

Report 3/2012

# Referrals made November 2011 to March 2012

- **Proposed development and construction of housing for Defence at Rasmussen, Townsville**
- **Proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories**
- **Proposed fit-out of Commonwealth Parliamentary offices at 1 Bligh Street, Sydney, NSW**

Parliamentary Standing Committee on Public Works

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## Membership of the Committee

**Chair** Ms Janelle Saffin MP

**Deputy Chair** Mr John Forrest MP

**Members** Mrs Karen Andrews MP

Senator Sue Boyce

Senator Alex Gallacher

Mr Steve Georganas MP

Ms Jill Hall MP

Mr Patrick Secker MP

Senator Anne Urquhart

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## List of recommendations

### 2 Proposed development and construction of housing for Defence at Rasmussen, Townsville

#### Recommendation 1

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 development and construction of housing for Defence at Rasmussen, Townsville.

### 3 Proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories

#### Recommendation 2

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 improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories.

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

#### 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.



## Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Special Minister of State.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.<sup>1</sup>
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
  - the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
  - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
  - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
  - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
  - the clearing of land and the development of land for use as urban land or otherwise; and
  - any other matter declared by the regulations to be a work.<sup>2</sup>

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1 The *Public Works Committee Act 1969*, (the Act) Part III, Section 18 (8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work, and work by prescribed authorities listed in the *Regulations*.

2 The Act, Section 5.

- 1.4 The Act requires that the Committee consider and report 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 work.<sup>3</sup>
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

## Structure of the report

- 1.6 Works considered in this report were referred to the Committee in November 2011 and March 2012. The works were referred by the Special Minister of State, the Hon Gary Gray AO MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on major issues of concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the proposed development and construction of housing for Defence at Rasmussen, Townsville. The project is estimated to cost \$261.7 million.
- 1.11 Chapter 3 addresses the proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories. The project is estimated to cost \$19.5 million.
- 1.12 Chapter 4 addresses the proposed fit-out of Commonwealth Parliamentary offices at 1 Bligh Street, Sydney, NSW. The project is estimated to cost \$21 million.

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3 The Act, Section 17.

- 1.13 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.



## Proposed development and construction of housing for Defence at Rasmussen, Townsville

- 2.1 Defence Housing Australia (DHA) seeks approval to construct dwellings for Australian Defence Force (Defence) personnel at a site at Rasmussen, Townsville, Queensland.
- 2.2 DHA will develop approximately 1,180 allotments plus one medium density site for the provision of housing, and intends to construct houses for Defence families on 401 of those lots.
- 2.3 The purpose of the project is to maintain or reduce the number of Defence personnel and their families residing in private rental accommodation in the Townsville area. The project also aims to replace housing returned to investors at end of lease and replace existing housing that no longer meets Defence standards.
- 2.4 This proposed development and construction project was referred to the Committee on 24 November 2011.

### Conduct of the inquiry

- 2.5 Following referral, the inquiry was advertised nationally and submissions sought from those with direct interest in the proposed project.
- 2.6 The Committee received one submission and a supplementary confidential submission from DHA. A list of submissions can be found at Appendix A.
- 2.7 The Committee conducted a public hearing on the project and an in-camera hearing on the project costings on 1 May 2012, in Townsville.

- 2.8 A transcript of the public hearing and a copy of DHA's public submission to the inquiry are available on the Committee's website.<sup>1</sup>

## Need for the works

- 2.9 Lavarack Barracks in Townsville, Queensland, is one of Defence's largest bases and home of the 3<sup>rd</sup> Brigade which forms the core of the Australian Army's Ready Deployment Force.<sup>2</sup>
- 2.10 The base currently supports a population of 3,817 military and 626 civilian personnel. DHA has identified a growing need over the next five years to provide new housing accommodation for families of Defence personnel working in the Townsville area.<sup>3</sup>
- 2.11 Of the total Defence personnel residing in the Townsville area, 2,100 are Members with Dependents (MWD). As of 1 June 2011, 13.2 per cent (280 families) of the MWDs were on Rental Allowance (RA) which is the provision of an allowance to assist members in sourcing their own accommodation in the private rental market. Defence policy and DHA contractual obligations require that no more than 15 per cent of members be on RA.<sup>4</sup>
- 2.12 To maintain the housing stock in Townsville at acceptable levels, DHA must provide approximately 80 new dwellings per year in order to:
- maintain or reduce the number of members on RA
  - replace housing returned to investors at end of lease
  - replace existing housing that no longer meets Defence standards.<sup>5</sup>
- 2.13 In its submission to the inquiry, DHA explained that it is pursuing a mix of measures to meet future Defence housing needs in Townsville.
- 2.14 DHA suggested that the purchase and development of a greenfield site is appropriate at this time, for the following reasons:
- Defence has a requirement to integrate Defence families into the wider communities. A local community, of which approximately 30 per cent are Defence families, has traditionally met Defence social requirements.

