

BUNBURY TOWER — GOVERNMENT LEASING ARRANGEMENTS

907. Hon NIGEL HALLETT to the Minister for Finance:

I understand that the government has negotiated a new lease for the office space in the Bunbury Tower. Would the minister outline any changes in the new lease?

Hon SIMON O'BRIEN replied:

I thank the member for this question and for his ongoing interest in good financial management. He has not completely taken me by surprise, because I was contemplating a question on this issue. There is good news. The good news is that the government has entered into a new lease for office accommodation in the Bunbury Tower, which commenced on 18 September. The really good news is that the new lease is at a market-based rate. The market-based rate that we will be paying forthwith is a massive 31 per cent per square metre lower than the previous special lease rate that was negotiated under a former Labor government. This new lease follows the expiry of the previous 25-year deal between the Burke Labor government and Alan Bond, which saw that state government—successive state governments had to wear it, of course—take up the whole of this building way back in 1986. The state government had to pay for every square metre in the place, even though we did not want them all, could not use them all, and still have not been able to use them all. We had to pay for it at a rate that was vastly inflated from the market value.

Hon Ken Travers: Let's talk about your privatisation of rail when we talk about failed former government decisions.

The PRESIDENT: Order!

Hon SIMON O'BRIEN: They do not want to talk about the issue of the moment just when we have a bit of good news. Building Management and Works has leased 5 800 square metres of the tower for occupation by a number of state agencies. The Water Corporation has also taken a separate lease for 1 590 square metres, which makes a total government lease of 7 390 square metres. The previous lease obligation for 25 years was for the whole of the 8 870 square metres of office space in the tower, despite the government never needing all of that space. Some members might recall stories of public servants playing indoor cricket when whole floors were vacant and paid for by the taxpayer. Under the old lease, the Bunbury office tower space cost \$3.3 million per annum, with a minor cost reduction achieved by subleasing some of the space at rates subsidised by the taxpayer to try to get back some of the money that was being wasted.

Hon Ken Travers: Does all the expenditure under royalties for regions give a financial return?

Hon Norman Moore: Why don't you just sit back and take it? This was the most disgraceful contract ever entered into, and you know it.

The PRESIDENT: Order!

Hon Ken Travers: There's plenty that your government signed, Mr Moore.

Hon Norman Moore: Well, you do that with your time.

The PRESIDENT: Order! Look, one member has asked a question and one minister is answering that question. While lots of members might have different points of view on this issue and want to contribute, it is not a debate; this is questions and answers.

Hon SIMON O'BRIEN: I can see that members have a vital interest in this issue, and so they should, but I must bring my remarks to a conclusion. The rate we were paying was \$3.3 million a year. We were paying for 25 years. With our new rate and the space we are taking—and greater occupancy, I might add—the annual cost to the government will reduce to \$1.9 million, which is a 42.7 per cent reduction on the previous lease obligation. Of course, the new deal will also relieve the government from some excessive maintenance and repair costs, which were built into the previous deal and which we had to pay for 25 years. The property owner will also be making \$4 million of capital upgrades to bring the tower up to modern standards, including improving the environmental rating of the building. We should all welcome, after 25 long years, the end of the financial millstone that was Labor's Bunbury Tower deal.