
The Parliament of the Commonwealth of Australia

**Fit-out of New Leased
Premises for the Australian
Taxation Office at the Site
known as Section 84,
Precincts B and C, Canberra
City, ACT**

House of Representatives
Parliamentary Standing Committee on Public Works

May 2006
Canberra

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ISBN 0 642 78779 4 (printed version)

ISBN 0 642 78780 8 (HTML version)



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Membership of the Committee

Chair Hon Judi Moylan MP

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Members Mr John Forrest MP

Senator Michael Forshaw

Mr Harry Jenkins MP

Senator Stephen Parry

Mr Bernie Ripoll MP

Senator the Hon Judith Troeth

Mr Barry Wakelin MP

Committee Secretariat

Secretary Mrs Margaret Swieringa

Inquiry Secretaries Mr Raymond Knight

Ms Vivienne Courto

Research Officer Ms Penelope Wijnberg

Administrative Officer Mr Peter Ratas



List of Abbreviations

ABGR	Australian Building Greenhouse Rating
ACT	Australian Capital Territory
ATO	Australian Taxation Office
BCA	Building Code of Australia
CBD	Central Business District
GST	Goods and Services Tax
the Act	<i>Public Works Committee Act 1969</i>
SCEC	Security Construction and Equipment Committee
SES	Senior Executive Service



Extract from the Votes and Proceedings of the House of Representatives

No 78 dated Thursday 8 December 2005

14 PUBLIC WORKS—PARLIAMENTARY STANDING COMMITTEE—
REFERENCE OF WORK—FIT-OUT OF NEW LEASED PREMISES FOR THE
AUSTRALIAN TAXATION OFFICE AT THE SITE KNOWN AS SECTION 84,
PRECINCTS B & C, CANBERRA

Dr Stone (Parliamentary Secretary to the Minister for Finance and Administration), pursuant to notice, moved—That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Fit-out of new leased premises for the Australian Taxation Office at the site known as Section 84, Precincts B & C, Canberra.

Question—put and passed.



List of Recommendations

3. Issues and Conclusions

Recommendation 1

The Committee recommends that the works related to the fit-out of new leased premises of the Australian Taxation Office proceed at the estimated cost of \$76.879 million, noting that any money saved due to lease incentives will be returned to Consolidated Revenue.

Introduction

Referral of Work

- 1.1 On 8 December 2005, the proposal to fit-out the new leased premises for the Australian Taxation Office (ATO) was referred to the Public Works Committee for consideration and report in accordance with the *Public Works Committee Act 1969* (the Act)¹. The proponent agency for this work is the ATO.
- 1.2 The Hon Dr Sharman Stone MP, Parliamentary Secretary to the Minister for Finance and Administration, advised the House that the estimated cost of the project would be \$66.8 million. Subject to parliamentary approval, the proposed fit-out and associated installation of services will be integrated into the base-building as much as possible, and are planned for completion in May and November 2007.

Background

The Site

Options Considered

- 1.3 The ATO tested the market with open parameters to give the greatest opportunity to consider all possible options and enable the ATO to

1 Extract from the *Votes and Proceedings of the House of Representatives*, No 78, Thursday 8 December 2005

achieve maximum value for money from rental commitments. As there were no existing buildings of 60,000 square metres and very few development opportunities for a building of this size, it was envisaged that ATO would need to cluster options together to achieve the required 60,000 square meters of office space² in the Central Business District (CBD).

- 1.4 Twelve responses were submitted in reply to the ATO's advertisement for expressions of interest for the provision of office accommodation in the Canberra CBD.
- 1.5 The proposal for two new buildings providing 60,000 square metres of new office space in Canberra City rated highest after the non-financial assessment and was only marginally lower than the best offer in financial terms. This option had the considerable advantage of providing new buildings, presenting the opportunity for collocation, and clearly offered the best value-for-money solution.

Inquiry Process

- 1.6 The Committee is required by the Act to consider public works over \$6 million³ and report to Parliament on:
 - the purpose of the work and its suitability for that purpose;
 - the need for, or the advisability of, carrying out the work;
 - whether the money to be expended on the work is being spent in the most cost effective manner;
 - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
 - the present and prospective public value of the work⁴.
- 1.7 The Committee called for submissions by advertising the inquiry in the *Canberra Times* on Saturday, 18 February 2006. Submissions were also sought from relevant government agencies, ACT government, private organisations and individuals, who may be materially affected by, or have an interest in, the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

2 Appendix C, Submission No. 1, paragraph 1.2.2

3 *Public Works Committee Act 1969*, Part III, Section 18 (8)

4 *ibid*, Section 17

Inspection and Public Hearing

- 1.8 On 17 February 2006, the Committee inspected the site and environs of the proposed works. A confidential briefing from the ATO and a public hearing were held at Parliament House, Canberra, later that day⁵.

