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The Parliament of the Commonwealth of Australia

Fit-out of New Leased  
Premises for the  
Department of Industry,  
Tourism and Resources in  
Civic, ACT

**Parliamentary Standing Committee on Public Works**

March 2005  
Canberra

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## Membership of the Committee

Chair            Hon Judi Moylan MP

Deputy Chair   Mr Brendan O'Connor MP

Members        Mr John Forrest MP

Senator Alan Ferguson

Mr Harry Jenkins MP

Senator Michael Forshaw

Mr Bernie Ripoll MP

Senator the Hon Judith Troeth

Mr Barry Wakelin MP

## Committee Secretariat

Secretary            Mrs Margaret Swieringa

Inquiry Secretaries   Ms Vivienne Courto

Ms Sara Edson


Research Officer     Mr Raymond Knight

Administrative Officer   Mr Peter Ratas



## List of Abbreviations

ABGR	Australian Building Greenhouse Rating
ACT	Australian Capital Territory
AGO	Australian Greenhouse Office
CPSU	Community and Public Sector Union
DITR	Department of Tourism, Industry and Resources
GST	Goods and Services Tax
NLA	Net Lettable Area



# Extract from the Votes and Proceedings of the House of Representatives

No. 8 dated Monday, 6 December 2004

**23 PUBLIC WORKS – PARLIAMENTARY STANDING COMMITTEE –  
REFERENCE OF WORK – PROPOSED FIT-OUT OF NEW LEASED PREMISES  
FOR THE DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES,  
CIVIC, ACT**

Dr Stone (Parliamentary Secretary to the Minister for Finance and Administration), pursuant to notice, moved – That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Proposed fit-out of new leased premises for the Department of Industry, Tourism and Resources, Civic, ACT.

Question – put and passed.



# List of Recommendations

## 3 Issues and Conclusions

### Recommendation 1

The Committee recommends that the proposed fit-out of new leased premises for the Department of Industry, Tourism and Resources in Civic, ACT, proceed at the estimated cost of \$19.4 million.





## Introduction

### Referral of Work

- 1.1 On 4 August 2004 the proposal to fit-out new leased premises for the Department of Industry, Tourism and Resources, Civic, Australian Capital Territory (ACT), was referred to the Public Works Committee for consideration and report to the Parliament in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).<sup>1</sup> This reference lapsed when the previous Committee ceased to exist with the prorogation of the 40th Parliament on 31 August 2004. The work was re-referred to the present Committee of the 41<sup>st</sup> Parliament on 6 December 2004.<sup>2</sup> The proponent agency for this work is the Department of Industry, Tourism and Resources (DITR).
- 1.2 The Hon Dr Sharman Stone MP, Parliamentary Secretary to the Minister for Finance and Administration, advised the House that the estimated cost of the proposed works was \$19.4 million. Dr Stone noted further that to meet the timetable of DITR, which is driven by the expiry of the current leases, the developer was required to commence construction of the base building in September 2004. Dr Stone added that, subject to parliamentary approval, the fit-out would be undertaken in conjunction with the latter stages of the base building construction, and all works will be completed by late September 2006.

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1 Extract from the Votes and Proceedings of the House of Representatives, No. 186, 4 August 2004.

2 Extract from the Votes and Proceedings of the House of Representatives, No. 8, Monday, 6 December 2004.

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## Background

### The Department of Industry, Tourism and Resources

- 1.3 DITR seeks to increase prosperity for all Australians through the promotion of internationally competitive and sustainable business.<sup>3</sup>
- 1.4 DITR provides analysis and policy advice, and delivers programs and assistance in respect of:
- innovation;
  - investment attraction;
  - building competitive Australian industry;
  - resources, energy and the environment;
  - tourism; and
  - small business.<sup>4</sup>
- 1.5 DITR's stakeholders include:
- business associations and individual businesses;
  - the research and innovation sector; and
  - organisations representing community interests.<sup>5</sup>

