

**STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS**

2013–14 AGENCY ANNUAL REPORT HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 8 DECEMBER 2014**

**SESSION ONE
LANDCORP**

Members

**Hon Ken Travers (Chair)
Hon Peter Katsambanis (Deputy Chair)
Hon Martin Aldridge
Hon Alanna Clohesy
Hon Rick Mazza**

Hearing commenced at 9.33 am

Hon COL HOLT

Parliamentary Secretary to the Minister for Lands, examined:

Mr FRANK MARRA

Chief Executive Officer, examined:

Mr NICHOLAS WOLFF

Chief Operating Officer, examined:

Ms FIONA BARCLAY

Chief Financial Officer, examined:

The CHAIR: On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can you confirm that you have read, understood and signed a document headed "Information for Witnesses"?

The Witnesses: Yes

The CHAIR: Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at the witness's request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia, and the committee values your assistance with this.

Do any of the witnesses wish to provide an opening statement, or shall we go straight to questions?

Hon COL HOLT: Straight to questions.

Hon ALANNA CLOHESY: I turn to about page 38 of the annual report and Springs Rivervale, which is a fairly large development of about 800 apartments, I think. Out of those 800 apartments, is there any social housing in that development?

Hon COL HOLT: Do you want me to direct answers as we go? Is that the way we want to do it or is it open for you guys?

The CHAIR: I am happy for the CEO to speak if you feel he is the appropriate person.

Hon COL HOLT: That makes it easier.

Mr Marra: The Springs project development is a development that LandCorp has undertaken. It was surplus Main Roads' land, and we have acquired some of the other landholdings in the area to create a wider development there. It has been very successful. There have been a range of developers who have committed to building apartment stock in the area. One of the developers—sorry, the developers do not include the Department of Housing as public or social housing. We were looking at an arrangement where the Department of Housing would undertake a development in the area, but it has not been finalised yet. What we have been able to achieve, though, is a level of affordable housing in the area through our design guidelines and through the

controlling of the type of stock that gets delivered, so there are a number of lower cost individual apartments at the more affordable end of the market.

Hon ALANNA CLOHESY: What is the price range and mix in that development?

Mr Marra: All the apartments are being marketed by individual developers, so LandCorp does not have control or a say in what they do. We have a say in the design guidelines, so the types of apartments they build. From our market understanding, they do range from one-bedroom apartments through to at least three-bedroom apartments.

Hon ALANNA CLOHESY: At starting prices?

Mr Marra: I have seen starting prices in the marketplace in the low 400s. I am not sure if they are in the —

Hon ALANNA CLOHESY: For one bedroom?

Mr Marra: Yes, for the one bedrooms; I am not sure if there are some that are below the 400 mark.

Mr Wolff: I know there were some initially in some of the developments at the 390, just under the \$400 000 mark, when some of the developers launched initially, but I am not sure if they are still there.

Hon ALANNA CLOHESY: Do you consider that affordable—\$400 000 for a one bedroom?

Mr Marra: The affordability kind of concept is for the local area. So, in particular areas of the state, \$400 000 would be quite affordable and in some other areas it would be not affordable, so I do understand the relativity there. Given that the Springs development is within two kilometres of the Perth CBD, has exceptional amenity—being close to the river and close to transport services—a price starting in the low \$400 000s was seen as affordable for the product that you are getting in that area.

Hon ALANNA CLOHESY: How is the number of affordable housing dwellings worked out? You mentioned that the Department of Housing was not part of this development, so there are no affordable housing dwellings?

Mr Marra: There is a distinction made between affordable housing and social or public housing. I think the initial question was around social housing; the Department of Housing is the exclusive provider of public housing. Then there is another category of housing that gets provided in a supported manner, and that is community-based housing, which is usually provided through agencies like Access Housing or Foundation Housing, so they receive certain benefits from the state and commonwealth to be able to provide that housing support. Beyond that, you will then find developers, including LandCorp and the private sector, providing a series of housing, which we call affordable housing, and that is targeted at a price point below the median for the area.

Hon ALANNA CLOHESY: So each year do you calculate how many affordable housing dwellings will be made available based on market assessments over the year? Do you set yourself targets for affordable housing?

Mr Marra: LandCorp has set itself a policy target to make 15 per cent of its land available at the affordable end of the market. So LandCorp does not control the built-form stock; it only controls the land component of it. We ensure that the land that we are providing is aimed at that end of the market. In our annual report, you will see there is a statistic where I think it is 87 per cent of all the land that we sold last year was sold for below the median house price of land in the Perth metropolitan area, so that is clearly targeting the more affordable end of the market because it is in the lower half of cost in the market.

Hon ALANNA CLOHESY: That is interesting. So, you undertake that analysis annually and suggest that you have met your particular target?

Mr Marra: Yes; as I say, we have a target of 15 per cent, which is the government's target to aim for under the government's affordable housing policy. LandCorp sticks to that and, as I said, we were able to exceed that in the last 12 months by making our land available for that purpose.

Hon ALANNA CLOHESY: Have you got with you your analysis of where that land was and what proportion you have been able to meet? Have you got that with you?

Mr Marra: I do not believe —

Mr Wolff: Not across the state; we can provide that certainly. We can give you a break up of all of that analysis work that has been completed. That can be done.

Hon ALANNA CLOHESY: Across the state.

Mr Wolff: Across the state; not a problem.

Hon ALANNA CLOHESY: That would be very handy.

[*Supplementary Information No A1.*]

Hon ALANNA CLOHESY: I come back to the Springs. How much active space is included in that kind of large development?

Mr Marra: I will speak generally about it, and then perhaps I will hand over to my colleagues if we have the exact figures. Generally, when LandCorp undertakes a development, the structure planning for the project is undertaken by the developer, but then needs to be approved by the local authority and the state government through the Planning Commission. There are minimum guidelines generally applied in most areas, and that is for a 10 per cent public open space component. But in more inner-city areas, they can be offset by other levels of amenity, because quite often in the inner-city areas there are significant levels of open space provided in the general locality.

Hon ALANNA CLOHESY: In what way can they be offset?

Mr Marra: When I say "offset", there is usually provision of open space in the local area; for example, in the Springs development there is significant open space around the river foreshore which is available, so that would generally be taken into account. But then in some other areas, we have exceeded that minimum open space requirement as well.

Hon ALANNA CLOHESY: How can you be sure that that public open space is going to remain public open space? You sort of have not met the requirement for the Springs because there is more open space near the Springs. How can you be sure that that remains public and that what we do not end up with is a whole lot of development that is packed in tightly?

Mr Wolff: Most of the land around the Springs is river shore there, and I think it is pretty well zoned securely as open space. Certainly at the time of the planning approval, there would have been a degree of certainty, as there is now, that that will stay in open space.

Hon ALANNA CLOHESY: But you cannot really be sure, can you?

Mr Wolff: Other than the usual protections of planning law about zonings of, you know, Bush Forever and public open space—those are sort of assumptions on which —

Hon ALANNA CLOHESY: Tell that to the people of Giddegannup!

The CHAIR: Are you saying that the 10 per cent public open space is the land along the river's edge?

Mr Marra: No, I was talking generically in that instance; what we do not have at our fingertips is what amount of open space has been set aside in the Springs development. We are able to provide that information, and the calculations for it, so we can provide that with notice. I was giving the general discussion as to how sometimes it is at 10 per cent as a minimum, but in considering that, one does not look at an individual site; one looks at it in context of the overall area to make sure that has been achieved.

