core that will include the base building lift, bathroom facilities and stairs allowing vertical connectivity between floors.¹⁹
- the current approach includes a ratio of premium ergonomic workstations of seven workstations for every 10 employees. In addition, staff will also have access to 3-4 informal collaborative settings, 3-4 formal collaboration settings (meeting and project rooms) and 2-3 networking/social settings.²⁰

2.24 The proposed scope of the laboratory fitout includes:

- Delivery of services including electrical, air-conditioning, ventilation, lighting control, voice and data communications, audio visual equipment, security, fire and hydraulic services.
- Laboratory accommodation including three main work zones being: office and workstations, main laboratories, and support laboratories.
- The laboratory accommodation will be of a standard to support certification under section 90 of the Gene Technology Act 2000 and to the standards of the Gene Technology Regulator, as Physical Containment level 2 (PC2).
- The support laboratory space will consist of general wet and dry laboratories, instrument, equipment and other support rooms.

¹⁷ Department of Health, *Submission 1*, p. 15.

¹⁸ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 2.

¹⁹ Department of Health, *Submission 1*, p. 15.

²⁰ Department of Health, *Submission 1*, p. 16.

- Workstations including desks, team storage units and personal lockers. Power cables will be reticulated in the workstation screens while data will be predominantly wireless.
- Loose furniture.²¹

2.25 Health stated that the laboratory fitout is highly specialised and is being finalised in close consultation with staff, based on the TGA's requirements, the main users of the laboratory.²²

Staff consultation

2.26 At the public hearing Health told the Committee that:

Over the course of 2019, the engineers who did the functional design brief spent a lot of time with TGA staff across the organisation, talking to staff about the functions of the TGA and the needs of individual areas, and, in particular, the laboratory staff spent a huge amount of time with the engineers talking through our functions et cetera. Staff had the opportunity to talk through workflow issues, how the current building serves us or doesn't serve us and what we would need in the future to future-proof our functions. In addition to that, the TGA has run an accommodation committee throughout the course of 2019 with representatives from the areas across the Therapeutic Goods Administration, including health and safety representatives. The progress of the project was discussed at that accommodation committee. At this point in time, there are workshops being held with the TGA staff around the interior design of the office building. The laboratory staff have already been through that process.²³

2.27 Health further added that:

There's been a range of consultations with staff on the accommodation specifically and working through detailed designs. In terms of this particular presentation and this particular proposal, this has been discussed with our National Staff Participation Forum, which includes representatives from the Community and Public Sector Union, as well as particular staff networks, including the Pride Network, our Aboriginal and Torres Strait Islander and Indigenous Network, and also disability and carers networks. We've undertaken talking it through with staff to make sure that their views are

²¹ Department of Health, *Submission 1*, pp. 17-18.

²² Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 2.

²³ Dr Lisa Kerr, Assistant Secretary, Laboratories Branch, Department of Health, *Committee Hansard*, 30 October 2020, p. 3.

heard and incorporated into the designs and the proposal to make sure that it works for both our workforce and the department.²⁴

- 2.28 In its submission, Health stated that to date, staff feedback ‘has indicated a strong preference for continued remote working, with staff preferring to undertake individual/focused activities remotely.’²⁵ As a result Health noted that ‘the design focuses the workplace towards collaborative and team activities, while still providing work settings for focused work when required.’²⁶
- 2.29 When questioned by the Committee about what issues or concerns had been raised by staff in response to the proposal, Health stated that it had received some questions about the availability of parking and public transport, and clarification about which staff would be relocating to Fairbairn.²⁷
- 2.30 Health told that Committee that with regards to staff relocations the ‘office accommodation is very much firming towards it being for TGA staff. The laboratory building, of course, will be exclusively for the TGA's access and use.’²⁸
- 2.31 In response to questions from the Committee about the availability of parking and public transport, Health noted ‘there are 2,000 car spots available nearby...which means more car spots are available than are available at the current Symonston site.’²⁹ Health further noted that under the terms of the current lease at Symonston, staff were not charged for parking, however, at the new site staff would be required to pay for parking

²⁴ Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch, Department of Health, *Committee Hansard*, 30 October 2020, p. 3.

