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 PARLIAMENT OF TASMANIA
 

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 PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
 

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# RENTAL ACCOMMODATION IN SAVINGS BANK OF TASMANIA BUILDING, COLLINS STREET, HOBART: DELAY IN MOVING IN

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*Laid upon the Tables of both Houses of Parliament*

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The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970 (No. 54).

Report of the Parliamentary Standing Committee on Public Accounts

#### MEMBERS OF THE COMMITTEE

<i>Legislative Council</i>	<i>House of Assembly</i>	
Mr Bisdee	Mr Mather (Chairman)	} till 2 July 1979
Mr Gregory	Mr Aulich	
Mr W. C. Hodgman	Mr Sherry	
	Mr Robson (Chairman)	} from 21 September 1979
	Mr Devine	
	Mr Weldon	

## REPORT

The Committee have the honour to report on an enquiry which arose out of the following comments by the Auditor-General in his 1977 report (p. 90):

Further to comments in the previous Report concerning delay in the Government occupation of leased accommodation in the State Savings Bank Building, Hobart, the Arbitrator found that the date of commencement of the tenancy should be 1 September 1975, which resulted in rental being required to be paid for the ten months prior to actual occupation. The excessive delay in occupation appears to have been due to the fact that the decision to take space in the building was made when the main structure was virtually complete and it was not therefore possible to arrange contracts for the installation of fittings and partitions in advance of the practical completion of the building. Delay was stated to be inevitable from the outset.

The Committee heard evidence from the Director of Lands, the Public Offices Committee and the Department of Housing and Construction. Decisions to house the Attorney-General's Department, the Town and Country Planning Commission and the Local Government Office in the new building were taken between July and September 1975. Because certain alterations to toilets and installation of partitions were needed, the accommodation was not taken until 12 July 1976, when the Attorney-General's Department moved in. The Town and Country Planning Commission and the Local Government Office moved in the following month. However, as the Auditor-General points out, tenancy started on 1 September 1975. The cost to the State of rental for the delay period, that is 1 September 1975 to 11 July 1976, was \$71 559. In addition, \$10 822 was paid in rates for the same period.

This payment is a loss and the Committee had to consider three aspects — the lateness of the decision to take up the space in the building, the negotiations of the lease, and the execution of the alterations required.

The Treasurer's approval for occupation was received in July 1975. Bearing in mind that rental was later determined to commence on 1 September, this decision was late. The Valuer-General, in a memorandum to the Director of Lands dated 31 July 1975, pointed out that to minimize the time lag between commencement of tenancy and occupancy of accommodation, it was most important for the Director of Public Works to finalize the partitioning contracts at the very earliest date. He understood the anticipated installation period was thirteen weeks.

On 5 August 1975, the Director of Lands responded by forwarding the Valuer-General's Report to the Director of Public Works, with the following observations:

You will notice that he has reached agreement on the rental conditions with a proviso as to the commencing date of the tenancy. It seems that there will be some doubt as to the finite date from which we will be responsible to pay rent.

It is also apparent at this stage that some considerable time will elapse between the date from which we will pay rent and the date on which the appropriate Departments will be able to move in.

I am concerned that this period should be reduced to the minimum. In order to avoid some of the misunderstandings that have occurred in the past, I suggest that there be an early meeting between representatives of this department your architect and representatives of the owner or his architect, to ensure that we are all working on the same set of facts and with a common objective.

It will also be necessary to ensure that the appropriate documentation is organised now so as to avoid confusion.

Perhaps you could arrange for the appropriate officer in your Department to get in touch with me so that we can bring this matter under control.

In view of the above correspondence, it was realised at the time that some loss due to delays was inevitable.

It was stated to the Committee that toilet accommodation provided in the Building was not up to accepted standard. In the negotiations which occurred between the Director of Lands and the bank in July 1975, it was agreed that tenancy would commence from the completion of alterations to the toilets. Because this work was not executed until the main task of installing partitions was carried out in 1976, the question of the commencement of tenancy was later referred to an arbitrator. He found that tenancy should commence at a time when the alterations could reasonably have been expected to be completed. The fact that other work — the partitions — was also required and the toilet alterations were scheduled with it was irrelevant. A reasonable time for toilet alterations was agreed to be five weeks and thus the commencement date determined was 1 September 1975.

The Committee accept that the rental negotiated of \$4.60 per square foot for such accommodation was realistic and that commencement of the rental period negotiated was reasonable if not precise. The correspondence quoted above shows that the Director of Lands at least was aware that partitioning would take some thirteen weeks in the execution.

Work did not actually commence until March 1976 and despite difficulties experienced by the contractor with access to the site, it was completed in good time.

Witnesses provided the Committee with schedules which show the history of this project. The Department of Housing and Construction schedule items are marked DHC and the Public Offices Committee's POC.

