



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Auditor-General's report No 6 of 2009: Government office
accommodation](#))

Members:

**MS C LE COUTEUR (The Chair)
MR B SMYTH (The Deputy Chair)
MR J HARGREAVES**

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 12 NOVEMBER 2010

**Secretary to the committee:
Ms A Cullen (Ph: 6205 0142)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

WITNESSES

DAWES, MR DAVID, Chief Executive, Department of Land and Property Services... **1**

RILEY, MR MICHAEL, Acting Senior Manager, Government Accommodation,
Department of Land and Property Services **1**

RYAN, MR STEPHEN, Director, ACT Property Group, Department of Land and
Property Services **1**

STANHOPE, MR JON, Chief Minister, Minister for Transport, Minister for
Territory and Municipal Services, Minister for Business and Economic
Development, Minister for Land and Property Services, Minister for Aboriginal
and Torres Strait Islander Affairs and Minister for the Arts and Heritage **1**

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Amended 21 January 2009

The committee met at 9.04 am.

STANHOPE, MR JON, Chief Minister, Minister for Transport, Minister for Territory and Municipal Services, Minister for Business and Economic Development, Minister for Land and Property Services, Minister for Aboriginal and Torres Strait Islander Affairs and Minister for the Arts and Heritage

DAWES, MR DAVID, Chief Executive, Department of Land and Property Services

RILEY, MR MICHAEL, Acting Senior Manager, Government Accommodation, Department of Land and Property Services

RYAN, MR STEPHEN, Director, ACT Property Group, Department of Land and Property Services

THE CHAIR: Good morning, gentlemen, and welcome. I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into the Auditor-General's report No 6 of 2009. The committee's inquiry is forward looking and is concerned with drawing lessons from the audit which can be applied to future activity at a whole-of-government level as well as an agency level.

Whilst the terms of reference are the information contained within the Auditor-General's report, the committee's inquiry is focusing specifically on best practice: planning, acquisition, management, delivery and utilisation of government office accommodation.

Today, the focus of the committee's public hearing is on the whole-of-government accommodation strategy, including the governance and accountability framework, to ensure the delivery of office accommodation activities at the whole-of-government level; in particular, but not exclusively, the issues set out in chapter 2 of the Auditor-General's report.

On behalf of the committee, I welcome you all, Chief Minister and Minister for Land and Property Services, and officials from the Department of Land and Property Services. I am sure you have all seen the privilege card. Can I check that you have all seen that and understand it? Thank you, gentlemen. Before we begin with questions from the committee, Chief Minister, do you have an opening statement?

Mr Stanhope: Thank you, Madam Chair. I do not have a specific statement that I wish to make, other than to say, in the context of this inquiry and this report of the Auditor-General, that members of the committee would be aware that, at the time that the audit was undertaken, responsibility for issues in relation to property and the management of property and our asset base were vested in the Department of Territory and Municipal Services. Through administrative arrangement amendments, that responsibility now vests in the Department of Land and Property Services. The officers here today, led by Mr Dawes, represent that department and the Property Group within the Department of Land and Property Services. I think it is relevant that that be understood.

In addition, Mr Dawes and officers are more than happy to respond to any questions that the committee may have, relevant to its terms of reference in relation to this particular inquiry, and most particularly centred around the Auditor-General's report. Significant progress has been made by the Property Group in implementing each of

the 15 recommendations. They were all accepted by the government and the Property Group has been, since that report was tabled, working quite vigorously and in a focused way to address the issues that were raised. Indeed, it continues to seek to improve our strategic planning, management and administration of our property. Beyond that, I have no specific comment that I wish to make.

THE CHAIR: Thank you, Mr Stanhope. I will start by asking a question around recommendation 15e—that communication plans apply for all major relocation projects, including addressing stakeholder concerns. Specifically, the stakeholder concerns that I am interested in are those of the staff and their concerns around physical relocation and transport issues resulting from this. It is particularly an issue for me because I have had a number of constituent emails from people who have been affected or anticipate being affected, and who feel that—

Mr Stanhope: I will defer to Mr Dawes, and perhaps Mr Ryan, who actually has carriage as head of the Property Group, in relation to this particular report. But by way of further refinement of your question, Ms Le Couteur, were the representations that you are aware of, or your own thinking, related to issues around public transport or other modes of transport or just generally?

THE CHAIR: In general. I would have liked to have said it was around public transport, but I think quite a few of the respondents have not actually thought of public transport options.

Mr Stanhope: So it is transport—

THE CHAIR: Transport in general, I suppose. One of the things that I have sometimes said in my replies back is maybe some sort of car pooling could be organised. Possibly, with a whole relocation, that could be something that could be investigated.