²⁵ Department of Health, *Submission 1*, p. 16.

²⁶ Department of Health, *Submission 1*, p. 10.

²⁷ Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch, Department of Health, *Committee Hansard*, 30 October 2020, p. 3.

²⁸ Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch, Department of Health, *Committee Hansard*, 30 October 2020, p. 4.

²⁹ Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch, Department of Health, *Committee Hansard*, 30 October 2020, pp. 3-5.

at a rate of \$900.00 per annum.³⁰ The Airport Business Parks website indicates an annual cost of \$1,550³¹/ \$42.50 per week.³²

2.32 Health stated that it will be actively consulting with the Community and Public Sector Union (CPSU) on the project and the broader New Ways of Working initiative, and 'the CPSU will be invited to attend design workshops and project meetings as a key stakeholder representing a significant proportion of the Department's workforce'.³³

2.33 With regards to the ongoing impacts of COVID-19 on workplaces, Health stated:

Fitout density will be managed in accordance with physical distancing advice in relation to current and future pandemic responses.³⁴

The facility will allow for occupancy of up to 730 while maintaining appropriate social distancing in line with current public health advice, both in the context of sitting at your desk and in the context of moving through the building and using shared facilities—kitchens, breakout facilities, meeting rooms et cetera.³⁵

Cost of the works

2.34 Department of Health's proposed fitout of new leased premises at Fairbairn Business Park, Canberra Airport, has an estimated total cost of \$60.7 million, exclusive of GST.³⁶

2.35 The estimate total capital out turned cost is comprised of \$18.6 million for the office building and up to \$42.1 million for the laboratory facility.³⁷

³⁰ Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch, Department of Health, *Committee Hansard*, 30 October 2020, p. 6.

³¹ Airport Business Parks, *Parking*, <<https://airportbusinessparks.com.au/parking/>> accessed 27 November 2020.

³² Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 7.

³³ Department of Health, *Submission 1*, p. 28.

³⁴ Department of Health, *Submission 1*, p. 10.

³⁵ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 2.

³⁶ Department of Health, *Submission 1*, p. 6.

³⁷ Department of Health, *Submission 1*, p. 6.

- 2.36 Health provided further details on project costings in its confidential submission and during an in-camera hearing.
- 2.37 In its submission, Health noted that:
- The whole-of-life costs associated with the leases is \$365 million (excluding GST), representing a \$101 million saving on a whole-of-life basis, or \$3.8 million a year (escalating annually), against the current building.³⁸
- 2.38 At the public hearing Heath told the Committee that the proposal ‘will deliver savings for the Commonwealth of over \$100 million compared with existing arrangements.’³⁹
- 2.39 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

Revenue

- 2.40 There will be no direct revenue generated by the project.

Committee comment

- 2.41 The Committee recognises the important role of the TGA in regulating therapeutic goods in Australia, particularly in light of the ongoing pandemic, and is understanding of the specific needs of the TGA in fulfilling its role.
- 2.42 The Committee notes the age of the current facility out at Symonston and is appreciative of the need for the laboratory to be located in an area zoned for industrial activity. The Committee recognises that this has placed limitations on the number of sites that could be considered as part of the proposal. More generally, the Committee believes that greater detail should have been provided on the option of the Commonwealth building, owning and operating a new laboratory.
- 2.43 The Committee was pleased to see that staff had been consulted as part of the design process, and staff feedback had influenced the design of the fitouts. The Committee encourages Health to continue engaging with staff throughout the process and work with representatives to resolve any issues that arise.

³⁸ Department of Health, *Submission 1*, pp. 5-6.

³⁹ Mr Paul McCormack, First Assistant Secretary, Financial Management Division, Department of Health, *Committee Hansard*, 30 October 2020, p. 1.

- 2.44 All entities relocating staff to new sites should consider the availability of parking and transport options, and the potential increased cost this may place on staff.
- 2.45 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

Recommendation 1

- 2.46 **The Committee recommends that the House of Representatives resolve, pursuant to section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Department of Health's Proposed Fitout of New Leased Premises at Fairbairn Business Park, Canberra.**
- 2.47 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.

