



PARLIAMENT OF TASMANIA

PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

Southern Accommodation Project, Lands Building Redevelopment

*Presented to Her Excellency the Governor pursuant to the provisions of the
Public Works Committee Act 1914.*

MEMBERS OF THE COMMITTEE

Legislative Council

Ms Rattray
Mr Valentine (*Deputy Chair*)

House of Assembly

Mr Brooks (*Chair*)
Ms Butler
Mr Shelton

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1 INTRODUCTION

To Her Excellency Professor the Honourable Kate Warner AC, Governor in and over the State of Tasmania and its Dependencies in the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY

The Committee has investigated the following proposal:-

Southern Accommodation Project, Lands Building Redevelopment

and now has the honour to present the Report to Your Excellency in accordance with the Public Works Committee Act 1914 (the Act).

2 BACKGROUND

- 2.1 This reference recommended the Committee approve works to redevelop the Lands Building, 134 Macquarie Street Hobart, to provide Hobart CBD-based staff of the Department of Primary Industries, Parks, Water and Environment (DPIPWE) with contemporary office accommodation.
- 2.2 DPIPWE's Hobart staff are currently accommodated in multiple leased premises within the Hobart CBD. DPIPWE's current Hobart CBD office accommodation is unsatisfactory, with out-dated fit-outs, over-sized offices and poor utilisation of space. In January 2017, 660 DPIPWE Hobart CBD based staff were accommodated in:
 - Lands Building, 134 Macquarie Street Hobart, net lettable area (NLA) 12,857m²;
 - Tasplan Building, 1 Franklin Wharf Hobart, NLA 3,948m²; and
 - Heritage Tasmania - 103 Macquarie Street Hobart, NLA 579m², (vacated in March 2017).
- 2.3 Space within both the Lands Building and Tasplan Buildings is, at present, poorly utilised. It is currently not possible to accommodate all DPIPWE Hobart CBD-based staff in the Lands Building, despite there being sufficient net lettable area to accommodate them, due to the outdated fit-out and poor utilisation of available space. This has resulted in staff being split between the two buildings, creating ongoing inefficiencies for staff and visitors.
- 2.4 In addition the current design of the office accommodation in the Lands Building provides staff with limited access to natural light, a limited range and type of meeting spaces and poor quality staff amenities. There is significant space wasted to circulation, due to the poor and inconsistent design, and offices are generally given priority in the current fit-out, with the best views and access to amenities.
- 2.5 The proposed works comprise the following elements:
 - Redevelopment of Levels 1 – 9, with a new office fit-out, to provide contemporary, fit for purpose office accommodation, including removal of all

internal non-load bearing partitions and the provision of new finishes and workstations throughout.

- Upgrading the public interface for the Land Titles Office and the Wild Fisheries and Compliance and Licensing Branches of Water and Marine Resources Division on Level 1, with multiple interview/meeting rooms to assist the branches in performing their regulatory functions with a high level of security and confidentiality.
- Provision of a DPIPWE Emergency Response Centre on Level 1.
- Building services and disability access improvements for staff and members of the public accessing the building.
- Redevelopment of half the existing basement to create additional staff bicycle storage and individual storage rooms for the DPIPWE Divisions.
- Redevelopment and modernisation of the Service Tasmania tenancy on the Ground Floor.
- Refurbishment of other shared areas of the Ground Floor, including:
 - Provision of a new reception/security point that will provide a significantly improved 'arrival' experience for DPIPWE clients.
 - Provision of accessible and ambulant toilets, which can be accessed by visitors and members of the public.
 - Provision of a new lift between the ground and first floors allowing DPIPWE public interface functions to be accessed within the building's publically accessible zone.
 - Creation of a café tenancy in space not required by either DPIPWE or Service Tasmania to service the public, tenants of the building and the customers of Service Tasmania.

2.6 Building works funded by the building owner that will be managed by DPIPWE, include:

- Replacement of office level floor coverings;
- Repainting the premises;
- Supply and installation of new ceiling tiles;
- Supply and installation of new environmentally efficient lights; and
- Replacement of perimeter blinds throughout the Premises.

2.7 The redevelopment will enable consolidation of DPIPWE's Hobart CBD workforce by providing up to 726 work-points for staff, including 37 spare work-points. The project will aggregate Hobart CBD-based staff located across DPIPWE's multiple lease holdings into the Lands Building, thereby enabling DPIPWE to consolidate and reduce its Hobart CBD lease holdings to one building.

2.8 The proposed works will provide an innovative office design that:

- Facilitates collaboration within the DPIPWE workforce;

- Focuses on the efficient use of the available office space; and
 - Promotes improvements in workplace culture.
- 2.9 Investment in the building fit-out will provide contemporary facilities for employees and enable workgroups to be better functionally grouped for improved collaboration and engagement. The redevelopment will deliver improvements in efficiency and will assist the Department to find new ways of working, in order to provide continually improving services to the community and industry. The redevelopment will also result in more effective and efficient use of resources as the Department's net lettable area will be reduced generating recurrent budget savings.
- 2.10 The proposed works also provides the opportunity for Service Tasmania to modernise its accommodation on the ground floor of the Lands Building. This will facilitate the implementation of a new service delivery model in the Hobart service centre. The redevelopment also allows Service Tasmania to maintain a dedicated training room and space for the Tasmanian Emergency Information Service (TEIS) on the ground floor.

The full submission of the Department of Primary Industries, Parks, Water and Environment in support of this reference is published on the website of the Committee at:

<http://www.parliament.tas.gov.au/ctee/Joint/works.htm>

3 PROJECT COSTS

- 3.1 Pursuant to the Message from Her Excellency the Governor-in-Council, the estimated cost of the work is \$18,636,000 (excluding design fees).

The following table details the cost estimates for the project (including design fees):

Description	Cost
Construction, including design and construction contingency	\$16,563,000
Up-front expenses including consultants' fees	\$1,200,000
Furniture and Equipment	\$2,627,000
Art in Public Buildings	\$80,000
Total	\$20,470,000

The proposed works will be financed by a mix of funding provided by DPIPWE, Service Tasmania and the building owner (the Lessor). The following table provides a breakdown of each party's financial contribution to the proposed works:

Description	Amount of funding
Lessor Funding: Incentive and Base Building Upgrades	\$10,687,000
Service Tasmania Contribution	\$571,000
DPIPWE Funding	\$9,212,000
Total Funding	\$20,470,000

4 EVIDENCE

4.1 The Committee commenced its inquiry on Monday, 26 November last with an inspection of the site of the proposed works. The Committee then returned to the Committee Room 1, Parliament House, whereupon the following witnesses appeared, made the Statutory Declaration and were examined by the Committee in public:-

- Deidre Wilson, A/Deputy Secretary (Corporate, Heritage and Lands) Department of Primary Industries, Parks, Water and Environment;
- Matthew McCrossen, Project Manager – Building Redevelopment, Strategic Services Division, Department of Primary Industries, Parks, Water and Environment;
- Alex Newman, Director, X Squared Architects;
- Noelene Kelly, Director, Service Tasmania; and
- James Craigie, Deputy Secretary, Budget and Finance Division, Department of Treasury and Finance.

