



Parliamentary Standing Committee on Public Works

REPORT

relating to the

FITOUT OF ACCOMMODATION FOR THE DEPARTMENT OF ADMINISTRATIVE SERVICES, CHATSWOOD, NSW

(Sixth Report of 1987)

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
1987

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PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

R E P O R T

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CHATSWOOD, NEW

(Sixth Report of 1987)

MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

(Twenty-Ninth Committee)

Mr Colin Hollis, MP (Chairman)

Mr Percival Clarence Millar, MP (Vice-Chairman)

Senate

Senator B R Burns
Senator J Devereux
Senator G Sheil

House of Representatives

Mr M A Burr, MP
Mr R G Halverson, OBE, MP
Mr G Gear, MP
Mr J G Mountford, MP

Sectional Committee on Fitout of Accommodation for the Department
of Administrative Services, Chatswood, NSW.

Mr Colin Hollis, MP (Chairman)
Mr P C Millar, MP (Vice-Chairman)
Mr G Gear, MP
Mr R G Halverson, OBE, MP

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Extract from the VOTES AND PROCEEDINGS

No. 21 dated Tuesday, 3 November 1987

11 PUBLIC WORKS COMMITTEE—REFERENCE OF WORK—ACCOMMODATION FOR DEPARTMENT OF ADMINISTRATIVE SERVICES, CHATSWOOD, NSW—FITOUT: Mr West (Minister for Administrative Services), pursuant to notice, moved—That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Fitout of accommodation for the Department of Administrative Services, Chatswood, NSW.

Mr West presented a brochure and a pamphlet in connection with the proposed work.

Debate ensued.

Question—put and passed.

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PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

FITOUT OF ACCOMMODATION FOR THE DEPARTMENT
OF ADMINISTRATIVE SERVICES, CHATSWOOD, NSW

R E P O R T

By resolution on 3 November 1987 the House of Representatives referred to the Parliamentary Standing Committee on Public Works for consideration and report the proposed fitout of accommodation for the Department of Administrative Services, Chatswood, NSW.

THE REFERENCE

1. The proposal is to fitout for Commonwealth occupancy approximately 23,000 square metres of general purpose office space in two commercial office developments at Chatswood, NSW.
2. The Zenith Centre at 821 Pacific Highway, Chatwood comprises two tower buildings. Levels 5-12 in Tower 'A' and levels 13-21 in Tower 'B' will provide approximately 17,900 square metres of the overall space required by the relocated departments from Chifley Square and Australia Square.
3. Floors G to 12 in Tower 'B' will be occupied by the Australian Taxation Office (ATO) as part of a decentralised strategy developed for ATO in 1984/85. (Fitout for the ATO is nearing completion, and is not part of this submission.)
4. An adjacent building at 15 Help Street will provide additional space of approximately 5,400 square metres, to satisfy the space needs of the relocated departments.

5. The fitout of these buildings is included in the 1987/88 New Lease and Fitout Program of the Department of Administrative Services and the work is estimated to cost approximately \$8.9m at October 1987 prices.

THE COMMITTEE'S INVESTIGATION

6. The Committee received a submission and plans from the Department of Administrative Services (DAS). A written submission was also received from unions representing DAS employees. The Committee took evidence from representatives of DAS and unions at a public hearing in Sydney on 11 November 1987.

7. Prior to the public hearing the Committee inspected the recently completed Zenith Centre and the adjacent Help Street development.

8. A list of witnesses who appeared at the public hearing is at Appendix A.

9. The Committee's proceedings will be printed as Minutes of Evidence.

THE NEED

10. The Construction Group of DAS is presently located in high cost leased space at Australia Square in George Street, Sydney, and also leased space in Barrack Street, Sydney. It had been proposed that the Construction Group would be relocated to the new Commonwealth Offices currently under construction at Parramatta and originally scheduled for completion in January 1988. The lease for Australia Square terminates in December 1987 and based on the accommodation strategy for Parramatta, the landlord had been advised that the Commonwealth did not intend to renew this lease. During informal discussions with the owner of the Australia Square, DAS had advised that it wished to continue

the lease for about six months beyond the termination date. The landlord subsequently identified a new long-term tenant and advised on 1 September 1987 that DAS was to vacate four floors by Christmas 1987 and the remaining leased space by mid-1988.

