



1969

PARLIAMENT OF TASMANIA

**REPORT OF
STANDING COMMITTEE OF PUBLIC ACCOUNTS
ON
THE NEW PUBLIC BUILDINGS, MURRAY STREET**

*Brought up by Mr Neilson on Wednesday 26 November 1969, and ordered by the House of Assembly
to be printed*

By Authority:

T. J. HUGHES, Government Printer, Tasmania

EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE HOUSE OF ASSEMBLY

TUESDAY, 17 JUNE 1969

37 PUBLIC ACCOUNTS COMMITTEE.—*Ordered*, That a Standing Committee of Public Accounts be appointed, in accordance with Standing Order No. 386; and that—

- Mr Austin,
- Mr Baker,
- Mr Barrenger,
- Mr Braid
- Mr Costello,
- Mr Neilson, and
- Mr Pearsall,

be of the Committee. (Mr Premier)

WEDNESDAY, 16 JULY 1969

13 PUBLIC ACCOUNTS COMMITTEE.—*Ordered*, That the evidence taken by the Public Accounts Committee during its enquiries in the last Parliament on the Potato Marketing Board: Loss on the Sydney Showground Activities 1967-68; the cost of the State Office Building, Murray Street; and the Accounts of the Department of Film Production 1967-68, which enquiries were interrupted by the Dissolution of the House of Assembly on 11 April 1969, be referred to the Public Accounts Committee appointed by this House on 17 June last. (Mr Neilson)

ENQUIRY INTO CONSTRUCTION COSTS OF NEW MURRAY STREET PUBLIC BUILDING

Your Committee have the honour to report as follows:—

The Standing Committee on Public Works first reported on 25 March 1964, on this project (see Paper No. 14 of 1964) and again made a further report to Parliament on 6 July 1965 (see Paper No. 32 of 1965).

The Public Accounts Committee under the Chairmanship of Mr Fraser, M.H.A., decided to carry out a progressive check on construction costs until the completion of the project.

Your Committee, after considering a draft report from the Committee of the preceding Parliament, decided to take further evidence with a view to bringing a final report to Parliament as soon as possible.

The final estimate is \$4,250,000 and this is arrived at as follows:—

		\$	\$
1. Original contract sum		2,873,524	
Less prime cost, provisional and contingency sum		1,232,055	
		<hr/>	1,641,469
2. Expenditure against prime cost and provisional sums—			
	<i>Contract Allowance</i>	<i>Actual Sub-Contract Amount</i>	
	\$	\$	\$
Office partitioning	125,000	180,584	
Removal of pole and conductors	1,000	980	
Asphalt tanking	59,600	58,600	
Windows, doors and glazing	165,000	175,746	
Vinyl flooring	27,855	37,288	
Mechanical services	391,000	444,794	
Lifts	254,000	223,115	
Electrical	160,000	163,919	
Switchboard	16,000	9,720	
H.T. cables	600	35	
	<hr/>	<hr/>	
	1,200,055	1,294,781	1,294,781
3. Contingencies—			
	<i>Contract Allowance</i>	<i>Variations</i>	
	\$32,000	<i>Dr</i>	<i>Cr</i>
		\$	\$
Variation orders No. 1-94		38,686	16,053
as per Appendix A			(residual) 9,367