3. Services Australia Proposed Fitout of New Leased Premises at 52–62 King William Street, Adelaide

- 3.1 Services Australia (the Agency) seeks approval from the Committee to proceed with the proposed fitout of New Leased Premises at 52–62 King William Street, Adelaide. The aim of the project is to provide office accommodation to support the consolidation of the Agency’s five Adelaide sites (six leases) in 2023 in accordance with the Whole of Government Leasing Strategy.¹
- 3.2 The estimated cost of the project is \$53 million (excluding GST).
- 3.3 The project was referred to the Committee on 7 October 2020.

Conduct of the inquiry

- 3.4 Following referral, the inquiry was publicised on the Committee’s website and via media release.
- 3.5 The Committee received one submission and one confidential submission. A list of submissions can be found at Appendix A.
- 3.6 On 23 November 2020, the Committee conducted a project briefing, public and in-camera hearing via teleconference. A transcript of the public hearing is available on the Committee’s website.

¹ Services Australia, *Submission 1*, p. 5.

Need for the works

- 3.7 Services Australia is 'responsible for the provision of essential government services including delivering Centrelink, Medicare and Child Support programs for the Australian Government.'²
- 3.8 The Agency currently leases 30,307.5 m² of office accommodation providing 2,482 work points across five sites (six leases) in Adelaide. All of the current sites are within five kilometres of one another, with four of the five sites located within the Adelaide Central Business District.³ The locations of the five current Services Australia locations in Adelaide are listed below:
- 55 Currie Street;
 - 22 Pulteney Street;
 - 100 King William Street;
 - 191 Pulteney Street; and
 - 209 Greenhill Road, Eastwood.⁴
- 3.9 The Agency has assessed that maintaining five separate sites 'is inefficient, costly and would require significant investment to ensure existing amenity meet policy and operational standards.'⁵
- 3.10 In addition, the existing five sites are approaching the end of their useful life and Agency's told the Committee that in order to 'ensure efficient and cost effective performance for the next 15 to 20 years', significant base building and fit-out refurbishments would be required.⁶
- 3.11 In their submission to the inquiry, the Agency stated that the key objectives of the proposed works will be the realisation of operational and financial benefits including:
- a fit for purpose property solution for the consolidation of Agency sites in Adelaide to support the continuation of Agency operations over the longer term

² Services Australia, *Submission 1*, p. 4.

³ Services Australia, *Submission 1*, p. 4.

⁴ Mr Robert Towner, National Manager, Property Branch, services Australia, *Committee Hansard*, 23 November 2020, p. 5.

⁵ Services Australia, *Submission 1*, p. 6.

⁶ Ms Annette Musolino, Chief Operating Officer, Services Australia, *Committee Hansard*, 23 November 2020, p. 1.

- a cost effective, value for money outcome for the Commonwealth through a reduction in the number of leases and outgoings
- the delivery of an A-grade building amenity which meets Commonwealth energy and waste management targets
- achieving efficiencies through an average work point density of 11.8 m² — with consideration for physical distancing — which is below the Commonwealth occupation density requirement of 14 m² per occupied work point
- provide an environment to support staff wellbeing, productivity, connectivity and collaboration.⁷

3.12 At the public hearing, Services Australia confirm that there would be no impact on face-to-face services as a result of the proposal, as none of the five current sites provide face-to-face services direct to the public.⁸

Options considered

3.13 In their submission, Services Australia stated that:

Consultation with the Department of Finance and the subsequent approach to market identified that there are no existing buildings available in Adelaide within the timeframe to provide the required 28,500 m² of office accommodation. The open market approach and supporting Cost Benefit Analysis indicated the most beneficial option is to enter a lease associated with the construction of a new building at 52–62 King William Street.⁹

3.14 Services Australia stated in their submission that they considered the following five options for the project:

- Option 1: Status Quo
- Option 2: Existing Commonwealth Leases or owned properties
- Option 3: Alternative funding arrangements
- Option 4: Build own operate buy
- Option 5: New construction or existing vacant premises (preferred option)¹⁰

⁷ Services Australia, *Submission 1*, pp. 6.

