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Issues

Introduction

- 4.1 This chapter provides comments on five main issues that arose during the Inquiry. They are:
- the cost of the proposed work;
 - the benefits of the proposed work;
 - consultation with stakeholders;
 - the redevelopment approval process; and
 - disabled access.

Cost of the proposed work

- 4.2 The Department of Immigration and Multicultural Affairs (DIMA) has negotiated a Guaranteed Maximum Price for trade works with the project developer, Bovis Lend Lease, for the integrated fitout of a new commercial building to be constructed on the Benjamin North site.
- 4.3 In addition to the Guaranteed Maximum Price, DIMA will pay Bovis Lend Lease a fee for project management and design:
- the project management and design fee is based on a percentage margin of the Guaranteed Maximum Price or final trade total at cost, whichever is the lower.

- 4.4 Any savings realised against the Guaranteed Maximum Price will be shared on a 50:50 basis between DIMA and Bovis Lend Lease.¹ This will provide an incentive to Bovis Lend Lease to reduce the cost below the Guaranteed Maximum Price ceiling.
- 4.5 The total project cost for the DIMA fitout works will be \$23.97 million.²
- 4.6 This figure includes all amounts required for security installation, data and communications, work stations and loose furniture, normal tenancy fitout trade work, professional fees, contingency and design fees, and an amount for escalation on the Stage 2 works (scheduled to commence in August 2003).³
- 4.7 The net fitout cost will be \$16.22 million, ie total project cost of \$23.97 million less the fitout incentive of \$7.75 million.⁴
- 4.8 Rental implications of the new building option are in the order of an additional \$6.3 million dollars in net present value terms over the 15 year life of the proposed contract when compared to the refurbishment option.⁵ (This cost is the difference between the refurbishment option rental of \$235 per square metre per annum and the new building option rental of \$278.50 per square metre per annum).⁶
- 4.9 Both in its Submission and at the Public Hearing DIMA stated it would maintain a strong focus on independent audit and control mechanisms. To this end, DIMA has retained Wilde and Woollard, quantity surveyors, to provide a range of audit services. These include:
- analysing fitout and base building documentation;
 - ensuring value for money in DIMA's project management fee negotiations with Bovis Lend Lease; and
 - auditing the construction process, including a requirement to sight and clear regulatory code sign-off documentation by all relevant authorities, including disability legislation and standards.⁷

1 Submissions, p. 11.

2 Submissions, p. 113.

3 Submissions, p. 113.

4 Submissions, p. 113.

5 Submissions, p. 9.

6 Evidence, pp. 5-6.

7 Evidence, p. 3.

- 4.10 Where it does not have the expertise, Wilde and Woollard will obtain additional expertise.⁸

Benefits of the proposed work

- 4.11 DIMA's Submission states that the new building proposal meets the Department's long term accommodation goals. It will deliver a modern A-Grade building complex that is space and energy efficient, constructed with awareness of rapidly changing technologies, and equipped to meet government environmental targets and contemporary occupational health and safety standards.⁹
- 4.12 Knight Frank Price Waterhouse has advised DIMA that the cost and conditions proposed for the new building make it a highly competitive commercial offer.¹⁰
- 4.13 The new building proposal (Option 3) offers the following benefits:
- a new A-Grade building (compared with the partly refurbished B-Grade building offered by Option 1);
 - rental at \$278.50 per square metre per annum¹¹ with a fixed 3% pa escalation clause (compared with a rental of \$235 per square metre per annum with an annual escalation clause of 3.5% offered by Option 1);
 - a cash incentive offer of \$7.75 million to be paid to DIMA in the 2000/01 financial year, towards fitout and relocation costs. The total fitout would be owned by DIMA;
 - waiving of "make good" provisions under DIMA's existing lease obligation. Knight Frank Price Waterhouse estimated "make good" costs to be approximately \$2 million, payable by DIMA (under Option 1) at the time it vacates the building;
 - no dead rent to pay for early termination of the lease for the yellow/green building, estimated by Knight Frank Price Waterhouse to be up to \$10.7 million. (This amount would be payable if Option 2 were taken up and DIMA were to move to a greenfield site in February 2002);

