

# CAPITAL GLOBE AUSTRALIA PTY LTD

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Email: [REDACTED]



(2.)

Ms Barbera Stone MP.  
Member for Springwood  
P.O. Box 174  
Rosedale South Qld 4123

20 AUG 2008

Dear Ms Stone

Please find enclosed a copy of a submission to the public works inquiry into William McCormack place – Stage 2.

You will note that the argument is simply that this expenditure of government monies is unwarranted. The same result is obtained by the private sector embarking on this project.

I hope you would see the wisdom in supporting the submission presented by Capital Globe Pty Ltd.

Yours Sincerely

  
K.M. BYRNE.



# PUBLIC WORKS COMMITTEE

## *Inquiry Information Paper*

### WILLIAM MCCORMACK PLACE - STAGE 2

#### BACKGROUND

The Queensland Parliamentary Public Works Committee has decided to examine the William McCormack Place - Stage 2 - project.

The committee is calling for written submissions from interested persons and organisations to be sent by Friday, 26 September 2008 to:

The Research Director  
Public Works Committee  
Parliament House  
George Street  
Brisbane QLD 4000

This paper has been produced to provide information to interested persons and organisations on the inquiry, the project, the committee, and how to make a submission.

#### THE PROJECT

**Cost** \$79.5 million

**Location** Cnr Hartley and Sheridan Streets, Cairns

**Constructing Authority** Department of Public Works

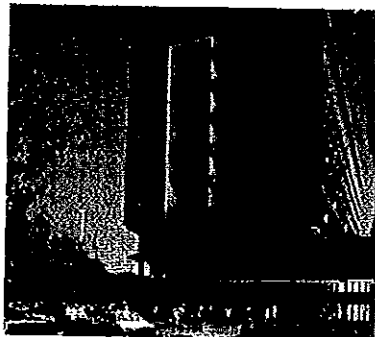
**Project Description** The government is constructing a new government office building in Cairns - Stage 2 of William McCormack Place.

The building, which will provide 9,600m<sup>2</sup> of net lettable area, will meet stringent Government office quality standards and feature the latest in innovative energy and efficient design.

The project seeks to achieve a five-star, Green Star rating under the Green Building Council of Australia rating scheme.

It will include maximum sun-shading, thermal efficiency and indoor environment quality through the

use of low VOC materials as well as water-efficient technologies, energy-efficient air-conditioning and use of off-peak electrical supplies to reduce carbon dioxide emissions.



#### TERMS OF REFERENCE

The terms of reference for the inquiry are to examine the William McCormack Place - Stage 2 - project and report to the Parliament on:

- the purpose of the work
- the necessity for, and the advisability of, the work
- the suitability of the work for its purpose
- the cost, recurrent costs, revenue and value for money of the work
- the impact of the work on the community, economy and environment
- procurement methods for the work
- the balance of public and private sector involvement in the work
- the performance of the constructing authority and the consultants and contractors for the work

#### THE PUBLIC WORKS COMMITTEE

The Public Works Committee is an all-party committee of the Queensland Parliament. The committee is established under the *Parliament of Queensland Act 2001*, which gives the committee its powers and functions.

The committee's areas of responsibility under the Act are to examine and report on (a) public works undertaken by a constructing authority for the work if the committee decides to consider the work, and (b) any major Government Owned Corporation (GOC) work if the committee decides to consider the work.

The committee endeavours to ensure that Queenslanders receive value from the government's capital works program. To this end it routinely conducts inquiries into a range of projects throughout the state at different stages from inception to post completion, of various costs and in all portfolio areas.

The Act gives the committee certain powers to ensure it can fulfil its responsibilities. These include the power to call for persons, documents and other things and powers dealing with entry to and inspection of a public work.

The committee is not part of the formal project approval process and it is not involved in the tendering process or the awarding of contracts. Inquiries on these matters should be directed to the constructing authority or GOC.

## **GUIDELINES FOR MAKING A SUBMISSION**

By asking for public submissions the committee provides an opportunity for interest groups, private citizens and others to contribute to an important review and evaluation process. Submissions can add greatly to the knowledge the committee has about a project. Often the public is aware of specific issues and impacts of which the committee is unaware. Public participation is an important and necessary ingredient in the committee's investigations and is an opportunity for the public to see, and take part in, the operation of Parliament.

### **Form**

While there is no prescribed form for written submissions to a committee it is helpful to structure your submission using the inquiry terms of reference.

The best submissions are to the point, supported by evidence and use plain english.

The committee will only consider written submissions. Typed or printed text is preferable, though legible hand-written submissions are acceptable.

All submissions must include (i) the name, (ii) a postal address and (iii) a daytime contact telephone number of the person who makes the submission.

Number the pages and, if the submission is over twenty pages long, provide a brief summary at the front and include a table of contents.

### **Relevance**

The submission must be relevant to the inquiry; otherwise the committee may not accept it. The committee will inform you of its decision to accept your submission or otherwise.

### **Confidential submissions**

The committee will not consider anonymous submissions though it may direct that a submission be treated confidentially. The Public Works Committee attempts to run its inquiries in the most open way possible. However, if you believe that your submission (or part of it) should not be made public clearly write 'confidential' on each page and, in a brief covering letter explain why your submission should be treated confidentially.

### **Lodgement of submissions**

Please send your submission to:

The Research Director  
Public Works Committee  
Parliament House  
George Street  
Brisbane QLD 4000

**SUBMISSIONS CLOSE ON  
FRIDAY, 26 SEPTEMBER 2008**

Extensions to the closing date may be given. If you need more time to make a submission contact the committee secretariat. Do not assume that a late submission will be accepted.

## **Unauthorised release**

Once the committee receives a submission it becomes the property of the committee and must not be published or released without its permission.

Unless you have requested that the submission remain confidential, it is normally published after the committee has received and examined it and authorised its publication.

Once a committee has authorised the release of a submission, subsequent publication of it is protected by parliamentary privilege.

The content of a submission may be published in another form or for another purpose before the submission is released by the committee, but this publication will not be protected by parliamentary privilege.

## **Further information**

Contact the committee secretariat on:

- Phone: (07) 3406 7689
- Fax: (07) 3210 0128
- Email: [pwc@parliament.qld.gov.au](mailto:pwc@parliament.qld.gov.au)

This paper and other Public Works Committee publications are on the committee's Internet site at:

<http://www.parliament.qld.gov.au/PWC>

## **COMMITTEE MEMBERSHIP**



**Ms Barbara Stone MP, Chair**  
Member for Springwood



**Hon Kev Lingard MP, Deputy Chair**  
Member for Beaudesert



**Mr Stuart Copeland MP**  
Member for Cunningham



**Mr Ray Hopper MP**  
Member for Darling Downs



**Mr Jason O'Brien MP**  
Member for Cook



**Mr Phil Weightman MP**  
Member for Cleveland



**Mr Wayne Wendt MP**  
Member for Ipswich West

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Tel: 07 40315561 Fax: 07 40315977  
Email: [REDACTED]



The Research Director  
Public Works Committee  
Parliament House  
George Street  
Brisbane, Qld 4000

Dear Sir or Madam

**A SUBMISSION TO THE ENQUIRY INTO WILLIAM MCCORMACK PLACE – STAGE 2 CAIRNS.**

**A: THE PURPOSE OF THE WORK.**

William McCormack Place stage 2 is an extension of the development of a precinct containing the existing Stage 1 and adjoins land owned by both the Cairns City Council and Capital Globe Ltd commonly referred to as the cultural precinct. See Appendix.

