

**Division 51: Treasury — Item 75, WA Land Authority, \$35 444 000; and Item 86, Royalties for Regions, \$600 177 000 —**

Mr N.W. Morton, Chairman.

Mr D.T. Redman, Minister for Regional Development representing the Treasurer.

Mr F. Marra, Chief Executive Officer.

Ms F. Barclay, Chief Financial Officer.

Ms K. Fijac, Executive General Manager Business Development and Marketing.

**The CHAIRMAN:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 19 June 2015. I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

[Witnesses introduced.]

**The CHAIRMAN:** Are there any questions? The member for Gosnells.

**Mr C.J. TALLENTIRE:** Picking up on my previous question, I am looking at LandCorp's estimated expenditure to 30 June 2015. The budget papers clearly indicate an estimated expenditure of \$1.35 billion, but alongside that is an estimated total expense of \$1.8 billion. I am confused about how the estimated expenditure can be less than the estimated total cost, given, I would have thought, the final point was 30 June 2015.

**Mr F. Marra:** The budget papers include all historical expenditure that LandCorp has undertaken under that estimated total cost figure and that estimated expenditure of 30 June 2015. I understand that the estimated total cost figure includes all the forward estimate amounts. That is the convention for how the state budget figures are put together. However, in LandCorp's case, each project is undertaken on a project-by-project basis and a summation of individual projects makes up that program. New projects come in and other projects end. That total cost is the total amount LandCorp has spent on that program, which is made up of many different projects since LandCorp's inception in 1992.

**Mr C.J. TALLENTIRE:** That means that in recent times about \$500 million worth of LandCorp projects account for that difference. Can the minister outline what some of those \$500 million worth of projects might be?

**Mr F. Marra:** My understanding is that the summation of the forward estimate amounts—we can see there the total cost of the asset investment program, which averages around \$350 million per annum—goes some way to explaining the difference there.

**Mr C.J. TALLENTIRE:** Can the minister list some of the projects and give an indication of a project of \$200 million or one of \$300 million that I should know about. I am trying to get a picture.

**Mr D.T. REDMAN:** I am happy to get a response to that but this is the land development arm of government of both industrial and some residential land, both metropolitan and regional, and there is a significant number of developments, right down to the smallest community in regional Western Australia, many of which sit in abeyance for some time until economic activity drives an outcome. We can pick off a few of the main projects that LandCorp has been involved in, but there is a significant number, so we can pick off some of the bigger projects.

**Mr F. Marra:** For the budget year in question, 2015–16, where the total asset investment program is estimated at \$357.988 million, LandCorp has in excess of 50 projects that go to making up that figure. Some of the noteworthy or larger expenditure items will be, for example, Karratha city centre infrastructure in excess of \$31 million; Karratha city of the north infrastructure, in excess of \$44 million; the Alkimos project done in partnership with Lendlease—LandCorp's contribution is in excess of \$20 million—and the Claremont North East project, in excess of \$22 million for next financial year. A range of projects make up that \$300 million.

**Mr D.T. REDMAN:** Depending on the maturity of those projects—they are taking some vacant land that needs de-risking; there will be an extension to de-risk it—LandCorp may then put it to market itself and manage the development of it or bring on a partner for a joint venture. Depending on the stage, a level of expenses is committed and/or potential revenue will come late in the project. LandCorp makes the decision about it meeting the hurdle rate early on and that decision is taken by the board, supported by government with its cash flow. Cash flows are a point in time assessment of where all LandCorp's activity is at, some of which can be immature and some of which can be very mature.

**Mr M. McGOWAN:** I refer to the Mangles Bay development at page 244. What is the budget to be spent on the Mangles Bay development?

**The CHAIRMAN:** This sounds like a new question, member.

**Mr M. McGOWAN:** It is LandCorp.

**The CHAIRMAN:** Continue.

**Mr M. McGOWAN:** What is the budget to be spent on the Mangles Bay development; will that be recouped from any proceeds of any development; and will it be put into common use infrastructure rather than any housing project?