	\$	\$	\$
4. Variations for which additional authority has or is being requested—			
Extension to Department of Agriculture's floor	1,672		
Mechanical variations consequent upon A.D.P. floor	93,852		
Variations consequent on sub-divisional planning, extra toilets, tea pantries, plumbing alterations, additional mechanical exhaust systems	52,072		
P.M.G. cabling	5,500		
		<u>153,096</u>	
5. Allowance for Rise and Fall			273,000
6. Professional fees (estimated)			318,735
7. Preparation of site, supervision and miscellaneous charges—			
Site Preparation	10,000		
Supervision	23,203		
Furnishings (estimated)	179,071		
Blinds (curtains)	17,540		
Carpets (estimated)	50,445		
Sundries	5,000		
		<u>285,259</u>	
8. Extra works to A.D.P. Centre—			
Building	11,711		
Column heads	2,119		
Conductive floor	7,180		
Cutting holes—floor	264		
Lift security switches	491		
Tape racks	900		
Additional floor tiles and jacks	1,186		
		<u>23,851</u>	
9. Extra for changes in sub-divisional planning and partitioning			26,576
10. Miscellaneous site investigation, drilling, etc.			8,731
11. Provision of female rest room, etc., in Department of Agriculture Building			37,163
12. Provision for canteen and staff amenities, and bridging between buildings and Department of Agriculture Building			63,000
13. Additional authorised works considered necessary—			
Executive-type telephone equipment	3,000		
Balustrade at entrance	250		
Sump pump	180		
Alterations to window cleaning ladders	3,220		
Additional directory signs	150		
Additional metering	850		
		<u>7,650</u>	
14. Provision for items pending but not yet installed—			
Safety screen to roof	2,991		
Screen—Caretaker's courtyard	1,203		
Indoor planting	3,700		
Computer floor—partitioning changes	3,000		
P.W.D. Accounts—Compactus shelving	10,000		
Curtains—			
corridor partitions	2,150		
front elevation	2,245		
Plan reproduction centre equipment	22,000		
Records room—machine	2,000		
Public relations room (roof) furnishings	1,000		
Movable display boards	1,500		
		<u>51,789</u>	
15. General contingency for fitting out and furnishing the building			32,900
			<u>\$4,250,000</u>
Total estimated cost of work as at 29 August 1969			\$4,250,000

The following tabulation gives a comparison of the estimates given to the Parliamentary Works Committee and the current estimate and/or contractual commitments:—

	<i>Estimate</i>	<i>Current estimate and/or contractual commitments</i>
	\$	\$
1. Building cost	1,860,000	1,908,830
2. Lifts	246,000	223,115
3. Mechanical services	324,000	444,794
4. Electrical services	154,000	173,639
5. Partitions	120,000	180,584
6. Floor Coverings	50,000	87,733
7. Blinds (curtains installed)	8,300	17,540
8. Quantity Surveyors fees	31,000	318,735
Consultants fees	223,464	
9. Penthouse at roof level in adjoining building	63,000	37,163
10. Canteen and bridge	23,000	63,000
11. Site preparation	10,000	10,000
12. Rise and Fall adjustment	80,000	273,000
13. Supervision	8,000	23,203
14. Furnishings	154,000	179,071
15. Sundries	5,000	5,000
16. Extra works	211,173
17. Miscellaneous—site investigation, drilling etc.	8,731
18. Items pending	51,789
19. Contingency	32,900
	<u>\$3,359,764</u>	<u>\$4,250,000</u>

The Committee sought to ascertain the precise reasons for the differences.

The Director of Public Works (Mr Sharp) and the Chief Architect (Mr Tomlinson) informed the Committee that the differences were explained by the fact that evidence given to the Public Works Committee was given in 1965. This estimate was prepared mainly by the Consulting Architect, Mr Hartley Wilson, in collaboration with Departmental officers on the facts then available. Items 1, 2, 3 and 4, building costs, lifts, mechanical services and electrical services, are normal building services and competitive tenders were invited for these items and the net increase is \$166,378.

Both the present and previous Public Accounts Committees were struck by the substantial difference between the estimate for mechanical services of \$324,000 and the actual amount of \$444,794.

This is explained by the Director of Public Works as follows:—

The consulting engineers were optimistic in their estimate. We got this tender of \$444,000 and Mr Tomlinson and I, neither of us are experts, we obviously did not want to go to our consultants and ask why they were so far out. We went to the Commonwealth Department of Works in Melbourne who probably have had the most experience throughout Australia on air conditioning services, and we asked their opinion as to whether this tender was a good one. They analysed it and advised us it was a good price and a very good system they had put in. They strongly advised that it was a very competitive price by comparison with what they were paying for air conditioning services throughout the Commonwealth.

