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Financing and Administration
of Property Owned or Leased
Overseas by the
Commonwealth Government

Report

172

Joint Committee of
Public Accounts

Report 172

Financing and Administration of Property Owned or Leased Overseas by the Commonwealth Government

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SEVENTY-SECOND REPORT

FINANCING AND ADMINISTRATION OF PROPERTY OWNED OR
LEASED OVERSEAS BY THE COMMONWEALTH GOVERNMENT

Australian Government Publishing Service
CANBERRA 1978.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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The House of Representatives appointed its members on 1 March 1978 and the Senate appointed its members on 22 February 1978

- (1) Discharged 2.5.78.
- (2) Appointed 2.5.78, Discharged 18.10.78
- (3) Appointed (ex-officio) 14.3.78.
- (4) Discharged 28.9.78
- (5) Appointed 28.9.78
- (6) Appointed 18.10.78
- (7) Discharged 17.8.78
- (8) Appointed 17.8.78

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 reads as follows:

8. The duties of the Committee are -
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the Audit Act 1901-1950;
 - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
 - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
 - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

CONTENTS

<u>CHAPTER</u>		<u>PAGE</u>
1	Introduction, Summary and Recommendations	1
2	Functions and Organisation	19
3	Reorganisation of the Overseas Property Bureau	26
4	Accommodation Standards	29
5	Acquisition and Disposal of Land and Property	31
6	Motor Vehicles	33
7	Furniture and Fittings	35
8	Leasing	38
9	Maintenance and Utilities	43
10	Construction	45
11	Recreation Facilities	49

ANNEXES

1.A	Dates of Hearings and list of witnesses	51
1.B	Information provided to the Committee	55
2.A	Number of owned and leased properties overseas	58
2.B	Functions of the Overseas Property Bureau	59
2.C	Functions of the Overseas Property Committee	60
2.D	Department of Foreign Affairs Administration Circular. Ombudemen	61
2.E	Financial arrangements of OOB	62
4.A	Grading of Heads of Mission residences	64
4.B	Extract from Public Service Board Annual Report 1978	68

<u>ANNEXES</u>	<u>PAGE</u>
5.A Acquisition of Overseas Accommodations: background paper by OOB	70
5.B Acquisition of property in Manchester	81
5.C Acquisition of property in Dublin	84
5.D Disposal of land and property. Hong Kong, Osaka, Vietnam, Los Angeles and Montreal	88
8.A Purchase of Land	89
8.B Delegations to Heads of Mission	90
8.C Delegations to Heads of Mission to approve Leases	91
8.D Los Angeles: Leasing of Office Accommodation	92
9.A Total Expenditure on maintenance and Services for all Posts	93
9.B Type of maintenance difficulties encountered in Chanceries	94
9.C Payment of Utilities for Australian based officers Overseas	95
9.D Maintenance of New Embassy Premises, Paris	96
10.A Program of Construction	100
10.B Copy of correspondence relating to relationship between OWB and OPB:	101
10.C Submission by the Department of Construction	106
10.D Details of construction projects: Paris, Osaka, Tokyo, Washington and Bangkok	113
12 References to Transcript and other Evidence	116

CHAPTER 1

INTRODUCTION, SUMMARY AND RECOMMENDATIONS

1.A INTRODUCTION

Background to the Overseas Operations Branch (OOB)

1.1. An Overseas Property Bureau was first proposed in 1960 when Sir William Dunk, then Chairman of the Public Service Board, undertook an overseas visit and recommended to the Prime Minister an improvement in Australia's overseas office and residential accommodation standards and methods of management. Until then the provision of accommodation was the responsibility of the various Departments represented overseas. Australia House, London, was the first property purchased under the jurisdiction of the Prime Minister's Department. The other properties, few in number, owned by Australia were managed by the Department of Foreign Affairs or Overseas Trade.

1.2. Throughout the 1960's a number of general observations were made by the Public Service Board's officers, following overseas inspections, that the fragmented approach to property management should be absorbed. The Auditor-General's 1967-68 Report criticised some aspects of overseas property management and following examination of this Report in 1969 by the Public Accounts Committee it was decided that Commissioner Collings of the Public Service Board should undertake an overseas visit in 1970 and make recommendations on new administrative arrangements.

1.3. Mr Collings reported that the management of overseas property, under the administrative arrangements existing at that time, lacked drive and purposeful management. After discussions and meetings between Mr Collings and the Permanent Heads of the Treasury, Foreign Affairs, Trade and Industry, Prime Minister and Cabinet, Immigration and Works an Overseas Property Bureau was proposed. It was suggested that the OPB should assume overall responsibility for the provision, management and maintenance of the Commonwealth's overseas office and residential accommodation. However, it should be flexible and independent.

1.4. In 1971 the Prime Minister set up the Bureau under the management of the Vice-President of the Executive Council but it was abolished within the year. In 1972 it was again set up within the Department of Environment, Aborigines and the Arts where its responsibility was for the "Acquisition and leasing of property outside Australia and the Territories for Commonwealth Purposes; management of property so acquired and leased". It had not real power until 1972 when it was transferred to the Department of Services and Property.

1.5. In October 1974 the Bureau came under the control of the Department of Foreign Affairs and remained there until December 1975 when it was transferred

to the Department of Administrative Services. In December 1976 the Bureau became a new Branch of the Department of Administrative Services and was designated the Overseas Operations Branch.

1.8 SUMMARY AND RECOMMENDATIONS

1.6. Over the last two years the Public Accounts Committee has conducted an intensive inquiry into the financing and administration of overseas property managed by the Commonwealth Government. This property, whether owned or leased, is presently administered by the Overseas Operations Branch of the Department of Administrative Services, and provides residential and office accommodation for Australian based Commonwealth Public Servants serving overseas in an official capacity.

1.7. The original inquiry was into the operations of the Overseas Property Bureau. However, in late 1976 this was abolished and its staff and functions amalgamated with the Property and Survey Division of the Department of Administrative Services. The Committee was most disturbed by the circumstances of this reorganisation and comments at length later in this report. Following the reorganisation, the Committee reopened the inquiry and broadened it to include organisations representing officers and their families serving overseas.

Administrative Arrangements

1.8. Under the present arrangements the body formally administering overseas property is the Overseas Operations Bureau. This function has been with 5 departments since the establishment of the OPB in late 1973. (The Committee is of the opinion that this almost continuous series of changes in administrative arrangements has detracted from the efficiency of the operation.)

1.9. The administration of overseas property is with the Department of Administrative Services which sees two advantages in this arrangement:

- The management of Commonwealth property within Australia as well as overseas property are brought together; and
- The Department is 'neutral' in as much that it plays a mediating role in any disputes between user departments.

On the first point, the Committee feels that whilst there are some similarities, between Australian and Overseas property administered by the Commonwealth, the peculiarities involved in overseas property administration are such that it should be regarded as a separate function. Law and custom overseas is reflected only rarely in Australian practice. In relation to the

Concept of 'neutrality', the Committee feels that this should be balanced against the advantages of having overseas property administered by a Department whose officers are actual consumers of the service offered.

1.10. In the course of the inquiry the Committee became aware of the isolation and alienation experienced by officers and their families overseas, and consequently advocates strongly that the administration of property be conducted with as much humanity and responsiveness to officers' needs as possible. The Committee feels that this could be best achieved by locating the administration of overseas property as close to the consumers of the service as possible.

1.11. The Committee accepts that there is some validity in the claim that the administering body should be 'neutral'. However, the Department of Foreign Affairs is responsible for property administration, by virtue of common service arrangements, so far the greater proportion of posts 'neutrality' is largely theoretical. It appears to the Committee that the arrangement of having overall policy control in the Department of Administrative Services and day-to-day routine control in the client departments creates unnecessary administrative complications. It would be preferable if all functions were performed by the same Department where possible.

1.12. Further the Committee feels that as a general principle all administrative arrangements should be simplified, and has concluded that the number of Departments involved in the administration of overseas property is far too great and economies could be made by a less complex chain of control. The Committee received much evidence indicating that the present administrative process leading to a decision involved several Departments. This process led to expensive delays as well as frustration for overseas staff.

The Committee is still unclear why control of overseas property was taken from the Department of Foreign Affairs in December 1976 as examination of evidence does not appear to have warranted such change.

RECOMMENDATION NO 1 - THE FUNCTION OF ADMINISTERING OVERSEAS PROPERTY SHOULD BE UNDER THE CONTROL OF THE MINISTER FOR FOREIGN AFFAIRS.

Reorganisation of the Overseas Property Bureau

1.13. During the course of the inquiry the Overseas Property Bureau was abolished and its functions transferred to the Property and Survey Division of the Department of Administrative Services. These changes occurred in November and December 1976, yet the Public Accounts Committee was not notified of the reorganisation until 3 February 1977. The Committee feels that such a delay in notification was a gross discourtesy, not only to the Committee,

but to the Parliament itself. The Committee's investigation into the operations of the Overseas Property Bureau was made far more difficult by the reorganisation than otherwise it would have been.

1.14. The Committee has serious doubts about the justification for the abolition of the Bureau. The Secretary of the Department of Administrative Services, Mr Lawler, indicated that the operations previously carried out by the Bureau would continue unchanged and that the reorganisation was not meant to imply any criticism of the performance of the Bureau. The Committee certainly did not receive any evidence from user Departments that the new arrangements have enhanced the efficiency of the management of overseas property.

1.15. When the Bureau was abolished its Director (Second Division, Level 3), was placed on the unattached list and subsequently promoted to another Department. A Director of Commonwealth Property (Second Division, Level 6) has since been appointed, who is responsible both for domestic and overseas property. The most senior officer dealing exclusively with overseas property is an Assistant Director (Level 1). The Committee shares the concern of the Departments of Foreign Affairs and Trade and Resources that overseas property problems would be best handled by a senior officer whose sole responsibilities are overseas property matters. The Director of Commonwealth Property of necessity must divide his attention between domestic and overseas property and the Committee believes this is to the detriment of the efficient management of overseas property. Further the Committee agrees with those consumer departments which argue that the new arrangements place overseas property administration in a less advantageous position when competing for funds.

RECOMMENDATION NO 2 - THE OVERSEAS PROPERTY BUREAU BE
RECONSTITUTED IN SIMILAR FORM TO THAT OPERATING PRIOR
TO DECEMBER 1976.

Policy on Property Acquisition

1.16. The Committee took much evidence which pointed to the long term benefits of the Commonwealth owning property rather than leasing. Evidence was presented which demonstrated that earlier decisions to purchase and construct rather than lease had resulted in great savings to the Commonwealth. The Committee was concerned to find in some countries the Commonwealth was forced to lease properties at exorbitant rentals which enabled landlords to amortise capital costs over periods as short as five years; e.g. Lagos and Algiers. In such cases in the medium and long term it is more economic to purchase or build than continuing to lease. The Committee believes that the Commonwealth should own 75 per cent of the properties occupied overseas. While being aware of the current financial restraint on the acquisition of new property, the Committee urges strongly a policy of selected acquisition of property at those posts where medium to long term

economic gain is apparent. Care should be exercised that when purchasing a non-commercial property the Commonwealth should have a controlling interest. However, the Committee does not believe that property should be purchased in areas of political instability or where cheap suitable leased accommodation is available. When a purchasing program is introduced it should be funded over a longer term than the present financial year. This will provide some protection from the 'stop-go' effects of annual budgeting in an area where long lead times for construction and purchases are normal. The Committee had some reservations about compound style accommodation. While they recognised the need for security and the best utilisation of acquired land it felt there is a need for Trade and Political officers to live outside compounds and thus keep closer contact with the local people.

The Committee agrees with the findings of the Royal Commission into Australian Government Administration which said:

"...the Bureau's policy of purchasing a high percentage of residential accommodation met with approval at missions visited and the standard of owned residences was excellent. However, there can be drawbacks in too high a percentage of ownership. It would be wise to have a small buffer zone of rental accommodation to meet special needs and changing establishment patterns. In countries where the indefinite presence of Australian representatives cannot be assured, the level of ownership should be low. If it is high that may well be an inhibiting factor in reducing or closing mission as efficiently as should be."

(P.P.No. 188/1976, p.411)

RECOMMENDATION NO 3 - A LONG TERM PROGRAM OF PROPERTY ACQUISITION BE INSTITUTED AIMED AT REDUCING THE BURDENS OF CONTINUING HIGH RENT PAID FOR OVERSEAS PROPERTY. SUCH A PROGRAM SHOULD HAVE A ROLLING FUNDING ARRANGEMENT BASED ON A THREE OR FIVE YEAR PROGRAM, TO PROVIDE A DEGREE OF AUTONOMY NOT EVIDENT UNDER THE PRESENT ARRANGEMENTS.

Financial Restraints

1.17. While the Committee acknowledges that financial restraint is a part of current Government policy, where strict application of expenditure review procedures leads to serious diseconomies it should be reported to the Parliament. Evidence was received indicating that the effect of Department of Finance directives requiring that all new expenditure and any increases in existing expenditure must be examined by the Department of Finance, has effectively centralised the administration of overseas property in that Department. What may, in Australia, appear to be an acceptable review procedure becomes unwieldy and cumbersome when applied to expenditure

overseas. In the case of leases on property, virtually all approvals now must come from Canberra, resulting in hardship for officers and their families while they wait in hotels. These delays often mean that any potential savings are illusory because officers must be housed in expensive hotel accommodation for protracted periods.

1.18. These revised Finance procedures have caused a de facto centralisation of the decision-making processes in Canberra and the withdrawal of the delegated authority previously granted to Heads of Mission. As stated earlier the Committee believes that complex administration is costly and time consuming and must be avoided where possible.

RECOMMENDATION NO 4 - AS A MATTER OF URGENCY THE OVERSEAS PROPERTY COMMITTEE MEET WITH THE DEPARTMENT OF FINANCE TO STREAMLINE THE PROCEDURES FOR THE REVIEW OF EXPENDITURE OVERSEAS. NEW PROCEDURES SHOULD BE INTRODUCED WHICH WILL RETURN THE PREVIOUSLY DELEGATED AUTHORITY OVER PROPERTY ADMINISTRATION TO HEADS OF MISSION.

Decentralisation of Authority

1.19. As indicated this inquiry took place during a period of greater financial restraint which has altered the normal relationships between the administering authority in Canberra and the posts. The Committee accepts that in the interests of public accountability and efficient property management there must be some overall control from Canberra, particularly in the setting of accommodation standards. However, the Committee is of the view that property administration should, as much as possible, be controlled near to the clients. The Committee is of the opinion that since Heads of Mission are entrusted with representing Australia overseas, then it should not be necessary to oversight closely their most basic administrative decisions. The evidence suggests that there are considerable hidden costs in referring trivial matters back to Canberra for approval, and any potential savings in accommodation or maintenance costs are offset by the costs of administering these control processes. Further the Committee firmly believes that since the purpose of providing accommodation overseas is to enable Australian officers to carry out their duties, it is of vital importance that property be administered with efficiency and tolerance. This can only be achieved if officers know that decisions can be taken at the post, not referred back to Canberra.

RECOMMENDATION NO 5 - THE OVERSEAS PROPERTY COMMITTEE, IN CONSULTATION WITH THE DEPARTMENT OF FINANCE AND THE PUBLIC SERVICE BOARD, THOROUGHLY REVIEW PROPERTY ADMINISTRATION PROCESSES WITH A VIEW TO DELEGATING AS MUCH ADDITIONAL AUTHORITY AS PRACTICABLE TO HEADS OF MISSION.

1.20. The Committee was pleased to note the initiative of the Department of Foreign Affairs in establishing a departmental ombudsman to handle complaints from individual officers when they feel they have a grievance. Property

matters, especially relating to residential premises, can greatly affect the morale of officers and their families, the Committee feels it is of utmost importance that every attempt be made to ameliorate problems arising from administration of property. The Committee was told of the operation of property committees at some posts which have allowed a degree of involvement by officers and their wives in administrative procedures relating to domestic property.

RECOMMENDATION NO 6 - ALL DEPARTMENTS WITH SUBSTANTIAL OVERSEAS REPRESENTATION DESIGNATE A SENIOR OFFICER AS OMBUDSMAN TO HANDLE GRIEVANCES OF INDIVIDUALS ARISING FROM THE ADMINISTRATION OF OVERSEAS PROPERTY. PROVISION SHOULD BE MADE FOR THESE DEPARTMENTAL OMBUDSMEN TO HAVE REGULAR ACCESS TO THE DIRECTOR OF THE OVERSEAS OPERATIONS BRANCH.

RECOMMENDATION NO 7 - ALL POSTS ESTABLISH REPRESENTATIVE PROPERTY COMMITTEES WITH PROPER MINUTES BEING KEPT TO ENSURE ADEQUATE STAFF INVOLVEMENT IN PROPERTY ADMINISTRATION AT THEIR POST.

Accommodation Standards

1.21. The Committee accepts that it is very difficult to set standards of accommodation which generally satisfy the aspirations of the staff but do not involve the Commonwealth in excessive expenditure. There are many interpretations of what is a reasonable standard to accept, but the Committee maintains that all officers should be housed in a way which enables them to carry out their duties efficiently. The present standards are based on a Canberra norm, as set out in the 1966 Census. From this base, standards - either up or down - are set for officers of different rank. Where officers are required to perform representational duties, the standards are raised to include larger entertainment areas. The Committee accepts the practical necessity for some base from which to work, but it is disturbed that this is related to statistics now 12 years out of date.

1.22. The Committee was informed that the area standards and rent ceilings are being interpreted so as to cause reasonable leasing and purchase proposals to be rejected where the properties in question were slightly above the standard or ceiling. The Committee deplores this attitude which involves increased administrative and human costs when families are housed in expensive hotels while proposals are closely examined. It feels that the savings involved in the strict interpretation of standards are illusory and cause much frustration at the posts. The Committee welcomes flexibility in applying standards, especially using aggregated area standards rather than a formula of dimensions for each room. This approach should be taken further and the present standards used as guidelines only. The Head of Mission should be given authority to decide whether or not a particular property falls within the guidelines. The Committee feels that even with the best

intentions, Canberra accommodation standards are not applicable to many countries nor can Canberra based staff appreciate the climatic, cultural, political, security and economic factors which will affect the interpretation of the guidelines. While acknowledging that a relationship exists between area standards and rent ceilings, the Committee feels that where there is some discrepancy, rather than rejecting the proposal outright, there should be some flexibility allowed to approve the lease, subject to review.

RECOMMENDATION NO 8 - THERE BE AN OVERALL REVIEW OF ACCOMMODATION STANDARDS WITH A VIEW TO UPDATING THE DATA ON WHICH THE BASE STANDARD IS SET. PROCEDURES SHOULD BE DEVELOPED WHICH GIVE HEADS OF MISSION GREATER FLEXIBILITY TO INTERPRET THE STANDARDS IN THE LIGHT OF LOCAL CONDITIONS.

Reciprocal Land Rights

1.23. In Canberra, successive Commonwealth Governments have made land available for other nations to construct chanceries. However, this generosity has rarely been reciprocated and the Government has been forced to purchase expensive land in the capitals of nations provided with land in Canberra at nominal cost.

RECOMMENDATION NO 9 - WHEREVER POSSIBLE RECIPROCAL LAND TENURE BE NEGOTIATED BY THE GOVERNMENT FROM THOSE NATIONS PROVIDED WITH SITES IN CANBERRA.

Leasing

1.24. There are two systems of leasing accommodation overseas, private and Government. Where the Government leases accommodation in its own name, rent is paid by the post from an appropriation to the Department of Administrative Services. All leased office accommodation and most leased residential accommodation is managed this way. In North America and the United Kingdom residential accommodation is leased privately by the officers and they are paid an allowance through their salaries to cover the cost of the accommodation. The Committee was concerned to find that a uniform system of leasing had not been evolved and examined closely the relative advantages of the two systems. In favour of the Government lease system being extended, the following arguments were presented:

- officers should not spend undue time at a new post searching for private accommodation. This should be done by experienced administrative staff preferably before the officers arrive;
- a uniform system of leasing should be more efficient, and provide greater control with the OGB able to utilize its expertise and professional experience;

- money spent on leasing would be far easier for Parliament to scrutinise if it was covered by one appropriation;
- it would ensure that all officers are housed at a standard desirable for staff representing the nation;
- officers seeking private leases would be at a disadvantage where they were not familiar with the language and legal system;
- Government leases can be taken over a much longer term than private with consequent administrative economies;
- where rentals are required in advance this poses a severe financial strain on the officers; and
- under private leasing arrangements it is more difficult for officers to negotiate maintenance arrangements and retrieve any bond paid to the landlord.

In the favour of the private leasing system, the Committee was told that private leasing gives the officer a degree of choice as to accommodation and also reduces the administrative responsibility of the post for providing residential accommodation and maintenance. The Committee examined all the arguments, noting that both consumers and administrators favoured the Government leasing system.

RECOMMENDATION NO 10 - THE SYSTEM OF PRIVATE LEASING OF RESIDENTIAL ACCOMMODATION IN NORTH AMERICA AND UNITED KINGDOM BE PHASED OUT AND LEASING PROCEDURES STANDARDISED AT ALL POSTS.

1.25. The Committee was most surprised that the function of setting rent ceilings still lay with the Public Service Board. As stated earlier, the Committee is most critical of the large number of agencies involved in overseas property administration and the consequent diseconomies involved. The Report of the Royal Commission into Australian Government Administration (p.411) recommends:

In order to place full responsibility for all overseas accommodation in the one authority the Public Service Board should delegate to the Bureau the function of determining rent ceilings.

RECOMMENDATION NO 11 -- THE SETTING OF RENT CEILINGS BE TRANSFERRED FROM THE PUBLIC SERVICE BOARD TO THE ORGANISATION RESPONSIBLE FOR THE OVERALL ADMINISTRATION OF OVERSEAS PROPERTY.

1.26. The Committee took evidence indicating that some officers in Government owned and leased accommodation cause quite considerable damage to the properties. This is especially so where pets are kept indoors. At the present time the Overseas Operations Branch can move to recover costs from officers who damage property, but there is difficulty establishing what is fair wear and tear on property and furnishings. The Committee feels that officers occupying Government accommodation should be required to pay a bond which will give them a financial incentive to keep the property in good condition.

RECOMMENDATION NO 12 -- AUSTRALIAN-BASED OFFICERS OCCUPYING GOVERNMENT RESIDENTIAL OR LEASED ACCOMMODATION OVERSEAS SHOULD BE REQUIRED TO PAY A BOND REFUNDABLE ON LEAVING THE PREMISES IN GOOD CONDITION.

Maintenance

1.27. In the course of the inquiry the Committee received considerable evidence that the current financial restraints had cut back expenditure on maintenance to such an extent that virtually no maintenance on property is carried out. Witnesses from the Overseas Operations Branch, consumer departments, the Foreign Affairs Wives' Association and the Foreign Affairs Officers' Association all commented on the adverse effects of this. The Committee was told of the serious deterioration of Government property because of the lack of maintenance funds. Lack of provision of adequate funds will certainly lead in the long term to greater expense as major repairs become necessary. In the Committee's opinion, short term economies in maintenance are illusory, since it is a fundamental tenet of responsible property management that a certain level of expenditure is necessary to protect property investments.

1.28. The current 'stop-gap' policies appear to barely meet obvious problems like broken furniture and faulty electrical appliances. While it is in the interests of staff morale that this work be given priority, the Committee is disturbed that structural maintenance to buildings is not being carried out. The proposed program of routine maintenance inspection appeared to the Committee to be useful and its deferment is a short sighted move, forced by the need for immediate economies.

RECOMMENDATION NO 13 -- MAINTENANCE FUNDS BE INCREASED IMMEDIATELY TO ENABLE REGULAR MAINTENANCE INSPECTIONS TO BE MADE AND STRUCTURAL REPAIRS TO BE CARRIED OUT.

1.29. Under the present system of funding, maintenance and utilities come from the same vote. Each post is appropriated monies for a certain level of spending, but the very nature of utilities require that they be paid in full and on time. Maintenance expenditure on the other hand is somewhat more flexible and the Committee believes that while the two are linked, then maintenance funding will bear the brunt of the financial restraints.

RECOMMENDATION NO 14 - THE DEPARTMENT OF FINANCE DIVIDE
THE MAINTENANCE AND UTILITY VOTE INTO SEPARATE
APPROPRIATIONS.

Motor Vehicles

1.30. The Committee was generally satisfied with the provision of vehicles at overseas posts. While it favours the use of Australian made vehicles in posts, it accepts that this is only possible in countries where Australian vehicles are marketed and where spares and maintenance are available.

In the interests of representation, it is usual that the Head of Mission have available a car of some prestige. However, it is of concern to the Committee that individual Heads of Mission can influence the choice of vehicle without regard for local conditions.