**Mr D.T. REDMAN:** While my advisers bring up information on this, the Mangles Bay development is a joint venture with Cedar Woods Properties Ltd, a private company, which the member for Rockingham knows about. It is at very early stages. A decision has been taken to progress it. It has been supported by cabinet at the respective points of the decision-making. It has had both local and conditional approval from our own environmental authorities, plus conditional approval from the federal environmental authorities. The decision to progress it, and LandCorp's involvement, would have essentially occurred when it would not have been triggered by the private sector itself. Part of LandCorp's role is to look at market failure or lack of market drive or capacity to get these projects off the ground. That is why it is a partner. The decision would have been taken early by the board that the financials will stack up over time. We are at a point at which a certain amount of resource would have been committed by both Cedar Woods and LandCorp.

We cannot talk about the long-term financials because some of that is market sensitive, I would have thought.

**Mr F. Marra:** The minister has indicated that LandCorp has a partnering arrangement with Cedar Woods property group for this project. That partnership arrangement has been established between Cedar Woods and LandCorp jointly sharing 50–50 in the development expenditure for the project. Depending on the revenue component of it, Cedar Woods will then be eligible for a distribution of 50 per cent of the revenue that can be generated. Importantly, the structure plan, which is going through the approval process at the moment, identifies a lot of property and infrastructure elements to the project and, once approved, it will need to be costed and fully developed. Estimates of what they will include are built into the budget. They include the land development component, the waterway development component and the public infrastructure that has been unveiled as part of the master plan for that project. All elements are accounted for within the development. That expenditure is expected to be recovered through development and sales of land in the future.

[12.50 pm]

**Mr M. McGOWAN:** What is the allocation for that over the forward estimates?

**Mr D.T. REDMAN:** I think that that is publicly sensitive information. This is technically a commercial development with a private partner who is coming in on a joint venture arrangement. I would have thought that some of the finer grained detail of that is commercially sensitive. LandCorp is a joint venture partner in this, because it probably would not have got up otherwise. Cedar Woods is the other half of that joint venture.

**Mr M. McGOWAN:** I am aware of all that, but I do not think it is commercially sensitive to tell us what the government is going to spend on infrastructure in someone's electorate. I would have thought it would be publicly available information.

**Mr D.T. REDMAN:** Mr Marra will provide some expenditure components of the project now.

**Mr F. Marra:** Just to clarify the initial point, the query was around what appropriation has been made. There is no government appropriation to this project. LandCorp, as an independent statutory authority, is investing on behalf of the state, as the minister has indicated, through its board-approved business plan. LandCorp will be investing its own-source revenues in this project. No separate appropriation has been made, so there is no operating subsidy or equity injection et cetera. On that basis, the estimate over the budget period—the next four years—is in the order of \$25 million for LandCorp's investment. However, it should be pointed out that that covers only the very initial phase of the project. It is yet to have full planning approval. That will take some time this year. By the time the project is into its development phase, the four-year budget period will cover only the

initial phase of the project, which will be developed over a 10-year period, so the forward estimates do not pick up all the public expenditure and infrastructure works that will occur over the life of the project.

**Mr M. McGOWAN:** Will the initial allocation be for the common-user infrastructure of the marina, the boat launching facility, the fishing club, the hotel site or the like, or will it be put towards other land development aspects of the proposal?

**Mr F. Marra:** Subject to the project receiving planning approval, which is being undertaken at the moment, there is a requirement as part of the environmental approval for a number of years of water monitoring to take place on the site. The water monitoring will necessarily delay LandCorp and its partners undertaking the public infrastructure works on the marina body itself. It is expected that that will not be able to be undertaken for two to three years from now, given the water monitoring that needs to occur. Once the planning approval is through up-front, there is capacity to undertake some of the initial land development functions on the land side, though not on the water side. They will be undertaken as the first stage, but once the environmental condition has been satisfied, LandCorp will be in a position with its partner to undertake the water body public infrastructure works the member is referring to.