The Committee are deeply concerned at the way in which the cost of partitioning has increased since the original estimate in April 1965 of \$120,000 was prepared. In tender documents the provisional sum for partitions was \$125,000—this having been increased from the original estimate to allow for cost increases. The accepted Sub-Contract Tender submitted was \$180,584, this being the lowest tender received. Evidence given on 19 September 1969 indicated that an estimated \$26,000 more was required for alterations to layout. The estimate at that date was approximately \$206,584. The figures supplied on 18 November, 1969 indicate an estimated final cost of \$215,000 plus \$3,500 Builder's Margins.

The Committee were furnished with the following analysis which purports to explain the difference:—

<i>Item</i>	<i>Original Contract \$</i>	<i>Adjusted Contract \$</i>
1. Partition modules including flush doors and S/R baffles		172,000
2. Partition sundries including cut-outs for switches, P.M.G., etc.		
3. Double doors special type to corridors	Subdivision of original contract	700
4. Door furniture, locks, handles, door closers	not immediately available	10,300
5. Posts on counters for directories		18,900
6. Door grilles		100
		3,200
		1,670
7. Wall starters		4,060
8. Sundry variations		3,360
TOTALS	\$180,584	\$214,290

These figures were only secured after long and persistent enquiries. The Committee are perturbed that a subdivision of the original contract was not available. The Committee secured figures showing a total of 8,078 feet 6 inches linear footage of partitioning. The prices per linear foot were furnished, but according to the Committee's calculations did not correspond with the estimated total cost as supplied.

By letter on 14 November 1969 the Director of Public Works was again asked for an explanation of the apparent difference. The reply did not give the Committee the explanation we sought. As the Committee wished to present our report prior to Parliament rising, we did not feel justified in extending our enquiries on this aspect further before submitting this Report.

The increase in the estimate for carpeting from \$50,000 to \$87,773 is due to the fact that considerably more floor was carpeted than originally intended. A decision to this effect was taken by the Public Offices Committee.

The Committee sought information on why the cost of vinyl tiling, \$37,288, was so far above the estimate. The answer given was—

The estimate of \$27,855 was based on the cost of vinyl flooring, to 60% of the floor area, the remainder being carpet (excluding toilets). Subsequently decided to provide vinyl floor coverings generally with carpet over to certain areas for flexibility.

One question which the Committee asked the Director of Public Works was whether any carpet had been laid over tiles or other floor coverings. His answer was:

Carpet has been laid over vinyl tiles in several areas. It was known, in general terms, that certain offices such as Ministers, Heads of Departments and other critical areas would be provided with carpet but the decision to provide such facility was not decided until the contract was well advanced. As a matter of policy and, having regard to the flexibility provided by the demountable partitions, it was decided to provide vinyl floor coverings generally. This will enable any subsequent office alterations to be made without having to put down vinyl cover over any exposed area previously carpeted. The alternative would have been to carpet the whole of the office space as is now the practice in most commercial buildings. The cost, of course, would have been considerably more and the merits or otherwise could be debated.

Some areas have already been designed to have carpet, *e.g.*, the library, auditorium and other specialised areas. These have not been vinyl covered as it is most unlikely that they will ever have their use changed.

It was further stated by letter on 8 October:—

It was assumed by the Consulting Architects that the 40% of the floor area nominated for carpet would comprise Ministerial, Commissioners, Heads of Department, typing, machine rooms and library area which might not change to other uses. It was later recognised that this assumption was not necessarily valid and that in the long term flexibility would be lost.

The Consulting Architects acknowledge that this could probably have been foreseen.

The original estimate included a figure of \$8,300 for blinds and the current estimate of \$17,540 is due to a clear under-estimate. The Director of Public Works explained that the effect of the solar heat on the glass, especially that on sun-exposed surfaces, was not fully appreciated, nor was its impact on air-conditioning load. It was finally found necessary to provide much more curtaining than originally envisaged by the consultants. During an inspection of the building, Members of the Committee became aware of the fact that at least some staff members required additional curtaining provision.

The Committee were involved in a series of meetings in connection with the provisions for window cleaning.

The cost of variations attributable to the inaccessibility of the original design and partially due to lack of proper co-ordination by the Consulting Architect with the Department of Labour and Industry is in excess of \$10,000.

