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JOINT COMMITTEE ON PUBLIC WORKS

Reference: Department of Immigration and Multicultural Affairs fit-out, Belconnen, ACT

MONDAY, 21 MAY 2001

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JOINT COMMITTEE ON PUBLIC WORKS

Monday, 21 May 2001

Members: Mrs Moylan (*Chair*), Mrs Crosio (Vice-Chair), Senators Calvert, Ferguson and Murphy and Mr Forrest, Mr Hollis, Mr Lindsay and Mr Ripoll

Senators and members in attendance: Senator Murphy and Mr Hollis, Mr Lindsay, Mrs Moylan and Mr Ripoll

Terms of reference for the inquiry:

Department of Immigration and Multicultural Affairs fit-out, Belconnen, ACT

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Committee met at 10.52 a.m.

EGELTON, Mr Scott, Project Manager, Bovis Lend Lease

FLEMING, Mr Garry, Assistant Secretary, New Building and Client Services Branch, Department of Immigration and Multicultural Affairs

McMAHON, Mr Vincent, First Assistant Secretary, Corporate Governance Division, Department of Immigration and Multicultural Affairs

CHAIR—Welcome. I declare open this public hearing into the proposed fit-out of the new Central Office building for the Department of Immigration and Multicultural Affairs at Belconnen. This project was referred to the Public Works Committee on 4 April 2001 for consideration and report to the parliament. In accordance with subsection 17(3) of the Public Works Committee Act 1969:

- (3) In considering and reporting on a public work, the Committee shall have regard to
 - (a) the stated purpose of the work and its suitability for that purpose;
 - (b) the necessity for, or the advisability of, carrying out the work;
- (c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
 - (d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
 - (e) the present and prospective public value of the work.

We have today inspected the building and the committee has been briefed at the site. The committee has received a submission and a supplementary submission from the Department of Immigration and Multicultural Affairs. These submissions will be made available in a volume of submissions for the inquiry. They are also available on the committee's web site. Does the department wish to propose any amendment to the original submission?

Mr McMahon—Yes, I have some minor amendments. I was going to pick them up in an opening statement, if I may.

CHAIR—I think we need to talk about the amendments here

Mr McMahon—Okay. We have had some fairly substantial negotiations on the base building brief, making sure that we are getting exactly what we want in the base building. The effect of those negotiations has been to have a small change in the base rent of about \$3.50. The reason for the changes is that we have decided to go beyond just—

CHAIR—You could give us just the actual changes and then we might address the whys and wherefores in the body of your report. Basically, we want any amendments to the actual written submission.

Mr McMahon—Okay, \$3.50 additional lease cost.

CHAIR—That is per square metre?

Mr McMahon—Yes, that is per square metre.

CHAIR—Is that the only amendment?

Mr McMahon—Yes.

CHAIR—Thank you. I now invite you to make a short statement in support of your submission and then we will go to questions.

Mr McMahon—Firstly, we are very grateful for how responsive the committee has been to us on this submission because of the significant cash incentive that is available to us if the process can be concluded in June. We are also grateful for the assistance of the secretariat. We are here today essentially because we wish to opt for an A-grade new building rather than stay in a refurbished building at very similar cost.

We have had considerable emphasis on value for money for the Commonwealth. The proposal itself allows us to become more operationally efficient through its consolidation and better use of space. The lease cost is very competitive at less than \$280 a square metre as renegotiated. It is well below what we believe we could get anywhere else. As the submission indicated, the ABS has a base rental of about \$340 a square metre and another building like DFAT, which is out of area, is \$388 a square metre. There is a \$7.75 million cash incentive towards a Commonwealth owned fit-out which we prize very much. Importantly for us, we have had make-good costs of \$2 million waived.

When we were here last the committee basically said, 'You have fair warning about the proposal in respect to the integration of the fit-out.' I just wanted to talk about that for a moment. We are very keen on making sure that this is a competitive package. The unambiguous advice that we received is that integration of the fit-out was the most cost-effective way of proceeding. Our experts suggest savings of around \$5 million, primarily through avoiding dead rent. Each component of the fit-out is subject to market testing. This is the traded goods themselves. We have a capacity to review the market testing arrangements in respect of any fit-out so that, if we are not satisfied with the process, we can ask for that process to be changed. We have also negotiated fees with Bovis Lend Lease which are better than the market norm and certainly better than the market tested ABS arrangements. We have looked at the question of trying to reduce the risk and to control cost.

We are in the final stages of negotiating a guaranteed maximum price with a profit sharing arrangement in respect of savings. This is to put a ceiling on our risk and to provide an incentive to Bovis Lend Lease to reduce the cost below the ceiling. We believe the dollar figure for a gross maximum price will have settled within the next few days but we believe it will be close to \$19 million for the trade cost, excluding GST, which is rebated back to us.

The reason why the costs have grown by about \$3.50 per square metre is because we decided that we wanted more disabled toilets within the building. At the moment, our thinking is that we will put a disabled toilet on each floor. We have also considered putting in a cafeteria—an idea which has very strong support amongst staff. We wanted to make sure that we were on strong

grounds on the issue of audit and control. We have established a good working relationship with Bovis Lend Lease, but we are determined to maintain a strong focus on independent audit and control mechanisms. We have retained Wilde and Woollard to provide a range of audit services, analysing all documentation with the fit-out and base building briefs and in the project management fee negotiations to ensure value for money. Wilde and Woollard will also audit the construction process, including a requirement to sight and clear regulatory code sign-off documentation by all relevant authorities. This will include, for example, compliance with disability legislation and standards—a matter that we know had been raised with the committee. We have also made sure that, where Wilde and Woollard does not have the expertise, it calls in additional expertise.

CHAIR—There are a couple of questions I would like to start off with. The first one is in relation to point 4 of your proposal to us, on page 2. It says:

Should full agreement, including at least in-principle statutory approvals not be reached within that time frame, the owner has indicated that the fundamentals of the offer will need to be revisited.

Obviously, the offer is a critical part in terms of the cost-benefit analysis.

Mr McMahon—Yes.

CHAIR—I understand that approvals have not yet been given for the building and that the National Capital Authority has not signed off on it because this is on land that is owned by the Commonwealth. So what is the status of the in-principle statutory approvals, given that this is a critical part of this whole presentation?