8 Evidence, p. 3.

9 Submissions, p. 9.

10 Submissions, p. 10.

11 Submissions, p. 9; Evidence, p. 2.

- minimal disruption to operations, including a commitment to maintain staff car parking during the construction period.¹²
- 4.14 The offer reflects the business opportunities for Benjamin Nominees Pty Ltd of alternative uses for the southern part of the complex (orange/blue building).¹³
- 4.15 A cost benefit analysis prepared by quantity surveyors Wilde and Woollard shows a break-even life cycle cost at 13 years between the limited refurbishment and new building options.¹⁴
- 4.16 The \$278.50/m² rental achieved by DIMA compares favourably with the rates achieved by other government agencies for A-Grade premises. A comparison of recent A-Grade rentals in Canberra indicates a range of between \$305/m² (for the Chandler Building, Belconnen, occupied by Australian Taxation Office), and \$405/m² (for the Australian Geological Survey Organisation Building at Symonston).¹⁵

Local impact of the project

- 4.17 The proposed new building development will have a significant impact on the Belconnen Town Centre, providing for further regeneration of the town centre, creating short term employment opportunities as well as boosting economic activity into the future.¹⁶
- 4.18 It is estimated that the construction workforce will fluctuate between 100-300 workers during the 36-month construction period of stages 1 and 2 of the project.¹⁷

Improved energy efficiency of new building

- 4.19 In addition to the benefits noted above, DIMA anticipates that the new building will enable it to make significant savings on energy costs.
- 4.20 The table below provides details of megajoule (MJ) use in the Benjamin Offices currently occupied by DIMA and modelling results for the new building:

12 Submissions, p. 9.

13 Submissions, p. 9.

14 Submissions, p. 12.

15 Submissions, p. 10.

16 Submissions, p. 14.

17 Submissions, p. 14.

- the modelling figures exceed Government policy targets for 2002-03 for reduced greenhouse gas emissions.¹⁸

Energy Consumption (MJ/m² NLA/pa)	Existing DIMA Facilities	Forecast for New DIMA Facilities	Government Targets for 2002/03
Base Building	863	290	500
Tenant	960	410	600
Whole Building	1823	700	1100

- 4.21 DIMA will continue to work with Environment Australia and Bovis Lend Lease to further improve these consumption figures.

Consultation with stakeholders

- 4.22 DIMA stated in its Submission that it had established a comprehensive formal consultative process with staff and staff associations shortly after announcing in-principle agreement for a new building.¹⁹
- 4.23 The consultative committee is comprised of representatives from the new building management team, each division, the National Staff Consultative Forum, occupational health and safety delegates, and the Commonwealth Public Sector Union. The committee is tasked with enhancing communication and consultation with all staff on all aspects of development of the building and fitout works. To date no significant issues have been raised, however staff have sought, and been given, assurances that:
- the move is not being used as a vehicle to reduce the space of individuals; and
 - there will be an opportunity for staff input into the fitout process.²⁰
- 4.24 DIMA stated in its Submission that consultations regarding the base building construction, (for example, with the ACT Government, the National Capital Authority, the ACT Heritage Commission and the

18 Submissions, p. 44.

19 Submissions, pp. 14-15.

20 Evidence, p. 10.

Australian Heritage Commission), were matters for the building owners to complete. DIMA noted, however, that it would be kept fully briefed on these matters and would have the opportunity to contribute to the process.²¹ Bovis Lend Lease has had ongoing discussions with the Greenhouse Office.

- 4.25 DIMA has consulted with government agencies with an interest in the new building project.²² In particular:
- the Department of Finance and Administration was consulted with regard to the development of DIMA's submission to the Public Works Committee; and
 - the Greenhouse Office in Environment Australia was consulted with regard to the energy efficiency of the building and to utilise its expertise in development of the environmental brief. The Greenhouse Office has undertaken to provide guidance on all aspects of the project related to the environment. This includes air conditioning, lighting, solar protection, emissions, waste, etc.
- 4.26 The Belconnen Community Council noted that the development will be significant for the Belconnen Town Centre and will assist in its regeneration. The Council asked that the local community continue to be consulted and expressed a desire for linkages to be maintained between the DIMA complex and the rest of the Belconnen Town Centre.²³
- 4.27 During the Public Hearing, Bovis Lend Lease (on behalf of DIMA), stated that ongoing community consultation would be coordinated through the approval authorities, that is, the National Capital Authority and the ACT Government's Planning and Land Management Unit.²⁴
- 4.28 The National Capital Authority will decide how and when consultation is undertaken. Bovis Lend Lease will be guided by the National Capital Authority and will respond to the requirements it sets for consultation.
- 4.29 The Committee notes that such consultation is of fundamental importance to any redevelopment project.

