

General comments

Introduction

- 5.1 The Committee notes the trend for the Commonwealth to lease rather than be an owner occupier.
- 5.2 The Committee nevertheless has concern that on this occasion it was asked to approve the fitout for a building for which development approval has not yet been granted.¹
- 5.3 The Committee notes that a Development Application for the proposed building was not lodged with the National Capital Authority until 22 May 2001. It notes also that the offer made by Benjamin Nominees Pty Ltd of a \$7.75 million cash incentive towards the building fitout is only valid until 30 June 2001.² The Committee is therefore concerned at the short time frame available to the parties to obtain both parliamentary and development approval.
- 5.4 The Committee notes that the Department of Immigration and Multicultural Affairs (DIMA) fitout proposal will be integrated with the base building works and that this will result in cost savings estimated by quantity surveyor Wilde and Woollard to be \$5 million.³ The Committee commends this approach.
- 5.5 During the Public Hearing the Committee requested that DIMA provide information regarding the cost and extent of the refurbishment work undertaken in the Benjamin Office complex prior to its sale to Benjamin Nominees Pty Ltd.

1 Evidence, p. 3.

2 Submissions, p. 6.

3 Submissions, p. 11.

- 5.6 DIMA advised the Committee that prior to sale the Department of Finance and Administration undertook refurbishment work costing \$5.6 million. The work undertaken involved the partial upgrade of fire services including fire stopping, fire egress, fire alarms and warning systems, and emergency lighting to bring the building closer to compliance with Building Code of Australia and occupational health and safety requirements. The work also provided safe access to the roof for maintenance of high level roofs and a Y2K upgrade of the building management system. DIMA stated in its Supplementary Submission that it understood the work undertaken by DoFA was required in order to satisfy Certificate of Occupancy requirements.⁴ The Committee noted this advice.

Quality of evidence

- 5.7 During the Public Hearing the Committee requested that DIMA provide additional evidence. Some of the evidence submitted lacked detail and led the Committee to request additional information. This added to the time necessary to consider the proposal.
- 5.8 Unnumbered pages in several submissions made the Committee's task more difficult during all phases of the inquiry process, in particular, the examination of submissions, during the Public Hearing and in preparation of this report.
- 5.9 The Committee reminds all agencies of the need to present information in a form which facilitates the Committee's examination of proposed public works.

Independent advice

- 5.10 The Committee notes that in the interests of contestability and transparency, DIMA sought independent advice in relation to the builder's cost estimates to ensure the quote's competitiveness. The Committee commends DIMA for this approach.

⁴ Submissions, p. 44.

Support for project

- 5.11 The Committee believes that the arrangements entered into by DIMA for the fitout of new leased premises at Belconnen ACT represent a highly competitive commercial offer and value for money for the Commonwealth.
- 5.12 In particular, the Committee notes that the \$7.75 million cash incentive offered to DIMA by Benjamin Nominees Pty Ltd will result in a relatively low net fitout cost for the new building.
- 5.13 A cost benefit analysis prepared by an independent quantity surveyor compared the total cost of the relocation and fitout when costed in net present value terms against the option of remaining in a refurbished Benjamin Office complex. It established that, over 13 years, the new building proposal is cost neutral because the additional rental costs would be offset by savings in ongoing fitout and maintenance works for the older buildings.⁵
- 5.14 The new building will meet the needs of the Central Office of the DIMA, raise its accommodation to a higher standard and provide for ongoing operational efficiencies.
- 5.15 The new building proposal provides an opportunity to increase energy efficiency and to meet Government objectives on emissions as well as best practice environmental standards.⁶
- 5.16 In addition, the new building development will provide further regeneration of the Belconnen Town Centre, creating short term employment opportunities as well as boosting economic activity into the future.⁷
- 5.17 The lack of available properties in Canberra at the time of this referral meeting DIMA's space requirements severely narrowed DIMA's accommodation options. The Committee accepts that a multi-building solution would result in operational inefficiencies for the Central Office.
- 5.18 The partial refurbishment of the existing Benjamin Offices would not address concerns about the building, including the occupational health and safety problems of an aging building, and inefficiencies in space utilisation and energy standards would remain unresolved. Running costs would continue to be high. In addition, the rental sought for a

5 Submissions, p. 12.

6 Submissions, p. 15.

7 Submissions, p. 14.

partial refurbishment of the existing Benjamin Office complex is not significantly lower than the rental for the new building.

Recommendation 3

The Committee recommends that the proposal to fitout a new Central Office building for the Department of Immigration and Multicultural Affairs at Belconnen, ACT, proceed at a net cost to the Commonwealth of \$16.22 million.

Hon Judi Moylan MP

Chair

21 June 2001