⁵ See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday, 17 February 2006 in Canberra

The Proposed Works

Purpose

- 2.1 The purpose of the proposed work is to fit-out newly leased premises to enable relocation of all ATO staff to a single complex. The current arrangements whereby the National Headquarters of the ATO is spread across seven buildings in the Canberra CBD is inefficient both administratively and in terms of work practices. The opportunity is now available for the ATO to create a national headquarters building that offers collocation for all staff in a single complex which will give the ATO the opportunity to implement more collaborative work practices, uniformity of workspace and administrative efficiencies¹.

Need

- 2.2 The national headquarters of the ATO is currently located in several leased premises in the Canberra CBD² and there are considerable inefficiencies in this arrangement. Further, the leases on these buildings will gradually expire from May 2006 until June 2008³.

1 Appendix C, Submission No. 1, paragraph 1.1.1

2 *ibid*, paragraph 1.1.4

3 *ibid*

- 2.3 Currently ATO staff are accommodated at an average of 13.7 square metres per person across its CBD portfolio. This is proving inadequate to meet changing business needs, with particular pressure on appropriate meeting, conference and training facilities⁴.

Scope

- 2.4 The ATO will lease the new office accommodation for 15 years with three five-year options and will be undertaking an office fit-out integrated with construction of the buildings⁵.
- 2.5 The fit-out design is predominantly open plan with modular workstations supported by enhanced meeting capacity, homerooms, breakout areas and support facilities. All offices and formal meeting areas will be located in the core of the building to maximise the use of natural light for the majority of staff. These offices and meeting areas are modular and will be fully interchangeable as business requirements dictate. The ATO is investigating the use of demountable partitions to reduce the long-term costs of changes in these configurations. Offices will only be provided to Senior Executive Service (SES) officers⁶.
- 2.6 It is expected that in the new buildings staff will be allocated 15.5 square metres of space on a per capita basis which, according to the ATO submission, is highly efficient in the current climate⁷.

Project Delivery

- 2.7 The ATO plans to construct the fit-out concurrently with the base building⁸. The benefits of the integrated fit-out are expected to be:
- lower costs;
 - time savings;
 - single project team managing the work; and

4 Appendix C, Submission No. 1, paragraph 1.1.5

5 *ibid*, paragraph 1.10.6

6 *ibid*, paragraph 1.10.9

7 *ibid*, paragraph 1.9.1

8 *ibid*, paragraph 2.19.1

- less duplication of resources⁹.

2.8 Precinct B is scheduled for completion in May 2007 and Precinct C is scheduled for completion in November 2007. This will allow for progressive relocation into the new buildings over a period of two to three months¹⁰.

Cost

2.9 The estimated cost for the fit-out is \$76.879 million¹¹. This figure includes:

- GST;
- contingency;
- escalation costs; and
- project costs¹².

9 Appendix C, Submission No. 1, paragraph 2.19.2

10 *ibid*, paragraph 2.20.1

11 Letter from John Cheney, 24 March 2006

12 *ibid*

Issues and Conclusions

Transport Issues

Car Parking

- 3.1 The ATO informed the Committee that the new premises would provide 677 car parking spaces, with approximately 150 – 160 of these used for the executive service and fleet vehicles. The remaining car parking spaces will be allocated to staff through a ballot system and will be user-pays¹. Further, the Committee heard that the building next door to the new premises would be a multi-story car park, which staff could use. The ATO is of the opinion that, as it already has premises in the city, the impact of the move on the staff's current parking arrangements would be minimal².

Other Forms of Transport

- 3.2 The ATO told the inquiry that, while it believed most people drove to work, the new premises would provide 437 bike racks, lockers and showers for those staff who choose to cycle to work³.

1 Appendix D, Official Transcript of Evidence, page 3

2 ibid

3 ibid, page 4

Project Delay

- 3.3 The Committee inquired what implications there would be for the ATO's current leases if the construction of the new buildings were to be delayed in any way. The ATO responded that it had already extended two of its leases, and by the time the main building is due to come off-lease in December 2007, the ATO would be well into building B. Further, the ATO stated that the fact that it currently leases seven premises in the CBD, all with different lease expiry dates, gives it some flexibility in regard to construction delays⁴.