Mr Stanhope: I will defer to Mr Dawes to determine who might best be able to respond to your question.

Mr Dawes: Thank you very much for the question. One of the things that we have been looking at is that we have been progressively developing a number of procedures, guidelines and frameworks in which to work in implementing the Auditor-General's recommendations. But I will defer to Stephen Ryan to go into those specifics.

Mr Ryan: In terms of the communication plans, the situation we are facing at the moment is that when the Auditor-General's report was done, we had just done a number of major accommodation changes. Since that point in time, it has been more of a period of consolidation, because we have got the whole-of-government office building project still progressing. That will have an impact, and Mr Dawes can speak to that one rather than me, because we are not handling that.

We have taken to the government the government real estate policy, which is what the Auditor-General in one of the other recommendations asked us to do. What we have done for the first time is put in place a series of policies, procedures and guidelines

that can enable us to move through. We now have within that document accommodation framework policies and all the rest. That is all built into the documentation for how we would operate if we had to do a major move.

THE CHAIR: Does that include looking at transport issues for the affected staff?

Mr Ryan: It will. Again, I defer to my colleagues on the right in terms of the work they have done with the whole-of-government office building. The policy requires us to consult with staff, yes.

Mr Riley: There are two areas. The consultation with staff is the responsibility of the individual agencies. However, our procurement plan for new leasing has a number of criteria, and public access transport is a weighted average criterion when we take out new leasing.

THE CHAIR: Have you looked at trying to introduce car pooling at the point when an office is relocated? That would be a fairly strategic point—everyone has to change their arrangements, and a lot of people may be moving further than they previously were.

MR HARGREAVES: And do you consider it the government's responsibility to get people to work or dictate to them how they will get to work? Whose responsibility is it to get a person to work?

THE CHAIR: "Facilitate" might be a better word.

MR HARGREAVES: Whose responsibility is it to facilitate someone getting to work? Is it your problem? Is it the worker's problem?

Mr Stanhope: There is certainly a role for government. But the point of your question, Mr Hargreaves, is well made. Nevertheless, I accept that government or the employer has a role in facilitating other possibilities. For instance, that capacity exists with car pooling. Indeed, we pursue it from time to time—perhaps not as vigorously as we might—in encouraging staff in particular offices to take the opportunity to car pool.

Then again, if one looks more broadly in the context of government office policies in relation to real estate, there is a direct attempt at encouraging behaviour in relation to transit ways and park-and-ride facilities where the government builds in certain encouragements. For instance, if there is more than one person in a car, particular benefits apply in relation to transit lanes. It is an issue around how, through a sustainable transport plan, we encourage people to share cars. I think we pursue it from that end.

Your question picks up a very good point, Ms Le Couteur—that is, could not the government through its government office policies add to the work that transport planners are engaged in about how you get cars off the road. We look at it from the transport end far more than we look at it from the office accommodation end. To respond to Mr Hargreaves's point, we deal with it through transport planning more so than the officers here today have looked at it through office planning.

THE CHAIR: My point was that at the point of an office relocation, you have an office full of people whose transport plans are about to change. That is a really strategic time to make it better.

Mr Stanhope: Yes.

MR HARGREAVES: Or worse, if you have to share a car with somebody you do not like.

THE CHAIR: Whether it be done through your part of the government or transport, that is a strategic point for positive intervention. Mr Smyth.

MR SMYTH: Chapter 2 of the Auditor-General's report, which starts on page 19, speaks of a whole-of-government accommodation strategy. The first dot point says that there is a framework currently in place, but the second dot point under "key findings" says that the ACT government does not have a whole-of-government office accommodation strategic plan to assess its future needs and inform its current accommodation strategy. The auditor finds on page 31 in recommendation 3 that "ACT Property Group should develop and implement an office accommodation strategy that considers short, medium and long-term planning strategies and objectives for the whole of government".

Page 13 has the response from the government, and it is "agreed". It says that the Chief Minister's Department is currently responsible for the development and delivery of the ACT proposed real estate policy. It says work will commence on the strategy once the ACT government announces a final decision on the development of a new major office block. Is that not putting the cart before the horse? Surely we should have this strategy to inform the decision as to whether or not there is a need for the new government office block?

Mr Ryan: Yes, accommodation is more than just the sum of the office buildings. The ACT public service is spread right across. At the time the report came down, there was work already underway on the whole-of-government office building. We were faced with the situation of trying to—you have decisions already made. So you are trying to work out how you will handle the strategic work. So what we did was focus more on the government real estate policy, to actually try for the first time to put in place in writing what was the existing situation, I suppose, and then over a period of time try to take that forward and improve it.