Mr Egelton—The status at present is that a preliminary development application set of drawings were lodged last week. The formal set of documentation will be lodged this week. There will be a pre-application meeting held this week also. The NCA are aware of the timetable that we are working to for this approval and has not indicated any problems with that to date.

CHAIR—Clearly, for this committee to properly consider the cost of this fit-out, that has to be assured, otherwise it does not stack up from the figures you have given us. That obviously is critical.

Mr Egelton—Yes.

CHAIR—It is a bit difficult in these situations, I know. It is like putting the cart before the horse. The committee would be interested to be kept fully appraised of what is happening in regard to those arrangements.

Mr McMahon—We will make sure that happens.

CHAIR—The other issue is around the consultants' advice. The estimated Benjamin Office make-good costs identified in the KFPW report are \$2 million. Can you describe what would be involved in making good?

Mr Fleming—It essentially involves taking out everything that we have put in there—all of the work stations, all of the screens, walls that have been used to build conference rooms, et cetera—to restore the building to its base core.

CHAIR—Further to that same point, the lease on the 12,200 square metres in the northern section of the complex will expire in February 2007, and in February 2002 the lease for the 14,000 square metres in the southern section of the complex will expire. Knight Frank Price Waterhouse estimate the potential dead rent to be \$10.7 million if the lease for the northern section is terminated in 2002, five years early. How was this figure calculated?

Mr McMahon—That is simply the cost of having unoccupied space in the northern complex. Quite clearly if that situation had arisen we would have sought to have mitigated that by seeing whether or not we could sublease it. But, clearly, one of the biggest problems is that, besides the ABS, there are very few other major agencies that would like to take over the space.

CHAIR—Again, it is an awkward situation where part of the building lease expires in 2007 and part in 2002.

Mr McMahon—It is, indeed. I think that if we had our time over again we would have tried to have lease equalisation. Some of our thinking around the time was that the Belconnen market was so weak that it was better to have an expiring lease than not to have an expiring lease, because we may have been able to push the rental costs down. I think that probably would have arisen had there not been a major alternative use for the site.

CHAIR—Has any work been done to continue to watch the market in terms of available space since Knight Frank first did this report for you?

Mr McMahon—After that work was done, we really had to come to a decision about how we might proceed. Part of their brief was actually to look at not just what was in the market but what was potentially coming onto the market. In fact, there was nothing within the time frames involved that would give us any assurance that accommodation could be made available. The only accommodation that was becoming available was in other sites. The basic economic fundamentals for us were that we would have had to split our operation, in effect, to retain the north side of the complex and move staff from the southern complex. I did explore that option in some detail, but we kept coming back to the one simple fundamental—that is, we were unable to locate anywhere that would actually deliver lease costs as low as what we were being offered.

CHAIR—I have one more question on the environmental issue, because there is a list of five features for possible inclusion in the design. The element of uncertainty, though, about specific features that Bovis Lend Lease said would be included in the design seems to me to diminish claims by DIMA that the building will be environmentally friendly. Can you elaborate a bit more on that? I think it is in paragraph 51, page 11 of your submission.

Mr McMahon—It is very clear that this is going to be an environmentally friendly building, but I think I might throw it to my colleagues to talk about how we are proceeding.

CHAIR—Perhaps you might tell us which of the five features will be included in the building.

Mr Egelton—I can answer that. Running through those one by one, the air conditioning systems will have outside air control; they will have economy and purge cycles, and the building will have a BMCS, which is the automated control system referred to there. At this stage, provision is being made for the space for power factor correction, but it will not be installed as the base building requirement. The lighting installation will have timers to determine the duration of the lighting. The building will have conference rooms, small and medium meeting rooms and auxiliary rooms with individual switching to allow lights to be turned off when the rooms are vacant, and external lighting will be controlled by photoelectric switching.

There have been some additional items. We have put the building through an energy modelling to come up with facets of the design that we should look at including. Low-e glass will be included. We have utilised the site with the most efficient orientation of the building to minimise solar gain. The result that we have come up with is better than the DPIE guidelines that are referred to in the Commonwealth base building brief. We have looked at water-efficient installations to control hot and cold water. We have maximised natural light in terms of influx into the building during its occupancy. Finally, recycling of the demolition waste of the building will be maximised and a plan will be put into place to ensure that that waste is not tipped.

CHAIR—I notice in the correspondence that you are having ongoing discussions with the Greenhouse Office.

Mr Egelton—Yes.

Mr Fleming—Yes, we are, on an ongoing basis, and it is working very well.

CHAIR—Certainly, committee members will agree that we have seen a number of submissions where attention has been given to these areas. There are considerable benefits in the long term—for example, the saving of ongoing costs if the environmental and energy issues are addressed at this stage.

Mr Fleming—As Scott mentioned, already the modelling is showing that the building will exceed the Commonwealth energy use standards. We will continue, as we look at the various solutions that are open to us in the fit-out, to look at whether we can use the fit-out to improve that even further.

Mr RIPOLL—I ask a very basic question: what has led the department to need to look at options? Why do you need to move at all?

Mr McMahon—From our point of view, by a process of elimination, we have one of two choices: we can stay in the building, and it is a very inefficient building, particularly from an energy point of view—it is operationally-inefficient for us. We have some concerns about the safety of people crossing roads. The airconditioning is unsatisfactory—it always has been—and it is an issue that I pursued for a number of years when it was in Commonwealth hands. We could stay in that building at about \$235 a square metre, or we could move to a building in

terms of the original offer of \$275 a square metre—a building which basically avoided most of those concerns and made some quite useful space efficiencies. In many respects it was a bit of a non-decision by the time we came to it.

Mr RIPOLL—I understand what the options are. What I am looking for is how you came to have options. What happened to make the department need to take an option? If you are already in the building, it is not an option to stay in the building, because you just stay there. What has led to having options?

Mr McMahon—The building owner came to us and indicated that it would be in our interest to move to a new building. The building owner was obviously very interested in alternative use of the space. We had an expiring lease on the south side of the building, and essentially the building owner, Benjamin Nominees, made it very clear that they would prefer us out of the southern complex, but if we wanted to stay they would need a rate of return on their total investment. They indicated to us that for us to remain in the complex we would need to pay a rent of about \$235 a square metre.