The requirements of the Department of Labour and Industry have now been fully met with the exception of the eight corner windows on each floor. The Consulting Architect suggested a way of overcoming this problem by using internal safety belt anchorages at corner windows. The Director of Public Works expressed the view that the estimated additional cost of \$1,350, together with aesthetic objections, made the proposal seem to him unacceptable. He indicated that he thought a cheaper and better way to clean these windows could be devised but he suggested that it might be unnecessary to clean them more often than once each year.

The Committee were concerned to find that the cost of consultants' fees had risen from an estimate of \$254,464 to a figure of \$318,735 as at 3 September 1969. The Committee consider that, had it been possible for these services to have been provided from within the Public Works Department, a considerable reduction in the cost would have been possible.

A major factor in the increased costs arises from the operation of the Rise and Fall Clause. Of the figures supplied by the Public Works Department, \$193,000 is directly accountable under this heading. Undoubtedly the \$7.40 per week wage increase in the Metal Trades Award of 4 December 1967 and the flow on from this decision has had considerable impact on many other awards associated with the building industry. It is a matter of Government policy whether the Rise and Fall Clause should be included in such contracts in the future.

There is no doubt that delays in respect to completion and occupancy have created an additional substantial cost through operation of the Rise and Fall Clause. Delays were occasioned by the following:—

- (a) Depth variations to foundations.
- (b) Underpinning of Department of Agriculture building.
- (c) Construction changes to the Lower Ground Floor.
- (d) Additional test drilling.
- (e) Wet weather.

The foregoing were the subject of a recommendation for an extension of contract time to 31 October 1968.

- (f) Early occupation of Lower Ground Floor.
- (g) Provision of V.I.P. toilets and tea rooms.
- (h) Alterations to west wall at second floor level to provide windows (requested by Forestry Department).
- (j) Re-planned sub-basement to include additional air-conditioning for computer section.
- (k) Re-planned basement for micro-filming and documentation storage.
- (l) Re-planned Lower Ground Floor for enlarged computer.
- (m) Re-planned Ground Floor to provide pantry/tea room.
- (n) Sub-divisional planning changes—
 - (i) Quantity of partitioning required increased by about 10% (third floor);
 - (ii) First floor partitioning already manufactured at time of change had to be re-scheduled and altered for use on third floor;
 - (iii) Standard panels components and door furniture on site at time had to be re-scheduled;
 - (iv) Shop drawings completed at time of change for partitions up to third floor had to be re-drawn and submitted for checking.
- (o) The casualty/rest centre altered to a store for Forestry Department had to be partly demolished and rebuilt to accommodate a disabled persons toilet. The necessitated re-arrangement of plumbing, delayed all trades in the area and disturbed work sequences.

To summarise paragraphs (n) and (o) sub-divisional planning changes delayed contract completion by stopping work on partitions for a period of weeks while new schedules and shop drawings were prepared, and the total quantity of partitioning

required was increased. Instructions for the disabled persons toilet were issued at a late date causing interruption to work sequence.

- (p) Installation of mobile steel shelving and timber counter furniture caused minor delays through being additional work to be done on each floor before completion. Ninth floor partitioning changes were instructed in December 1968 after partitioning to the previous layout was partly erected. New panels were required and some adjustment of completed mechanical and electrical services.
- (q) Occupation of part ground floor in January 1969 required work in that area to be given priority which interrupted sequences.
- (r) Cleaning up after carpet laying and telephone installation.
- (s) Replacement of defective floor and wall tiling and glass.

The Director was asked to comment why the respective floors were not occupied progressively rather than in groups (*i.e.*, June 1968, December 1968, February 1969, July/August 1969) with most Departments moving in at once in the July/August period. His reply was as follows:—

Occupation of the Lower Ground Floor was taken by the Commonwealth Bureau of Census and Statistics Computer Service Centre during June 1968, the Ground Floor was part occupied by the State A.D.P. during December 1968 and the 1st floor by the Forestry Department, and Public Service Commissioner during February 1969.

It was intended that other floors would be occupied progressively as they were completed and became available. However, due to delays in effecting an acceptable standard on these floors necessary for 'practical completion' it was considered desirable to allow the contractor to complete the building in its entirety before taking over any other areas.