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1 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

2 Defence Housing Australia, Submission 1, p. 5.

3 Defence Housing Australia, Submission 1, p. 5.

4 Defence Housing Australia, Submission 1, p. 5.

5 Defence Housing Australia, Submission 1, p. 5.

This is consistent with the percentage of rental properties in the broader community.

- DHA operates in a commercial manner. This development and construction methodology is the most cost effective way to meet Defence housing and social requirements and for DHA to meet the required return to shareholders.<sup>6</sup>

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

### Scope of the works

2.16 The proposed scope of the works is detailed in Submission 1: Defence Housing Australia.<sup>7</sup>

2.17 DHA plans to develop 1,180 residential allotments plus one medium density site, in 30 Stages, on a site of approximately 99 hectares. DHA then intends to construct 401 dwellings (approximately 33 per cent of the total development) to supply housing for Defence personnel.

2.18 DHA discussed broader planning issues for the site:

The development of the site will be undertaken generally in accordance with the concept plan, provided in supplementary item No. 2 of our submission. The site is highly irregular, as it is made up of 10 separately titled lots covering an area of approximately 99 hectares. The site is zoned as suitable for residential development. When DHA purchased the site in December 2010, there was an existing concept master plan with a number of approvals in place. Since acquiring the site, DHA has reviewed the existing approvals and developed an enhanced concept master plan in consultation with Townsville City Council and other relevant stakeholders. The current concept master plan provides an arrangement of lots more suited to the needs of DHA and the local market and provides a more even distribution of open space.<sup>8</sup>

2.19 DHA elaborated on the broader planning concepts for the development:

The proposed allotment mix will introduce variety to accommodate lifestyle options and provide a range of price points

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6 Defence Housing Australia, Submission 1, pp. 7-8.

7 Defence Housing Australia, Submission 1, pp. 13-24.

8 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 1.

to meet local market expectations, as well as DHA's objective to meet defence housing needs through the provision of high-quality attached and detached housing that is financially viable and attractive to investors and integrates with the surrounding community. The allotments to be developed on the site have been designed to maximise opportunities for buildings to be developed in a cost-effective and timely way that responds to the solar paths and prevailing breezes, cater for an outdoor-orientated lifestyle and engage with streets to create a cohesive and inclusive streetscape. The road network has also been developed to incorporate a number of potential bus routes. The master plan consists of formal and informal open spaces, linked by a green corridor along principal roads. This is intended to serve multiple functions, including a recreational space, pedestrian and bicycle linkages and stormwater treatment. The natural features of the site have been recognised and provision has been made for connections to regional open space opportunities along the Ross and Bohle rivers.<sup>9</sup>

- 2.20 Subject to Parliamentary approval, construction is planned to commence on the project by February 2013, with the first houses being delivered by October 2014. The project completion would be expected by December 2023.<sup>10</sup>
- 2.21 The Committee finds that the proposed scope of works is suitable to meet the need.

## Cost of the works

- 2.22 The estimated overall project cost is \$261,709,213, including GST, but excluding the purchase of the land and escalation.<sup>11</sup>
- 2.23 The cost will be met from DHA equity and debt funding and will be recovered through sale of individual lots to the general market and the sale of DHA constructed housing through its Sale and Lease Back program.<sup>12</sup>
- 2.24 The Committee is satisfied that the costings of the project provided to it have been adequately assessed by the proponent agency.

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9 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 2.

10 DHA, Submission 1, p. 24.

11 DHA, Submission 1, p. 24.

12 DHA, Submission 1, p. 24.

## Project issues

### Flooding

- 2.25 The Committee raised the issue of flooding in the region, and the potential for large flood events to impact on the Rasmussen site.
- 2.26 DHA stated that the high side of the site of the proposed development is the Ross River, with the entire site draining west towards the Bohle River.<sup>13</sup>
- 2.27 DHA explained that the Townsville City Council has produced a flood report for the Bohle River:
- They have looked at a whole stream of measures and a whole stream of hydrology cases. They have worked out the worst event, which factors in a one-in-100-year event. They have done a risk assessment of other events and deemed that a one-in-100-year setting and a one-in-50-year flood envelope is appropriate for development in the Bohle River flood plain.<sup>14</sup>
- 2.28 DHA stated that the proposed development will be above the one-in-100-year flood event level:
- The base of the houses, the concrete floor of the houses, on our site is designed to be 450 millimetres about the Q50 flood line, which puts it above the Q100 flood line.<sup>15</sup>
- 2.29 DHA discussed the assessment of flood potential:
- The flood report that council released shows that the site itself is clear of the Q50 flood ... the one-in-50-year flood. That is deemed the definable flood event in the Townsville area by Townsville City Council after some considerable risk assessment, except for some minor areas where the drains encroach on the development, which are not to be developed anyway ... the development is proposed to be able to provide lots that are clear of the Q50-defined flood event but also such that any floor levels would be located 450 millimetres above the Q50 level.<sup>16</sup>

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13 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 5.