11. DAS informed the Committee that the new offices in Parramatta were originally scheduled for completion in January 1988 with occupation in late 1988. However, a combination of industrial factors, contractor's performance and a decision to withdraw the fitout works from the basic building contractor means that the building will not be available for occupation until early to mid-1989.

12. Against this background, a re-evaluation of current accommodation strategies in Sydney has been undertaken, including the sale of the leasehold of the Commonwealth Offices at Chifley Square, Sydney, with vacant possession to the purchaser by August 1988. As the Parramatta Commonwealth Offices will not be available within the required timeframe to meet the accommodation needs of major elements of DAS (Construction, Property, Survey and Management Services Groups), it is now proposed that the major occupant will be the Australian Taxation Office.

13. DAS informed the Committee that suitable leased space in commercial office developments has been obtained at Chatswood to accommodate the major elements of the department and some staff of the Department of Immigration, Local Government and Ethnic Affairs (DILGEA).

Options Considered

14. The Department told the Committee that in accordance with Government directions accommodation options concentrated on fringe city and suburban locations which attract lower rentals than CBD locations. Timing and availability for fitout were also adopted as essential criteria for evaluating the options. The capacity to maximise DAS collocation objectives was also considered.

(a) CBD Fringe - 117 Clarence Street and 234 Sussex Street

This proposal involved an existing Commonwealth leased building at 117 Clarence Street and a new building at 234 Sussex Street, due for completion in February 1988. It would provide a combined total area of 23,000 square metres. The option was dependent on the Australian Customs Service (ACS) relocating from Clarence Street to Ultimo, a move which was overwhelmingly rejected by staff.

(b) Ultimo - Census Centre, Jones Street and the Darling Harbour Business Centre

This proposal involved a combination of the Census Centre in Jones Street (previously rejected by the ACS) and a new development, the Darling Harbour Business Centre, to provide a total area of 22,900 square metres.

The Business Centre presented potential timing problems with fitout and occupation, with its scheduled completion of Stages I and II in March and May 1988, respectively.

(c) North Sydney - 99 Walker Street and 32 Walker Street

This proposal to use two developments in Walker Street would provide a total area of 21,100 square metres.

The availability of these premises for fitout purposes is relatively tight. 32 Walker Street would not be available until February 1988, and some doubt existed about the availability of the two top floors at 99 Walker Street. Nevertheless, this option was considered in some detail and was finally rejected on

grounds of cost, timing, collocation and operational efficiency grounds when compared with the Chatswood proposal.

(d) Chatswood - Zenith Centre and 15 Help Street

This proposal involved parts of two high rise buildings (Towers 'A' and 'B') in the recently completed Zenith Centre development at 821 Pacific Highway, and an adjacent new building at 15 Help Street which would provide a combined total area of 23,340 square metres. All three buildings are available for immediate fitout. The lessors of the Zenith Centre have indicated that fitout of four floors for relocation of the initial occupants from the Construction Group could be achieved by late December 1987.

(e) CBD - Carringbush Tower, 580 George Street, Sydney

An area of about 19,000 square metres of accommodation in the low rise section of the Carringbush Tower, at 580 George Street, Sydney, is the only available CBD accommodation approaching adequate size and within the timeframe required. This proposal was not pursued initially as it conflicted with the Government decision to relocate to a fringe CBD or suburban location. The proposal was, however, reconsidered on the basis of a submission to the Minister for Administrative Services from the Administrative and Clerical Officers' Association (ACOA).

15. The proposal was finally rejected on locational, timing/availability for fitout, and collocation grounds.

16. DAS informed the Committee that after considering all factors including the Government's directive that the relocation be to a fringe CBD or suburban location, Chatswood had been determined as the most suitable.

Union Reaction

17. The unions in their submission to the Committee recommended Caringbush Tower as the most suitable option, North Sydney, as marginally acceptable, and Chatswood as unsatisfactory. DAS informed the Committee at the public hearing that the Professional Officers Association (POA) while it was not opposed to the move to Chatswood was totally dissatisfied with the lack of meaningful consultation.

