

Proposed fit-out of Commonwealth Parliamentary offices at 1 Bligh Street, Sydney, NSW

- 4.1 The Department of Finance and Deregulation (Finance) seeks approval to establish new premises for the Commonwealth Parliamentary Offices (CPO) in Sydney.
- 4.2 The key objective of the proposed project is to design and fit out office space that provides flexible, fit for purpose accommodation.
- 4.3 This proposed project was referred to the Committee on 22 March 2012.

Conduct of the inquiry

- 4.4 Following referral, the inquiry was advertised nationally and submissions sought from those with a direct interest in the proposed project.
- 4.5 The Committee received two submissions to the inquiry and a confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 4.6 The Committee undertook a site inspection and held a public hearing and an in-camera hearing on the project costs on 3 May 2012 in Sydney.
- 4.7 The transcript of the public hearing and a copy of the submissions to this inquiry are available on the Committee's website.¹

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

Need for the works

- 4.8 The Sydney CPO, currently located at 70 Phillip Street, provides office and meeting facilities for the Prime Minister, Cabinet, Ministers, Office Holders and visiting Senators and Members. Currently the CPO is comprised of ten visiting suites, eight Ministerial offices, the Leader of the Opposition's office, three conference rooms, a tele-presence room, and Finance's Ministerial and Parliamentary Services Division (M&PS) NSW State Office.²
- 4.9 Finance explained the occupation arrangements of the Sydney CPO:
- It differs from most other CPOs in that, like Melbourne, it has within the building perimeter some space which is leased separately by the Department of the Prime Minister and Cabinet [PM&C] for the Prime Minister. Within that space, PM&C is responsible for the establishment, the fit-out and the day-to-day administration of office facilities for the PM and for the operations of Cabinet.³
- 4.10 Finance, in its submission to the inquiry, stated that, when compared with the office accommodation provided in large CPOs in other states (such as Brisbane and Melbourne), the Sydney CPO at 70 Phillip Street can be described as inadequate and no longer fit for purpose. Finance added:
- This restricts M&PS in providing a consistent level of service across the states. The business requirements of the Sydney CPO now require greater resources than are available within the tenancy and the design and fit out of premises are now deemed unsuitable to house the CPO.⁴
- 4.11 Finance explained that the key areas of concern with the current tenancy at 70 Phillip Street are deficiencies in security, functionality, architecture and flexibility.⁵
- 4.12 Finance stated that refurbishment of 70 Phillip Street has not been pursued as an option as there are several fundamental issues with the building that cannot be remedied through renovation alone.⁶

2 Department of Finance and Deregulation, Submission 1, p. 6.

3 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, pp. 1-2.

4 Department of Finance and Deregulation, Submission 1, p. 6.

5 Department of Finance and Deregulation, Submission 1, p. 6.

6 Department of Finance and Deregulation, Submission 1, p. 6.

4.13 Finance's submission discusses at length the deficiencies at 70 Phillip Street, covering building services, functionality and design, work environment, security, vehicular access and car parking.⁷

4.14 Finance summarised the poor condition of the existing tenancy:

For some time now the inadequacies of the current Sydney CPO have been impacting upon many stakeholders, who range from tenants to Comcar drivers and all sorts of visitors. We formed a view with PM&C some time ago that it clearly was no longer fit for purpose and could not be made so. It has a very dated and inefficient fit-out and has no flexibility. It is established within a building with dated amenities, with difficult access, with inadequate car parking and vehicular access, and a very limited security infrastructure. In comparison with the other CPOs around Australia, the Sydney facilities – which are the busiest in the country – are quite obviously the worst.⁸

4.15 The Committee is satisfied that there is a need for the proposed works.

Scope of the works

4.16 The proposed scope of the works is detailed in Submission 1: Department of Finance and Deregulation.⁹

4.17 The proposed location for the new CPO is 1 Blich Street, Sydney. The building was recently constructed for DEXUS, and is the first six-star, green star building in Sydney and New South Wales.¹⁰ Further details on the building at 1 Blich Street are provided in Finance's submission to the inquiry,¹¹ and at the building's website.¹²

4.18 It is proposed to lease levels 19, 20 and 21 of 1 Blich Street. Finance discussed the space to be leased:

The lease is over three floors with a total floor space of 4,891 square metres. That is 479 fewer than we have at the moment, which is an 8.9 per cent reduction. We are clearly of the view that

7 Department of Finance and Deregulation, Submission 1, pp. 7-8.

8 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, pp. 1-2.

9 Department of Finance and Deregulation, Submission 1, pp. 12-19.

10 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 1.