The building was subsequently taken over on 11 July 1969 and Departments moved in on the second to tenth floors during July and August 1969.

There is no doubt that the delays were partly due to the number of changes and additions to the original plans and that part of this at least could be attributed to the decision to modify the building so that the Commonwealth offer in relation to the computer could be accepted. The Committee were informed by the Director of Public Works that the time of completion was formally extended from 15 July 1968 until 30 March 1969. He said: 'Full supporting information for the extensions has been provided by the Consultant and accepted by the Department and the Minister'.

In considering the position in connection with delays the Committee were advised that as long ago as 25 October 1967 the then Minister for Lands and Works had found it necessary to bring the principals of the contracting firm from Melbourne to discuss his complete dissatisfaction with the fact that at that stage the building was only 25% complete. It would seem that, had the Minister not taken this action, the building may have been further delayed.

As a result of these delays, the Government was forced to continue to pay rentals which would have been saved to the State had the building been completed on time, in respect of the following offices:—15 Macquarie Street, P.W.D. Engineers, \$86.67/month; 138 Macquarie Street, P.W.D. Engineers, \$50.00/week; 152 Macquarie Street, Local Government Office and Municipal Commission, \$168.85/month plus rates; 174 Liverpool Street, Rivers and Water Supply Commission, \$408.33/month; Knopwood House, Forestry Commission, \$2,753/annum; and 183 Macquarie Street, Public Service Commissioner's Department (A.D.P. Section), \$3,004/annum.

In order to obviate similar delays in the future, your Committee gave some attention to the effect of a penalty clause, not only with respect to this contract but other Government projects and a recommended standard clause from the New South Wales Department of Public Works 'General Conditions of Contract' is outlined later in this Report under 'Recommendations'.

It is not clear to the Committee whether the Consulting Architect is entitled to be paid a percentage of increased cost attributable to Rise and Fall. However, if this is so, it is felt that some action should be taken to negotiate in future contracts that Rise and Fall payments should not be included in the final sum on which the Consultants' fees are based.

The estimated sum of \$8,000 for supervision was admitted by the Director of Public Works to be an obvious under-estimate. In addition to the clerk of works it became necessary to provide separate officers to supervise the specialist contractors in the complex fields of electrical, mechanical and structural items. The figure given on 3 September 1969 was \$23,203.

The increase in the figure for furnishings from \$154,000 to \$179,071 is due to the fact that a percentage allowance based on previous experience was insufficient. A new modern building requires new and modern furnishings.

A number of new items which were not envisaged at the time the project went to the Public Works Committee have subsequently been added. These include the items of \$211,173 for 'Extra Works'; \$8,731 for 'miscellaneous items including site investigation, drilling, etc.'; \$51,789 for 'Items pending'; and \$32,900 for 'Contingency'.

Approximately \$117,000 of the \$211,173 is directly attributable to the cost of the computer. The Committee examined witnesses including the Deputy Senior Valuer, Valuation Branch (Mr D. T. Doyle) on the financial arrangements with the Commonwealth in connection with the computer and is satisfied that extra costs under this heading are more than justified by the benefits accruing to the State from the joint arrangements for use with the Commonwealth. The rental arrangements with the Commonwealth appear to be satisfactory.

Of the item of \$51,789 for items pending but not yet installed, the Committee would query the additional sum of \$2,991 for a safety screen for the roof.

It is noted that the biggest single item is \$22,000 required for plan reproduction centre equipment. The Committee agree that such equipment would be of considerable value to the State.

The Committee sought evidence as to the alterations to design in the actual building construction and were informed that it was necessary to expend \$11,500 to re-design the foundations to suit the nature and occurrence of the bottom encountered.

