

Costs and Benefits

Project Delivery

- 4.1 The Department of Finance and Administration (DoFA) advised in its submission that, subject to a favourable report from the Committee, construction is planned for January 2002 with a completion date of December 2003.¹
- 4.2 DoFA observed that the engagement of a head contractor under a lump sum fixed price contract was the most appropriate form of delivery at a minimum cost and least risk. DoFA noted that this method of project delivery should meet the risk profile of the project which includes design control, quality and cost.²
- 4.3 Hassel Pty Ltd (Design Services) and Rawlinsons (Aust) Pty Ltd (Cost Planning Services) have been appointed consultants to provide Design and Cost Planning Services. Appointments were made by open tender process.³
- 4.4 At the public hearing Mr Barry Jackson, Assistant Secretary, Property Group, Department of Finance and Administration, restated DoFA's intention that the method of delivery will be to take full documented drawings to the tender and a lump sum price provided from a builder.

1 Submissions Volume 1, p. 15.

2 Submissions Volume 1, p. 15.

3 Submissions Volume 1, p. 16.

Mr Jackson also noted that should the price exceed the current level of funding, the design proposals would be reviewed.⁴

Costs

- 4.5 DoFA's submission advised that the estimated cost of the proposal was \$73.7 million inclusive of contingencies, all professional fees, authority charges, built-in furniture and fittings and loose furniture (to the main public areas and expanded courts areas). The figure also included escalation costs to the original completion date. Other loose furniture items are not included.⁵
- 4.6 The confidential estimates submitted to the Committee noted that the costs exclude GST which was considered to be cost neutral over the life of the project.⁶
- 4.7 The \$73.7 million figure was advised to the Committee in DoFA's submission dated November 2000. On 28 March 2001, DoFA produced a set of confidential costs which also showed the estimated figure for the project to be \$73.7 million. On 6 April 2001, DoFA again wrote to the Committee and advised that 'an error was discovered in the earlier copy...' and submitted a further set of figures which continued to show that the cost was still estimated at \$73.7 million.
- 4.8 However, the Committee received a supplementary submission dated 20 April 2001 which advised that the figure for the project had increased by \$2.9 million to \$76.600.⁷ DoFA advised that the Acting Minister for Finance and Administration had approved an additional funding of \$2.9 million. DoFA further advised that the confidential estimate costs had been revised to reflect that approval and to provide for indexation to December 2003, the anticipated completion date.⁸
- 4.9 At the public hearing, DoFA noted that the original approval was in the context of the 1999-2000 Budget. The figure of \$73.7 million was based on the South Australian Government 'making the site available by July 2001 and a completion date of December 2002.'⁹

4 Evidence, p. 13.

5 Submissions Volume 1, p. 15.

6 Committee File: Adelaide Law Courts 2.4

7 Submissions Volume 1, p. 175.

8 Submissions Volume 1, p. 175.

9 Evidence, p. 4

- 4.10 According to DoFA, a Commonwealth-State land swap agreement provides for the site to be available by 31 December 2001 and the completion date had extended to December 2003. The additional funding, 'if required,' would be for the 'adjusted construction period' and includes indexation to December 2003.¹⁰
- 4.11 The Committee sought a further explanation from DoFA as to why the additional costs were advised a few days before the public hearing. Mr Jackson explained that DoFA intended 'to maintain the original integrity of the budget wherever possible,' and 'that revisions to the original budget had been 'ongoing on a daily basis.' Mr Jackson added that the information provided to the Committee 'was the best available' at the time. However, subsequent work by the design team and cost planners recommended a budget at a slightly higher level.¹¹

Benefits: Energy Use

- 4.12 The Committee was pleased that DoFA had sought to ensure that the proposed complex was designed with energy efficiency in mind. The Committee noted at the public hearing that it was a very good trend in the development of Commonwealth buildings.
- 4.13 DoFA proposes that the design plan will incorporate the following energy saving and sustainable features in order to reduce the building's reliance on the usage and consumption of greenhouse gas producing fossil fuels:
- the provision of a building management system that comprises software based dynamic image, colour visual displays. The energy performance of the building can be monitored to allow the system operators to obtain maximum energy savings;
 - the capture and reuse of rainwater for flushing, evaporative cooling and water displays;
 - the use of air-conditioning economy cycles and utilising to maximum advantage Adelaide's Mediterranean climate;
 - the intelligent utilisation of natural light from the extensively glazed areas;