The purpose of the work ostensibly is to house Queensland Government offices in office space owned by the State Government.

**B: THE NECESSITY FOR AND ADVISABILITY OF THE WORK.**

There is little doubt that a demand exists for office space of the calibre planned, however Capital Globe contests that it is unnecessary and inadvisable for the work to be undertaken by the State Government when the private sector can do it for the following reasons:

- (1) Capital Globe Ltd has secured the relevant approvals to commence its own building of 11,500m2 of commercial office space adjacent to the Government site. Should the Government proceed with their project then this investment by the PRIVATE SECTOR will be lost to the city;
- (2) The Capital Globe Ltd invested in land acquisition in the precinct to provide for two buildings. One a Commercial office complex and another for a commercial hotel complex. These buildings will adjoin the area commonly referred to as Central Park, a commercial, retail, and residential accommodation precinct;
- (3) The stated amount of \$75.5 million for a 9,500m2 of commercial lettable space brings the project in at \$8,000.00 per square meter. This financial scenario should not be contemplated for the construction of any building let alone any office complex. By way of comparison Capital Globe Ltd have a budget of \$45 million for 11,500m2 with a fully compliant 5 star energy rated building;
- (4) Should the State Government withdraw from competing with the private sector for the provision of commercial office space, then the \$75.5 m can be committed to other infrastructure projects. This is the logical outcome of such a decision and would provide the Government with further options of realising political opportunity by funding community infrastructure.

**C: THE SUITABILITY OF THE WORK FOR ITS PURPOSE.**

The work is suitable for its purpose but is too expensive and unnecessary as the private sector is ready, willing and able to do it more effectively.

**D: THE COST, RECURRENT COST'S AND VALUE FOR MONEY FOR THE WORK.**

Capital Globe Ltd is of the view that the costs for the work are excessive and this represents questionable value for money. The current market rent for A grade office accommodation in Cairns is of the order of \$400.00m2. The Government would need to charge its departments \$800.00m2 for this building to break even. In a normal commercial environment at this time this building would remain empty. We do not offer a comment on procurement costs.

**E: THE IMPACT OF THE WORKS ON THE COMMUNITY, ECONOMY AND THE ENVIRONMENT.**

The Cairns community welcomes any investment in building and infrastructure. Investments of this nature provide employment opportunities and add a positive sense of progress for the city during a period of questionable economic certainty, however how much better would the outcome be if the private sector built the commercial office building and the Government applied the \$75.5 million into other projects. This scenario by far would result in a bigger economic impact on the Cairns Community.

**F: PROCUREMENT METHODS FOR THE WORK.**

No comment is offered here.

**G: THE BALANCE OF PUBLIC AND PRIVATE SECTOR INVOLVEMENT IN THE WORK.**

No comment is offered here except to say that this project should be entirely undertaken by the private sector.



**H: PERFORMANCE OF THE CONSTRUCTING AUTHORITY AND THE CONSULTANTS AND CONTRACTORS FOR THE WORK.**

No comment is offered here.

**CONCLUSION.**

This is a major project for the city of Cairns that would be more appropriately undertaken by the Private Sector. We see no justification in the Government embarking on this project when the private sector is able to bring the project to fruition at a considerably lesser cost than the Government. The private sector can more appropriately bring this facility online.

Yours Sincerely,

  
K.M. BYRNE  
EXECUTIVE DIRECTOR  


**Courtney Gould**

**From:** Courtney Gould on behalf of Greg Wood  
**Sent:** Friday, 11 April 2008 3:36 PM  
**To:** [REDACTED]  
**Subject:** Cairns Office Accommodation  
**Attachments:** McCormack Place reply 05-02-08.pdf

Hi Greg

Please find following some information on the office market in Cairns, you may find some of it useful. I've also attached a letter from the Minister for Public Works, Housing and Information and Communication Technology regarding Stage 2 of William McCormack Place.

Unlike a lot of regional areas, the Cairns CBD is a genuine hub for the city, with a definite northern and southern area radiating from the hub. The southern side of Cairns is predominantly newer residential development, with the northern side beachside residential with an infill along the hillside moving west. Commercial development is limited along the two main arterial roads (Mulgrave Road to the south and Sheridan Street to the north), with many town planning constraints confining development. There are two newer nodes of development in Edmonton on the southern side and Smithfield on the northern side.

Fundamentally, the history of the Cairns office market originally only comprised two and three level walk-up buildings with office accommodation above shopfronts, etc, as you would expect in a small regional area. The late property boom of the 1980s produced the first high-rise office complex in Cairns, namely the Cairns Corporate Tower, which facilitated a new level of "A" grade office accommodation previously not available in the city. This also directed commercial traffic to a designated and identifiable commercial precinct in what was a sprawling CBD, with natural dissemination between commercial and retail activity.

Since the development of the Cairns Corporate Tower, there has not been a lot of construction of office accommodation. Notably, the State Government produced a 4,400 square metre building in Sheridan Street (corner of Hartley Street) next to the Cairns Courthouse, with H & S Development producing a 3,300 square metre building in Spence Street (near the corner of Bunda Street) in 2005, and the purpose-built Williams Graham and Carman offices at 1a Water Street (next to Cairns Central Shopping Centre) of approximately 1,325 square metres.

The Cairns office market has approximately 106,000 square metres of office accommodation over four classes (A, B, C and D) at the present time, which can be categorised generally as follows:

- **"A" Grade:** reasonably generous floor plates, quality finishes, on-site undercover security car parking, good access, high level of technical services, full disabled access.
- **"B" Grade:** any size floor plate, quality space with reasonable standard of finishes and maintenance, reasonable level of technical services.
- **"C" Grade:** any size floor plate or older style office accommodation, low-quality finishes, older style technical services.
- **"D" Grade:** any size floor plate, poor quality finishes and minimal technical services.

Stocks of these various classes of office accommodation are approximately the following:

- **"A" Grade:** 33,500
- **"B" Grade:** 27,500
- **"C" Grade:** 41,000
- **"D" Grade:** 4,000

In the early '90s, vacancy rates were approximately 7.5%, which dropped 3.5% by the late '90s. With the expanding market and need to refit older buildings, demand for premium space became evident, producing our current vacancy rate, which is less than 1%.

As a consequence, there are a number of new developments planned or under construction in the CBD at the present time. Firstly, there is the Hedley development on the corner of Spence and Sheridan Streets offering approximately 7,000 square metres. HS Vision Group are currently constructing an office building on the corner of Spence and Bunda Streets offering approximately 4,000 square metres. Finally, of course, is Cairns

Global Tower, offering approximately 11,500 square metres NLA over 11 floors.

Therefore, with a few potential projects available in the market, design and compatibility with market requirements is essential moving forward. Leasing incentives have not been a significant issue to date, and are generally less than 5%. However, in the main these are major corporations and government tenancies, and where fit-out issues have not been a pivotal point, the availability of space has been. There has been a history of tenants staying in existing tenancies due to the enormous cost of relocation, and, more particularly, fit-outs. However, as you are aware, there is always movement.