### Site of the Proposed Work

- 1.6 The site of the proposed development is located in Binara Street, in Civic East, ACT, and is owned by Caliton Pty Ltd and Capital Property Corporation Pty Ltd. The site was formerly a street-level car park and is bounded by City Walk and Akuna Street.<sup>6</sup>
- 1.7 The new DITR building will occupy some 3, 000 square metres of the 4, 380 square metre site.<sup>7</sup> The remainder of the site, which contains a stand of mature Casuarina trees, will be enhanced through landscaping.<sup>8</sup>
- 1.8 DITR has entered into a pre-commitment lease on a new purpose-built building in Binara Street. The original term of the lease is 15 years and 3 months, with one five-year option to renew upon expiry.<sup>9</sup>

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3 Appendix C, Submission No. 1, paragraph 1.1.1

4 ib id, paragraphs 1.1.2 - 1.1.3

5 ib id, paragraph 1.1.4

6 ib id, paragraphs 1.3.5 and 1.7.1

7 ib id, paragraph 2.12.1

8 ib id, paragraph 2.18.1

## Inquiry Process

- 1.9 The Committee is required by the Act to consider public works over \$6 million<sup>10</sup> and report to Parliament on:
- the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost-effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>11</sup>
- 1.10 The Committee called for submissions by advertising the inquiry in the *Canberra Times* on Saturday, 18 December 2004. The Committee also sought submissions from relevant governmental agencies, local government, private organisations and individuals, who may be materially affected by, or have an interest in, the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

## Inspections and Public Hearing

- 1.11 On Friday, 11 February 2005 the Committee travelled to the Binara Street site and inspected at first hand the scope and environs of the proposed works. Later that day, the Committee received a commercial-in-confidence briefing on project costs from DITR and its consultants, and held a public hearing at Parliament House, Canberra.<sup>12</sup>

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9 Appendix C, Submission no. 1, paragraphs 1.7.1 and 1.3.6

10 *Public Works Committee Act 1969*, Part III, Section 18 (8)

11 *Public Works Committee Act 1969*, Part III, Section 17

12 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing held on Friday, 11 February 2005 in Canberra.



## The Proposed Works

### Objective

- 2.1 The proposed work is driven by DITR's objective of co-locating its four premises at numbers 20, 31, 40 and 51 Allara Street, Canberra, at one purpose-built premises in nearby Binara Street, and the operational benefits that will arise from such consolidation.<sup>1</sup>

### Need

- 2.2 The need for the work lies in the condition of the current premises and the imminent expiry of all leases.

### General Standard of Accommodation

- 2.3 DITR states that its current premises are inefficient, difficult to secure and do not provide an acceptable standard of accommodation. The buildings are not suitable for continued occupation by the Department in the longer term.<sup>2</sup>

### Expiry of Leases

- 2.4 The decision to relocate is timely given that the leases on all four properties expire in 2006. Leases on 20, 31 and 51 Allara Street expire on 31 December 2006, while the lease on 40 Allara Street expires six months earlier.<sup>3</sup>

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1 Appendix C, Submission No. 1, paragraphs 1.1.7 and 1.2.3

2 ib id, paragraphs 1.1.5 and paragraph 1.1.6

3 ib id, paragraphs 1.2.2 and paragraph 1.2.3

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## Scope

- 2.5 Base building construction commenced in September 2004 and must be completed to allow occupation before the expiry of DITR's current leases in December 2006.<sup>4</sup>
- 2.6 The new building will provide some 21, 750 square metres of net lettable area (NLA) comprising:
- 650 square metres of basement storage, bicycle spaces and ablutions;
  - a ground floor with reception, security, and retail facilities;
  - three levels of above-ground parking for 261 cars (including four designated disabled car-parking spaces) and 25 motor bike spaces; and
  - six levels of office accommodation measuring 2, 500 square metres.

