
The Parliament of the Commonwealth of Australia

Report 1/2014

Referrals made December 2013

- **Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Dandenong Project, Dandenong**

Parliamentary Standing Committee on Public Works

February 2014
Canberra

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Membership of the Committee

44th Parliament

Chair	Mrs Karen Andrews MP	
Deputy Chair	Mr Graham Perrett MP	
Members	Senator Sue Boyce	Senator Anne Ruston
	Ms Sharon Claydon MP	Ms Joanne Ryan MP
	Senator Alex Gallacher	Dr Andrew Southcott MP
	Mr Ian Goodenough MP	

43rd Parliament [in 2013]

Chair	Ms Kirsten Livermore MP	
Deputy Chair	Mr John Forrest MP	
Members	Mrs Karen Andrews MP	Ms Janelle Saffin MP
	Senator Sue Boyce	Mr Patrick Secker MP
	Senator Alex Gallacher	Senator Anne Urquhart
	Ms Jill Hall MP	

Committee Secretariat

44th Parliament

Secretary	Dr Alison Clegg
Inquiry Secretary	Ms Susan Cardell
Research Officer	Ms Fiona Gardner
Administrative Officers	Mrs Fiona McCann Ms Kathy Blunden

43rd Parliament

Secretary	Dr Alison Clegg
Inquiry Secretary	Mr Anthony Overs
Research Officer	Ms Fiona Gardner
Administrative Officers	Mrs Fiona McCann Ms Kathy Blunden



List of recommendations

- 2 Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Dandenong Project, Dandenong

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 integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong project, Dandenong, Victoria.

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 Parliamentary Secretary to the Minister for Finance, the Hon Michael McCormack MP.
- 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);
 - 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 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.³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Structure of the report

- 1.6 The works considered in this report were originally referred to the Committee in May 2013. The inquiry lapsed with the dissolution of the 43rd Parliament. The works were re-referred in December 2013 by the Parliamentary Secretary to the Minister for Finance, the Hon Michael McCormack 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 integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong project, Dandenong, Victoria. The estimated cost of the project is \$21.3 million.
- 1.11 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.

³ The Act, Section 17.

Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Dandenong Project, Dandenong

- 2.1 The Australian Taxation Office (ATO) has approximately 900 staff in the Dandenong region in Victoria. The current accommodation in Dandenong, at 14-16 Mason Street, has been occupied by the ATO since its construction in 1988. The existing building does not comply with the National Australian Built Environment Rating Scheme (NABERS) energy rating under the Energy Efficiency in Government Operations (EEGO) policy or with the Department of Finance fit-out density target.¹
- 2.2 The proposal is for an integrated fit-out of a new building located approximately 200 metres from the ATO's current premises. The new building offers up to approximately 12,600 square metres of office space designed to meet a 4.5 star NABERS rating and a 5 star Green Building Council of Australia (GBCA) Green Star rating. The building has a majority of office space of which the ATO will be the sole tenant, with the ground floor available for retail outlets.²
- 2.3 The lease for the current occupied building expires on 31 December 2015. Occupancy of the new building is expected to commence from 1 October 2015, subject to ATO business activities.
- 2.4 The estimated cost of the project is \$21.3 million.

1 ATO, Submission 1, p. 6.

2 ATO, Submission 1, pp. 12-13.

Conduct of the inquiry

- 2.5 The proposal was originally referred to the Parliamentary Standing Committee on Public Works (the Committee) of the 43rd Parliament on 16 May 2013. The inquiry lapsed with the dissolution of the 43rd Parliament. The proposal was re-referred to the Committee of the 44th Parliament for inquiry on 10 December 2013.
- 2.6 The inquiry was advertised in the *Greater Dandenong Weekly* on 3 June 2013. The Committee received two submissions and one confidential submission from the ATO regarding the project costs. A list of submissions can be found at Appendix A.
- 2.7 The Committee conducted a public hearing and an in-camera hearing on the project costs on 13 December 2013 in Canberra.
- 2.8 The transcript of the public hearing and the submissions to the inquiry are available on the Committee's website.³

Need for the works

- 2.9 The lease on the ATO's existing office space in Dandenong expires on 31 December 2015. The building is ageing and would require extensive upgrades and a new fit out to meet the ATO's current building specifications. Its NABERS energy rating is 4 stars which does not meet the EEGO policy requiring a 4.5 star NABERS energy rating for new leases over 2,000 square metres.⁴ Nor is its density ratio as at late 2013 of 17.8 square metres per occupied work point consistent with the Department of Finance target of 14 square metres per occupied work point.⁵
- 2.10 The ATO determined that refurbishing the current building would not be a cost-effective outcome:

Given that the building will be 27 years old at the end of the lease, it was determined that, with the financial impacts of acquiring and conducting an appropriate fit-out of staging space and allowing the refurbishment of the existing site and minimising the impact on our business delivery, this was considered as part of the evaluation and considered to be a significant risk to our business. It is important to state that the ATO has, when the opportunity has presented, taken the option of refurbishing existing buildings to ensure minimum cost is incurred by the Commonwealth.⁶

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

4 ATO, Submission 1, p. 2.

5 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, p. 2.

6 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, pp. 1-2.

2.11 The Committee specifically questioned the ATO about the basis of its decision to remain in Dandenong. The ATO responded:

One of the issues for Dandenong is that it has always served our purposes extremely well. The other thing is that we have currently got an ATO shopfront located in Dandenong so there is a public face element to our service. We are working with some of the other state and government agencies to try to maximise that and see if we can get a co-location arrangement happening so that we have effectively one Commonwealth shop, whether that be Centrelink or Human Services or whatever. But really the ATO executive have taken a decision that there is no justification for us to uproot 900 people approximately and move them out of the Dandenong region.⁷

2.12 The ATO commented further on the matter, saying:

The ATO location plan clearly identifies a long-term need to stay in Dandenong – it has a very, very large population, is a major growth area and the south-eastern corridor through Melbourne – and the reality for us is that there is no need for us to move. We will be able to draw good-quality capable staff ...⁸

2.13 In brief, the ATO advised that it has committed to remaining in Dandenong following its review of the ATO location plan. Considerations made by the ATO to remain in Dandenong include:

- the location continues to support the skilled and experienced workforce of approximately 900 people currently working in Dandenong
- an ATO shopfront is located in Dandenong, and
- the site is close to public transport hubs, community amenities and other government agencies.⁹

2.14 The ATO requested expressions of interest to be submitted for the provision of office accommodation in the Dandenong area. The procurement exercise was finalised and the preferred proposal was to construct new premises at Site 5 and 6 of the Revitalised Central Dandenong Project, Dandenong.

2.15 The proposed development would provide a modern office space that meets environmental requirements and ATO business needs. The ATO

7 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, p. 5.

8 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, p. 5.

9 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, pp. 1 & 5.

considered the preferred proponent held the best value for money option and significant advantages on a financial and non-financial basis.¹⁰

2.16 The ATO will lease the new office accommodation for fifteen years with two five-year extend options.¹¹ The ATO commented:

In summary, the ATO believes that the proposal is positive for the organisation, as it allows us to create the correct work environment and allows us to manage and report on a range of environmental factors expected by government. It is the most cost-effective solution long term to addressing issues such as the new density target of 14 metres per occupied work point and a more cost-effective management of the ATO accommodation portfolio. It imposes no change to jobs or functions undertaken in the southern Melbourne region and continues to support the development and maintenance of a skilled and professional workforce.¹²

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

Scope of the works

2.18 The proposal is to fit-out approximately 12 600 square metres of net lettable area over approximately five floors. The large floor plates range from 2 360 square metres to 2 695 square metres providing the ATO with flexibility and efficiencies in the allocation of space.¹³

2.19 The works include:

- integration of services into the base building works, including electrical, mechanical, communications, security, fire and hydraulic services;
- supplementary air-conditioning in those rooms with higher than normal cooling and ventilation requirements including larger meeting rooms, training rooms, computer rooms and amenities rooms;
- a lighting control system to reduce energy consumption in tenant areas including the ability to automatically turn off lights in unoccupied rooms and to provide reduced lighting levels when appropriate, such as reduced lighting levels for access after-hours. Some additional lighting will be provided as required in partitioned rooms;

10 ATO, Submission 1, pp.9-10.

11 ATO, Submission 1, p. 19.

12 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, p. 2.