Mr RIPOLL—What are you paying now?

Mr McMahon—One hundred and seventy-five dollars. It may vary a little bit—sorry, it is \$185. We agreed to move it up by \$10 a square metre in lieu of a rental review.

Mr RIPOLL—The building owner has come to the department and said, 'You've got a couple of options: you can stay; we want the rent to go up.' Is that in line with the terms of the lease agreement that is about to run out? Is that what you are saying? This is in 2002, is it?

Mr McMahon—It is, because in 2002 our lease runs out.

Mr RIPOLL—Were there any discussions about bringing the two leases, the 2007 and the 2002, into sync?

Mr McMahon—Their offer in respect of the \$235 a square metre was an offer to align both leases. One of the things we have sought under this contract is to align the leases.

Mr RIPOLL—If the option were to be taken to align the two leases and you stay where you are then part of that \$235 would be for some fit out? There is something in here about some upgrading. How would the upgrading—

Mr McMahon—The \$235 would include refurbishment of a building. Our biggest problem with it, beside the fact that it is not a new building and we would lack the operational and other advantages of it, is that the building is already showing signs of age. It is very unlikely that refurbishing a D-grade building—some people have argued that it might be slipping into being an E-grade building at this stage—would get it anywhere near an A-grade building.

Mr RIPOLL—Have you got any reports about the condition of the building? You say B-grade and D-grade. That does not mean anything to me. I have had a look at the building. Apart from it being, in some people's view, not aesthetically the best looking in the world, it certainly

did not seem like the walls were crumbling or falling apart. As far as I could see, it is the standard that I would find in any other building. Making it newer would not make it better.

Mr McMahon—D-grade refers to a whole range of things. I have to say I wish it had been raining when you were there, because you would have seen the water in the basement. It relates to a whole range of issues including the design of it; in other words, how efficient the space within the building is and what the energy cost of the building is. We have very high outgoings within that building. It simply is in a state where there is very little we can ever do to bring it to an acceptable environmental standard.

Mr RIPOLL—So it is below environmental standard now?

Mr McMahon—Absolutely.

Mr RIPOLL—In what way?

Mr McMahon—There is a very high energy cost to run the building.

Mr RIPOLL—Can you give the committee some figures on energy costs of your building so we can make a comparison with a new building and say, 'This is twice as bad, half as bad or a quarter as bad?'

Mr McMahon—We will give you the figures. I think we would have them available here. My memory is that it is a factor of many times.

Senator MURPHY—Maybe you can do it on the basis of some other office space that is rented.

Mr RIPOLL—And also the standard, that is, what is required as a standard so that we have got a comparison of yours, a new and a standard. We can look at that and make a judgment on the energy efficiency.

Mr McMahon—I will be very pleased to do that.

Mr Fleming—The existing building runs at about 19,000 megajoules per person. A new building will be under 10,000.

Mr RIPOLL—What is it that is inefficient about the energy? You have got computer, lights and airconditioning. What makes it so inefficient?

Mr McMahon—The shape of the building. Someone described the Benjamin offices as a skyscraper that fell over. If you are in a square building going up that makes good use of light, that makes it a lot more efficient.

Mr Egelton—One is the rhomboid shape. The other thing that we talked about on site was the district thermal station, which is the airconditioning system that was built originally for the Benjamin site. It relies on the lake for heat exchange. The water actually flows from the

Benjamin offices down to the lake. That has been proven to be not as efficient as was first thought. What is a more efficient installation is to have the airconditioning plant located in the building, like a building this one would have. That and the megajoule rating that Garry has mentioned are the main things that are driving the energy usage up.

JOINT

Senator MURPHY—What are the current costs?

Mr Fleming—I do not know what it is in terms of costs but in terms of megajoules per person—

Senator MURPHY—No—I want to know in dollars per annum.

Mr Fleming—We will include that in the figures that we send you.

CHAIR—Mr McMahon mentioned a rental figure of \$185 per square metre, but in the submission it is \$190. Please outline for us the differential. It is at page 33, paragraph 11, of the original submission.

Mr Fleming—That would simply be my mistake. The figure in here is correct—it is \$190 rather than \$185.

CHAIR—Sorry, it was Mr Fleming who mentioned the \$185.

Mr McMahon—My apologies, I have been wrongly advised. It is \$190 not \$185.

Senator MURPHY—Was it \$175 before?

Mr McMahon—Yes.

Senator MURPHY—It was \$175, and so it went up by \$20.

Mr McMahon—By \$15.

CHAIR—By \$15 per square metre.

Mr RIPOLL—You make a number of references to the building in the background. I will read on page 2 of part A the proposal justification you have. Paragraph 7 says:

The buildings do not meet modern building standards and are not ideal from an occupational health and safety standpoint.

Can you explain what 'not meeting modern building standards' means? What is not a modern building standard?

Mr Fleming—Key things, for example, would be that you could not build those buildings today because the disabled toilets do not comply with modern standards; they do not meet energy targets; and the airconditioning is terribly inefficient. They are some of the main factors.

Mr RIPOLL—I know greenhouse gas has already been mentioned, but one of the dot points here notes that greenhouse gas emissions are poor. Is there a figure? How do you determine what poor is.

Mr McMahon—They are very, very poor, and we will give you the figures.

Mr RIPOLL—Do you have any figures here?

Mr Fleming—Only the 19,000 that I have mentioned, but we will get you the comparison in megajoules and in dollars between the current building and the new one.

Mr RIPOLL—Greenhouse gas emissions is a specific terminology used for something very specific, so I am assuming that you are talking about carbon emissions.

Mr McMahon—The figures will be very stark. We will try to meet the requests of both you and Senator Murphy. We will show that the outgoings will drop very dramatically, and that the kilojoules per person will also drop very dramatically.

Mr Egelton—We actually have an environmental brief here which addresses all the greenhouse issues in specific terms.

Mr RIPOLL—Is that included as part of the submission that we have in front of us?

Mr Egelton—No, it is a brief that we developed in conjunction with DIMA since the submission was made. It actually talks about the energy consumption.

Mr RIPOLL—Obviously it would be good if we could grab a copy.

Mr Egelton—Yes.