RECOMMENDATION NO 15 - ALL VEHICLES ACQUIRED FOR OVERSEAS
MISSIONS BE PURCHASED WITH CRITERIA APPLICABLE TO CONDITIONS
AT THE POST.

Furniture and Furnishings

1.31. The Commonwealth Government, in theory, provides all furniture and equipment for Australian based officers resident overseas. Standards of furnishings provided are set out in intricate detail in the Manual of Overseas Property, but the Committee was pleased to find that, there was some flexibility in the interpretation of these standards. This is especially important when an officer of a certain rank is replaced by one of a different rank and the incoming officer moves into a residence furnished to a different standard as laid down in the manual. In cases like these the furnishings are not changed and the Committee commends the flexibility in applying standards. The Committee was concerned that the situation could arise where an officer and his family are accommodated without their full furniture entitlement. This can happen when an outgoing officer leaves fully furnished leased accommodation and the incoming officer is required to take up partly or unfurnished premises. In these circumstances the Committee urges posts and the OGB to act resourcefully to provide furniture, preferably before the officer takes up residence.

The Committee noted that the OGB said that it furnishes all residences with reasonably good quality materials, fairly neutral patterns and colours. Assurances were given that no officers, whatever their rank, are allowed to

refurbish residences merely to suit their own tastes, and the Committee strongly endorses this.

1.32. There was some criticism of the system of inventories of furniture, crockery and cutlery for every Government residence overseas. Both administrators and consumers found these inventories clumsy, time-consuming and occasionally unfair. Occasionally items of furniture were so vaguely described that an officer could be disadvantaged. The Committee was pleased to learn that the use of a small computer would eliminate many problems in maintaining these detailed lists manually.

1.33. The system of providing furniture in North America was of some concern to the Committee. It was felt that the payment of allowances for leasing furniture was an unnecessary expense. The Observer from the Public Service Board said that the companies leasing out furniture amortised the purchase cost over two years. Given the large number of Australian-based officers in North America, the Committee believes that considerable savings could be made if furniture was provided by the Commonwealth Government. It is felt that the added cost of transporting furniture from one residence to another when a new lease is taken would be minimal in comparison to cost of renting furniture.

RECOMMENDATION NO 16 - THE PRIVATE LEASING OF FURNITURE FOR POSTS IN NORTH AMERICA BE DISCONTINUED AND THAT THE FURNITURE BE PROVIDED AS IN OTHER COUNTRIES.

1.34. The Committee believes that for representational purposes it may be desirable to have Australian made furniture in reception and entertainment areas. When furnishing chanceries and Heads of Mission residences, the relative costs of providing Australian furniture for these areas should be examined, and as long as the differential is reasonable it should be favoured. For office and residential use, the Committee feels that "knocked-down" furniture from Australia should be investigated to determine whether it is cost competitive with furniture of equivalent standard supplied at the post. The supply of glassware and cutlery of Australian manufacturer should also be considered closely.

RECOMMENDATION NO 17 - WHERE POSSIBLE AUSTRALIAN FURNITURE AND FABRICS BE USED IN RECEPTION AND ENTERTAINMENT AREAS OF CHANCERIES AND HEADS OF MISSION RESIDENCES. TENDERING SPECIFICATIONS SHOULD BE DESIGNED TO GIVE REASONABLE ACCESS TO AUSTRALIAN MANUFACTURERS.

1.35. The Foreign Affairs Wives Association gave evidence to the Committee that electrical appliances in many posts were in a state of disrepair and it was difficult to get skilled tradesmen to repair them. These problems were exacerbated by the difficulty in getting funds to purchase new equipment. The Committee is of the opinion that where there are major breakdowns of appliances at posts where tradesmen are unavailable, the DOB should consider immediate replacement. It appears to the Committee that the provision of

electrical appliances in hardship posts is generally unsatisfactory and is the cause of much discomfort. It is suggested that the OOB investigate the possibility of bulk buying of electrical goods and more effective methods of maintaining them in working order. The Committee appreciates that in many cases it is more expensive to maintain than replace electrical equipment. More flexibility is required in the use of funds for capital costs and maintenance purposes.

Works of Art

1.36. In the course of the inquiry the Committee was told that there was no comprehensive list of the works of art on loan to posts and Heads of Mission from the National Gallery. It is of great concern to the Committee that such art works are not under closer control and recommends to the Overseas Operations Branch and the National Gallery that they co-operate to produce an inventory as a matter of urgency. Furthermore the Committee was disturbed to hear that the Overseas Operations Branch does not inspect art works when its officers visit overseas posts. The Committee seeks an assurance that this oversight will be rectified to protect a part of the nation's artistic heritage.

RECOMMENDATION NO 18 - INVENTORIES OF WORKS OF ART AT POSTS SHOULD BE ESTABLISHED IMMEDIATELY AND THE POLICY OF ISSUING SUCH ITEMS TO INDIVIDUALS SHOULD CEASE.

Construction

1.37. Policies towards overseas construction projects have changed considerably. In the period 1972-75, the Government put a higher priority on such construction than is present. The Committee was disturbed to find the administrative arrangements established in a climate of high construction activity are still in existence despite major changes in Government priorities. The existence of the Overseas Works Branch (OWB) of the Department of Construction solely to advise the OOB on overseas construction projects is, in the Committee's opinion, unnecessary and the professional staff in the OWB could be better employed by the Department of Construction. They should be available if technical advice on overseas projects is needed.

RECOMMENDATION NO 19 - THE OVERSEAS WORKS BRANCH OF THE DEPARTMENT OF CONSTRUCTION BE DISBANDED AND ITS STAFF ABSORBED IN THE DEPARTMENT. WHEN MAJOR OVERSEAS CONSTRUCTION PROJECTS ARE BEING UNDERTAKEN THE PROFESSIONAL STAFF OF THE DEPARTMENT SHOULD BE MADE AVAILABLE TO ADVISE ON TECHNICAL MATTERS.

1.38. The Committee was surprised to find that outside consultants were being engaged by the OOB when such expertise existed in the Department of Construction. Such duplication of expertise in the Committee's opinion is a

significant drain on public funds and must be avoided as much as possible. Guidelines should be promulgated to rationalise the ratio of private to departmental consultancies. Such guidelines would allow both the OOB and the Department of Construction to predict fairly accurately the future need for consultancy services and budget accordingly.

RECOMMENDATION NO 20 - THE OVERSEAS PROPERTY COMMITTEE AND THE DEPARTMENT OF CONSTRUCTION CONFER TO RATIONALISE THE PROCEDURES RELATING TO THE ENGAGEMENT AND MANAGEMENT OF PROFESSIONAL CONSULTANTS FOR OVERSEAS CONSTRUCTION PROJECTS.

The Committee was disturbed to find that professional officers of the Department of Construction were required to submit their claims for travel to the Overseas Visits Committee. Construction projects require professional inspection and the Committee believes that in the short term savings by restricting travel could involve long term expenses in projects being inadequately supervised from Australia.

RECOMMENDATION NO 21 - WHERE OFFICERS OF THE DEPARTMENT OF CONSTRUCTION ARE BEING EMPLOYED AS CONSULTANTS TO THE OOB THEIR TRAVEL PROPOSALS SHOULD NOT REQUIRE AUTHORISATION BY THE OVERSEAS VISITS COMMITTEE.

The Committee notes with interest the suggestions from the Department of Construction on cost control of construction projects. These suggestions appear in Annex 10.C and the Committee wishes to draw them to the attention of and invites comment from the Department of Administrative Services and the Overseas Property Committee.

During the inquiry the Committee was told that the OOB was considering the use of prefabricated dwellings to provide accommodation in those posts where leasing or purchasing is difficult. The Committee endorses this approach believing that it could possibly avoid the payment of high advance rentals in cities like Lagos and Algiers.

The Committee was disturbed that the Washington Chancery, completed in 1969, was undergoing expensive extensions due to miscalculations in the initial planning. In the present extensions three floors will be unused when construction is complete but it cannot be easily leased because the necessary security arrangements were not anticipated. This appears to the Committee to demonstrate a lack of foresight in the planning of the Washington project. Further, the Committee was disturbed to find that the Department of Foreign Affairs had no clear idea when it proposed to transfer all staff from New York to Washington. It is most disturbing to learn that the Australian Government owns unoccupied office space in Washington while leasing office space in New York.

The Committee endorses the current practice of constructing office accommodation which has the maximum flexibility in the placement of internal partitions. It is considered that such flexibility is necessary because of the changing demands on office accommodation over the years.

Recreation Facilities

The Committee appreciates that in certain hardship posts, there is a need to provide recreation facilities for Australian based officers because they do not have available to them the facilities that are considered normal in most societies. On the information provided to the Committee it appears that most of the expenditure on recreation facilities is justified. The Committee expects that staff from the United States and British Missions should be given access to Australian facilities in return for the hospitality given to Australian Staff in other posts.

The Committee was most surprised to be told that a swimming pool had been constructed at leased premises in Jeddah. The Committee finds it most difficult to accept that no alternative existed to donating an expensive swimming pool to the landlord, who increased the rent. The Committee regards this as misuse of public monies.

Purchase of Residential Properties at Dublin and Manchester

1.39. The Committee took evidence on the purchases of properties at Dublin and Manchester, criticised in the Auditor-General's Report 1975-76. At Manchester a property was purchased costing A\$103 980 which required renovations costing A\$28 800 before being suitable for occupancy. The officer involved and his family was accommodated in a hotel for 10 months at a cost exceeding A\$17 000.

1.40. In Dublin, after a long search a property was purchased for A\$88 970. Subsequently it was found to have extensive wet rot and wood worm infestation. Repairs and renovations costing A\$24 000 were made and with legal difficulties securing title it was a year before the house could be occupied. Settling-in allowances of over A\$26 000 were paid, some without authority. The payment of these settling-in-allowances were investigated by the Committee in its inquiry into the Auditor-General's Report 1975-76 and reported on in the Committee's 167th Report.

Manchester

1.41. Many aspects of the purchase of the property in Manchester concern the Committee. From the evidence given there appears to have been a serious underestimate of the renovations needed to make the property suitable for occupancy. With a purchase price of A\$103 000 the Committee finds it difficult to accept that the property was a good purchase if it needed over A\$28 000 for renovations. The Committee was told that when the proposal was made the property was described as needing 'minimal' renovations, a claim that appears to have been quite misleading.

1.42. The Committee was disturbed at the high cost of providing alternative accommodation for the Trade Commissioner and noted that settling-in-allowances were authorised by the Department of Trade and Resources, not the Public Service Board as is the case in other Departments. These allowances were paid without scrutiny by any regulatory authority.

RECOMMENDATION NO 22 - THE AUTHORITY TO APPROVE EXTENSIONS OF SETTLING-IN ALLOWANCES SHOULD BE TRANSFERRED FROM THE DEPARTMENT OF TRADE AND RESOURCES TO THE PUBLIC SERVICE BOARD IN LINE WITH THE PRACTICE THROUGHOUT THE COMMONWEALTH PUBLIC SERVICE. THE TRADE COMMISSIONER ACT SHOULD BE AMENDED ACCORDINGLY.

1.43. Evidence given to the Committee indicated that the Overseas Property Bureau was given some six months warning of the need to purchase in Manchester, yet it passively waited until a proposal was received before acting. This delay was most expensive and the Committee does not accept the explanation that the Manchester property market was so unique to justify this delay in acting.

RECOMMENDATION NO 23 - ACQUISITION PROCEDURES BE FLEXIBLE ENOUGH TO ALLOW SELECTION AND PURCHASE OF PROPERTY WHEN SUCH NEED CAN BE ANTICIPATED.

Dublin

1.44. The Committee was presented with a considerable amount of evidence on the situation at Dublin, both in this inquiry and in the inquiry into the Auditor-General's Report 1975-76. The Dublin problems were complex and always seemed to the participants to be on the point of solution. The Committee appreciates that in hindsight the mistakes made are much easier to identify than they were at the time.

1.45. The Committee was most surprised that the discovery of the woodworm and wet rot in Hatley House which had been selected for purchase early in November 1974 took until 23 April 1975. The Committee feels that a layman purchasing a house would have considered an aspect so fundamental as the state of the floorboards in the purchase of any property. That this was not done, either by the Bureau's property officer who selected the house, or by the Post's administrative officer who had considered over 50 other properties is a matter of concern to the Committee.

1.46. The Committee accepts the explanation that the architect's unsatisfactory report misled the Post into recommending the purchase of Hatley House. However it appears to the Committee that the architect's report was far too cursory to enable an adequate judgement to be made on such an expensive acquisition. It is noted that the Bureau has improved its procedures relating to the engagement of consultants, particularly in the amount of detail to be provided. The Committee expects that in future, consultants will be asked specifically to describe the state of floors and

walls, etc. The fact that the architect described the property in glowing terms does not excuse the Post for its similarly optimistic purchase proposal, including such vague statements as "The House is one on which we could spend little or a lot before occupancy". The Committee is concerned that a purchase proposal including such observations was accepted by the Bureau without serious question. The Committee is most disturbed that an architect was engaged whose professional competence must be in some doubt.

RECOMMENDATION NO 24 - IN SELECTING CONSULTANTS AT POSTS, THE ADVICE OF THE APPROPRIATE PROFESSIONAL ASSOCIATION SHOULD BE SOUGHT TO ENSURE THAT THE MOST REPUTABLE CONSULTANT IS CHOSEN.

1.47. The legal problems involved with the purchase of Hatley House contributed in a large part to the delay in occupancy. The Committee believes that these problems were avoidable. It is felt that present purchase procedures do not provide enough detail on the title of properties.

RECOMMENDATION NO 25 - ALL PURCHASE PROPOSALS BE ACCOMPANIED BY A PRECISE REPORT ON THE LEGAL STATUS AND THE TITLE OF THE PROPERTY.

1.48. Given the very long time before title was established to Hatley House, the Committee is surprised that the Bureau did not withdraw from the sale when it first became obvious that there would be considerable delays. It is noted that quite soon after the decision was made to purchase, the builder had reported that the property needed rewiring (contrary to the architect's report) and at that stage had quoted a quite substantial cost for this work and necessary renovations. This initial report along with the legal problems appear to indicate that the occupancy of Hatley House would take a long time and involve considerable building costs as well as the costs in providing the Counsellor with interim accommodation. The Committee believes that the Bureau with its experience in property matters should have recognised the problems with the purchase and withdrawn from it before any binding commitment was made.

1.49. The purchase of the properties in Manchester and Dublin illustrates the Bureau's reliance on administrative staff at small posts. In both cases the purchases were substantial and more significantly, both involved extensive and expensive renovations with long delays necessitating costly interim accommodation. While it is obvious that the Bureau must rely on the post staff to administer property matters, the Committee considers that the Bureau should have been more active in supervising these purchases. Given the amounts involved, the Committee is surprised that the Bureau did not send an experienced officer to the posts to attempt to resolve the problem.

1.50. The Committee was most disturbed to find that the Bureau was prepared to accept purchase proposals with apparently open ended commitments to costly renovations. Also the Committee was not satisfied that in both these cases

the Bureau fully investigated the total costs involved in the purchase, that is purchase cost, together with renovation costs and the cost of 'short-term' accommodation.

RECOMMENDATION NO 26 - PRIORITY SHOULD BE GIVEN TO THE PURCHASE OF RESIDENTIAL PROPERTIES AVAILABLE FOR EARLY OCCUPATION AT MINIMUM COST.

CHAPTER 2

FUNCTIONS AND ORGANISATIONS

2.1. The Overseas Property Bureau was established in April 1971 as a part of the then Department of the Vice-President of the Executive Council. The Overseas Property Bureau was responsible for the acquisition, management and disposal of property and arranging for the construction of buildings overseas for Australian Government purposes. The Bureau was established to concentrate these functions in one agency, and to handle the growing requirements of Australia's overseas representation as a professionally-based organisation applying modern technical and management methods to property overseas. Since its establishment the Bureau has been attached to a number of Departments as follows:

April 1971	Department of the Vice-President of the Executive Council
May 1971	Department of the Environment, Aborigines and the Arts
Dec. 1972	Department of Services and Property
Sept. 1974	Department of Foreign Affairs
Dec. 1976	Department of Administrative Services

2.2. Following a review of the structure of the Department, the Public Service Board decided that the domestic and overseas property functions, together with the Survey Branch should be amalgamated into a new Property and Survey Division. Consequently, the administration of the overseas construction program, provision of property services and financial management for overseas property, were consolidated in that Division in December 1976. The Overseas Operations Branch of the Property and Services Division (formerly the Overseas Property Bureau) is responsible for property matters concerning overseas posts. This division is also responsible for the residual property interests of the Australian Government in Taiwan. Furthermore, the Overseas Operations Branch services all staff attached to overseas missions and also provides property services for a number of small detached elements of the Department of Defence serving overseas.

2.3. The Bureau became operational in about November 1973 when it began to assume progressive responsibility for the property management at overseas posts. By April 1974, it was responsible for all property management at posts.

Policy

2.4. The Government's long-term aim is for the maximum ownership of its overseas property where practicable and economically possible. To achieve this aim will take many years since Australia's present ownership position is relatively modest. Australia rents or owns property in 102 cities throughout the world at 31 December 1977. It owned 23 chancery and office buildings and leased 104 others. It also owns 363 residential premises and leases or rents 830. It owns also 25 vacant land sites and three new embassy buildings are currently under construction. Since the Bureau began operations the amount of government-owned property overseas has increased from approximately 17 per cent to 30 per cent. A table setting out the number of owned and leased properties appears as Annex 2.A.

The policy on ownership briefly stated is to:

- (I) Achieve a high proportion of ownership of property where appropriate by construction;
- (II) Establish an annual purchase and construction program in consultation with user departments in order to determine expenditure priorities;
- (III) Endeavour, in so far as specific cases permit or require, to obtain suitable land in order to determine expenditure priorities and to meet future construction and expansion needs.

A more detailed outline of the policy on acquisition appears as Annex 5.A.

2.5. It was stated that these policies have to be adapted to the circumstances and needs of each post. Although the policy is to own embassy and other properties overseas there are sometimes practical, economic or political considerations which make purchase impossible or economically unattractive. This latter factor has been demonstrated by some of the immense increases in capital values that have occurred in the last 20 years, for example:

- A 4.38 acre site in Tokyo, owned by the Australian Government has been unofficially and conservatively valued at between \$12-14 million. Most of this site was purchased in 1952 for \$640 000. The rest was bought in 1974 for \$359 000.
- A residence bought in 1952 for the Senior Trade Commissioner in Tokyo on a 0.3 acre block for \$24 000 is now considered to have a market value of \$1 million.

Land was purchased in Hong Kong in 1960 for \$33 072 to construct a block of apartments. With the changed operation of the Mission in Hong Kong and a number of other factors, it was decided not to proceed with the construction. The block of land was sold in September 1976 for \$1.5 million.

2.6. It was also stated that constructing buildings has advantages in providing accommodation appropriate to requirements. The accommodation in both office and staff residences is planned to conform as far as practicable with guidelines agreed upon by the Department of Administrative Services, the Public Service Board and the Departments of Construction and Finance.

Functions

2.7. The Administrative Arrangements Order of 5 October 1976 provides that the Minister for Administrative Services is responsible, inter alia, for:

"Acquisition, leasing and disposal of land and property including office accommodation in Australia and overseas and arranging for the construction of buildings overseas for Commonwealth Government purposes. Control, use and management of land and property including office accommodation in Australia and overseas for Commonwealth Government purposes."

A more detailed description of the functions of the Overseas Property Bureau before it had been amalgamated into the Property and Survey Division is given in Annex 2.B.

Organisation and Staff

Overseas Property Bureau

2.8. The Bureau was functionally divided into the following three Branches with administrative support.

Operations Branch - responsible for acquisition, development of construction proposals, leasing and maintenance of office and residential accommodation, supply of furniture and fittings and supply and maintenance of motor vehicles.

Policy and Programming Branch - development of policy and procedures including production of manuals; formulation and control of financial program relating to acquisition, leasing, construction and maintenance.

Technical Services Branch - provision of professional and technical advice to the Bureau and user departments relating to building, siting, design, construction and maintenance of Australian Government buildings overseas.

2.9. Following the reorganisation of the Bureau these arrangements were changed. In a letter of 9 February 1977 setting out the new arrangements, the Secretary of the Department of Administrative Services wrote:

"Operational, technical and financial programming aspects of overseas property will in future be the responsibility of the Overseas Operations Branch, Property and Survey Division; policy development and project work for both overseas and domestic property will be undertaken in the Planning and Review Branch. These branches will be headed by Assistant Secretaries (Level 1). The former position of Director (Level 3) Overseas Property Bureau, has been abolished as has been the position of Assistant Director (Level 1) in charge of the Policy and Programming Branch of the former Overseas Property Bureau."

2.10. In June 1976 the Branch had 56 officers, and on a comparable basis 49 in June 1977. By May 1978 this had fallen to 48, leaving the OOB in a similar staffing position to the rest of the Department of Administrative Services, although better off in its Senior Third Division classifications. In framing the original establishment of the Bureau, the Public Service Board specified formal qualifications only for the professional engineering positions in the Technical Services Branch. The occupants of the remaining positions were drawn from the second, third and fourth divisions of the Commonwealth Public Service. They have a variety of related qualifications including engineering, valuation and economics. Others have a wide background of experience in government real property administration.

2.11. Immediately before the Bureau accepted responsibility for Australian Government property matters, the major operating departments had the following staff occupied on duties directly associated with the overseas property functions:-

Foreign Affairs	30
Overseas Trade	8
Immigration	2
	<hr/>
Total	40

2.12 A comparative assessment of staff numbers is difficult because each user departments had ancillary staff engaged in financial management, administration and other property services. Furthermore, the Department

claims that the Bureau had undertaken responsibilities such as the major construction programs, the provision of technical advice direct to the Departments and posts, and the development of effective estate management techniques, additional and supplementary to those undertaken by the user departments.

2.13. In the formulation of detailed organisation proposals, consideration was given to the establishment of regional outposts of the Bureau with functional responsibility for a number of posts. It was decided however, that central control, coupled with regular post inspections, would be more effective and economical. The intention was that on average, each post should be visited once annually. The visiting property inspector:-

- (a) reviews property interests, including an examination of property strategies, maintenance requirements etc.
- (b) provides advice and guidance on current property issues, including major proposals; and
- (c) conduct the more important purchase and lease negotiations.

At the post level, detailed property administration is undertaken by the post administrative staff as part of the Common Services Arrangements. In addition to specific advice and directions from the OOB the posts are guided by the determinations of the OOB on standards for office and residential accommodation, and related matters promulgated in the Manual of Overseas Property.

Overseas Property Committee

2.14. The OOB is advised by the Overseas Property Committee, an interdepartmental committee, which comprises representatives of the Department of Foreign Affairs, Department of Finance, Overseas Trade, Immigration and Ethnic Affairs, Construction, Defence and the Public Service Board.

A detailed statement of the functions of the Overseas Property Committee is made in Annex 2.D.

2.15. The OOB submitted draft programs to the Overseas Property Committee for its consideration and comments, and as a result the OOB's program was on occasion changed. As a service organisation the OOB has to have careful regard to the fact that it had to provide a service to its client departments, and although up to the time of the inquiry unanimous conclusions had always been reached, the OOB was responsible for the final decision.

Common Service Arrangements

2.16. By Ministerial directive on 1 July 1974 the administrative facilities of the overseas posts were pooled. Previously each Department made its own

arrangements for its staff overseas on payrolls, property matters and other administrative matters. The new arrangements, called Common Service Arrangements, meant that all departments overseas used the facilities of either the Department of Foreign Affairs or the Department of Trade. This, in effect, means that the OOB has only two clients.

2.17. Witnesses from all departments involved in the Committee's inquiry expressed satisfaction with the Common Service Arrangements and the operation of the OOB. The observer from the Department of Trade and Resources told the Committee that his Department was responsible for the administration of 12 posts and there were 47 other posts (out of a total of 95) where his officers were administered by the Department of Foreign Affairs. He believed that under the new arrangements whereby the OOB is independent of its major clients, his department is better served.

2.18. Under the Common Service Arrangements, the OOB does not deal with client departments directly, but the administrative staff at the posts, whether they be from Foreign Affairs or Trade and Resources. Communications between the OOB and the posts are monitored by the parent department, which on occasion will intervene on some specific issue where it believes the OOB should give special consideration.

Feedback and Complaints

2.19. The OOB monitors the effectiveness of its administration in the following ways:

- by regular property inspections when property inspectors interview staff about property matters;
- when Heads of Mission return to Australia they discuss property matters with the OOB;
- when administrative officers return from overseas posts they are debriefed by the OOB;
- the OOB consults regularly with senior officers of the client departments through the Overseas Property Committee.