Overview

4.2 Ms Wilson provided an overview of the proposed works:

Ms WILSON - ... I will begin by providing a short context. The Lands Building is considered a strategic leased building by the Department of Treasury and Finance with the lease negotiations led in 2016 by that department in collaboration with DPIPWE. DPIPWE leases the entire building, with Service Tasmania as a sub-tenant. The present lease is for the period 1 July 2016. With a soon-to-be-negotiated extension this will go to 31 March 2031.

The purpose of the redevelopment is to provide DPIPWE's Hobart CBD-based staff with contemporary office accommodation. DPIPWE staff at the inception of this project were in three locations in Hobart: 103 Macquarie Street, the TasPlan Building, otherwise known as the Marine Board Building, depending upon your history, and the Lands Building. We are currently in two of those buildings: the TasPlan Building and the Lands Building.

Public interactions with the agency are currently split between the TasPlan Building and the Lands Building. The last major refurbishment of the Lands Building was completed in the late 1990s. The proposed redevelopment will provide efficiency improvements, centralised public services and staff in the Hobart CBD in contemporary accommodation. The refurbishment will provide up to 726 work points for staff, including 37 spare, enabling staff in other parts of the state to access appropriate accommodation when in the south.

While we have representatives from Service Tas to talk in greater detail, I note that this refurbishment provides an opportunity to design a new service centre for Service Tasmania to improve the customer experience, while allowing for a more integrated contact centre and retention of the Tasmanian Emergency Information Service, or TEIS.

In terms of the cost of the capital building refurbishment, the submission notes the estimated cost is \$20 470 000, including consultant design fees. The building owner is funding a substantial amount, of around \$10.5 million in the form of the lease incentive and contribution to base building works. Service Tasmania is funding around \$570 000. DPIPWE is thus funding around \$9.2 million of the building refurbishment and design costs.

Refurbishment of the Lands Building is long overdue, with a layout that is currently ad hoc and not contemporary. The lease arrangements were negotiated by Treasury, retaining the strategic CBD lease holding while allowing for necessary building upgrades. With the requirements of the Building Act 2016 Charter Hall has agreed to fund additional works to

ensure compliance with the act and National Construction Code making for a safer, more accessible building.

Lands Building Leasing Arrangements

4.3 The Committee noted the importance of the recently renegotiated leasing arrangements for the Lands Building to the proposed works. The Committee identified a number of matters relating to the renegotiated lease, the proposed redevelopment and how they were linked, which they sought to explore further.

4.4 Mr Craigie provided an overview of the Government's centralised leasing strategy for Hobart and the Department of Treasury and Finance's role, to provide some context to the lease negotiations:

Ms WILSON - James, could you start with first principles about leasing? Would that be the best thing to start with?

Mr CRAIGIE -The Government has a centralised property strategy for Hobart and Launceston. The objective of that is to try to get efficiencies in the leasing market. Historically agencies were responsible for their own leases, so we had situations where we had different types of agreements, different rents and we had agencies with surplus lease properties. They were paying for leases that they were not occupying and then agencies looking for properties. In late 2014 Treasury took over a central lease management strategy to try to get efficiencies. We play a role. There is a Treasurer's Instruction, 1302, that deals specifically with whole-of-government leasing. For leases that are greater than 400 square metres Treasury takes the lead negotiation with the landlord, working very closely with the agency, because the agency is across all the specific requirements they need for their site. In terms of maximising from a whole-of-government perspective, Treasury plays a role in assisting with those negotiations and helping agencies see what other agencies are doing.

CHAIR [Mr Valentine] - With a project like this, does Treasury drive the process of office accommodation across the whole of the State Service, or is it up to each individual department to do that? Would Treasury have received a request from DPIPWE to upgrade this building, or would it be Treasury that's got its mind on that?

Mr CRAIGIE - I think it's more collaborative. I don't think you can easily pigeonhole it as agency X and Treasury Y. We have a helicopter view across the Hobart CBD of where agencies are, what their current lease terms are, and what their evolving demands are. When an agency has a lease that's coming up to expiry we would collectively engage well before the expiry date to give us the appropriate timeframe to get the best outcome on what makes the most sense for that agency. It could be a simple rollover, it could be a relocation. This one is a whole building, bringing other parts of the agency into one site. Each opportunity is unique to the agency.

CHAIR - The reason I ask is that years ago there used to be this Public Offices Committee that had an overarching view of needs. To get efficiencies they could play with spaces more efficiently knowing what the needs were in other departments. Has that been pushed out the window and are individual departments now doing the arrangements?

Mr CRAIGIE - It is a little bit demarcated in that Treasury has the whole of market knowledge around leases and tenancies, but it is the agency that is best placed to know what they want and what they need.

4.5 The Committee sought further details on the renegotiated lease and how the redevelopment had influenced these negotiations. The witnesses provided some background on the lease negotiations and indicated how the split in funding

between DPIPWE and the building owner had been determined, noting that it is not uncommon for a fit-out in a leased space to be undertaken by the tenant:

Ms RATTRAY - I would like to drill down into the lease arrangements, if that is possible? I don't have a lot of commercial lease understanding, but I did make some enquiries. It was suggested that 15 years on a commercial lease and spending this type of public funds wasn't normal. How has the 15-year lease extension been arrived at? I hear what Ms Wilson said in regard to the savings, but I want to explore that lease option further. I am not sure whether it goes to James or whether it goes to Deidre?

Mr McCROSSEN -At commencement of negotiations, as James has said, Treasury led negotiations together with DPIPWE. The initial lease term that the lease was signed for is 12 years and nine months. It was then realised that as a result of the Building Act 2016, there were additional base building upgrades required to make the building compliant with the Building Code of Australia, which Deirdre mentioned.

Ms RATTRAY - Which is when it is more than 50 per cent, it has to have extra compliance requirements?

Mr McCROSSEN - Yes. A section of the Building Act specifically relates that 50 per cent rule. If more than 50 per cent of the building volume is upgraded, then the whole of the building, needs to be brought as close as possible to the requirements of the Building Act and the Building Code of Australia.

That has meant that the building owners need to contribute an additional \$3 million to bring the building up to code. Key elements of that are a fire protection system which covers the whole building, a range of disability access improvements such as disability-accessible toilets which are going in throughout the building, making handrails compliant. A range of matters to bring the building up to code.

Because of that additional cost that the owners were not expecting, we negotiated together with Treasury. The deal we have done extends the total lease term by a further two years in return for that approximately \$3 million additional contribution to the project.

Ms RATTRAY -We still get to the 2031 date? Expiring in March 2031?

Mr McCROSSEN - Yes, that is correct.

Ms WILSON - In terms of the general principle, the lease will be extended to 31 March 2031. There are two further lease terms of five years each for a possible extension. This is a long-term investment for the Crown and for the agency.