The CHAIR: You are going to provide the details about —

Mr Marra: We can provide the details as to the level of open space that has been provided for the Springs project.

[*Supplementary Information No A2.*]

The CHAIR: As part of that, if you were getting a subdivision approval for land that abuts the river reserve, you would have to cede a component of that river reserve to the WA Planning Commission as part of that rezoning anyway. That would not be part of your 10 per cent, though, would it?

[9.45 am]

Mr Marra: That is a bit of a theoretical question. If one was ceding it would be part of open space contributed. The 10 per cent figure is typically used particularly on greenfield sites on the fringe of the city where there is almost no immediate amenity for any resident moving in there, and so certainly up in the northern corridor or down south. In the inner city, as Nick has indicated, the calculation by the planning approval authority, not necessarily by LandCorp, is that there is amenity of adjoining parks and things like that, which can be taken into account, and in certain circumstances release it below the 10 per cent. Indeed, though, it is often above the 10 per cent depending on what is on the site. If you have a parcel of land which has a lot of bush on the site, you may keep that, and that would be possibly in addition to your 10 per cent open space.

The CHAIR: Of that 10 per cent open space, do you know how much of it is active open space?

Mr Marra: The definition of “public open space”, POS, is that it needs to be active, so you cannot typically include bush for bushland into that POS area—typically.

The CHAIR: But you do not have any idea of how much open space or how much of it is active open space?

Mr Marra: At the Springs?

The CHAIR: Yes.

Mr Marra: Off the top of my head, no, I cannot give that to you.

Mr Wolff: We do not have that data here with us at the moment.

Hon ALANNA CLOHESY: So, we have asked that as A2.

The CHAIR: Yes, A2, but we might add as a subset of A2 that you also provide not only the total amount of open space but also how much of it is river foreshore and how much of it is active open space.

Mr Wolff: Yes.

Hon PETER KATSAMBANIS: Also on this issue, I think I have asked questions around active open space before but are there any specific targets generally for active open space, or would you leave that up to local factors in each particular development as part of the overall 10 per cent target?

Mr Wolff: As developers, LandCorp would need to prepare structure plans and master plans for projects, but it would need to comply with local government and state government requirements, so it would not be LandCorp setting the mix between various levels of active open space et cetera. Local government has a very large say in that component of things with regard to the level of open space it wants to maintain, the level of open space it feels it needs for regional playing fields or district level playing fields or local level playing fields, whether it is associated with schools et cetera. So, you generally find that, as a developer, LandCorp would be a taker of that policy and would then try to make sure that its plans fit into place with those policies that have been set.

Hon PETER KATSAMBANIS: Have you found any issues with local government in particular about what I may term a lack of willingness to consider certain facilities or amenities that you as a developer would like to provide in the estates that you are developing?

Mr Wolff: Local authorities are generally very amenable to developers providing a level of amenity and a level of betterment in estates, but they do have certain standards that they want to see applied. And those standards are generally in relation to community safety and in terms of ongoing maintenance obligations that would go with those facilities. So, we are certainly aware that there are certain local governments that have a preference for large-scale levels of open space, and to see them maintained for the future. And then they are not as keen on small levels of open space, like less than two hectares, for example, being reticulated and landscaped and maintained for the future. So, they are policies that have been set by some of these local authorities. Generally, as I said, whether it be in terms of future maintenance obligations that they may be exposed to, because a developer will develop a site, a developer will enhance and beautify the facility, but ultimately it needs to get handed over to a local authority to then own and maintain in perpetuity. So, those standards are set fairly stringently and, as I said, it would also cover safety requirements, especially in areas such as playgrounds et cetera. If it does not meet those requirements, then again the local authority would be reticent to take that on and would require it to be modified until it was.

Hon PETER KATSAMBANIS: I understand around the safety issues, playgrounds and the like particularly in the northern suburbs. And, as you know, up in the northern suburbs some of these estates blur, so you never quite remember whether it was a LandCorp estate or one of the adjoining developers, but there has been a lot of consternation about the fact that local government has been discouraging the provision of facilities that local residents would like; for instance, barbecues, table and chair settings, basketball courts or half basketball courts, and things that would allow that space to be utilised on a more regular basis than perhaps if it was just sitting there as almost bushland. Have you experienced that interface in the northern suburbs?

Mr Wolff: As I said, we have experienced it on smaller areas of open space in some of the northern suburbs, but even across other areas of sites of less than two hectares in size there is a reticence for the local authorities to pick up large ongoing maintenance costs associated with those. That is generally around the landscaping maintenance costs, whether it be reticulation and those kinds of things. So, the larger areas of open space, there is encouragement to provide it; but the smaller ones, there is a policy shift against those things. I am not sure if there is more information that we have.

Mr Marra: Most local governments have conducted a regional or district needs analysis of recreational or community facilities they would like to see applied across their communities. As a developer, we tend to work with them to achieve those ambitions where one can. But there has been quite clearly within local government much more of a focus, as Frank was saying, on the ongoing operational costs. It is one thing for a developer to say, "Here, have that", but they are giving them a liability at the same time. Across the state we would see now that focus of making sure that, you know, "It is nice of you to give us something but we, the local government, have to pick it up." And it becomes, at officer level, a real conversation of understanding this.

Hon PETER KATSAMBANIS: At the end of the day, we are looking at building communities and the concept of having this really large regional facility that you get into your car to drive to to utilise a swing set or a playground or a barbecue or a football ground does not, in my mind anyway, provide the best level of community facility. It would be better if it was in walking distance or bike-riding distance and that is the interface that I tend to sense is happening, particularly in the northern suburbs.

Mr Marra: We are certainly aware —

Hon PETER KATSAMBANIS: I am sure it is happening elsewhere, but I understand the northern suburbs better because those are the areas I represent. I know that it is not your policy and you are not driving it but you are at the interface of it, so it is interesting to tease that out so that I can then go off and see what areas can be influenced to provide more localised amenity and localised facilities for local communities.

Mr Marra: It is certainly a tension that we are well aware of, the argument that we should not make people get into driving to go and use local facilities. I suppose the Alkimos project —

Hon PETER KATSAMBANIS: The one I am thinking of.

Mr Marra: — which is predominantly with our Lend Lease partner, I mean, we would say that Lend Lease there has created an excellent park facility with a sport facility well within walking distance of the residents, and I think it is an exemplary project in that regard. We offer that up to local government as an ideal government.

Hon PETER KATSAMBANIS: I hope they take it up because that is a great little project. It is not huge but it is perfect for that locality and the people who are going to be living around it.

Mr Marra: What I think is happening, though, is we are seeing lots of residents in surrounding areas coming in and finding it desirable, which is counterintuitive.

Hon PETER KATSAMBANIS: Yes. It is closer than the regional facility that still does not exist.

Hon ALANNA CLOHESY: Can I just come back to the Springs? We were talking about developer contributions earlier. Is the Springs development subject to the developer contribution?

Mr Wolff: When the Springs development was undertaken, as I indicated in the beginning, it was mainly a surplus Main Roads site that LandCorp took responsibility for. We then undertook to try to consolidate some of the individual private owners that were within the project to make them part of the larger project, and LandCorp was able to negotiate acquisitions of several of those sites and move them together. So, we have in excess of 80 per cent of all of the landholding in the Springs area under our control. As part of the development, a developer contribution scheme was put in place with potential, but the actual triggering of making those charges to those other private owners in the area—and I think some community owners because I think there are religious facilities et cetera, so it not all just private owners in that area—is yet to be determined because there is a cost–benefit analysis in terms of administering the developer contribution scheme. So they are not cheap to administer; they are quite expensive to administer versus the amount of revenue that you would generate back. So, if it is going to cost you more to administer the scheme and to actually recover the revenues from it, it actually ends up being counterintuitive to progress it. The capability is there within the scheme but the determination as to how it will be triggered, if it will be triggered in the future, is yet to be finalised; that is my understanding.

