



**ATO OPENING STATEMENT ON
ADELAIDE,
PARLIAMENTARY STANDING COMMITTEE INTO PUBLIC WORKS**

9 November 2010.

Rendezvous Hotel, Waymouth St, Adelaide.

ATO OPENING STATEMENT.
PWC HEARING – 9 November 2010.

Thank you for the opportunity to make this presentation today on the ATO's Adelaide proposal. This proposal seeks approval for the fit out of a new building to be constructed at 12-26 Franklin Street, Adelaide, known as City Central, Tower 8. The new building will be leased for 15 years with 2 x 5 year extensions available. The building is being developed by Aspen Developments Pty Ltd, and built by Baulderstone Pty Ltd.

As you know, the ATO is a large organisation of approx 24,000 staff spread across the country. It is essential in terms of our business delivery that the ATO maintains a large CBD presence in all capital cities to attract professional staff and to be in close proximity to our clients and to the courts in each state.

The ATO originally approached the market seeking up to 34,000m² based on identified business need. The proposal submitted to the Public Works Committee now seeks to provide fit out for a building of 30,860m² which includes space for the ATO Access site (255m²) due to a review of staff numbers and functions being delivered from the South Australian Region. The ATO is seeking to provide our staff with a modern, efficient work environment which not only complies with the Energy Efficiency in Government Policy requirements, but allows the ATO to consolidate from the current 3 sites across the Adelaide CBD to a single tenancy, managing space allocation efficiently and providing a sustainable work environment for a period of 15 to 25 years.

The ATO currently occupies 3 office buildings spread widely across the Adelaide CBD. There are approximately 1,950 staff who will relocate to the new premises at 12 – 26 Franklin St. Our plan is to stagger the relocation in line with cessation dates of existing leases, to ensure minimal disruption to ATO business delivery.

The ATO is working to implement a national Location Plan of which this consolidation is a key component. Our current leases are due to expire between 2012 (2) and 2014 (1). In our view the opportunity to renegotiate value for money leases

in these current sites, coupled with the need for major building upgrades to meet government targets for electricity and water consumption and waste management, means the proposal for 12-26 Franklin Street is a more cost effective solution for the ATO and the Commonwealth..

From a value for money point of view, the ATO sought expressions of interest for accommodation within the Adelaide CBD. A number of proposals were received and through an evaluation process deemed to be either unable to meet the base building requirements or the delivery of a value for money outcome. Submissions received varied from refurbishment of existing buildings within the CBD to new building developments. 12-26 Franklin St, is located in the heart of the CBD precinct within close proximity to public transport, all day car parking, retail outlets etc. A location such as this assists the ATO to attract and retain suitably qualified professional staff that compliment our existing internal capability.

The ATO will, through occupation of this new building, ensure that the government targets for occupied work point density of 16m² are achieved, thus ensuring cost effective management of available floor space continues in the ATO. Energy efficiency is another area we will make considerable gains in the new building, where we will significantly reduce our energy footprint, maintenance and ongoing costs. The building is planned to meet the Commonwealth minimum target of 4.5 stars under the National Australian Building Energy Rating System but it is highly likely that this building will achieve a 5 star NABERS rating. The building has also been designed to meet a green star rating of 5 stars. It will deliver improvements in areas such as indoor environmental quality, water efficiency and reduced emissions. The concept design of the building will incorporate measures such as double glazing to minimise heat and cold impacting the internal environment leading to reduced power for heating and cooling.

Subject to Parliamentary approval it is proposed to conduct an integrated fit out with the base building construction. This ensures that potential risks of dead rent payment and additional expense for variations to fit out design are mitigated by the ATO and the developer. The alternative is to fit out at practical completion of the base building, where the ATO would be paying lease costs whilst completing the fit out for

a period of up to six months. Integrated fit out also allows early co-design for interior design work to deliver a green fit out with minimal cost impact.

The ATO has undertaken a high level risk assessment focussing on financial, project and business risks. We have appropriate mitigating strategies in place to ensure delivery of the project both within required timeframes and cost estimates.

When we align the delivery of a “value for money” solution with a significantly improved focus on environmental sustainability and productivity improvements derived through collocation and an improved working environment, the ATO’s view is that this is an exciting opportunity to deliver on our intention to provide the modern, productive environment our staff require to deliver our business outcomes now and into the future.

We also believe that the ATO will realise significant benefits resulting from moving from the current 3 sites to a single CBD location. These include avoiding potentially heavy rental increases; significant business disruption caused by capital works aimed at delivering base building improvements to meet government targets and through collocation which will ensure staff working on collaborative programs do not need to travel between sites as currently occurs.

In summary the ATO firmly believes that this proposal is a very positive outcome for the organisation as it:

1. allows ATO to create a work environment where we can monitor, manage and report on a range of environmental factors expected by Government,
2. is the most cost effective solution long term to addressing issues such as density targets of 16m² per occupied work point,
3. delivers savings in property operating expenses over the life of the lease of approx \$1m per year,
4. imposes no change to jobs or functions undertaken in the SA region.

The committee may have specific questions on a number of areas covered and I would like to ask our expert witnesses to contribute to answering your questions to ensure we present the clearest possible information to you today.