RECOMMENDATIONS

1. It is recommended that if, in future, Consulting Architects are engaged for works of this kind, the Director of Public Works, or one of his Senior Representatives, and the Consulting Architect meet at least weekly to discuss day-to-day problems.
2. Where outside Architects are employed by the Crown or its agencies, no commission should be payable on the cost of alterations or additions which have been brought about by lack of reasonable foresight or planning.
3. The appropriate legislation should be amended to give the Department of Labour and Industry legal power to intervene to prevent unsafe working practices in relation to offices.
4. Consultants' fees should not include a percentage of the 'Rise and Fall' figure.
5. A new standard clause dealing with delays should be included in future contracts as follows:—

DELAY—EXTENSION OF TIME

(1) If the Contractor shall not be able to obtain possession of any portion of the ground required for the execution of the works to be done in connection with this Contract, or if from the non-delivery, or any delay in delivery to the Contractor of any materials which under this Contract the Minister is to supply, or if the execution of the Works be suspended by the Minister or Engineer or Architect or from any other cause whatever arising out of the acts or defaults of the Minister or any officers or servants in his employment, or from the occurrence of any other event associated with the carrying out of the contract which is beyond the reasonable control of the Contractor and not arising from the neglect or default of the Contractor or his servants or workmen the Contractor shall be delayed or impeded in the execution of his Contract, the Contractor may from time to time within seven days of the happening or occurring of such act, default, or occurrence, apply in writing to the Minister for an extension of time on account of such act, default, or occurrence, setting forth the cause of such application and the Minister shall, if he thinks the cause sufficient, but not otherwise, allow by writing under his hand such an extension of time as he shall think adequate; and the penalties, set-offs, and deductions to which under this Contract the Contractor is liable shall not attach until the expiration of such extension of time, but shall attach, and the Contractor shall become liable to the same, from the date of the expiration of such extended time or times.

(2) Unless the Contractor shall make such application within the time and in the manner aforesaid, and unless and until the Minister shall allow such extension or extensions of time as aforesaid, the Contractor shall not by reason of any delay arising from the cause or causes aforesaid or any of them, be relieved in any way or to any extent of his liability to finish and complete the works within the time in this Contract specified; and, in default of his so doing, to pay and be subject to the liquidated damages, deductions, and set-offs as in these Conditions provided; nor shall the Minister be deprived in any way or to any extent of his right to deduct or recover any sum or sums as liquidated damages, and not as or in the nature of a penalty or to make deductions or set-offs which under this Contract he is entitled to make, deduct, set-off, or receive from the Contractor for or by reason or on account of any delay in the completion of the work or any portion of the same, nor shall the rights, powers and authorities by these Conditions given to or vested in the Minister be in any way affected.

(3) The Contractor shall have no right to monetary compensation nor to a claim for damages in respect of any loss he may deem himself to have suffered by reason of any of the aforesaid acts or defaults of the Minister, the Engineer or Architect or any officer or servant in his employment.

TIME FOR COMPLETION AND DEDUCTIONS FOR DELAY

(1) The Contractor shall complete the whole of the works within the time stated in the Specification or, if no time is mentioned therein, then within _____ weeks from the date of acceptance of his tender.

(2) If the Contractor shall not have completed the works within the period so fixed for their completion and the Minister shall not have taken the execution of the works out of the Contractor's hands or have cancelled this Contract under the powers in that behalf conferred on him by clauses numbered _____, and _____ of these Conditions, the Contractor shall pay, by way of liquidated damages and not as or in the nature of a penalty, the sum of _____ for every week or part of a week, which shall elapse after the time fixed for their completion until the date of their actual completion. The amount so calculated may be deducted from any moneys payable to the Contractor, including the security deposit or the amount collected under any guarantee given as a security deposit, under this or any other Contract with the Government.

(3) The Contractor shall have no right to a certificate for payment after the date specified for the completion of this Contract until the whole of the works shall have been properly completed to the satisfaction of the Engineer or Architect, unless the time for the completion of this Contract shall have been extended as hereinbefore provided, in which case such extended time shall become the time for the completion of this Contract, and the fact of the time having been so extended shall not in any way be taken as a waiver of this Contract, or as annulling or setting aside this Contract in any respect, nor be taken as releasing the Contractor from any of the responsibilities or obligations of this Contract, which in all other respects shall remain the same as if the time had not been extended.

W. A. NEILSON, Chairman

Ministerial Party Room,
House of Assembly,
25 November 1969