Mr RIPOLL—In terms of the reasoning of the building owners when they came to you with the proposal, they seem to have made some very, very generous offers: a \$7.75 million cash incentive to be paid to DIMA this financial year, a waiving of \$2 million, and no requirement to pay the estimated \$10.7 million. We are talking about substantial amounts of money, with almost \$20 million there alone. It looks very good from your perspective, but why would the building owner be so generous?

Mr McMahon—It is basically because there is an alternative use for the site. It is quite clear to us that we cannot get this deal for any other reason.

Senator MURPHY—Who is the fool that is going to rent a very inefficient building?

Mr HOLLIS—In answer to a question from the chair, you talked about the costs. What is the overall office space availability in Canberra today? A couple of years back there was a lot of vacant office space about.

Mr McMahon—There is essentially no accommodation available in Belconnen, other than in the Benjamin complex itself. There is accommodation available in other parts of Canberra, but there is nothing foreseeable in our time frames of the scale that we would require.

Mr HOLLIS—And that is the crux of your argument—you want to consolidate all the staff into that position?

Mr McMahon—We are, I guess, fortunate in Central Office that we are already co-located; but we already suffer some diseconomies because people keep having to move between buildings. We certainly would prefer to consolidate to get more operational efficiency rather than break up the department and get less, and that certainly is very central to our thinking.

Mr HOLLIS—When we visited the complex today, as you rightly said, it was not raining so we could not prove what you have told us about the water—although we are not disputing what you are saying, obviously. What is the general staff view of the existing building? How do the unions feel about this movement?

Mr McMahon—It is an interesting question, because when I actually addressed staff I said, 'The first task I have is to explain why we are moving from this light, airy, comfortable building.' There certainly is some affection for the building, but equally there are many people who are greatly looking forward to the increased functionality of what is basically a purpose built design. We have had quite extensive discussions with staff and with the union—and in our case the CPSU is largely the active union. We have an ongoing committee, chaired by Mr Fleming, which basically meets regularly, and essentially we have had no significant issues raised with us to date. Certainly there have been requests for information and for some assurances; for example, that we are not using the move as a vehicle to reduce the space of individuals, and we basically provided those assurances. There also has been a fairly widespread concern that there be a capacity for staff input in undertaking the fit-out, and we have set up models for doing that.

Mr HOLLIS—In my briefing papers it says:

The only heritage consideration is the retention of a protected yellow-box gum tree.

How much is it going to cost to retain that tree?

Mr Egelton—As was mentioned when we were out on site, we are currently having an arborist pull together a report on what has to be done to maintain it, and that is a base building-cost issue.

Mr HOLLIS—Looking at that tree and at the amount of glass in close proximity to that tree, if there were any borer in the tree and you got some winds—like the winds that I get where I live—most or parts of that tree would end up inside the building. It seems quite dangerous to a huge tree like that facing a wall of glass. Have any tests been done on that tree to see if there is borer? From a safety point of view, it would appear to me—and I am not a tree expert—that that tree is quite dangerous.

Mr Egelton—Part of the arborist's report will look at the tree and its health, as it exists now, to determine if any problems such as borers were evident.

Mr HOLLIS—Is parking for people with disabilities provided in the new building?

Mr Egelton—Yes, it is. There are two spaces per stage underneath in the secured parking area, and there is provision for two short-term or short-stay disabled spots for people to alight vehicles in the lay-by in Chan Street.

Mr HOLLIS—You obviously do not expect people with disabilities to go above the first floor, as toilet facilities are only provided on—I think it is—the ground floor or the first floor, but nowhere else.

Mr McMahon—We are now looking at having a disabled toilet on every floor of the new building.

Mr HOLLIS—With Canberra being Canberra, obviously you have shower facilities for lots of joggers.

Mr McMahon—Indeed, as an ex-jogger, I will certainly look after them. We imagine that we will have a shower block of 12.

CHAIR—Further on the parking issue, there is nothing shown on your plans in terms of parking spaces for disabled drivers. I just thought, seeing as you are raising that issue now, we might get some commitment to providing those spaces.

Mr Egelton—That is correct. With the design developed, we could show the latest drawings with those spots indicated. If the committee desires, we can furnish those.

CHAIR—Okay.

Mr HOLLIS—So that would be a parking facility for any of the workers there that had a disability, plus a parking facility for visitors who had a disability?

Mr Egelton—That is my understanding of the way they would be utilised.

Mr McMahon—Can I just correct my earlier answer. There would be 16 showers—eight female, eight male.

Senator MURPHY—When is the building more likely to be approved?

Mr Egelton—The target approval process that we are running through at the moment is for approval by the end of June. That is our program that we are running to.

Senator MURPHY—If I heard you correctly, I think you said before that you have a provisional application in. What discussions have been had?

Mr Egelton—There have been several meetings too that were held by the building owner—one that Bovis Lend Lease have attended with the building owner. That was a fortnight ago. We tabled a pre set of drawings, which they asked for, after that last week. We are now in regular daily contact with the NCA, talking about the specifics of that approval.

Senator MURPHY—What have they said thus far?

Mr Egelton—There has been no unfavourable reaction thus far as to the timetable that we are working to.

Senator MURPHY—Who are the Benjamin Nominees?

Mr McMahon—They are two owners, two local developers—Barry Morris and Graham Potts.

Senator MURPHY—What is their experience in this type of redevelopment and new developments?

Mr McMahon—Very extensive.

Senator MURPHY—Can you elaborate on that?

Mr McMahon—Barry Morris has just completed the Manuka development. Graham Potts is a major developer, mainly of residential space.

Mr Fleming—They are also involved in the Australian Bureau of Statistics building just across the road—a similar project.

Senator MURPHY—With regard to the rent we were talking about before, Mr McMahon, you said that the rent was \$175 and we now know it went to \$190. If it is refurbished, it is going to cost you \$235.

Mr McMahon—That is the offer that was on the table.

Senator MURPHY—With regard to the refurbishment, so far as the airconditioning is concerned, wasn't it the case that there was some refurbishment done on the building just as the Commonwealth divested itself of the building?

Mr McMahon—There was no significant refurbishment done, no, and certainly nothing to do with the airconditioning.

Senator MURPHY—So there was no work done on the airconditioning?

Mr McMahon—Nothing of any significance that changed the fundamentals of the airconditioning.