*26 May 1975*

Request from Secretary, Attorney-General's Department to arrange for partitioning planning in either the Savings Bank or alternatively the M.L.C. building. (DHC)

*23 May 1975*

P.W.D. had already submitted feasibility study for Attorney-General's Department on two floors at the Savings Bank Building at an estimated cost of \$116 500. (DHC)

*30 May 1975*

Plans were approved by client Department. (DHC)

*4 June 1975*

P.W.D. informed Secretary, Public Offices Committee, that it was preparing plans for accommodating the Town & Country Planning Commission in the Savings Bank Building. (DHC)

*6 June 1975*

P.W.D. submitted plans and estimates to the Public Offices Committee for the Town & Country Planning Commission tenancy. (DHC)

*9 June 1975*

Consultant architects submitted estimates for the Attorney-General's Department and Town & Country Planning Commission's installations. (DHC)

*23 June 1975*

Public Offices Committee considered plans prepared by Public Works Department and decided to recommend to Treasurer that Town and Country Planning Commission be accommodated in the Savings Bank of Tasmania Building.

In view of the costs involved, the Public Offices Committee decided to refer the question of accommodating the Attorney-General in the Savings Bank of Tasmania Building to the Treasurer for consideration and decision. (POC)

*11 July 1975*

Public Offices Committee instructed P.W.D. to arrange for the two tenancies to proceed. (DHC)

Approval received from Treasurer for both Departments to be accommodated in the Savings Bank of Tasmania Building. (POC)

Memorandum forwarded to the Valuer-General to negotiate satisfactory terms for lease of accommodation. (POC)

Request forwarded to Public Works Department to arrange partitions, etc. (POC)

*31 July 1975*

Report received from Valuer-General on proposed terms for lease. (POC)

*1 August 1975*

P.W.D. formally engaged the services of the consultant architects. (DHC)

*5 August 1975*

Memorandum forwarded from Director of Lands to Public Works Department to arrange co-ordination of procedures. (POC)

*28 August 1975*

Consultant architects replied, accepting the commission, and also confirmed their estimates of cost, namely \$138 750. (DHC)

*4 September 1975*

Following request from the Public Offices Committee dated 28 August 1975, the P.W.D. presented scheme and estimates of cost to accommodate the Local Government Offices. (DHC)

*8 September 1975*

Report received from Public Works Department on costs to accommodate Local Government Office in the Savings Bank of Tasmania Building. (POC)

*24 September 1975*

Public Offices Committee approved the scheme for Local Government. (DHC)

*26 September 1975*

Ministerial approval was given to call tenders for fitting out of Government tenancies. (DHC)

*29 September 1975*

Acting Under-Treasurer approved funds for Local Government to Director of Lands indicating details of tenders received for partitioning, etc. (POC)

6 October 1975

Notified consultants to proceed to obtain tenders. (DHC)

4 December 1975

Tenders closed. (DHC)

8 December 1975

Consultant architects advised Department of the tenders received but recommended that no action be taken until consultant quantity surveyors had considered them and reported on them. (DHC)

22 December 1975

Copy of memorandum from Public Works Department to Director of Lands indicating details of tenders received for partitioning, etc. (POC)

20 January 1976

Savings Bank of Tasmania advised that they had accepted the Contractor's tenders for their fitting out. (DHC)

19 March 1976

Since tenders were considered high investigations were carried out. Director gave approval for acceptance of tenders by the Savings Bank of Tasmania. The Consultants advised the Contractor that the site was available for commencement of work on 26 March 1976. (DHC)

12 July 1976

Accommodation occupied by Attorney-General's Department. (POC)

2 August 1976

Accommodation occupied by Town and Country Planning Commission. (POC)

9 August 1976

Submitted to Arbitrator to assess and fix a fair and reasonable date for the commencement of the tenancy in the Savings Bank of Tasmania Building. (POC)

13 August 1976

Accommodation occupied by Local Government Office. (POC)

25 August 1976

Award made by Arbitrator fixing commencement date of tenancy at 1 September 1975. (POC)

The total cost of the partitions and associated mechanical, electrical and fire services was \$237 372, for levels 10 to 13 of the building.

Although it appears that the elapse of time between engaging the consultant architects and the actual commencement of the work was rather long, it was explained to the Committee's satisfaction that the project was quite complicated, particularly by the unusual requirements for sound rated partitioning in the Attorney-General's accommodation. This had, of course, a consequent effect on mechanical services. Some time lapse in this planning and arrangement period was unavoidable. The Committee cannot say that there was undue delay in this case.

Had it been possible to arrange contracts for the installation of fittings and partitions before completion of the building, the loss incurred on unproductive rental could have been avoided. This is the normal procedure, and it depends upon the decision to take accommodation early enough to permit it to be followed. The Committee were not able to learn sufficient about how the decision was made in this case. The administration and personnel of the Public Offices Committee have changed completely since then. This point was made with emphasis in evidence from that Committee. This project was handled at a time when the Public Offices Committee was an advisory body, without direct access to the Government.

On the other hand, it now has a Minister as Chairman, a secretariat under the control of the Lands Department and liaison with the Construction Division. Because of this, the Committee were assured that 'matters of decision are matters which are dealt with very much more quickly than under the old system'.

The Committee accept this assurance. It is a basic function of the Public Offices Committee to maintain a long view of the total accommodation situation for Government. Significant needs for expansion or changes in location should be identified well in advance. At all times the whole picture should be clearly understood and not allowed to be obscured by detail. In this way, losses of this magnitude can be avoided. The Committee believe that when a decision is made so late as to result in a loss of over \$82 000, the responsible authority must be in a position to show that it was unavoidable. Such justification was not forthcoming in this case.

N. M. ROBSON, Chairman.

Parliament House,  
Hobart  
30 October 1979