2.20. The Department of Foreign Affairs established a position of ombudsman in 1970 to handle grievances of officers and bring them to the attention of the Department if warranted. This position is not limited to handling property matters but any grievances the officer may have. The Department said that to date, the service had not been utilised very much by officers. The circular setting out the functions of the ombudsman appears as Annex 2.D. All officers in the Commonwealth Public Service have appeal provisions against administrative decisions and theoretically these can be used for complaints relating to overseas property administration. Most of these problems are solved at the post level and are rarely referred back to Canberra.

2.21. The OOB actively seeks 'grass roots' opinion from the post prior to planning a major construction project. Some posts have formal staff committees to discuss property matters and they service the function of making individual staff members and their dependants feel that they play a role in the decision process on property matters. The views of these staff committees and their contact with senior OOB staff is regarded by client departments as being of great importance in maintaining staff morale. The Foreign Affairs Wives Association told the Committee that they sought a greater level of consultation with the OOB than at the present time. The FAWA wants to be involved in the planning of new residential compounds, furnishings and representational kits.

An observer from the Department of Foreign Affairs expressed concern that the recent decreases in the number of OOB visits may limit the opportunity for feedback and make staff feel isolated from the decisions being made.

Decentralisation

2.22. In the course of the inquiry the Committee was repeatedly informed of the effects of financial restraints on delegated authority. The flexibility given to Heads of Mission to approve new expenditure has been almost entirely removed by the regulatory agencies in Canberra which closely examine all expenditure. Often such review procedures lead to long delays in making decisions and in the case of leasing premises such delays can often lead to officers and their families being accommodated in hotels at great cost.

2.23. A witness from the Bureau told the Committee that Heads of Mission have considerable delegation of authority, including financial delegation. The Bureau relies on the staff at overseas posts to conduct the routine property matters and consequently a system of delegations has been formalised. Mr Henderson from the Department of Foreign Affairs explained that property problems occupy a large proportion of the time of Heads of Mission, and their administrative staff. He said that the problems involved in running the post could not be solved by training ambassadors in administrative techniques but rather by developing procedures by which the advice individual ambassadors receive will produce the best administrative result.

CHAPTER 3

RE-ORGANISATION OF THE OVERSEAS PROPERTY BUREAU

3.1. In its inquiry into the Overseas Property Bureau, the Committee held five hearings. Early in December 1976 the Committee learned unofficially that the Bureau was to be re-organised and the Chairman wrote to the Secretary of the Department of Administrative Services on 21 December 1976 asking to be formally advised of the changes. On 9 February 1977 the Committee received a reply from Mr Lawler which included:

"Following a review of the structure of this Department, the Public Service Board decided that the domestic and overseas property functions, together with the Survey Branch, should be amalgamated into a new Property and Survey Division. As a result, administration of the overseas construction program, provision of property services and financial management for overseas property, have now been consolidated in that Division."

3.2. The Committee continued its hearings into the operations of the Bureau on 15 March 1977, specifically requesting that the Department ensure the following witnesses attended:

Mr Lamcolm Gilbert Cowie, unattached, formerly Director Overseas Property Bureau.

Mr Thomas Frederick Hopkinson. Acting Chief Property Officer, NSW Branch, Department of Administrative Services, formerly Assistant Director (Policy) Overseas Property Bureau.

Mr Norman Alexander Richardson. Acting Chief Property Officer, WA Branch Department of Administrative Services, formerly Principal Executive Officer Overseas Property Bureau.

Mr Robert James Hignett. Executive Officer Management Services Branch, Department of Administrative Services, South Australia.

At the opening of the hearing, the Chairman made the following statement:

"There seems to be a view in some quarters that others may decide who appear before committees of the Parliament. I wish to leave under no question of doubt that once a person is sworn in as a witness before a parliamentary committee

they remain sworn until the Committee decides to excuse them. Nobody therefore has any choice but to attend the Committee. If they fail to do so the Committee has the right to subpoena them and take whatever other action is necessary under the law. May I also remind the witnesses that the Parliament is the senior court in the land and there are certainly no members of this Committee who are prepared to take anything but that position."

3.3. The Secretary of the Department of Administrative Services Mr Lawler, told the Committee that the re-organisation of the Overseas Property Bureau was undertaken by the Public Service Board as a part of the regrouping of the organisation and staffing of the new Department. The Public Service Board, in a written submission to the Committee, stated that in approving the proposals of the Permanent Head it took into account the following aspects:

- all functions of the former Overseas Property Bureau were to remain within a single Division, in fact within two Branches as was formerly the case;
- there are similarities in function, subject matter, operational requirements, experience and expertise between elements of local and overseas property, activities and advantages could reasonably be expected to accrue from close organisational relationship - interchange of information, improved resources utilisation, and commonality of approach where appropriate;
- the rearrangement was within a wider context of a substantial top structure rearrangement designed to produce an effective management framework for the Department as a whole; it necessarily followed the collection of elements of seven former departments to form the Department of Administrative Services;
- amalgamation of local and overseas property units as proposed by the Permanent Head was endorsed by both the Minister and the Prime Minister.

3.4. The Board supported the proposal that the new Property and Survey Division be headed by a high level specialist to deal with property matters both overseas and domestically. The Committee was later advised that this appointee would be at Level 6 of the Second Division and would be engaged under special salary and tenure provisions for two or three years. Mr J.G. Wollaston was subsequently appointed as Director of Commonwealth Property early in 1978.

3.5. The Committee questioned Mr Lawler on the reasons for the re-organisation of the Overseas Property Bureau. He told the Committee that except for the abolition of the two second division positions the staffing would remain essentially as before. The Committee was assured that the re-organisation implied no criticism of the performance of the former Overseas Property Bureau. Mr Lawler told the Committee that under the new arrangements, overseas accommodation would be provided more cheaply, although there would be no reductions in the present standards. The Committee was not given details on how this was to be achieved, other than Mr Lawler's assurance that the new organisation would be more efficient and effective.

3.6. The three main client Departments of the Overseas Property Bureau, the Department of Foreign Affairs, the Department of Trade and Resources and the Department of Immigration and Ethnic Affairs, told the Committee that in general they had been satisfied with the services provided by the Overseas Property Bureau. In commenting upon the effects of the re-organisation, the Department of Foreign Affairs expressed reservations as to the ability of the new organisation to continue dealing effectively with overseas property matters. That Department stated that they were particularly concerned by the change of the top structure of the organisation in which instead of having someone at Level 3, conversant with all property matters overseas and dealing with such matters on a full-time basis, the new organisation is now headed by an officer who is only able to devote part of his time to overseas property matters. The Department of Foreign Affairs added, however, that while it had not encountered any serious problems in overseas property matters due to less attention being now devoted to overseas property affairs, the Department had to maintain a closer watch on communications to ensure that it was fully conversant with property matters. The Department of Foreign Affairs expressed concern that, as the Bureau's major client, the Public Service Board, had not seen fit to consult with the Department of Foreign Affairs on the re-organisation of the Bureau. The Department of Trade and Resources and the Department of Immigration and Ethnic Affairs stated that they had not noted any change in the service provided and they were not aware of any problems that had arisen because of the changed organisation. However, in spite of Mr Lawler's assurance, there does not appear to have been any improvement in the services given.

CHAPTER 4

ACCOMMODATION STANDARDS

4.1. A function of the Overseas Operations Branch (OOB) is to:

determine and promulgate standards for office and residential accommodation including furniture and fittings

In this task the Overseas Property Committee advises the OOB on accommodation standards. At the time of the inquiry accommodation standards were partly the responsibility of the OOB and partly of the Public Service Board. Chapters 8 and 9 of the Manual of Overseas Property detail the standards to be followed for office and residential accommodation and furniture. Determinations relating to rent ceilings and rental allowances made by the Public Service Board are contained in the Determinations Relating to Overseas Services (DROS). Prior to the establishment of the Overseas Property Bureau all standards were promulgated in DROS. When the Bureau was established, it took over those parts of DROS relating to general standards for furniture and accommodation and included them in the Manual of Overseas Property (MOP). Determinations on rent ceilings and rental allowances are currently made by the Board which regularly inspects posts. In the hearing before the Bureau's re-organisation, the Committee was told that these functions would be transferred to the Bureau. Both the Board and the Bureau agreed. Contrary to the evidence given to the Committee, the Public Service Board Annual Report for 1978 states that the Board will retain these functions (Annex 4.B).

4.2. The standards as set out in MOP and DROS have been worked out over a long period by the user departments and Department of Finance. The Committee was told that the OOB had reviewed some of the standards but had not at the time of the inquiry conducted a general review of accommodation standards. The Observer from the Public Service Board said that the aim of the standards as set down were to maintain a standard of living for Australian officers overseas which would be comparable to the standard for which they were accustomed in Australia. The witness from the Bureau, placed a different interpretation on the meaning of the standards by saying that they existed to provide the officer with the tools necessary for him to do his job. It was agreed that in most cases the officer was provided with living standards broadly comparable to those he would have in Australia.

4.3. The authority to set standards for the floor area of accommodation still lies with the Public Service Board under Section 8(b) of the Public Service Act but has been delegated to a senior officer of the Department of Administrative Services. These standards are based on a standard of accommodation for a married couple with two children resident in Australia as calculated in the 1966 Census. From this base standards are calculated either up or down for officers of various ranks, ranging from a single bedroom

apartment to a large Head of Mission residence. Where officers have representational functions, the standards allow for larger entertainment areas.

4.4. Until recently, these area standards set down in detail the dimensions for each room, however now the area is aggregated so that as long as the total area is within the standards, the dimensions of each room are unimportant. This allows a degree of flexibility to cover different types of buildings in various climates. For example in tropical climates there may be large patios and verandahs and in European houses cellars and basements are provided as a matter of course. When purchasing residences the OOB can be faced with the problem of purchasing for an officer with six children who could be conceivably replaced by a single officer. In an attempt to ameliorate these problems the OOB purchases for a range of requirements, both in size and standard of dwelling. The OOB uses the accommodation standards as guidelines only, and tries as much as possible to avoid expenses in changing accommodation to suit the status of the occupant.

4.5. Recently there has been a four level grading of the Heads of Mission residences, so that the previous standards promulgated now apply only to a few prestigious posts. A list of the posts and their gradings is attached as Annex 4.1.

4.6. An Observer from the Public Service Board said that when setting rent ceilings, the Board's inspectors recognise the relativities between the standards of accommodation of the Australian missions with those of other countries. In setting these standards the inspectors tend towards a standard in the middle of the range of diplomatic missions. It is difficult to generalise as to what may be a reasonable standard for an Australian officer because conditions vary markedly all over the world. The Observer denied that there was a 'flow on' of rising standards within diplomatic communities overseas which affected the standards of Australian based officers. The witness from the OOB said that in his opinion, standards were rising in the very long term, in line with the general rises in the standards of living in Australia and other developed countries.

CHAPTER 5

ACQUISITION AND DISPOSAL OF LAND AND PROPERTY

5.1. The functions of the Overseas Operations Branch (OOB) includes the following:

- purchase and hold land, office and residential accommodation
- dispose of surplus land, office and residential accommodation

Property Purchase

5.2. The OOB does not have any comprehensive policy on obtaining property, but considers each proposal on its merits. Each city has particular factors which may affect any decision to acquire property. Where good, cheap rented accommodation is readily available it is considered better to lease than own. The OOB considers the availability of suitable office and residential accommodation for purchase before embarking on any construction projects. Chanceries and blocks of apartments are sometimes constructed but individual residences rarely. Construction projects are only resorted to when the needs of the post are not readily met by existing properties.

5.3. The Committee was told that until the recent financial restrictions were applied, Department of Finance (formerly the Treasury) gave the OOB considerable discretionary powers in the expenditure of funds and it had been allocated a lump sum to purchase property. In addition the OOB had purchased a number of residences, subject to an undertaking to comply with standards and economic criteria and had subsequently submitted details of the purchases to Department of Finance. Under the present procedures the OOB is required to take individual proposals to Department of Finance before any commitment to expend funds is made. The OOB provided the Committee with a detailed statement of its policies on acquisition and this has been reproduced in Annex 5.A.

5.4. In the course of the inquiry the Committee examined in detail two purchases of overseas property which attracted critical report by the Auditor-General in his 1975-76 Report. Details of the purchase of residential accommodation in Manchester and Dublin are set out in Annexes 5.A and 5.C.

Land Acquisition

5.5. Until the current financial restrictions, the OOB maintained a long range program of 5 to 10 years for Chancery construction. A year or two before construction was due to commence, the OOB would begin the process of

acquiring suitable land, either by purchase or Government to Government negotiation. In the case of purchase the OOB may retain estate agents to advise of suitable land. The OOB prefers to buy only sites which have been inspected by the Overseas Works Branch of the Department of Construction.

Reciprocal Land Rights

5.6. The OOB attempts to establish reciprocal access to land for embassies. In Canberra land is made available to nations wishing to construct chanceries and the OOB, in collaboration with the Department of Foreign Affairs, has attempted to make the maximum possible use of this property.

5.7. Some success has been obtained in negotiations with New Zealand, India and Pakistan. In the case of New Zealand, the New Zealand Government was given a block on Commonwealth Avenue, Canberra on which a chancery was built and in return bought a site in Wellington and leased it to the Australian Government at a concessional rental. The witness explained that few countries have been as generous in this regard.

5.8. Reciprocal land arrangements are most successful when the demand of both Governments coincided. In the cases of the People's Republic of China and USSR, both nations require land in Canberra and the Australian Government requires land in Peking and Moscow. Negotiations are currently proceeding. The French Government on the other hand was provided with a site in Canberra but when the Australian Government was seeking land in Paris, the French Government was unable to assist. The Australian Government purchased a site in Paris for \$7.4m. The Committee was told that reciprocal land arrangements were limited to chanceries and Heads of Mission residences.

5.9. The OOB indicated that since 1913 approximately \$37 million had been spent on purchasing of land and property overseas. The Committee recognises that this reflects values only at the time of purchase and wishes to be informed of any proposal to obtain accurate current valuations.

Disposal of Land and Property

5.10. The OOB is occasionally placed in the situation where it is necessary to dispose of property either for diplomatic reasons or change in accommodation needs. The Committee received evidence of some instances of disposal of property and details of these cases are set out in Annex 5.D.

CHAPTER 6

MOTOR VEHICLES

6.1. The Overseas Operations Branch (OOB) is responsible for funding the purchases of all motor vehicles at overseas posts as well as for maintenance and running expenses. Expenditure over recent years on the maintenance and running expenses was:

1973-74	\$A407 518
1974-75	\$A627 062
1975-76	\$A698 856
1976-77	\$A717 736
1977-78	\$A808 605

6.2. In its Manual of Overseas Property, the OOB draws attention to the Finance Direction⁽¹⁾ which outlines the requirements relevant to the purchase of motor vehicles. The Manual states that purchases of vehicles outside the criteria laid down by the Finance Direction "will only be considered in special circumstances". The Manual also details the Bureau's requirements relating to the source of supply of vehicles, maintenance and running of vehicles, replacement and disposal of vehicles and the various administrative records to be maintained by the posts using the vehicles.

6.3. The OOB is responsible for vetting requests by posts for the purchase of additional vehicles. If the OOB agreed that a request was justified, funds were included in its estimates bid and if the Department of Finance agreed to provide the funds, a vehicles would then be purchased.

The OOB's policy relating to the source of supply of motor vehicles, in particular its policy relating to the use of Australian made vehicles at overseas posts, was a matter on which the Committee took evidence. In this respect the Manual of Overseas Property states:

(1) Finance Direction 32/17 states:

"Motor vehicles to be purchased on behalf of the Commonwealth should be restricted to those makes for which adequate after sales service and spare parts are available through the local authorised agent. As a general rule, only standard models of the make selected should be purchased. Where it is considered necessary to purchase a model other than the standard model, a detailed case seeking approval shall be submitted to the Department of Finance for consideration."

"The purchase of vehicles will be undertaken from the most appropriate source of supply. Vehicles purchased in Australia will usually be obtained through the Contracts and Disposals Branch of the Department of Administrative Services."

6.4. It is Government policy that Australian-made cars are to be purchased wherever practicable. The OOB attempts to enforce this policy although the witness conceded that there were variations to the general rule. He stated that it was often difficult to persuade ambassadors that Australian-made vehicles were suitable for their requirements.

6.5. In determining the appropriate source of supply, account was taken of the cost of freighting an Australian-made vehicle and the availability of servicing facilities and spare parts at the post concerned. Australian-made vehicles were generally supplied to posts in South-East Asia but this was not an economic proposition in Europe or America. Of 498 motor vehicles at overseas posts at 30 June 1976, 123 (or 24.7 per cent) were Australian-made.

6.6. The Deputy Secretary of the Department of Foreign Affairs, Mr Henderson, pointed out a number of problems associated with purchasing only Australian-made cars. In South-East Asia it was possible to purchase a good quality European car for the same price, or even less than an Australian-made car. In such instances, it was difficult to reject a request to purchase the European car, especially if money could be saved in buying it. Mr Henderson was also doubtful whether Australian prestige vehicles were available in left hand drive versions and of the suitability of Australian vehicles, due to their smaller size, for official purposes by Heads of Mission.

6.7. A further matter to be considered in the purchase of Head of Mission vehicles was the prestige of the vehicle. While questioning the logic of the belief, Mr Henderson stated that in some areas it was felt that Australia's image was enhanced if the Head of Mission was seen driving around in the best car available. He did not believe that leasing of prestige vehicles for specific occasions was an economically viable alternative.

6.8. Greater use of Australian-made cars by overseas staff could occur if there was some system whereby payment of costs for officers to transport their cars between posts was linked to buying Australian cars. The Department of Foreign Affairs supported such a policy and the witness pointed out an anomaly where public servants moved within Australia could have transportation costs of cars paid but an officer moved from an overseas post back to Australia received no such benefit.

CHAPTER 7

FURNITURE AND FITTINGS

7.1. It is the policy of the Overseas Operations Branch (OOB) to provide furnished accommodation for Australian officers resident overseas. While most houses leased are furnished, in North America and Japan residences are always leased unfurnished. The OOB provides a total range of furniture, including washing machines, refrigerators and stoves, for unfurnished leased premises, but television sets are not normally provided.

7.2. It is the OOB's policy to furnish with reasonably good quality, fairly neutral patterns and colours. The OOB has guidelines for the amount of money that should be spent on furnishing accommodation for particular ranks of officers. It is usually the task of the more junior staff to arrange the purchasing of residential furniture locally. While there is a limited opportunity for an officer to have a choice as to the style of fittings and furniture at his residence, there is some scope for him to implant his own tastes by use of his personal ornaments. The normal practice is to engage professional interior designers for new Heads of Mission residences. The choice for the ambassador is limited only by his discussions with that interior designer.

7.3. It is not the policy of the OOB to replace furniture on change of occupancy to suit the personal tastes of incoming officers. Nor is there a rigid attitude taken to the maintenance of standards of accommodation according to rank. Should a senior officer leave a post to be replaced by a more junior officer, the furniture and fittings remain unchanged so that the junior officer would technically be occupying accommodation above his normal standard. In the interests of economy the OOB did not adopt an inflexible approach to standards and would not make changes in the furniture because of changes in notional entitlements.

7.4. Whereas in most countries the OOB purchased furnishings for residential accommodation, in North America it is customary to lease unfurnished premises and lease the furniture separately. As explained in a later chapter, leases on residential properties in North America are taken in the name of the individual officers contrary to the practice elsewhere. The observer from the Public Service Board said that an allowance structure exists which gives each officer, according to his rank, a supplement to his cost of living allowance to subsidise both accommodation and furniture rental. Before the Public Service Board's inspection in 1975 to review the allowance rates, a total allowance was set for the unfurnished accommodation and the furniture. Following that inspection, the Board's inspectors recommended that the situation be changed, and Heads of Mission were given delegations to assess the amount of furniture for a residence. This was thought necessary because residences let 'unfurnished' can differ greatly in the amount of furnishings

required, and with the new arrangements, the allowances for unfurnished accommodation could be set more accurately by leaving posts to 'top up' the furniture needs of each particular residence.

7.5. The Public Service Board Observer said that in 1975 the inspectors had reservations about the private leasing of furniture because it is amortised over 2 years by the hiring companies. It was the opinion of some of the inspectors that there could be cost savings if furniture for residential accommodation in North America was purchased rather than leased. There are some advantages in the leasing arrangements in that the North American procedures involve each incoming officer choosing his own accommodation and were the furnishings Government owned they would have to be transferred from one property to another. Further more there are legal questions about putting Government owned furniture in privately leased premises. In most countries residential leases are in the Government's name and do not change with each incoming officer, so that the furniture does not have to be shifted very often.

7.6. Where the project is large enough, the OOB engages professional interior designers. Advice is sought on the best source of supply and on the type and availability of furniture for the particular project. The OOB examines the international market to obtain the best value. Normally, furniture is purchased locally.

7.7. The Committee was given a number of examples where varying solutions appeared to offer the best value. In the cases of furnishing residential apartments in Peking the Bureau canvassed the possibility of obtaining knock-down furniture from a number of markets. On that occasion an Australian contract was awarded and the furniture was transported from Australia to China. The consultants responsible for the design of the Singapore Chancery recommended that quality furniture should be purchased in Europe because they believed it to be the most economic way to furnish the building. The Overseas Property Bureau, with the technical assistance of the Department of Construction, examined all aspects of the consultant's recommendations including the relative cost advantages of purchasing in Europe. The Bureau accepted the recommendation with some reductions in the quantity of furniture to be provided and the European suppliers were engaged. It was the opinion of the Bureau that the Singapore furniture industry was not able to fulfil the demands of furnishing a large office project like the Singapore Chancery. The Bureau had had little experience with such large projects as that Chancery. When furnishing residences in South East Asia the local markets could usually satisfactorily supply the furniture required.

7.8. In furnishing overseas properties, decorative art works are supplied, and in the case of large construction projects they may be of a permanent nature, for example, statuary or decorative screens. For chanceries and residences prints of Australian paintings are provided as well as art works

on loan from the National Gallery. In some cases these are supplemented by the private collection of individual officers.

7.9. With large construction projects the consultant architect makes recommendations on the provision of works of art in consultation with the Australia Council, and which in turn advises the OOB on whether those proposals are considered appropriate. The Australia Council also advises the OOB on the value and merit of the particular art work involved before it is purchased.

7.10. The Observer from the Department of Foreign Affairs said that the National Gallery lends works of art to ambassadors. Up to the time of the inquiry the Department acted as agent for the loans in the negotiations between individual ambassadors and when posts are vacated, the art works are either returned to the National Gallery or passed on to the successor. The Department of Foreign Affairs wishes to transfer its responsibility in this matter to the OOB.

7.11. The National Gallery is in the process of drawing up a complete inventory of the works of art which are on loan to posts. At the present time there is no comprehensive list of art works held at posts, each ambassador keeping an individual file. The OOB does not include art works in its detailed inventories of furnishings held at each post, nor are art works examined during post inspection.

7.12. The Foreign Affairs Wives Association was critical of the inventories of furniture and fittings provided in residences. These inventories are often incomplete and lack descriptive precision so it is very difficult for officers and their wives to establish what is actually present when they moved in. The Department of Foreign Affairs is frustrated with the present inventory system because it requires enormous amounts of staff time in keeping them up to date. The OOB is presently investigating the possibility of acquiring some data processing facilities to assist in the management of property and which should remove the present problems with inventories.

7.13. When a post is closed or staff redeployed surplus furniture is sent to a nearby post or sold. Each post has a Board of Survey set up under Finance regulations to examine furniture, if of no further use furniture is either sold by tender or auction, or it is destroyed. Very little furniture is written off in this way as officers are aware that they may not receive replacements. The Auditor-General's Report 1977-78 contains criticisms of the OOB in its disposal procedures arising from the closure of the Los Angeles post.

CHAPTER 8

LEASING

8.1. A primary function of the Overseas Operations Branch (OOB) is to:

"Arrange leases and act as lessor/lessee on behalf of the Government in respect of land, office and residential accommodation."

In its submission the OOB informed the Committee that the total costs of leasing accommodation have been:

	<u>1976/77</u>	<u>1977/78</u>
Office accommodation	\$A 5 508 451	\$A 5 326 732
Other accommodation	\$A 7 541 657	\$A 9 042 657
TOTAL:	\$A13 050 108	\$A14 369 389

These figures do not include rental allowances paid by individual departments to officers in North America and the United Kingdom. A standard form of lease used by the OOB has been developed with the advice of the Attorney-General's Department, although, in cases where specific major transactions are negotiated, legal advice is sought on the terms of the contract. The standard form of lease is modified to take into account the particular legal requirements in the country concerned. The witness told the Committee that the OOB always attempts to have diplomatic escape clauses inserted in all leases, which would allow the lease to be broken without penalty for reasons of diplomacy or force majeure. It is not always successful.