Current market rents across the sector are as follows:

- "A" Grade: \$350 - \$400 / square metre
- "B" Grade: \$275 - \$350 / square metre
- "C" Grade: \$200 - \$275 / square metre
- "D" Grade: \$150 - \$200 / square metre (rentals quoted are gross rentals)

Effective rentals have continued to increase and with costs of sites and construction and low vacancy rates within the city, we believe rental rates will still firm moving forward. Car parking rentals have not been a significant issue in the city; however, the general rule of thumb is approximately \$100 per month for undercover car parking.

Consequently, any available space, particularly the small areas, is taken fairly quickly, and there is a need to move to secure space once it becomes available or the opportunities are lost. The current developments nominated would indicate that larger tenants will continue to absorb the newer buildings and expand in existing high-profile buildings, putting additional pressure on smaller tenancies.

I hope that this is helpful.

Regards

Greg S. Wood

Director in Charge



First Floor, 32 Sheridan Street  
PO Box 7299  
CAIRNS QLD 4870

T: 07 4046 5300  
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*Any views expressed in the email are those of the individual sender, except where the sender specifically states them to be the views of Knight Frank.*

3/06/2008

## Courtney Gould

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**From:** Courtney Gould on behalf of Greg Wood  
**Sent:** Wednesday, 16 April 2008 11:42 AM  
**To:** [REDACTED]  
**Subject:** New State Government Building  
**Attachments:** McCormack Place reply 05-02-08.pdf

You would be aware of the proposal by the State Government to produce a second stage to their Government precinct (William McCormack Place) on the corner of Sheridan and Hartley Streets. Briefly, the proposal is to provide a building of 9,000 square metres with state of the art green ratings to be occupied by the State Government for 50% (4,500 square metres), with the balance to be provided to private enterprise.

The development community has some serious concerns about the proposal, as there has been provision of appropriate buildings by the Hedley and HS Vision Groups, with further proposals moving forward, particularly that of Global Capital, who intend to develop a state of the art building on the opposite corner of Hartley and Sheridan Streets to provide an additional 11,000 square metres.

Our concerns are based around the fact that the State Government have always indicated that they would not compete with private enterprise if appropriate products were being produced, which clearly they are. Secondly, the development of their tower, to be put in perspective, is an increase of 9,000 square metres by itself in a market that currently provides approximately 40,000 square metres of "A" grade accommodation, which is a substantial increase in the market sector, let alone those proposals currently on the drawing board. It is also particularly disconcerting when the quantum of the money could be used elsewhere on infrastructure projects.

The additional fact that the building is twice the size of what the State Government estimates they need is also of great concern, as it does compete directly with private enterprise. The cost of the development to a similar standard, if not greater standard, is also more economically produced by private enterprise. The real concern is that a glut of space on the market, should all developments proceed, would lead to a stalling of the current growth in the commercial market. We have a finite resource in Cairns, and it has been growing with the pace of the market to date. Such an increase would give rise to tenants being able to negotiate lower rentals and increase incentives packages to relocate to competing projects, which would ultimately make new developments unviable and would signal a return to the decade which preceded the 1980s crash and early '90s difficulties, where Cairns had in excess of a decade of non-development, non-growth and catch-up before the local and national markets would take commercially developing in Cairns seriously.

We consider that the problem is significant, and deserves consideration by your organisation for additional lobbying. We have been lobbying the State Government, and have provided the Cairns Post with material to raise the issue, with an article by Greg Punshon in today's Cairns Post based on our data. We enclose a copy of the letter received from Rob Schwarten in respect to the matter, which also indicates an unhealthy increase in the ratio of owned properties by the State to the public sector in Cairns, which is out of kilter with the rest of the country. We would appreciate your consideration of the matter before additional lobbying and can provide any additional information that you may require.

Regards

Greg S. Wood

Director In Charge

**Knight  
Frank** 

First Floor, 32 Sheridan Street  
PO Box 7299  
CAIRNS QLD 4870

3/06/2008





Globe  
Tower  
Site

RPAZ  
(Cairns City  
Council)  
SITE

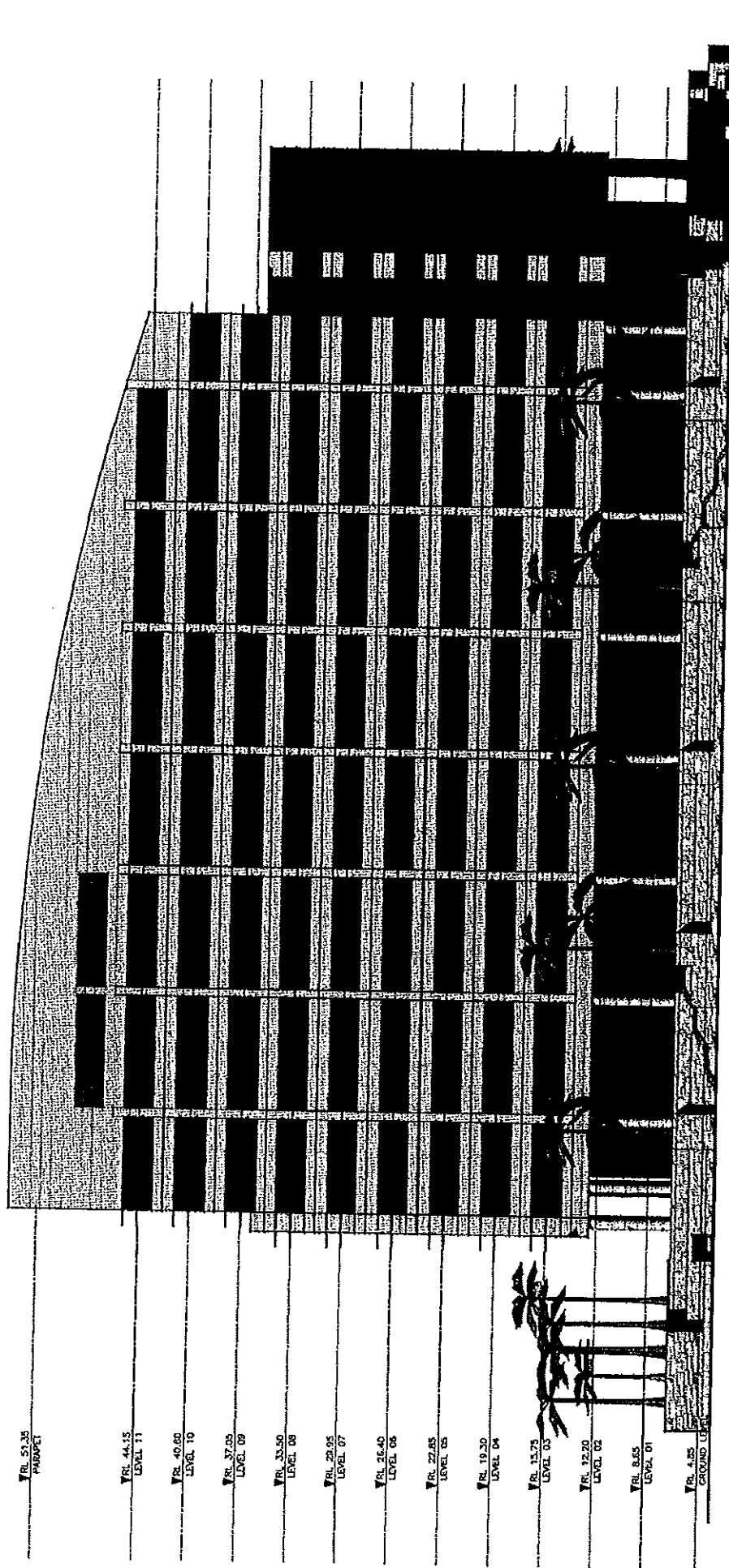
← HARTLEY ST →

SHERIDAN ST

W. MCCORM ST 1

W. MCC. ST. 2

COURT HOUSE



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PARADET

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LEVEL 11

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LEVEL 10

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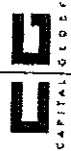
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GROUND LEVEL