Hon ALANNA CLOHESY: So you suspect that the cost of doing that will actually outweigh what the contributions will be?

Mr Wolff: Yes. Given that the state through LandCorp owns in excess of 80 per cent of all the landholdings and that LandCorp would be responsible for over 80 per cent of all the developer contributions, it would be far less than 20 per cent that would be generated from the other landowners. And a lot of those landowners, as I said, are charity groups and individuals in that area. So, they are not in the majority large sophisticated developers who have the wherewithal to progress through a developer contribution scheme. So, given that it is less than 20 per cent that is going to be recovered and you have to administer a developer contribution scheme for that small number of people, it actually can tip the balance into making it more costly to administer.

Hon ALANNA CLOHESY: You said that most of that came from Main Roads?

Mr Wolff: The land was originally acquired by Main Roads and was left vacant post the finalisation of the Graham Farmer Freeway and Great Eastern Highway expansion. So, this is the land that was leftover from those two projects that we were able to redevelop.

Hon ALANNA CLOHESY: And what was the value of that land?

Mr Wolff: We do not have that at our fingertips, I do not think.

Mr Marra: I only have the value of the land that we purchased from private landowners.

Mr Wolff: Yes; I do not think we have the value of the land that we purchased from Main Roads with us.

The CHAIR: Did you say that you have the value of the purchase from the private landowners?

Mr Wolff: Yes.

The CHAIR: Maybe you could give us that as a start and we will take on notice the Main Roads one.

Mr Marra: I have a list of sites here which have been purchased over the last 10 years. I am happy to table it or whatever the appropriate format is.

The CHAIR: Yes, that would probably be the easiest. If you want to table it, that would be good if you are able to table that.

Hon ALANNA CLOHESY: So that includes information that I asked for?

The CHAIR: No, it does not include the purchase from Main Roads.

Mr Wolff: This only includes the purchase of the private owners in the areas that we have been able to consolidate.

Hon ALANNA CLOHESY: I just wanted to make sure that we got that as a supplementary.

The CHAIR: We will make the Main Roads plan A3. We will take the private as a tabled document, and you are happy for that to be published?

Mr Wolff: Yes; it would be on the public record.

The CHAIR: Does that show the size of each block as well, that document you just tabled?

Mr Marra: Can you provide us with your copy? We have a copy somewhere of the questions earlier. Yes, it does have areas of land. It does have areas on it, by block, by cost, by area.

The CHAIR: All right. When you provide the Main Roads land, if you could also give the area of land that is involved in A3.

[Supplementary Information No A3.]

Mr Marra: Yes.

The CHAIR: I just want to go back to Alkimos, which we were talking about earlier, and the issues around the regional open space and the like. Does LandCorp have any concerns about the fact that the government is not purchasing their required public open space in terms of impacts on your developments, if the government does not purchase the space? As I understand it, there is now a cap on the amount of money that the government will spend out of the metropolitan region improvement plan each year; is that then having a flow-on impact for LandCorp?

[10.00 am]

Mr Marra: I think, in terms of government policy, it is not for LandCorp to comment.

The CHAIR: I am asking whether it is having an impact; I am not asking you to comment on the policy. I am asking whether it is having an impact on your ability to do your job as a land developer, because you are a land developer, so I think we are entitled to ask what impact it is having on your agency—that restriction. If the answer is no, then that is the answer, but I would be surprised.

Mr Marra: As a developer, LandCorp is required to set aside parcels of land that will ultimately be acquired by the Planning Commission or the local authority, whether it is for public open space, regional open spacious, foreshore reserves, district open space and those matters. The timing of the contribution of those assets is always up to negotiation between the local authority, the Planning Commission and the developer. So, until the land is actually required for the intended final purpose, the timing of it, as I say, is up to negotiation. LandCorp is negotiating development agreements with

the Planning Commission and with local authorities at various times, which have not impacted the delivery of the overall project at all. The land has been set aside, regional open space has been identified within the Alkimos master plan; it is protected. LandCorp is not developing it. LandCorp has an obligation to protect it from future development and the timing of its transfer to the Planning Commission will be open to negotiation between LandCorp and the Planning Commission when it suits both parties.

The CHAIR: Is there now a backlog of land that you have identified, which in terms of past practices you would have expected to have now been purchased which you are still in the negotiations on?

Mr Marra: I am not sure if we have got a precedent in terms of past practices. In my experience, it has been a negotiated outcome as to the right timing as to when these acquisitions get transferred between, as I said, LandCorp and the Planning Commission and LandCorp and the local authority. I do not think we have a hard and fast rule that has been established, from my experience with the Planning Commission.

The CHAIR: What is the normal time between you identifying land as part of your structure scheme and then commencing development in that area and the time when the Planning Commission purchases the land from you? What would be the normal time frame you would expect?

Mr Marra: Again, I do not think there is a “normal” that I can apply in terms of precedent. I can give examples of where it has been ceded at nil cost in a short period of time, because it has been an obligation as part of the structure planning purposes, and I can think of examples of where it was a negotiated purchase by the Planning Commission of sites many, many, many years after a site had been identified within the planning schemes. So, I do not think there is any normal policy that I can apply.

The CHAIR: Maybe then—I do not expect you to have it with you—can you take on notice those sites that you have within your land holdings that have been identified that you would expect will be purchased by the WA Planning Commission, where those sites are—and if you have a value on them that would be good, but certainly the square metreage and where those sites are in each of your developments?

Mr Marra: We can provide that for the metropolitan region scheme, because it is identified generally as regional open space. I do not think we would have the valuations because, as I said, that would always be a final consideration at the time of the transaction.

The CHAIR: So, maybe just the square metreage. We will make that A4—all of the sites that have been identified that you would expect for the WA Planning Commission. I do not know how easy it is to go back and check. How easy is it to check the land that has been purchased by the WA Planning Commission? Is that relatively easy to go back one, two, three, five years? If you can go back five years—I would love that—in terms of the land you have transferred to the WA Planning Commission?

Mr Marra: We will give you up to five years, if we can easily find that.

[Supplementary Information No A4.]

Hon RICK MAZZA: I wonder how many land subdivisions you have in small to medium country towns?

Hon COL HOLT: That might need to be on notice, mate.

Hon RICK MAZZA: It might, but I just wondered if there was an indication of how many you had on the go.

Mr Marra: LandCorp has land available in over 90 small towns across regional Western Australia, but that is land that might have been created some years ago and it might be where we have an individual block of land available for sale in that town. In a given year, LandCorp then undertakes further development in a set number of towns, where we will augment that supply of land to make land available in additional towns. We have a program called the local regional development assistance program—local RDAP as it is known. That is a program where local authorities and development commissions can make an application to LandCorp on an annual basis and indicate that they have a need for land in their generally very small country town. There is a set of criteria that they have to achieve. If that criteria is met, LandCorp is actually provided with support from the state government to provide land in these small country towns. Generally, it would be around about five to 10 towns each year that would have land provided.

Hon RICK MAZZA: How do you assess the demand there may be in one of those small country towns where land will sell in a period?