It is intended that DITR will occupy the whole building, excepting the retail outlets.<sup>5</sup>

- 2.7 Works required to meet DITR's objectives include:
- integration of electrical, ventilation, communications, security, fire and hydraulic services into base-building construction;
  - office accommodation, including meeting and training rooms, IT/communications rooms, storage, workstations and loose furniture; and
  - staff facilities, including amenities room, parenting rooms, carer's room, first-aid rooms, break-out areas and a prayer room.<sup>6</sup>

## Purpose and Suitability

- 2.8 DITR expects that rationalisation of accommodation will result in a number of operational and administrative benefits. Specifically:
- enhanced operational efficiency and cohesiveness;
  - greater flexibility and more efficient management of internal staff movements;
  - reduced environmental impact;
  - better staff facilities;
  - improved security arrangements;

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4 Appendix C, Submission No. 1, paragraph 1.3.6

5 ib id, paragraph 1.7.3

6 ib id, paragraph 1.7.7 and paragraph 1.7.4

- increased space efficiency; and
- improved visitor access and facilities.<sup>7</sup>

## Project Delivery

- 2.9 The fit-out project will be designed by the developer and executed, as far as practicable, concurrently with the base-building construction.
- 2.10 The works will be undertaken on a costs-plus basis, with DITR paying a percentage fee to the developer for management of the works.<sup>8</sup>

## Cost

- 2.11 The total estimated cost of the proposed project is \$19.4 million. The cost includes:
- contingency and escalation;
  - project management; and
  - design documentation fees.
- It assumes integrated fit-out and the re-use of furniture, joinery and equipment where suitable.<sup>9</sup>
- 2.12 The figure excludes Goods and Services Tax (GST).<sup>10</sup>

## Value for Money

- 2.13 Having considered a number of options, DITR believes the proposal presented to the Committee to be the most cost-effective and efficient solution to address the shortcomings of the present facilities.<sup>11</sup>
- 2.14 DITR's written evidence explains that the preferred (new building) option will have reduced operating costs, cause minimal disruption to staff, and provide a significantly improved standard of accommodation.<sup>12</sup>

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7 Appendix C, Submission no. 1, paragraph 1.1.7

8 ib id, paragraph 2.22.1

9 ib id, paragraph 2.21.1

10 ib id

11 ib id, paragraph 1.6.3

12 ib id





## Issues and Conclusions

### Future Rent

- 3.1 In its submission to the inquiry, DITR outlined the rental costs, per square metre per annum, for each of the four buildings on Allara Street which the Department presently occupies.<sup>1</sup>
- 3.2 Further to the questions asked on costing and security matters at the confidential brief, at the hearing the Committee requested that the Department supply it with written details of the rental rate for the proposed new building.<sup>2</sup>
- 3.3 DITR undertook to provide the Committee with that information. The figure was later supplied to the Committee on a confidential basis. The Committee was satisfied that the rental figure was within the acceptable range for market rents on new, A-grade buildings in Civic.

### Size of Building

- 3.4 According to written evidence received from the Community and Public Sector Union (CPSU), a small percentage of staff expressed concern that the proposed relocation from office space totalling 23, 353 square metres of NLA, to a building of 21, 750 square metres NLA will not provide adequate space.<sup>3</sup>

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1 Appendix C, Submission No. 1, paragraph 1.2.4

2 Appendix D, Official Transcript of Evidence, page 3

3 Volume of Submissions, Submission No. 4, paragraph 9

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- 3.5 The Committee asked DITR if the reduced space available in the new building will have an adverse impact on staff amenity.<sup>4</sup>
- 3.6 DITR replied that the new building will offer efficiencies in space at the same time as improving amenities for staff.<sup>5</sup>
- 3.7 The Department explained that the current buildings are configured awkwardly:
- “One of them has a long curve along its full length, so in trying to design the number of workstations that fit there it is a matter of constantly adjusting for the length of the curve. Another [our central building] has a very small floor plate – 830 square metres...once you take out the central lift core, that enables you to put in one office and a set of workstations, plus a little bit over-but not enough to put in anything useful.”<sup>6</sup>
- 3.8 The new building, whilst approximately 1, 600 square metres smaller in area than the four buildings combined, will make more effective use of the space available:
- “The amount of space we have to set aside [now] for people just walking around in is about 6, 500 square metres...In the new building, that will fall to about 3, 800 metres – more than making up for the gap in overall net lettable area.”<sup>7</sup>
- 3.9 Further, the consolidation of four reception and ground floor foyer areas into a single entry point, and the movement of record storage from the floors to the basement will create additional space.<sup>8</sup>
- 3.10 There will be an overall increase in useable space of approximately 10 per cent. This space will be diverted, into more meeting rooms, extra car, motorbike and bicycle parking spaces, and larger amenities rooms.<sup>9</sup>

