



Australian Government
Department of Finance

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Mr Ian Goodenough MP
Acting Chair
Parliamentary Standing Committee on Public Works Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Goodenough,

Department of Finance - One Canberra Avenue Proposal

I refer to the Committee's hearing on the One Canberra Avenue Proposal of 13 February 2015.

The Committee has asked for clarification on various matters, in particular the costs of the relocation proposal relative to other options, both from a Departmental and whole of government perspective.

The Department would like to clarify that the information at page 12 of the Public Submission to the Committee is incomplete. The notes to Table 1 indicate that the option to remain in a refurbished John Gorton building is a superior outcome on a Whole of Government basis. This is incomplete information because rental income, even in the non refurbished premises currently occupied by the Department, would add approximately \$120 million to Commonwealth revenue in this scenario, where these buildings are re-tenanted should Finance vacate.

In relation to the confidential supplementary submission cost benefits analysis, the inclusion of this new rental income from other Commonwealth agencies means that the relocation proposal for One Canberra is also superior on a Whole of Government basis. Further, the do nothing option is more expensive for the Department than either relocating to One Canberra Avenue or refurbishing the John Gorton Building.

I regret that this was not made clear during the hearing before the Committee. Further explanation of these points is set out in the table below.

Options	Finance costs as Tenant (Net Present Value) (Whole-of-Life - 2014-15 to 2037-38)	WoG costs - Funds leaving the General Government Sector (Net Present Value) (Whole-of-Life - 2014-15 to 2037-38)
1. One Canberra Avenue	(\$195,111,764)	(\$69.1m) Taking new rental income from the vacated Commonwealth premises into account.
2. Build, Own, Transfer	(\$194,389,974)	(\$195,146,037) (No clear financial benefit and a high degree of financial risk)
3. Refurbishment of JGB	(\$240,855,556)	(\$124.6m) The total cost to Finance is \$240.6 m which includes rent (\$116m through to 2037-38)
4. Do nothing	(\$259,641,164) (This is a more expensive option for the Department because the relocation to One Canberra Avenue includes a fit-out incentive and allows for a smaller leased area)	(\$188,430,618) (This is higher than the refurbished option above because we will need to maintain private leases)

I trust this explanation resolves this outstanding issue. Alternatively, we would be pleased to brief you and the Committee further if required.

The Department would be happy to release this information publicly.

Yours sincerely

Jenét Connell
Deputy Secretary
Chief Operating Officer

17 February 2015