8.2. The OOB adopts different procedures for the leasing of office and residential accommodation. In the case of office accommodation, the OOB assesses a reasonable rental by conducting market surveys, either through real estate agents or by officers at the post. The OOB is well aware of difficulties in finding reliable real estate agents and often relies on the skill and experience of the OOB's property officers to judge the reliability of information received. The witness maintained that in the case of leasing of office accommodation the OOB sought good quality commercial space and suffered no price penalty by acting on behalf of the Government. In comparison to the demand for residential accommodation, the OOB leases new office accommodation infrequently. (See Annex 8.1)

8.3. The Public Service Board determines rent ceilings for residential accommodation. Officers of the Overseas Branch of the Board inspect all overseas posts biennially. They review staff establishment conditions of

service and allowances at each Mission. Conditions of overseas service are formalised into a manual, Determinations Relating to Overseas Service (DROS). Rent ceilings are set by the Public Service Board and reviewed during inspections.

8.4. The Public Service Board commented on the question of transferring the responsibility for determining rent ceilings to the OOB. Consultations had taken place between Mr Justice Sharp, then consultant to the Royal Commission on Australian Government Administration, and the Public Service Board on this matter. The Department of Foreign Affairs and the Board had agreed, in principle, that rent ceilings could be delegated to the OOB. The OOB had commented that they were capable of taking over responsibility for the setting of rent ceilings and had intended taking over the function following reorganisation and when it had advanced with its management information system.

8.5. The OOB conducted a survey that showed on average the net rental approved above-ceiling by the Board was 22.2 per cent. If the overall average rental was \$15 600 per annum and the total of all leases divided into the rent vote it would produce a saving of \$3 432 per annum if a lease was within the rent ceiling. This was a survey figure based on the 140 cases considered. Evidence also suggests that administrative costs could be reduced by \$60 000 per annum by transferring rent ceiling approvals to the OOB.

8.6. The Public Service Board is re-examining the issue, taking into account the cost differential between this function continuing to be carried out by them and it being delegated to the Department of Administrative Services. The promulgation of standards of accommodation, previously part of Determinations Relating to Overseas Service had already been delegated to the OOB, on reorganisation of the Department of Administrative Services and appears as a part of the Manual of Overseas Property.

8.7. The Board has now indicated in its Annual Report that it will retain control of Determinations relating to rent ceilings.

8.8. The Board, in setting rent ceilings, acknowledged that problems may arise because they are only reviewed biennially. For some posts, a discretionary allowance is allowed where inflation is chronic. The discretion is given to Heads of Mission to approve rents above the ceilings. Evidence was received that indicated good leasing possibilities are missed because rent ceilings were out of date or because of the financial stringency presently imposed. This has necessitated officers and families remaining in hotels for extended periods which can exceed the rent increment being questioned. (See Annex 8.2)

8.9. A Head of Mission has the authority to sign a lease only if the rent is within the officers prescribed rent norm, the accommodation complies with the standards, and funds are available. If this criteria is not met each case, under present circumstances, must be referred to Canberra. The OOB

must refer the case to the Public Service Board and Department of Finance for approval before a lease can be signed. Posts are usually working on a tight deadline and a delay of more than a week could mean losing suitable accommodation for leasing. The application of area standards can cause further difficulty in finding suitable accommodation. Evidence has been given to the effect that houses and apartments must, sometimes, be passed over because they are in excess of the standards although the rent is within the norm. (See Annex 8.C)

8.10. In most countries suitable accommodation is competed for by numerous other Diplomatic Missions, UN Agencies and International Organisations. It is important that when an opportunity to lease arises decisions are taken quickly and that there should be reasonable flexibility allowed in implementation of standards and rent norms.

Leasing in Great Britain and North America

8.11. In North America and Great Britain, leases for residential accommodation are not taken out in the Government's name but by the individual officers. The reasons for this departure from the normally accepted policy were said to be largely historical. Australia's first overseas posts were in Great Britain and the United States, and when first established officers were paid an allowance and expected to find their own accommodation. The difference in leasing procedure also involved a different procedure for the payment of rent. Under the system of rent ceilings as effected elsewhere, each post is appropriated funds for the payment of rentals up to the rent ceilings as laid down for that post. This allowance has continued to be paid to a level determined by the Public Service Board. From the allowance the officer is expected to provide his own accommodation, and pay a proportion of the rental burden himself. This proportion is calculated from his salary. This calculation is identical to that performed for determining the regulation 97 contributions for accommodation within Australia. For example, the rent contribution for a single officer earning, with allowances, over \$30 000 a year is \$32 per week and the married rate is \$48.00.

8.12. The allowance scheme has been perpetuated in North America and the United Kingdom because these countries generally have a large market of rented accommodation available and officers can find suitable accommodation relatively easily. The main advantage of the system is that in these English-speaking countries, an officer is able to choose a home which suits him and his family. The allowance system enables a degree of elasticity which the Government leases do not. In the latter system, precise standards are laid down which must be met by residential accommodation. With allowances, the officer selects what he can afford, the only standard being the financial limits imposed by the allowance structure.

8.13. The arguments against the allowance system were detailed to the Committee. The officer is involved in a period of searching for accommodation which can be expensive both in terms of money spent on temporary accommodation

and the officer's time. Where leases are taken out in the name of the Government, an officer is usually provided with accommodation immediately and the officer's interests are protected in an unfamiliar legal system. Further, Government leases permit longer leasing and the use of Government furniture. (The problems associated with providing furniture in North America were discussed in an earlier chapter.) A witness told the Committee that a change in the leasing procedures in North America and the United Kingdom would result in a greater degree of efficiency in the provision of residential accommodation. There are 151 Australian based officers in the United Kingdom, 21 in Canada and 191 in the United States.

8.14. Mr Henderson, Deputy Secretary, Department of Foreign Affairs recorded that he had looked at 65 places in London before he found suitable accommodation. An officer's time is taken up in looking at all the possibilities and not performing his proper function until properly housed. Owning or long term leases of accommodation as much as possible is desirable so officers arriving at posts can be accommodated quickly. The Foreign Affairs Wives Association saw advantages and disadvantages in both systems. While moving straight into leased accommodation eliminated the possibility of a lengthy stay in a hotel it also meant moving into accommodation that maybe unsuitable because of varying family composition.

8.15. With the rental allowance procedure it is possible for officers to supplement the allowance and lease a higher standard of accommodation. Before 1975 an officer in the United States and Canada could rent a house in excess of his rent ceiling and the excess after the first \$US10 was shared equally between the officer and the Government. For such a sharing to occur the Head of Mission would have to certify that the total rental level was reasonable, having regard to the officer's status and accommodation needs and accommodation availability. After an inspection in 1975, the sharing arrangements were discontinued and any payments above the ceilings have to be paid wholly by the officer. To rent above the allowance ceilings, that is above the standards laid down in DROS, the officer requires the approval of the Head of Mission. The sharing system still applies in Great Britain.

8.16. In general, departments discourage officers from renting over the allowance ceilings because financial difficulties can occur through utility costs and other unforeseen expenses. Under the present procedure, an officer cannot personally profit by receiving the maximum allowance and then renting at a level lower than the allowance.

8.17. Officers have been able to use the rental allowance to purchase a house. If an officer has means, and wishes to purchase a house in North America or Great Britain, he would technically still be able to receive the rental allowance. However, the Public Service Board stressed that under the present procedure, it would be difficult to receive rental allowance while actually purchasing a residence. The present provisions of DROS specifically state that officers posted overseas must occupy either Government owned or

leased property or residential accommodation obtained through private leasing. The Public Service Board rejects claims for rental allowances for properties in which the officer has a financial interest and would expect Heads of Mission to follow a similar course of action.

Financial Restraints

8.18. The current limits on public expenditure had affected the Bureau's procedures in leasing properties. The Department of finance takes a particularly critical attitude in cases which are referred to them often and indicates that it wishes to delay approval until the next inspection, particularly if the inspection is due.

8.19. The present emphasis on financial restraint has in fact necessitated the adoption of extremely tight control over funds especially additional funds. Previously Finance provided the Overseas Property Bureau with approval to enter into new lease commitments involving additional funds from the Advance to the Minister for Finance up to a specific amount in anticipation of the Parliament subsequently approving the increased appropriations in the Additional Estimates. However, as a result of the Government's emphasis on financial restraint, each new commitment now requires the prior approval of the Minister for Finance or his delegate. Finance does not intervene in the OOB's property management function to the extent that it assumes the right to approve or disapprove of every lease.

Advance Rentals

8.20. The Australian Government paid large sums of money in advance rent at certain posts. These posts included Algiers, Lagos, Jeddah, Hong Kong and Jakarta. The payment of advance rents was not an unusual practice at posts to gain a negotiating advantage for the Australian Government, but in some posts up to five years in advance rent could be demanded before a lease could be negotiated. The Committee was informed that such demands are likely to occur in countries where there is a shortage of accommodation suitable for Australian overseas staff.

Dead Rent

8.21. In certain circumstances rent was paid for premises that were unoccupied. This arose rarely, either when there was a move from one office to another, or a new post is opened. In the former it was sometimes necessary to enter into a lease for a new building some time before occupation so as to prepare the accommodation. The time involved was normally between three to six months, and for residential accommodation the period was considerably shorter. When a new post is opened, often it is necessary to negotiate leases one or two months before actual occupancy.

8.22. The OOB carefully monitors all cases where there is a change in office accommodation and funds are provided for repartitioning or other alteration. The Committee was assured that payment of dead rent occurred very rarely. (See Annex 8.4)

CHAPTER 9

MAINTENANCE AND UTILITIES

9.1. The Overseas Operations Branch (OOB) stated that its functions and responsibilities were to:

- arrange for the repair and maintenance of office and residential accommodation.
- arrange for the provision and maintenance of furniture and fittings required for offices and residences.

When annual estimates are being prepared, posts list maintenance tasks which are considered necessary. These claims are examined by the OOB and a figure is agreed to in consultation with Finance. Should a need arise for some unforeseen maintenance or utility costs then the posts contact the OOB and further funds may be made available. The OOB may request a technical inspection by an engineer to satisfy itself of the validity of the claim. (See Annex 9 A)

9.2. The OOB intends introducing a program of preventive maintenance. This will involve a full examination of each property including plumbing, wiring and foundation structure. The inspections would be carried out either by OOB staff, or locally engaged consultants. By instituting a program of preventive maintenance all Australian Government property overseas would be kept in proper repair. In the past the standard of upkeep on property was reliant on the initiative of the individual administrators at the posts, with considerable variation in standards. With the present financial restraints, the introduction of this program has been postponed. (Annex 9.B)

9.3. Heads of Mission have been delegated authority to spend money on maintenance and utilities as they see fit. The funds are appropriated to each post under the item Property Maintenance and Services, but the funds available do little more than pay utility costs, rates and taxes. There is little discretion left for a Head of Mission to exercise his authority in allocating funds to priority maintenance requirements. A representative from Foreign Affairs Wives' Association said that evidence from overseas indicated that maintenance which could be considered vital was being neglected and officers were living in conditions that could be described as sub-standard. Examples were given where unavoidable increases to utility costs were paid out of funds earmarked for maintenance. There is a necessary priority to pay utility accounts promptly.

9.4. Different systems exist for the payment of utility costs. In some posts, officers are responsible for payment of utility costs and provision is

made to cover such expenditure when calculating allowances. In other posts the cost of utilities is met directly by the Government and is funded from the Property Maintenance and Services appropriation. (Annex 9.C)

9.5. Budgeting restrictions had affected the amount spent under this appropriation. The OOB had been instructed to reduce the amount spent on essential maintenance, assessed on the needs for each post and cuts were made accordingly. In trying to curb Government expenditure it was essential to look at all new commitments to see whether they met the criteria laid down by the Government of being urgent and unavoidable.

9.6. Witnesses from all Departments as well as the Foreign Affairs Wives' Association and Foreign Affairs Officers' Association stressed the detrimental effect of neglecting essential maintenance. There is a growing backlog of structural maintenance which will become even more expensive as time goes on. Also it is leading to a drop in morale of officers as their residences and workplaces gradually become shabbier.

Electrical Equipment

9.7. Foreign Affairs Wives' Association suggested standardisation of all equipment, particularly electrical equipment. The OOB had been looking at this matter and was engaged in a survey of Australian manufacturers to determine items that could be purchased in Australia. The question arises of freight costs and the relative costs of purchases. The OOB believes in standardisation to the maximum possible extent but believe essentially that this means some sort of regionalisation of purchases. There are economies made in bulk purchases, and maintenance and obtaining of spare parts for appliances is simplified. In standardising equipment it was also suggested that the supplier be asked to provide a servicing contract. Although this was an area that bore investigation the cost of such an agreement with an Australian manufacturer might be surprisingly high compared with the alternative of having the work done locally.

9.8. Building Services Officers, tradesmen on the establishment of the Department of Foreign Affairs, were now undertaking maintenance work in posts where technical services were not available. At present, these positions are restricted to some larger posts and others in South East Asia. If such officers were not available, jobs would not be done and maintenance would be further neglected. In some posts it has been suggested that maintenance costs on electrical equipment can be sometimes higher than the replacement value. This is, particularly, the case with air conditioning units. (Annex 9.D)

CHAPTER 10

CONSTRUCTION

10.1. Construction projects are a major part of the OOB's activities and the OOB has the assistance of the Overseas Works Branch of the Department of Construction. Even though in the 1976-77 financial year no funds were available for property acquisition or to commence new works, construction projects in progress are being completed.

10.2. The OOB operates under a separate set of formal procedures governing overseas works and acquisitions programs and has entered into arrangements which comply with the Finance Directions and the Finance (Overseas Accounts) Directions. The OOB on its establishment, sought to set procedures for the orderly programming of the OOB's increasing involvement in construction. The procedures, developed in consultation with Department of Finance are based on the civil works budgeting procedures and differ in only two substantial ways.

10.3. The Committee was told that one of these differences is that the OOB is not required to refer its construction projects to the Joint Parliamentary Committee on Public Works which does not have the authority to examine overseas projects. The other difference is that the OOB does not operate the formal design lists A, B and C as do civil works programs in Australia. Design list C is the normal list of projects referred by Parliament to the Public Works Committee. Since this Committee does not have the authority to examine overseas projects, design list C has been dispensed with. As a result projects are amalgamated into a single list for convenience. For construction projects costing over \$A1m. approval by Cabinet is needed before construction starts. A summary of Australian works procedures appears in Annex 10.C.

10.4. The OOB maintains a 5-year list of priorities of construction projects. Despite the current financial restrictions on commencing new projects, the OOB regularly reviews the list and keeps the priorities up to date. When deciding on whether to construct or purchase to fulfill accommodation needs, it carefully examines all the relevant factors. The OOB has found that there is little cost advantage in construction of individual houses because these can be readily purchased or leased at most posts. However, should a post need a block of apartments, then it is unlikely that a block which would exactly fit the needs of the post would be on the market.

In this situation the OOB would consider construction. Similarly the requirements for chanceries and Heads of Mission residences are often so closely defined that they can only be met by construction.

10.5. For its major construction projects the OOB is advised and assisted by the Overseas Works Branch of the Department of Construction. This Branch, provides an architectural design service to the OOB's agent in the commissioning and control of architectural consultants engaged to design major works overseas. It also provides the OOB with any technical and professional advice. Although the Overseas Works Branch receives administrative support from the Department of Construction and also draws on its specialist areas in engineering, lifts etc the Branch exists only to service and assist the OOB. The witness from the OOB did not consider it important for the Overseas Works Branch to become part of the OOB as a very close relationship now existed. The Branch assists the OOB in the following ways:

- . The Branch actually designs some of the construction projects undertaken by the OOB.
- . It provides the management and supervision of the private consultants working on projects.
- . It provides the OOB with the necessary technical and professional advice in relation to construction projects.

10.6. The Department of Construction in a submission to the Committee was most critical of the Overseas Operations Branch employing private consultants when such consultancy services were available in the Overseas Works Branch of the Department of Construction. Prior to the establishment of the OOB in May 1974, there was an exchange of correspondence between the Heads of the Departments which detailed the intended relationship between the two organisations. (Part of this correspondence is reproduced in Annex 10.B.) Under this agreement 'major projects' were to be handled by the OOB. 'Major projects' are presently defined as those over A\$1.00 million at which level they are submitted to Cabinet for approval, but since the establishment of the OOB very few projects of this magnitude have been undertaken. Smaller projects are handled by the OOB and all decisions relating to the employment of professional consultants are made by the Minister for Administrative Services. The OOB maintains that many of these smaller projects would be handled by the Branch but are being contracted to outside consultants with a consequent duplication of expertise. In the present climate of economic restraint, the OOB is finding it difficult to utilise its professional staff on overseas projects. The decision to look to the private sector for these services was made by the Minister and in no way reflected the OOB's confidence in the competence and ability of the OOB staff. Even when consultants were employed by the OOB, the OOB handled the day to day management of the consultants on behalf of the OOB. The witness from the OOB agreed that the

Branch could not provide the total range of professional consultancy services necessary for overseas projects, but with its expertise of engaging and managing outside consultants should be involved in the engagement of consultants for all overseas projects.

10.7. The Committee received a submission from the Department of Construction setting out in detail the history of the establishment of the OUB and its attitude to consultancies. The Department of Construction also made recommendations on the procedures adopted for cost control in construction projects. This submission is reproduced in full as Annex 10.C.

10.8. The OUB was critical of the arrangements for the approval of overseas travel. Whereas private consultants are not subject to the scrutiny of the Overseas Visits Committee, Officers of the Branch must justify travel to the Committee. It is argued that the OVC is ill equipped to make judgements on the technical requirements for design and construction overseas and the Branch feels that the quality of its supervision of projects is lowered by unwarranted limitations on travel. Mr Jones of the OUB suggested that costs of travel be included in appropriations for overseas constructions as is done with overseas aid projects.

10.9. The OOB's program of construction is periodically examined by the Overseas Property Committee. In the event of dissent, the final decision would be with the OOB.

10.10. Chapter 8 of the Manual of Overseas Property sets out in detail the standards of accommodation applicable to officers overseas. Where buildings are being constructed overseas these standards are followed closely. However, the OOB is prepared to modify the accommodation arrangements should the economies of modular construction make it desirable. The OOB recognises that in constructing a building the floor layouts as they existed in the planning stage are likely to be altered considerably during the life of the building. To facilitate this, demountable partitions are provided so that the floor layout arrangements can be changed fairly cheaply. Both the Bangkok and Singapore chanceries were constructed on that principle.

10.11. The OOB employs project officers on its major construction projects overseas. The Paris project had a resident project officer on-site with the full time task of representing the OOB and exercising financial control on the OOB's behalf. For the three chanceries being built in Singapore, Bangkok and Kuala Lumpur, there is one project officer who divides his time between the three projects. The project officers are administrative officers on the OOB's staff with training and experience in property management. They have mixed qualifications, some being valuers, others engineers. Where a construction program does not warrant a project officer, the OOB relies on the architectural consultants to provide the supervision supplemented by visits from Australia by officers of the OOB and the Overseas Works Branch. Alternately with small construction projects the OOB relies on the administrative staff at the post to provide the supervision of local architects.

10.12. The Committee took evidence on major construction projects in Paris, Washington, Tokyo and Bangkok. Details of these projects are given in Annex 10.4.

Prefabricated Buildings:

10.13. The OOB is investigating the possibility of erecting prefabricated buildings. In Lagos, the Australian Government is forced to pay very high rentals for indifferent residential accommodation and to pay rentals five years in advance. The Australian Government owns land in Lagos on which it has built a residence for the Head of Mission and could build residences for the other staff, but building in Lagos is almost as difficult as buying because of a severe shortage of materials and tradesmen. The OOB has been investigating the feasibility of erecting prefabricated houses on the owned land but cannot proceed at this time because of the current financial restrictions. The OOB is also attempting to construct a block of prefabricated apartments in Hanoi where locating suitable accommodation has proved difficult.

CHAPTER 11

RECREATION FACILITIES

11.1. Australian based officers in certain overseas posts are provided with recreation facilities. These may be holiday cottages or more elaborate complexes with swimming pools, tennis courts and other such amenities.

11.2. In Japan the Australian Government owns seven beach cottages purchased for \$A53 000. Some of these are quite old, one purchased in Tokyo shortly after World War II. These cottages are furnished with old furniture and fittings no longer suitable for use in residences. In addition to these the Australian Government leases 14 cottages at an annual rental of \$A52 512. All Australian based staff have access to these cottages on a roster system and they are in use virtually for the whole year. Not all posts are provided with cottages and the Public Service Board determined when such facilities are justified following action initiated at the posts where it would be proposed to the Board's Inspectors that facilities should be obtained. The Board advised the Committee that:

"The Board approves of a cottage when satisfied that officers need to obtain periodic relief from the general environment in which they live and that there are no reasonable alternative arrangements to enable them to do so. These cottages are located at an appropriate location near the post. Considerations that are taken into account in this assessment include the general living environment at the post, health problems, climatic considerations, lack of recreational facilities, civil disruptions, other hardship factors, as well as the costs involved."

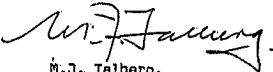
11.3. The Committee was told about several recreation complexes built at hardship posts. At Rangoon, a centre costing \$A170 000 was completed recently and includes a squash court, swimming pool, children's wading pool and a recreation clubroom. There are 11 Australian based officers at Rangoon and the facilities are primarily for them and their families. Prior to the construction of the complex, Australian based staff used American facilities, but these had become overtaxed.

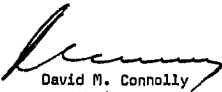
11.4. At Vientiane a recreation complex has been constructed at a cost of \$A320 000 on land purchased for \$A11 000. The complex comprises three buildings, including a squash court, pavilion, barbeque area and a swimming pool. The Complex was planned for the Australian based staff and their families in Vientiane but since the Australian representation at the post has been decreased access has been given to between seventy and eighty diplomats from other countries. Prior to the construction of the Australian complex,

Australian staff had access to British and American facilities. The Americans had a large recreation complex but since their representation has fallen from 3 500 to less than 26, their facilities were taken over by the Government. Similarly, British facilities are in doubt because they are located in a proposed military area. For this reason British and American diplomatic personnel have access to the new Australian complex in exchange for some assistance with staff and goods to service the facilities. The Observer from the Department of Foreign Affairs stressed that the reciprocal arrangements in Vientiane must be considered in the light of the access Australian overseas staff have had to United States and British recreational facilities all over the world.

11.5. In Jeddah, a swimming pool was constructed at the Head of Mission residence, even though the residence was leased. The decision to provide the pool was made after the Bureau had unsuccessfully attempted to lease land and construct a recreation centre. It was considered that the installation of the pool was justified in view of the very harsh climate in Jeddah and the lack of alternative recreational facilities.

For and on behalf of the Committee.


M.J. Talberg,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA


David M. Connolly
Chairman

7 November 1978

DATES OF HEARINGS AND LIST OF WITNESSES

Hearings were held at Canberra on the following dates:

Tuesday 12 October 1976
Tuesday 19 October 1976
Tuesday 9 November 1976
Tuesday 30 November 1976
Tuesday 15 March 1977
Thursday 20 April 1978
Thursday 27 April 1978
Tuesday 2 May 1978

The following witnesses were sworn or made an affirmation and were examined by the Committee during the public inquiry:

Department of Administrative Services*

Mr N.P. Barwick	-	Chief Property Officer Overseas Property Bureau
Mr J.J. Berrell	-	Acting Chief Property Officer Overseas Operations Branch
Mr M.G. Cowie	-	Director Overseas Property Bureau
Mr M.M. Culnane	-	Acting Chief Property Officer Overseas Property Bureau
Mr L. Davey	-	Clerk Class 10 (Operations)
Mr G.H. Ginns	-	Chief Property Officer Overseas Property Bureau
Mr R.J. Hignett	-	Chief Property Officer Overseas Property Bureau
Mr A.A. Hillier	-	Assistant Secretary Overseas Operations Branch
Mr T.H. Hopkinson	-	Assistant Director (Policy) Overseas Property Bureau
Mr P.J. Lawler	-	Secretary
Mr R.J. McCoy	-	Acting Clerk Class 10 Overseas Operations Branch

Mr F.A. Power	-	Acting Chief Property Officer Overseas Property Bureau
Mr N.A. Richardson	-	Principal Executive Officer Overseas Property Bureau
Mr D.R. White	-	Assistant Secretary Finance and Services
Mr D.P. Wilson	-	Acting Chief Engineer Overseas Operations Branch
Mr J.G. Wollaston	-	Director of Commonwealth Property
Mr L. Young	-	Clerk Class 11 (Policy) Overseas Operations Branch

* In the course of the inquiry the Overseas Property Bureau was abolished and its functions were taken over by the Property and Services Division of the Department of Administrative Services. Those witnesses who did not remain in the overseas property area of the new division have been referred to by designations prior to the reorganisation.