14 Mr P. Brady, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 5.

15 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 5.

16 Mr P. Brady, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 5.

2.30 DHA explained further:

The flood study also has a Q100 run where it provides flood levels within there. In the vicinity of this development the Bohle River shows a difference in flood level between the Q50 and the Q100 – or the one-in-50-year event and the one-in-100-year event – of approximately 100 millimetres. Therefore the floor levels would actually be 350 millimetres above the Q100 event.<sup>17</sup>

2.31 DHA reiterated that it is building to the requirements of state government and local authorities:

The recent review undertaken by the state government and the Brisbane City Council in relation to the floods that occurred in 2011 in Brisbane suggested that they upgrade the state standard to Q100 plus 300 millimetres. As I stated before, the design scenario for this development is Q100 plus 350 millimetres, so we are in excess of the recommendations of that state review.<sup>18</sup>

## Committee comment

2.32 The Committee pursued the issue of flooding, suggesting that the Q50 and Q100 floods are not the worst flood events which have the potential to occur, as recent flood events around the nation have shown.

2.33 The Committee accepts that DHA is developing and building on the Rasmussen site within normal guidelines and advice provided by local and state government agencies, regarding the potential for flooding.

## Traffic

2.34 The Committee asked DHA to elaborate on traffic issues associated with the proposed development.

2.35 DHA explained that Riverway Drive is the primary access to the site, however other access will come in from the north or south and there will be three entrances from Beck Drive to the west, as the site develops over time.<sup>19</sup>

2.36 DHA provided information on existing traffic volume and the predicted traffic volume during the development period:

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17 Mr P. Brady, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 5.

18 Mr P. Brady, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 6.

19 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 3.

The existing traffic on the road at the moment in the vicinity of the front entry [of the development site] is 14,400 vehicles per day. That is a daily traffic volume ... That is an aggregate total. The normal practice in Queensland is to do an analysis of the traffic 10 years past the end of development. The traffic models have predicted that the traffic volume at 10 years after development will be 25,900 vehicles per day ... It is a significant increase.<sup>20</sup>

2.37 DHA discussed traffic flows during peak time periods:

The traffic report actually has peak hourly traffic breakdowns for all of the intersections along that section of road. All of the traffic analysis is done based on peak hour volume – there is an AM peak and a PM peak. Some of those can vary in terms of which one controls the upgrade requirements for the intersection. Traditionally in Townsville, and this development is no different, the peak hour volumes are around 10 per cent of the daily traffic volume.<sup>21</sup>

2.38 The Committee observed that Riverway Drive immediately adjacent to the proposed development is a two lane carriageway (one lane each way). DHA discussed the plans to upgrade the road to make it a four lane carriageway:

The Department of Transport and Main Roads in our discussions with them have confirmed that the duplication of the two-lane carriage way to four lanes from Gollogly Lane, where it becomes four lanes, south to Allambie Lane, which is the road to the south of our development, will be upgraded within their five-year plan ... When we look at the traffic volumes, the normal duplication trigger in terms of vehicles per day is around 20,000 vehicles per day. So if you look at those traffic volumes the duplication in timing seems appropriate.<sup>22</sup>

2.39 DHA also explained that measures will be taken to minimise the impact of increased traffic flows on residents:

... one [issue of concern for residents] was the traffic access to and from Riverway Drive. We highlighted there our plans to put an intersection with traffic signals at our entry point onto Riverway Drive and highlighted that that would assist in breaking the traffic

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20 Mr P. Brady, UDP Consulting Engineers, *transcript of evidence*, 1 May 2012, p. 3.

21 Mr P. Brady, UDP Consulting Engineers, *transcript of evidence*, 1 May 2012, pp. 3-4.

22 Mr P. Brady, UDP Consulting Engineers, *transcript of evidence*, 1 May 2012, p. 4.

flows so that residents north of the site would have much easier access to and from their properties, because we are creating a break in the traffic ... we are building that part of stage 1 first up in the development.<sup>23</sup>

## Committee comment

- 2.40 The Committee was assured that DHA had fully considered the impact of the proposed development on traffic flows in the immediate area. The Committee appreciates that the Queensland Department of Transport and Main Roads' plan for the duplication of Riverway Drive will ensure appropriate traffic flows in Rasmussen, and that the installation of additional traffic lights will minimise increased traffic flow impacts on residents.