11 Department of Finance and Deregulation, Submission 1, pp. 14-16.

12 <www.1blich.com.au>

we will achieve a far better facility through contemporary design, shared facilities and an intelligent use of what is simply a better building.¹³

The proposed Sydney CPO will comprise the following facilities:

- six or more Ministerial suites – open planned space for staff and a separate enclosed office for the Minister
- one electorate office suite
- one Opposition Leader suite – as for Ministerial suite
- ten or more visitor suites – open planned office for staff and a separate enclosed office
- M&PS NSW State Office
- a range of different sized conference/meeting spaces
- security/reception
- tele-presence room
- media room
- informal meeting spaces
- breakout spaces with small kitchen facilities
- kitchen
- waiting space
- storage rooms.¹⁴

4.19 It is also proposed to co-locate facilities for the Department of Prime Minister and Cabinet, including the Prime Minister's office, the Cabinet Room and office suites.¹⁵

4.20 Finance explained that all CPOs should be constructed to a consistent standard. Due to the design, age and level of amenity that it provides, the Brisbane CPO has been used as the basis from which to compare potential sites for the new Sydney CPO.¹⁶

13 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 2.

14 Department of Finance and Deregulation, Submission 1, pp. 12-13.

15 Department of Finance and Deregulation, Submission 1, p. 13.

16 Department of Finance and Deregulation, Submission 1, p. 12.

- 4.21 The Committee finds that the proposed scope of works is suitable to meet the need.

Cost of the works

- 4.22 The estimated cost of the project is \$21 million excluding GST.¹⁷
- 4.23 The estimate of project cost is based on the indicative estimate prepared by Finance's project consultants (WT Partnership and Davis Langdon).¹⁸
- 4.24 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

Project issues

Options considered

- 4.25 The Committee examined the options considered by Finance for a new CPO. Finance's submission outlined a value for money assessment:

In order to ascertain which option represents best value for money to Government over the life of the lease, a cost benefit analysis (CBA) was conducted on the available options. The CBA also included analysis of alternatives to leasing; Commonwealth ownership under a 'Design, Build, Operate' (DBO) model, and comparison to the Status Quo. This was completed in consultation with Project Inception Branch, consistent with the Commonwealth Property Management Framework. The CBA yielded that the lowest net present cost, and hence best value for money, is achieved by leasing space at 1 Bligh Street.¹⁹

- 4.26 Finance elaborated on its cost benefit analysis process:

The cost-benefit analysis that was done looked at a whole range of options, which included staying at 70 Phillip Street and the cost therefore of bringing it up as far as it could be by the cost of a refit to acceptable standards. The cost-benefit analysis also looked at a couple of leasing options, including on 1 Bligh Street, and it looked

17 Department of Finance and Deregulation, Submission 1, p. 20.

18 Department of Finance and Deregulation, Submission 1, p. 20.

19 Department of Finance and Deregulation, Submission 1, p. 4.

at other options which are not really there, such as the purchase of premises or designing, building and operating our own premises. Taking all those together, the option of leasing and fitting out 1 Bligh Street in net dollars today over the life of the lease represented a significant saving for the Commonwealth.²⁰

- 4.27 When asked how expensive a refit of 70 Phillip Street would be, Finance stated:

There was an estimate done two years ago that refurbishment costs in 70 Phillip would exceed \$9 million. That would not factor in the cost of having to move people out, which would be quite expensive as well, and, as we said, it still would not achieve anything like the desirable result.²¹

- 4.28 In considering that refit cost, Finance explained that 70 Phillip Street would still have fundamental problems:

... I think even that would not be able to produce an outcome that can be achieved in 1 Bligh Street, for a range of reasons, mainly around the nature of the building and the fact we cannot change the nature of the building. It is a strata title building. That poses difficulties in doing anything with the base building.²²

Committee comment

- 4.29 The Committee is satisfied that Finance has fully considered all feasible options for the establishment of a new CPO in Sydney, and that the selected option is a practical, long term solution that represents value for money for the Commonwealth.

Media facilities

- 4.30 The Australian Broadcasting Corporation (ABC) provided a submission to the inquiry, regarding media facilities at the Sydney CPO. In particular, the lack of live broadcast link capacity is a key concern.²³
- 4.31 The ABC stated that major announcements of national significance have been held at 70 Phillip Street, but in the absence of live broadcast link the

20 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 3.

21 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 9.

22 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 6.

23 Australian Broadcasting Corporation, Submission 2, p. 1.

public has not been informed about them until well after the event has concluded.²⁴

4.32 When asked if the new CPO will address this situation, Finance explained:

... it is one of the clear faults of the current tenancy that we do not have a dedicated media facility. The new tenancy will have that and it will have live feeds to all the majors.²⁵

Committee comment

4.33 The Committee thanks the ABC for its submission and appreciates that Finance has addressed the concern raised in that submission.

4.34 Although the issue may seem minor, the capacity for live broadcast of announcements of national significance from the CPO is essential in a modern communications environment.

Final Committee comment

4.35 The Committee was satisfied with the evidence provided by the Department of Finance and Deregulation regarding the proposed project.

4.36 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.

Recommendation 3

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 fit-out of Commonwealth Parliamentary offices at 1 Bligh Street, Sydney, NSW.

24 Australian Broadcasting Corporation, Submission 2, p. 1.

25 Mr G. Miles, Department of Finance and Deregulation, *transcript of evidence*, 3 May 2012, p. 7.

Ms Janelle Saffin MP

Chair

25 June 2012