18. The unions claimed that the Caringbush Tower was the cheaper option and would save the Commonwealth up to \$5m over a 2-year period. The Committee sought clarification of the unions claim from DAS which made the following points:

- the gross rental figure for Chatswood was \$300 per square metre compared to \$365 per square metre for Carringbush.
- based on a standard of 19,000 square metres the annual cost of Chatswood was \$5.8m compared with \$7.3m at Carringbush.
- over a 10-year period the cost of Chatswood will be \$57m compared with \$69m for Carringbush (based on 19,000 square metres).
- DAS believes that the unions by using only a 2-year cost comparison combined with a 6-month rent holiday have presented a distorted comparison.

- DAS also pointed out that its 10-year comparison is a conservative one as it makes no assumptions regarding future rent reviews.

19. The unions in their submission stated that union members employed by DAS view relocation to Chatswood as a fatal constraint in terms of DAS's long term viability as a provider of property related services. The unions believe that at Chatswood DAS will be isolated from its clients and will have uncompetitive overheads added into the calculation of costs for a cost-recovery charging system.

20. While DAS agreed that there will be initially some penalties associated with operating from Chatswood it did not expect these to continue, as it assumed that operational arrangements would minimise any penalty in operating outside the CBD. In its cost analysis of the relocation options DAS allowed an operational penalty of \$1.3m per annum for the first three years of the 10-year lease.

21. The Committee acknowledges that considerable argument was put to it regarding the desirability of entering into the Chatswood lease and while its reference relates specifically to the proposed fitout the Committee believes that the question of the desirability of entering into such leases might also be a matter for examination by it.

Consultation

22. DAS in its submission stated that on 23 and 24 September 1987 telexes were sent to all unions involved, inviting consultation. DAS staff had previously been advised on 16 September that the relocation to Parramatta had been cancelled.

23. The following unions representing the staff likely to be future occupants of the buildings met with DAS on 1 October:

- ACOA : Australian Clerical Officers Association
- APSA : Australian Public Service Association
- POA : Professional Officers Association
- APEA : Association of Professional Engineers Australia
- ADSTE: Association of Drafting Supervising and
Technical Employees
- CWSA : Commonwealth Works Supervisors Association
- CPSA : Commonwealth Professional Surveys Association

24. Following an exchange of telexes the unions sent a combined submission to the Minister on 27 October 1987 dealing with some of the relocation alternatives, expressing a strong preference to remain in the CBD. The Minister on 29 October advised the unions that a decision had been made to relocate to Chatswood.

25. DAS made the point that the Minister had delayed his decision beyond the target date of 16 October to allow for further consultation. The unions told the Committee that they did not regard the process undertaken by DAS to advise them of the cancellation of the move to Parramatta and the need to relocate elsewhere as being a proper consultative process. While the Committee accepts that the unions are unhappy with what they regard as a lack of meaningful consultation it also recognises that DAS was placed in a difficult position due to the imminent cessation of the Australia Square lease and the urgent need to find alternative accommodation. The Committee believes that it is in both the interests of the unions and management to work together to ensure the efficient operation of DAS at Chatswood.

26. Committee's Conclusion There is a need for the Department of Administrative Services to fitout approximately 23,000 square metres of general purpose office space in two commercial office developments at Chatswood, NSW.

THE PROPOSAL

27. This proposal involves the fitting out of some 23,000 square metres of office space in suburban Chatswood, 17,900 in the Zenith Centre and a further 5,400 at 15 Help Street.

28. On the basis of an interim assessment of accommodation requirements the various DAS elements will require an area of approximately 21,600 square metres. This requirement is based on agreed space allocations developed for the Parramatta relocation in accordance with the 'Commonwealth Office Guidelines' and agreed average staffing levels. It includes no provision for growth. The remaining 1,740 square metres will be used by the regional office of DILGEA.

29. The fitout program of \$8.9m comprises the following:

Departments to be relocated to Chatswood from the Commonwealth Centre:

(i) Administrative Services
(Property Group, Protective Services, Valuation Office, Corporate Services, Internal Audit, Purchasing and Sales Group, and Survey and Land Information)

(ii) Immigration, Local Government and Ethnic Affairs

- Fitout costs have been assessed at \$2.15m.

Relocation of DAS (Construction Group) from Australia Square and Barrack Street Offices.

- Fitout costs have been assessed at \$6.75m.

30. Actual fitout will include:

- partitions for offices, conference rooms, interview rooms, etc.
- workstations, the Construction Group in particular has a high requirement for Professional/Technical and Clerical workstations;
- minor alteration to mechanical, electrical, fire, telephone and other services to suit specific office layouts;
- minor alteration to ceilings, walls and floor finishes;
- special joinery to public counters and reception area;
- appropriate finishes to executive and staff amenities areas;
- security measures, and
- vertical blinds to all windows.

