

Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as 913 Whitehorse Road, Box Hill, Victoria

- 2.1 The Australian Taxation Office (ATO) currently leases office space at 990 Whitehorse Road, Box Hill, Melbourne, Victoria. The lease is ending and the accommodation does not meet the National Australian Built Environment Rating Scheme (NABERS) rating of 4.5 stars required for new Commonwealth leases over 2,000 square meters.
- 2.2 The proposal is an integrated fit-out of a new building. The building will be designed to meet a 5 star NABERS rating and a 5 star Green Building Council of Australia (GBCA) Green Star rating. It will provide the ATO with approximately 19,100 square metres of office space. The fit-out will be designed to meet at least a 4.5 star NABERS rating.¹
- 2.3 The current lease expires on 30 June 2014. It is proposed that the new office accommodation will be occupied from 2 April 2014.
- 2.4 The estimated cost of the project is \$36 million.
- 2.5 The proposal was referred to the Committee on 9 May 2012.

Conduct of the inquiry

- 2.6 The inquiry was advertised in *The Australian* on 30 May 2012.
- 2.7 The Committee received a submission from the ATO. The ATO also provided a supplementary submission and two confidential

¹ Australian Taxation Office (ATO), Submission 1, p. 16.

supplementary submissions, one of which detailed the project costs. A list of submissions can be found at Appendix A.

- 2.8 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 2 July 2012 in Melbourne.
- 2.9 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.² Plans for the proposed works are detailed in Submission 1: Australian Taxation Office.

Need for the works

- 2.10 The existing office accommodation was constructed for and has been occupied by the ATO since 1992.³ It is ageing and would require extensive upgrades and a new fit-out to meet the ATO's current building specifications.⁴
- 2.11 The existing office accommodation has a NABERS rating of 3.5 stars, below the minimum Commonwealth requirement.⁵ It also has a fit-out density ratio above the Commonwealth Property Management Guidelines maximum of 16 m² per occupied workpoint.⁶
- 2.12 The ATO has committed to an ongoing business presence in east suburban Melbourne, but its agents have been 'unsuccessful in discussions with the current building owner regarding building upgrades' if the ATO were to continue leasing the existing building.⁷
- 2.13 The ATO stated that current building owner is unwilling to upgrade the building to the required standards:

I can tell you that, for the current building, the building owner was unwilling to do a whole tranche of upgrades to bring the base building into line with what we need. That is the first issue ... [The building owner] came back saying, basically, 'The building is what the building is.' And this building is problematic. We have untold problems in the running of the air-conditioning and the lifts and some of the base building considerations.⁸

2 <www.aph.gov.au/pwc>

3 ATO, Submission 1, p. 9.

4 ATO, Submission 1, p. 7.

5 ATO, Submission 1, p. 9.

6 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 3.

7 ATO, Submission 1, pp. 7-8.

8 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 5.

- 2.14 The ATO added that upgrading and refurbishing the existing building would also involve high operating costs in the short term.⁹
- 2.15 As the current building cannot be upgraded to the required standards, the ATO needs to lease alternative office accommodation. The ATO has refurbished buildings before, at Chermside in Queensland and Moonee Ponds in Melbourne.¹⁰ However, the ATO stated that a new building was the preferred option in this instance:
- The ATO approached the market seeking long-term accommodation solutions that provide an appropriate environment to help us meet a broad range of targets established under the Commonwealth Property Management Framework and associated policies such as the EEGO [Energy Efficiency in Government Operations] energy efficient target.¹¹
- 2.16 The ATO considered various proposals through an evaluation process:
- [The proposals] were deemed to be unable to either meet the base building requirements or deliver a value-for-money outcome. Submissions we received varied from refurbishment of the existing building to brand-new building developments.¹²
- 2.17 The preferred option was selected by the ATO as the organisation retains a presence in Box Hill and ‘provides a value for money solution with a significantly improved focus on environmental sustainability and productivity improvements.’¹³
- 2.18 The Committee finds that there is a need for the proposed works.

Scope of the works

- 2.19 The proposal is to fit-out approximately 19,100 m² of office accommodation, over approximately 13 floors.¹⁴
- 2.20 The works include:
- integration of services into the base building works, including electrical, mechanical, communications, security, fire and hydraulic services

9 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 5.

10 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 2.

11 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 1.

12 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 2.

13 Mr S. Smillie, ATO, *transcript of evidence*, 2 July 2012, p. 2.

14 ATO, Submission 1, p. 14.

- supplementary air-conditioning in those rooms with higher than normal cooling and ventilation requirements including larger meeting rooms, training rooms, computer rooms and amenities rooms
- a lighting control system to reduce energy consumption in tenant areas
- data cabling throughout the tenant areas
- door hardware and electronic access control at entrances, exits, vehicle access points and internal areas with higher than normal security needs
- supplementation of the base building fire services where required as a result of the fit-out works to ensure compliance with relevant codes, including additional exit lights, fire detection and sprinkler supplementation as necessary, and highly sensitive fire detection equipment in the computer rooms
- architectural designed office accommodation including construction of reception areas, a security alarm system, an electronic control system, general office fit-out and open plan work areas
- standardised office sizes of 32 m² and 16 m²
- generic workstations
- the vast majority of offices and meeting rooms to be constructed in the central cores so as not to limit natural light from external windows
- breakout spaces, quiet rooms and casual meeting space
- computer rooms built to specification
- storage facilities
- conference and training facilities
- first aid rooms, amenities areas, kitchens, showers and lockers
- secure areas.¹⁵

2.21 The building design and fit-out will provide the ATO with considerable flexibility to meet its ever-changing accommodation requirements. This will be achieved through:

- work points that can easily and quickly be reconfigured without disturbing productivity
- maximising the use of open plan areas

15 ATO, Submission 1, pp. 21-23.

- ensuring the enclosed areas are capable of being altered easily to allow for future change, such as the utilisation of modular meeting room design so that two small meeting rooms will also satisfy the requirements of one large meeting room with minimal additional works
 - building services that are located to allow for repositioning of walls, work point layouts and accommodation changes in technology
 - a robust security system that protects ATO information, people, other assets and operations.¹⁶
- 2.22 Subject to Parliamentary approval, the fit-out is scheduled to commence in May 2013, and be completed by 1 April 2014.¹⁷
- 2.23 The Committee finds that the proposed scope of works is suitable to meet the need.

Cost of the works

- 2.24 The total estimated cost for this project is \$36 million, excluding GST. The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with the ATO on those costs.
- 2.25 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

Committee comment

- 2.26 The Committee is pleased that the ATO remains committed to a presence in the eastern suburbs of Melbourne. The Committee is also pleased that the proposed location is very close to the current building, meaning minimal disruption for ATO Box Hill staff.
- 2.27 The Committee did not identify any issues of particular concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 2.28 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

16 ATO, Submission 1, p. 23.

17 ATO, Submission 1, p. 36.

Recommendation 1

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as 913 Whitehorse Road, Box Hill, Victoria.