Department of Construction

Mr B.W. Harrison	-	Project Manager Overseas Works Branch
Mr A.D. Jones	-	First Assistant Secretary Major Projects
Mr G.H. Setchell	-	Assistant Secretary Overseas Works Branch

Department of Foreign Affairs

Mr D.C. Goss	-	Assistant Secretary Administrative Services Branch
Mr P.G.F. Henderson	-	Deputy Secretary
Mr K. McDonald	-	First Assistant Secretary Management Services
Mr D.C. Rutter	-	Assistant Secretary Administrative Services Branch

Mr J.E. Ryan, O.B.E. - Australian Ambassador to Italy
Mr K.B. Scott - Director
Property and Services Branch

Department of Immigration and Ethnic Affairs

Mr A.L.A. Barclay - Assistant Secretary
Selection Review Branch
Mr S.J. Dempsey - Deputy Secretary
Mr W. Johns - Director
Post Liaison Section
Management Branch
Mr G.E. Mannell - Acting Assistant Secretary
Management Branch
Mr C.P. Mules - Executive Officer
Overseas Services Section

Department of Overseas Trade

Mr F.D. Quinane - Assistant Secretary
Trade Commissionery Branch
Mr W.H. Ratcliff - Acting Assistant Secretary
Overseas Branch
Mr I.J. Swan - Director
Trade Commissioner Services Section

Foreign Affairs Association

Mr R.A. Burns - President
Mr M.J. Costello - Vice President
Mr P. Paton - Vice President

Foreign Affairs Wives Association

Mrs E. Fraser
Mrs J. Smith
Mrs P. Walker

During the inquiry the Committee was assisted by the following Observers:

Mr E.J. Ablett	-	Auditor-General's Office
Mr B. Beasley	-	Auditor-General's Office
Mr P. Cooper	-	Auditor-General's Office
Mr S.G. Jacobs	-	Auditor-General's Office
Mr R.G. Rose	-	Auditor-General's Office
Mr E. Campbell	-	Department of Finance
Mr T.J. Coles	-	Department of Finance
Mr A.M. Finch	-	Department of Finance
Mr R. Jungwirth	-	Department of Finance
Ms A. Buttsworth	-	Public Service Board
Mr P. Gourley	-	Public Service Board
Mr G.A. Mawer	-	Public Service Board
Mr M.R. Sexton	-	Public Service Board
Mr B.J. Teasey	-	Public Service Board

ANNEX 1.B

INFORMATION PROVIDED TO THE COMMITTEE

- Exhibit OPB/1, 21/7/76 - Description of the Overseas Property Bureau 20 p.
- Exhibit OPB/2, 10/9/76 - Corrigendum to OPB/1, 1 p.
- Exhibit OPB/3 - Overseas Property Bureau - Functions and Responsibilities. 12 p.
- Exhibit OPB/4, 17/4/78 - Submission from the Department of Construction. 14 p.
- Exhibit OPB/5, 17/4/78 - Submission from Foreign Affairs Wives' Association. 8 p.
- Exhibit OPB/6, 14/4/78 - Submission from Department of Foreign Affairs. 8 p.
- Exhibit OPB/7, 17/4/78 - Submission from Department of Immigration and Ethnic Affairs. 3 p.
- Exhibit OPB/8, 18/4/78 - Submission from Department of Trade and Resources. 5 p.
- Exhibit OPB/10, 27/4/78 - Additional Submission from Department of Construction. 7 p.
- Exhibit OPB/11, 2/5/78 - Statement by Public Service Board on rent ceilings. 1 p.

From the Department of Administrative Services

- 9 November 1976 - Information requested in hearing 12 October 1976. 27 p.
- 29 November 1976 - Information requested in hearing 9 November 1976. 24 p.
- 9 February 1977 - Letter from Mr Lawler (Secretary) to Chairman notifying Committee of the reorganisation of the OPB. 2 p.
- 11 March 1977 - Information requested at hearing 30 November 1976. 7 p.

- 2 April 1977 Information requested at hearing 15 March 1977.
4 p.
- 18 April 1977 Copy of advertisement for position of Director of
Commonwealth Property. 2 p.
- 17 April 1978 Statement of the OOB's policy on the acquisition
of property. 16 p.
- 1 May 1978 Information requested at hearing 27 April 1978.
2 p.
- 1 May 1978 Letter from Mr Lawler (Secretary) to Chairman
providing comments on the performance of OOB since
the reorganisation. 5 p.
- Copy of letter 8 August 1973 from Director-General,
Department of Works to Secretary, Department of
Services and Property outlining relationship
between OWB and OPB. 3 p.
- 25 July 1978 Information requested on maintenance problems at
Paris Chancery. 39 p.

From the Department of Foreign Affairs

- 29 November 1976 Information requested at hearing 19 November 1976.
3 p.
- 13 April 1978 Information relating to problems at the Head of
Mission residence, Wellington, New Zealand. 77 p.
- 10 May 1978 Information requested at hearing 27 April 1978.
12 p.

From the Department of Trade and Resources

- 23 November 1976 Information requested at hearing 9 November 1976.
2 p.
- 17 December 1976 Information requested at hearing 30 November 1976.
3 p.

From the Department of Immigration and Ethnic Affairs

- 29 November 1976 Information requested at hearing 9 November 1976.
2 p.

- 25 November 1976 Copy of letter from Chief Migration Officer, London to Mr A.L. Barclay, Assistant Secretary, Canberra on the problems of finding accommodation in Manchester. 3 p.
- 2 May 1978 Information requested at hearing 27 April 1978. 1 p.

From the Public Service Board

- 19 November 1976 Information requested at hearing 9 November 1976, 25 p.
- 12 April 1977 Letter from R.N. McLeod (Acting Secretary) to the Committee on the Board's role in the reorganisation of the DPB.
- 22 April 1977 Information requested at hearing 15 March 1977. 1 p.
- 21 April 1978 Information requested at hearing 20 April 1978. 4 p.
- 19 May 1978 Information requested at hearing 20 April 1978. 2 p.

Other Sources

- Mr C.T. Moodie 3 April 1978. Letter and other information on problems at Wellington Head of Mission residence. 8 p.

Foreign Affairs Wives' Association. 22 May 1978 for improvement of overseas property administration. 1 p.

Manual of Overseas Property

Determinations Relating to Overseas Service.

ANNEX 2.A

OWNED AND LEASED PROPERTIES OVERSEAS

The following table sets out the number of owned and leased properties at 31 December 1974, 1975, 1976 and 1977.

	Chanceries (including offices)		Residences		Total	
	1974	1975	1974	1975	1974	1975
Owned	18	18	277	320	295	338
Leased	<u>109</u>	<u>112</u>	<u>935</u>	<u>941</u>	<u>1 044</u>	<u>1 053</u>
	<u>127</u>	<u>130</u>	<u>1 212</u>	<u>1 261</u>	<u>1 339</u>	<u>1 391</u>
% Owned	14.2	13.8	22.9	25.4	22.0	24.3

	Chanceries (including offices)		Residences		Total	
	1976	1977	1976	1977	1976	1977
Owned	20	23	324	363	334	386
Leased	<u>110</u>	<u>104</u>	<u>896</u>	<u>830</u>	<u>1 006</u>	<u>934</u>
	<u>130</u>	<u>127</u>	<u>1 220</u>	<u>1 193</u>	<u>1 350</u>	<u>1 320</u>
% Owned	15.4	18.1	26.6	30.4	25.5	29.2

Detailed description of the functions of the Overseas Property Bureau before it had been amalgamated into the Property and Survey Division.

- (a) formulate appropriate annual programs of overseas property requirements having regard to:-
 - (i) needs of various departments, and priorities indicated by them;
 - (ii) relative merits of rental, purchase and building arrangements; and
 - (iii) maintenance requirements.
- (b) purchase and hold land, office and residential accommodation;
- (c) dispose of surplus land, office and residential accommodation;
- (d) arrange for the construction of office and residential accommodation;
- (e) arrange leases and act as lessor/lessee on behalf of the Government in respect of land, office and residential accommodation;
- (f) arrange for the repair and maintenance of office and residential accommodation;
- (g) arrange for the provision and maintenance of furniture and fittings required for offices and residences;
- (h) determine and promulgate standards for office and residential accommodation, including furniture and fittings; and
- (i) arrange for the purchase of motor vehicles required by overseas posts.

ANNEX 2.C

Functions of the Overseas Property Committee:-

- (a) advise the Overseas Property Bureau in respect of the overseas property requirements of the Department of Foreign Affairs, Overseas Trade, Immigration and Ethnic Affairs and Defence on the formulation of policies on:
- (i) purchase of land for office and residential accommodation;
 - (ii) purchase and/or construction of office and residential accommodation;
 - (iii) leasing of land, office and residential accommodation;
 - (iv) maintenance of all overseas real estate;
 - (v) furnishing and equipping of office and residential accommodation;
 - (vi) standards for office and residential accommodation including furniture and fittings.
- (b) advise on programs of acquisition and/or building of office and residential accommodation at overseas posts including the apportionment of funds between these programs; and
- (c) advise on the annual appropriation to be sought from the Treasury in respect of the programs referred to in (b) above.

ANNEX 2.D

DEPARTMENT OF FOREIGN AFFAIRS

ADMINISTRATIVE CIRCULAR

23 December 1975

STAFF REGULATIONS - OMBUDSMAN

The position of Ombudsman was established in 1970. He is required to bring directly to my notice, in confidence, any reasonable complaints and grievances of individual officers which in his judgement warrant my personal interest and attention.

2. The Ombudsman works within the following terms of reference. He shall:

- (a) Be concerned with officers stationed in Canberra and Australia-based officers of this Department serving overseas;
- (b) Not have access to personnel files or assessment reports;
- (c) Not make decisions or enter into the details of a particular complaint;
- (d) Refer to me directly, in confidence, and in brief outline matters which in his judgement deserve my attention;
- (e) Have the right to decline to bring the complaint to my notice, but in so doing he shall inform me of that decision.

3. The present Ombudsman is Mr A.J. Melhuish who is located in Room 1-02, phone 2894. He is available at short notice to hear any complaints from any officer who wishes to approach him personally or in writing. Initially complaints are dealt with informally. Provided the officer concerned agrees, the First Assistant Secretary, Management and Foreign Services Division, or the Assistant Secretary, Personnel, is consulted about the complaint. The Foreign Service Adviser may also be consulted. Experience has shown that this often results in action being taken which satisfies the officer making the complaint. If an officer is not satisfied the matter may be referred to me within the context of the terms of reference above.

Signed
(Alan Renouf)

Financial Arrangements

Funds for overseas property matters were provided by specific Budgetary appropriations in the name of the OOB. These were:-

Buildings and Works
 Plant and Equipment
 Rent
 Property Maintenance and Services
 Furniture and Fittings
 Consultants Fees
 Motor Vehicles - maintenance and
 running expenses

Post Finances

Annual estimates are received from each post, against each appropriation item, detailing proposed expenditure on individual properties. Post estimates are scrutinised in the OOB to ensure compliance with standards; that such expenditure proposals are not duplications of bids previously provided for; and that the proposals are in line with the general property strategy for that post. The final estimates are examined by the Overseas Property Committee prior to submission to the Minister and the Department of Finance.

Visiting property officers of the OOB carry out detailed examination of expenditure proposals, but due to restrictions on overseas travel these visits had not been as regular as planned.

It is aimed for senior property officers to inspect each post about once a year. Travel is undertaken for the supervision of major construction projects; supervision of large scale acquisitions; maintenance inspections of properties; and property management. The following table provides the expenditure on travel of the Overseas Property Bureau:

	LOCAL (ALL OPB)	OVERSEAS				TOTAL
		OPB		OWB/OTHERS		
		Visits	Cost	Visits	Cost	
1973/74 ⁽ⁱ⁾	\$ 8 885	26	\$ 72 232	4	\$ 10 584	\$ 91 701
1974/75	\$42 753	40	\$111 401	24	\$55 792	\$209 046
1975/76 ⁽ⁱⁱ⁾	\$33 173	19	\$ 68 497	11	\$35 499	\$137 169
1976/77	\$17 924	12	\$ 61 217	9	\$31 267	\$110 408
1977/78	\$ 7 659	11	\$ 69 114	11	\$23 996	\$100 769

(See notes (i) and (ii) over)

NOTE: (i) The Bureau did not become fully operational until early in 1974.

(ii) The original appropriation for 1975/76 of \$190 000 was reduced, consistent with the requirement for expenditure restraints.

Funds are allocated to posts by formal Allocation Advices (Form OA3) in accordance with Section 34 of the Finance Directions. The issue of these advices is controlled by the Authorising Officer in the Bureau who, since December 1976 is located in the Department's Property and Survey Division. The Authorising Officer maintains an overseas fund control ledger which contains a record of each allocation against the relevant appropriation item and expenditure is reconciled against the allocation.

Monthly returns of expenditure are submitted by each post and are examined against the Treasury computer print-out to assess expenditure performance against individual proposals. In addition, the Chief Accounting Officer at each post is responsible for direct control of Bureau funds allocated to a post.

The Committee was informed that the OOB used a manually-based information system consisting mainly of historical records inherited from operating departments. Following an investigation by the Public Service Board the OOB expected to have an automated system installed which was expected to have significant operational and financial advantages. It was stated that more effective control measures would be introduced without inhibiting operational procedures and that the estimated cost of \$50 000 for this computer would be recovered within two years. The Secretary of the Department told the Committee that since the OOB was incorporated within his Department, an examination of the provision of a computer to meet the needs of the overseas property function and the domestic property function was being carried out.

ANNEX 4.A

The relevant section (8.C.1) of the Manual of Overseas Property reads as follows:

"In order to facilitate the provision of Head of Mission residential accommodation, overseas posts have been classified into 4 categories for property purposes. The classification afforded to each post for these purposes is shown at Annexure C to this Chapter.

The area standards for Head of Mission residential accommodation at each category of post are shown at Annexure D to the Chapter. The area shown against each nominated room at Annexure D for each category of post is the maximum area to apply to all Government construction, purchase and lease proposals for this type of accommodation."

POST CLASSIFICATION

<u>CATEGORY 1</u>	<u>CATEGORY 2</u>	<u>CATEGORY 3</u>	<u>CATEGORY 4</u>
Bonn	Bangkok	Accra	Apia
Brussels	Belgrade	Algiers	Auckland
Jakarta	Geneva (UN)	Ankara	Bahrain
London	Kuala Lumpur	Athens	Chicago
Moscow	Manila	Baghdad	Christchurch
New Delhi	Ottawa	Beirut	Cologne
New York (UN)	Peking	Berlin (GDR)	Hamburg
Tokyo	Rome	Berne	Helsinki
Washington	Singapore	Brasilia	Holy See
Paris	The Hague	Buenos Aires	Honara
Port Moresby	Vienna	Cairo	Honolulu
	Wellington	Cape Town	Johannesburg
		Colombo	Karachi
		Copenhagen	Lae
		Dacca	Manchester
		Damascus	Messina
		Dar es Salaam	Milan
		Dublin	Nauru
		Hanoi	Noumea
		Hong Kong	Osaka
		Islamabad	Oslo
		Jeddah	Port Louis
		Kingston	Port of Spain
		Lagos	Rio de Janeiro
		Lima	San Francisco
		Lisbon	Sao Paulo

CATEGORY 1CATEGORY 2CATEGORY 3 (Cont)CATEGORY 4 (Contd)

Madrid
 Mexico City
 Nairobi
 New York (CG)
 Nicosia
 Pretoria
 Rangoon
 Santiago
 Seoul
 Sliema
 Stockholm
 Suva
 Tehran
 Tel Aviv
 Tripoli
 Vientiane
 Warsaw

Toronto
 Vancouver
 Vila

Category 4 posts include other than H.O.M. posts. Head of Mission residential standards are to apply only to accommodation required for permanent occupancy by the Head of Mission appointed to the post.

HEAD OF MISSION RESIDENTIAL STANDARDSMAXIMUM AREAS

	CATEGORY 1 POSTS	CATEGORY 2 POSTS	CATEGORY 3 POSTS	CATEGORY 4 POSTS
Room	m ²	m ²	m ²	m ²
Entrance Hall/Rec.	142	120	100	80
Dining Room	45 seat up 22 persons	45 seat up 22 persons	39 seat up 18 persons	25-32 seat up 14 persons
Cloaks/Toilet (two to be provided)	11 each	10 each	8 each	7 each
Study	21	19	17	11-14
Kitchen	25	25	(34	((13-26
Servery	12	12	((
Storage, box, trunks bulk food liquor	((36 (30	25	17

Room	CATEGORY	CATEGORY	CATEGORY	CATEGORY
	1 POSTS	2 POSTS	3 POSTS	4 POSTS
	m ²	m ²	m ²	m ²
Cool Room (d)	8	8	8	-
Family Sitting Room	22	22	22	21
Family Breakfast Room	15	15	15	15(a)
Bedroom 1	{			
Bedroom 2	{74	72	68	51-62
Bedroom 3	{			
Bedroom 4	{			
Bedroom 5	(b)	(b)	(b)	(b)
Dressing Room	8	8	8	8
Bathroom No. 1	{			
Toilet No. 1	{			
Bathroom No. 2	(22	16	16	16
Toilet No. 2				
Bathroom No. 3	5	5	5	5(c)
Bathroom No. 4	(e)	(e)	(e)	(e)
<u>Other Areas</u>				
Live-in servants)			
Storage)			
Laundry)	A.R.	A.R.	A.R.
Porches)			
Garden Equipment)			
Store)			
TOTAL	457	417	373	310

Notes:

- (a) At a post occupied by a Head of Mission.
- (b) A fifth bedroom together with ensuite bathroom, toilet and adjoining sitting room may be provided as a guest suite where it can be justified by virtue of the number of VIP guests, inadequate hotel accommodation, etc.

- (c) Provided on justification basis only.
- (d) A cool room may be provided for the storage of bulk food where justified by the non-availability of fresh food.
- (e) Provided up to 5m² if 5th bedroom is provided.

EXTRACT FROM PUBLIC SERVICE BOARD
ANNUAL REPORT 1978

Pay and Conditions - Page 53

Conditions at
overseas posts

Following consideration of recommendations of the Royal Commission on Australian Government Administration the following action has been taken relating to conditions at overseas posts:

- at the majority of posts the Head of Mission is now authorised to adjust the salaries of locally engaged staff between inspections by the Board to take into account of movements in local pay markets, and
- it has been decided that the Board should retain authority for the setting of rent ceilings.

ACQUISITION OF OVERSEAS ACCOMMODATION

Background

In 1960 the Government decided that the system in operation in South-East Asia whereby accommodation was purchased or rented on an official basis should be extended to posts in Europe. On becoming operational in April, 1974, the former Overseas Property Bureau considered the accommodation needs of the overseas estate in the light of this decision and presented a paper to the Overseas Property Committee setting out the guideline principles in regard to ownership of accommodation overseas from the viewpoint of -

- (a) the extent to which the Government should own property overseas;
- (b) factors affecting purchase proposals;
- (c) the extent to which property purchase should reflect the Commonwealth's present or immediately foreseeable needs;
- (d) the extent to which a program of construction might be instituted as an alternative to purchase or lease.

A copy of the paper presented to the Committee is at Annexure A.

2. Following its considerations of these matters, the Overseas Property Committee endorsed the proposals that the Overseas Property Bureau, as a broad objective, should seek to attain a high proportion of ownership of property, where appropriate by construction. The Committee also agreed that in order to attain this objective the Bureau should -

- (a) establish an annual purchase and construction program in order to determine project priorities in consultation with user departments;
- (b) endeavour, insofar as specific cases permit or require, to obtain sufficient areas of land in order to enable future needs at a particular post to be met.

3. These objectives are being pursued by the Overseas Operations Branch as funds permit.

Ownership

4. In conformity with the view of the Overseas Property Committee a purchase and construction program is presented annually to the Committee setting out the areas in which the Overseas Operations Branch considers acquisition by purchase or construction should be undertaken.

5. Expenditure on capital works and acquisitions in 1974/75 (the first full year of the Bureau's operations) and subsequent years is as follows:

Year	Capital Works		Acquisition
	Works in Progress \$ Million	New Works \$ Million	\$ Million
1974/75	2.40	3.90	4.70
1975/76	13.50	1.60	0.80
1976/77	20.40	1.10	Nil
1977/78	20.30	.60	Nil

6. Commonwealth ownership of property overseas is as follows:

Offices (Including Chanceries)			Head of Mission Residences			Staff Accommodation		
Owned	Leased	Per Cent Owned	Owned	Leased	Per Cent Owned	Owned	Leased	Per Cent Owned
23	104	18	53	41	56	310	789	28

In general terms, ownership has increased to the above levels from a reported level of about 17 per cent since the Branch became fully operational in early 1974.

Standards of Accommodation

7. Officers posted overseas (except generally for residential accommodation in North America and the United Kingdom) are expected to occupy Commonwealth owned or Commonwealth leased office and residential accommodation to determined standards. Staff are grouped into categories according to salary and status. Standards are closely followed in Commonwealth constructed accommodation; and are used as a guide in purchase and lease proposals (where wide variations in housing styles and design overseas make rigid application impracticable).

Property Purchase

8. To achieve the objective of increased ownership of property at overseas posts, purchase of accommodation is undertaken by Overseas Operations Branch officers during post inspection visits which are undertaken annually (wherever possible); and by posts subsequent to Overseas Operations Branch approval of purchase proposals submitted by the post.

9. Where examination of a purchase proposal is undertaken by the posts, the post is to provide the Overseas Operations Branch with the information set out in Annexure B.¹ Upon advice from the Overseas Operations Branch, posts arrange for valuation and building survey reports to be obtained on the property (Annexures C and D).² No purchase proposal is permitted to proceed without Overseas Operations Branch approval.

10. Purchase of accommodation overseas is undertaken at each post generally having regard to -

- (a) economic factors including the rate of appreciation in real property values and rental levels;
- (b) political, social and legal implications;
- (c) the extent of representation at the post and the likelihood of rapid change in the size of that representation; and
- (d) the need for flexibility to meet changing family compositions, etc.

11. As regards (a) the Branch generally looks to the purchase of property where the rate of return on capital funds invested will not be less than the long term bond rate current at the time. This rate of return is assessed specifically for each property under consideration in an endeavour to maximise value for money expended. In many cases, however, this method of assessment of property for purchase has to be qualified by other factors, e.g.

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1. See Manual of Overseas Property - Chapter 7
Property Management
 2. See Manual of Overseas Property - Chapter 5
Engagement of Consultants.

where rates of return are equal but one property is located closer to facilities, enjoys topographical advantages (views, better drainage, etc.) or is located in a more socially desirable area, etc. Similarly, priority might be given to purchase in posts where, all other things being equal, high capital growth rates are evident.

12. Political, social and legal implications play an important role as these may prohibit or limit purchases in a particular area. For example, the governments of Thailand and Singapore place restrictions on the amount of property foreign governments may purchase. In Peking, Moscow, Berlin (German Democratic Republic) and Warsaw, property normally is obtained from the host government under a variety of arrangements which provide for occupancy, but not ownership, of the accommodation.

13. Again if title to the property is defective, purchase may be deferred in preference to lease. In Jakarta, title to the land sometimes may not be available and the Commonwealth may need to forgo purchase on an otherwise suitable property. Social factors influence purchase decisions particularly in countries where a two class society predominates. In these circumstances, suitable housing is available only from a very limited range of options.

14. The last two considerations relating to representation and family compositions, etc., require some flexibility in approach. Purchase of accommodation normally would not be undertaken at a post where the Australian Government has indicated that the level of representation is to decrease or posts which are politically unstable, e.g. Beirut. It is also unlikely that all accommodation at a particular post would be purchased as this would reduce the Government's ability to meet the special accommodation needs that result from Australia's overseas representation, e.g. single officers, officers with large family compositions, families with small children living in high rise developments, etc.

Construction of Accommodation

15. Decisions relating to construction of accommodation generally are taken against the background analysis undertaken in regard to purchase of property. Construction is undertaken mainly, however, where the buildings are required for some unique or special purpose and examination shows that the facility is not available through purchase. Additional factors considered in this regard are the cost of modifying existing Commonwealth owned property, the availability of suitable alternative development for purchase and modification, the relative costs of purchase and modification of other existing buildings, examination of conventional and prefabricated methods of construction.

Leasing of Accommodation

16. Government leasing of residential and office accommodation is undertaken at all overseas posts except in North America and the United Kingdom.

17. Officers posted to North America or the United Kingdom generally obtain privately leased residential accommodation. The Branch currently is examining the matter of private leasing to determine if alternative arrangements might be more economic in some instances.

18. In other areas Government leases are taken in residential accommodation, under arrangements which enable the Head of Post to approve such leases subject to certain conditions being met.