Client



CG Centre Pty Ltd

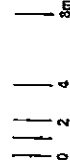
Project

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

PRELIMINARY

Drawing

Scale: Centimetres



WEST ELEVATION

5581-12

ISSUE (06) 27.06.08

KANN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9259 4111

RL 53.35  
PROPOSED

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LEVEL T1

RL 40.60  
LEVEL T0

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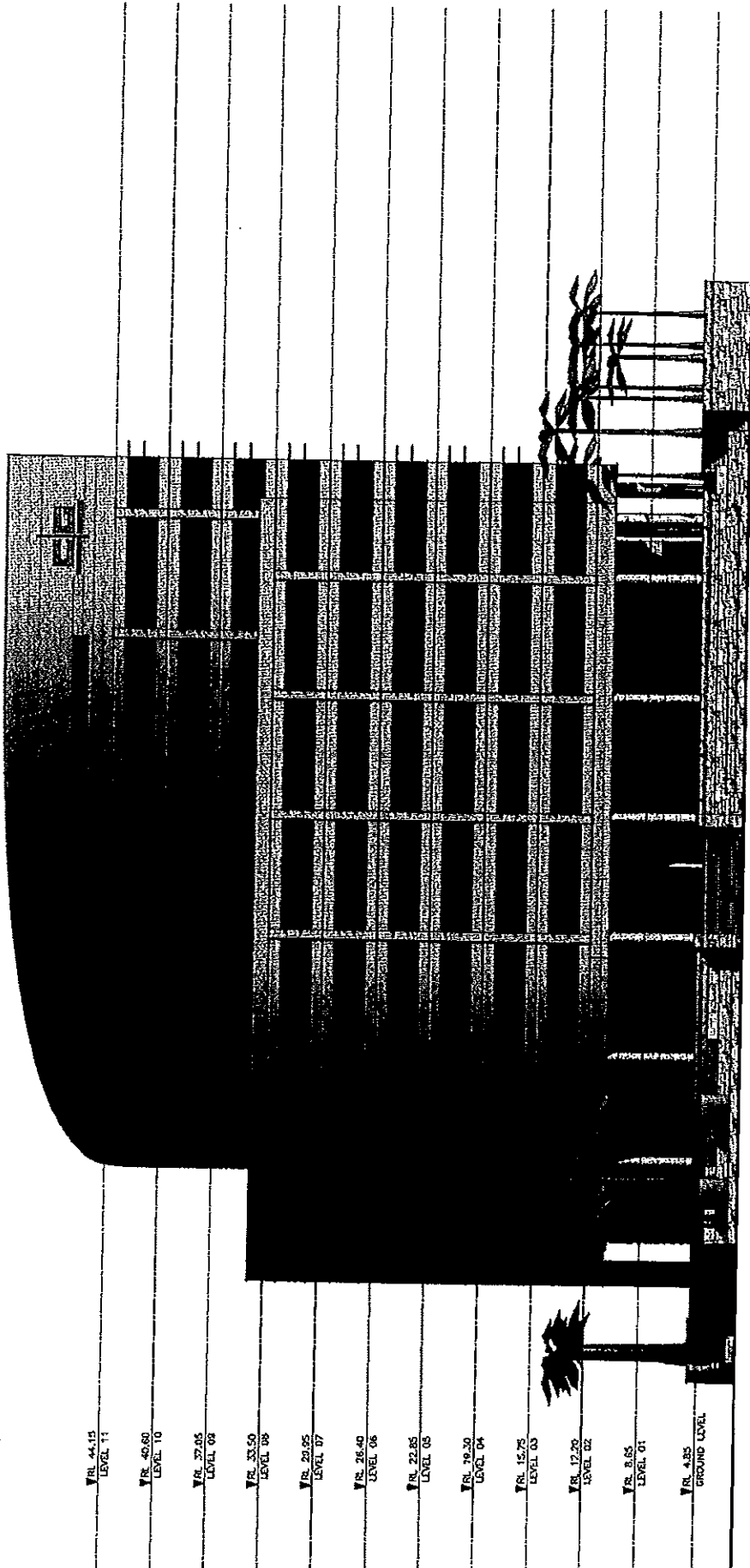
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GROUND LEVEL