The building requires a fit-out. You have seen in the walk-through that the accommodation requires work. We would either be fitting out this building or, if we had to move - we would not necessarily find something would fit our 690 plus people - we would be fitting out a building somewhere. With this lease we got a substantial landlord contribution towards an incentive to work on their building, which was the original \$5.6 million.

My understanding, but I will defer to the gentleman here, is that it is not unusual for a fit-out to be done by tenants. We are not putting money into base-building upgrades per se, we are putting it primarily into the fit-out. We will be doing some works on the internal staircase, for example, for accessibility for our staff and making sure we have good movement through the building.

Ms RATTRAY - May I ask whether there was any negotiation around a longer-term lease than the 2031 expiry?

Ms WILSON - Yes, because within the lease itself it has further terms of ...

Ms RATTRAY - That is only 10 years - two lots of five, given that the fit-out that is in place at the moment happened in the 1980s by the look of it.

Mr McCROSSEN - In the late 1990s.

Ms RATTRAY - That is only 20 years.

Ms WILSON - Yes, we would anticipate that we are looking at being in this building for the longer term in terms of it being a strategically leased building in the CBD.

Mr McCROSSEN - The cost of the fit-out will virtually be fully written off by the end of the lease term. Our finance section will depreciate the value of that fit-out over this lease term. At the expiry of that initial lease term through to 2031 the value of the fit-out would be virtually fully written down.

We do then have the option of enjoying that fit-out for a further 10 years - five plus five - should we take on those lease extension options.

Ms RATTRAY - Was there any component that was put to the landlord that was declined? Did you ask for more than what you settled on?

Mr McCROSSEN - I would probably have to defer to Treasury on this. It was quite an extended negotiation to reach terms. It was a give and take process and I believe that both DPIPWE and Treasury pushed the hardest deal possible.

Mr CRAIGIE - ... We are broadly comfortable that it was a contested negotiation and we got a good outcome. It's a market-based negotiation. I'm advised that the developer increased their contribution during the course of the negotiation.

CHAIR - When was the lease last signed? Or, when did it run out?

Ms WILSON - The date of this lease was 1 September 2016. I can't recall if the lease had expired and then this was new or whether it had a term to go. I really can't recall. I could find that information out.

CHAIR - The reason I am asking that is whether the negotiation for these works happened in conjunction with the lease arrangements being re-visited, or was the lease signed first and then this?

Mr CRAIGIE - No, it was a holistic negotiation.

CHAIR - It was a holistic negotiation.

Ms WILSON - Yes. We looked at things like who would do the cleaning. We looked at the base and standard clauses which should apply in a lease of this nature.

- 4.6 The Committee noted that sub-leasing other existing DPIPWE tenancies was a key component of the funding strategy. The Committee sought further information on the expectations around sub-leasing arrangements and financing for the proposed redevelopment:

Ms WILSON - ... The project is cash positive over the life of the Lands Building lease. The payback period on the DPIPWE contribution will depend upon when the TasPlan Building is leased. The TasPlan lease expires in 2022-23 and the current rental is \$1.7 million. The department will vacate the building entirely in 2019-20 and we already have parts of the building subleased.

If the entire TasPlan Building can be re-leased from 2021 the project costs would be repaid as early as 2023-24, otherwise the project will be repaid by no later than 2026-27.

An important point is if the department was to continue to occupy the TasPlan Building from 13 June 2023, which is the expiry date of that lease, the department would need to make \$10.2 million in lease payments to 2029 and with a further extension that would extend. Once we leave we do not have to pay two lots of lease. Once we have consolidated we have ongoing savings which will continue to be captured.

Mr SHELTON - You mentioned that the Tasplan Building is being subleased as you vacate it. I think I read in the documents about \$1.7 million to \$1.9 million of savings over that time. Are the subleases going to Government departments?

Ms WILSON-. Currently they are with Government departments.

Mr McCROSSEN-. We have sublease arrangements in place for about 56 per cent of that building. We are already out of half of that building.

4.7 The Committee questioned the witnesses on the implications if the project did not proceed:

Ms RATTRAY - The lease is in place on the proviso that these works proceed. What happens if they don't proceed?

Ms WILSON - We would not get the incentive from the landlord. I think it would mean that the benefits of the contemporary accommodation we would realise and the savings from the Tasplan Building would not be realised. DPIPWE would therefore be at a significant disadvantage because if we weren't to take this deal we may not get a similar one, or we could be in a worse negotiating position with another landlord in the CBD. This is one of the largest buildings left that will take office accommodation. The consolidation that we get from being in one location will be of significant advantage to us in terms of efficiency. One place for the public to access our services. The synergies we get from Service Tas would be lost because we consider that they may be able to provide some additional services for us.

My response is that there's a great deal of goodwill and good faith in this proceeding... ..

Consolidating DPIPWE Hobart CBD Staff into the Lands Building

4.8 The Committee recognised DPIPWE's strategy was to locate all Hobart CBD staff into the Lands Building. The Committee sought further information on the reason for consolidating staff into the Lands Building:

Ms BUTLER - Deidre, for the record could you run through why the Lands Building was chosen strategically for DPIPWE as opposed to the Tasplan or Marine Board Building?

Ms WILSON-. My recollection is that we looked at our floor plate and the numbers of staff in each building. Correct me if I am wrong, for the floors we were holding, the Lands Building was the building that would actually fit the staff numbers that needed to move into the building.

Mr McCROSSEN-. The Lands Building net lettable area - the tenancy space we occupy - is 12 857 square metres. The Tasplan Building levels one to seven that we hold the lease on is 3 948 square metres and some of that we have subsequently leased. It is not big enough to fit the 726 work points that we are putting into the Lands Building. The Lands Building has larger floor plates, the floor plates are 1 180 square metres, so quite a large floor plate. This is good because if you have a larger division it can be located on one level.

The Tasplan Building has floor plates of 658 square metres, so a much smaller floor plate. This means to gain additional space you have to move vertically. Large floor plates, well positioned within the Hobart CBD, strategically that is the building that made sense. Otherwise we would have had to look to market to other buildings.

4.9 The Committee noted the significant building activity taking place in Hobart, much of which may include office space. The Committee questioned the witnesses on whether consideration had been given to potentially securing some of this accommodation for DPIPWE staff. The witnesses indicated that this had been considered, but the strategic importance of the Lands Building and DPIPWE's

desire to improve the efficiency of the organisation made redevelopment of the Lands Building the optimal solution:

CHAIR - One further question on the decision to refurbish rather than go elsewhere. There are a lot of hotels being built and no doubt some office space that goes with it. Did you do any scanning of that possibility, with new buildings going up around the place?

Ms WILSON - With Treasury we had a look at what was on offer at the time. It also came down to the fact that this building is a leased strategic building in the CBD with Service Tas. Obviously, market conditions change over time, but when we looked at this it was considered to be our best option.

CHAIR - Do you do a business case and then hand that to Treasury, or does Treasury do the business case?