19. Office accommodation is obtained after detailed consideration of requirements, a market survey and, if necessary, a professional assessment of the asking rental.

20. Government lease proposals are undertaken for as long a period as possible to reduce the costs associated with change of occupancies, changes to furniture and furnishing arrangements, etc.

General

21. Accommodation proposals approved by the Overseas Operations Branch are designed to accommodate officers in appropriate accommodation. Decisions are of course made on cost benefit grounds within the framework of current expenditure priorities of the Government.

Department of Administrative Services

April 1978

GUIDELINES FOR OWNERSHIP OF OVERSEAS PROPERTY

Introduction

The Minister for Services and Property has expressed concern at the relatively high rentals paid in Australia and overseas to meet government property requirements and has stated that the objective should be to increase the proportion of owned property so as to meet the bulk of these requirements.

2. Given this expression of preference, this paper considers the purchase of property overseas for user departments from the viewpoint of:

- (a) the extent to which the Australian Government should own property overseas;
- (b) factors affecting purchase proposals;
- (c) the extent to which the purchase of property should reflect only our present or immediately foreseeable needs;
- (d) the extent to which a programme of construction might be instituted as an alternative to purchase or lease.

(a) Extent of Ownership of Property Overseas by Australian Government

3. Ownership of property carries with it a number of advantages, the principal advantages being that ownership:

- provides a basis for meeting accommodation needs free of the pressures that operate from time to time in the local market;
- enable staff to be accommodated very soon after arrival at a post, thereby assisting officers to settle in quickly and reducing the work load on administrative staff at the post;
- enables specialised requirements to be met more easily e.g. the need for security within a chancery can be accommodated without compromising the need for public access; and these specialised requirements can be more easily attended to with construction projects;

- gives added prestige, particularly in the case of Chanceries and official residences which, over time, become widely known and associated with the country of purchase;
 - facilitates more accurate forward programming of expenditure on purchase and maintenance.
4. Ownership of property also confers responsibilities not ordinarily present when property is leased. Some of these are that ownership
- can tend to limit flexibility in allocation of accommodation to meet family circumstances. In countries such as the United Kingdom, United States of America and Canada a long established private housing market offers an extensive variety of accommodation to meet a universe of requirements;
 - can increase administrative responsibilities above those involved with leasing of property by individual officers as occurs in Britain and North America e.g. additional staff required to handle complaints, checking of inventories etc.
 - requires greater flexibility in management: the nature and social environment of localities may change fairly rapidly heightening the need for expertise in operations and quickness in the decision making process: additionally, maintenance programmes must be instituted to ensure protection of the stock of assets;
 - does not provide the same degree of flexibility as leasing in cases where the ultimate size of a mission is unclear.
5. On balance, however, the establishment of an organisation such as the Overseas Property Bureau, especially charged with the administration of the overseas property needs of the Australian Government, removes to some extent the potency of many of the difficulties associated with ownership and should enable a programme of ownership to be considered in a positive atmosphere.
6. Approximately eighteen percent of the property occupied for civilian purposes overseas in the name of the Australian Government is presently owned by the government; this relatively low percentage being due to various factors including the relatively rapid increase of Australia's representation especially in newly emerging countries.

7. The extent to which property should be purchased of course depends upon a number of considerations, not the least of which is the political and economic stability of the country in which the property under consideration is located. In countries such as Britain, North America, New Zealand and Western Europe, political stability combined with a sophisticated economic development gives reasonable assurance that any assets purchased by the Australian Government will be respected by the government and nationals of those countries and not lost through appropriation by government or damage by civil disturbance.

8. Security of title in the host country is also important. If the system of land registration is in any way suspect or if the land tenure system is inadequate, the possibility of unnecessary and unwarranted litigation may outweigh the advantages of purchase. The rate of inflation and the prevailing economic conditions both at home and in the host country also play their part in purchase decisions though these conditions can change more rapidly than those operating in the property market. One central factor of late is the rampant appreciation in property values in many countries making the continued leasing of accommodation in these areas a doubtful economic proposition. The nature, extent and likely duration of Australia's representation in the host country also has considerable bearing on the means by which that representation will be accommodated.

9. The extent to which these features are present in the different countries will vary from place to place and over time, making it unreal to attempt to determine an all-embracing policy concerning ownership that will apply with equal force to each post at all times. However, it is possible to establish a policy concerning ownership in general and within that framework to determine matters in respect of a particular post as the need for accommodation arises.

10. The government of Canada, the United States and the United Kingdom have adopted a policy of increasing ownership of property which they occupy in other countries. This policy essentially sets targets of ownership for the staff residences, official residences and chanceries on an overall basis throughout the world; the intention being that the percentage ownership for each particular category of property should be an aim to work toward without necessarily achieving that aim. Such a policy enables ownership of property at each post to be determined having regard to all the conditions operating at the particular post (i.e. some posts may have a very high percentage ownership whilst in others, ownership of property may be very low or nil), and also enables the overall target percentage to be reviewed from time to time. At the moment each government is working towards overall ownership of about 65 to 70 per cent of staff housing, about 80 per cent of official residences and about 90 per cent of chanceries but it will take some time for these percentages to be achieved, if they are achieved at all.

11. It is proposed that the Overseas Property Committee endorse similar percentages as realistic ultimate targets for ownership of property in other countries by the Australian Government; and these target percentages be reviewed from time to time to ensure that they remain current in the light of circumstances operating at that time.

12. An endorsement to this effect by the Committee would require that the Bureau, in concert with user departments, prepare an annual purchase and construction programme and a programme for up to 3 years ahead to establish the priority and timing of purchases and construction proposals; those programmes to form part of the annual and 3 year forward estimates exercises and be reviewed accordingly. In this way, financial programming would be stabilised whilst retaining flexibility to accommodate emergency cases that may arise after finalisation of each financial year's programme.

(b) Factors influencing purchase proposals

13. The Australian Government in seeking to accommodate itself overseas is constrained by a set of factors in many ways different from those applying to its needs in Australia. One major difference is that the accommodation needs are spread over a wide range of countries each affected in its own way by various political economic and social factors. And though some of these factors may be common to a number of countries, the effect they have in any one country may produce results not necessarily experienced elsewhere.

14. Economic factors undoubtedly will loom large in any proposition concerning proposals to purchase property, but the fact that inflation is operating to varying degrees of intensity almost universally will mean that many cherished economic concepts will have to be drastically revised if the Australian Government is to have any chance of obtaining the property it requires. One consequence of this inflationary spiral is that investors no longer regard the rate of return as being determined simply by the income that a property may produce. In fact, there are a number of large commercial developments in places such as London which are deliberately kept wholly vacant for a number of years, but which are extremely profitable ventures for the developer. The reason for this is simply that inflation combined with the many influences operating in the property market to cause capital appreciation in real money terms rewards the investor with substantial capital gains; and under these circumstances, the phenomenon of investors purchasing property with lower income returns than those available in alternative investments becomes increasingly more common, particularly as the incidence of speculative type purchases increases. Thus any decisions to fund proposals which rest on economic criteria or formulae which consider income alone as determining rates of return will result in the Australian Government being forced into an unrealistic and unfavourable position in its negotiations with vendors.

15. Again, economic criteria may often need to be relegated in importance to social and political factors. In many of the countries in which the government will be seeking to accommodate itself, the facilities available are well below those present in Australia. It may be that the need for security of staff and their families or the need for improved social and welfare facilities overrides any other consideration. A number of propositions will no doubt arise where, in order to provide suitable accommodation, it will be necessary for a whole range of utilities and amenities to be provided if morale and efficiency are to be maintained.

16. What is being suggested is that a flexible approach is needed by all concerned with the examination and approval of purchase proposals. Each project will require a forward looking attitude with the proposal being examined on its merits and approval not being contingent upon some criteria of historical interest only.

17. Within this context, once a decision is made to obtain additional accommodation it may be that construction rather than purchase is a more satisfactory means of meeting the requirements. As has already been pointed out construction will enable special needs to be met more easily and also enable conflicts inherent in accommodation needs, particularly with those relating to chanceries, to be more satisfactorily reconciled.

18. Construction also may result in substantial savings to the government.

19. Where the value of property in the market exceeds the cost of development (including land purchase) by a sufficient margin to provide economic incentive to a developer, development will proceed; and the developer will take as his reward for enterprise the difference between the cost of development, etc., and the price the project is able to command in the market place. In most cases, and particularly in commercial projects, the rewards flowing to the developer are substantial and represent a sizeable proportion of the purchase price. The Australian Government by acting as the entrepreneur and constructing accommodation as necessary rather than purchasing completed buildings would enjoy considerable savings that otherwise flow as profit to the developer.

20. Additional benefits in the form of reduced transfer and notary charges may also flow to the government from the construction of projects rather than their purchase. In some cases the purchase of real estate attracts charges of this nature of the order of 15 per cent; these charges being assessed on the price at which property transfers. In cases where a developed property is purchased the transfer costs and notary charges payable are increased in the proportion of the value that the buildings give to the land, which can be substantial. Where vacant land is purchased and the required accommodation constructed the transfer costs and notary charges are assessed only on the value of the land.

21. Of course the savings available through construction must be considered in the light of each particular project to ensure that they are real savings and not offset by other costs such as rentals paid whilst in alternate accommodation during the construction period. Largely it becomes a matter of programming to ensure that savings are maximised but as a general proposition construction should be seen to convey advantages not ordinarily available in the purchase of existing development.

(c) Extent to which the Purchase of Property should Reflect Our Immediate Needs

22. The purchase of property on an adhoc basis is subject to the vagaries of the market and providing accommodation sufficient only to meet immediate needs is an inefficient and costly process. Forward planning to provide accommodation to meet future needs for residential and chancery purposes there- by assumes considerable importance.

23. Circumstances dictate that land purchases always be approached in an open minded fashion. In many cases the purchase of individual lots is practical and desirable, but increased flexibility of approach can be enjoyed with the purchase of significant areas of land to enable further subdivision and development as the need arises.

24. The availability of land to meet future needs is particularly important in the provision of office accommodation where the lag between the need and supply of this type of accommodation can be lengthy. With residential accommodation also, the purchase of land in broad acres capable of sub-division to meet future requirements can enhance the variety and interest of the surroundings, and provide facilities superior to those other- wise available and at reduced cost.

25. Local planning requirements and the availability of suitable land circumscribes this question to some extent but it is proposed where ever practical that the purchase of sufficient areas of land should loom large in the Bureau's future operations so that accommodation needs may be more efficiently met.

(d) Extent to which a Construction Programme could be Instituted

26. This question and that in (c) are to some extent complementary. The extent to which vacant land is purchased naturally will influence any construction programme.

27. In many countries, homes for officers requiring accommodation of moderate scale can be purchased readily from the stock of existing houses, but considerable time and energy can be expended in obtaining accommodation for senior officers. In other countries there is difficulty in finding suitable accommodation for officers at any level.

28. As a general proposition therefore and subject to specific cases it is felt that construction should be undertaken in preference to purchase, particularly where Head of Mission residences and office accommodation are concerned. In this way local conditions (e.g. soil bearings, earthquakes, cyclonic areas) can be adequately catered for, future expansion requirements can be planned for, expensive modifications to bring buildings up to standard after purchase can be eliminated and the environment more easily controlled to provide the desired facilities.

RECOMMENDATION

29. It is recommended that the Overseas Property Committee agree that the Bureau, as a broad objective, should seek to attain a high proportion of ownership of property, where appropriate by construction; the proportion of overall ownership for which the Bureau should initially aim being of the order of -

65 - 70 per cent for staff housing

80 per cent for Head of Mission residences

90 per cent for Chancery and Office accommodation.

It is also proposed that the Committee agree that in order to attain this objective the Bureau -

- (a) establish an annual purchase and construction programme in order to determine project priorities in consultation with user departments.
- (b) endeavour, in so far as specific cases permit or require, to obtain sufficient areas of land in order to enable future expansion needs at a particular post to be met.

Overseas Property Bureau
25 March 1974

Manchester

5.B.1. The Report of the Auditor-General 1975-76 in paragraph 3.2.6 states:

"In another acquisition examined by my officers, the Bureau acquired at a cost of \$103 980 a property in Manchester which also has required extensive renovations to make the residence ready for occupation. The purchase was made after the Bureau accepted a favourable report from a chartered surveyor on the residence concerned including the electrical installation. After purchase, it was necessary to carry out extensive renovations to the residence including complete renewal of the electrical wiring."

5.B.2. Purchase of the property at Manchester arose from the appointment of a Trade Commissioner to the post. The Officer and his family arrived in the city on 27 January 1975. Under normal circumstances, the procedure for housing officers in a new post is to first accommodate them in hotels until a suitable residence can be leased. In Manchester no suitable rental accommodation was available and it was necessary to purchase a property. An extensive survey was made of local properties and early in February 1975 a proposal was made to purchase a property at a cost of \$A103 980. Before the Overseas Property Bureau approved the purchase of the property in Manchester, the Post was required to provide certain information about the property. Part of this requirement -

"List any repairs, renovations or additions with an estimate of costs and likely duration of work involved."

The response was that:

"The Trade Commissioner reports minimal redecoration and said quotes were being obtained."

5.B.3. A chartered surveyor commissioned by the Australian High Commission in London examined the property and in his report said:

"We consider this structure to have been constructed with the best available materials and with workmanship of a very high standard. We therefore feel that this building is generally in very good structural condition. The general electrical installation is of a very high standard in keeping with the remainder of the house, and should, in our considered opinion, give a satisfactory service."

5.B.4. Prior to occupation the Bureau anticipated spending about \$A5 000 with the balance of renovations being optional and which need not have been done before occupation. Renovations recommended by the High Commission were: modernisation of the kitchen, laundry, downstairs cloakrooms and 2 bathrooms upstairs; and conversion of oil-fired boiler to a gas fire. This additional work cost \$A28 000 and was completed before the Trade Commissioner occupied the property. Also, in his report the chartered surveyor mentioned that the electrical fittings in the house were satisfactory. However, the local authorities disagreed with the chartered surveyor's report and demanded that the house be rewired, and this was done at a cost of \$A800. The Committee was told that the Bureau was aware of the necessity for renovations prior to making the decision to purchase the house.

5.B.5. A firm estimate of the cost of all repairs, renovations and modifications regarded as essential and desirable was made after negotiations for the purchase had been completed but before possession was taken and settlement effected. This estimate was Stg.11 500 (approx. \$A19 000). In the event renovations costing \$A28 800 were carried out on the property and on 27 September 1975 the Trade Commissioner and his family occupied the property.

5.B.6. The Trade Commissioner arrived in Manchester on 27 January 1975 and was accommodated in hotels until the property purchased was ready for occupation on 27 September 1975. The cost of the hotel accommodation exceeded \$A17 000 with the officer making a contribution to this from his salary. The officer involved was accompanied by his wife and two teenage children. The Observer from the Department of Overseas Trade said that under the Trade Commissioner Act the Department had a delegation to extend the Trade Commissioner's settling-in allowance. While there was no requirement to obtain Public Service Board approval for the extensions involved in this case, the Department kept the Public Service Board advised. The Overseas Property Bureau, when considering the purchase of the property in Manchester, did not consider the cost of hotel accommodation as a part of the total cost of the property.

5.B.7. The Committee was told on a number of occasions that the situation that arose in Manchester was most unusual. The witness from the Bureau explained that under normal circumstances when a post is opened, Australian based officers are initially accommodated in leased properties. Once officers are resident, the Bureau investigates the financial advantages for the Australian Government in either constructing or purchasing buildings. In the case of Manchester, the officer was unable to find leased accommodation and consequently a proposal to purchase was submitted. The Bureau was not aware of the situation in Manchester until a specific proposal to purchase was received in March 1975. The Observer from the Department of Overseas Trade said that he personally visited Manchester seven months prior to the officer arriving. He had briefly surveyed the property market in the city, interviewing a banker and estate agents, and as a result of his investigations, he formed the view that it would be very difficult to lease a house in Manchester

and that a purchase would be necessary. On his return to Canberra the Observer had informed the Overseas Property Bureau of his findings.

5.8.8. The officer posted to Manchester had reported he could not find suitable rented accommodation and had selected a property to be considered for purchase. Early in February a proposal was made to purchase and the property was inspected on 11 February by an officer from the building section of the High Commission in London.

5.8.9. The Manchester post, rather than dealing directly with Canberra, dealt through the High Commission, London by arrangement with the Department of Foreign Affairs. The Department of Foreign Affairs said that the High Commission in London received written advice on the recommendations on 27 February 1975. The information was sent to the Overseas Property Bureau in Canberra on 11 March, a delay of 12 days due to the staff of the High Commission preparing estimates at the time.

Dublin

5.C.1. The Report of the Auditor-General 1975-76 in paragraph 3.2.6 states;

Examination of the details of the acquisition of the relevant property in Dublin at a cost of approximately \$88 970 has disclosed extensive repairs and renovations were necessary before the residence was suitable for occupation. The repairs which had added substantially to the cost of the residence, included treatment for extensive woodworm infestation and wet rot which were discovered after the purchase. Prior to the purchase the Bureau had accepted a report from a local architect which did not disclose the faults in the house.

5.C.2. In paragraph 3.11.1 of his Report the Auditor-General again referred to Dublin when he reported on the case of the officer of the Department of Foreign Affairs and his family, who resided in a hotel in Dublin for more than a year while a residence was being purchased and renovated. Settling-in allowances of approximately \$26 000 were paid including \$13 687 incurred without authority in the period 17 March to 25 September 1975. The Committee in its inquiry into the Auditor-General's Report 1975-76, investigated the matters raised in paragraph 3.11.1. Inevitably there was considerable overlap between the evidence submitted during this inquiry and the inquiry into the Overseas Property Bureau. Consequently, some evidence used in the preparation of this report, comes from the hearings into the Auditor-General's Report on 29 March and 26 April 1977 and reported in the Committee's 167th Report.

5.C.3. In a submission from the Department of Foreign Affairs the Committee was told that the Embassy at Dublin has had difficulty in locating suitable residential accommodation for lease or purchase since late 1973. During 1974 the Post had been unsuccessfully engaged in an extensive search for residential accommodation for the new Counsellor who arrived in Dublin on 1 September 1974. The Counsellor was married with two children aged 7 and 10 years and, under the accommodation standards promulgated in the Manual of Overseas Property, could expect to be accommodated in a four bedroom house with entertaining areas.

5.C.4. Following the appointment of the Counsellor in June 1974, the search for accommodation was intensified. In the period August/September 1974, 51 houses were inspected and rejected on various grounds. The responsibility for undertaking preliminary assessment of accommodation proposals, and for the more detailed work involved in following up proposals worthy of further consideration, rested with the post's Senior Administrative Officer who would decide whether proposals should be brought to the attention of more senior officers. Property proposals actually recommended to Canberra required the endorsement of the Head of Mission.

5.C.5. In September/October 1974 the post put forward two alternative purchase propositions for consideration. The Overseas Property Bureau and the post did not agree to which was the best proposition. An officer of the Overseas Property Bureau (Chief Property Officer - Class 10) was in London at the time

and was redirected to Dublin to review these proposals. While in Dublin the Bureau officer located another property known as "Hatley House" and on his recommendation the Post submitted a purchase proposal on 12 November 1974. The proposal included a timetable for occupation.

- . Late November - agree to purchase;
- . Six weeks to complete legal formalities;
- . Mid-January - exchange contracts, measure for carpets, curtains, order furniture;
- . Mid-February - obtain possession, lay carpets, fix curtains, install furniture;
- . Late February - occupy residence

5.C.6. The post engaged a consulting architect to report on the house. In his report the architect said:

The property as a whole is in good condition and shows clear evidence of being very well maintained. Its decorative shape both internally and externally is excellent, except that the exterior woodwork at the rear needs re-painting. Little would have to be spent on essential renovations.

and:

On the whole this property is in a very satisfactory condition, a little short on reception and living rooms, but which could become a most attractive house with some modification and attention to the interior decor."

5.C.7. In response to the requirement that it provide details of any repairs or renovations in the purchase proposal, the Post had replied:

The house is one on which we could spend little or a lot before occupancy. It could be redecorated; the kitchen could be re-modelled; the external wood work at the rear needs repainting. We would be happy to occupy the house subject to £1,000¹ being provided for unexpected expenditure this financial year."

On the basis of the purchase proposal and architect's report submitted on 12 November 1974, the Bureau approved the purchase of the property on 29 November.

5.C.8. The delays in occupying Hatley House were a combination of structural problems and legal problems. On 24 December 1974 the Embassy advised that

1 This amount is in Irish Pounds. At 30 September 1974 one Irish Pound equalled approximately \$1.75.

there were problems arising from certain covenants which showed that at one stage the property had been transferred to a company which later went into liquidation. It was not until 25 February 1975 that the vendor's solicitor was able to produce evidence to show that the title was in order. On 3 April 1975 the post informed the Department that a further unexpected legal problem had arisen. It was discovered that the Allied Irish Bank which signed the Agreement of Sale was not competent to do so as the house was mortgaged to the Royal Bank of Ireland. This bank had been amalgamated with several other banks to form Allied Irish Banks Limited but legal formalities transferring to the new identity the power to dispose of the property mortgaged to the constituent banks had not then been completed. A Carotakers Agreement was finally entered into on 8 April 1975 which gave the Embassy possession of the premises and the right to effect repairs and renovations.

5.C.9. The Post had first reported structural difficulties on 11 February 1975 when the builder reported that despite the architect's reporting that the house had been rewired 11 years previously, Hatley House would have to be completely rewired. Because of the legal problems mentioned above, the Post had no further access to the property until 8 April 1975. When the property was again accessible, the builder discovered that there was severe woodworm and wet rot infestation necessitating urgent repairs and replacement of timber. The Post reported this discovery to the Bureau on 23 April 1975. The cost of repairing these defects, along with the costs of rewiring, replacing the boiler, renovation of the kitchen and interior decorating, totalled \$A24 000. The Bureau repeatedly queried the Embassy on the continually escalating costs of the renovations and decorating and had sought to have Hatley House completely surveyed by a Chartered Building Surveyor. When the Post advised that no suitable Chartered Surveyors were available in Ireland the Bureau withdrew this request. The house was eventually ready for occupation on 24 September 1965, and the Counsellor moved in the next day.

5.C.10. The problems relating to Hatley House were varied and came to notice successively. This led to a series of unfounded expectations about the occupancy dates. The Bureau was most dissatisfied with the advice from the architect, expecting that a competent professional adviser would have reported on the woodwork and wet rot. The architect was local, selected by the Post, and his fee was \$A153. Since the facts on Hatley House emerged after the fee was paid, the Post was not able to withhold payment. Following the unsatisfactory report on the property the architect was told that the Australian Government would not use his services again. On legal advice the Post did not proceed against the architect to recover damages.

5.C.11. Posts play an important part in the process of selecting suitable properties for purchase. In the purchase proposal for Hatley House, most of the information provided came from the Post, with the professional advice received being only amplification of the replies given by the post. Under procedures developed prior to the establishment of the Overseas Property Bureau and now codified in the Manual of Overseas Property, the Dublin post was asked for and had provided considerable detail to accompany the purchase proposal. Coincidental with the situation that arose in Dublin, the procedures relating to the provision of reports and the employment of consultants had been reviewed. Changes have been made in the procedures to ensure:

- consistency in the material to be included in the reports, including the provision of appropriate details;
- that reports are obtained in the correct sequence and provide a consolidated list of relevant material (this will be particularly useful for the Bureau's records);
- improved presentation, together with the capacity to evaluate the performance of the consultant;
- improved administrative procedures and post liaison arrangements.

Disposal of Land and Property

Hong Kong

5.D.1. A block of land was purchased in Hong Kong for \$A33 072 in 1960. It was envisaged at that time that an apartment block would be constructed on the site but subsequent changes in the operation of the post lead to the dropping of these plans, and in September 1976 the block was sold for \$A1.5m.

Osaka

5.D.2. Similarly, a block of land was purchased in Osaka for \$A1 611 528 in 1973 to construct a compound of residential accommodation for Australian based staff. The proposal has been abandoned due to staff reductions and the block has been put on the market. The witness told the Committee that there are indications that the block will realise its purchase cost and its sale is currently being negotiated. The Auditor-General in the 1977-78 Report examined the disposal of this land in Osaka.

Vietnam

5.D.3. Recent events in Vietnam have raised problems in disposing of Australian property. A block of land was purchased in Saigon for \$A674 000 on 12 October 1971. A proposed chancery was abandoned with the change of government in Vietnam. Also the Australian Government owns some residential housing in what was the European sector of Saigon. At the time of the inquiry these properties had not been inspected and was assumed they had been looted. The Head of Mission Residence in Rue Pasteur has been viewed but was not occupied at the time of inspection and most of the furniture and fittings appeared to have been removed. The chancery in Saigon appeared to be still secure. The Department of Foreign Affairs is currently negotiating with the Vietnamese Government on the disposal of the Australian properties.

