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INTRODUCTION TO THE PROPERTY COUNCIL OF AUSTRALIA

The Property Council of Australia (“PCA”) welcomes the opportunity to make a submission regarding the redevelopment and location of the Royal Hobart Hospital (“RHH”) to the Site Assessment Panel.

The PCA is a dynamic national organisation representing the interests of commercial property owners, investors, financiers, property managers, providers of property services and suppliers of goods and services.

We take every opportunity to be the voice of the leadership for the property industry.

We believe that in relation to the site consultation process, the PCA position is very important and comes from a position of being extremely well-informed as to the issues which you outlined in your site assessment criteria.

THE PROCESS OF OUR REVIEW OF THE SITE SELECTION CRITERIA

We believe that the members of our organisation possess the skills required to assist you in the site selection as our members are the kind of professionals you would be utilising as consultants on the project.

We have established our own committee to review the site selection criteria and make this submission. The committee members included, engineers, planners, architects, property managers, builders, developers and investors. They all know the Tasmania property market very well.

In addition to analysing the site selection criteria, committee members have also reviewed the Conrad Gargett Royal Hobart Hospital Phase B Development Plan Study Executive Summary September 2006. On this note we wish to state that the PCA believes the full report should have been released as there are many issues which we believe are dealt with very simplistically regarding financial costings, the weighting of the cost of capital and time value of money and analysing the infrastructure already surrounding the RHH.

In addition, if the full report was released the members of the public would have been able to assess the limitations of the operations of the RHH in more detail and gain a better understanding of the issues raised concerning the other options.

The committee has also studied the Clinical Services Plan Issues Paper. The Department should be congratulated for putting these issues on the table in the overall framework of discussing the future.
SUMMARY OF OUR RECOMMENDATIONS:

• The existing site is the best alternative.

• Utilising the Queen's Domain and Campbell St School are very problematic.

• Using the rail yards would be a wasted opportunity to develop something quite unique and special on the site over time. The rail yards will generate significant private investment and is the best mixed use development site in the State.

• A Green field site such as the Showgrounds has merit but it is evident when medical issues, transport and other service and financial impacts are considered, it is not a viable option.

• Serious consideration should be given to the staging of the redevelopment of the hospital. In budgetary terms this will spread the cashflow effect over a number of years.

The PCA believes Government should look at doing what other interstate governments have done when handling these issues and enter into a long term approach. This may mean spending say $40 million a year for say 20 years on the hospital and built it from inside to outside which would include various site acquisitions.

A staged development also gives greater opportunities for training and skill development across the building trades and professions.

• Consideration should be given to the impact of a new hospital (on a Greenfield site) on the construction and building market. Potential problems include:

  - all available trades and construction resources may be utilised, a problem that would be compounded if the pulp mill was under construction at the same time
  - the hospital may be the only thing built during the period, due to the drain on resources
  - a great peak may result, followed by a trough
  - significant price inflation in the market

• The economic impact of all site options should be a key consideration. A development of this scale will have unprecedented (long term) economic effects and the following should be considered:

  - long term state cashflow
  - preventing an erosion of health services in the community, due to cash shortages
  - ability to fund the “non-building” part - that is doctors, nurses, administration staff, teaching and training, medical equipment, resources to integrate services, reducing waiting lists, increased use of Ambulatory Care etc.
  - prior to any decision to relocate, a study must be undertaken of the financial impact on the Hobart CBD of removing the hospital from the existing site

• The PCA believes very strongly that the parochialism which drives the delivery and duplication of services in this State should cease immediately.

The PCA has put in numerous submissions on a range of issues and we hope that the Government has the political will to make the tough decisions for the long term benefit of the State, as we can ill afford to continue “pork barrelling” and waste precious resources - whether it is money or the talents of health care professionals.
**BUDGETARY ISSUES AND THE FUNDING OF MEDICAL SERVICES**

A major issue which is not discussed in any of the documents, but has been alluded to by Government, are the options available to fund the new hospital. However, it is considered that the issue is wider than that; it is the funding of the revolution of health services of the State which is so desperately needed to delivery efficiency gains, but also enable the State to have the best health care possible.

The PCA believes that the State has serious budgetary issues confronting it in the future, compounded by the aging population and the ballooning recurring costs in providing health and other services.

The PCA believes it is pointless to discuss the location of hospitals and delivery of the medical services without understanding the budgetary issues facing the State: so we all know how much capital is available to spend on re-engineering these services.