We have done some strategic work. We went to the government late last year and got agreement on a subleasing strategy. The subleasing strategy again took into account that until there is a final decision made on the whole-of-government office building, we had to look after what was the existing accommodation. What we have been focusing on from our perspective while that is occurring is the short-term accommodation arrangements.

Equally, we started about six months ago putting together a document which will take into account whichever decision is made on the whole-of-government office building, a strategy to take us forward for the next 20 years, which we will bring back to the

government. That will look at the accommodation across the board. But from our perspective, we were faced with what was already in the pipeline.

Mr Stanhope: Actually, I understand your question very well, Mr Smyth—the logic of it. But I think that what Mr Ryan has just said is that through the work that we have done through the government accommodation subleasing strategy we have in fact accepted that we could not just do nothing. In the shorthand that is included within that response that you referred to, it perhaps does not address the fact that we would continue to work on policies.

The government accommodation subleasing strategy, which is post the Auditor-General's report, does deal with and address the short and medium-term strategic accommodation needs. Indeed, I think it is fair to say it is not a hiatus. It is not as if nothing is happening. On a daily or monthly basis as our office accommodation needs change, we deal with this and meet it. At this point—I think I speak for the Property Group—it is not as if in relation to our immediate accommodation needs or our medium-term accommodation needs they are not being met and they are not being met in a strategic way.

I am sure that Mr Ryan could go through each of our agencies, each of their current accommodation and their accommodation needs over the medium term, and say: "Yes, we know exactly where our officers are. We know where they are accommodated. We believe that the accommodation is currently satisfactory." In the context of strategy, you need to know what the landscape looks like—where you are going to need to be when the next set of leases expires and what you are going to do. Are you going to renew them? Are you going to consolidate? Are you going to sell a building? Are you going to buy another building?

Hanging over all of this, of course, as everybody knows, is a major decision that would potentially see the co-location of a very significant proportion of our administrative staff. I think that in the shorthand that is in the government's response, your question is very well put. But perhaps if we were to expand that answer, we would say, "We will be doing all this other work and we will be doing it in the short and medium term." But we are doing this with the prospect—the decision has not yet been made—of a major government office project proceeding.

Of course, you would understand that while it has been a long time in the development, it has made it hard for officers to deal definitively with our long-term strategy. In response to your question, we do put in place and have put in place strategies that meet the Auditor-General's recommendations in relation to the short and medium terms.

Mr Dawes: Can I add to that as well and then defer to Mr Ryan to answer it in a little more detail. It is part and parcel of one of the strategies that we have been implementing as some of the offices are coming up for renewal. We have certainly embraced the green leasing policy that has been established. We can elaborate a little more on greening tenancies over 2,000 square metres. There have been some significant gains. Obviously, as we await the decision about a new office complex being built, we have had to get on and renew some of our leases that are currently in existing buildings as well. But we have also been able to negotiate some better

outcomes.

The other thing that we have been working on strategically over the last couple of years, since the Auditor-General's report—and this is also coming out of the strategy for the new government office block—is to look at our utilisation in our current tenancies. When I look at the utilisation of a couple of years ago, it was over 20 square metres per individual. We have brought that down to just over 15 square metres per work space. We are looking at refining that even further as we move forward. There is a lot of consultation. If you look, located in the department which has the Telstra headquarters, we have a utilisation space of just over 12 square metres per person. Because of other benefits that brings, that accommodation is very good.

That is part and parcel of what we have been trying to do, to try to get better utilisation out of our stock until we get a decision on the whole-of-government office project. A lot of the strategies that have been talked about are part and parcel of a lot of the negotiations on the project. There are significant savings, both in energy and in water consumption—all the things you would expect if, for example, you were to proceed with the new building. Many of the buildings that we currently have are probably at C-grade level as well. It is a fine line we walk. Until a major decision is made, we do not want to spend significant amounts of money and then, all of a sudden, make another decision and waste that money. It takes a number of years to write it off.

Mr Ryan might want to talk a bit about the green leasing policies.

MR SMYTH: Before we do, could we get some discussion at a much higher level? The response to the auditor's report was that work on the strategy would commence after the government had made a decision on the new office block. If I have heard you correctly, some of that work has already started. We are running options A and B, if we do and if we do not. Surely, the point of the strategy is to inform what the decision should be instead of accommodating what the decision will be.

