
The Parliament of the Commonwealth of Australia

Report 1/2010

Proposed fit-out of New Premises for the Australian Taxation Office at 735 Collins St, Melbourne

Parliamentary Standing Committee on Public Works

May 2010
Canberra

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ISBN 978-0-642-79311-9 (Printed version)

ISBN 978-0-642-79312-6 (HTML version)



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Membership of the Committee

Chair Senator the Hon Jan McLucas

Deputy Chair Senator the Hon Judith Troeth

Members Mr Nick Champion MP

 Senator Michael Forshaw

 Mr John Forrest MP

 Ms Jill Hall MP

 Hon Peter Lindsay MP

 Hon Roger Price MP

 Hon Peter Slipper MP

Committee Secretariat

Secretary James Catchpole

Inquiry Secretary Siobhán Leyne

Research Officer Thomas Gregory

Administrative Officers Jazmine Rakic

Shaun Rowe



List of recommendations

2 Proposed Works

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: fit-out of new leased premises for the Australian Taxation Office (ATO) at 735 Collins St, Melbourne.

Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to enquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by a delegate of the Minister for Finance.
- 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.¹
- 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);

¹ 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*.

- 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.²
- 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.³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Conduct of the Inquiry

- 1.6 The proposal was referred to the Committee on 4 February 2010.
- 1.7 The inquiry was advertised in a national newspaper and submissions sought from those with a direct interest in the project. The Committee received two submissions and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 1.8 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 19 March 2010 in Melbourne. A list of site inspections and witnesses at the public hearing can be found at Appendix B.
- 1.9 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website. Plans for the proposed works are detailed in Submission 1: Australian Taxation Office.

² The Act, Section 5.

³ The Act, Section 17.

Proposed Works

- 2.1 The proposed fit-out of new leased premises for the Australian Taxation Office (ATO) at 735 Collins St, Melbourne aims to provide the ATO with a single office location for its entire staff located in Melbourne city, currently spread across five locations. The total estimated cost of the project is \$50.9 million (excluding GST).

Need for works

- 2.2 The ATO's submission states that the works are needed to remedy the ATO's dislocation across five sites in the Melbourne CBD. According to the ATO, this situation interrupts work practices as well as being administratively inefficient. In addition, four of the ATO's current leases in the Melbourne CBD will expire in 2012, the fifth in 2017.
- 2.3 As part of its site inspection on 19 March 2010, the Committee was able to visit each location, in order to understand the disruption and cost of their dispersal. It was clear from the site inspection that co-located premises would provide significant benefits to the ATO in Melbourne.
- 2.4 The Committee finds that there is a need for the proposed works.

Scope of works

- 2.5 The proposed scope of the works is detailed in Submission 1: Australian Taxation Office. In short the project proposes the following:
- base building – integration of services into the base building works, including electrical, mechanical, communications, security, fire and hydraulic services;

- supplementary air-conditioning for rooms with higher than normal cooling and ventilation requirements;
- lighting control system and data cabling;
- specific security requirements, both external and internal;
- office accommodation including reception areas, open-plan work areas and fit-out, with office sizes of 28.8m² and 14.4m²;
- breakout spaces, quiet rooms and casual meeting spaces, computer rooms, storage, conference and training facilities;
- first-aid rooms, kitchens, amenities areas, showers and lockers, secure areas and a separate secure mail receiving room;¹
- trigeneration plant, producing power for the building, and using excess heat produced in power generation to run chillers and heating, for cooling and heating the building², and a planned 'ring' system for the entire site, to enable shared water, power and by-products.³

2.6 The Committee finds that the proposed scope of works is suitable to meet the needs of the ATO project.

Cost of works

2.7 The total estimated out-turn cost for this project is \$50.9 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with the ATO on the project costs.