## Social and cultural planning

- 2.41 DHA stated that it has engaged a social and cultural planner to assess the impacts of having approximately 1,180 additional families use the existing schools and other public amenities in the Rasmussen area.<sup>24</sup>
- 2.42 DHA discussed some of the initial outcomes of the social and cultural planning phase:

DHA has engaged a social and cultural planner who has completed a social and cultural planning report. The preparation of this report included a significant amount of research including a number of focus groups with local residents to determine their perceptions of the proposed development and to seek what components of development are of a priority to the Townsville people. The research clearly indicated a favourable response to the development and that outdoor living is of a supreme importance to Townsville locals. Access to Riverway Drive and local shopping facilities was another key recommendation of these groups. This feedback was incorporated into the revisions of the master planning process.<sup>25</sup>

- 2.43 DHA outlined the community facilities and services available in the immediate area:

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23 Mr J. Wallace, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 7.

24 DHA, Submission 1, p. 12.

25 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 2.

The site ... is located within close proximity to the Rasmussen primary school; the Good Shepherd Catholic primary school, community centre and church; a sports ground; the police-citizens youth club, or PCYC; childcare facilities; and a shopping precinct. It is considered that the proposed development will have a positive impact on surrounding local and regional communities, having been designed for residential development under the Thuringowa planning scheme for some time.<sup>26</sup>

- 2.44 With regard to public transport, there is an existing route connecting the Townsville CBD to Rasmussen via Riverway Drive. The Master plan for the development includes a clear and defined public transport route through the project site. More than 90 per cent of residences will be within 400m walking distance of bus stops along the route.<sup>27</sup>
- 2.45 DHA elaborated on the role of social and cultural planning over the course of the construction of the development:

That will be an ongoing role. The reason for that is that this project goes for 10 years, and the environment around us will change. We expect that, over the 10 years, families will come and go. We cannot predict exactly what community facilities will come and go during that period of time, so consequently there needs to be ongoing consultation with the local community ... We will look at people like the local schools, the shops, the medical facilities. The PCYC will be major. When you are looking at another 1,180 families coming into the area, that is a lot of people coming in, but it will occur over an extended period of time. So we will be working very closely with those providers of services surrounding our development to ensure that they grow as we grow.<sup>28</sup>

## Committee comment

- 2.46 The Committee was very pleased to be briefed on the thorough examination of social and cultural planning issues and is reassured that these significant planning aspects are at the fore in DHA's project.
- 2.47 Importantly, the social and cultural planning is not just a one-off assessment at the beginning of the project but will be an ongoing process throughout the life of the development.
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26 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 2.

27 DHA, Submission 1, p. 14.

28 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 1 May 2012, p. 8.

## Final Committee comment

- 2.48 The Committee was satisfied with the evidence provided by DHA regarding the proposed development and construction of housing for Defence at Rasmussen, Townsville.
- 2.49 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 1

**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 development and construction of housing for Defence at Rasmussen, Townsville.**

## Proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories

- 3.1 The Department of Regional Australia, Local Government, Arts and Sport (the Department) seeks approval for a project that will increase bulk fuel storage capacity and integrate and co-locate fuel storage on Christmas Island (CI).
- 3.2 The objectives of the Christmas Island Fuel Consolidation Project are to:
- increase fuel storage capacity for diesel, petrol and aviation fuel within the approved project constraints
  - integrate and co-locate storage of diesel and petrol
  - relocate bulk storage of petrol and the service station away from the tourist precinct.
- 3.3 This proposed project was referred to the Committee on 22 March 2012.

### Conduct of the inquiry

- 3.4 Following referral, the inquiry was advertised nationally and submissions sought from those with a direct interest in the proposed project.
- 3.5 The Committee received two submissions to the inquiry and three supplementary submissions, including a confidential submission detailing the project costs. A list of submissions can be found at Appendix A.
- 3.6 The Committee held a public hearing and an in-camera hearing on the project costs on 3 May 2012 in Sydney.

- 3.7 The transcript of the public hearing and a copy of the submissions to this inquiry are available on the Committee's website.<sup>1</sup>
- 3.8 The Committee visited CI between 7 and 10 June 2011, to inspect approved public works on the island and receive briefings regarding projects which would be referred to the Committee in the near future. During this visit, the Committee inspected a number of sites associated with the fuel consolidation project and received a briefing from representatives of the Department.

### Need for the works

- 3.9 CI has a high dependency on fuel to maintain essential services and operations owing to its isolated location. Diesel is used primarily in the generation of electricity on CI. Aviation fuel is essential for commercial and government aviation operations. Unleaded petrol is used for private, commercial and government vehicles.<sup>2</sup>
- 3.10 All fuel is transported to CI via ship. Diesel and petrol are transported in bulk via tanker ship and aviation fuel in containerised parcels (which are referred to as isotainers).<sup>3</sup>
- 3.11 Adverse weather conditions, particularly those prevalent during the swell season, limit docking and often prevent ships from being unloaded. As a result, bulk deliveries of diesel and petrol are typically scheduled to occur just prior to and immediately following the swell season. However, scheduled deliveries can be compromised due to variances in when the swell season begins and ends.<sup>4</sup>
- 3.12 The current fuel storage facilities (diesel, aviation fuel and petrol) were built based on historic demand. Increased activity, including sea, land and air transport components, has increased demand, particularly for diesel and aviation fuel. The ability to meet the current demand in order to maintain essential services and operations on CI is limited by the current capacity of the fuel storage infrastructure.<sup>5</sup>

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1 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

2 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 6.