Mr Ryan: I think it has had a twofold effect. I think it has helped inform the work that is being done on a new office complex. I believe it would be inappropriate if we did not have what we call plan B. We need to be progressing things. That is why we have looked at the short term and the medium term so that we can swing into—

MR SMYTH: That is presupposing certain things occur. The auditor makes the point that unless you have got a long-term strategy and you define those outcomes you run the risk of running some case studies. Her point is: what is your strategy and, out of the strategy, what is the accommodation that you need? The answer seems to have shifted since this answer was given to the Auditor-General. Here it says that the government is going to make a final decision on its building and then it will develop a strategy. Now you are saying, "We are still looking at the building but we have got an A and a B." Surely you have got to step back to do this? This building will be there for 50 years or 100 years.

Mr Ryan: There are a few factors. Firstly, as it says in there, at the time the Auditor-General was doing the report, CMD was handling the government office building and TAMS was handling the Property Group. One of the things the

government did last year was bring together those two areas, amongst other things, so that we are now all in the one place. That has improved things.

Secondly, at the point in time when the Auditor-General was writing that report, the whole-of-government office building was progressing but was not progressing as well as it had been over the last 12 months. One of the things that we, therefore, reviewed was: does the whole-of-government office building fulfil the long-term strategy? That is where we are coming from. When the government make a decision, they are basically making the long-term strategy for how they are going to accommodate—

MR SMYTH: That is a self-fulfilling prophecy. You have just said, “Does the whole-of-government building propel the strategy?” This is reverse engineering, and that worries me.

Mr Ryan: The government gets options. One of the options is—

MR SMYTH: Your whole strategy is based on an option that the government has already decided. The people of Gungahlin would love the whole-of-government office building in Gungahlin. Was that considered?

Mr Ryan: That is part of the overall decision-making process that the government will go through in making a decision as to whether or not, finally, to give the tick to the government office building. It will take into account all those factors and will make a decision as to—

MR SMYTH: Again, I do not think you get my point. The point is that the strategy is now charting its way around a rock called the whole-of-government office building. The question is: should you be travelling that path at all? If you have short, medium and long-term strategies, as the auditor points out, that will tell you whether you are going to sail one way or another way. If you have already had input into the situation, then of course you will build your strategy around that. That is not good strategic planning.

MR HARGREAVES: I seek clarification on your point. From what I am hearing, there is almost furious agreement. As I understand it, the strategy is being developed at one part of government and the government office block proposal is developed at another part of government. The cart-and-horse scenario comes into play in the way that it is being achieved by putting the two arms of government together, to consider both sides. There is a congruence here. In fact, the government office block will be a major plan but the strategy will be considered in the context of the decision which will be announced in the course of time. Is that congruence occurring? Is that what is happening?

Mr Dawes: I believe that is the case. As I said earlier, we have certainly addressed the short and medium terms. That has fed into the long-term strategy as well. There are two long-term strategies occurring. If, for example, the government office block does not proceed then we are well placed. If it does not proceed, we are well placed to implement some of the learnings that we have gained in doing the government office block strategy.

If you look at some of the renewals that have occurred just recently, we have renegotiated some of those rooms and some of those work spaces. The basic principle that we had in going into the new office block is currently occurring in the leases that we have renewed. Both processes have informed the one decision, whether we go to a new office block or we retain the present leases.

There will be a question as well as to what we do with some of the C-grade buildings. That has been taken into consideration as well. There are a number of different things that are occurring here. What I am suggesting is that, until we make that decision, major investment is needed to bring the C-grade buildings up to at least 4½. If we want to achieve our sustainability objectives as well, then I would question—and I think anyone who is running a business would question—not to invest in those until we had the other decision. If, for example, we decide to do that, we have got a strategy. We have been working with a number of the agencies and consultancies. We have had CBRE looking at some of our strategies as we move forward. We have a strategy. There are a couple of decisions to be made. I would caution that, in our government-owned office product, we should not be going out and spending major amounts of community money.

Mr Stanhope: I guess that is at the heart of Mr Smyth's question more particularly. As I understand Mr Smyth's question, it is: are you, in the level of activity or time and resource put into the development of a whole-of-government office block, essentially leaving a potential black hole if the decision is not to proceed? I think that is what Mr Smyth is asking. Is the other strategic work that would need to be in place if the office does not proceed being done?

What Mr Dawes has just said, if I understand it, is, "In the business case and the analysis around a government office block, we are of course looking at what you might call the cost-benefits or knock-on implications." We are looking at those as part of the business case. For instance, are we looking at the fine detail in relation to the implications for government offices that are currently occupied and, most particularly, those that we currently own? Macarthur House is an example, which we own. If we build a government office block, it would potentially be surplus to our requirements. We would then assess what we would do with it. We would probably sell it.