Mr Marra: Yes, I understand the question. Land is often, in these small country towns, a minimum enabler for any economic development to occur. It is very similar to having water or power or road infrastructure—without land these towns are not able to grow. Some of the criteria that LandCorp looks at when local governments provide applications for us are around what level of land supply is available in the town, whether there are any pre-commitments able to be provided. Quite often the local authority is able to provide a pre-commitment themselves where they may require a house or two for some of their staff, sometimes they are able to provide evidence of other economic developments occurring within the broader area, whether it might be agricultural or some kind of industrial development and through past patterns like that. Increasingly, LandCorp is also providing support to these local authorities through a process of getting their projects what we call “shovel ready”, where we undertake the planning and due diligence phase of the work and then allow for a level of pre-commitment to occur in these local authorities. Rather than always going in and just providing the land upfront, we will get them to a level where we are able to provide land supply very quickly should someone indicate they would want a block of land to purchase. We get all the planning in place, get the approvals in place, get the infrastructure planning done, so it is, as we say, “shovel ready”. At that point, if an individual were to come and say, “I would like to buy a block of land at its market value”, we are generally able to supply that land to an individual within a matter of months.

Hon RICK MAZZA: There are four or five blocks that have been developed in Rocky Gully some years ago. How many of those blocks has LandCorp sold?

Mr Marra: I do not have that information at my fingertips for Rocky Gully, knowing it is a relatively small town in the south west.

Hon RICK MAZZA: It is a relatively small town.

Mr Marra: I do have information in terms of what has been released in those towns. So, last financial year, four lots were released in Rocky Gully, but I do not have the information in front of me as to how many, if any, of those have been transacted.

Hon RICK MAZZA: Can we get that on notice to find out how many of blocks have been sold since they have been developed at Rocky Gully?

[Supplementary Information No A5.]

Hon RICK MAZZA: It is probably a bit outside the scope of the land directly, but my understanding is that Rocky Gully trucks its water in on a daily basis; there is no catchment or anything available for them anymore. I wonder how much impact there would be on that water supply if more blocks are developed in Rocky Gully? Is that something that you guys consider when looking at blocks of land to develop in small country towns?

Mr Marra: Before any approval is provided, one of the criteria that we look at is the ability of the infrastructure to be augmented to be able to deal with any additional land supply. Water and support is an absolute minimum. Before we would actually get an approval, so as part of that shovel ready process that I spoke of earlier, there is a requirement through the Planning Commission to send out to referral agencies such as the Water Corporation and the power corporations their requirements for any additional land supply, and those entities would normally provide the conditions to a developer such a LandCorp as to what we need to supply to make sure that any land that is supplied actually will get approved. So, that would normally be one of the conditions of the subdivision.

Hon RICK MAZZA: It is my understanding too that you have a light industrial suburb at Pinjarra; is that correct?

Mr Marra: Yes.

Hon RICK MAZZA: Is that on your own or in partnership with another private developer?

Mr Marra: No, our Pinjarra estate is one that LandCorp is undertaking in its own right.

Hon RICK MAZZA: Can I find out how many blocks you have sold in that subdivision as well? If you do not have that information on hand, we can take that on notice.

Mr Wolff: We created stage 1 in 2009. We created 24 light industrial lots. We have sold 10 of those and we have inquiries on the subsequent ones.

Hon RICK MAZZA: From 2009, so in five years you have sold 10 out of 24. Has there been any reduction in price to get some of those blocks sold on what you were originally asking?

Mr Wolff: I will have to take that one on notice.

[Supplementary Information No A6.]

Hon PETER KATSAMBANIS: On that issue, I notice on page 58 of the annual report you talk about the local regional development assistance program. I am not sure if the Rocky Gully land we are talking about is part of that or not.

Mr Wolff: It is.

Hon PETER KATSAMBANIS: It says here that over 200 lots have been released in 23 regional towns over the past 24 years. Are you able to inform us how many of those lots have been sold over the past three years?

Mr Marra: We certainly can provide that information. I am not sure if we have it with us at the moment within our documents; my colleague here is looking for that. Certainly the local regional development assistance program is a program where LandCorp acquired a series of land holdings at the earlier part of the 2000s from the Department of Lands which had been running that program previously. So, not all of the land that we have sold over the last five years is land that LandCorp has developed itself. So when the program came to LandCorp, there was around in excess of 500 individual blocks of land that were transferred at that point to LandCorp. They were in stock already across the state. LandCorp has been selling those sites on behalf of the state. In addition, we have, through this local regional development assistance program, augmented with new stock in additional town sites and then we are able to sell land, both from the legacy lots that we acquired from the Department of Lands and the new land that we are producing as we go forward. So any details that we provide in terms of the land that we have sold over the last few years would be from that larger pool of stock.

Hon PETER KATSAMBANIS: So you cannot identify these lots that have been released over the past three years. That is what I am asking about. It is very clear there that they have been released over the past three years, so I assume they have been released by LandCorp.

Mr Marra: Yes.

Hon PETER KATSAMBANIS: It says “over 200 lots”. I do not know how many there are, but obviously more than 200 in 23 regional towns. So, if you could provide details as to where those holdings are, how many lots in each package or release or estate or whatever you want to call it and perhaps how many of those have been sold.

Mr Marra: Yes; we will provide them for the last three years—the number of lots that we have released.

Hon PETER KATSAMBANIS: It is whatever lots are referred to on page 48 of the annual report. I am only going on what I have got. So in that little column on page 48, the last paragraph, whatever lots are being referred to in there.

Mr Marra: We will provide that information.

Hon PETER KATSAMBANIS: That will be helpful.

[Supplementary Information No A7.]

Hon PETER KATSAMBANIS: I have other questions but it was not on this particular area.

Hon RICK MAZZA: I am happy to wait.

Hon PETER KATSAMBANIS: What I want to raise now is probably talking about the market, which is something that almost every Western Australian is interested in. I will kick off by asking about page 30 on which you say that you recorded \$362 million in sales in the financial year 2013–14. That was around \$140-odd million lower than target, or 28 per cent lower than target. Can you identify what the drivers were for the fact that the land sales were so much lower than what had been budgeted for or targeted for?

Mr Marra: I am certainly happy to talk about that generally. I think over the 2013–14 year, there has been marked change in the market of the product where LandCorp operates. LandCorp has a diversified business. We have land available throughout Western Australia—regional Western Australia and metropolitan Perth—and we have land available across many different market segments, residential, retail, commercial, industrial et cetera. Generally, they are able to operate them in different time—in different parts of the market.

[10.15 am]

Hon PETER KATSAMBANIS: Different cycles.

Mr Marra: Different cycles—thank you for that. There is a level of risk mitigation that occurs with that, and I think that occurred again in the last 12 months. If I was to look at previous years, LandCorp had achieved very good sales in regional markets, particularly in the north west of the state, both in terms of residential and industrial land sales. Across the Pilbara, across the Kimberley, on the back of the commodity price cycle, there was significant upswing in the level of land activity in those areas. That was a key factor in LandCorp’s level of sales from around 2009 through to about 2013. At the same time, in that time frame, metropolitan residential land sales were relatively subdued. There was a marked difference between those two cycles. What has occurred in the last 12 months is regional land market demand has become more subdued in line with the commodity price cycle. We generally find that industrial land demand, where LandCorp has a significant stake, is generally in line with state economic growth, and as state economic growth has ameliorated over the last 12 months, so has the demand for general industrial land supply. However, metropolitan residential land supply—here in Perth—has lifted significantly, off a low base, over the last two to three years. That, combined with a number of new estates that LandCorp was able to bring to the market—particularly Alkimos and a few other infill estates, such as Carine and Coolbellup, which were redevelopments across the metropolitan area—has meant that LandCorp has been able to substantially lift its sales in the metropolitan space at the same time as there has been a reduction in sales in some of those regional areas. But if I was to actually compare our level of sales last year compared to the year before, on page 86 of the annual report it indicates that LandCorp’s land sales

actually increased from 2012–13 where we achieved \$333 million worth of sales to 2013–14 where we were able to achieve \$362 million in sales.