**Dr G.G. JACOBS:** My question refers to page 579 and is about the Western Australian Land Authority investing in the regions. The mission statement of LandCorp talks about creating space for growth. Many people I talk to have the view that it does not create enough space in a timely manner. Can the minister tell us what LandCorp has done in the regions in the industrial and residential land space? What projects can we point to that really show the work in the regions to truly create space for growth?

**Mr D.T. REDMAN:** I thank the member for Eyre for the question. I do not know whether the member has received a full briefing by LandCorp about its footprint of asset ownership and asset development, but I am happy to provide one if he has not. Not too many towns in regional Western Australia do not have something that LandCorp has some ownership of, particularly as it applies to industrial estates. As I said in answer to the member's earlier question about headworks, some of the constraints to that development are not so much the availability of the land as concerns about headworks costs and first mover charges. Although the land assets are in the control of LandCorp, there are sometimes other reasons for the developments not coming to fruition, which we have already talked about. LandCorp is involved with some significant projects, ranging from the Albany waterfront development and the Geraldton Batavia coast marina to industrial estates in Kalgoorlie, Broome, Northam, and right across the wheatbelt from Bencubbin to Wickepin, Port Hedland, Burrup, Carnamah, Collie, Carnarvon and Williams.

**Dr G.G. JACOBS:** Can the minister talk about goldfields–Esperance, please? He is not answering my constituents' criticisms.

**Mr D.T. REDMAN:** The criticism is around —

**Dr G.G. JACOBS:** It is about not creating space in a timely manner.

**Mr D.T. REDMAN:** The availability of industrial land in a timely manner?

**Dr G.G. JACOBS:** Both.

**Mr D.T. REDMAN:** Is the member saying that there is a constraint on industrial land in Esperance?

**Dr G.G. JACOBS:** The minister was talking about projects that have been carried out in certain regions, and I am asking what has been done in my region. I am happy for the minister to take that question on notice.

**Mr D.T. REDMAN:** I think we will take that question on notice. It drills down to a level of detail that probably goes beyond what I have here about the financial capacity. LandCorp is involved in a plethora of projects. I am happy to provide by way of supplementary information details of LandCorp's industrial and residential activities in the goldfields–Esperance region.

[*Supplementary Information No B10.*]

**Mr C.J. TALLENTIRE:** I refer to the Shenton Park health campus redevelopment. What value has been put on that land and what processes are being undertaken to select a development partner if one is deemed necessary?

**Mr D.T. REDMAN:** As the minister is aware, the Shenton Park site was one of the early sites we put up. In fact, that is where we did the launch of the first 20 asset sales. LandCorp has primacy over that in terms of de-constraining. It is also working through some environmental requirements and a high level of consultation with local communities and the local government to ensure that all the elements of that development meet their requirements. In some cases, there may be some compromise on that, but it has been quite rigorous. I am happy to ask Mr Marra to make some broader comments specifically on the member's question.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Tuesday, 9 June 2015]

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Chairman; Mr Chris Tallentire; Mr Terry Redman; Mr Mark McGowan; Dr Graham Jacobs

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**Mr F. Marra:** LandCorp has been given carriage of taking the project to market. To be able to do that, a level of de-constraining is occurring at the moment, principally involving two elements. The first is around providing planning certainty for the site. The site is currently zoned as public purposes, being for hospital use, and we have commenced a rezoning process by engaging the local authorities and the Western Australian Planning Commission and seeking to establish a development zone on the site. In addition to that, we have been in significant discussions with the local community, including the school, the neighbours and some of the surrounding community users to determine a master plan for the site, which will provide further specificity about what can ultimately be delivered onto the site. In conjunction with that, we have been working very closely with heritage authorities and understanding the level of contamination on the site. Substantial demolition and decontamination needs to occur, and substantial heritage facilities need to be retained and kept within the project. Once those two elements are able to be established—the constraints around redevelopment and the planning opportunities—we will be in a position to understand the valuation for the site. At that point we will put a recommendation to the board for the best divestment strategy for the site.

**The appropriation was recommended.**

*Meeting suspended from 1.00 to 2.00 pm*