Then again, as Mr Dawes has just said, whilst we might not characterise this as a long-term strategy—we have also looked at what happens if we do not build a government office block and we maintain ownership of Macarthur House—does it continue to fit the purpose? What work would we need to do to upgrade it and how much would it cost? That applies to the other buildings which we occupy and own.

Of course, it applies increasingly to those buildings which we lease for our staff but do not own. The fact is that, if you look at the numbers across the board now, there is the very exemplary decision which the commonwealth government has taken that it will not house its employees in anything other than A-grade accommodation. We are very conscious of this as an employer and we are very conscious of issues around sustainability and the ratings of buildings which we occupy.

It is a matter of grave concern to us that 90-plus per cent of commonwealth officers are housed in A-grade accommodation. We are the mirror reverse. The vast majority

of our employees are housed in B and C-grade accommodation. The majority are in C-grade accommodation. We have done all this thinking. This thinking is very much centred on the advantages and cost-benefits of a government office block.

I do understand what you are saying but I think any consideration of this issue has to focus on the fact that we are the tail end of a major decision in relation to a government office block. Of course it is a very big decision. The building will cost in excess of \$300 million. There are a whole range of issues for consideration in relation to that.

THE CHAIR: Has the decision been implicitly made? I have got in front of me a copy of the Canberra city action plan. It has got a page on the government office building and it has got the timing. On the timing it says, "Finalise design, begin construction subject to funding." It does not say "subject to government decision being made".

Mr Stanhope: Well, it should. I think it is implicit. Everybody working on this project within Mr Dawes's department or within government, most particularly Chief Minister's, Treasury and LAPS, are very aware that the government has not made a decision. Indeed, on issues around financing I think it is fair to suggest in relation to that that cabinet has on a number of occasions now given explicit authority for officers to go to the next stage of consideration, and we are now at that point.

The last decision of the cabinet was to bring back to cabinet final proposals in relation to cost-benefit and potential funding mechanisms or options. So the decision has progressed to that point. That is the big decision. Big decisions are always about money and always about the business case. But in relation to this there are a number of other issues that we are mindful of, particularly those around our responsibility, as a major employer, to house our officers in not just good accommodation but environmentally sensitive and sustainable accommodation.

The final decision most certainly has not been made. But certainly the government has, the cabinet has, successively given approval for the project to continue to advance to the next stage along a continuum of decision points. I do not want to commit to a particular cabinet point, but the point is imminent.

MR SMYTH: Is it possible to give the committee a brief update of where it is in the process? You have just said it is potentially a \$300 million building—

Mr Stanhope: More. I know it is more, but I am not quite sure—

Mr Dawes: The base building is 300 and then obviously fit-out. It is probably premature for us to go into that, but I am more than happy at some stage, Chief Minister, when we get to that point, to give the committee a briefing, when it is appropriate.

MR SMYTH: Where is it at at the moment? A decision has been made to move ahead and do further work.

Mr Stanhope: That was some months ago. The last decision of the cabinet was an

authority to—

Mr Dawes: We did market sounding—

Mr Stanhope: Yes. Explain the process that we are going through.

Mr Dawes: Some time ago you might recall that we had a market sounding or briefing session. We called for expressions of interest. We wanted to see what sort of level of interest there was in the building. Obviously, we have had—

Mr Stanhope: In the context of funding.

Mr Dawes: Finance and that. As you know, we have gone through an interesting time with the GFC. There was a discussion as to whether there would be support for a project such as this. As well, we had a sounding session back in June and we were overwhelmed with the responses from that. We had 80 people turn up to our briefing session. It was very well received. We had all the majors, all the major super funds, all the major property trusts and so on interested.

That enabled us to look further to see whether the project would be, as I said, acceptable to the market. We certainly got the tick there, to the point whereby a number of the major super funds, even around the world, are looking at this. If you look at the major transactions that have occurred in Sydney in recent times, they have been both German and Korean super funds buying some of the assets. Unfortunately, what happens when you have a GFC, when you looked at some of the very strong Australian property trusts that had to divest—

Mr Stanhope: I think the point of this, Mr Dawes, is that we invited them to give us proposals on whether or not they would be prepared to fund and the basis on which they would fund. It really was around exploring potential funding partners or models. The base model is, of course, that we build it and we own it, as we normally do—or should we in relation to a major expenditure? So we went to the market and said: “Okay, this is the sort of building we want to build for this purpose. Offer us a deal.” The committee may be interested in the structures that could eventuate out of that. It might be that the government says, “No, we’ll build it and we’ll own it,” or it might be—

MR HARGREAVES: It might be a PPP or something like that.