We draw your attention to the PCA Budget Submission 2006 entitled “Don’t strangle the goose that laid the golden egg?”

On page 7 we state:

“Discussion on options to fund the construction of a new Royal Hobart Hospital, including prospective asset sales, coupled with a public understanding of the need for substantial infrastructure funding, has created a window of opportunity to undertake taxation reforms. Tasmania is in a position to effect changes to make the State’s taxation policies unique to enhance its attractiveness for new investment, additional development and stronger business outcomes.”

The PCA is a pragmatic organisation and believes these fundamental issues will drive many of the decisions and not just consider what is the “latest you beaut hospital”. While this submission is supposed to just discuss the site assessment we believe that the site selection of the hospital covers a range of issues and the PCA has the capacity to understand these issues outside of the medical framework where we recognise that our skills are limited.

Other issues the PCA has raised include proper regional planning. It has become even clearer that the lack of land planning both from local government and the State Government over decades has resulted in many of the issues facing the RHH. The site selection committee should make sure they report to Government about this issue so that future mistakes are not made on a range of regional issues.
SITE ASSESSMENTS

As mentioned above, the PCA committee, which has examined site selection and the Assessment Criteria for the Royal Hobart Hospital, includes leading Tasmania engineers, planners, property managers, builders, owners and architects. The members of our committee have individually assessed the criteria against a range of sites. Many of these were mentioned in the newspaper. It is our understanding that the Government has decided for a range of reasons that the Royal Hobart Hospital Redevelopment should be in the inner city. Many of the reasons are specified in the Conrad Gargett Executive Summary September 2006.

In terms of the expertise of the Committee of the PCA, we thought it would be prudent to examine a full range of options, given the commitment by Government to build a new RHH and it is considered that the Government and the Site Selection Panel should examine all options.

In addition, all previous reports should be re-examined to make the best long term strategic decision for the region and the State. This is what any private company or person would do when giving consideration to spending hundreds of millions of dollars.

We have assessed the following sites:

1. Existing RHH site
2. Campbell St School
3. Rail Yards
4. Queens Domain
5. Showgrounds Site

We did not assess any other sites for the purpose of this review. We attach a copy of the matrix for your consideration. As you can see, each assessment criterion could be given a maximum of 10, and therefore the maximum possible was 120 points.

After averaging our responses, the site which had the highest score was the existing RHH site at 86.8 and the next highest at 79.8 was the Showgrounds site. Thereafter followed the Rail Yards at 71.0 the Campbell St School site was 64.5, and Queen’s Domain was a lowly 53.4.

SITE ASSESSMENT CRITERIA FINDINGS

1. SITE ACCESS

Most of the members thought the existing site had very good site access for all people throughout the Hobart region and very good linkages. The only major site access issue was no helicopter access and emergency vehicles may disrupt city traffic flow. It is argued that the existing site is well positioned in terms of access and parking. Connectivity to the city centre, Argyle St car parks etc could be improved as part of the site redevelopment. In addition a helicopter pad could be put on top of one of the buildings.

2. PROXIMITY

The existing RHH site has good proximity within the health precinct. It is close to the proposed new Menzies Centre and Medical School as well as the Private Hospital. In addition many allied health providers are in the area such as Breast Screening Tasmania, Mental Health Services and specialists just to name a few. An issue could be that by expanding to adjacent sites it will dislocate existing activity which will need to be re-established. But this would be a small impact compared to relocating to a new site.
3. **Economic**

It is a major economic driver for the City. There is extremely good value adds. In many respects the City has grown closer to the RHH over time. This demonstrates the draw of the RHH. It has a very important impact on existing businesses. And if it was moved it would have serious economic repercussions to business and property values in the CBD and throughout Hobart. It is argued that the additional costs of the service relocations and private investment around the hospital does not seem to have been taken into account by the Conrad Gargett report.

4. **Social and Cultural Environment**

It was submitted that the use is compatible with other commercial uses in the area. Hospitals are significant traffic generators and the central location fits with Hobart’s centralised road network and public transport system. However the active street frontage could be improved. It was generally thought that it fits the surrounds.

5. **Natural Environment**

It was felt there is no change as it is a commercial site however the limiting factor maybe that the site constraints may prevent the new building from maximising ESD opportunities.