Ms WILSON - I support what James has said that it is a collaboration. A starting point for it was: (1) a lease needed to be negotiated; but (2) we looked at our net lettable area across the CBD. We were also having conversations about how to get a more efficient organisation. Once we started to look at staff density in the Marine Board Building, which was very generous, and the fact that there was a lot of storage in the Lands Building and did some base numbers on net lettable area then that led to a conversation that we did not really need to be in two buildings - in fact three at that stage. It is quite inefficient for us to be in three buildings across the CBD. Moving out of the Tasplan Building offers other opportunities for that building as well.

Fit-out Design

4.10 The Committee was interested in how the building fit-out had been designed. The witnesses noted that a number of key principles were established to form the basis of the functional brief from which the architect designed the fit-out. One of these principles underpinning the redevelopment was an open-plan working environment. The Committee sought further information on the design parameters and how this was communicated to and received by staff:

Mr McCROSSEN - In terms of the assessment for the building, one of the first tasks was to develop a functional brief for what the departments requirements were. Those functional requirements have informed the design. They were handed to the architectural consultants. There was a request for tender for design services. That functional brief was delivered to the consultants to say, 'These are our requirements, how can you make the building respond to those requirements'. That is the basis for the design we have presented.

Ms BUTLER - It says in the report that there has been union consultation. For the record I have heard from the ASU, which has confirmed that there has been really good consultation. Representing Service Tas employees they are very pleased with the downstairs model for their people. I have had consultation with the CPSU, which has raised a few issues about the open plan design and the density that we were talking about previously. Noise has been a real issue with the open plan design at the Parliament Square building.

For the record, can you advise how you have negotiated or consulted with those concerns for employees with that group?

Ms WILSON - As Matt indicated we started by looking at some principles for the building. We looked at what the layout would look like. We put on the table it was going to be open plan. We were upfront. The principles also looked at density and a benchmark. We also put forward office design and that not everyone would get an office. We recognised upfront that we needed to set some principles in place. We did consult on those but I do know it was

seen as 'This is what we are intending to do'. We were upfront about that and these are the principles that we will apply.

We had staff forums, which Matt spoke to. We have set up some working groups. I will get Alex to talk about the design elements that we have also incorporated into this particular fit-out to respond to some of those concerns. There is no doubt there is an element of people who have told us that they do not support open plan. They do not see it as accommodation that is conducive to them as an individual. We are aware of that. We say this is contemporary office accommodation, we do have a minimum standard, we are not trying to cram people in.

... .. We have some space. Each floor does have a slightly different density but that is being discussed with each of the divisions so they have their own layout.

- 4.11 The Committee recognised that staff working in an open plan environment often have a number of concerns relating to privacy, noise and a lack of space or sense of being 'crammed in'. Committee Members had received some feedback on this in relation to the Parliament Square Building. The Committee sought further detail on these issues and how the fit-out had been designed to mitigate these matters.
- 4.12 One of these issues was staff density. The Committee noted that the redevelopment would lead to a significant reduction in the floor area per employee, and sought further detail from the witnesses:

Mr SHELTON - One of the arguments for going into the Lands Building is efficiency, 13.3 square metres per employee or whatever it is. I take it from that point of view the Tasplan Building is inefficient, because it has one of the highest square metre areas. No disrespect to James or Treasury, because from the taxpayer's point of view it is good for the taxpayer to be efficient. From the employee's point of view - I was involved in the TAFE College in Launceston when we rebuilt - one of the issues was you tend to squeeze as much out of it as you can. Are you quite happy, and I know a lot of consultation has gone on with the employees in the different departments, that there is not too much squeeze happening in this building?

Mr McCROSSEN - The design brief that the architects had to work to was based on some accommodation benchmarks. We looked at the accommodation benchmarks nationally. I know that Treasury is moving to establish some Tasmanian benchmarks, which will no doubt be informed by similar market research that we undertook. You mention the current staffing density. The Tasplan staffing density is around 22.3 square metres per employee and the Lands Building is as high as 28.5 square metres. For every employee there is 28.5 square metres -

Mr SHELTON - Currently?

Mr McCROSSEN - Currently. The industry benchmarks are probably somewhere around the 13 square metres, so probably twice as much space as required. Moving through the building you get a sense of that.

Mr SHELTON - Taken up with boxes at the moment we noticed.

Mr McCROSSEN - Yes, that's right. I see where you are coming from in that you don't want to squeeze too far. We have benchmarked the square meterage against other tenancies. Parliament Square, for example, is probably the most recent project - we are sitting in part of it. It is at 13.2 square metres per employee. With this project the square meterage across floors varies between about 13.3 and 14.3 square metres. It is slightly more generous than the accommodation provided at Parliament Square.

We are also going with a 120Y shape workstation, rather than a straight bench like this. They do provide further break up, articulation and what I would call breathing space between clusters of workstations. Staff density has been appropriately looked at and taken into consideration.

Mr NEWMAN - ... In terms of the density, just to say that there are office fit outs in Hobart where it's as low as 10. So, we felt comfortable at mid-13.

CHAIR - ... Does Treasury produce documents that go out to departments that are looking at refurbishment that contain things that have to be met, like office densities per person?

Mr CRAIGIE - We are developing whole of Government guidelines but we are cognisant that different agencies have different service models and it is not going to be uniform.

CHAIR - Because of the type of work they might do?

Mr CRAIGIE - This is an office but within that office it still has several areas that are customer facing. Service Tas is different from a school which is different from a hospital. So it is hard to say one size fits all. For traditional public servant office accommodation we are developing whole-of-government standards around density fit-outs, standard fit-out costs and so on.

CHAIR - So it is an optimal thing. You don't just try to meet the cheapest dollar. You are obviously looking at the densities for people to work in and lighting densities and things like that. The Building Code of Australia obviously tells you how you are going to fit these things but it doesn't always tell you how much office space you need per person.

Mr CRAIGIE - There is a range of quality factors that were touched on today that are taken into consideration around the amenity for each work station. They will be part of that standard.

CHAIR - I noticed that at the moment there is 45 to 50 per floor in some of the upper floors. Is that correct.

Mr McCROSSEN - It would probably range from 50 up to about 70.

CHAIR - Fifty to 70 and then you think it might go up as high as 80?

Mr McCROSSEN - Eighty-six.

CHAIR - They are not going to be jammed in like sardines, are they?

Mr McCROSSEN - No. The nature of the 120Y workstation system that we have used means you tend to have clusters of six or nine. They almost sit like islands in space. If you look at them on the plan you do have a decent amount of circulation around them.

Mr NEWMAN - We are required to have disability access to every single one of those workstations, so you have a clearance of at least a metre at the narrowest point.

4.13 The Committee recognised that noise and a lack of privacy can be an issue for employees in an open-plan office environment. The witnesses provided further detail on the measures that would be undertaken in the fit-out to ensure an appropriate level of employee privacy and to mitigate noise disturbances.