Mr Stanhope: Yes, but there are different models; there are potential models.

Mr Dawes: That is right. There is a potential model to enter into a PPP. There is a potential to do design, construction, own and manage. The territory could own the asset and, after it is completed, you could then look at whether we take a portion of it to the market, the whole lot to the market and so on. The other alternative is that we just go out and engage a joint venture partner up-front. So there are a number of different mechanisms that we are looking at.

We have done the cost-benefit analysis for each of those proposals. That has now formed a paper which will be taken to government for that final decision. There has

been very close work done across the agencies as well, both from DECCEW's point of view—from an environmental and sustainability point of view—but, more importantly, with Treasury and ourselves working very closely on the financing models as well. We have been fortunate. We have gone out and engaged some very good firms to help us to do that cost-benefit analysis. There have been a number of workshops. We have got to the point where we have all of that and where there will be a government decision.

As the Chief Minister indicated, one of the proposals is for us to build, own and operate it ourselves—that is fairly cost-effective, very cost-effective—but then, depending on where we go with the capital works, it could be a PPP. I think—this is a personal preference—we have got to look at PPPs and whether it is an appropriate project for a PPP. Certainly, if you are building hospitals, tunnels or whatever, PPPs are the way to go, but government office buildings are being built around the country day in, day out and we would probably need to question that. We would probably own and operate it ourselves or a joint venture would probably be the way to go.

MR HARGREAVES: The size of the financial commitment to this building, given that it starting off at 300 and will go up from that, actually lends itself to serious consideration of a PPP, doesn't it?

Mr Dawes: Not necessarily. To me—

Mr Stanhope: Let me just add: the \$300 million is not a firm number.

MR HARGREAVES: I understand. But talking about the scale, I seem to remember—

MR SMYTH: And we all like firm numbers.

Mr Stanhope: We do, but this is not a firm number.

MR HARGREAVES: We are not getting a firm one here.

Mr Stanhope: This is simply to say this is a very big project. It is \$300 million-plus. At this stage we do not know exactly what the “plus” is.

MR HARGREAVES: I do recall, in fact, some years ago that generally across the industry they were saying that you would not even think about it for something under 150 mil. So if you are talking about something which is double or more than that then the raw financials would say you are almost obliged to consider whether that is an appropriate way to go.

Mr Dawes: We certainly have. We actually had a workshop on that particular proposal. That was led by KPMG who are the experts when it comes to PPP. That is the quality of the firms that we have been using through this process to look at what is going to be the best and what is going to return the greatest benefit back to the territory. We have actually had a number of workshops on that.

MR SMYTH: Again, appreciating that we are dealing with raw figures, the fit-out is

to accommodate how many public servants?

Mr Dawes: Around 5,000 public servants—in that sort of order. So the fit-out, depending on that as well, is somewhere in the order of \$90 million.

Mr Ryan: Can I come back to your original question, Mr Smyth, about strategy? We have dealt with the delivery. We have been working on the national front with all the other state and territory property groups. We have brought forward to all the governments over the last 12 months two major documents. One is the national framework for sustainable government office buildings. That is a document that basically sets out what it is we are trying to achieve in the delivery of government office buildings.

MR SMYTH: Could you provide the link to or a copy of that to the committee?

Mr Ryan: Yes, we can. We are waiting at the moment for it to get COAG sign-off. It is a document that has come from the states and territories and it is going to COAG through the Australasian Procurement and Construction Council, which we are a member of.

The second document which may or may not have a bearing, depending on the circumstances of the decision with the government office building or any of our office buildings, is the national green leasing policy. That is a document that, again, will go to COAG. We are hoping it will receive out-of-session COAG sign-off in the next couple of months. That document was a joint effort of the Government Property Group and the Energy Efficiency Group, which is a commonwealth subcommittee of COAG as well.

That document sets out the parameters if you are going to lease your accommodation rather than build it yourself. It sets out the guidelines, the rules, what we are trying to achieve when we lease a building. It has attached to it a green lease schedule. Essentially, in the past when we have subleased property in Canberra, we have just used the standard legal document for subleasing purposes. It just dealt with all the normal stuff of the cost per square metre and owners' rights and tenants' rights.

What we are now doing is attaching to that subleasing document here in the ACT, and in our leasing documents everywhere else, a green lease schedule. You are actually now getting down to describing how that building is going to operate from a sustainability perspective. You are setting up building management committees, which involve the landlord and the tenants. You are dealing with ratings both of the building itself and of the tenancy and the fit-out.

Those documents have all been developed over the last year and a half. It has been a massive undertaking. But we have got to the stage now where I believe the energy side had a meeting on 28 October and gave it the nod. The Government Property Group gave it the nod a couple of months before; so that document is now going forward for sign-off.