Leasing Program

31. The Department advised the Committee that formal lease commencement dates are expected to be 1 December 1987 for both developments for a 10-year period. Subject to contractual arrangements for the fitout of the Zenith Centre, there is agreement in principle that rent will be payable as floors become available for occupation. The Commonwealth has negotiated a 4-month rent free period for the Help Street lease and rent is expected to commence on 1 April 1988.

Location

32. These buildings are located close to the Chatswood Railway Station and the Chatswood Plaza. The Zenith Centre is located on a one hectare site bounded by the Pacific Highway and Railway Streets on the north side of McIntosh Street. 15 Help Street is an adjacent development, on the south side of McIntosh Street.

Fitout

33. It is expected that the buildings will be progressively fitted out and occupied to reduce 'dead' rental. Fitout will conform generally to the guidelines for the Design of Commonwealth Office Buildings.

34. It is proposed that some DAS (Construction Group) staff from Australia Square will be relocated to Chatswood on a temporary basis before Christmas 1987. They will temporarily occupy levels 6, 7, 8 and 9, of Tower 'A' at the Zenith Centre.

PROGRAM

35. The total area required by the Construction Group requires to be fitted out by May 1988. The total area required by the balance of DAS elements to be relocated and DILGEA requires to be fitted out by July 1988.

36. The work will be undertaken on a 'fast track' basis, and the different stages of construction will be determined by the Construction Manager.

COST

37. The preliminary estimate of cost for this project is \$8.9m at October 1987 prices, based on preliminary briefing information provided by the Chief Property Officer. It should be noted that

this estimate does not have the precision of the limit of cost estimate normally provided to the Committee.

38. Committee's Recommendation The Committee recommends construction of the work in this reference.

RECOMMENDATIONS AND CONCLUSIONS

39. The recommendations and conclusions of the Committee and the paragraph in the report to which each refers are set out below:

	<u>Paragraph</u>
1. There is a need for the Department of Administrative Services to fit out approximately 23,000 square metres of general purpose office space in two commercial office developments at Chatswood, NSW.	26
2. The preliminary estimate of cost for this project is \$8.9m at October 1987 prices.	37
3. The Committee recommends construction of the work in this reference.	38


(Colin Hollis)

Chairman

Parliamentary Standing Committee
on Public Works
Parliament House
CANBERRA ACT 2600

7 December 1987

APPENDIX A

LIST OF WITNESSES

Caird, Ms W., Assistant Secretary, Administrative and Clerical Officers Association, NSW Branch, 245 Castlereagh Street, Sydney, New South Wales

Gallery, Mr A.F., Chief Property Officer, New South Wales, Department of Administrative Services, Commonwealth Government Centre, Chifley Square, Sydney, New South Wales

Hillier, Mr A., Acting General Manager, Australian Property Group, Department of Administrative Services, 111 Alinga Street, Canberra, Australian Capital Territory

Ho, Mr A.K., Acting Project Manager, Department of Administrative Services (Construction Group), Tower Building, Australia Square, Sydney, New South Wales

Jeffreys, Mr D., Federal Industrial Officer, Association of Professional Engineers Australia, C/- Administrative and Clerical Officers Association, NSW Branch, 125 York Street, Sydney, New South Wales

Kent, Mr J.M., First Assistant Secretary, Civil Programs 2, Department of Administrative Services (Construction Group), 470 Northbourne Avenue, Dickson, Australian Capital Territory

Lee, Ms R., Secretary, Work Place Delegates Committee,
Department of Administrative Services, C/- Administrative
and Clerical Officer Association, NSW Branch,
245 Catlereagh Street, Sydney, New South Wales

Mackay, Mr J.A., Assistant Secretary, Industrial Relations and
General Services, Department of Administrative Services,
111 Alinga Street, Canberra, Australian Capital Territory

Nidry, Mr E., Work Place Delegate, Australian Public Service
Association, 1 Angel Place, Sydney, New South Wales

Westropp-Evans, Mr D.M., Senior Property Officer, Australian
Property Group, Commonwealth Government Centre, Chifley
Square, Sydney, New South Wales.

LOCALITY PLAN



APPENDIX B