10 Evidence, pp. 4, 8-9, 15.

11 Evidence, p. 9.

- solar energy for the production of hot water and to generate electricity for use in other sustainable systems such as evaporative cooling and the pumping of captured rainwater;
 - from the shaded areas of the building site, the automatically controlled use of cool summer night air to flush out the building voids and reduce accumulated heat;
 - using shade building elements to reduce the summer direct sun through external glazing and consequently the air-conditioning heating loads;
 - minimal level of exposed western face glazing to reduce the high summer heat loads and direct radiant heating effects.¹²
- 4.14 DoFA also advised that an advantage of the proposed site in Victoria Square is that it enables its occupants to enjoy significant access to a northern aspect, unencumbered by buildings in the foreground. Added to this, the building's orientation is largely north-south, which has energy efficiency advantages. On the other hand, some compromises would need to be made in respect to the King William Street site.¹³

Current Leases

- 4.15 DoFA advised that commercial leases for the existing court facilities were renewed in 1995 and 1996. At the same time limited 'special fit-out works were undertaken'. The current lease arrangements are as follows:
- the Federal Court: 10 years (1 September 1995 to 30 August 2005); and
 - the Family Court: 10 years (1 July 1996 to 30 June 2006).¹⁴
- 4.16 In reply to Committee concern about the 1995-96 fit-out costs to the current premises, DoFA explained that the existing leases were between a private sector party and the individual jurisdictions that occupy the building. The refurbishment costs, DoFA noted, were approximately \$1.27 million and were funded out of a lease incentive of \$2 million. The remainder was used to offset rent.¹⁵

12 Submissions Volume 1, p. 26.

13 Mr Shannon, Evidence, p. 8.

14 Submissions Volume 1, p. 5.

15 Evidence, p. 30.

- 4.17 The Committee also sought comments regarding the future re-leasing of the premises with leases that have been entered into until 2005-06.
- 4.18 DoFA replied that the indications are that the rental market in Adelaide for such property was 'fairly scarce' at the present time. Potentially the respective jurisdictions have a period of 18 months to two years to negotiate with their landlord an early release from the rented premises. In conjunction with the jurisdictions, a rental mitigation strategy will be established to assist them to reduce ongoing liability for the property.¹⁶

Options

- 4.19 Paragraphs 30 to 34 of DoFA's submission outline the options considered. These were:
- availability of alternative replacement space;
 - potential to assign the current leased space to another tenant; and
 - the development potential of three sites:
 - ⇒ the Commonwealth's own vacant site in King William Street;
 - ⇒ a site in Angas Street owned by the South Australian Government on which the State Police Headquarters building is currently located; and
 - ⇒ a second Angas Street site known as the Tram Barn site, also owned by the South Australian Government.
- 4.20 A Jones Lang Wootton report commissioned by the Attorney-General's Department recommended that a new Commonwealth Law Courts development would be more suited to the South Australian Government's site in Angas Street.¹⁷
- 4.21 The Commonwealth Government therefore entered into an agreement to swap its own vacant site in King William Street for the Angas Street site on which currently stands the State Police Headquarters. The agreement provides for the cleared Angas Street site to be exchanged by 31 December 2001.¹⁸

¹⁶ Evidence, p. 5.

¹⁷ Submissions Volume 1, p. 8.

¹⁸ Submissions Volume 1, p. 5.

- 4.22 In addition, an analysis was made as to whether the Commonwealth should own or lease the new facility. This was undertaken in accordance with Commonwealth Property Principles. The analysis concluded that ownership by the Commonwealth satisfied the public interest criteria of the Commonwealth Property Principles.¹⁹

Site Exchange

- 4.23 The Committee sought advice as to whether there was value for the Commonwealth in choosing to swap the Commonwealth-owned site in King William Street for the State-owned site in Angas Street.
- 4.24 Mr Michael Fish, Manager, Executive Branch, Attorney-General's Department, explained that that the site swap was the result of an approach by the South Australian Government. The Premier's Department was keen for the Commonwealth to move forward with the construction of a purpose-built Commonwealth Court complex in Adelaide. It proposed the State police headquarters in Angas Street as a suitable location. Mr Fish noted that the Police building site was discussed with the Commonwealth jurisdictions.
- 4.25 Mr Fish observed that the value of the Angas Street site, valued by the Australian Valuation Office at \$1 million in excess of the Commonwealth's existing site on King William Street, was reflected in the prominence of the position it holds on Victoria Square.
- 4.26 Mr Fish also advised that the Commonwealth considered the urban design advantage of the Angas Street site outweighed those of the King William Street site. In addition, note was taken of the South Australian Government's view that the Angas Street was more appropriate.
- 4.27 Mr Timothy Shannon, Managing Director, Hassell Pty Ltd made the following comments in support of the Angas Street site:
- the Angas Street site would ensure the proposed building will be part of the family of buildings in Victoria Square;
 - the proposed building's frontage will enjoy the Magistrate's court and the Supreme Court as neighbours; and

¹⁹ Submissions Volume, p. 9.

- all the important and symbolic court buildings have a presence into Victoria Square. This means the proposed complex will be part of that family of buildings.²⁰

20 Mr Shannon, Evidence, p. 8.