Hon PETER KATSAMBANIS: That actually has increased, has it?

Mr Marra: The level of sales actually —

Hon PETER KATSAMBANIS: In total, but it was below budget —

Mr Marra: That is right. The budget was —

Hon PETER KATSAMBANIS: So you strike a budget —

Mr Marra: Some 18 months prior to the end of the year.

Hon PETER KATSAMBANIS: To the end of the year. But you strike a budget some five to six months before the start of a year; why the big discrepancy?

Mr Marra: There have been wild changes in regional economics since the time that the budget was set.

Hon PETER KATSAMBANIS: So it is the regions. I notice on page 33 where you say the total number of lots sold significantly increased from the previous four years, and I believe that the total number of lots sold is actually a LandCorp record. I am not sure if that—that is something I have heard; it does not stand out from the annual report. But 1 045 lots sold at such a reduced amount of \$140 million—obviously, something has changed and it seems to be that regional aspect.

Mr Marra: Particularly regional industrial land. So, the number of individual transactions has lifted, and that is mainly on the back of, as I indicated, developments such as Alkimos where it is single residential housing at the more affordable end of the market, where I think we have been able to achieve in excess of 300 land sales last financial year alone. However, the industrial program, which does not have that many individual transactions given that an individual site is generally large, has significantly tapered off, where in the previous year there was significant industrial land sales at places like Karratha and Port Hedland, and they have not been sustained.

Hon PETER KATSAMBANIS: Do you set budgets targets per estate or per project? If I asked for—on notice, obviously; you are not going to have it with you today—a breakdown of your sales target and your actual sales achieved in that financial year by project or by estate, would you be able to provide that?

Mr Marra: LandCorp does not provide individual targets for the state budget purposes at an individual project level.

Hon PETER KATSAMBANIS: No, but internal targets for your organisation. I am sure you look at Alkimos and say—I am making the figures up—“We have got 1 000 lots and we are targeting to sell 500 of them in the next financial year.” You do not do that sort of planning?

Mr Marra: We do undertake planning at an individual project level, but they then always get rolled up into an individual program. We have three programs: a metropolitan program, a regional program and an industrial program. We provide data on that through to the shareholder, minister and the Treasurer, which gets fed into the state budget. It is on that basis that targets are set. Only because individual projects can be quite volatile and LandCorp is able to then use that program to smooth out the returns. Because, as I said, individual projects can provide a lot of volatility and the government has agreed that it is at a program level that targets should be set and should be reported against.

Hon PETER KATSAMBANIS: I understand that; I understand the volatility. I am not questioning the volatility in any way, but from a committee point of view and a taxpayer point of view, who is the ultimate stakeholder, I would be feeling a greater level of comfort if I could access those targets and then we can see where the volatility came.

Hon COL HOLT: I think what the CEO is saying is that from a state budgetary viewpoint, it is reported and set on those broad program levels. I think it is also around some of the volatility within those individual projects and, potentially, some of the commercial confidentiality, I would have thought, within there that it could affect—if we looked at each individual one, it could be information that could affect those individual projects. I guess that is one of the reasons why they wrap it up into a program level, is to take some of that reporting volatility out of it. Like the CEO says, that smooths over in terms of the budgetary requirements and also meeting the targets. I would have thought there was some commercial confidentiality of getting down into project levels.

Hon PETER KATSAMBANIS: There is commercial confidentiality in almost anything. As a starting point, can we receive information around those three areas that you have—the metropolitan, the regional and the industrial? Can we take that on notice?

Mr Marra: We would be pleased to provide details around our targets around those three programs.

[Supplementary Information No A8.]

Hon PETER KATSAMBANIS: Separately, I would still ask for a further breakdown by smaller components. If that is available, I would appreciate it. If it is not available, then we can consider that as a committee. I appreciate that everything is commercially sensitive, but I do not necessarily think commercial sensitivity and commercial-in-confidence are the same thing, with respect. Let us see what we can get back and then commence a conversation around it.

Mr Marra: Okay. We will be able to provide information at an individual program level and we will look at it to see what further level of granularity we can provide that will perhaps provide the honourable member with additional information.

[Supplementary Information No A9.]

The CHAIR: I remind you that you have the option, if there is something you think needs to be kept private, of requesting that when you send it back to the committee.

Hon ALANNA CLOHESY: Can I just follow up on that just in terms of costs? Hon Peter Katsambanis was talking about the fluctuation of that. It also made me think that perhaps costs have risen in some of those circumstances as well. Costs in the developments might have risen. Would that have been the case? Would that explain some of the fluctuation?

Mr Marra: Generally, the level of fluctuation Hon Peter Katsambanis was mentioning was around the sales area, which has not been impacted by costs. In fact, over the last 12 to 18 months there has been a positive benefit from cost reductions in the state. As the heat has come out of the mining–construction expansion, we have found that a lot of the contractors that undertake work for us who in addition undertake work for the general marketplace have been more willing to put in more competitive tenders for works. We have actually found there has been at least a stabilisation, if not a reduction, in a lot of those tender costs for construction work. I would suggest that would be something across the industry and not just a LandCorp phenomenon.

Hon ALANNA CLOHESY: Can I come back to Rivervale as an example? What has been the cost of getting that project off the ground—the earthworks, the planning, the environmental costs and that sort of stuff?

Mr Marra: We have prepared an answer to that, potentially, that looks at those items. I am happy to table that. That looks at the costs of planning and environmental, infrastructure construction costs, costs for statutory charges and legal management consultant costs. We can table that to provide the information for this project.

The CHAIR: Is that a question on notice?

Mr Wolff: That was a question on notice.

The CHAIR: That has not been answered in the house yet?

Mr Marra: My understanding is that it has not, and that is why we are happy to answer that now.

The CHAIR: Are people happy for that one to be public?

Hon PETER KATSAMBANIS: I am happy for the information to be made public. The section that is headed “answer” I do not necessarily think that —

The CHAIR: Then let us leave it to the end —

Hon PETER KATSAMBANIS: I am not convinced that putting out an unanswered question —

The CHAIR: Member, if people want to have a discussion about it, we will leave it till we go into private session rather than now.

Hon PETER KATSAMBANIS: All right. Fine.

The CHAIR: I am happy to leave it. At this stage we will not do anything.

Hon ALANNA CLOHESY: We are going back to getting that tabled. I have more questions, but I will wait.

Hon PETER KATSAMBANIS: I was just going to round off on discussing market conditions—that is all—so we can move on to the next step. Where is the market at now? In this current year that we are at, how are you looking at meeting your targets, first of all, and where are you in targets in relation to where you were last year?