5.D.4. Posts at Los Angeles,* Bombay, Calcutta and Salonika have recently been closed and other posts, such as Osaka and Montreal, have had significant staff reductions. At many of the posts the Australian Government did not own property but at Los Angeles and Montreal the following properties were sold:

<u>Post</u>	<u>Purchase Price</u>	<u>Revenue from Sale (1976)</u>
Los Angeles	1. \$A183 551 (1974)	\$A274 194
	2. \$A151 291 (1974)	\$A192 648
	3. \$A 74 000 (1974)	\$A102 339
Montreal	1. \$A110 981 (1972)	\$A157 562
	2. \$A 45 000 (1963)	\$A 70 711

* The Post at Los Angeles has since been re-opened.

Purchase of Land.

8.A.1. In Lagos foreigners are not allowed to purchase property, except in a restricted area where the Australian Government has not been able to purchase sufficient residential accommodation. In this country, all other property has been allocated to senior officers of the Armed Services who expect to recover the outlay from housing constructed on the land within three years. All foreigners in Lagos are obliged to pay rents up to 10 years in advance. The rents in Lagos are very high, a 2 bedroom flat for a stenographer costs \$A638 a month, paid five years in advance; the rental for the Trade Commissioner's residence is \$A2659 per month, paid five years in advance. When the trade mission opened in Lagos it was necessary to lease residential accommodation for three Australian based officers which resulted in a lump sum payment of \$A411 000 in 1975-76.

8.A.2. The Australian Government owns land on which a residence for the Head of Mission has been built already and it is possible to build both a chancery and staff apartments. However, there is a severe shortage of materials and building tradesmen in Lagos and the Bureau is considering erecting prefabricated buildings. This situation is compounded by Government policy which precludes commencing any new building projects overseas.

8.A.3. While Lagos was one of the most difficult posts with respect to the provision of leased residential accommodation, some other posts involved large payments of advance rent. In Algiers the cost of leasing residential accommodation for 6 Australian based officers in 1974-75 was \$246 488 mostly for rents paid three years in advance. The cost of accommodation at this post is very high. For example, the rent on the chancery is \$2341 per month for the Head of Mission and \$2926 per month for a house and attached flat for the second secretary and senior stenographer. The Public Service Board inspected the Algiers post in March 1976 and there was very little suitable accommodation available and what was available was very expensive.

8.A.4. A similar situation existed in Jeddah where in 1975-76 the cost of leasing residential accommodation for 10 Australian based officers was \$237 541, and at this post advance rentals of five years are paid. While the Australian Government owned land in Jeddah the building industry is prohibitively expensive, and the Bureau's capital expenditure has been restricted. Further, there is continual speculation that the seat of government will shift from Jeddah to Riyadh. As with other posts in which high rents and large advances are commanded, Jeddah has very little accommodation suitable for leasing and what is available attracts considerable competition from the recent influx of foreigners. This extends to the purchase of residential properties, a large three bedroom villa was offered for sale recently for \$A2 million.

Delegations to Heads of Mission

8.B.1. Delegations have been made to Heads of Mission to enable them to approve leases which exceed rent ceilings which have not been reviewed for over 12 months. The margins by which these ceilings may be exceeded range from 5 per cent in Fiji to 15 per cent in India. In addition, in a number of European countries, local conditions allow escalation clauses in leases. In these countries, Heads of Mission are authorized to approve the excess should rentals escalate in this way.

8.B.2. No rent ceilings are set in some countries because of special circumstances; either exceptionally high inflation or a non-existent property market in the accepted sense. These countries include Algeria, Poland, Saudi Arabia, Egypt, Bahrain and Iran. In China and the U.S.S.R. Heads of Mission have the authority to approve leases subject to certain conditions. In all cases where these delegations are exercised, posts are required to promptly provide the Public Service with details of each lease.

Delegation to Heads of Mission to Approve Leases

8.C.1. A Head of Post may approve and sign the lease of residential accommodation (including garage, staff quarters, etc) on behalf of "The Commonwealth of Australia" where that lease replaces or renews an existing lease or is a lease in respect of an increased staffing commitment at the post provided:-

- (a) Rental payments in respect of the lease do not exceed the rental ceilings set out in the appropriate part 6 schedule of the determinations relating to overseas service;
- (b) A rental commitment in relation to the position concerned was specifically nominated in the draft annual estimates provided to the Overseas Operations Branch;
- (c) Due consideration is given to the area standards for the appropriate accommodation grouping set out at (MOP annexure 8F); and
- (d) The lease does not involve any of the following:-
 - (i) Advance rental payments in excess of 12 months; or
 - (ii) Significant cost increases in payments for maintenance, utilities or dead rent; or
 - (iii) Any additional expenditure on furniture or fittings in the financial year in which the lease is signed or renewed.

8.C.2. All leases which do not meet the conditions specified above must be referred to the Overseas Operation Branch for approval.

ANNEX 8.D

Los Angeles

8.D.1. In the case of the Los Angeles post which was recently closed a lease on office accommodation could not be cancelled.

8.D.2. The Committee was told that negotiations are in progress to sub-let the office until the lease expires in 1982.

Expenditure on Maintenance

9.A.1. The total expenditure on maintenance and services for all posts was:

	\$A	\$A
	<u>1974-75</u>	<u>1975-76</u>
Office accommodation	2 130 358	2 328 882
Non-office accommodation	2 381 890	2 938 774
Total	<u>4 512 248</u>	<u>5 267 656</u>

	\$A	\$A
	<u>1976-77</u>	<u>1977-78</u>
Office accommodation	2 410 729	3 324 092
Non-office accommodation	3 441 976	3 663 699
Total	<u>5 852 705</u>	<u>6 987 791</u>

9.A.2. At one post, for example, Jakarta, 49 officers are housed in leased accommodation and the Commonwealth owns another 32 houses. At that post the expenditure on maintenance and services on owned property in 1975-76 was as follows:

	\$A
<u>Chancery:</u>	
- General Maintenance	82 400
- Furniture Maintenance	600
- Utilities	38 500
<u>Official Residence:</u>	
- General Maintenance	5 520
- Furniture Maintenance	60
- Utilities	19 500
<u>Other Staff Residence:</u>	
- General Maintenance	145 800
- Furniture Maintenance	2 920
- Utilities	<u>89 418</u>
Total:	<u>384 718</u>

Type of Maintenance
Difficulties Encountered in Chanceries

9.B.1. Maintenance problems in Chanceries might be broadly classified into four categories:

- those that cause concern for the safety of the occupants,
- Those which if unchecked will result in deterioration of equipment and fittings;
- those which simply create an air of dilapidation and impecuniosity, and
- maintenance difficulties affecting the comfort and efficiency of the occupants.

9.B.2. With regard to safety one might cite Accra where there has been a number of small fires in the Chancery resulting from electrical faults. A number of posts have this problem and the prime example is Moscow where a major fire destroyed much of the Chancery, including communications and registry facilities, and adjacent parts of the Official Residence were damaged. The problem of subsidence and drainage in the Tokyo complex falls into the same category as a safety hazard. On breaching a suspect section of flooring it was found that more than a metre and a half of water had accumulated in the foundations.

9.B.3. Recent difficulties at Vientienne fall into the second category. During the monsoon a leak in the roof resulted in flooding on two floors of the Chancery. A number of posts including, for example, New Delhi and Manila encounter similar problems, either because of the extent of the monsoonal deluge, perhaps because of poor workmanship or materials or as a result of seismic activity.

9.B.4. The third category requires little explanation. Ankara would be among the worst of the examples because of the extreme effects of pollution, though Islamabad, Dacca, Dar-as-Salaam, Lagos and several other posts would be in similar circumstances.

9.B.5. With regard to personal comfort and efficiency one must again cite the West African capitals where utility services, and air conditioning are unreliable. At the other end of the scale, officers in the Consular Section at Moscow have worked in office temperatures of minus 12 C.

Payment of Utilities for A Based Officers Overseas

9.C.1. The following is a list of countries, divided into three categories, indicating responsibility for utility payments. It should be noted that the list is not static over time. The category into which a particular country falls is subject to review at inspection.

Countries Where Utilities Costs are Paid by the Government
(as at May 1978)

9.C.2. Algeria, Argentina, Bahrain, Bangladesh, Belgium, Brazil, Burma, Chile, Peoples Republic of China, Cyprus, Denmark, Arab Republic of Egypt, Fiji, German Democratic Republic, Ghana, India, Indonesia, Iran, Iraq, Ireland, Israel, Jamaica, Japan, Republic of Korea, Laos, Lebanon, Mexico, Nauru, Netherlands, New Caledonia, New Hebrides, New Zealand, Nigeria, Pakistan, Peru, Philippines, Poland, Saudi Arabia, South Africa, Sri Lanka, Sweden, Switzerland, Socialist Republic of Vietnam, Western Samoa and Yugoslavia.

Countries Where Utilities are Partially Paid by the Government
(as at May 1978)

9.C.3. Austria, Canada, France, Federal Republic of Germany, Greece, Hong Kong, Italy, Kenya, Malaysia, Papua New Guinea, Portugal, Singapore, Solomon Is., Spain, Thailand and U.S.A.

Countries Where Utilities are not paid directly by the Government

Britain and Malta

MEMORANDUM NO. 178 FROM PARIS DATED 26 APRIL 1978

Maintenance of New Embassy Premises, Paris

The Department will no doubt have substantial information on file from previous correspondence, liaison visit reports and oral accounts following visits to the new Embassy by senior officers, on the size and complexity of the Chancery building and adjoining apartment block recently completed. Without rehearsing all the detail, it suffices to say that the Government's decision to build the complex to accommodate three large scattered sections under one roof, and provide residential accommodation for 33 officers and their families (including two Ambassadors) in one of the most difficult and expensive real estate markets in the world, has brought with it a series of problems. Apart from the fact that well over \$A1 million per annum is being saved in annual rentals (assessed some years ago: present-day rentals would be much higher), the Government now has an extremely valuable investment which has already increased in value since completion.

2. It is difficult for the non-technical person to comprehend the scope of the project and associated problems. Most Embassy visitors see only the amply proportions of the main reception areas. They may visit some of the offices or perhaps be invited into one of the very comfortable apartments. They may even play squash or swim in the heated pool. They would not guess that there are two complete floors of basement parking under each building, extensive plant rooms on almost every level from the 9th floor of the apartment building to the 4th basement of the Chancery, and enormous installations to cope with heating, cooling, ventilation, water treatment and reticulation, hydraulic systems, lifts, sewage and drainage, lighting, telephones, etc. There are miles of ducting and pipe-work and countless switchboards and machine rooms, sumps, drains, pumps, valves and so on. It would be interesting to have statistics of this machinery, but we simply do not have the resources to set out about compiling them.

3. Our request for technical maintenance staff of one B.S.O. and three L.E.S., which was based on projected long term needs well before the project was completed, has of course, been met. The B.S.O. has now been in Paris since December 1977 and has had an opportunity of looking closely at the machinery and equipment and assessing its capacities, weaknesses, limitations and maintenance requirements.

4. Before the B.S.O.'s arrival, maintenance contracts had been let for the principal mechanical installations. Most of the equipment was and still is covered by warranty, but routine maintenance must be done by the Embassy if the suppliers are to be held to warranties for any defective parts. The team of three technicians and B.S.O. has evolved a program of regular

maintenance to the installations to keep them in running order. Obviously the machinery has to function if the buildings are to operate, to remain in good condition, and to cost as little as possible to maintain. If this basic maintenance is not done, in the long-term the Government's investment will be in jeopardy, and in the short-term we will lose our bargaining power under existing warranties.

5. As each maintenance contract lapses, the B.S.O.'s team has taken up the work, leaving now only those contracts which are regarded as essential - i.e. lifts, chiller plants, telephones and the computerised systems control console. The B.S.O.'s approved team of three was based on an assessment by Cabinet Trouvin (Electrical/Mechanical Engineer Consultant and modelled on "L'industrielle de Service Apres Vente"). They were backed up by the other existing maintenance contracts plus their own company's resources. On the whole, most the building sub-contractors were also on site during the period of their contract. In contrast, the B.S.O. has only his team of three technicians.

6. The B.S.O. has dedicated himself to the formulation of a regular servicing program and the assessment of his staffing requirements. He has put in long hours on the job and has had to cope with major and minor breakdowns on his own at all hours of the day and night. He has now had sufficient time in Paris to assess the requirements of the building and his findings are shown in the attached papers.

7. The minimum requirement for a maintenance team is 5 additional local staff. This is amply demonstrated by the attached statement of the workload of maintaining the Embassy buildings (attachment 1). We must stress that this additional requirement is for routine maintenance only. It does not cover the following very significant items:

- (a) Breakdowns - these range from major flooding, burnt out or malfunctioning machinery to trifles like lights and blinds falling down, blown fuses, etc. Breakdowns are a constant problem, at present handled by the B.S.O. alone out of office hours.
- (b) Cleaning of plant rooms - this is not to be confused with dusting desks or vacuuming carpets. The plant rooms need to be cleaned thoroughly and professionally if the equipment is to function efficiently. So many breakdowns and defects of electrical and mechanical equipment can be traced to simple dirt. If the plant rooms are not treated to a serious and regular cleaning program, starting as soon as possible, then any attempt to restore them at a later stage will be expensive and time-consuming. The current cleaning contract by the Embassy could not even be extended to swabbing the plant room floors, let alone undertaking the work of cleaning the machinery - this would be hazardous for the cleaners and potentially damaging to our equipment.

- (c) We are here discussing new machinery. As it ages, maintenance and replacement work will be much greater than at present.
- (d) Mounting and demounting exhibitions - we have no-one on the staff for this type of work. It takes several man-hours, for example, to move just one of the photographic panels in the main reception hall.
- (e) Moving furniture, officers' baggage, handling Embassy deliveries - again we have no-one available for this type of work. Under common services we must provide some assistance when people move into or out of the apartment building, or to move furniture or safes, etc., within the office.
- (f) Maintenance of government property in 20-odd leased apartments. At present this is all done by more-expensive outside contractors.

8. The basic team proposed by the B.S.D. is as follows:

Electrical technician (P.N. 7175)	FF50,200 p.a.
Electrical and mechanical fitter (P.N. 7176)	FF50,200 p.a.
Mechanical fitter	FF50,200 p.a.
Electrical fitter	FF50,200 p.a.
Carpenter	FF48,000 p.a.
Plumber (P.N. 7177)	FF44,300 p.a.
Cleaner/handyman	FF44,300 p.a.
Cleaner/handyman	FF44,300 p.a.

These costs include wages, social security, supplementary pensions, unemployment benefits, etc. The total cost is FF281,300 per annum.

9. While the proposal at first glance amounts to a doubling of the present maintenance technical staff, we are firmly convinced that to carry out a regular maintenance program and deal with the minimum necessary repairs in such a large and complex site, the numbers are justified.

10. It might be argued that it would be better to take out period maintenance contracts wherever possible as an alternative to employing more local staff. Attachment 3 sets out the costs of maintenance contracts available to

us, with comments by the B.S.O. The total cost is estimated at at least FF1,182,266 per annum. Of these, the maintenance contracts on the lifts, chiller plants, telephones and the systems control console, totalling FF225,534 per annum, are indispensable. You should therefore compare only the cost of the remaining contracts (FF956,732 per annum) with the cost of the maintenance team we require (FF281,300 per annum). There is, however, no comparison with the service our own team of employees would give as against the haphazard and tardy treatment we can expect from outside contractors.

11. As you know the Embassy houses quite a number of Second Division officers, both from Foreign Affairs and several other departments. All have been very patient through the teething stages of occupation, but can be expected to become less tolerant as time passes. Even junior staff become upset when one of the essential services fails, such as lighting, heating, toilets, power points, etc., in their apartments. The resident Ambassador (there will be a second in September) and other senior officers demand a swift response to breakdowns which affect the representational use of their apartments.

12. The Embassy cannot carry on as at present. The team of three technicians is quite inadequate to maintain the Paris investment by the Australian Government. Neither can the Australian public servants obliged to live and work there be expected to put up with the present situation for much longer. As the months and years go by this situation will worsen rapidly - urgent action is required now to create the basis for a competent maintenance team for the Embassy.

13. We are of course very conscious of the Department's difficulties with staff ceilings and the D.O.B.'s problems in obtaining maintenance funds particularly for the Paris project. Nevertheless the facts need to be faced and at very least the consequences must be made known to the regulatory authorities if the resources needed to run the Embassy complex are not sufficient to protect the Commonwealth's investment. We recognize and appreciate the special treatment which the Embassy received at a time when restraints are very much a part of everyday living. We are nevertheless stuck with a very large, most impressive and expensive asset which has to be maintained. If it is decided that additional staff - and this would mean a further increase to our ceiling as we could not offer any offsetting savings - or additional funds cannot be made available, then we shall, of course continue to do our best to provide whatever services we can, but the ultimate responsibility for any mishaps and consequences will rest with those who have so decided.

signed
(H.D. Anderson)
Ambassador

OVERSEAS OPERATIONS BRANCHCONSTRUCTION PROJECTS - 30 JUNE 1978

Location	Purpose	Est. Cost	Est. Completion Date
		\$A	
BANGKOK	Chancery, HOM Residence Staff Accommodation	7.2m	April 1979
HANOI	Staff Apartments	0.7m	Sept. 1978
KUALA LUMPUR	Four staff houses	0.4m	Dec. 1979
LAGOS	Nine staff houses	0.9m	April 1979

Expenditure on capital works and acquisition in 1974-75 (the first full year of the OOB's operations) and subsequent years is as follows:

Year	Capital Works		Plant and Equipment \$A Million	Acquisitions \$A Million	Total \$A Million
	Works in \$A Million	New Works \$A Million			
1974-75	2.40	3.90	1.08	4.70	12.10
1975-76	13.50	1.60	0.97	0.80	16.87
1976-77	20.77	0.75	0.69	Nil	22.20
1977-78	20.19	0.70	1.06	Nil	21.95
1978-79*	5.94	0.64	2.01	2.36	10.95

* Estimated

Office of the
Director-General.

23/1/24-2/72

8/8/1973

Dear Mr Timbs,

OVERSEAS PROPERTY BUREAU

I refer to our recent discussions in connection with the relationship between the Overseas Property Bureau and the Department of Works. In what follows I have set down in draft form for your confirmation or otherwise what I believe were the important points of principle and procedure on which we reached understanding and agreement in our discussions.

Basic to the understanding was I believe your expressed wish and my complete agreement that your officers and those of the Department working together on matters related to overseas property should be in close and continuous communication with each other and at all times work as a combined team.

The matters of principle and procedure which we discussed and agreed in this context were:

1. The Overseas Property Bureau will manage all matters of property purchase, rental, maintenance, fitting out, furnishing and construction but will utilise the services of the Department of Works for all professional, technical matters related to the more major construction, alteration and maintenance works of the O.P.B.
2. Where it is necessary to go beyond the Department of Works own staff to obtain such services for a complete project, this will be done through the Department but by agreement between the Department and the O.P.B. as to who should be engaged and on what terms. In the event that there is any difference of view between the O.P.B. and the Works group on these matters, the matter will be referred to the Permanent Heads of both Departments for resolution.
3. The Department of Works will set up in Canberra a multi discipline professional technical group to provide technical building and construction services to the O.P.B. on such matters as site selection, evaluation of existing buildings for their suitability from a design and construction point of view for O.P.B. purposes, project management services for major new construction, alteration and repairs and maintenance works, architectural and engineering design and construction supervision, services for the more major works and interior and landscape design services for such works.

4. The Department of Works group referred to in 3. will be as self-sufficient as the workload in sight would warrant but the group will have access to other resources of the Department and to consultants as required to immediately increase its capability as workload demands. The Department of Works group will, if convenient to the O.P.B., be located in the same building as the O.P.B.
5. The manner of operation of the O.P.B. and Department of Works in matters in which there is joint concern will be -

- (i) O.P.B. will canvass the needs of the various Departments requiring new space or major alterations or improvement of existing space to obtain an initial broad appreciation of the extent and various types of space required as far ahead in time as can be reasonably forecast. The assembly of this information will be essentially in the form of a description of the numbers of different types of officers to be accommodated and description of any special space needs.

This will be a preliminary functional brief and form the basis of further consideration by O.P.B. in consultation with Department of Works and user departments.

- (ii) The O.P.B., in full consultation with the Works group, will further develop the preliminary functional brief and establish actual space requirements, having regard to the fact that possible layouts of the facility will be resolved during the subsequent stage by the Works group in consultation with the O.P.B. to provide the best solution to the needs. The Works group will establish the necessary technical requirements to which the space must conform if it is to efficiently and effectively serve the purposes for which it is required.

This will be the technical brief to which additional space or modifications of existing space will conform.

- (iii) The O.P.B. and Works as a joint team will appraise the possible solutions to the brief in (ii) and together will evaluate practicalities, desirabilities, costs, economies and times involved in whatever possibilities exist in the way of purchases, lease, alteration, improvement or construction of buildings and sites where new construction is and desirable.

Essentially the Works group will make the technical buildings and construction contribution to the evaluation and the O.P.B. will contribute the other issues but both will work continuously together on such evaluations both in Canberra and as appropriate at relevant overseas locations. At the conclusion of the evaluation a joint report will be prepared covering all matters necessary to conclude as to what forms of solution are possible to the particular problem. The report will include possible alternatives for new constructions where this is practicable and likely to be desirable, it will appraise construction costs and indicate probable timetables and methods of approach to the construction.

- (iv) Following this evaluation report O.P.B. will arrange for consideration of the possibilities with its Client Departments. The appropriate Works group officer present to explain, clarify or amplify the various aspects to which the Works group had contributed.
- (v) Following agreement of the Departments concerned the O.P.B. will incorporate the preferred solution in an appropriate programme of work and secure the necessary approvals - financial and otherwise - for the work to proceed.
- (vi) The various major construction, alteration and R. & M. projects approved as part of an annual programme will be developed by the Works group through the initial design, detailed design and construction stages in accordance with the approved budgets and in accordance with the timetable required by O.P.B.

The Department of Works group to be set up in Canberra will be developed to parallel the establishment of the O.P.B. and be fully staffed and operational at the same time as the O.P.B. will itself be established. The Works group will be set up to have:

- (a) The project planning, co-ordination and control capability to handle all major works and major alterations and repairs and maintenance projects required by O.P.B.
- (b) The capability to investigate and evaluate from a technical point of view the various aspects of site and building questions related to all major projects envisaged by O.P.B.

- (c) An architectural and engineering capability such as to be able to develop first class basic design concepts for at least half the expected workload of projects required by O.P.B.
- (d) An architectural and engineering capability to develop the basic design concepts of (c) to an advanced sketch plan or definitive stage such that detail working drawings can be done by others under guidance and subject to periodical review.
- (e) No detailed design (working drawing) resource would be provided in the Works group directly attached to the O.P.B. but other resources of the Department would be utilised as appropriate and as available. The Works group in Canberra would however have the necessary drafting capability to do all that was necessary in presentation of sketch design and definitive designs of work to be developed by the Works group.
- (f) For construction the Works group would be set up with a nucleus of key site staff to supervise construction work overseas to the extent the programme involves works in countries where the local resources are not adequate for such purposes. The Works group in addition to its own capability for field supervision will have access to other staff throughout the Department as the need demands.

Major works which cannot be handled by the Works group for their initial design development, after approval, will be undertaken by consultants. Where this course of action is necessary the works will be processed through the Department of Works group and the selection and terms of commissioning of the consultant will be by agreement between the Works group and the O.P.B.

In the event that there is any question of difference of view between O.P.B. and the Works group on the selection of a consultant or on the terms of commission the matter will be referred to the Permanent Heads of both Departments for resolution.

The consultants selected will be commissioned and controlled by the Works group.

- In the case of partial consultant services being required after development of the initial concept and advanced sketch plans for a project by the Works group such consultants will be selected and commissioned by the Works group which will keep O.P.B. fully informed of their actions.

There are aspects of the relationship between O.P.B. and the Works group not covered by what has been set out in this letter but it is my belief that sufficient has been said for the two groups of people located close together and in continuous team relationship to work in harmony and effectively and to be able to resolve most if not all of the remaining more minor matters themselves.

I envisage that the officer leading the Works group to which I have referred in this letter will be responsible directly and only to a level 4 Director (Major Projects) at Head Office, who will be responsible directly and only to me.