The government real estate policy picks up both those documents as applying to the ACT. What we have done here is that we have gone to government and said that as

those documents come on board, we would actually like them to be the basis for how we make our decisions about what we are trying to deliver in our government office buildings. We have done that strategic work. As the decisions are made, whether the government decides to go one way or another in terms of the government office building, it will be done in the context of a strategic approach to the delivery of office accommodation.

THE CHAIR: When you are deciding about the government office building, how much emphasis are you putting on the impact on the rest of the property market? Presumably, along Northbourne Avenue there will be quite a number of empty buildings and this will be the case in other places in Canberra. We already have a fairly high office vacancy rate. Where does that sit in your decision making?

Mr Dawes: Once the decision is made we will be working with the property sector as well. I think there are a number of things that are occurring with property owners at the present time. We are looking at how some of those buildings may be able to be re-used for conversions. There are a couple of strategies in place. Once that decision is made, we can actually work with them a little closer.

I think what we have to remember, for example, is that we are a tenant in Nara House. We have just renewed that for 10 years. It is not as if we are going to be leaving all the properties vacant that are leased. When you look at the properties that we would be vacating, a lot of them are the ones that we own ourselves. Some of them will be able to be used for other purposes.

We will certainly work towards some of the other strategies as well. Some of them could be knocked down and converted into residential. They are all on major transport routes and things of that nature. There has been quite a lot of work done in that area. It is important to note that we are not vacating a whole lot of non-government-owned leases.

MR HARGREAVES: Can I talk a little about the government's real estate policy. In developing that policy, one instantly thinks that it is going to be how the government is going to approach leasing private premises for its own people. We also have government-owned facilities that we lease to people. Is that covered in that policy?

Mr Ryan: Do you mean to the community groups?

MR HARGREAVES: Community groups and/or the private sector—for example, 1 Mort Street, the health building: it has private sector people in it, does it not?

Mr Ryan: It is leased to the Department of Health. The Department of Health may have, in turn, put some health professionals into some of the spaces.

MR HARGREAVES: There was a floor let out to the private sector, or have they gone?

Mr Ryan: Health is the predominant tenant but now Justice and Community Safety is also occupying a mixture. ACAT is located there now. Fujitsu had a floor there some years ago. We moved Fujitsu on some time ago.

MR HARGREAVES: In that case, are there any premises that the government owns and that are let out to the private sector and the business sector?

Mr Ryan: Yes, but not major. When ACTION vacated space at Tuggeranong a couple of years ago, we under-let that to the commonwealth.

Mr Riley: We had 1,800 square metres at 200 Scollay Street, which is on the depot, which is under-leased or subleased to Medicare Australia at the moment. Before we did the strategy, we under-leased the whole of Manning Clark offices to Medicare Australia as well. It has now expired. Before the lease expired—

MR HARGREAVES: Did the government own that building?

Mr Riley: No. We leased it. It was owned by the ACT Long Service Leave Board.

Mr Dawes: We had a five-year sublease on that. When the strategy was being implemented, which is covered in the report for Education, with them moving out, instead of sitting there empty and us paying rent, we under-let it to the commonwealth. When the lease expired, the commonwealth negotiated with the owner to take the lease over.

Mr Ryan: We are negotiating with our major office building owners in the private sector. Certain properties are leased to communities and, at times, the private sector.

MR HARGREAVES: You mentioned before surplus space. I am not talking about surplus schools. I am talking about surplus space within schools which are let out to community groups. There are a scale of charges for that purpose. Are they covered by that policy?

Mr Ryan: The policy covers all agencies. The surplus property policy was picked up by the government real estate policy. At the time that the school closures occurred at the end of 2006, one of the outcomes was that we reached agreement with the department of education that they would no longer rent out space in schools separately. If there was going to be space made available, it would be provided to Property Group and Property Group would, in turn, let it out. It happened in a couple of instances.

At Cook primary school, one wing was closed many years before the rest. That was transferred to us. The tenants in that school, a ballet school and a few other activities, were all our tenants rather than Education's. Education reviewed the arrangements that they had in place at the end of 2006 and agreed that the arrangements we had in place made more sense.

We had the community and other tenancies policy which was also picked up by the government real estate policy. That is our manual, I suppose, for how we go about making space available in government property, whether it is a whole building or part of a building.

MR HARGREAVES: If there is space available in a functioning school, which

occurs, and a community group or the like or a quasi-community group wants to occupy that space, the arrangements come through the Property Group, not through the school?