Senator MURPHY—You might like to check, if you would not mind, the cost of that refurbishment—small, intermediate or large.

Mr McMahon—We will make a request to the Department of Finance, yes.

Senator MURPHY—With regard to the cost, you say in the submission that it is \$22.45 million, but then you say you are working on getting a maximum gross price of \$19 million. If we took the \$22.45 million and said, 'Okay, you are going to get a cash incentive of \$7.75 million,' that really makes the net cost about \$14.7 million. Is that right?

CHAIR—Can I just make the point that there are some questions in relation to the financials that probably should be asked in camera.

Senator MURPHY—I understand that, Madam Chair, but I think some of them should be put on the record, too.

CHAIR—They will be.

Senator MURPHY—Good. With regard to your \$19 million, where does the \$7.75 million sit?

Mr McMahon—The \$7.75 million is basically an incentive against the total value of the fitout. The \$19 million is the non-GST trade component and then we have additional fees that sit on that in respect of Bovis Lend Lease that we would need to discuss in camera.

Mr Fleming—Back to your original question, those \$19 million and \$22 million are not net of the \$7.75 million. Your question about the \$7.75 million effectively as a saving against those amounts is correct.

Senator MURPHY—Whatever the gross amount is?

Mr Fleming—That is correct.

Senator MURPHY—I heard Mr McMahon say in his opening speech that you are going to increase the number of disabled toilets, and Mr Hollis asked a question about that. You also said you are going to add a cafeteria. What is the basis of the cafeteria? Who is going to operate it?

Mr McMahon—There is no decision on who is to operate it, nor have we thought about a process. Our primary consideration was really trying to come to a view—and we have not reached a final one—as to whether or not there should be a staff cafeteria. We did a staff survey about potential use of it—always a tricky thing, of course—and there was very strong support for including a staff cafeteria. It would not be a major one. I guess we are coming as a corporation to a view about whether it is more efficient or not to have a staff cafeteria in the sense of people leaving the building to get food, et cetera. There is also the issue about whether or not we want to have something which is collegiate. I guess there is a reasonably strong view amongst senior managers and staff that it is a way of basically having some social centre to the building.

Mr RIPOLL—There is currently a coffee shop there now that is privately leased. What happens to it?

Mr McMahon—Clearly that cafeteria, C.J.'s, will cease to operate. The issue we are yet to address is how we would go to the market or whether we would go to the market in respect of getting a licence for that cafeteria. The proprietor was invited to that complex through a market tested process some years ago. We need to evaluate what our responsibilities are in respect of the Commonwealth, if any, and the proprietor and then examine what our responsibilities are in the transparency of process. We have simply not reached that point.

Mr RIPOLL—Before we make any decisions, can you get back to us on what the Commonwealth says in terms of that proprietor?

Mr McMahon—Yes.

Senator MURPHY—There have been cases where this committee has had submitted to it in terms of either buildings that are being refurbished or departments moving to new buildings that cafeterias are a thing of the past and that, where there is access to food within the private retail sector—shops, cafes, et cetera—in proximity of the workplace, there has been a choice by staff to get out of the building to go to those various food providers and service providers. I am a bit concerned to hear you say that there has been a survey of the staff and there is reasonably strong support for it, which I can understand to some degree, but by the same token we have no idea of how much floor space this will take up, who intends to run it and what processes are going to be there. I would not like to see you develop something to find that after a very short period of time it is grossly underutilised.

Mr McMahon—All those issues are ones that we have thought about. That certainly has driven our view that, if there is to be one, it is going to be quite a small one. So our level of exposure will be low. I could not agree more that installing a significant facility within that building when we are so close to the mall would be a serious error, but nevertheless we were looking at providing some capacity for a small cafeteria and there are some in the vicinity. In any case, we have one in the building which we know is significantly utilised at the moment, so in essence we believe we will be more or less maintaining our facility.

Mr Fleming—At the moment it looks to be about 140 square metres for the cafeteria and some surrounding seating, which is not of the huge scale of old style, big dining room type cafeterias.

Senator MURPHY—If the existing building were to be refurbished, was there a cost associated with that in the submission?

Mr McMahon—That would be a building owner responsibility. The only cost that would flow on to us would be the potential operational disruption and increased cost of the lease.

Senator MURPHY—But by the same token, if that refurbishment were to proceed then you would end up with a building that, I assume, is going to meet the requirements from a work point of view.

Mr McMahon—It certainly would be quite deficient compared to the building being proposed, simply because the proposed building would allow us to consolidate our operations into one building. This would provide ready access across floors instead of being spread over 300 or 400 metres, and there are some OH&S issues of having to cross streets constantly. We believe we could actually design in much better use of facilities such as conference rooms and training rooms. The other problem is that this is our one chance to have something which meets or exceeds environmental standards to a very high degree.

Senator MURPHY—On the question of environmental standards, it seems odd that the Benjamin Nominees would be able to continue to lease a building out and, if you leave, rent it to somebody else, if it did not meet environmental standards.

Mr McMahon—It is a matter for them, of course. No-one believes that the buildings will be standing for long after we vacate them. For a start, integral to the proposal are the green and yellow buildings—the two buildings that some members started off in this morning. They would be demolished. The proposal involves two of the 10 cores being demolished immediately. Essentially, the site, which has a very large footprint relative to the number of people being housed on it at the moment, would then be available for alternative use. It is our firm belief that the alternative use of the site, which has not been disclosed to us, is driving the whole issue. I think you are dead right in that it could not continue with those buildings on those premises.

Mr RIPOLL—What will happen to the buildings that are currently leased out that do not get demolished? If that is the case with the two that could not continue, what happens to the other eight? If there are 10 and two get demolished—

Mr McMahon—Are there eight or 10?

Mr RIPOLL—Whatever the figure is.

Mr McMahon—Two of the eight will immediately be demolished; we would essentially be vacating four cores; and one core, Magenta, is already empty. That leaves only one core which is populated at the moment, and I do not know what the thinking of the owner is in respect to that. It is always up to the owner to relocate somebody to another space with incentives.

Senator MURPHY—I want to clarify something in terms of the cost. If you go to the new building, you will get a \$7.75 million cash incentive.

Mr Fleming—Yes.

Senator MURPHY—You do not have to pay the \$2 million to make good the building.