13 ATO, Submission 1, p. 13.

- data cabling throughout the tenant areas including phone and computer outlets at each work point. The cabling infrastructure will be designed to cater for future capabilities;
- tenant fit out above base building will be undertaken to conform to the ATO's operational requirements including security. These include door hardware and electronic access control at the main entrances, other entrances, exits, vehicle access points and internal areas with higher than normal security needs;
- supplementation of the base building fire services where required as a result of the fit out works to ensure compliance with relevant codes. These services include additional exit lights, fire detection and sprinkler supplementation as necessary. Highly sensitive fire detection equipment will be installed in the computer rooms;
- architectural designed office accommodation including construction of reception areas, a security alarm system, an electronic control system, general office fit out and open plan work areas;
- standardised office sizes of 30 m² and 15 m²;
- generic workstations;
- the vast majority of offices and meeting rooms to be constructed in the central cores so as not to limit natural light from external windows;
- breakout spaces, quiet rooms and casual meeting space;
- computer rooms built to specification;
- storage facilities;
- conference and training facilities;
- first aid rooms;
- amenities areas;
- kitchens;
- showers and lockers; and
- secure areas (to conform to ASIO T4).¹⁴

2.20 The building design and fit out will enable the ATO considerable flexibility to meet seasonal variations in workforce and associated accommodation requirements. This will be achieved through:

- work points that can easily and quickly be reconfigured without disturbing productivity;

14 ATO, Submission 1, pp. 20-21.

- maximising the use of open plan areas;
 - ensuring the enclosed areas are capable of being altered easily to allow for future change, e.g. the utilisation of modular meeting room design so that two small meeting rooms will also satisfy the requirements of one medium meeting room with minimal additional building works;
 - building services that are located to allow for repositioning of walls, work point layouts and accommodation changes in technology; and
 - a robust security system that protects ATO information, people, other assets and operations.¹⁵
- 2.21 Subject to parliamentary approval, base building construction will commence in March 2014, with the fit-out construction scheduled to commence in August 2014. Completion is scheduled for 1 October 2015.¹⁶
- 2.22 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 2.23 The total estimated cost of the project is \$21.3 million, which equates to a rate of approximately \$1,690 per square metre. The ATO noted that the cost of similar fit-out projects had ranged from as little as \$1,340 per square metre for offices in the Melbourne CBD to \$1,860 for offices in Box Hill. The ATO observed that on a per square metre basis the cost of the proposed ATO office fit-out in Dandenong was comparable to similar projects in peri-urban locations.¹⁷
- 2.24 The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with the ATO on those costs.
- 2.25 The Committee considers that costings for the project have been adequately assessed by the proponent agency. The Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

Committee comments

- 2.26 The Committee notes the ATO's commitment to maintaining a long-term presence in Dandenong. The proposed location of the works is close to the

15 ATO, Submission 1, p. 21.

16 ATO, Submission 1, p. 34.

17 Mr S. Smillie, ATO, *transcript of evidence*, 13 December 2014, p. 6.

ATO's current building which would cause minimal disruption to the fit-out ATO Dandenong staff.

- 2.27 The Committee notes the Greater Dandenong City Council was supportive of the proposed development and integrated fit-out of new leased premises for the ATO in Dandenong.¹⁸
- 2.28 The Committee did not identify issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 2.29 Proponent agencies must notify the Committee of any changes to the project scope, time and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A template for the report can be found on the Committee's website.
- 2.30 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.

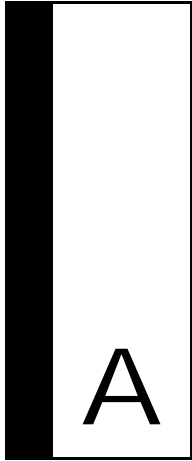
Recommendation 1

- 2.31 **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 integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong project, Dandenong, Victoria.**

Mrs Karen Andrews MP
Chair

5 February 2014

¹⁸ Greater Dandenong City Council, Submission 2, p. 1.



Appendix A – List of Submissions

Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong project, Dandenong, Victoria

1. Australian Taxation Office
 - 1.1 Confidential
2. Greater Dandenong City Council



Appendix B – List of Hearings and Witnesses

Proposed integrated fit-out of new leased premises for the Australian Taxation Office at the site known as Site 5 and 6, the Revitalised Central Dandenong project, Dandenong, Victoria

Friday, 13 December 2013 – Canberra

Public Hearing

Australian Taxation Office

Mr Stewart Smillie, Assistant Commissioner

Mr Peter Dalton, Project Coordinator

DTZ

Mr Dom DiLuzio, General Manager

Mr Ian Browne, Account Director

Mr Nathan Munro, National Program Manager

WT Partnership

Mr Mark H de Jager, Executive Quantity Surveyor

PTID Architects

Mr Cameron Harvey

In-Camera Hearing

Six witnesses