4.14 Some of these measures included the provision of informal work spaces, alcoves and meeting rooms on each floor, which provided flexibility for staff:

Mr NEWMAN - The numbers that you are quoting here are full occupancy, which is not what is expected. We have 726 work station positions in the new DPIPW area, but I believe somewhere in the region of 690 staff. Those are not all fulltime members of staff, but the figures you are looking at are based on the 726. From a functional perspective we have the large open-plan areas, but we can also support areas where people can do other sort of work. We have four to six alcoves on typical floors, or meeting rooms where people can go and make that private phone call if you have to phone your doctor.

Ms RATTRAY - Those small rooms that you showed us?

Mr NEWMAN - They are small rooms but they are designed for somebody in a wheelchair to access. When we build them people always ask why it is so large? It is because you have to get a wheelchair in there and turn it around and bring it back out.

Ms WILSON - We think two people can comfortably sit and have a conversation.

Ms BUTLER - That is a potential of 86 staff with two or four areas where they can go to have private conversation?

Mr McCROSSEN - Six, plus meeting rooms.

Mrs WILSON - You might recall where the current tea room is - that will become a work-hub space. I believe we changed the design of that because of feedback from staff.

Mrs WILSON - Because there was concern about the noise. That is the kind of thing we have done - where specific issues have been raised around noise and interference we have looked at what we can do and, where possible, have responded.

Mr NEWMAN - There are couple of informal work spaces. If you have a laptop and you want to sit and read a report, you are not too worried about the acoustics because you can sit in a seat near the entrance area near the lift. You can take it and sit at a bench in the staff room. There is the idea of having different flexible areas in the building where people can work from.

Mr NEWMAN - Analysis was done in terms of the existing meeting rooms and alcoves, if you want to call them that, across the buildings that DPIPW were using. The proposal is far in excess of the existing infrastructure they have.

4.15 Other measures included selecting materials that would limit noise disturbance for staff:

Mr NEWMAN - Yes. From an acoustic perspective we have looked to specify the best finish as possible. The ceiling tiles are 40 millimetres thick, they have NRC rating of 1. That is noise reduction coefficient, I looked this up. Normally a 0.05 would be 95 per cent absorbed and 5 per cent reflective noise. The ones we are going with are 1, so they will absorb 100 per cent of the noise they get.

The work stations have acoustic panelling in the screens, so they have acoustic properties. They should have an NRC of around 0.3 to 0.5, depending on thickness.

CHAIR - Mind you, they are only at a certain height - are they not?

Mr NEWMAN - They are up to this sort of height here and the height is specifically set. The idea is that when somebody is head-down and working or on the phone, most of the noise is in this zone. If I wanted to say, 'Do you want to come and get coffee?' I can raise my head over.

Ms RATTRAY - What about the standing desk? If most of them are going to go towards the standing desk, the screens would only be at eye level.

Mr NEWMAN - One of the things I was going to mention is that as part of the consultation a group of the workstation prototypes were put out there. I believe they have been out there for about six months for the staff to look at and use, if they wanted to. The screen height, unlike Parliament Square, is going to be fixed. There will be about 1 300 or 1 350 millimetres. The workstation top will go up. We did not want to have the effect where half the office has desk screens up and then you have myriad different heights happening.

4.16 The witnesses also indicated that the redevelopment would provide a significantly improved work environment for staff than currently afforded, which was a key driver behind the fit-out design:

Ms BUTLER - Is the concept of open-plan work spaces as being a best-practice internationally looked at? I know that in many other countries around the world, they are moving away from the open-plan work spaces. Was that a consideration in this design? Why was that option chosen when there were problems at Parliament Square with open-plan?

Ms WILSON - We had a look at what is considered contemporary office accommodation in this state. Some of our staff would say that contemporary means different things to different people. This was about consolidating but it was not about cramming. It was about saying we think we can get a good fit with a good layout. As Matt said, we were not going for benches. We looked at a layout with some good design principles that say we have people on Y desks, so when you look at the layout you are not as close to someone as you might be if you are like this.

Mr NEWMAN - You are also not talking straight across.

Ms WILSON - You are not talking straight across at people. We looked at what we considered to be contemporary office design in the Tasmanian and Australian context. There is some research which says that does not work as well for some industries.

At the Lands Building, most people are now in some form of open plan. It's just not contemporary. People are concerned about noise in the current Lands Building, but they don't have proper acoustic baffles, they have different layouts that are not taking into account the sound movement. You don't have proper ceiling tiles.

Because of the current building, which is open plan, I can understand why people would have some concerns that they are moving to something that looks different. We are using best practice design to help mitigate those concerns. Those break-out spaces - in the Tasplan Building I see people standing outside in the corridors taking their personal calls. Those six spaces, those meeting rooms, the decent tearoom which has a capacity to actually be away from people will make a really big difference to how people operate within the workplace.

Mr McCROSSEN - Open plan really depends on how you construct it. If it's done well it can work well. If it's poorly designed, or if the staffing density is too high, you will have impacts.

Ms WILSON - It's all those things.

Mr McCROSSEN - Yes, we have really tried to achieve an optimum balance. Obviously, you do have open plan work points. We have a large number of meeting rooms. Every floor has large, medium and small meeting rooms. There are those breakout alcoves if you need to make a private phone call. There are informal work spaces where if you just want to go and have a casual chat you can do that.

There are a range of different spaces to respond to those requirements. In addition, all of the meeting rooms have acoustic treatment. You know, for confidentiality... ..Which they don't at the moment. Walls are packed with acoustic insulation. Acoustic insulation wraps over the ceiling. Alex has already said the ceiling is acoustic. Sound tends to dissipate well in an open plan environment if your staffing density is at the right level, and if you've got those mitigations in place. That is what we have applied.

Security and Public Interface improvements

- 4.17 The Committee noted that a new lift would be installed to provide public access to level 1, which houses the Land Titles Office and the Fisheries Licensing and Compliance branches. These are areas that require significant face-to-face public contact. Currently, public access to these areas compromises building security, however the provision of a dedicated lift between the ground floor and Level 1, will result in a significant improvement to building security:

Ms BUTLER - I would like to put on the record, Alex you were providing me with information on a new lift and how that will improve security for employees in the building. Could you talk us through that?

Mr NEWMAN - DPIPWE has two public interface functions, one is the Lands Office on the first floor of the Lands Building and the other one is the Marine reception in the Marine Board Building. Both of those take public on an ad hoc basis for licences or copies of titles. When we looked at putting those onto the ground floor in the Lands Building it was not a comfortable fit. It was too much. We would end up with receptions with staff on another floor so the initial concept was to put a lift in between the ground and the first floor that allowed the public to access the first floor so they got the interface functions that they need and allowed the staff connected to those groups to be co-located.

From a functional perspective it improves security in the building. Currently a member of the public entering the building goes to the security desk, asks for a copy of their title and they are swiped through. They then have access via the lifts to any floor in the building. By having a public-only lift to the first floor means that the security point is right at the ground floor next to the proposed security desk. That means on all the other floors there is no need for an additional layer of security. We have the cost of the new lift but then it is offset against eight or nine secure lobbies all the way up the building.