21 Submissions, p. 15.

22 Submissions, p. 15.

23 Evidence, p. 22.

24 Evidence, p. 25.

Redevelopment approval

- 4.30 While the focus of the Committee's Inquiry was the fitout of a new building to be occupied by DIMA, the Committee considered it important to understand the overall redevelopment of the Benjamin Offices complex. The Committee was aware that the existing Benjamin Offices complex had been constructed by the Commonwealth on Commonwealth land and through the Inquiry discovered that the Commonwealth still owned the land. This fact raised questions about the process for approving the redevelopment and led to the discovery that the Committee was examining a proposal to fitout a new building that was yet to receive development approval.
- 4.31 The offer made by Benjamin Nominees Pty Ltd to DIMA entailed a cash incentive of \$7.75 million towards the cost of fitout, however this offer was only valid until 30 June 2001. If the in-principle statutory approvals had not been obtained by this time, the building owner indicated the fundamentals of the offer would be revisited.²⁵
- 4.32 The Committee noted that Bovis Lend Lease had lodged a Development Application for the two-stage building with the National Capital Authority on 22 May 2001.
- 4.33 The Committee also noted DIMA's advice that Bovis Lend Lease had held a series of meetings with the National Capital Authority and the ACT Government, Planning and Land Management Unit, and that all parties remained committed to working towards the target approval date of 30 June 2001.²⁶
- 4.34 The Committee expressed concern at the Public Hearing that it was being asked to approve the fitout for a building for which development approval had not yet been granted and sought advice as to what action DIMA was taking to resolve the matter.²⁷
- 4.35 DIMA subsequently advised that if the Development Application was delayed it would enter into a contract with Benjamin Nominees Pty Ltd in order to receive the cash incentive, but on condition that the Development Application be approved by a specified date.²⁸

25 Submissions, p. 6.

26 Submissions, p. 47.

27 Evidence, p. 3.

28 Submissions, p. 43.

- 4.36 The Committee considers this situation is less than desirable. While it would appear the interests of the Commonwealth will be protected, the Committee is firmly of the view that it would have been preferable for DIMA to have resolved any uncertainty associated with the development approval before seeking approval for the proposed fitout.

Recommendation 1

The Committee recommends that in future the referring agency obtain all necessary development approvals before referral to the Parliamentary Standing Committee on Public Works.

Disabled access

- 4.37 The Committee considers disabled access to be an important consideration when assessing any proposed new Commonwealth building or building to be used by the Commonwealth.
- 4.38 The Committee noted that DIMA's Submission lacked detail about disabled access and that this fact had also been drawn to its attention in two Submissions.²⁹ The Committee therefore sought advice from DIMA at the Public Hearing regarding the provisions being made for disabled persons in the proposed fitout.
- 4.39 DIMA advised that, subject to approval from the Public Works Committee, it was proposing to contract with Bovis Lend Lease for the fitout. Bovis Lend Lease, through its architect, would provide DIMA with expert advice on disabled access issues.³⁰ In addition, Wilde and Woollard would audit all development design solutions through the construction period against legislative requirements and standards.
- 4.40 Supplementary evidence received by the Committee identified a number of issues considered by the architect in the design development process with respect to access for the disabled. (These issues are identified in Chapter 3 of this report).

29 Submissions, pp. 35-37.

30 Evidence, p. 23.

- 4.41 The Committee noted that disabled access issues would be developed as the design development progressed, and that matters such as finishes, fittings, signage and hearing augmentation would also be considered.³¹
- 4.42 The Committee notes these actions and is of the view that DIMA must make every effort to ensure there is suitable access for disabled staff and visitors to the building.

Recommendation 2

The Committee recommends that DIMA take appropriate action to ensure the fitout will comply in all respects with the disabled access requirements of the Building Code of Australia, Australian Standard 1428, 1993 Design for Access and Mobility, and the *Disability Discrimination Act 1992*.

31 Submissions, p. 57.