2.8 The Committee is satisfied that the costings for the project provided to it are adequate.

1 Submission 1, Australian Taxation Office (ATO), para 2.2.

2 Submission 1, Australian Taxation Office (ATO), para 1.10.10.

3 Mr N. Munroe, United Group Services, *Proof Transcript of Evidence*, 19 March 2010, p.9.

Project issues

Occupational density target

- 2.9 The ATO has indicated that it aims to adhere to the Commonwealth Property Management Guidelines, in particular the 'occupational density target' of 16m² of usable office area per occupied workpoint.⁴
- 2.10 As noted by the ATO during the public hearing, it employs a seasonal workforce each year for processing and support functions related to the 'tax time' period. The ATO must have sufficient office space for this workforce, but it is unoccupied during other periods of the year. As a result, the ATO has a workpoint vacancy rate of between six and eight percent, above the normal rate.
- 2.11 Unoccupied workpoints contribute to the total usable office area, driving up the average space per occupied workpoint. The ATO has sought exemption from the occupational density target in certain circumstances (with some success), as well as proposing innovative designs that provide suitable workpoints of 12m² each, in order to drive down the average occupied workpoint space.
- 2.12 The Committee is aware that agencies with seasonal fluctuation in staffing levels, such as the ATO, encounter particular difficulties in adhering to the Property Management Guidelines. The Committee is pleased to note the ATO's use of innovative design to meet its obligations under the Guidelines. The Committee encourages agencies to explore and embrace practical solutions to the challenges of providing sustainable, good value and productive workplaces.
- 2.13 Nonetheless, the Committee is concerned that efforts to meet the occupational density target not compromise the quality of accommodation for all staff. Should the accommodation for permanent staff be compromised then the Committee would support an exemption from the target.

4 *Commonwealth Property Management Guidelines*, Department of Finance and Deregulation, October 2009, Principle 7.2.

Trigeneration plant

- 2.14 The Committee understands that the trigeneration plant to be installed in the building will save significant amounts of fuel, as it captures by-products of power generation (heat, water) and uses them for building services.⁵ The Committee notes that the trigeneration plant will have capacity to service the entire block at 734 Collins Street, and commends the ATO and the site developer for this initiative. The Committee is pleased to note that the ATO is adopting such a practical and sustainable measure, which will reduce energy use for the building. The Committee encourages other agencies to consider utilising similar technologies where appropriate.
- 2.15 The Committee also notes that many sustainability measures are best used on a 'precinct-wide' scale, rather than to service a single building. The Committee is pleased that the overall development at 735 Collins Street will be constructed so as to enable all buildings on site to share 'water and power and other sorts of by-products throughout the whole precinct and therefore get greater efficiency.'⁶ The ATO has indicated that the site could potentially include a black-water treatment facility in future, which would capitalise on the economy of scale stemming from numerous buildings.
- 2.16 The Committee urges other government agencies, when entering into new-building lease agreements, to encourage building designers to integrate buildings into the local precinct, to ensure that the consideration of sustainability extends as widely as possible.

Committee comment

- 2.17 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 2.18 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

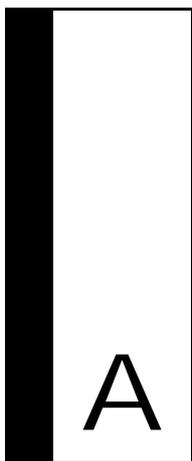
5 Mr N. Munroe, United Group Services, *Proof Transcript of Evidence*, 19 March 2010, p.8.

6 Mr N. Munroe, United Group Services, *Proof Transcript of Evidence*, 19 March 2010, p.9.

Recommendation 1

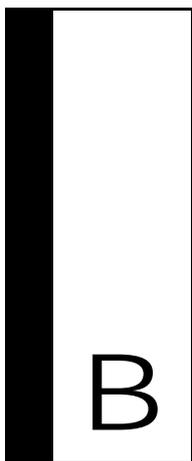
The Committee recommends that the House of Representatives resolve, pursuant to Section 18 (7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: fit-out of new leased premises for the Australian Taxation Office (ATO) at 735 Collins St, Melbourne.

Senator the Hon Jan McLucas
Chair
13 May 2010



Appendix A – List of Submissions

- 1 Australian Taxation Office
 - 1.1 Confidential
 - 1.2 Supplementary
- 2 Department of Climate Change and Energy Efficiency



Appendix B – List of inspections, hearings and witnesses

Friday 19 March 2010 – Melbourne

Site Inspection

Australian Taxation Office's current locations in the Melbourne Central Business District, and 735 Collins Street Melbourne

Public Hearing

Australian Taxation Office

Mr Stewart Smillie, Assistant Commissioner, Property and Security Services

Ms Lisa Pretty, Business Project Coordinator, Property and Security Services

Mr Reno Sinotic, Director, Property Management, Property and Security Services

PTID Environments

Mr Cameron Harvey, Director, PTID Environments

United Group Services

Mr Nathan Munroe, National Program Manager

Mr Dom Di Luzio, General Manager

WT Partnership

Mr Mark de Jager, Director