Client

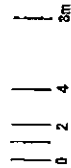


CG Centre Pty Ltd

Project

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

Scale/Ordnance



PRELIMINARY

Drawing

NORTHEAST ELEVATION

5581 -13

ISSUE 06/27.05.08

KANN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9298 4111

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FINISH

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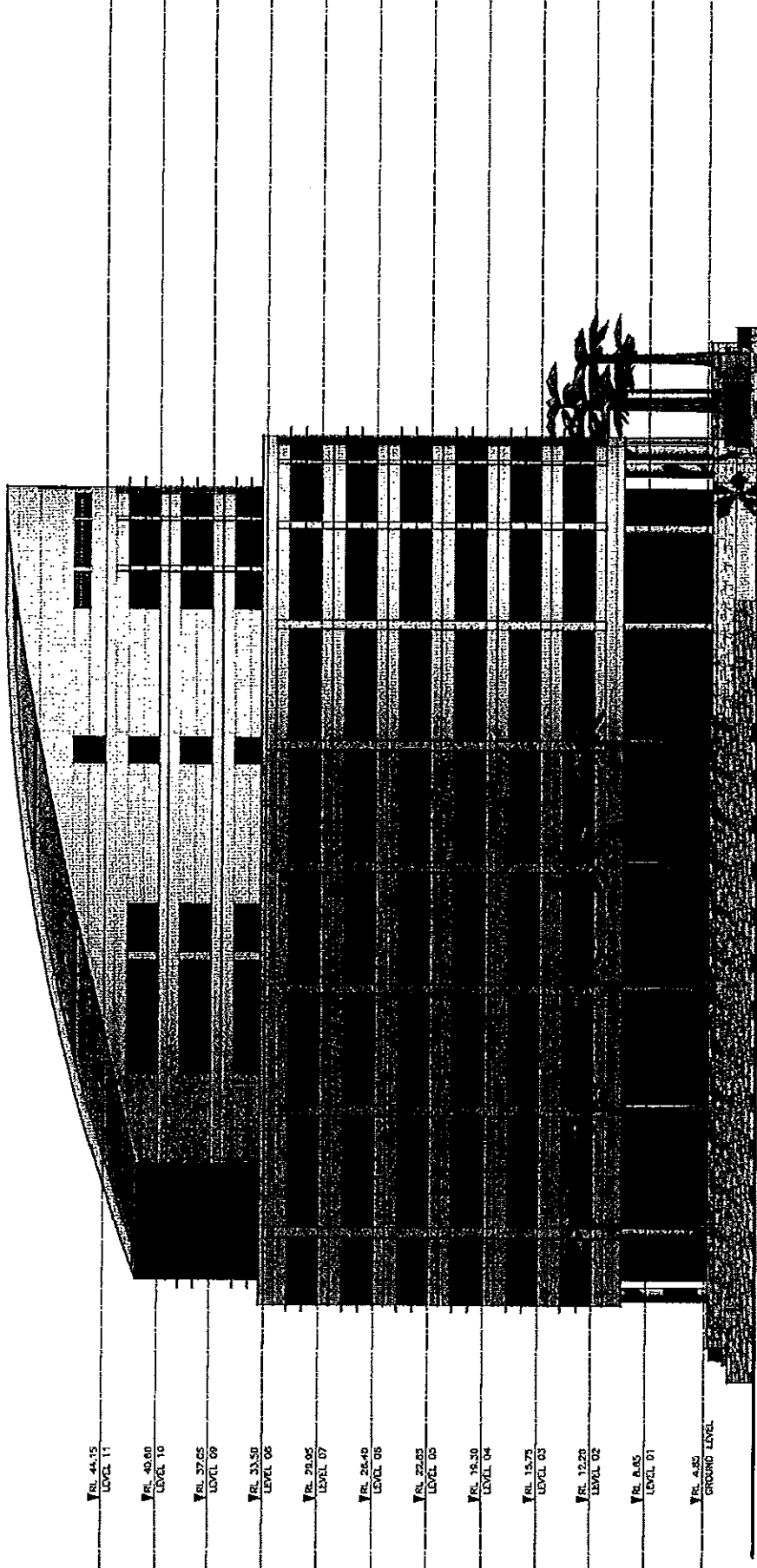
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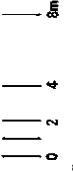


CG Centre Pty Ltd

Project

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

Scale/Orientation



KARN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9259 4111

PRELIMINARY

Drawing

SOUTHEAST ELEVATION  
5581-14  
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PARKET

VR 44.15  
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VR 40.60  
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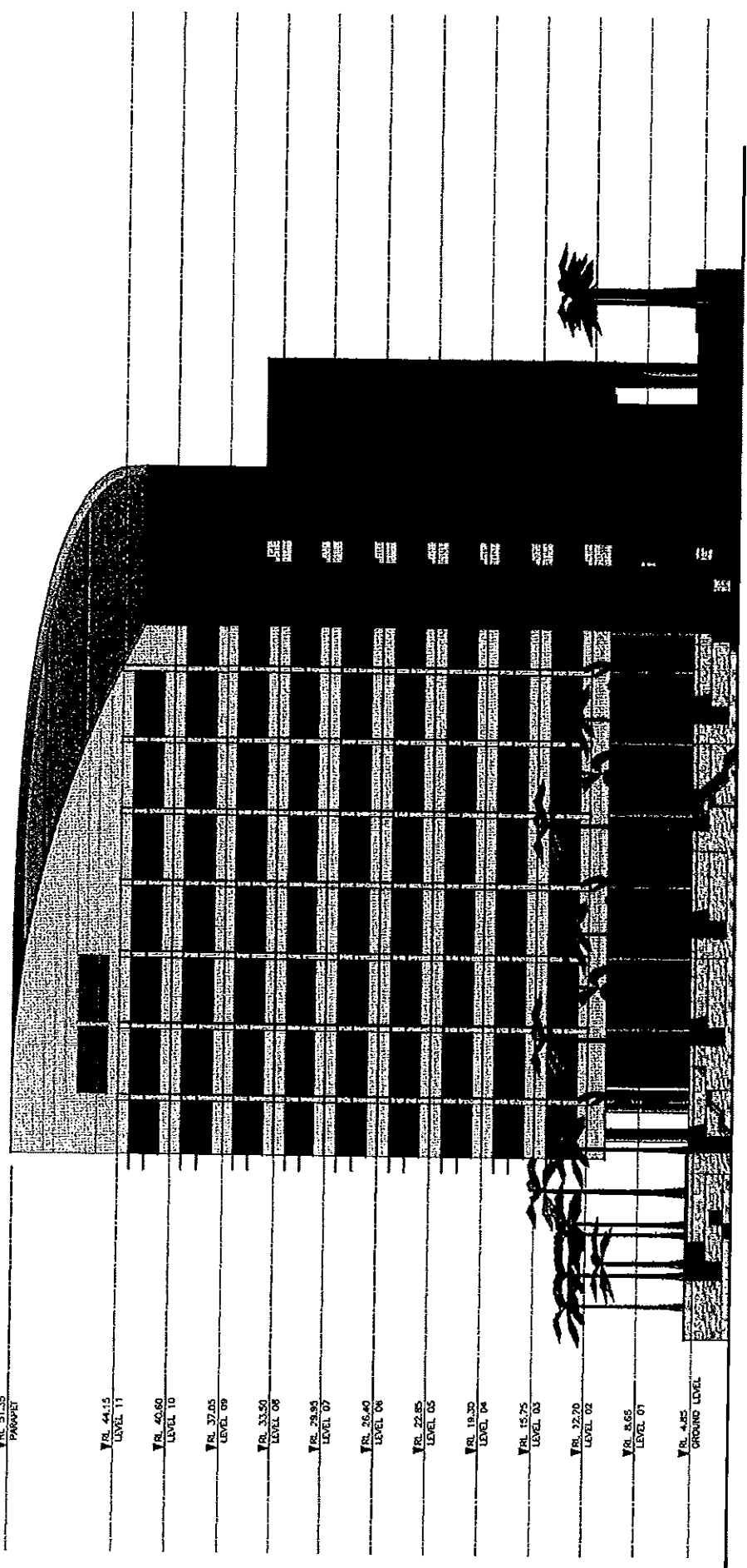
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GROUND LEVEL



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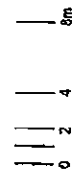


CG Centre Pty Ltd

Project:

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

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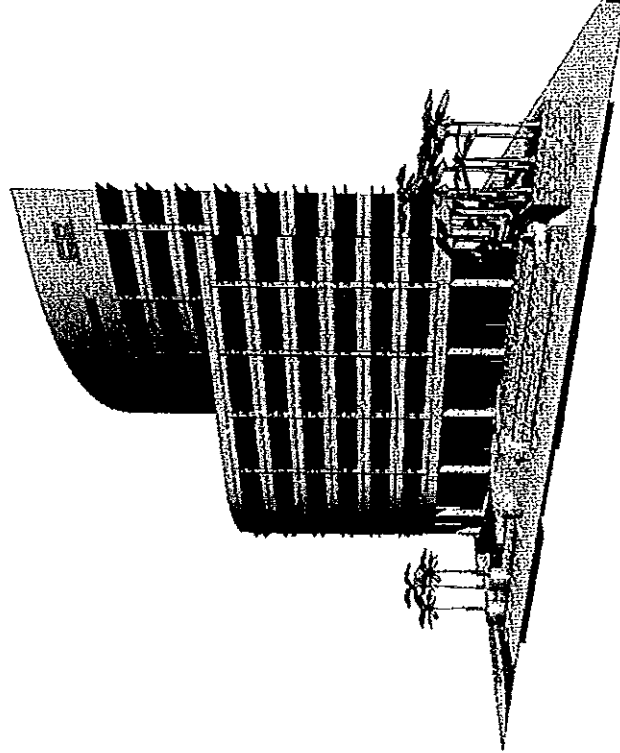
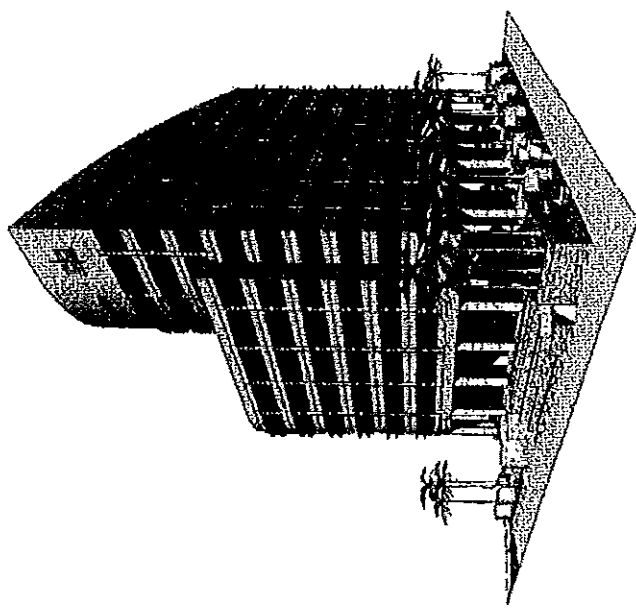
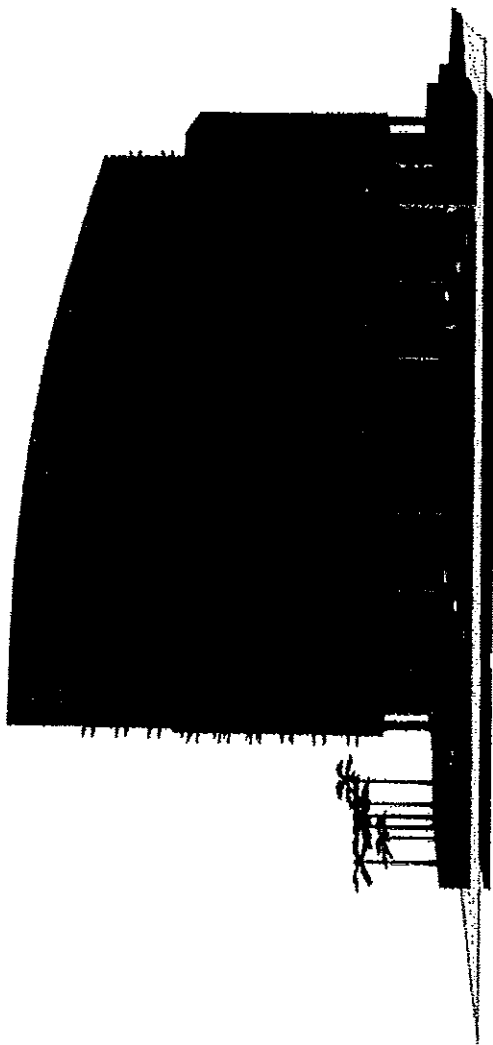
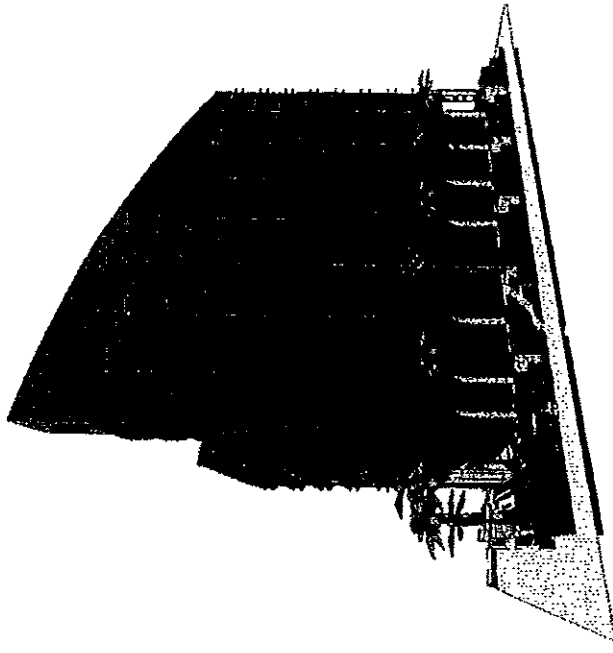


PRELIMINARY

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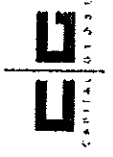
SOUTHWEST ELEVATION  
5581-15  
ISSUE (06) 27.06.08