Mr McCROSSEN - The access controls on those doors alone are about \$2 000 or \$3 000 each, not to mention the doors and hardware.

Redesign and Fit-out of the Service Tasmania Centre

- 4.18 As part of the proposed works, the Service Tasmania tenancy on the ground floor will also be redeveloped. Ms Kelly noted there had been a decline in the number of in-person contacts with Service Tasmania centres. Ms Kelly also noted that the proposed redevelopment provided an opportunity for Service Tasmania to offer a better service to its clients through the implementation of a new service model:

CHAIR - You were talking about the level of work that you currently get and that there has been a bit of a reduction. Can you give us the number of contacts you have at the moment and for the last 12 months and how much that is down?

Ms KELLY - Across the whole state we are seeing a gradual decline in the number of customers visiting our service centres. These are March figures, the figures we use for budget Estimates. March 2017-18, 1 506 302 was the number of in-person visits. In March 2016-17 it was 1 552 861. That is a decrease of 46 559. However, compared to the previous two years, March 2015-16 compared to 2016-17 we saw a decrease of 17 232. Then the year before that it was 76 420. You can see that there is quite a variation.

CHAIR - A fluctuation.

Ms KELLY - A fluctuation. As more things go online we will see more customers continuing to choose online. However, as Ms Butler mentioned, we do also have to take into account that there are a lot of people in the Tasmanian community who either don't have the skill to go online or don't have access to the equipment.

CHAIR - Do you feel you'll see an elevation of people coming through the door to you, or do you feel it will remain roughly the same?

Ms KELLY - In Hobart, or overall?

CHAIR - In terms of this building.

Ms KELLY - In Hobart, we are expecting to see a decrease. Hobart is our second busiest site in the state. What you tend to see is that the decreases occur in the regional sites a bit more than the urban. It does vary from site to site.

CHAIR - You don't have any issues with the amount of space that's been allocated for the services that you have to provide?

Ms KELLY - No. The overall space for Service Tasmania on the ground floor is smaller. However, we are also changing the way we are servicing our customers. What we're expecting with the new service model is that we won't have as many customers standing and waiting for service, because we will be able to resolve their query at that front point as they come in and are greeted by the concierge.

CHAIR - Could you walk us through that process? They come in through the front door. The first thing they see is a help desk, is it?

Ms KELLY - The first thing they see is a very friendly smile from Service Tasmania. It's likely that there will be not just one, there will be a group of people working there. They will be greeted by a staff member who says, 'Hi. How can we help you today?' Then, depending on what the customer says depends on where they go in the room. It may be that our staff member is able to answer their query and resolve it, and they don't have to come any further into the building. We might be promoting the use of online service delivery for a particular government function. When government agencies move some of their services online, in this new model we'll be able to feature that and say to the customer, 'Would you be interested in us showing you how to do this online?' So someone will take them there.

If it's a transaction where they need to go to the counter - driver's licence where you need to have your photo taken, the staff member at the front will ensure they have all their correct identity and paperwork that they need. Then they'll be given a ticket from our system. They'll be told how long the wait is. Then they will be able to sit in seated comfort in our new waiting area and wait for their turn to be called up,

CHAIR - The conversation spaces that have been built into this development are sufficient to cope with what you might need there, if you have people that need to be specially dealt with?

Ms KELLY - Yes. We've done a lot of analysis on the number of transactions we get per day, the type of transactions that we get and the type of transactions that we need. I suppose our photo screens versus straightforward transactions.

The consultation booths are new for us. We are redeveloping a site in Launceston and we'll have a consultation booth there. We will have that in place 12 months before we open Hobart. We'll be able to - for want of a better phrase - play with that and build an understanding of how we can best use that to support our customers. The we'll be able to take those learnings and build them into Hobart.

CHAIR - ... One question on density. You talk about the density of the service centre and how that compares with other service centres. Can you comment on that?

Ms KELLY - At the moment, the Hobart service centre is quite generous. My opinion is that we do not use that space effectively and efficiently. We have a bit of dead space there. The layout of the service centre is very traditional. Customers queue up and then they are called to the counter. The new design enables us to put in place those new service models that we have been talking about, such as concierge. It also makes more effective and efficient use of the space.

We do not have a lot of requirements for back-of-house space so we have been able to incorporate our contacts in an area in the service centre. I mentioned on the walk-around, one of the models we are adopting in Service Tasmania is to train our front-of-house staff so they are also trained for phones and eventually to also assist online. Having that co-location of the back of house and front of house in Hobart is really important.

We have just done a redevelopment in Devonport and we are doing one in Launceston at the moment. The concepts that we have used, particularly in Launceston and Hobart, are very similar. The design principles that have been developed for us for Launceston and Hobart

have been handed to the two separate architects. They are making their interpretation on that but they are all operating off the same fundamental principles. Devonport is similar because we designed that about three years ago and it has just been finished now.

- 4.19 The Service Tasmania centre will be the last area where redevelopment works will be undertaken, and the centre will need to be relocated during construction. The Committee sought further information on how this would be managed, and the options available for relocation during construction:

CHAIR - ... If I might ask a question of Service Tasmania with respect to your development. We were talking about lead times for decanting, because of the nature of your business. Can you take us through how you work that out? Do you have enough lead time to be able to effectively undertake the move?

Ms KELLY - We have commenced some very preliminary discussions about what our options are for decanting. We've focused specifically on the service centres and not the contact centre and the TEIS room at the moment. There is shopfront space available at 144 Macquarie Street. Premier and Cabinet currently has a lease in that building that we can use. Provided the timing is okay and there are no other hiccups that would be our ideal location, because it minimises impact.

We have also started considering options. For example, we have just moved into a new building in Devonport, the Paranal Centre. We resurrected the old counters from Devonport and we have moved them to Hobart. Our aim is to relocate and spend the least amount of money as possible in the alternative premises. Early next year we will ramp up our planning for this. We will start looking at our options in terms of impact to customers and staff and start planning to make sure we've secured a shopfront... Our decanting for the contact centre and the TEIS room can be a little bit more flexible, because it is not customer facing. At this point in time and early next year we are really focused on the shopfront... We would be looking for whatever feasible option we could that will minimise the cost of relocation.

Staff Decanting Strategy

- 4.20 The Committee recognised that redevelopment of the floors would be staged, which meant staff would need to be relocated while their work area was under construction. The Committee sought further clarification on how this process would be managed:

Mr SHELTON - As far as the planning goes, we had a look at level three and it's a marvellous clean space that you can start with. At the end of it something good will come out of it.

The practical issue facing the build, to put it on record. What is there, nine floors? Two separate builds in the floors. How does that go again? There are three levels at one stage, two at another?

Mr McCROSSEN - We have had to establish a complex decanting strategy, which we have here. We have two vacant floors now. Levels four and three are currently vacant. We did show you level three. We'll be starting construction with levels three and four.