⁸ Mr Robert Towner, National Manager, Property Branch, services Australia, *Committee Hansard*, 23 November 2020, p. 5.

⁹ Services Australia, *Submission 1*, p. 6.

¹⁰ Services Australia, *Submission 1*, pp. 7-8.

- 3.15 In comparing the cost of renewing the current leases against the proposed consolidated lease at King William Street, maintaining the status quo was more costly and would not enable the Agency to bring its occupational density in line with the government targets.¹¹
- 3.16 Additionally the Agency would also be required to refurbish its five existing sites (six leases) in 2023 as the 'average timeframe for refurbishment of the agency's non-face-to-face premises is 12–15 years'.¹²
- 3.17 Services Australia state that:
- The option to relocate to surplus leased government space in the Adelaide CBD was explored and was not possible as the Department of Finance confirmed there is no existing Commonwealth leased or owned accommodation in Adelaide that could accommodate the operational requirements of the Agency.¹³
- 3.18 The option for an alternative funding arrangement was marked as not applicable by Services Australia, as the 'funding for the lease and fitout of the proposed new building will be from the agency's approved property operating expenses, capital budgets and incentive contributions.'¹⁴
- 3.19 Services Australia stated that the capital funding to support Option 4: build own operate buy, was 'not readily available within the Agency's existing annual allocations', and would be uncertain through the Budget process risking the delivery of the project within the required timeframes.¹⁵
- 3.20 The Agency further notes that:
- Additionally, a new development would require the Commonwealth to identify and acquire an appropriate site which would add significant risk to achieving a new development prior to the expiry of current leases.¹⁶
- 3.21 In their submission Services Australia stated that the preferred option, Option 5: new construction or existing vacant premises, offered the best

¹¹ Services Australia, *Submission 1*, p. 7.

¹² Services Australia, *Submission 1*, p. 8.

¹³ Services Australia, *Submission 1*, p. 8.

¹⁴ Services Australia, *Submission 1*, p. 8.

¹⁵ Services Australia, *Submission 1*, p. 8.

¹⁶ Services Australia, *Submission 1*, p. 8.

‘value for money for the Commonwealth’,¹⁷ ‘maximises efficiencies and provides close access to a wide range of surrounding amenities for staff.’¹⁸

- 3.22 Services Australia stated in their submission that a ‘Request for Tender process was undertaken, which resulted in four viable proposals for consolidation into a single building’, and the ‘financial and qualitative analysis indicated the 52–62 King William Street proposal provided the best value for money’ option.¹⁹

Scope of the works

- 3.23 The proposed building is a new commercial office development comprising of 15 floors (42,902 m²) located within Adelaide’s central business district.
- 3.24 Services Australia proposes to occupy 28,500 m² office accommodation (70 per cent) across floors 1- 10 of the building, which includes the following:
- ground floor lobby with provisions for a guarding desk, security turnstiles and waiting area
 - 30 secure parking spaces, including one accessible space
 - 228 bike spaces
 - first aid and multi-function carers/prayer rooms²⁰
 - 2,420 workpoints, at 11.8 m² per workpoint ²¹
- 3.25 In their submission, Services Australia stated that typical materials and finishes used in the fitout will include ‘glass for office and meeting room partitions, plasterboard walls, fabric panels on workstation screens, timber veneer or laminate finishes to workstations and meeting tables’. In addition, the fitout will be delivered using the Agency’s existing panel arrangements for furniture.²²

- 3.26 The Agency noted that:

¹⁷ Services Australia, *Submission 1*, p. 8.

¹⁸ Services Australia, *Submission 1*, p. 9.

¹⁹ Services Australia, *Submission 1*, p. 7.

²⁰ Services Australia, *Submission 1*, p. 10.

²¹ Mr Robert Towner, National Manager, Property Branch, services Australia, *Committee Hansard*, 23 November 2020, p. 2.

²² Services Australia, *Submission 1*, p. 11.

