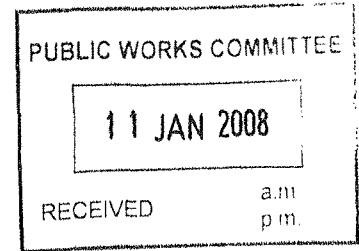




Australian Government
Department of Finance and Deregulation



Stephen Boyd
Committee Secretary
Joint Standing Committee on Public Works
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Stephen

CHRISTMAS ISLAND IMMIGRATION DETENTION CENTRE – PROJECT AND BUDGET UPDATE

In accordance with the PWC *Manual of Procedures for Departments and Agencies*, I am writing to inform the committee of an increase to the budget of the Christmas Island Immigration Detention Centre (CIIDC) project.

On 11 March 2002, the Government agreed that a purpose designed and built Immigration Reception and Processing Centre (IRPC), together with associated infrastructure, should be constructed on Christmas Island. A fast-track delivery process was proposed by the former Department of Immigration, Multicultural and Indigenous Affairs (DIMIA).

On 11 November 2002, the Government re-affirmed the need for the centre, and asked Ministers to examine the feasibility of achieving construction within the \$210.4m cost estimate for the original project. A review determined that construction of a 1200-place purpose built facility could not be achieved within the existing budget.

On 18 February 2003, the Government decided to respecify the project to an 800-place facility at a forecast cost of \$276m. At that time, responsibility for delivering the project was transferred from the former DIMIA to the Department of Finance and Deregulation (Finance) and a more traditional delivery method was adopted in an endeavour to provide more cost certainty.

On 17 June 2003 the House of Representatives approved a motion to refer the \$276m re-specified Christmas Island Immigration Detention Centre (CIIDC) project to the PWC. Subsequently, on 2 December 2003 the PWC tabled its report in the Parliament on the project.

The concept design presented to the PWC settled on a facility of around 800 places with a mix of purpose built permanent administration and accommodation for approximately 400-places, with basic contingency overflow accommodation for the remainder. The final design and construction of the facility is consistent with that original concept.

There have however, been two increases to the project budget, resulting in a current approved budget of \$395.5m. The former Prime Minister provided the authority for a \$59m increase on 30 December 2004, following market testing of the Main Works Construction



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contract through an open tender process. This funding was approved in the February 2005 Additional Estimates process and increased the project budget from \$276m to \$335m. This revised budget included the funding for the Department of Immigration and Citizenship (DIAC) and the former Department of Transport and Regional Services (DoTARS).

Authority for a further increase of \$60m to the project budget was provided by the former Prime Minister on 4 August 2006. This increased the total project budget from \$335m to \$396m. The contributing reasons for this increase during construction included cost increases resulting from the breakdown of the Christmas Island port crane, the flow on effect of unexpected delays, a shortfall in anticipated savings and the full development of the design and final tendered costs for landscaping being higher than expected.

The table below outlines the funding history and budget increases associated with the re-specified CIIDC project.

Date	Finance \$m	Other Agencies \$m	Total Budget \$m	Increase \$m
2/12/2003	197.7	78.5	276.2	N/A
30/12/2004	257.0	78.5	335.5	59.3
4/8/2006	317.0	78.5	395.5	60.0

Practical Completion by the Main Works Contractor of the CIIDC occurred on 13 October 2007. Since that date DIAC has been installing communications equipment and Finance has been attending to the completion of some minor outstanding works.

The CIIDC is expected to be operational late in the first quarter of 2008 and arrangements to transfer the asset from Finance to DIAC are currently being processed. The creation of a new Crown Title for the site has been completed.

This information has been provided for consideration by the PWC so that it may provide its concurrence to the changes in cost. The undersigned is available to provide a briefing if required.

Yours sincerely

Geoff Anderson
Assistant Secretary
Branch Manager
Project Delivery Branch
10 January 2008