Ms WILSON - We even have a diagram.

Mr McCROSSEN - Once they are completed. Alex, if you would just talk us through.

Mr NEWMAN - The first two floors, that was level three that we saw. We move the people here with the arrows. All the different colours are the different branches and divisions inside DPIPWE, and they move down into those completed offices. They actually then vacate three levels. We've done that. We re-fit those.

CHAIR - Is that their final resting place, or do they have to go back up again?

Mr NEWMAN - That's a good question. Where they are shown in white on this, they are in their final space. So, EPA (Environmental Protection Agency) have moved straight into their finished office area. A few branches haven't been that lucky. So, EPA were lucky.

Mr McCROSSEN - One of the principles that we established early was we wanted to minimise moves.

Ms WILSON - But we were also upfront that you might need to move twice.

Mr NEWMAN - Then we do the top two floors and level two. Then at that point we can move people back into the building from the Marine Board Building. Then the final stage is -

Ms WILSON - Staff have seen this.

Mr NEWMAN - They were consulted.

Ms WILSON - There is disruption.

Mr NEWMAN - That is pretty much the final.

Ms WILSON - It is about minimising and making it clear what each stage is. For example, the team has spoken with divisions about key dates. There are some times where it is not so good for our Fisheries licence people to be moving, for example, because they are in the process of doing Fisheries licensing. We are mindful of those things.

- 4.21 The Committee understood that the Service Tasmania centre would be the last area to be redeveloped. The witnesses did note that DPIPWE was open to the selected builder providing alternative approaches, however, there was little likelihood of a change to the scheduling of the Service Tasmania centre works:

Mr McCROSSEN - We have left it open for the builder to give us alternative approaches. Once we have a preferred builder and we know what their program is, we are going to give them our decanting strategy and say, 'This is how we think it best works with the staff we have in the building. They may offer us an alternative. We will be consulting closely with Service Tasmania. If there is anything DPIPWE can do to assist, we would do so.

Ms RATTRAY - It is not set in stone that the bottom floor is the last redevelopment?

Mr McCROSSEN - It pretty much is set in stone.... We would really like to complete the redevelopment; move the builders out of the building and have that last so the grand opening of the building is a fresh and complete arrival experience.

There are problems with carting builders back through a completed ground floor for another six months. Anyone who has done renovations, you do not want them coming back through your completed area if you can avoid it.... It would be highly unlikely that the ground floor will move from the last stage.

Building Material Specifications

- 4.22 The Committee noted the proposed use of a range of environmentally sustainable materials throughout the redevelopment, that were selected “to be robust and therefore have a long lifespan”¹. Of particular interest to the Committee was the use of Smart Oak produced by Oakdale Industries, a local not-for-profit social enterprise that trains and employs people with a disability. The witnesses noted that using sustainable materials and supporting employment opportunities through disability service providers had played a part in determining the building material specifications:

¹ DPIPWE Submission, Page 19

Ms BUTLER - I wanted to congratulate you. In the report, when you were talking about the environmental, sustainable design, you said you will be using smart oak that is being sourced and supplied by Oakdale Industries in Mornington. It is fantastic you are using that group. I was wondering, for the record, if you could state why you have chosen that group?

Mr NEWMAN - About two years ago I was contacted by Oakdale Industries which said, 'Can we come and interview you. We have all these products and would you like to use them?' I did. I was not fully across them as an industry then. When I went to their new facility in Mornington I went away thinking they produced great products that we should be using. We are using a smart oak that is normally used as a floorboard product as a benchtop. It is a beautiful product and it should be positive to that industry.

Mr McCROSSEN - If I could add to that. We have had a keen focus with the project on specifying sustainable materials but we have also used several disability service providers, which have provided employment opportunities. We used Colony 47 to provide services removing surplus furniture in addition to the Oakdale Industry specified timbers, which certainly supported the disability service employment providers.

- 4.23 The Committee also questioned the witnesses on the lighting specifications, noting that there had been a change from fluorescents to more energy efficient light emitting diode (LED) lighting. The Committee sought further information on how this change had been determined, with the witnesses indicating this had been negotiated as part of the lease agreement and would result in ongoing energy cost savings:

Ms BUTLER - Could you quickly run through the changes to the lighting in the building and how it will be more efficient?

Mr NEWMAN - As part of the lease agreement there was an incentive from the building owner. Initially they were proposing a figure for upgrade of new T5 lighting. JMG, the project engineers, recommended that we went to LED lighting. The difference in installation costs was \$950 000 for T5 lighting and \$1 million for LED and there was a saving of \$1 600 per floor per year to have the LEC option.

CHAIR - In terms of running costs?

Mr NEWMAN - Running costs, so it is about a three-year payback period. Those are based on figures from about a year ago. Each year it evolves very quickly in this field.

Mr McCROSSEN - At the time the lease negotiations occurred T5, which is a type of florescent tube, was probably the industry standard. Since the negotiations commenced, LED is probably become the new market leader. We are moving to leading edge in terms of energy efficient lighting.

CHAIR - Is the quality of the light and glare the same or better and all those things.

Mr NEWMAN - We specified good quality light fittings. It is an area where we would resist any value management that was offered up during the process. There is LED lighting and there is LED lighting. We have good quality LED lighting.

JMG have recommended going to a square LED light because it creates less contrast in the ceiling plane and it is better value for money in terms of allocation of fittings. Instead of having long linear fittings which can be glary, these lights in here are slightly glary, it has definitely been considered and lighting models have been done.

- 4.24 The Committee sought confirmation that the material specifications were for quality products that were not excessive. The witnesses indicated the materials to be used would provide value for money and longevity:

Ms RATTRAY - My second Mr Brook's question will be about no gold plating in this building?

Mr McCROSSEN - Gold plating?

Ms RATTRAY - Well, he never wants anything over the top. He wants quality product without going to the nth degree. We notice there's some stone.

Mr McCROSSEN - I would say there is no excessively expensive material specified.

Ms RATTRAY - Nothing that has to come from overseas?

Mr McCROSSEN - Yes. We have picked nice finishes that are going to last. Obviously, there are non-slip considerations in relation to public areas, wet areas, and so on. The natural values of the agency have very much informed the palate of finishes and materials that you have seen. We're a natural values agency, so there are a lot of neutral colours, use of timber. It is restrained in its specification.

Provision of Accessible Facilities

4.25 The redevelopment includes a number disability access improvements and provision of accessible facilities for staff and the public. These included upgrades to the building entry, the provision of accessible toilets and parenting rooms. The Committee sought further detail on these improvements:

Ms RATTRAY - I will pass that on to the housekeeping. I wanted to get on the record the front entry. I thought it looked OK but I was informed that it doesn't comply any longer.

Mr NEWMAN - As part of the 50 per cent rule we need to upgrade that entry to comply with current standards. The handrails do not comply, there is no tactile indicators on the stairs, they don't necessarily have the right slip resistance. All of those things are being addressed as part of that refurbishment.