KAIN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9299 4111



PRELIMINARY

Client



CG Centre Pty Ltd

Project

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

Scale/Orientation

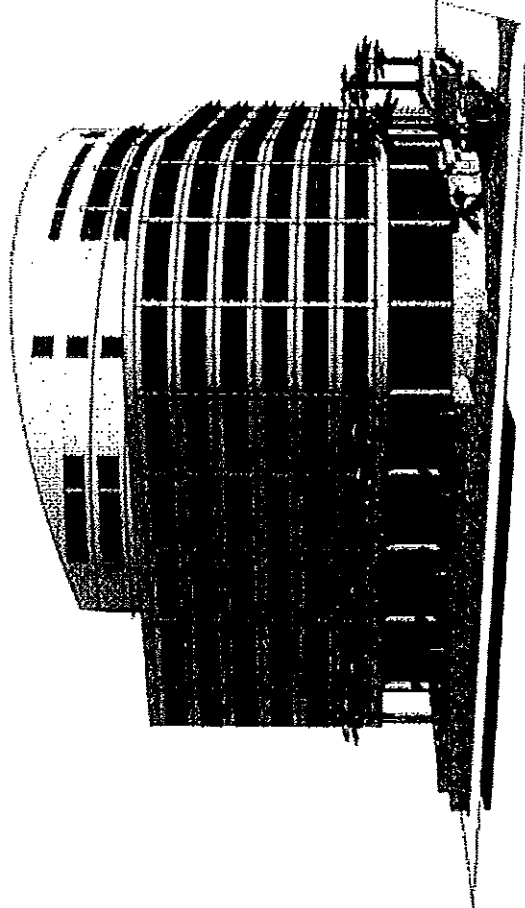
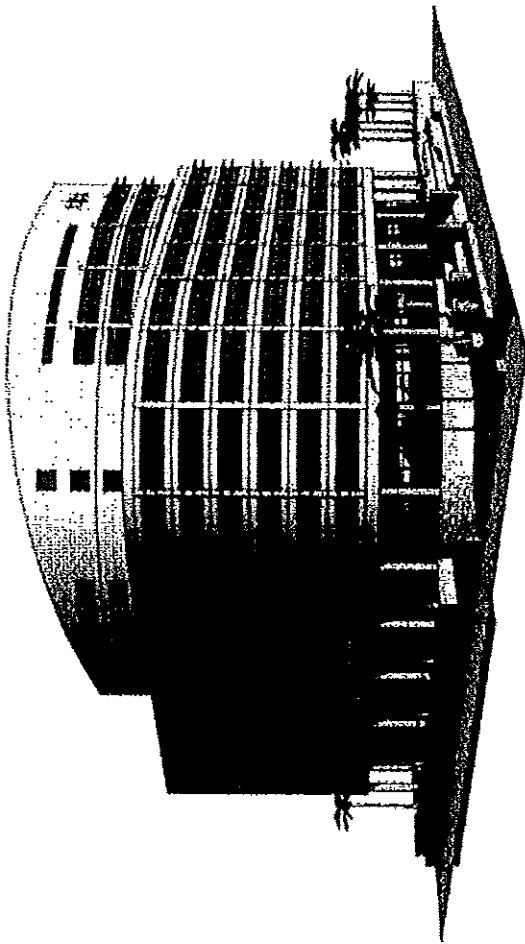
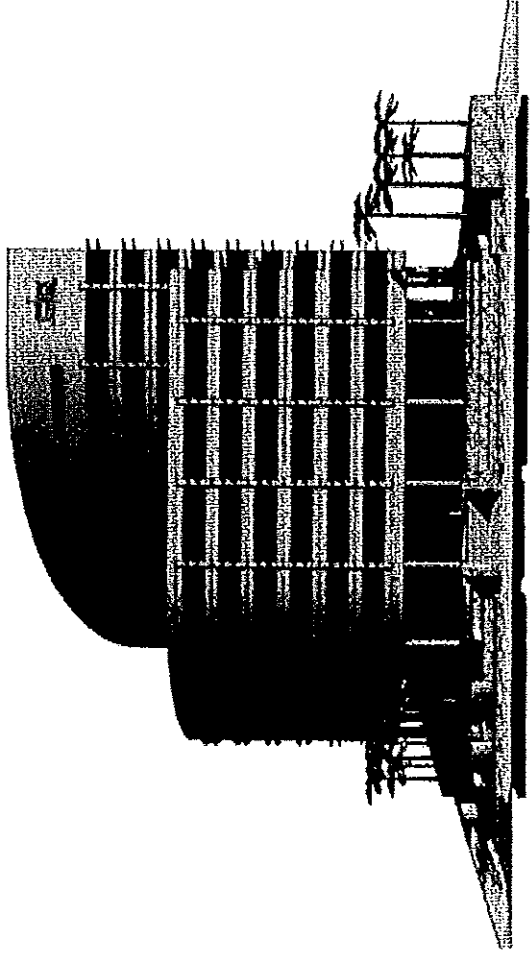
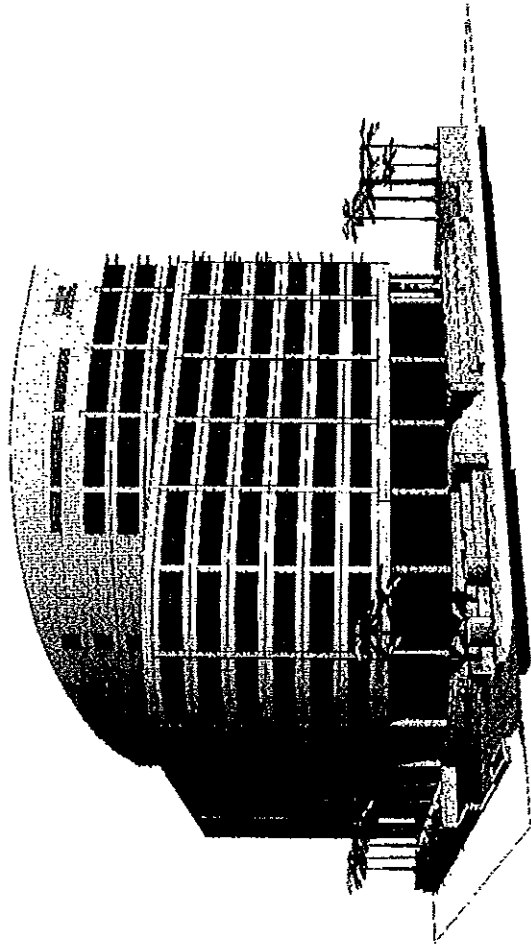
Drawing

PERSPECTIVES

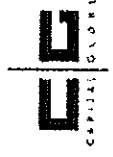
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ISSUE 06/27.06.08

KARIN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9239 4111



Client:



CG Centre Pty Ltd

Project:

Cairns Performing Art Centre Precinct - Lot 2  
Sheridan Street Cairns

Scale/Orientation:

Drawing:

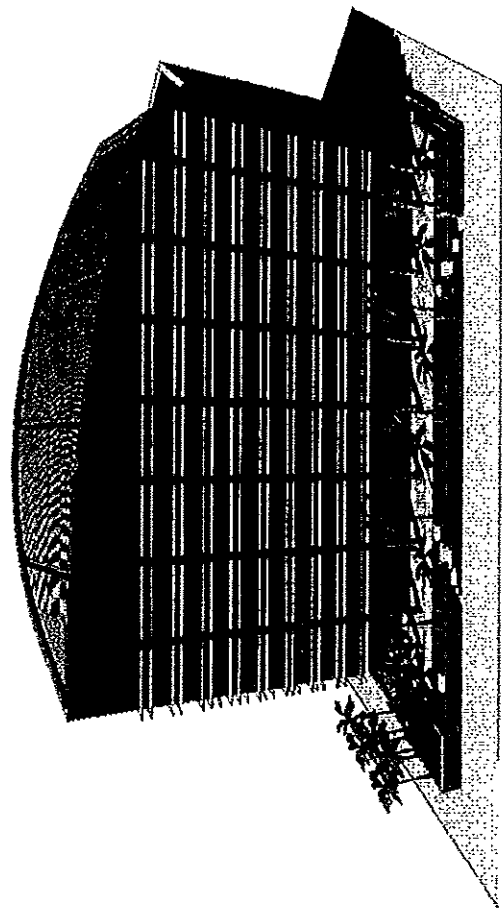
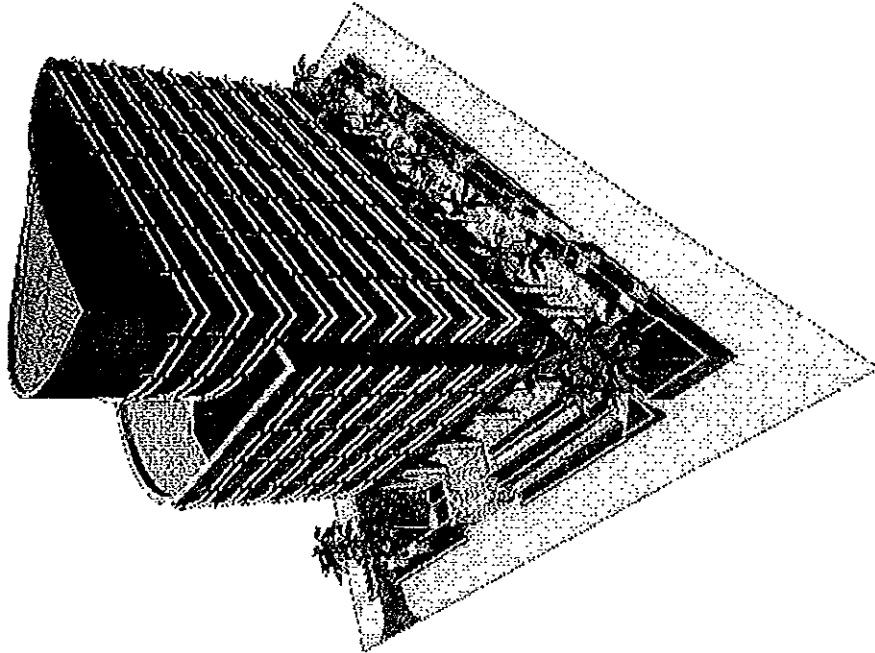
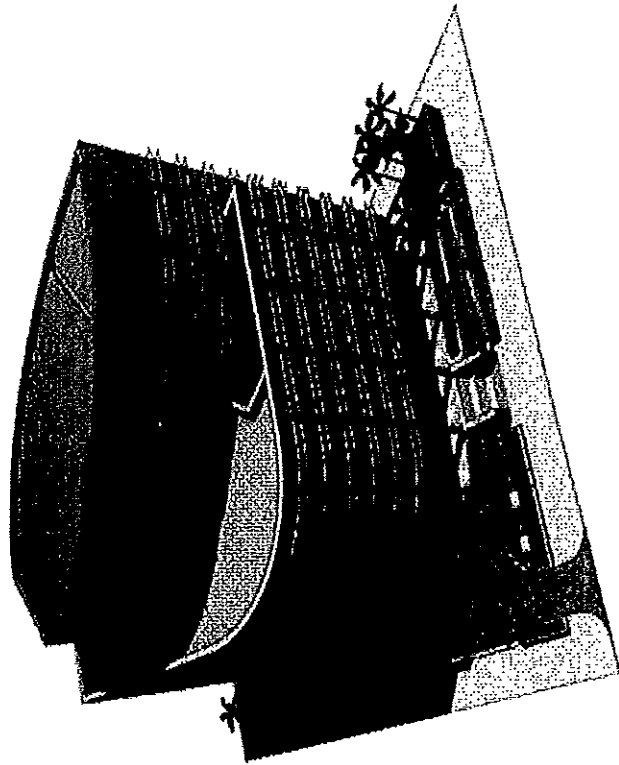
PRELIMINARY

PERSPECTIVES

5581-22

ISSUE (06) 27.06.08

KANN FINCH GROUP - 50 Carrington Street, Sydney NSW T: 02 9295 4111



# PRELIMINARY

Drawings:  
**PERSPECTIVES**  
**5581-23**  
 ISSUE (06) 27.06.08

Scale/Orientation

Project  
**Cairns Performing Art Centre Precinct - Lot 2**  
**Sheridan Street Cairns**

Client  
**CG Centre Pty Ltd**



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director Tom Hedley having been repaid, saying it was a "Hedley private" matter.

ABN AMRO Morgans Cairns manager Michael Ryan said the Reserve Bank suggestion of a cut in interest rates could provide HLG with some relief.

He said there had been an improvement in Hedley stocks this week.

"From a general perspective that the RBA could consider easing interest rates would be a positive for the yield sensitive property trust sector," Mr Ryan said.

"Indeed the other interest-rate sensitive sector, banking, also has improved this week."

Mr Ryan said HLG's present price of 55c was a "good bounce" from a low of 47c last month.

with the court over the processes involved in the Cairns City Council's handling of the approval of

council in its approval assessment. "Our legal team will be strongly

specialty stores to cater for the huge population growth in the southern

26,525sq m.

# \$79m block under fire

THE State Government's \$79 million Hartley St office block has the potential to play havoc with the city's economy.

In addition, it is a poor use of public money for a project that has been subject to inadequate public consultation.

Those are the concerns of the city's construction industry who say that not only could the private sector build the 11-storey complex cheaper, but that it is not needed.

The industry has supported comments from former mayor and now development company Capital Globe director Kevin Byrne that the Stage 2 William

**Greg Punshon**  
punshong@tcp.newsnet.com.au

McCormack Place project was a waste of public money.

Northern Development Industry Association chairman Greg Wood said there appeared to be flaws with the project, a contract for which has been let to Laing O'Rourke.

On the cost front, Mr Wood said the \$79 million equated to three times the cost of similarly green-rated office accommodation on a floor space basis.

In addition, it could create a massive oversupply of premi-

um office space which would be exacerbated by plans to move governments departments from other locations in Cairns.

**Greg Wood** said he had been fielding calls from many in the construction industry who questioned the need for the building at a time when the private construction industry was keeping pace with the demands for commercial office space in the Cairns CBD.

He said there were other

badly needed projects on which the \$79 million could be spent, including the sidelined Performing Arts Centre and the new hospital.

Mr Wood said this association had also written to Tourism, Regional Development and Industry Minister Desley Boyle questioning the validity of a Parliamentary Public Works Inquiry into the project.

As raised in *The Cairns Post* on July 30, Mr Wood said he found it difficult to understand why an inquiry was being held after work was supposed to start on the project.

The Minister for Public

Works and Housing, Robert Schwartz, defended the inquiry's timing.

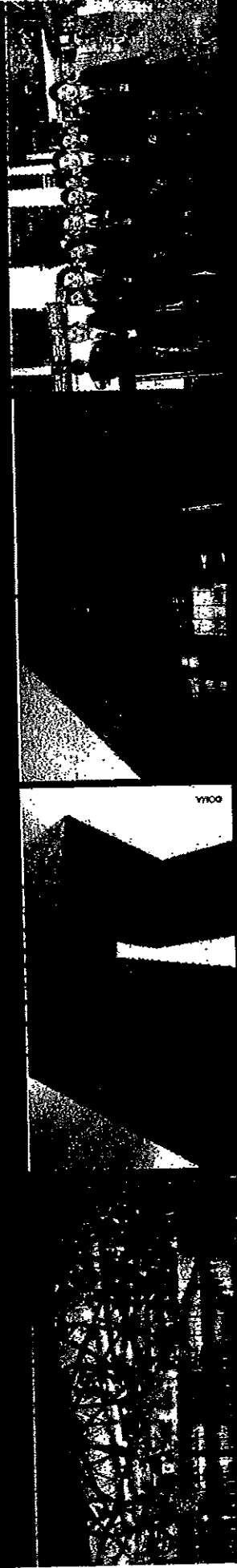
"The Public Works Committee is an all-party, independent parliamentary committee which has nothing to do with the Department of Public Works," Mr Schwartz said.

"However, I can say that it is not uncommon for projects like these to be inquired into by this committee."

"Given there has been criticism by people who have vested interests in competing projects, I would have thought that an assessment by an all party committee was appropriate."

Q: What do all these iconic buildings have in common?

National Stadium | China Central Television (CCTV) headquarters | National Aquatics Center | Beijing Capital International Airport Terminal 3



A: Engineered by Arup

Beijing 2008

ARUP