Mr Marra: The market has generally stabilised over this current financial year, so we are five and a half months into that. We would probably be categorising that as saying the metropolitan market has stabilised and, potentially, the level of fervent activity that was occurring last year has perhaps tapered off, but we are still achieving good levels of sales in our estates and that is probably on the back of several things. One, affordability is very high in a relative sense. Interest rates are low and that is a key driver of the level of affordability. Unemployment is still relatively low in this state, so levels of employment are good. There are good levels of stock that we have on the ground, so that is helping to drive our level of sales in the Perth metropolitan space. We think that the quality and the level of amenity being provided are very good and customers are looking at that.

[10.30 am]

In the industrial space, as I indicated earlier, I think industrial is a very good bellwether for how the general economic conditions are for businesses, and that has been relatively subdued. We have had a couple of estates that have been very well sought after. They are at Cockburn Commercial Park, which is at Bibra Lake. We have a residual number of lots there—I think in the order of 10 lots—that have been very well sought after because they are the last lots in that estate. We also are trading out of our last few lots at Wangara. Again, they have been well sought after because it is an excellent estate. Another new estate which has come on board this year which has been well traded is at Forrestdale Business Park in the south east corridor. Again, that has been very well taken up by the market. LandCorp will be releasing in the order of 20 industrial lots. My understanding is that 10 are under pre-commitment already. That is an excellent outcome in a relatively soft economic environment. The good thing about that project is that LandCorp is providing catalyst infrastructure for other private industrial developers in that marketplace who will then be able to pick up further industrial land supply once that is undertaken.

If I was to look at industrial land supply in a regional context, it is quite a different marketplace. LandCorp’s industrial landholdings in the Pilbara have been quite subdued over the last 12 months. We have been able to sell some individual blocks of land to transport companies particularly in Port Hedland, which is good. People are taking advantage of the fact that they are probably going to be getting better construction rates when they do undertake further development on those sites. Some are consolidating and seeing that now is a good time.

If I was to look at regional residential land, I think there has been a significant adjustment that has occurred particularly in the north west of the state in the Pilbara and the Kimberley area. There has been a significant readjustment that has occurred in the last 12 months. What we are now finding is there are starting to be—I say “starting”, so an initial number of sales are occurring in our estates in Karratha, for example, but for owner-occupiers now as opposed to the investor market. We are seeing that potentially there is a trade-up market within Karratha where people are seeing good value and perhaps seeing that now is a good time to buy. I think that is an interesting phenomenon and it should be probably quite applauded because it means when the locals are investing, they are seeing that there is good value there as opposed to the investors just going in on the back of yields.

Hon PETER KATSAMBANIS: You mentioned affordability. Just focusing on affordability in metropolitan residential land, has a component of that been reduced price of land?

Mr Marra: What we have been able to achieve through affordability in the metropolitan space is generally through the diversity of the product that we provide. The price point at which LandCorp is able to sell land is set by the market, so we would generally go to valuers to set the pricing of the land; otherwise, you are providing an inherent subsidy to the individual purchasers. LandCorp looks at affordability in a couple of ways. It is both the up-front cost and the ongoing cost of living on the individual side.

Hon PETER KATSAMBANIS: Yes, but my question really is: at the end of the day, per square metre, like for like or as like for like as possible, are we seeing a softening in land prices, are we seeing a stabilisation or are we seeing an increase? That is really my question, picking up on the Chair’s desire to keep moving.

Mr Marra: On a like-for-like basis, I think we would be finding that prices have stabilised between this year and last year. There may be a modest upward adjustment, but there certainly has not been a significant upward adjustment on a like-for-like basis on LandCorp’s estates. It is difficult to compare like for like because the composition of land that we provide changes on an ongoing basis—different land sizes. There has been a trend to smaller lot sizes, which has the impact of increasing the per square metre rate, but if you were to compare a 450 square metre block of land in June of this year and a 450 square metre block of land in December of this year, I suggest there would be a modest change, if any, between those two prices.

Hon MARTIN ALDRIDGE: I have got a small question on page 86 and then some other questions after that. On page 86, “Notes to the financial statements”, under subsection a), “Revenue” and there is the heading “Property management revenue” and then subsection “Rent revenue”. Can you tell me where your rent revenue comes from for LandCorp?

Mr Marra: Certainly. LandCorp, as a property development entity, has an ability to dispose of its land in a number of ways. In the majority of cases, it is through land sales and that would be for its residential and mainly general industrial sites. LandCorp has a further program where it provides what it calls special industrial landholdings to companies, and these are sites that are generally located next to infrastructure of state significance or located in an estate which is protected for industrial purposes. An example of that may be the Kwinana industrial area, where only certain users can go into that estate. Another example is the Australian Marine Complex, which has significant investment in terms of wharves, breakwaters and high and wide loads that the state has paid for in those areas. On that basis, there is a state government policy, administered through the Department of State Development, where land is provided in those areas, it will be provided on a leased basis.

Hon MARTIN ALDRIDGE: Because of the strategic value of the land?

Mr Marra: That is right, to ensure that the users of the land continue to use it for its intended purposes. They are given long-term leases in the main—so, in excess of 35 years—and while they continue to use it for its intended purpose, they have quiet enjoyment with it.

Hon MARTIN ALDRIDGE: So is there any reason why there is such a significant drop in revenue between last financial year and this financial year?

Mr Marra: There was, through the Australian Marine Complex, a project where LandCorp augmented some of the infrastructure that was provided. It was a significant piece of wharf infrastructure called a roll-on, roll-off wharf. It was provided to service the Chevron project, which is being developed on Barrow Island—the Gorgon project. The arrangements with the contractors there were that the state, through LandCorp, would provide this infrastructure and that Chevron would meet the recovery of the cost of that through additional rent payments to recover the cost of that infrastructure that was provided specifically for them. They did not have exclusive use of that infrastructure and that infrastructure will be now made available through other users in the area, but to provide that, they had an enhancement to their lease payments that they were making for that site. My view is that that would be a substantial reason for why that is significantly higher than the previous year.

Hon MARTIN ALDRIDGE: So it was just a one-off payment last financial year.

Mr Marra: It extended for a number of years, so we just have that here.

Hon MARTIN ALDRIDGE: So it has come to an end now and that is why there has been a drop in the financial year that we are looking at—2013–14.

Mr Marra: From my understanding, that would be a significant reason for that drop, yes.

Hon MARTIN ALDRIDGE: And that was all consistent with the original agreement with Chevron.

Mr Marra: That is right—with Chevron. I am pretty sure it was a four-year agreement where the state would provide the infrastructure and Chevron would repay it over a period of four years. That infrastructure, as I said, is now available at the Australian Marine Complex for any users.

Hon MARTIN ALDRIDGE: For a number of years to come.

Mr Marra: It is permanent infrastructure now, so it is now public infrastructure.

Hon MARTIN ALDRIDGE: On page 51 of the annual report, I want to ask a few questions around property services to government. You have got a comment there about undertaking due diligence for the state's property asset clearing house involving optimising returns by developing surplus government land or managing the disposal of state assets. Obviously, LandCorp, I would assume, has played a role in terms of the state's recent response to the sale of its land across the crown estate. How much work has been done in regional towns? I know that they probably are not high-yielding parcels of land like some of the land that the government has recently announced, but sometimes crown land situated particularly within town sites of small regional communities can really cause some problem in terms of planning considerations and land use considerations when the Crown just land banks land in the middle of town sites across regional WA, or has your effort really been focused on the high-value parcels?