3 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 6.

4 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 8.

5 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, pp. 8-9.

## Diesel

- 3.13 In recent times there has been an increase in demand for diesel on CI primarily for generation of mains electricity and supply to other diesel fuel customers.<sup>6</sup>
- 3.14 Increased demand for mains electricity is largely due to:
- construction and operation of the Christmas Island Immigration Detention Centre
  - increases in the semi-permanent population, due to persons employed either directly or indirectly by the immigration detention centre and government agencies
  - increased operations and activity at the airport.<sup>7</sup>
- 3.15 Other diesel fuel customers include Royal Australian Navy vessels, construction companies and passenger and private vessels.<sup>8</sup>
- 3.16 The increased demand for diesel coupled with the static diesel storage capacity and the inability to deliver diesel during the swell season has placed pressure on diesel fuel stocks. During the 2010-11 swell season, the power station was operating at the limits of its diesel supply and essential services were very nearly compromised.<sup>9</sup>
- 3.17 When asked about the possibility of the diesel fuel supply running out and compromising power generation, the Department explained:
- We had up to several weeks supply, depending on how some of our major users, particularly the immigration detention centre and the mine, were able to constrain their use. At the [Emergency Management Committee] level we reviewed the fuel stocks, discussed the options and concluded that at that time we did not need to attempt to make any formal restrictions but that we would revisit it if the ship was not able to unload, which occurred within the next couple of days, so there was no need to go to more formal restrictions on power use. But it was uncomfortably close.<sup>10</sup>

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6 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 9.

7 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 9.

8 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 9.

9 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 9.

10 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 3.

## Aviation fuel

- 3.18 Consumption of aviation fuel on CI is limited by the storage capacity of the commercial operator. During the two most recent swell seasons, aviation fuel stocks were compromised due to an inability to unload new supplies from the ship. The fuel stock had to be rationed until it was replenished.<sup>11</sup>
- 3.19 Regular passenger transport air services, government charters, airfreight services, medical evacuations, surveillance and search and rescue flights operate regularly to and from CI.<sup>12</sup>
- 3.20 There has been a rapid increase in total aircraft movements to CI in recent years. Between 2008 and 2011, aircraft movements rose from 20 per month to over 60 per month, and total passenger movements increased from 965 per month to 2,950 per month.<sup>13</sup>

## Unleaded petrol fuel

- 3.21 Bulk petrol fuel storage on CI consists of two 370 kL tanks located on an escarpment above the Indian Ocean at Rocky Point. This location is subject to extreme local weather conditions resulting in ongoing erosion around the tank footings, corrosion to tank fabric and risk of damage by waves breaking against the cliff face.<sup>14</sup>
- 3.22 The location of the petrol tanks is also constraining the future development of the foreshore area for tourism and commercial purposes. The Shire of Christmas Island town planning strategy has identified the foreshore area, including the current service station location, for tourism and commercial purposes.<sup>15</sup>
- 3.23 The Committee is satisfied that there is a need for the proposed works.

## Scope of the works

- 3.24 The proposed scope of the works is detailed in Submission 1: Department of Regional Australia, Local Government, Arts and Sport.<sup>16</sup>

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11 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 10.

12 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 11.

13 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 11.

14 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 12.

15 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 12.

16 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, pp. 19-20.

- 3.25 The Department discussed the scope for bulk diesel fuel storage:
- ... the project's scoping study has identified opportunities to maximise use of Commonwealth-owned infrastructure on Christmas Island through the use of a diesel fuel tank currently leased to the Indian Ocean Oil Company, itself a subsidiary of Phosphate Resources Ltd, the operator of the mine on Christmas Island. The Department has commenced negotiations with the Indian Ocean Oil Company to secure access to additional storage capacity at Smith Point.<sup>17</sup>
- 3.26 The project proposes that aviation fuel storage capacity will be increased through the provision of one or two 110 kL tanks and up to ten 23 kL isotainers. The fixed storage tanks are proposed to be located on a site adjacent to Air BP's current depot at the airport. Provision will also be made for the storage of the additional isotainers at the proposed bulk fuel installation.<sup>18</sup>
- 3.27 The project proposes that the existing 370 kL bulk petrol storage tanks will be relocated from Rocky Point to a new bulk fuel installation that will be constructed on Murray Road adjacent to the power station. The project also proposes to co-locate the service station with the bulk petrol storage tanks.<sup>19</sup>
- 3.28 One new pipeline to transfer petrol is proposed for construction between Smith Point and the new bulk fuel installation on Murray Road. The new infrastructure will utilise the existing public utility corridor.<sup>20</sup>
- 3.29 Subject to Parliamentary approval of the project, construction is planned to commence on the project in late 2012 and completion would be expected by June 2014.<sup>21</sup>
- 3.30 The Committee finds that the proposed scope of works is suitable to meet the need.