Mr Fleming—Yes.

Senator MURPHY—And you get \$10.7 million—

Mr McMahon—No, there is no further incentive.

Senator MURPHY—off the rental penalty?

Mr McMahon—There was just an issue of avoiding a situation where, if we had moved to an alternative site, we would have had major dead rent. That is not a cost for the building owner, either. It is just the theoretical position that, had we taken the view that we wanted to move to a greenfield site, we would have had a liability in respect of the northern part of the complex until 2007.

Senator MURPHY—So that has been waived?

Mr McMahon—It will not exist, because they would have knocked down the building as well, because they have to knock down the building—

Senator MURPHY—What I want to know is that you do not have to pay. Whether or not they knock down the building, you do not have to pay?

Mr McMahon—No, that is built into the proposal.

Senator MURPHY—I do not care what they do with the building; I just want to know whether you have to pay them any money. Is my understanding correct: a \$7.75 million cash incentive, \$2 million to make good the building—an interesting amount, but you do not have to pay that, either?

Mr McMahon—No.

Senator MURPHY—And you do not have to pay the \$10.7 million dead rent?

Mr McMahon—No.

CHAIR—I have a few additional questions that led on from your comments to Senator Murphy. You said you do not know what the owners are planning for the site once the buildings are knocked down—you know your bit, but you do not know the rest. Are you concerned about the future development on that site and the impact that it might have on your department?

Mr McMahon—No, we have no concerns. We know that they have to comply—whatever happens on that site—they are going to have to comply with building standards. They also know that the ACT government has quite strong planning priorities in respect of an alternative use site, including that any new buildings need to front Benjamin Way. It is likely that there is going to be some commercial building on that, but also some additional facilities, more broadly. Our view essentially would be that we are likely to be in a better position rather than a worse position, because we will then be in the middle of the town centre in respect of its commercial use rather than at one end of it.

CHAIR—But you do not actually know what is planned for the rest of the site?

Mr McMahon—No, I do not.

CHAIR—The other issue is that I notice you raise the possibility of providing a child-care centre and that you were doing a survey. How does that affect the total number of square metres that you need for staff? Have you got the results of that survey yet? It is a bit like the cafeteria question, I suppose.

Mr McMahon—We got the survey results back. As you will appreciate, there is not a huge number of people who would want to use that facility, because there never is at a particular point in time. We have looked at the issue internally but have not come to a final decision on it. But I would have to say that our analysis so far is pointing away from having one rather than having one, partly because this facility will give us some potential for growth, and we believe that by the time we move into the facility we will have about 1,000 square metres spare for future growth. A child-care facility has to be at least 500 square metres. Essentially, it would eliminate our growth capacity. We certainly know that most other agencies basically look around to see whether they can facilitate the use of existing commercial premises.

CHAIR—I was going to ask you about that: have you actually looked at what is available in the near vicinity?

Mr McMahon—Yes, we have, and we have also closely examined what has happened in respect of ABS and Tax, who have partly funded the operations of a particular child centre. We have not got to a point there. We are a highly decentralised organisation—we are in every state, overseas, et cetera. It is quite clear that we do not do anything lightly or quickly in respect of that sort of thing, because we know that we would have to replicate it at every site, which can be very difficult.

We have approached child care from two directions. First, in our certified agreement, we have quite a bit of flexibility in relation to people's access to part-time work to facilitate proper work access; and secondly, we have an emergency care room in the building where children with non-contagious conditions can be kept while their mothers or fathers function fully in the workplace.

CHAIR—In your examination of facilities in the near vicinity, are there adequate facilities to cater for the needs of your staff?

Mr Fleming—Child care is quite tight in Canberra generally at the moment. We checked around in Benjamin and there are not many vacancies at the moment.

CHAIR—So what are you proposing to do?

Mr McMahon—We have not reached a final view about it. To be frank, we have sought to address work access through variable working hour arrangements. We have very flexible work arrangements, including working from home.

CHAIR—Will you present to the committee all your findings in due course? Is it possible to get that information fairly soon in relation to the cafeteria and the child-care centre?

Mr McMahon—We can certainly present you with the information, whether or not we have made a final determination of our position within the timeframe. We could do that if you considered it critical. We were just basically managing that process through.

CHAIR—One of the drivers in this appears to be the condition of the current buildings and the water leakage issue comes up regularly. Has anyone looked at the problem and the cost of solving it?

Mr McMahon—Frankly, we are used to that building and we are reasonably tolerant of it. Essentially, the prime driver to us now is dollars. In respect to some of those issues, it is clear that we can take an aggressive approach in respect of Benjamin Nominees and hopefully be more successful than we were within the Commonwealth. They would need to fix some of those issues. However, we have not costed it out. If we decided to stay in the building, we would expect the refurbishment to remedy those issues for us. We would put it back on to the building's owners.

CHAIR—It is clear from your submission that there are two issues, first, the condition of the building and the water leakage, and secondly the fact that it is not up to standard in terms of environmental considerations and current greenhouse gas emissions. Have you considered costs in that respect? The committee has seen buildings where the electricals and airconditioning have had to be overhauled to bring them up to standard. Are those issues being considered as well?

Mr McMahon—We have examined that aspect. Where we have carried out refurbishments, there have been changes, for example, regulating the lighting, which have resulted in some small savings. The simple fact is that it is quite clear that we could never get it up to a level of environmental efficiency and that mainly relates to the airconditioning system and the design of the buildings, which have a high level of exposure to the external environment.

Mr RIPOLL—From the figures in the charts, the first option refers to the continued occupation and there is the make-good figure of \$890,794 or just under \$900,000, but everywhere else it refers to allowing \$1.9 million. That is not at today's value so is that just the discrepancy between today's value and year 13?

Mr Fleming—The \$2 million was only ever an estimate and the \$1.9 million is also an estimate. They have used the conservative number.

Mr RIPOLL—There is another table with a figure of \$890,000.

Mr Fleming—That is the present value reduction.

Mr RIPOLL—So it is the same figure just allowing for 13 years to go by.

Mr Fleming—Yes.

Senator MURPHY—On page 6, at paragraph 28 you say:

To ensure that the Commonwealth achieves value for money in funding the tenant fit-out, and to protect Commonwealth probity interests and the need for accountability and transparency ...