Mr McCROSSEN - One of Tasmania's leading access consultants has provided advise on all of those disability access improvements that are integrated into the project.

CHAIR - ... We talked about accessible toilets, family rooms for changing nappies. Can you give us an understanding of how you are catering for those sorts of eventualities, especially with the service centre and on the other habitable floors for the public servants?

Mr McCROSSEN - The current male and female bathrooms in the buildings are on split levels within the stairwells on either side of the lift core. They have been cosmetically upgraded by the building owner. Those works are complete. As part of the upgrades the owner is funding the installation of disability accessible toilets. On the ground floor we have an accessible bathroom and an ambulant toilet, which incorporates a baby change table on the ground floor. That will be accessible to the members of the public on the ground floor.

CHAIR - For people and patrons of the cafe?

Mr McCROSSEN - Yes. There are disability accessible toilets on level one. There is also a parenting room on level one for staff.

Ms RATTRAY - Does that mean they will be bringing children to work? Is that how that works?

Mr NEWMAN - ... If you are a return-to-work mother and you are having to express then a private room to do that and a fridge available and somewhere to wash your hands afterwards.

Ms RATTRAY - It is only on one level. The parenting room is only on one level.

Mr McCROSSEN - On level one that is correct.

Ms RATTRAY - On level one. If they are working on level seven?

Mr McCROSSEN - They jump in the lift come down to that facility and use it. We do currently have a parenting room within the Lands Building. It is a bit of a makeshift exercise. It is in a disused office. It is not fit for purpose. This is a fit-for-purpose facility, which will have all the amenities required. We had a working group, which involved staff focusing on staff amenities. We did consider is one of those enough? Based on the Australian Standards it was deemed that one was sufficient. We haven't had significant pushback on that, but we did have good representation from staff on that working group for staff amenities. I don't think it is a compulsory requirement, but obviously we support families in the workplace.

... .. There is a disability accessible shower going on the ground floor, which will replace the existing non-compliant accessible toilet. It is too small and does not meet contemporary standards. That will provide a shower facility for persons who might have either permanent or short-term impairments on the ground floor.

... .. There is also a disability car parking space in the basement that will be signed to meet current standards.

- 4.26 The Committee sought to understand how payment from the building owner for the proposed works would be secured and managed in order to minimise the financial risk to the State. The witnesses indicated these matters were covered in the lease agreement and that DPIPWE had a strong relationship with the building owner:

Ms RATTRAY - Do they pay Treasury and then Treasury pays, or do they pay directly to whoever gets -

Mr McCROSSEN - They pay directly to DPIPWE. Under the lease it was required that the department submits the builder's invoice, a certification from the architect, a certification from the quantity surveyor. You put it to them and if they are OK with it, they will claim your money. It was going to be quite a lot of red tape to get the department's money. As part of these negotiations we have streamlined that process and we have a simple process where at the commencement of a construction stage we get half of the dollars for that stage and at the completion of that stage we get the other half. It has cut out a huge amount of administrative effort from my team and from the consultants.

Ms RATTRAY - there is no way that the State can get left with the whole account.

Mr McCROSSEN - They are contractually legally obligated. We will issue our invoice for our 50 per cent up front and they will pay that. They have been good to work with. There have been sensitive dealings but it is a good constructive relationship we have with the owners.

Project Tender

- 4.27 The Committee recognised that the level of building activity in Hobart had the potential to affect the tender market and sought the witnesses views on how this would impact the tender outcome. The witnesses were confident that the project would be attractive for potential tenderers, and were hopeful of achieving a good tender result:

Mr SHELTON - Another issue is the overall price. The tenders haven't gone out yet, but how confident are you of coming within the tender price, given the market that is in Tasmania and particularly Hobart at this time?

Mr NEWMAN - In terms of the rest of Mark's question, which was the tender market, obviously it is getting busier. Because of the size of the project it will be pre-qualification above \$10 million, which will limit the pool of contractors in the state that would be able to do it. The sooner it goes the better.

Mr McCROSSEN - I can give you an overview of the procurement. We have three major tender packages. There is a small loose furniture tender, which has recently closed. We'll be looking at those tenders. Obviously, we won't be looking at contract until the committee has made its findings. The second procurement is for workstations and associated furniture, the workstations you can see on the drawings and the associated storage. That closes next Wednesday. Prior to Christmas we should know where we are probably heading in terms of cost. Regarding the builders tender, we have had extended negotiations with the owner which are resulting in a much safer contemporary building from a building compliance point of view.

We have had to make the call on when we go to market. We could have potentially got the tender out prior to Christmas but the construction industry has a well-known shut down. We believe that the best chance of getting a good tender result would be to release the tender in mid to late January once the industry is back. As Alex said, it is a fairly standardised fit out - levels two to nine are virtually identical.

It isn't an overly complex build. It is not a new building, it is the fit out of an existing building, which I think will be quite attractive to the market. You never know what you are going to get. We have worked closely with a quantity surveyor who has provided cost estimates at every stage.

From experience, they tend to err on the side of being conservative, which is what you want. We need to see where we sit in terms of the market. If we need to look at applying value management we will do that.

Does the Project Meet Identified Needs and Provide Value for Money?

4.28 In assessing any proposed public work, the Committee seeks assurance that each project is a good use of public funds and meets identified needs. The Committee sought confirmation from the witnesses that the proposed works were the best solution to provide the staff accommodation needs identified by the Department and a good use of public resources:

CHAIR -Does the proposed works meet an identified need or needs or solve a recognised problem?

Ms WILSON - Yes, they do.

CHAIR - Are the proposed works the best solution to meet identified needs or solve a recognised problem within the allocated budget?

Ms WILSON - I definitely believe so.

CHAIR - Are the proposed works fit for purpose?

Ms WILSON - Yes.

CHAIR - Do the proposed works provide value for money?

Ms WILSON - Yes.

CHAIR - Are the proposed works a good use of public funds?

Mr WILSON - Yes.

5 DOCUMENTS TAKEN INTO EVIDENCE

5.1 The following document was taken into evidence and considered by the Committee:

- Lands Building Redevelopment 134 Macquarie Street Hobart - Submission to the Parliamentary Standing Committee on Public Works, Department of Primary Industries, Parks, Water and Environment, November 2018.

6 CONCLUSION AND RECOMMENDATION

- 6.1 The Committee is satisfied that the need for the proposed works has been established. Once completed, the proposed works will result in the consolidation of all Hobart CBD-based DPIPWE staff into the Lands Building in contemporary office accommodation. This will enable the realisation of a number of benefits including more efficient use of DPIPWE resources and an improvement in workforce efficiency and productivity.
- 6.2 Accordingly, the Committee recommends the Southern Accommodation Project, Lands Building Redevelopment, at an estimated cost of \$20.47 million in accordance with the documentation submitted.

**Parliament House
Hobart
17 December 2018**

**Hon Rob Valentine MLC
Deputy-Chair**