## Workstations

- 3.11 Given the overall decrease in space, the Committee sought clarification from the Department on whether the workstation space of staff members would decrease or increase in the new building.<sup>10</sup>
- 3.12 DITR affirmed that there will be an increase from 7.8 to 8 square metres per individual workstation.<sup>11</sup>
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4 Appendix D, Official Transcript of Evidence, page 3

5 Appendix D, Official Transcript of Evidence, page 3

6 ib id

7 ib id, page 4

8 ib id

9 ib id

10 ib id, page 5

- 3.13 The Department also noted its intention to set up trial workstations for staff to provide feedback on.<sup>12</sup>

### Future Staffing Levels

- 3.14 In view of the overall decrease in size of the new building, the Committee was interested to learn what the growth rate of the Department has been in the last decade and if the proposed building will be able to accommodate any future growth in staffing numbers.<sup>13</sup>

- 3.15 DITR responded that staffing levels had remained fairly static in recent years:

“...the general trend has been for it to be a bit over 1, 000.”<sup>14</sup>

- 3.16 The Department said that it expects to accommodate 1, 350 workstations and offices, and at this stage only 1, 240 are expected to move into the proposed building.<sup>15</sup>

- 3.17 The Committee also wished to know what DITR intends to do in the event that there is a reduction in staffing levels and surplus space becomes available in the new building.<sup>16</sup> The Department indicated that this was an unlikely scenario, however:

“We do have a capacity written into the contractual negotiations with the developer to sublease parts of the building.”<sup>17</sup>

### Optional Floor

- 3.18 DITR’s main submission states that:

“An additional optional floor may be constructed. The decision to construct the optional floor would be made by February 2005.”<sup>18</sup>

- 3.19 At the hearing, the Committee enquired whether the Department had decided to construct an additional floor.<sup>19</sup>

- 3.20 DITR informed the Committee that it does not envisage the need for an extra floor at this stage and has advised the developer to that effect.<sup>20</sup>

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11 ib id

12 Appendix D, Official Transcript of Evidence, page 5

13 ib id

14 ib id, page 6

15 ib id, page 5

16 ib id, page 6

17 ib id

18 Appendix C, Submission No. 1, paragraph 1.7.3

19 Appendix D, Official Transcript of Evidence, page 8

20 ib id, page 12

## Re-Use of Existing Furniture

- 3.21 According to the main submission, DITR intends to re-use existing joinery and loose furniture items where appropriate.<sup>21</sup>
- 3.22 At the hearing, the Committee asked the Department if a furniture audit had been conducted. DITR responded that an initial study had been made. The Committee expressed concern about the impact on the project budget if this line item were underestimated. The Department indicated that it also had an annual budget for updating and replacing furniture, and:

“...it would have to come out of that.”<sup>22</sup>

## Energy Conservation

- 3.23 The main submission details a range of measures which DITR intends to install in its new premises to minimise energy usage and operating costs.<sup>23</sup>

## Australian Greenhouse Office and Green Leases

- 3.24 According to the submission received from the Australian Greenhouse Office (AGO), the new DITR building will achieve an energy score equivalent to a 4½-star rating under the Australian Building Greenhouse Rating (ABGR) scheme.<sup>24</sup>
- 3.25 At the hearing, the Department confirmed that the ABGR scheme requires that an audit be undertaken 12 months into the occupancy to ensure that the energy rating is being maintained at that level.<sup>25</sup>
- 3.26 Given that the Attorney-General’s Department and the Department of Prime Minister and Cabinet, both of which brought works before the Committee in late 2004, have signed Green Leases with the AGO, the Committee was interested to learn whether DITR had considered signing a Green Lease Schedule.<sup>26</sup>
- 3.27 DITR stated that its lease with the developer does include a schedule:
- “...which requires not only the installation of the energy saving equipment in the first place but also that they maintain that

21 Appendix C, Submission No. 1, paragraph 2.21.1

22 Appendix D, Official Transcript of Evidence, page 9

23 Appendix C, Submission No. 1, paragraph 2.11

24 *Volume of Submissions*, Submission No. 2

25 Appendix D, Official Transcript of Evidence, page 7

26 ib id

equipment to ensure that the ongoing advantages of the energy saving features of the building are achieved and maintained throughout the life of the building.”<sup>27</sup>