You have retained the services of Wilde and Woollard. What is their cost going to be and where does that come from?

Mr McMahon—I think we had better provide that costing in camera.

Senator MURPHY—Very good. Then you can tell me where it is going to come from as well.

CHAIR—Before we go in camera, we thought we should give the next witnesses an opportunity to give their presentation.

[11.57 a.m.]

EVANS, Mr Graeme Wheller, President, Belconnen Community Council

MARTIN, Mr Eric John, Managing Director, Eric Martin and Associates

WILLOUGHBY-THOMAS, Mr Mervyn B., WT Architects

CHAIR—On behalf of the committee, may I take this opportunity to welcome you. Do you have any comments you wish to make on the capacity in which you appear?

Mr Willoughby-Thomas—I have been a member of ACROD for 20 years, but I am not here representing them specifically.

Mr Martin—Eric Martin and Associates is a firm of architects. We specialise in a number of issues, particularly access. I am an accredited access consultant with the Association of Consultants in Access, Australia Inc. and current Chair of the ACROD Access and Mobility Committee for the ACT.

CHAIR—The committee has received submissions from each of you. These submissions will be made available in a volume of submissions for the inquiry and also available on the committee's web site. Do any of you wish to propose any amendment to the submissions you have made?

Mr Willoughby-Thomas—I am particularly handicapped today. The last time I was here nine months ago I could hear with my audio loop. Today it is not working. I could not follow much of what went on previously, and I can hardly hear you, I am afraid.

CHAIR—I am sorry as well. My voice is not very good today—I keep losing it. Do any of you wish to make amendment to the submissions you have already made to the committee?

Mr Willoughby-Thomas—Yes.

CHAIR—Are there any changes to what you have written?

Mr Willoughby-Thomas—No, only amplification.

CHAIR—That is fine, thank you. Bear in mind that the committee has read your paper. What we need now is a brief statement from you in support of what you have written to the committee. Then we will see if there are any further questions the committee wants to ask.

Mr Willoughby-Thomas—I have been a practising architect, commercial and residential, for 50 years and with ACROD for 20 years. I have reviewed quite a number of proposals which have come before this committee, the most recent being the Anzac Hall one. I am conscious of the complexity of legislation that architects and builders have to face these days—not only federal and local legislation but also the regulations of the Building Code of Australia, which

are being changed every few months, and of the Standards Association, which are also being revised every few months. One has to try and remember the design requirements in one's head, and that is part of the problem.

The plans that have been offered today are not very clear. They are in the early stage of development, when all is said and done. There are frequent deficiencies. Car parking, you must remember, for a disabled person has to be reasonably level, otherwise the door flies open or does not open and the wheelchair rolls down the hill. We cannot tell from these plans that have been offered whether the parking is on a slope or whether they have recognised that factor. The base building must comply with the fit-out if the fit-out is to comply. If you cannot get into the building adequately, then what is the point of the fit-out? My argument is that one really needs to have an access consultant engaged who can look at the whole problem. The average architect, I am afraid, cannot control all the aspects that are needed, because you have to be involved with disabled people to really know the problems in your heart. It is no good looking at a book all the time.

The Building Code of Australia, in clause D3, point 7, refers to issues of hearing. In this room, we have audio loops, or AFILS—audio frequency induction loop systems, as they are being called now in a new standard that is under preparation at the moment, AS1428.5. I am involved a little bit with that. There are different types of hearing aids. The loop is probably the most common and the most useful, but there are also infra-red hearing aids available, which have to suit certain circumstances. As examples of the problems—at Regatta Point loops are ineffective because they are put into several rooms and are too close together. One loop system, when magnified, clashes with another. The systems at the federal courts are not effective. I have been in there recently checking them out. And so it goes on. I could recount quite a lot of places that do not operate successfully.

On tactile markers, we have no indicator as to what extent they will apply them. It needs someone with some expertise to know what is a reasonable way of applying them. I am an accredited access consultant, one of the small number there are in the ACT, but I am not prepared to actually try and be involved. I think it is better for me to plead the cause of the disabled.

CHAIR—Thank you very much.

Mr Martin—The only comment I would make is that, while statements have been made in the evidence that access issues would be adequately dealt with, the information presented—both in written form and drawings—does not reflect this, which I think is unfortunate and worrying. That really needs to be addressed now, before it goes any further.

Mr Evans—Thank you for having me here today. I would like to thank the secretariat in particular for saying that the Community Council does in fact have a role in a matter of this sort. I think their vision was greater than mine and I thank them for that. We have put in a very short submission and we refer to this complex as a successful complex. Given some of the evidence today, I think I should indicate what I mean by that. I think that the success of any building or any building complex must be judged by factors beyond the things that can be counted and enumerated. It is to do with things like how the human spirit reacts to being in a particular locality. I think that the Benjamin Offices have been a very successful complex from that point

of view. If it turns out that part or all of it finally goes, a lot of people—as Mr McMahon's evidence indicated—will regret that.

There are also opportunities for linkages between those buildings and the rest of Belconnen Town Centre which are very valuable. I would urge the committee to look to ensure that those linkages—which again are a matter of the human spirit and how humans feel about where they are—are maintained in an operating way.

Page 9 of the department's submission says a lot of things that are very important. At paragraph 35 it refers to the fact that it is a prime location. That is true. It has close proximity to all the normal things that are needed to make an office building successful from the point of view of the employees in terms of their interrelationships with other things like libraries, restaurants and so on. All those things exist. In that sense it is a highly satisfactory site for the offices that are proposed.

In paragraph 41 there is reference to break-out spaces to enable staff to meet and mix. That fits in with some of the evidence given this morning about the cafeteria. Paragraph 44 is particularly important from our point of view. The development will be a significant one for the Belconnen Town Centre and it is part of the regeneration of that town centre. In addition to the bodies listed in the second dot point in the paragraph as to be consulted, I would hope that the local community will be among the bodies consulted as things proceed.

I think that is all I really wanted to say, except that it occurred to me sitting at the back there that some while ago Belconnen Community Council did a fairly major submission in response to the Belconnen Town Centre master plan. I think I have been derelict in not recognising that a copy could be helpful to you. So I might table it in prospect rather than in substance and deliver a copy to the inquiry secretary.