6. **Statutory**

The use is of such that significant planning and heritage issues could be overcome. It was felt that part of the problems of the RHH is that the planning scheme of Hobart is outdated and has not protected the RHH from the issues it faces today. The PCA believes that a Health Precinct should be defined as part of a metropolitan plan.

7. **Sustainability of Services**

This is probably one of the areas where a new site has advantages over the existing site. However assuming a staged development it seems it is easier if the redevelopment is occurring in close proximity to the existing facility. It could be argued it has already occurred successfully and we can point to many examples interstate and overseas where it has occurred with major inner city hospitals.

8. **Size**

This is another area where the existing site has limitation compared to a green field development. It is constrained by physical limitations of roads and buildings yet infrastructure already surrounds it including car parks, cafes and shops for staff as well as visitors and patients. While there is limited public open space it is close to the Domain and Botanical Gardens.

9. **Physical Attributes**

No physical constraints outside size and its inner city nature.
10. **Future Expandability**

This is another area where the existing site has limitations compared to a green field site. There are limitations and heritage issues to consider which have been discussed in item 6 above. However there is opportunities to expand if a long term plan was developed for example on the Police Precinct site which could be used and was mentioned in the Conrad Gargett report. Other sites are available as well. Some we are led to believe have already been mentioned to the department. It just needs a long term strategic plan. Something the RHH has not had for 40 years.

11. **Acquisition**

Typical issues as exist elsewhere however already with the impending move of the University to Liverpool and Campbell St it will free up some space on Collins St. In addition the Government already owns much of the land on the Police Precinct. There are other surrounding opportunities.

12. **Finance Costs**

The existing site is already owned by the Government which also owns surrounding sites. In addition there is potential to purchase further neighbouring properties. It should be remembered that the RHH has not had continuous funding of capital works for over 40 years. However over the last 3 years major expenditure has been incurred for theatres and emergency services and this money should not be wasted.

In addition the new Medical school will cost over $40 million and a key component to its success is to be located as close as possible to the RHH. Furthermore there is significant private medical and related infrastructure around the hospital. To relocate would destroy serious value and the state cannot afford further waste of precious capital. These issues not mentioned in the Conrad Garrett report.
SUMMARY

It was evident from our committee’s independent review and the collective thoughts of the members were that the existing site is the best alternative. They believe that utilising the Queen’s Domain and Campbell St School are very problematic while using the rail yards would be a wasted opportunity to develop something quite unique and special on the site over time. The rail yards will generate significant private investment and is the best mixed use development site in the State.

The members felt that a Green field site such as the Showgrounds has merit but it is evident when medical issues, transport and other service and financial impacts are considered as illustrated in the Conrad Gargett it is not a viable option.

The PCA believes that the staging of the redevelopment of the hospital in terms of budgetary consideration should be seriously considered. This is something that the Conrad Garrett report did not analyse.

In addition something which also needs to be thought through is what impact the construction of a whole new hospital have on the construction and building market in Tasmania and the Hobart region. The PCA members believe it would have significant price inflation resulting in the only thing being built being the hospital as it would take all the resources and would create a great peak. These problems would only be compounded if it happened at the same time as the pulp mill.

Tasmania and in particular Hobart is a very small market and we need to be intelligent in how demand and supply is handled. Further more in most inner city hospitals in the world and take Royal Melbourne Hospital for example they have had major construction and redevelopment over the last 20 years with many new wings and building being demolished and rebuilt while the hospital has continued to operate.

This type of approach would certainly be advantageous in terms of a budgetary perspective, particularly if a cost of money approach was undertaken in analysing the costs. This would also be relevant if a green fields site was considered and current private infrastructure would have to be duplicated.

It should be remembered that he only reason the RHH is in such bad condition unlike the other Capital city Hospitals around Australia is because successive Tasmanian Government’s have under invested.

The PCA believes we should look at doing what other interstate governments have done when handling these issues and enter into a long term approach and spend say $40 million a year for say 20 years on the hospital and built it from inside to outside which would include various site acquisitions.

An approach like this we believe would work as well it would cause minimal impact on the construction industry in Tasmania (but would ensure significant long term positive impacts on training and apprenticeships etc), it would reduce budgetary impacts and it would reduce the overall cost. It would increase the capacity of the property industry in Tasmania.

The PCA would like to be involved in every stage of the Royal Hobart Hospital Redevelopment process and seek a meeting with the Assessment Panel to discuss our submission in more detail.

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