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17 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 2.

18 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 19.

19 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 20.

20 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 20.

21 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 32.

## Cost of the works

- 3.31 The approved budget and current project estimate for this project is \$19.5 million, excluding GST. This includes all costs for design, project management, construction costs, fittings and equipment, contingencies and an allowance for escalation.<sup>22</sup>
- 3.32 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

## Project issues

### Service station location

- 3.33 The location of the service station appears to be the key issue for this project.
- 3.34 The Shire of Christmas Island provided a key submission to the inquiry. The submission provided valuable input to the discussion regarding the proposed location of the service station and bulk fuel storage.
- 3.35 Regardless of the location of the service station, the Department and the Shire of Christmas Island agree that the bulk fuel storage facility cannot stay at Rocky Point. The Shire's submission stated:
- Council is strongly of the opinion that the tanks located as they are on the foreshore are a "disaster waiting to happen". They are an unacceptable risk to the community and unique environment of Christmas Island. The project proposal to remove the tanks from this location would in Council's opinion alleviate significant safety concerns of the community and the Department is commended in their action to address this issue.<sup>23</sup>
- 3.36 The Department identified four possible outcomes for the service station:
- co-locate it with the bulk fuel installation at Murray Road
  - a new station at Drumsite
  - a new station at Taman Sweetland

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22 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 30.

23 Shire of Christmas Island, Submission 2, pp. 1-2.

- remain in its current location.<sup>24</sup>
- 3.37 The Department outlined the key advantages and disadvantages of each option its submission to the inquiry.<sup>25</sup>
- 3.38 The Department's preferred option is to co-locate the service station with the bulk fuel installation at Murray Road.<sup>26</sup>
- 3.39 The Department outlined the key advantages of the Murray Road location:
- consolidates fuel storage and retail supply in the same location
  - reduced infrastructure requirement and lower cost, i.e. no truck fill stand point would be required
  - there would be no requirement to transport flammable unleaded petrol or diesel via tanker truck on public roads.<sup>27</sup>
- 3.40 The Department also outlined the key disadvantages of the Murray Road location:
- located approximately 6-7 km from the existing service station
  - located in close proximity to crab migration corridor
  - would increase the volume of traffic past the school on Murray Road.<sup>28</sup>
- 3.41 The Department elaborated on the preferred Murray Road option:
- Our analysis suggests that the bulk fuel installation site provides the enduring lowest cost of petrol to the community because it co-locates the petrol station with the storage facility, so there are no trans-shipment costs ... so you remove the need for a tanker truck and a driver to move fuel between the bulk storage facility and another location, given that none of the other locations can have the bulk fuel because of their proximity to residential areas. So locating the petrol station with the bulk fuel site delivers long-term lower cost of fuel to the community, which we consider to be a reasonably significant matter. It also has fewer safety concerns

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24 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, pp. 22-23.

25 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, pp. 22-24.

26 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 22.

27 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 22.

28 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 22.

because you are not then driving fuel, petrol particularly, on the roads near to residential areas.<sup>29</sup>

3.42 The Department also elaborated on a potential disadvantage of the Murray Road option:

It does have – and our submission acknowledges this – the effect of locating the petrol station in a site where, for periods of time each year, people will need to drive a longer way to get to it to refuel ... [approximately] three or four kilometres. But I also have to note that, because the road is regularly closed, this is something the community is used to doing ... It is a common occurrence that they need to divert around that road when it is closed.<sup>30</sup>

3.43 The Department stated that Murray Road is closed regularly as it is located near a traditional red crab migration corridor.<sup>31</sup>

3.44 The Department added that engineering measures are proposed to be put in place to provide greater protection to the crabs at the Murray Road location, including:

- an extension to current crab funnelling fences
- either overhead or underground corridors that the funnelling fences will lead into providing safe passage for the crabs across or under Murray Road.<sup>32</sup>

3.45 The Department further discussed the closure of Murray Road for crab migration:

[Murray Road] is the one that runs past the power station. It is the extension that leads to the western part of the island. It is on a major crab migration path from areas of jungle above the road. Typically in each November the crabs commence their migration and the road is closed by Parks ... The duration varies ... it is to do with the phases of the moon and the tides. It can be shut for short or long periods ...<sup>33</sup>

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29 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 6.

30 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 6.

31 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 15.

32 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 15.

33 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 6.