CHAIR—Is the committee happy to receive that? We will table it as an exhibit. Thank you very much, gentlemen.

[12.07 p.m.]

EGELTON, Mr Scott, Project Manager, Bovis Lend Lease

FLEMING, Mr Garry, Assistant Secretary, New Building and Client Services Branch, Department of Immigration and Multicultural Affairs

McMAHON, Mr Vincent, First Assistant Secretary, Corporate Governance Division, Department of Multicultural Affairs

CHAIR—Welcome back. Gentlemen, I would like to raise further some of the issues that have come forward with the other witnesses, such as the disability issue. We were going to ask some questions about this specifically this morning but you have already addressed some of the issues on provision for services for people with a disability. They all seem to revolve pretty much around access and the provision of toilet facilities on each floor rather than just on the ground level and some parking bays, which we have already discussed this morning. But there are other issues in relation to people with a disability such as hearing and safety. This often arises in these hearings, particularly in regard to safety in the case of fire and also safety as highlighted by one of the witnesses on having car parking bays in an area that is safe for people to get in and out of vehicles and access the building. Can you elaborate a bit more on other things you are doing in terms of making provision for people with a disability and just tell us what plans you have to consult with people who have expertise in these areas?

Mr McMahon—Some of the others here may like to add to what I am about to say. The question of the auditory loop is on our minds. We will definitely have one in the major areas. We already have one in the department, and we will be replicating that facility. On the question of access to expertise, we are proposing to contract with Bovis Lend Lease, and they must supply us with expert advice on these issues. First of all, I will ask Garry whether he has additional comments to make, and then I will ask Mr Egelton to talk about that process.

Mr Fleming—I do not have anything to add.

Mr Egelton—The architect we have engaged for the project, HBO EMTB, will be the party we will rely upon to give us satisfactory documentation to ensure that we have taken into account the intent of the documents referred to today and to ensure that we have satisfied the requirements of the BCA, the DDA and all relevant Australian standards in the final design.

CHAIR—Can you provide the committee with information about the architects that will give us some comfort in terms of their experience on these issues?

Mr Egelton—Yes, I will provide that.

Senator MURPHY—Have they provided you with a report or documentation or are they going to?

Mr Egelton—The way that the design is progressing, these issues come up on an ongoing basis at meetings and we rely upon that advice. In particular, that will come about as the

detailed design progresses. At that point we would ask for a consolidated report, but we are not there yet.

Senator MURPHY—Why wouldn't things like parking and access, in terms of the types of doors, the lifts and the timing, have been standard matters that you would deal with up front, and not that you would be saying, 'Oh, is the sound system all right in this particular conference room?' Why isn't that information available and why isn't it prepared up front? Surely in this day and age we have progressed sufficiently, with the type of technology we have available, to be able to provide that information and deal with those things in an up-front way, rather than saying, 'We will sit down as we progress through the thing and we will work these things out.'

Mr McMahon—You are exactly right, and that is why the building codes address all these issues. There are high levels of specifications around the way in which you need to provide access within buildings. All that is taken into account, and all standards will be met. The issue that has been raised is about what we will do above the standard requirements for the disabled. A thing like an auditory loop is something that sits across the top of that. The number of car parks and the toilets on every floor are issues that we are addressing because, as a department, we have a major responsibility for the Commonwealth in respect of questions of access. We certainly want to end up with the building which will have a high level of access and utility for the disabled.

CHAIR—Further to these issues, I highlight paragraph 95 of your submission where it says:

All lifts will allow travel between all floors in the building. The timing of lift doors and sliding door operations throughout the building will be considered to reduce the risk of entrapment.

So there is nothing specific about that; and, in terms of Australian Standard 1735.12, that is not adequate to meet the requirement. So, first of all, we need some assurance that the architects have some qualification to deal specifically with the issues for people with a disability and with the safety issues—for example, what happens to people with a disability if there is a fire in the building and the lifts are not able to be used? There is a whole lot of things which come up all the time for our committee. We would just like some assurance that whoever is doing the design work is either getting proper consultants in to address these issues or there is expertise within the appointed architects to deal with them, and that they meet the Australian design rules.

Senator MURPHY—Madam Chair, could the witnesses tell us who the architects are employing to advise them on these issues? It may well be that they are seeking independent advice to verify what is being proposed to them by the architects.

Mr Fleming—We do have a general independent check. All development and construction processes are subject to audit by Wilde and Woollard. So they will be checking design solutions through the construction period as against a range of legislative requirements and standards. If, for whatever reason, Wilde and Woollard do not have the internal expertise to be able to assess what is produced, additional expertise might be needed or documentation might be presented if that auditing is not enough to give them a level of comfort. That will also afford us another opportunity to get an independent check.

Senator MURPHY—It might be useful if you told the committee, first, from whom the architects are seeking this advice and, second, in respect of Wilde and Woollard, whether or not they have the expertise internally? If not, who do they intend to use to audit what is being proposed by them?

Mr McMahon—We will provide that information, Senator.

Mr Egelton—In addition to that, we will also provide evidence that was provided privately. In our written statements we could provide answers that address all those issues. We could provide answers to other issues that have been considered in the basic planning of the design to date. To give the committee a level of comfort we could provide information to the effect that those issues have been addressed in the structural design of the project. We have not gone into the detail of the structural calculations, audit or services, but we will provide that in documented form to give you that level of comfort.

CHAIR—The other question that I have relates to the linkages issue. We talked about that briefly on site today when you gave us a tour of the site and the building. For the record, are there any plans to create good linkages?

Mr Egelton—Yes, Madam Chair. The linkage referred to will be maintained on the completion of both stages. We are obviously aware of the importance of that for the Belconnen community.

CHAIR—Will there be continued consultation with the community group?

Mr Egelton—The consultation that we have gone through at the moment has been via the National Capital Authority and the Territory. They are handling that on our behalf.

CHAIR—So you are not aware of the specific role represented by Mr Evans?

Mr Egelton—I would say that that role would be managed or coordinated through the approval authorities. We are invited to address those issues throughout the course of the approval.

CHAIR—It is necessary for the committee to authorise the publication of evidence.

Resolved (on motion by **Mr Hollis**):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it at public hearing this day.

Evidence was then taken in camera—

Committee adjourned at 12.40 p.m.