## Cost Benefits

- 3.28 In DITR’s opening statement at the hearing, the Department emphasised the superior environmental features of the new building, which will include solar hot water panels and a range of water saving measures such as the use of collected rainwater for irrigation and toilets, and water-free urinals.<sup>28</sup>
- 3.29 The Committee requested that DITR supply it with further written information on the cost benefits that will be achieved by the installation and implementation of the solar panels and the water-saving initiatives.<sup>29</sup> The Department later provided the Committee with commercial-in-confidence material detailing the simple payback periods for the solar panelling and water saving equipment. The figures provided to the Committee do not reflect any possible future increase in the cost of energy and water over the life of the building and, therefore, in some cases, do not appear to be cost-effective. However, the Committee is supportive of the efforts made to minimise energy and water consumption, and to adhere to the Government’s green building initiatives.

## Child-Care Centre

- 3.30 In written evidence, DITR stated that the proposed fit-out will include a 74-place child-care centre, primarily for the use of staff of the Department, but also other government workers in the area if there is insufficient demand from DITR.<sup>30</sup>
- 3.31 The Committee questioned DITR on how the child-care centre will operate.<sup>31</sup> The Department told the Committee that it intends to engage an independent child-care provider to run its child-care centre for babies through to pre-schoolers. While it is anticipated that staff will pay normal commercial rates for this service, there will be tax advantages for the user. In addition, DITR said that it would consider offering supplementary

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27 Appendix D, Official Transcript of Evidence, page 8

28 ib id, page 2

29 ib id, page 9

30 Appendix C, Submission No. 1, paragraph 2.15.1

31 Appendix D, Official Transcript of Evidence, page 10

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rental assistance to the operator, to ensure that normal commercial rates are provided to staff.<sup>32</sup>

- 3.32 The Committee also enquired about the capacity of the child-care facility and if it is sufficiently large enough to cater for demand from staff.<sup>33</sup>
- 3.33 DITR said that it had surveyed staff about child-care needs. The Department believes that 74 places is an appropriate size, having compared it to other government run centres in Canberra.<sup>34</sup>

## Consultation

### Local businesses

- 3.34 DITR's consultation processes in respect of the proposed work are detailed in the main submission.<sup>35</sup> The Department outlined consultation with relevant Commonwealth and Territory government agencies, and its staff but did not mention consultation with nearby businesses.
- 3.35 At the hearing, DITR told the Committee that it had held discussions with the neighbours:
- “In our earlier consultations we consulted with the Property Council of Australia, the Australian Taxation Office – which is a major tenant adjoining the building – and Electric Shadows [Cinema]...”<sup>36</sup>
- 3.36 The Committee sought assurance from the Department that local businesses will have a forum in which to raise any concerns throughout the construction period.<sup>37</sup>
- 3.37 DITR advised the Committee that the channels of communication have remained open:
- “...the building site and the site manager are in constant communication with [the neighbours].”<sup>38</sup>

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32 Appendix D, Official Transcript of Evidence, page 10

33 ib id

34 Appendix D, Official Transcript of Evidence, page 10

35 Appendix C, Submission No. 1, paragraph 1.11

36 Appendix D, Official Transcript of Evidence, page 13

37 ib id

38 ib id, page 14

## Community and Public Sector Union

- 3.38 The CPSU's submission states that a small number of staff felt that internal consultation had been inadequate.<sup>39</sup>
- 3.39 At the public hearing, the Committee requested that DITR provide it with an update on its communication strategy with employees.<sup>40</sup>
- 3.40 The Department reported the various means of consultation it has had with staff to-date, including the meetings of the main consultative forum for the project, in which every division is represented and two representatives from the workplace relations committee attend. There is an intranet site dedicated to the building. There have also been all-staff emails and briefings. In addition, an electronic survey that sought staff input was conducted in February 2004.<sup>41</sup>
- 3.41 The Department asserted that the CPSU submission was in the main supportive of the proposed new building.<sup>42</sup>
- 3.42 The Committee questioned the CPSU on consultation matters at the hearing. The CPSU concluded that it was satisfied with the Department's response to staff needs and the ongoing consultation process:
- "[DITR has] made the commitment that staff will be better off in the new building...there will be more common staff facilities...the design includes natural light and occupational health and safety considerations."<sup>43</sup>