- 3.46 The Department explained that a final location is yet to be determined and will be subject to community consultation.<sup>34</sup>
- 3.47 The Department discussed the public consultation process:
- ... we received some 63 written submissions. We also had a public meeting on the island. The view from the submissions and the public meeting is a split of around fifty-fifty between leaving the petrol station where it is and moving it – with, if it is moved, a preference towards the Murray Road bulk fuel installation site.<sup>35</sup>
- 3.48 The Department believes that, based on feedback from the community, there is support for the relocation of the bulk petrol storage tanks and approximately a 50-50 split between retaining the service station at its current location and relocating it to the proposed bulk fuel installation site.<sup>36</sup>
- 3.49 The Shire outlined its opinions on the most appropriate option for the community:
- [The Murray Road] option quite clearly is the option of lowest cost. However the service station being at this location provides the least overall community amenity and benefit. In the opinion of Council this needs to be carefully weighed against costs in the decision making process that affects the broader Island community.<sup>37</sup>
- 3.50 The Shire disagrees with the Department's proposal for the service station to be re-located to Murray Road, suggesting that the Taman Sweetland location would be more suitable as it:
- provides the best balance of community amenity
  - provides potential for development of small retail facilities associated with the service station which will assist in servicing adjacent areas planned for future urban development
  - may be able to be integrated with intersection upgrade works designed to provide access to the light industrial area.<sup>38</sup>
- 3.51 The Shire's submission provides further detailed analysis and discussion on the Department's preferred option.<sup>39</sup> In particular, the Shire states:
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34 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 22.

35 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 6.

36 Department of Regional Australia, Local Government, Arts and Sport, Submission 1.2, p. 3.

37 Shire of Christmas Island, Submission 2, p. 2.

38 Shire of Christmas Island, Submission 2, p. 3.

Murray Road (Option 1) is not supported by Council as despite this being the option with the least infrastructure costs the option:

- provides the least level of amenity to the community
- increases traffic within the school zone
- is the least favourable in terms of potential future service station retail development.<sup>40</sup>

3.52 The Shire's submission also provides further analysis of its preferred option of locating a new service station at Taman Sweetland. In particular, the Shire argues that the location of the site is central to the community as a whole and represents the best balance of possible site locations.<sup>41</sup>

3.53 The Shire does acknowledge the higher cost of infrastructure required for this option, but considers that this is offset by the advantages of the site. The Shire noted:

... that this service station will be required to service the community long into the future and a location that provides the greatest amenity should rank highly in the consideration of the site chosen.<sup>42</sup>

3.54 The Department provided a supplementary submission to the inquiry, primarily addressing concerns raised by the Shire's submission.

3.55 The Department discussed the Shire's preferred Taman Sweetland option:

The Taman Sweetland (Option 3) is located in an intermediate area between the Drumsite and Settlement residential areas and has potentially multiple ingress/egress paths, and services (water, communications, sewer, stormwater) exist in the area. However, the location has some key disadvantages, namely:

- location is relatively close to a childcare centre
- diesel and petrol have to be transported by tanker truck on a public road
- road intersection near the proposed location may require an enhanced traffic management solution
- higher comparable cost of fuel at bowser than the preferred option on Murray Road

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39 Shire of Christmas Island, Submission 2, pp. 3-4.

40 Shire of Christmas Island, Submission 2, p. 6.

41 Shire of Christmas Island, Submission 2, p. 5.

42 Shire of Christmas Island, Submission 2, p. 6.

- this site was identified as the preferred option by only 5% of all responses received in the recent community consultation feedback.<sup>43</sup>

3.56 The Department's supplementary submission also further discusses the advantages that the Murray Road option has over the Taman Sweetland option:

- consolidates fuel storage and retail supply in the same location
- consolidates the area for bulk ship unloading into one location (Smith Point); reduced infrastructure requirement and lower cost, that is, no truck fill stand point would be required
- no requirement to transport flammable unleaded petrol or diesel via tanker truck on public roads
- likely to provide the lowest cost of fuel at the bowser in comparison with other options
- services and road infrastructure are already in this area
- this site was identified as the preferred option of 40% of all responses received in the recent community consultation feedback.
- the Christmas Island Economic Development Consultative Group supports the Murray Road option.<sup>44</sup>

3.57 The Department reiterated its processes for developing a solution that is suitable for the community and provides value for money:

The Department has in Stage 1 of the project investigated various locations for the service station including retaining the service station in its current site. The final decision on the service station location will be based on information collected in the investigation stage including community feedback, alignment with Project objectives and alignment with Christmas Island Strategic and Master Plans. Although cost is a factor, it is not the driver for deciding the final location of the service station.<sup>45</sup>

3.58 The Committee sought reassurance from the Department that full and open consultation would be undertaken during the detailed design phase of the project. The Department explained:

... we will have the project steering committee at senior levels of the department doing the sign-off on the high-level governance aspects, one of which would be around how the consultation with

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43 Department of Regional Australia, Local Government, Arts and Sport, Submission 1.2, pp. 3-4.