Acoustic performance criteria has been incorporated into the fitout brief to ensure adequate noise insulation between offices, meeting rooms, training rooms and other work spaces. Attention will also be given to air-conditioning detailing to reduce noise from moving air and mechanical plant.²³

- 3.27 The fitout works also includes a range of hydraulic and electrical services in compliance with statute and regulations.²⁴

Staff consultation

- 3.28 In its submission, Services Australia stated that ‘in developing the design plans, it has undertaken extensive consultation and interactive design sessions with business areas to understand priorities and requirements and ensure the design plans and the overall project meet business needs.’²⁵
- 3.29 Services Australia noted that ‘Senior Executives were consulted on the preferred outcome, including the preferred accommodation solution and its alignment with workforce requirement.’²⁶ In addition, the Agency noted that that ‘consultation with staff has also informed the fitout design’ and staff would continue to be engaged up until relocation.²⁷
- 3.30 In response to questions from the Committee about the availability of parking and public transport, the Agency stated that currently staff had access to 154 free parking spaces. Of these spaces, 36 were located within the Adelaide central business district and 118 were located at the Eastwood site. Comparatively, the new proposal at King William Street only includes 30 dedicated parking spaces.²⁸
- 3.31 Services Australia told the Committee that while staff had acknowledged that there would not be free parking available at King William Street, the new building was only 200-600 metres from four of the current sites, and 3.4 kilometres from the Eastwood site.²⁹

²³ Services Australia, *Submission 1*, p. 12.

²⁴ Services Australia, *Submission 1*, pp. 11-12.

²⁵ Services Australia, *Submission 1*, p. 16.

²⁶ Services Australia, *Submission 1*, p. 17.

²⁷ Services Australia, *Submission 1*, p. 17.

²⁸ Services Australia, Response to Questions on Notice, *Supplementary Submission 1.2*, p. 3.

²⁹ Services Australia, *Supplementary Information*, p. 3.

- 3.32 With regards to the availability of public transport at the new site, Services Australia told the Committee that:

The proposed new building is well situated near public parking and transport options for staff, with public parking facilities within 200 metres, the Adelaide Railway Station within 400 metres, numerous bus stops along King William Street, and the Glenelg tram line operating along the middle of King William Street through the city centre.³⁰

- 3.33 Services Australia stated that it had been actively engaging with the Community and Public Sector Union (CPSU) regarding staff relocations since 27 November 2018, and would continue to engage with the CPSU throughout the relocation process.³¹
- 3.34 When questioned by the Committee if the CPSU had raised any issues or concerns in response to the proposal, Services Australia stated that it was 'not aware of any concerns'.³²
- 3.35 With regards to the ongoing impacts of COVID-19 on workplaces, Services Australia stated that 'The Agency has ensured physical distancing, accessibility and sustainability measures have been integrated into the fit-out's design'.³³ When asked by the Committee if staff would be required to hot-desk under the new proposal, Services Australia responded that 'Hot-desking is not part of our current thinking, because of COVID-19'.³⁴
- 3.36 Due to the delivery of essential services, Services Australia told the Committee that while some staff had successfully worked from home during the COVID-19 pandemic³⁵ (approximately 25 per cent),³⁶ the Agency had 'determined that staff are required to attend the workplace in order to meet

³⁰ Services Australia, Response to Questions on Notice, *Supplementary Submission 1.2*, p. 3.

³¹ Mr Ian Fitzgerald, General Manager, People Division, Services Australia, *Committee Hansard*, 23 November 2020, p. 3.

³² Mr Ian Fitzgerald, General Manager, People Division, Services Australia, *Committee Hansard*, 23 November 2020, p. 5.

³³ Ms Annette Musolino, Chief Operating Officer, Services Australia, *Committee Hansard*, 23 November 2020, p. 1.

³⁴ Mr Ian Fitzgerald, General Manager, People Division, Services Australia, *Committee Hansard*, 23 November 2020, p. 3.

³⁵ Mr Ian Fitzgerald, General Manager, People Division, Services Australia, *Committee Hansard*, 23 November 2020, p. 3.

