

## Cost and program

### Cost

- 3.1 A number of aspects of the cost of the proposed development were raised by the Committee with the ABC at the public hearing. They included:
- the ABC's assessment of options;
  - the evaluation of efficiencies;
  - the impact of the Goods and Services Tax; and
  - the proposed construction program.

### Assessment of options

- 3.2 In February 1999, the ABC Board approved the concept of the ABC relocating to a new development in Perth. The approval included the new development being owned by the ABC and the selected developer purchasing the existing ABC site.<sup>1</sup>
- 3.3 Following a review of various options put forward by six tenderers, the ABC developed a short list of three proponents. In summary, the offers put forward by the three short-listed proponents were:
- Bellridge/Hawaiian Developments Joint Venture (the Fini Group) - ABC to either purchase or lease new purpose-built premises at East

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<sup>1</sup> Evidence, p. 37.

Perth, and Fini Group to purchase existing ABC property for \$12.5 million.<sup>2</sup>

- Roche Group - ABC to lease new purpose built premises at Victoria Park, and Roche Group to purchase existing ABC property for \$10.2 million.<sup>3</sup>
- Phoenix Properties - ABC to lease new purpose-built premises at Victoria Park (later modified to allow ABC ownership), and Phoenix to purchase existing ABC property for \$11.0 million (on lease proposal only).<sup>4</sup>

- 3.4 The ABC advised the Committee that a comparison of the operational implications of the design layouts rated the Roche proposal as 'barely acceptable' as the proposed development was to be located in a high rise development which was unsuitable for the operational requirements of the ABC.<sup>5</sup> In addition, the Roche proposal offered only a lease-hold option and the calculated nett present value (NPV) over 20 years was considered to be comparatively expensive.<sup>6</sup>
- 3.5 In May 1999, the ABC Board approved further refinement of the Fini Group proposal and negotiation of a draft Development Agreement.<sup>7</sup> Following questions at the public hearing, the ABC provided the Committee with a detailed assessment of proposals and financial rationale for the selection of the Fini Group proposal over the Phoenix proposal.<sup>8</sup> The ABC's comparative financial assessment was undertaken based on NPV methodology at three discount rates of 6 per cent, 8 per cent and 12 per cent. This approach was intended to consider the relative financial merits of the options and the lower the NPV, the more attractive each option. Under all three discount rates, the owned property option from the Fini Group was considered to be the most attractive option.<sup>9</sup>
- 3.6 The comparative financial assessment of the Fini Group and Phoenix proposals also found that the ownership option from the Phoenix proposal was the less attractive of the two components. The Phoenix financial package for the purchase of the land was some \$2.3 million more

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2 Evidence, p. 37.

3 Evidence, p. 37.

4 Evidence, p. 37.

5 Evidence, pp. 37 and 38.

6 Evidence, p. 38.

7 Evidence, p. 38.

8 Exhibit 7.

9 Exhibit 7, p. 5.

expensive and the estimated cost of the design and construction package some \$2.4 million more than the Fini Group proposal.<sup>10</sup>

- 3.7 In summary, the ABC's assessment of the Fini Group and Phoenix proposals found that while both proposals offered satisfactory design solutions, the owned land option submitted by the Fini Group offered the best value in terms of land purchase, construction costs and sale of the existing premises.<sup>11</sup>

## Quantum of efficiencies

- 3.8 In its submission to the Committee, the ABC gave as objectives for the proposed development:

- maximising the efficiency and effectiveness of the organisation; and
- addressing the particular problems and inefficiencies relating to its existing accommodation.<sup>12</sup>

- 3.9 At the public hearing, the Committee questioned the ABC as to the quantum of the savings which would be achieved by the proposed development.<sup>13</sup> The ABC advised that, while it had quantified building, management and running costs savings, it had not quantified other savings. The ABC stated that it had not done so:

...because we were not factoring that into the financial model for the funding of this project. We are saying that we will use those efficiencies, that those efficiencies will stay with the program departments and they will achieve those separately.<sup>14</sup>

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10 Exhibit 7, p. 5.