44 Department of Regional Australia, Local Government, Arts and Sport, Submission 1.2, p. 5.

45 Department of Regional Australia, Local Government, Arts and Sport, Submission 1.2, p. 4.

the community and the shire is going. The practical day-to-day work is done by a project management team which is comprised of departmental staff and our relevant contractors to do the day-to-day work of consulting with the community, consulting with the shire and getting the relevant approval processes up and running.<sup>46</sup>

### Committee comment

- 3.59 It is obvious to the Committee that the decision to move the service station is significant for the community.
- 3.60 The Committee recognises the need for a solution that will provide the appropriate services and amenity for the community, as well as a practical infrastructure solution that represents value for money.
- 3.61 The Committee thanks the Shire of Christmas Island for its valuable input to the inquiry and is pleased that the island's residents have such forthright representation in negotiations with the Department.
- 3.62 The Committee is relying on the Department, which has overall responsibility for Christmas Island, to make the best informed decision concerning the location of the service station.
- 3.63 The Committee is confident that the Department, in making that decision, will do all it can to incorporate the community's views and ameliorate any negative impacts associated with the selected location.

### Final Committee comment

- 3.64 The Committee was satisfied with the evidence provided by the Department regarding the proposed project.
- 3.65 The Committee was particularly pleased to receive input to the inquiry from the Shire of Christmas Island.
- 3.66 The Committee is confident that the Department of Regional Australia, Local Government, Arts and Sport will develop appropriate specific design solutions to achieve successful outcomes for this project.
- 3.67 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

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46 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 3 May 2012, p. 11.

value for money for the Commonwealth and constitutes a project which is fit-for-purpose, having regard to the established need.

## **Recommendation 2**

**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 improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories.**



## 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.<sup>1</sup>

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1 <[www.aph.gov.au/pwc](http://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.<sup>2</sup>

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.<sup>3</sup>

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.<sup>4</sup>

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.<sup>5</sup>

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.<sup>6</sup>

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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.<sup>7</sup>

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.<sup>8</sup>

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.<sup>9</sup>

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

4.18 It is proposed to lease levels 19, 20 and 21 of 1 Bligh 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

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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.1bligh.com.au](http://www.1bligh.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.<sup>13</sup>

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.<sup>14</sup>

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.<sup>15</sup>

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.<sup>16</sup>

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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.<sup>17</sup>
- 4.23 The estimate of project cost is based on the indicative estimate prepared by Finance's project consultants (WT Partnership and Davis Langdon).<sup>18</sup>
- 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.<sup>19</sup>

- 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

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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.<sup>20</sup>

- 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.<sup>21</sup>

- 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.<sup>22</sup>

## 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.<sup>23</sup>
- 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

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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.<sup>24</sup>

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.<sup>25</sup>

### 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**



## Appendix A – List of Submissions

### **Proposed Development and Construction of Housing for Defence at Rasmussen, Townsville**

1. Defence Housing Australia
  - 1.1 Confidential

### **Proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories**

1. Department of Regional Australia, Local Government, Arts and Sport
  - 1.1 Confidential
  - 1.2 Department of Regional Australia, Local Government, Arts and Sport
  - 1.3 Confidential
2. Shire of Christmas Island

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

1. Department of Finance and Deregulation
  - 1.1 Confidential
2. Australian Broadcasting Corporation





## Appendix B – List of Inspections, Hearings and Witnesses

### Proposed Development and Construction of Housing for Defence at Rasmussen, Townsville

Tuesday, 1 May 2012 – Townsville, QLD

#### Public Hearing

**Brazier Motti**

Mr Stephen Motti, Managing Director

**Defence Housing Authority**

Mr Bob Haylett, Regional Manager

Mr Peter Howman, Chief Operating Officer

Mr James Wallace, Senior Development Manager

**GHD**

Ms Heather Nesbitt, Principal Consultant

**Investa Property Group**

Mr Neale Kaalund, Senior Development Manager

**UDP Consulting Engineers**

Mr Patrick Brady, Director and Civil Engineer

Mr Shane Martin, Civil Engineer

### **In-Camera Hearing**

Six witnesses

## **Proposed improvement to fuel storage and supply on Christmas Island, Indian Ocean Territories**

Thursday, 3 May 2012 - Sydney

### **Public Hearing**

Moore Consulting and Engineering

Mr Domenic Di Biasi, Principal Engineer

Point Project Management

Mr Mark Pritchard, Senior Project Manager

Department of Regional Australia, Local Government, Arts and Sport

Mr Geoff Leeper, Deputy Secretary

Mr Julian Yates, First Assistant Secretary

### **In-Camera Hearing**

Four witnesses

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

Thursday, 3 May 2012 - Sydney

### **Public Hearing**

Davis Langdon

Mr Anthony Allen, Senior Project Manager

Mr Andrew Doherty, Associate Director

Mr Einion Thomas, Associate Director

**DEGW Asia-Pacific**

Ms Sue Wittenoom, Director

Department of Finance and Deregulation

Mr Greg Miles, Assistant Secretary

Mr Greg Whalen, Acting First Assistant Secretary

**In-Camera Hearing**

Seven witnesses