You have informed me that the O.P.B. organisation provides for a limited number of professional positions to enable the Bureau to function as a Client Department, and I understand that the way in which these positions will be used will not conflict with the Works Department role. However, in view of the rather limited career opportunities which are available for such persons within the Overseas Property Bureau and having regard to the possibility that at least certain of the O.P.B. professional positions could be filled by officers of the type employed by the Department of Works, I would welcome the opportunity in the near future to discuss this matter with you. The purpose in considering the rotation of professional officers between the O.P.B. and the Department of Works would be to promote a closer working relationship between both groups, to promote efficiency and to widen the career opportunities for professional officers employed by the O.P.B.

Yours sincerely,

(A.S. REIHER)
Director-General

The Secretary,
Department of Services and Property,
Electricity House,
London Circuit.

DEPARTMENT OF CONSTRUCTION

CENTRAL OFFICE

The Secretary,
Public Accounts Committee,
Parliament House,
CANBERRA, A.C.T. 2600

April 27 1978

"JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Financing and Administration
of Property Owned or Leased Overseas by the
Commonwealth Government"

... Following evidence given at the Committee Hearing on Thursday, 20 April 1978, I have attached a copy of a briefing from the Department of Foreign Affairs, dated 25 July 1973, which describes the requirements for flats to be located as an additional floor to the Bangkok Chancery.

The Department of Construction would also seek to clarify certain aspects of its Overseas Works Branch in response to questions raised by the Committee.

1.0 Background

- 1.1 The Overseas Works Branch was established in mid 1974 within the Department of Construction to service an expanding overseas construction program managed by the then Overseas Property Bureau.
- 1.2 The Overseas Works Branch functions can be traced back to the Prime Minister's approval in May 1971 to the establishment of the Overseas Property Bureau (the O.P.B. was eventually established in full in late 1973).
- 1.3 Department of Construction/Overseas Works Branch functions -
- design and supervise construction of major overseas capital works including alterations and additions;
 - undertake major maintenance work overseas;
 - be a member of the Overseas Property Committee.

- 1.4 In August 1973 at the time of the establishment of the Overseas Property Bureau the then Permanent Heads of the Departments of Construction and Services and Property confirmed the points of principle with respect to the functional relationship between the two organisations (Department of Construction/Overseas Property Bureau). This agreement established that :
- Overseas Property Bureau would be responsible for property management, rental, maintenance, fitting out, furnishing and construction (Overseas Property Bureau hold the funds);
 - Overseas Works Branch were to be used for all professional and technical matters related to major construction, alteration, and maintenance works;
 - When required, Overseas Works Branch would commission consultants;
 - Overseas Works Branch to be established in Canberra;
 - Overseas Works Branch to provide technical advice on site selection, evaluation of existing buildings, project management for new construction, alteration and repairs and maintenance of more major projects;
 - Overseas Works Branch to prepare designs;
 - Overseas Works Branch to supervise construction.

- 1.5 The establishment of Overseas Works Branch was designed to retain within a Branch of the Department a repository of overseas construction knowledge and experience.

At present it is managing, with the assistance of consultants, existing projects in construction with an estimated expenditure of \$17 million for the financial year 1977-78. Pending decisions on new overseas capital works, the Branch is fully occupied on the design of other projects being handled by the Department. It is not practicable to set up a Branch or to disband one at the drop of a hat. The Department is waiting to see what happens with regard to :

- a) future Overseas Works projects;
- b) arrangements as to who is to carry them out

before action is taken regarding the organisation.

Recognising that an Overseas Works program is likely to fluctuate, the Department is preparing to reorganise its arrangements to bring together the different elements in the Department responsible for :

3.

- a) Overseas Works for Foreign Affairs, etc.
- b) Overseas Works for ADAB;
- c) Other selected national works.

Such a unit would have special arrangements for marshalling the full range of talents throughout the Department, or if required from private consultants, in relation to particular jobs.

2.0 Consultants

The Department of Construction will spend some \$7.0M to \$8.0M this financial year on consultant fees throughout Australia.

2.1 In line with Government Policy, the Department of Construction retains the services of consultants where in-house resources are not available and consultants possess specialist skills.

2.2 Unlike the rest of the Department of Construction, the Overseas Works Branch does not manage the consultant vote for Overseas Works.

2.3 Overseas Works Branch has commissioned on behalf of Overseas Property Bureau/Overseas Operations Branch, Australian based and overseas consultants to document designs and supervise construction.

3.0 Cost Control

The question has been posed as to how costs may be more effectively controlled.

3.1 Normal Works Programming Procedures ensure that the public of Australia, through the Commonwealth Parliament, receive cost effective facilities in both Civil and Defence construction projects.

3.2 The Department of Construction, as the Commonwealth's construction authority, is appropriated funds by Parliament, to implement a major sector of Commonwealth construction within Australia. Defence construction projects are implemented in a similar manner subject to security controls.

3.3 Such procedures assist Government in its surveillance of Project Needs and Costs. The procedures could be appropriate to Overseas Construction.

... (Refer Attachment B for outline of Procedures).

4.0 Project Management

The Department of Construction is Project Management orientated whereby a person is nominated whose responsibility is to bring together and use the technical, financial and management resources needed to achieve specific project objectives throughout the design and construct activities.

5.0 Resource Duplication

Duplication exists as follows :

- 5.1 The current Administrative Arrangement Order empowers the Department of Administrative Services through Overseas Operations Branch to arrange construction and maintenance overseas. Under this Arrangement, Overseas Operations Branch establishes and maintains on a limited scale the necessary establishment for works programming and control, engagement and supervision of consultant resources and construction and maintenance of overseas property.
- 5.2 The Department of Construction (including the Overseas Works Branch) maintains a full establishment for works programming and control, consultant resources, professional/technical resources for the design, construction and maintenance of all Commonwealth Civil and Defence projects throughout Australia.
- 5.3 Attendance to all project issues so that both Technical (Overseas Works Branch) and Financial/Approval (Overseas Operations Branch) decisions can be taken progressively.
- 5.4 Dual representation overseas - Overseas Works Branch Regional Architect/Overseas Operations Branch Clerical Project Officer.
- 5.5 Consultant Vote Records. Overseas Works Branch retain records as agent for Overseas Operations Branch and project manager of technical consultant groups. Overseas Operations Branch must retain records as they control the funds under the consultant vote.
- 5.6 The establishment of technical capacity within Overseas Operations Branch to enable them to carry out their responsibilities for less major works for which they elect not to allocate to Overseas Works Branch. The Department of Construction and Overseas Works Branch possess the technical capacity.
- 5.7 Overseas visits for analysis of tenders - Overseas Works Branch for technical evaluation and Overseas Operations Branch for Financial/Approval decisions.

6.0 Conclusion

It is submitted that cost advantages would occur by the implementation of Normal Works Programming Procedures and the non-proliferation of works type activities within the Government sphere.



(A.D. Jones)
First Assistant Secretary
Major Projects (3)

for Secretary

Attachments

ATTACHMENT A

DEPARTMENT OF FOREIGN AFFAIRS

CANBERRA ACT 2600

25 July 1973

Mr K. Woolley,
Ancher, Mortlock, Murray and Woolley Pty Ltd,
Architects and Planners,
10 Kidge Street
NORTH SYDNEY N.S.W. 2060

Dear Mr Woolley,

In confirmation of our discussion on 23 July, I would be pleased if you would incorporate an additional floor into the design that you are currently developing for the Bangkok Chancery to be used as flats for junior staff members. Space for concentrated expansion would then form all or most of the floor below, which would be kept without partitioning until required for offices.

Our requirements for expansion space have of necessity been somewhat imprecisely expressed since we realise that the actual area will be influenced by the design of the building. We have in mind an expansion component equal to the total amount of office space provided for use in 1976, excluding the Ambassador's suite and, of course, functional areas. A total amount of some 12,000 sq. ft would be appropriate, about 40% of this distributed amongst the various sections of the Embassy, the remainder concentrated in the area suggested above.

We feel that the display areas should be located together rather than being divided. A total area of about 4000 sq. feet should be provided, part of this capable of being screened off during the setting up of an exhibition. The multipurpose area can then be up to 1000 sq. feet, can be used in conjunction with the theatrette and possibly with the display area as well.

The opinion prevails that the theatrette should allow double the seating capacity allowed in the brief. In our Washington Chancery we provided permanent seating for an audience of 100, but can seat another 50 using folding chairs set on an adjacent mezzanine multipurpose area. I enclose a copy of this layout and suggest that the problem might be overcome in a similar manner in Bangkok. It is unlikely that we could gain agreement to exceeding permanent seating for more than 100.

I look forward to further discussion on this project when you visit Canberra next month.

Yours sincerely

CC: Mr C. Wade,
Department of Works
Box 2807 AA, P.O.,
MELBOURNE VIC. 3001

signed
(F.C. Murray)
for the Secretary

SUMMARY OF WORKS PROGRAM PROCEDURES AS THEY APPLY IN AUSTRALIA1. Works estimated to cost less than \$1 million

- In October/November departments prepare draft programs of works to be commenced in the subsequent financial year*
 - on the basis of cost advice from Department of Construction or "in-house" estimates.
- Responsible Minister, Minister for Construction and Minister for Finance, review draft programs
 - projects accepted go on to Design List A
 - : which authorise documentation to proceed to tender readiness stage.
- Works program is considered in Budget context.

2. Works estimated to cost more than \$1 million

Cabinet approval is required for these projects

- On the basis of Department of Construction cost advice, Cabinet approval for the project is sought
 - if Cabinet approval is granted and the project is estimated to cost less than \$2 million it is admitted to Design List A (if design/documentation cannot be completed in time to allow the project to be considered in the forthcoming Budget context it is admitted to Design List B).
 - if Cabinet approval is granted and the project is estimated to cost more than \$2 million it is admitted to Design List C which authorises design/documentation up to the stage where a project is submitted to PWC for approval.
 - Following PWC approval projects are admitted to Design List B where design/documentation to tender readiness stage is undertaken.
 - Design List B projects completed to tender readiness stage are considered along with Design List A projects in formulating the works program in the Budget context.
- * Projects can be, and are, admitted to Design List A up to the stage when the Works Program is being formulated. This allows changing Government policies and priorities to be taken into account in formulating the works program.

Paris

10.D.1. In its submission to the Committee, the OOB included details of the construction of a chancery and apartments in Paris. The land was purchased for \$A7.4 million in 1973 and buildings estimated to cost \$A18.40 million was constructed. At the present there are three Australian missions in Paris, the diplomatic mission to France, the OECD and UNESCO. At the time of the inquiry there were two ambassadors in Paris and nine government departments represented, employing 55 Australian based officers and 140 locally engaged staff. Office accommodation for this staff is presently provided in three separate buildings, one purchased for \$A256 000 and the other two leased at an annual cost of \$A624 913 in 1975-76. Rental costs for residential accommodation were a further \$A374 923 in that year. It is expected that the new buildings should recover their costs in about 20 to 25 years by saved rents.

10.D.1. In 1969 an investigation was conducted by the Department of Foreign Affairs and Treasury to attempt to solve the accommodation problems in Paris. It was recommended that a site be purchased and a building erected. The site, an old railway yard, was selected in 1971 and purchased in 1973. The feasibility study determined that it was a better economic prospect to use the extra space available on the site to build the block of apartments. The chancery, was designed in accordance with the space requirements of the clients and a second block adjacent to the chancery to contain 33 apartment units. While the residential part of the project will not fulfil all the needs of the missions, it will accommodate a higher proportion of the staff in the one place than in any other Australian post. Harry Seidler and Associates were appointed as consulting architects for the Paris project.

Osaka and Tokyo

10.D.3. In Osaka a building costing \$A382 690 was erected on land purchased for \$A292 000, a total of \$A674 690. The block consists of 4 residences built in 1969 by the Department of Trade before the establishment of the Overseas Operations Branch. The Observer from the Department of Trade told the Committee that the Trade Office in Osaka opened in 1965 and it soon became evident that it would not be possible to obtain satisfactory western-style housing without construction. It was completed in time to be used for accommodation for Expo staff. With the current relocation of staff at the Osaka post it has reverted to a sole trade post and all the staff are housed in the apartment block. It was anticipated that the Trade Office would remain in Osaka.

10.D.4. In Tokyo the Australian Government owns the main chancery site and a house opposite previously occupied by the Minister Commercial. It was decided that the land was too valuable for only a single residence and that it should be redeveloped. At the time of our inquiry the building was to be demolished and a contract has been let for a block of 16 residential apartments of varying design costing \$A3.2m. At the present time there are 47 Australian based officers living in leased accommodation in Tokyo. The total rental cost for residential accommodation in Tokyo was \$A484 363 with average cost per officer of about \$A10 300.

Washington

10.D.5. At the time of our inquiry the chancery in Washington was being extended at an estimated cost of \$A5.15m. The present property at Washington includes land purchased at a cost of \$A1 047 000 and a chancery completed in 1969 at a cost of \$A7 555 000. The extensions which were approved in 1974 will provide 75,000 square feet of office space on 9 levels and will include space for new computer-controlled switching equipment, a part of the Foreign Affairs communication network. When the existing building was completed in 1969 provision was made for expansion. The then estimate of 8 per cent growth per annum was exceeded. In 1969 there were 281 staff at the Washington post and in 1974, 319.

10.D.6. At the time of construction it was anticipated that the zoning regulations could change to allow an extension of a further 2 floors and provision was made in the design. This did not eventuate and the adjoining land was required. The extensions, while surplus to current requirements, have been built to the full extent. Of the seven floors available, three will be initially unoccupied. The Observer from the Department of Foreign Affairs informed the Committee that there has been a progressive transfer of staff from the Consulate-General in New York to Washington. However, due to leasing contracts in New York which do not allow sub-leasing of space in the Rockefeller Centre, there is no immediate cost advantage in moving staff to the vacant premises in Washington. The witness from the OOB told the Committee that it was not known when further staff will be transferred from New York or how much space will be surplus to requirements. However, the OOB is presently considering leasing the surplus space but a security problem could arise.

Bangkok

10.D.7. The Committee was told that in Bangkok a block of land was purchased in 1972 costing \$A805 000. At the time of purchase the land had on it two derelict blocks of apartments and one house. The two blocks were uninhabitable but the house was occupied by an Embassy officer for eighteen months until May 1974. It was vacant for 10 months until it was demolished in March 1975 to make way for the construction of the chancery.

10.D.8. In the Auditor-General's Report 1977-78 there was critical comment on the construction of the chancery. The Auditor-General reported (page 150) as follows:

Subsequent enquiries by my Office disclosed the Department of Foreign Affairs had advised the Overseas Operations Branch of the Department of Administrative Services that for security reasons, the live-in servants' quarters on level 5 should be relocated. In response to Audit representations the Department of Administrative Services advised:

- construction on the staff apartments ceased following a direction on 9 November 1977 that these should be abandoned;
- at the time it was expected savings of up to \$100 000

could be realised through cancellation of further work; and

on 28 November 1977, after reconsidering the position, a further direction was issued that the staff apartments should be completed in accordance with original plans; the Department of Foreign Affairs was advised that the future use of the apartments would be a matter for resolution by the Department.

10.D.9. The chancery in Bangkok was commenced in mid 1975 with a design based on a brief proposal by the Department of Foreign Affairs. In mid 1977 the Department became aware that servants' apartments had been constructed on the floor above offices in which sensitive material was being handled.

10.D.10. Foreign Affairs admitted that it had neglected to examine the plans of the building closely enough at the time. The planning phase took place when the Overseas Property Bureau was being established and there was a breakdown in communication between the Bureau and the Department. Since the original plans were drafted there has been a great development in security problems and the Department has now established a technical security branch and is confident that these problems will not arise again.

REFERENCES TO TRANSCRIPT AND OTHER EVIDENCECHAPTER 2

<u>Paragraph No.</u>	<u>Reference</u>
2.1	Exhibit OPB/3. Questions 7 and 1096, Department of Foreign Affairs Annual Report 1975.
2.2	Exhibit OPB/1 and OPB/3 Committee File 1976/3. Questions 1114 to 1116, 1124 and 1125.
2.3	Exhibit OPB/3 and Question 7.
2.4	Exhibit OPB/1 Committee File 1976/3. Department of Foreign Affairs Annual Report 1975. Question 120.
2.5	Exhibit OPB/1 Committee File 1976/3. Questions 124 to 130, 904 to 908.
2.6	Committee File 1976/3.
2.7	Exhibit OPB/3 and Question 9.
2.8	Exhibit OPB.
2.9	Committee File 1976/3.
2.10	Committee File 1976/3.
2.11	Committee File 1976/3 and Question 11.
2.12	Committee File 1976/3.
2.13	Exhibit OPB/3 and Questions 62 and 63.
2.14	Exhibit OPB/3 and Question 525.
2.15	Exhibit OPB/3 and Questions 132 to 136, 148, 149 and 523 to 532.
2.16	Questions 87 to 93 and 535 to 537.
2.17	Questions 161 to 163 and 533 to 543.
2.18	Questions 187 to 192.
2.19	Questions 96 to 102 and 479 to 482.
2.20	Committee File 1976/3 and Question 1843.
2.21	Exhibit OPB/5 and Questions 1220 to 1234 and 1659 to 1665.
2.22	Question 1206, 1632, 1776.
2.23	Questions 1200 to 1206.

CHAPTER 3

Paragraph No.

Reference

3.1	Committee File 1976/3.
3.2	Question 1095.
3.3	Committee File 1976/3 and Question 1114.
3.4	Committee File 1976/3 and Question 1370.
3.5	Questions 1122, 1126, 1130, 1145, 1159 and 1370.
3.6	Exhibit OPB/6, OPB/7, OPB/8 and Questions 1130 to 1135 and 1246.

CHAPTER 4

Paragraph No.

Reference

4.1	Question 438. Manual of Overseas Property, Determinations Relating to Overseas Service.
4.2	Questions 436, 438, 439, 456, 472 and 473.
4.3	Questions 1753 to 1759
4.4	Questions 457 to 461, 1753.
4.5	Committee File 1976/3 and Question 651.
4.6	Questions 441, 450. and 455.

CHAPTER 5

Paragraph No.

References

5.1	Committee File 1976/3
5.2	Questions 120 to 128
5.3	Committee File 1976/3 and Questions 117 to 119
5.4	Committee's 167th Report (P.R. No. 232/1977)
5.5	Questions 117 to 119
5.6	Questions 1020, 1021 and 1027
5.7	Questions 1020, 1021 and 1027
5.8	Exhibit OPB/1 and Questions 1022 and 1023
5.9	Committee File 1976/3
5.10	Committee File 1976/3 and Questions 107 to 112

CHAPTER 6

Paragraph No.

Reference

6.1	MOP and Budget papers.
6.2	MOP
6.3	Questions 66 to 69. MOP
6.4	Questions 73, 1253, 1254, 1258, 1260 and 1253.
6.5	Committee File 1976/3. Questions 70, 72 and 1253.
6.6	Questions 1263 and 1266.
6.7	Questions 1272 and 1280.
6.8	Question 1266.

CHAPTER 7

Paragraph No.

References

7.1	Questions 49, 50, 53 and 298
7.2	Questions 94, 303, 304 and 308
7.3	Questions 329 and 330
7.4	Questions 346 and 348
7.5	Questions 348 and 354
7.6	Questions 291, 292, 297, 400 and 401
7.7	Questions 295, 394, 395, 398, 404 and 405
7.8	Questions 361, 364, 368 and 377
7.9	Questions 357, 358, 363 and 427
7.10	Question 372
7.11	Questions 372 to 374 and 376
7.12	Questions 1679 to 1681
7.13	Questions 313, 317, 320 and 325

CHAPTER 8

Paragraph No.

References

8.1	Exhibit OPB/1, Committee File 1976/3 and Question 661
8.2	Questions 434, 601 to 608 and 614
8.3	Questions 83 and 164
8.4	Questions 83, 164, 168, 438, 1187, 1188 and 1191
8.5	Question 1804
8.6	Questions 1187 and 1188
8.7	Public Service Board Annual Report 1978
8.8	Questions 172, 424 and 434 to 435
8.9	Committee File 1976/3 and Questions 1710 to 1722
8.10	Committee File 1976/3
8.11	Committee File 1976/3 and Questions 225, 483, 486 and 638
8.12	Questions 225, 227 and 617
8.13	Questions 225, 350, 626, 659 and 1711 to 1716
8.14	Questions 1712 to 1715
8.15	Questions 474, 627 and 630
8.16	Question 630
8.17	Questions 629, 631 and 635
8.18	Questions 117, 415 and 419
8.19	Question 409
8.20	Exhibit OPB/1 and Questions 845, 847, 854, 855, 976, 978, 985 and 992
8.21	Questions 387, 389 and 391
8.22	Questions 387, 389 and 391

CHAPTER 9

Paragraph No.

Reference

9.1	Committee File 1976/3 and Questions 812 and 814.
9.2	Questions 810 and 813.
9.3	Committee File 1976/3 and Questions 410, 819 and 825.
9.4	Questions 490 to 492 and 1724.
9.5	Questions 815 to 818.
9.6	Questions 1684 to 1734.
9.7	Questions 1796 to 1798.

CHAPTER 10

Paragraph No.

Reference

10.1	Committee File 1976/3. Questions 5 and 146.
10.2	Questions 54 to 56.
10.3	Committee File 1976/3. Questions 55 to 60, 201 and 202.
10.4	Questions 120 to 122, 208 to 210.
10.5	Questions 151 to 154 and 158.
10.6	Exhibit DPB/10. Committee File 1976/3. Questions 1389 to 1442.
10.7	Committee File 1976/3.
10.8	Exhibit DPB/10. Questions 1383 to 1388.
10.9	Questions 132 to 136
10.10	MOP: Questions 642 to 648
10.11	Questions 217 to 220
10.12	99, 554 to 571

CHAPTER 11

Paragraph No.

Reference

11.2	Exhibit OPB/1, Committee File 1976 and Questions 1338, 1342 and 1349.
11.3	Questions 1082 to 1094.
11.4	Questions 1297 to 1308.
11.5	Questions 994 to 999 and 1003.

ANNEXES

Annex No.

References

- 2.A Department of Foreign Affairs Annual Report 1975 and Committee File 1976/3
- 2.B Exhibit OPB/3
- 2.C Exhibit OPB/3
- 2.D Committee File 1976/3
- 2.E Committee File 1976/3. Questions 16, 19 to 26, 185, 799 to 809, 829 to 838 and 1193 to 1997
- 5.B
- 5.B.2 Committee File 1976/3, Questions 691, 699, 700, and 732
- 5.B.3 245
- 5.B.4 Questions 245, 249, 257, 260 and 690
- 5.B.5 Questions 245, 249, 257, 260 and 690
- 5.B.6 Questions 263, 692, 693, 699, 711, 712 and 714
- 5.B.7 Questions 695 to 697, 699, 720 and 735
- 5.B.8 Questions 700, 738, 739 and 742
- 5.C
- 5.C.3 Exhibit 167/2, Committee File 1976/4 and Question 136
- 5.C.4 Exhibit 167/2; 167th Report. Questions 130 to 132, 140, 200, 204, 221, 222, 570
- 5.C.5 Exhibit 167/2. Committee File 1976/3
- 5.C.6 Committee File 1976/3
- 5.C.7 Committee File 1976/3. Question 237
- 5.C.8 Exhibit 167/2. Committee File 1976/4
- 5.C.9 Exhibit 167/2. Committee File 1976/4
- 5.C.10 Committee File 1976/3. Questions 238, 242, 243, 265 and 272
- 5.C.11 Committee File 1976/3. Questions 508, 514, 515

ANNEXES (Cont'd)

<u>Annex No.</u>	<u>Reference</u>
5.D	
5.D.1	Exhibit OPB/1 and Questions 904 to 908
5.D.2	Exhibit OPB/1 and Questions 1029 to 1031
5.D.3	Exhibit OPB/1. Committee File 1976/3 and Questions 1282 to 1292
5.D.4	Committee File 1976/3 and Questions 107 to 112.
8.A	Exhibit OPB/1. Questions 845, 847, 854, 855, 976, 978, 985, 992
8.B	Committee File 1976/3
8.C	Committee File 1976/3
8.D	Questions 387, 389 and 391
9.A	Exhibit OPB/1. Committee File 1976/3 and Questions 956 and 963.
9.B	Committee File 1976/3.
9.C	Committee File 1976/3
10.A	Exhibit OPB/1.. Committee File 1976/3
10.B	Committee File 1976/3
10.C	Committee File 1976/3
10.D	
10.D.1	Exhibit OPB/1. Questions 1065, 1068, 1971 and 1075
10.D.2	Questions 1064 to 1080
10.D.3	Exhibit OPB/1. Questions 1032 to 1040
10.D.4	Exhibit OPB/1. Questions 1041 to 1049
10.D.5	Exhibit OPB/1. Questions 1323 to 1325, 1330 and 1331
10.D.6	Committee File 1976/3. Questions 1314 to 1316, 1320 and 1326
10.D.7	Exhibit OPB/1. Questions 877 to 889
10.D.9	Questions 1483 to 1503