Mr Marra: LandCorp's previous involvement in the property asset clearing house, which is now being transitioned to a new land asset management group, has traditionally been based on agencies identifying land that they own being surplus to their needs going forward. It would not generally cover unallocated crown land, which is the responsibility of the Department of Lands. It has generally covered agencies that have a use for the land in the past and is no longer required. Whether that agency be, for example, Education or Health or the Department of Water, with some water reserves, you can think of almost any department of state that have had use of land over a period of time. When they no longer require that land for the use that it was provided to them for is when it has gone into what was called the property asset clearing house, and that property asset clearing house, which covered metropolitan and non-metropolitan sites, was a way for that agency to identify it and to make it available for another government agency to see if they had an intended

use for it. It generally does not cover the 93 per cent of the state which is unallocated crown land, which is managed by the Department of Lands.

Hon MARTIN ALDRIDGE: So your role is fairly late in the process. My question is probably better directed at the Department of Lands in terms of use of unallocated crown land and identifying parcels of land within the crown estate.

Mr Marra: Yes. Certainly, LandCorp works very closely with the Department of Lands. The majority of our local regional development assistance program—our small country town program—is often developed on unallocated crown land which is in country towns, but that is where there is a demonstrable need for further development of those sites. Where it has been driven by another use—say, for example, you have raised it as a constraint to further development of the town—that would normally be triggered by the local authority or someone else dealing directly with the Department of Lands to try and remove that constraint as opposed to a market-driven reason as to where LandCorp will get involved in and initiate the allocation of that land.

Hon MARTIN ALDRIDGE: On the same page, I want to ask some questions around the procurement of the Middleton Beach site. Publicly, we have seen that LandCorp has had an involvement in terms of procuring the site for the state. Has the property settled and has it become an asset of LandCorp?

Mr Marra: Perhaps I can ask my colleague to answer that.

Mr Wolff: Yes. It settled four or five days ago, 3 or 4 December. We achieved settlement and, yes, it is an asset now of LandCorp.

Hon MARTIN ALDRIDGE: What was the final sale price?

Mr Wolff: It was \$7 million plus GST.

Hon MARTIN ALDRIDGE: What was the sale process? I know that we have had conversations before but I was just trying to remember whether they were in public or private hearings, so I do not want to trip myself up on privilege. Can you tell me what the sale process was that was involved in procuring that site in Albany?

Mr Wolff: We met with the representatives and then the owners and we agreed on a valuation brief, and then we established a valuation and we put that price to them and they accepted it. It was not that sophisticated to be honest. It was a valuation brief agreed on the best practice of valuers. It was valued up at \$7 million plus GST. That was the valuation.

Hon MARTIN ALDRIDGE: In terms of the plans now for the site, do you have advanced plans in terms of what the planning uses are going to be—the mix of residential–commercial land use—or does it really depend on who comes out of the woodwork in terms of joint partnering with LandCorp to develop the site?

Mr Wolff: Certainly, the reality is to deliver a built form on that site, we need to engage with the private sector. At the end of the day, they will build something; they will buy something and build something there. At the moment, we have been working with WAPC and the Department of Planning to put in place an improvement plan and, indeed, the local authority. There is an acceptance of and, indeed, there is now—I think that has been approved as well in early December—an improvement plan. What that has enabled is perhaps greater flexibility of its development's potential than that which was achievable under the local government planning stage. Previously, there was a positive obligation for a significant part of the site to be a hotel and then some other residential uses. Now the planning is somewhat more flexible potentially on the site, so that is the planning regime.

[10.45 am]

We have also commissioned some initial investigation into what might be the likely built-form outcome in that area, and we have done some very basic planning in relation to that, possibly adjusting the road in the area, and perhaps to subdivide the site—to make it more appealing—into smaller components. But it is very early stages. Early in the new year we will be meeting with the community down there and we will be seeking to go out and engage with a very broad community to identify potential developers who are interested in it, local government, what they would like to see on the site, and local residents, particularly around the landscape aspects of how they would like to see it treated. So we would see that in the first quarter of next year we will be working on that.

Hon MARTIN ALDRIDGE: You mentioned that the existing planning arrangements that were in place encumbered, I guess, the site from progressing to full development. Those changes, or the increased flexibility that you talk about, have they passed through the local and state planning processes, or is that progressing?

Mr Wolff: Through the improvement plan, which is the planning regime adopted by WAPC over the site, there is now greater flexibility of uses, yes. But that is being done in conjunction with negotiation with local government as well.

Hon MARTIN ALDRIDGE: And is the plan to freehold the land once —

Mr Wolff: That is certainly the assumption. We have not seriously considered any other form of tenure.

Hon MARTIN ALDRIDGE: With the financial analysis on the purchase of the land and the potential use and sale, is it going to be a cost neutral exercise, or is it going to be an exercise where the state is going to have to chip in to get something happening on the site?

Mr Wolff: In terms of purchasing the site, there is \$3.3 million of R for R contribution towards the \$7 million purchase, plus there is another \$1.5 million approved for possible road relocation and landscape works in that area. On that basis, we are certainly hopeful it is at least a cost-neutral exercise going forward.

Hon MARTIN ALDRIDGE: What do you mean by “on that basis”, because royalties for regions is still state money?

Hon COL HOLT: I think he means the fact that we got it for \$7 million plus GST, which is a bit of a bargain. That is a pretty low basis to start working on.

Mr Wolff: The property was on the market for between \$12 million and \$15 million, and one could argue that was probably why nothing happened on it previously, because it was probably too expensive. So certainly we think it is a very good purchase price, and it certainly makes it more likely that that \$7 million can be fully recovered in a redevelopment process. Depending upon the market—we have discussed volatility before—there might be some upside. But certainly our target is to recover that money.

Hon COL HOLT: I think the settings have changed quite a lot since three or four years ago. The local government have realised that they need to change some of their planning outcomes on that site, too, to get a proper good mix for sale, and there are all of those community concerns about what it should be in terms of the broader community, which you have got to weigh up with some commercial outcomes to get the right mix. I reckon we are in a much better place now to actually solve all those issues and get to a good mix. Everyone is going, “It didn’t work last time; what are we going to do different this time?” It is a pretty good outcome, I think, for Albany.

Hon MARTIN ALDRIDGE: My question is not intended to come across as criticising the decision, and I know that the members that represent that part of the world and people I know in Albany really do want an outcome on that site. The \$1.5 million that you mentioned in further improvements, is that largely around the road realignment that has been mentioned?

Mr Wolff: It is certainly to achieve that, yes.

Hon MARTIN ALDRIDGE: What road are we actually talking about?

Mr Wolff: Flinders Parade, I think it is called. It is the one that runs immediately to the back of the beach there. Potentially bringing that into the site and developing a parcel of land on the beach side of the new road is a possibility. The discussion comes down to whether or not there is in fact one developer or one consortium that could redevelop the site as it is, in a manner acceptable to the state and the community, or whether it would be better to subdivide it into smaller parcels and have a staged development from smaller entities, and that is the discussion around the road relocation.

Hon MARTIN ALDRIDGE: Is that aimed at trying to get, I guess, a premium? The most premium-value land is probably the land closest to the beach, so is that about shifting or realigning the road so that you have got that premium land available rather than having 20 metres of bitumen sitting there?

Mr Wolff: Potentially that would be part of the discussion, yes.

The CHAIR: I just want to clarify something. Are you saying that you now do not expect to have a hotel at that site?

Mr Wolff: No. There is still a strong anticipation or expectation that some sort of short-stay accommodation could be achieved on that site. Whether that is a hotel or serviced apartments, that is for the private sector to determine, and we will certainly be doing our best to tease it out and encourage that opportunity.