³⁶ Mr Ian Fitzgerald, General Manager, People Division, Services Australia, *Committee Hansard*, 23 November 2020, pp. 2-3.

functional and operational requirements, and deliver customer services and ensure system security'.³⁷ However, the Agency stated that its 'experience with working from home during COVID-19 has been a good one and leads to optimism about what is possible in the future.'³⁸

Cost of the works

- 3.37 Services Australia's proposed fitout of new leased premises at 52–62 King William Street, Adelaide, has an estimated total cost of \$52,997,340, exclusive of GST.³⁹
- 3.38 Services Australia told the Committee that funding for the fitout costs will be met from their capital budget.⁴⁰
- 3.39 The Agency provided further details on project costings in its confidential submission and during an in-camera hearing.
- 3.40 Services Australia told the Committee that:
- The proposal will deliver considerable operational efficiencies for the Agency through the co-location of staff, and the consolidation and rationalisation of leases. Operational savings will also be achieved through the implementation of high energy efficient technologies in the new building.⁴¹
- 3.41 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent entity.

Revenue

- 3.42 There will be no direct revenue generated by the project.⁴²

Committee comment

- 3.43 The Committee was pleased to see that staff had been consulted as part of the design process, and staff feedback had influenced the design of the

³⁷ Services Australia, *Submission 1*, p. 4.

³⁸ Mr Ian Fitzgerald, General Manager, People Division, Services Australia, Services Australia, *Committee Hansard*, 23 November 2020, p. 3.

³⁹ Services Australia, *Submission 1*, p. 17.

⁴⁰ Services Australia, *Submission 1*, p. 17.

⁴¹ Services Australia, *Submission 1*, p. 18.

⁴² Services Australia, *Submission 1*, p. 18.

fitout. The Committee encourages Services Australia to continue engaging with staff and the CPSU throughout the process.

- 3.44 All entities relocating staff to new sites should consider the availability of parking and transport options, and the potential increased cost this may place on staff.
- 3.45 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 3.46 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

Recommendation 2

- 3.47 **The Committee recommends that the House of Representatives resolve, pursuant to section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed works: Services Australia's Proposed Fitout of New Leased Premises at 52–62 King William Street, Adelaide.**
- 3.48 Proponent entities must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.

Mr Rick Wilson MP

Chair

A. List of Submissions

Department of Health - Proposed fitout of new leased premises at Fairbairn Business Park, Canberra

- 1 Department of Health
 - 1.1 Supplementary to submission 1

Services Australia - Proposed fit out of new leased premises at 52–62 King William Street, Adelaide

- 1 Services Australia
 - 1.1 Supplementary to submission 1
 - 1.2 Supplementary Submission, Response to Questions on Notice

B. List of Public Hearings and Witnesses

Department of Health, Proposed fitout of new leased premises at Fairbairn Business Park, Canberra

Friday, 30 October 2020– via Teleconference

Department of Health

Mr Paul McCormack, First Assistant Secretary, Financial Management Division,

Ms Gillian Mitchell, First Assistant Secretary, Regulatory Practice & Support Division

Mr Bernard Philbrick, Assistant Secretary, Financial Business Support Branch

Dr Lisa Kerr, Assistant Secretary, Laboratories Branch

Mr Stephen Oxford, Executive Director, Synergy Group

Mr Paul Wilkin, Associate Director, TSA Management

Services Australia, Proposed fit out of new leased premises at 52–62 King William Street, Adelaide

Monday, 23 November 2020– via Teleconference

Services Australia

Ms Annette Musolino, Chief Operating Officer

Mr Robert Towner, National Manager, Property Branch

Mr Byron Linn, Sustainability Director, Property Branch

Mr Brenton Halliday, National Manager, Debt Management Branch

Mr Ian Fitzgerald, General Manager, People Division

Ms Lily Viertmann, General Manager, Portfolio Shared Services

Mr Andrew Park, Associate Director, MBM (Quantity Surveyor)

Mr Simon Stockfeld, Regional Development Director, Charter Hall Group

Mr Shane Sweet, Relationship Director, Jones Lang LaSalle (JLL) Australia

Mr Andrew Read, Ex Director Accounts, Jones Lang LaSalle (JLL) Australia