## Construction Program and Contingency Arrangements

### Lease Extension

- 3.43 DITR's main submission states that:
- "The proposed building must be completed to enable occupation before the current leases expire on 31 December 2006."<sup>44</sup>
- 3.44 The submission states further that the lease on 40 Allara Street expires six months earlier than the leases on its other three properties, on 31 June

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39 *Volume of Submissions*, Submission No. 4, paragraphs 12-13

40 Appendix D, Official Transcript of Evidence, page 12

41 Appendix D, Official Transcript of Evidence, page 13

42 *ib id*

43 Appendix D, Official Transcript of Evidence, page 17

44 Appendix C, Submission No. 1, paragraph 1.3.6



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2006, and that the extension of the 40 Allara Street lease until 31 December 2006 is being investigated.<sup>45</sup>

- 3.45 At the hearing, the Committee wished to learn if negotiations with the lessor of 40 Allara Street in relation to obtaining a lease extension until 31 December 2006 had been negotiated. DITR advised the Committee that it had not completed that exercise yet. The Committee requested that DITR advise it of the outcome of future negotiations.<sup>46</sup> The Department later confirmed in writing that it will keep the Committee updated.

## Risk Management

- 3.46 In its written evidence, DITR stated that:

“A pro-active approach to risk management has ensured that DITR commenced this process with sufficient time before the lease expiry to allow for any delays in delivery of the proposed building.”<sup>47</sup>

- 3.47 At the hearing, the Committee asked DITR to elaborate on the contingency measures it has put in place with the developer to protect against delays to the construction program and the escalation of project costs.<sup>48</sup> The Department told the Committee that it holds regular meetings with the developer and any potential delays would be quickly brought to its attention. Further, the contract documentation contains certain provisions, including a bank guarantee, which ensures that DITR is protected in the event of a delay in project delivery.<sup>49</sup>

- 3.48 In addition, the construction timeline was proceeding well:

“...[construction] is on track...the ground slab is now almost done, and that is the biggest single risk for delay in a project.”<sup>50</sup>

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### Recommendation 1

**The Committee recommends that the proposed fit-out of new leased premises for the Department of Industry, Tourism and Resources in Civic, ACT, proceed at the estimated cost of \$19.4 million.**

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45 ib id, paragraph 1.2.4

46 Appendix D, Official Transcript of Evidence, page 14

47 Appendix C, Submission No. 1, paragraph 1.3.7

48 Appendix D, Official Transcript of Evidence, page 14

49 Appendix D, Official Transcript of Evidence, page 15

50 ib id







## Appendix A – List of Submissions

1. Department of Industry, Tourism and Resources
2. Department of the Environment and Heritage - Australian Greenhouse Office
3. Department of Industry, Tourism and Resources (supplementary)
4. Community and Public Sector Union
5. Department of Industry, Tourism and Resources (supplementary)



## Appendix B – List of Witnesses

Mrs Robyn Elizabeth Foster, General Manager, Business Services Group,  
Department of Industry, Tourism and Resources

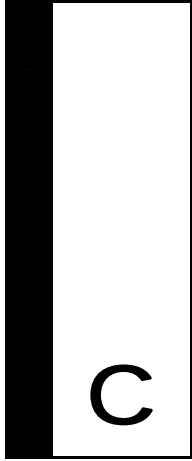
Mr Haralambos Haralambous, Director, Haralambous Dowse and Associates

Mr David Hermolin, Organiser, Public Sector and Policy Division,  
Community and Public Sector Union

Mr Philip Joseph Noonan, Head, Corporate Division, Department of Industry,  
Tourism and Resources

Mr Richard Sidney Phillips, Manager, Post 2006 Accommodation Project,  
Department of Industry, Tourism and Resources

Mr Graham Rodda, Division Secretary, Community and Public Sector Union



Appendix C – Submission No. 1 from the  
Department of Industry, Tourism and  
Resources