Mr Ryan: Since 2007, from my understanding, the agreement we reached with Education was that they would no longer do that. Education had tenants in schools that were still open and where they were basically reopening the whole school. One of the things that we were asked to do because of the changes the government put in place was to relocate Weston Creek Community Service from Duffy. They used to operate out of Duffy primary school. We were asked to find accommodation for them because the school wanted to reuse that classroom. I am not aware of any group going into a school since that time, into a classroom. It would not have occurred.

MR HARGREAVES: I am aware that in some of the existing schools there are arrangements for community groups to use the facilities, particularly the gymnasium, after hours. Some of them are on a casual basis. Some of them are on a more regular basis. There was a scale of charges applicable for that use. That was administered by the department of education's central office. There was some discussion that it may be devolved to the schools under schools-based management. Not so much the whole building stuff or even half a building stuff, has that been picked up by the Property Group?

Mr Ryan: In 2007, one of the groups that we got at Rivett was the Flying Fruit Fly Circus. They had an arrangement like that. What we found at that point in time was that those arrangements had been devolved to the principals. At each school, it was an arrangement that the principal made. That group were given access to the gymnasium to run their classes, on the basis that they would give preference to kids from that school to use that equipment. It was an in-school arrangement. There is nothing in the government real estate policy currently that picks that up. There is no reason why it cannot but there is none.

MR HARGREAVES: I am interested in that because I do remember there being a scale of charges. There was a specific charge for a community group. There was a specific charge for a for-profit group which had an educational aspect to it. You had about three or four different charge levels which were put in regulation somewhere. I know this because I administered it. I am curious to know whether or not it has been picked up and whether it should be picked up.

Mr Ryan: All I can say is that, with it being devolved to the principals, my understanding was that it was the principals' decision as to the charging arrangements. What may have been in place before it was devolved, my understanding is that, once the principals took on board that responsibility, it was the principals' arrangements. We found that out because we had tenants that were on cheap or free rent being moved into places where we have a structured fees and charges process. We had a number of negotiations about that.

MR HARGREAVES: Could you take that on board and have a look at it? I do not want to see any inconsistencies.

Mr Stanhope: We will take that on notice.

MR SMYTH: Back to the government office building, the site is the car park next door to the Assembly?

Mr Stanhope: Correct.

MR SMYTH: What assessment was done of that site as to the suitability for an office block or any alternative use?

Mr Dawes There has been quite a bit of work on feasibility done on that site. Being inside London Circuit, it comes under the guidelines of the National Capital Authority, and they design guidelines for that site. We have had to do any work within the confines of that.

One of the key elements of doing all of these things as well is the car parking issue. We are very conscious of the theatre, and we have some strategies in place, for example, for car parking relief. Once the building was complete, there would be replacement plus additional parking. If it proceeds, it will have in the order of 1,000 car parks. They would then be available for the general public but also for the night use of the theatre. Parking at night is problematic as well. We have taken a lot of that into consideration.

MR SMYTH: Has discussion been had with the Australia forum group? One of the sites for the new Australia forum is potentially beyond the government office accommodation. If that was decided as the site, Chief Minister, would that change the potential use of that site? There could be future expansion of the Australia forum and ancillary buildings or, indeed, hotel accommodation might well be better suited on that site. In your planning for this project, are you discussing this closely with the Australia forum group?

Mr Dawes I have been involved in the steering committee. I have not been intimately involved in the final plan, but I was involved with the initial steering committee and the selection of the successful proponent to do the exploration. They are certainly aware of what is going on with the government office. It so happens that the architect that has done our design guidelines and worked with the NCA on that first stage, the first round of the government office, is the same architectural firm that has been working on the forum. There has been quite close consultation around the site. As you know, they are looking at a number of sites within the city precinct.

Mr Stanhope: You would be aware that section 19 is specifically for hotel accommodation. It is one block away, but it is certainly related to other sites within London Circuit. Regrettably, as a reflection of the availability and non-availability of capital at the time, it did not attract a bid that met the reserve price. In the overall planning of the centre of the city, we are very conscious of all of those issues.

Mr Dawes: Since the appointment of a government architect, there has been quite a lot of discussion as well about the best place. If you are going to have that sort of precinct, it is an appropriate site, the one adjoined to the Assembly.

THE CHAIR: Thank you. It is now 10 o'clock, so our time has come to a close.

There may well be some supplementary questions for you, because I certainly have some, and other members may have.

Mr Stanhope: We look forward to those, Madam Chair.

THE CHAIR: Thank you. On behalf of the committee, I would like to thank you, Chief Minister, and all the officials for attending today.

The committee adjourned at 10 am.