

22 September 2008

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

Dear Sir / Madam

Submission To The Public Works Committee Enquiry Into William McCormack Place – Stage 2

1. Purpose Of The Work

The purpose of the proposed works is to provide an additional 9600m² of A-Grade, Green Star rated office accommodation in the Cairns CBD for occupation by Government tenants and potentially some private enterprise tenants.

The proposed site for the development is directly adjacent to approx 30,000m² of land owned by Central Park Cairns Pty Ltd.

2. The Necessity For And Advisability Of The Work

With the continued expansion of the Cairns region demand by the Government for additional office space is inevitable. Additionally, the desire of the Government to reside in and promote energy efficient design is to be commended. The planned William McCormack Stage 2 building is however not considered necessary or advisable for the following reasons;

- There is a clear indication that the private sector is able to adequately accommodate any Government expansion over time. Central Park Cairns Pty Ltd is currently constructing a 4175m² commercial building on its site which is due for completion in December 2008. The building is compliant with all State and Federal Government accommodation briefs and has been submitted to achieve a 5 Green Star rating. Some 3000m² of space remains available in this building.

- Central Park Cairns Pty Ltd has also submitted an application to council for approval of a mixed use development incorporating a further 3690m² of commercial space directly adjacent to the planned Stage 2 of William McCormack Place. Other land on the Central Park site has also been earmarked for commercial development to meet future demand.

- Secondly the advised cost of the William McCormack Stage 2 building at \$79.5M equates to delivery price of approx \$8,300 per square metre, which we

assume excludes the cost of land and other finance costs. At this cost the project is clearly unviable given current A-Class office space in Cairns rents for in the vicinity of \$350psm. This is the rental rate Central Park Cairns Pty Ltd is currently seeking for its building detailed above. Based on these numbers the William McCormack Stage 2 will achieve a return of approx 3.6% excluding land and other costs which is clearly not satisfactory in any economic modeling.

- Central Park Cairns Pty Ltd by comparison is delivering its current development for less than 40% of the proposed cost of the William McCormack Stage 2 building.

3. The Suitability Of The Work For Its Purpose

Without the benefit of reviewing the design of the building we can only assume it is suitable for its intended purpose however it is clearly excessive in terms of cost and can be better achieved by the private sector.

4. The Cost, Recurrent Cost And Value For Money For The Work

As previously outlined the cost of delivering the project is considered enormously excessive when compared to what the private sector is achieving. Whilst it is acknowledged the Government is aiming to achieve a signature building in efficiency and design we consider this money would be better spent on buildings or infrastructure that private enterprise has no interest or desire in providing.

5. The Impact Of The Work On The Community, Economy and Environment

Clearly the project has positive impacts on the community, economy and environment by creating an environmentally friendly and efficient working environment for Government employees and creating employment during construction. These benefits can however be multiplied by directing these funds into other areas which can achieve a more widespread community benefit and allowing private enterprise to accommodate Governments ongoing office requirements.

6. Procurement Methods And Work

No comment is provided as these methods are not disclosed

7. The Balance Of Public And Private Sector In The Work

As demonstrated we consider this form of development better suited to provision by the private sector and consider there are numerous areas in the Cairns region which would benefit greatly from further involvement of the public sector and this level of funding.

8. The Performance Of The Constructing Authority And The Consultants And Contractors For The Work.

No comment is made as the project is only a proposal

Conclusion

We acknowledge the public sector is often required to set the standard and provide the benchmark for commercial development to follow. In this instance however there seems to be an inconsistency whereby there is more than one developer willing and able to meet the requirements sought by Government both now and in the future. Accordingly, for government to continue to pursue this clearly uneconomic development would be a tragedy if it resulted in other core and seriously needed public projects being delayed or vetoed on the basis of available resources and funding.

Yours Sincerely



**Rose-Marie Dash
Director
Central Park Cairns Pty Ltd**

PO Box 1533
Cairns Qld 4870