Codes and Standards

Australian Building Greenhouse Rating

- 3.4 In its submission, the ATO states that:

Section 84's high performance building structure and application of sustainable design principles will ensure a high energy rating throughout the buildings' life cycles.⁵

- 3.5 The new premises will have an Australian Building Greenhouse Rating (ABGR) of 4.5. The ATO informed the Committee that 12 months after occupation, the building would undergo an audit to ensure that this standard is being met. Further, this audit will occur every year⁶ and:

The lessor's responsibility for ongoing environmental management of the building is specified in the lease⁷.

Security

- 3.6 In response to questions about the security of the new premises, the ATO informed the Committee that moving from seven buildings into two would enhance security, as there would effectively be only two entry

4 Appendix D, Official Transcript of Evidence, page 4

5 Appendix C, Submission No. 1, paragraph 2.8.1

6 Appendix D, Official Transcript of Evidence, page 5

7 Appendix C, Submission No. 1, paragraph 2.8.6

points and perimeter security would be easier to manage⁸. Further, there would be closed circuit television cameras located at the new premises⁹.

- 3.7 The ATO believes that there will be no collocation issues as Building C will be occupied by the ATO alone. While Building B will have retail and commercial premises below the ATO offices, access to the office tower will be controlled by entry via a dedicated level¹⁰. The ATO also informed the Committee that it is receiving external advice from a Security Construction and Equipment Committee (SCEC) approved consultant¹¹.

Fire Standards

- 3.8 In its submission, the ATO states that there will be provision of fire services in accordance with Building Code of Australia (BCA) and local fire brigade authority requirements¹².

- 3.9 The Committee heard that the building will contain:

- sprinklers;
- fire panels;
- fire stairs;
- paths of travel; and
- an Early Smoke Detection System in the computer room¹³.

Disabled Access

- 3.10 In response to queries relating to access, the ATO informed the Committee that disabled car parks would be provided, and that the buildings would comply with all the relevant codes and standards¹⁴.

8 Appendix D, Official Transcript of Evidence, page 7

9 ibid

10 ibid

11 Appendix D, Official Transcript of Evidence, page 7

12 Appendix C, Submission No. 1, paragraph 2.12.1

13 Appendix D, Official Transcript of Evidence, page 7

14 ibid

Costs

- 3.11 The ATO submits that the budget for the fit-out of Section 84 is \$66.08 million¹⁵. At a confidential briefing on project cost details, the ATO amended the amount to \$76.879 million including GST. The Committee enquired into the reasons for the increase and was satisfied by the information provided by the ATO.

Recommendation 1

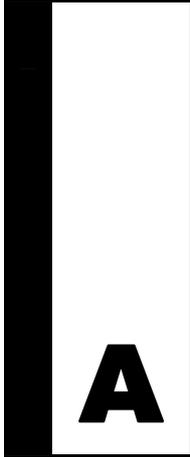
The Committee recommends that the works related to the fit-out of new leased premises of the Australian Taxation Office proceed at the estimated cost of \$76.879 million, noting that any money saved due to lease incentives will be returned to Consolidated Revenue.

Hon Judi Moylan MP

Chair

10 May 2006

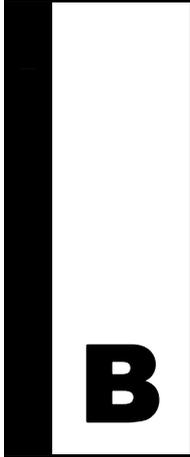
¹⁵ Appendix C, Submission No. 1, paragraph 2.18.1



Appendix A – List of Submissions

Submissions

1. Australian Taxation Office
2. Mr Simon Corbell MLA, ACT Minister for Planning
3. Department of Environment and Heritage – Australian Greenhouse Office

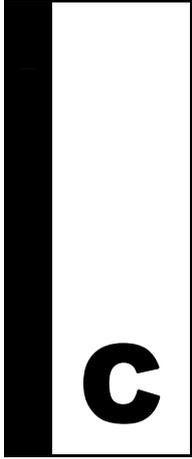


Appendix B – List of Witnesses

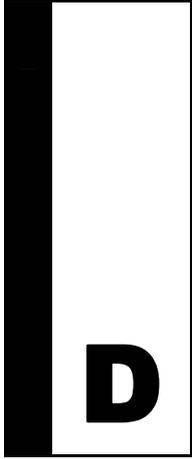
Mr Maurice Ryan, Project Director, Australian Taxation Office

Mr John Cheney, Assistant Commissioner, Property Services, Australian Taxation Office

Mr Domenico Di Luzio, National Client Manager, United Group Services Pty Ltd



**Appendix C – Submission No. 1 from the
Australian Taxation Office**



Appendix D – Official Transcript of Evidence