11 Exhibit 7, p. 6.

12 Evidence, p. 7.

13 Evidence, p. 92.

14 Evidence, p. 92.

- 3.10 Following the public hearing the ABC provided the Committee with an analysis of efficiencies to be achieved from the proposed development.<sup>15</sup> Key efficiencies to be achieved from the proposed development relate to:
- archives and library services;
  - television production;
  - news and current Affairs; and
  - transmission.

### **Archives and Library Services**

- 3.11 In the proposed development archives and library services will be housed in a single area adjacent to the major users, rather than in five separate locations across five buildings as currently the situation. Apart from savings in access time for users, the ABC considers that there will be improvements in service provided and savings in providing relief staff for holidays.<sup>16</sup>

### **Television Production**

- 3.12 Currently, staff involved in production of television are housed in three separate buildings, audio and video post-production are housed in separate buildings, and the television studio is 100 metres and two buildings away from the producers and technical production staff are in another location. The proposed development will have a one-stop Television Production centre in which all staff involved in production will be together, with their facilities adjacent and the Television Production Studio nearby. The ABC considers that the resultant improvement in efficiency will be used to increase the output of local production.<sup>17</sup>

### **News and Current Affairs**

- 3.13 Currently, the news operation is spread across three buildings with the Newsroom being on another floor to the editing facilities and two buildings away from the Television Studio. The proposed development is intended to have a central newsroom with technical support facilities and staff adjacent. In addition, the Television News Studio will be located

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15 Exhibit, 3, p. 1.

16 Exhibit 3, p. 1.

17 Exhibit 3, p. 1.

within the Newsroom. The ABC considers that these features will increase quality, particularly the ability to respond to late breaking news stores and news flashes.<sup>18</sup> Also, the ABC considers that as news will be located in close proximity to Local Radio staff there will be efficiency gains through the interchange of information and less time wastage in contacting staff who need to follow up stories.<sup>19</sup>

## Transmission

3.14 Transmission facilities and staff for television, radio, radio news and television news are currently in separate locations across four buildings. The ABC considers that this has resulted in duplication and inefficient use of staff.<sup>20</sup> In the proposed development it is proposed to locate television transmission, television master control and radio master control in a single cluster to enable resources to be shared. The ABC considers that:

- a shared centre will provide a single point of contact for both ABC and the public to deal with transmission issues;
- a shared centre will allow television transmission issues to be dealt with across the same spread of hours as radio where currently no television staff are on duty;
- unscheduled television transmission from Perth could be met without the need to bring extra staff on duty; and
- there will be less staff involved in the daily personing.<sup>21</sup>

3.15 The Committee noted that, while the ABC has dealt adequately with the nature of the prospective efficiencies to be achieved from the proposed development, it has not provided a dollar quantum of prospective savings relating to those efficiencies. From the Committee's point of view, this is an important issue which relates to all proposals considered by the Committee.

## Recommendation 1

**3.16 The Committee recommends in respect of future submissions to the Committee that the ABC and other agencies provide, where relevant to the objectives of the proposed work, a detailed schedule of financial savings to be achieved from the proposed work.**

18 Exhibit 3, p. 1.

19 Exhibit 3, p. 1.

20 Exhibit 3, p. 1.

21 Exhibit 3, p. 2.

## GST

- 3.17 In its submission, the ABC advised the Committee that the estimated cost for the proposed development excludes any GST related costs.<sup>22</sup>
- 3.18 At the public hearing, the Committee questioned the ABC as to whether it was subject to GST.<sup>23</sup> The Committee noted the ABC's advice that, while it would pay GST cost on each individual transaction relating to the proposed development, GST costs would be refunded.<sup>24</sup>

## Program

- 3.19 The ABC advised the Committee that, subject to parliamentary approval, construction on the proposed development will commence in March 2001 with completion and occupancy by December 2002.<sup>25</sup> A preliminary construction program was prepared by the ABC and the key dates are:
- November 2000 - execute agreement with developer (Fini Group);
  - March 2001 - commence early works;
  - May 2001 - commence main works;
  - March 2002 - complete structure;
  - September 2002 – complete communications tower;
  - November 2002 – complete interior fitout;
  - December 2002 – commission technical fitout; and
  - December 2002 – new building fully operational.<sup>26</sup>

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22 Evidence, p. 41.

23 Evidence, p. 95.

24 Evidence, pp. 95 and 96.

25 Evidence, p. 39.

26 Evidence, p. 39.