The CHAIR: Have you been successful in reaching a conclusion on the hotel site next door to the entertainment centre yet?

Mr Wolff: The conclusion—the government decision was for the sought-after contribution from the nominated private group that we have been dealing with there, not to support that.

The CHAIR: So what is happening with that site now?

Mr Wolff: That site is for sale. There is a “For Sale” sign there.

The CHAIR: With a requirement to build a hotel on it?

Mr Wolff: Current planning controls are that it be a hotel.

The CHAIR: I am asking are you making it a requirement for the sale of that site that it be a condition of the purchase that someone build a hotel on it?

Mr Wolff: Land use is determined by the local authority, so the planning —

The CHAIR: No, it is not. It is determined by how you sell the land to people. You can put a condition of sale on it.

Mr Wolff: Yes. In that case, the use of the land is determined by the local authority. We have not put a condition of sale on that site other than it complies with the requirements —

The CHAIR: That is my point. You are selling it freehold. Then it is up to the person who purchases it to either build within the current planning or seek to have a change?

Mr Wolff: Negotiate a change, correct.

The CHAIR: Right. But there are sites where you do make it a condition of sale that people do certain types of development on the land? Is that right?

Mr Wolff: It does happen, but always consistent with the local authority planning rules.

The CHAIR: Yes. Okay. Hon Rick Mazza.

Hon RICK MAZZA: Thanks, Chair. I have a couple of questions. On page 103, in note 21, you refer to unsettled sales that are not in the figures. Could you tell me what the approximate value of those unsettled sales would be?

Mr Marra: My understanding is that note 21 would be expressed as the sales price of the land that would be sold. It is not at cost. That is the actual value of those sites as of 30 June.

Hon RICK MAZZA: The little note under that says “Unsettled sales contracts have not been included in revenue since neither title nor possession has been transferred”. I am just wondering, if that is not included in these figures, what would the approximate value of those unsettled sales be?

Mr Marra: The way our accounting policy works is that we are only able to bring to revenue, so in our profit and loss statement, sales contracts that have settled or where the economic benefits have completely transferred to the purchaser. So the \$300 million-plus worth of sales, they are actually settled sales in the main. As of 30 June, LandCorp held sales contracts with a value of \$176 million, which we are yet to settle, and they were not included in the \$360 million figure that was mentioned previously.

Hon RICK MAZZA: Okay. You have clarified that for me. How many of those unsettled contracts would be over 12 months old? You can take that on notice.

Mr Marra: I do not have that at the moment, but we can provide that information to you.

[*Supplementary Information No A10.*]

Hon RICK MAZZA: There was a time on residential land when the contract of sale provided for the buyer to build a dwelling within a certain period of time, usually a couple of years. Do you still put conditions like that on contracts?

Mr Marra: In the vast majority of our contracts, they do have a development condition on them. The development condition does vary between industrial and residential. Generally, for residential in the main it is a three-year development clause.

Hon RICK MAZZA: What is the penalty for not building a property within that time? Can people get extensions to the three years?

Mr Marra: Our contracts do not include a penalty, because contracts are not able to include penalties. But they do include a remedy to the state, and that remedy is if after the development time frame has expired the development has not been completed, the state through LandCorp has the option to repurchase that block of land that has been sold for the original purchase price, or its market value, or the lower of either, less costs of that reacquisition, and the state is able to then deal with that site.

Hon RICK MAZZA: So how many has the state bought back?

Mr Marra: I was going to say having said that, LandCorp would always seek to work with owners and provide extensions if possible, if they have a genuine interest or a genuine ability to be able to develop the site. Buyback is very much the last resort, and there would be a handful that are purchased back each year. I would be happy to provide the information as to how many we have bought back in the last 12 months, if you would like that on notice.

Hon RICK MAZZA: I would like that information on notice.

[*Supplementary Information No A11.*]

Mr Marra: But we certainly work very hard to buy back as few as possible, because we think it is actually in the individual's interest to be given a second chance, and potentially a third chance, because everyone's circumstances change. There are significant hardship provisions that we look at, things like family breakdowns, illnesses, difficult employment conditions, you know, where people can sometimes lose their job. So we will always err on the side of providing generosity and an extension, if possible. But where people have not demonstrated any hardship and not demonstrated any willingness to undertake a development into the future, especially in those areas that are in high demand, LandCorp will then seek to repurchase, and we have even taken individuals through the

Supreme Court to go for repurchase of land. So it is a very important part of why LandCorp and why we exist, and it is very important for us, for the land that we provide, for it not to be speculated upon. A development outcome is always sought, and, as I said, in the vast majority of cases, that is achieved.

The CHAIR: I just want to go back to the land at the Springs. What role does Finbar have in that development?

Mr Marra: At the Springs, LandCorp has been the planner, the consolidator of the landholding, the developer of the base infrastructure of the site. We have then gone and created individual parcels of land and then offered them to the marketplace for sale. Finbar, amongst other developers, has been the purchaser of some of the sites that LandCorp has offered for sale at The Springs development.

The CHAIR: Is that their only role? They have not been involved in helping repair the area in any way or any broader role, as a joint venture partner or anything?

Mr Marra: No. There has been no joint arrangement. That is a sole LandCorp development.

The CHAIR: With those sites at the Springs, what was the process for selling them? Were they advertised at a fixed price or were they a tender? What was the process for selecting the purchaser?

Mr Marra: In most of these more complex development sites, LandCorp would undertake the underlying ground development works and the planning, and then we would release lots to the market through an EOI-type process—or expression of interest-type process—and that would then be followed up with like a tender-type process. It does vary across different sites. But in the Springs development, that is how sites have been released to the market. LandCorp would undertake a valuation of the site prior to the releasing of that land. We would then release it to the marketplace and people would give us tenders as to what they are willing to pay for an individual site. It is very complex to set an individual —

The CHAIR: I just want to be clear here. So for all of the sites at the Springs, you went to a tender process?

Mr Marra: Yes. It was an EOI or tender process.

The CHAIR: So an EOI or tender. Why would there be a difference between some being EOI and some being tender?

Mr Marra: Generally, it is a two-staged process when we include an EOI. An expression of interest process is usually a way of getting the number of tenderers to a smaller list. We are always seeking to find ways to minimise the impost of tendering on our sites. We think it is a poor outcome for the 20 or 30 major developers to tender on individual sites, because the tenders can include price and they can also include development concepts, or built-form concepts, and it can be quite expensive to undertake that. When we do it through a two-stage process—an EOI and a tender process—the EOI would then be used to create a shortlist and we would then seek tenders from that shortlist.

[11.00 am]

The CHAIR: Can I get a list for each block you have sold for the Springs development? What was the process followed, including the dates on which the blocks were advertised; how many inquiries were received by LandCorp for each of the blocks; and what was the independent valuation of each of those blocks compared to the final sale price? There seems to be some significant variation between the value per square metre on the blocks. Are you able to also give us for each site why there is such a significant variation for each site relative to the other sites sold in that area? Is it because, as part of an expression of interest, the developer committed to doing certain things; it was not sold just on land value? What were those elements and what value was attached to them?

Mr Marra: We can certainly provide the information you requested, certainly in terms of the number of people who have tendered on each site for that—to clarify that point, the dates when they

were issued and the valuation of the individual sites. If we have details of why the valuations vary between sites, we can provide that too. Quite often, it is just because of the location of the individual site or the size of the site. The larger the site, generally, the lower the rate per square metre I think is the query.

The CHAIR: In that, I imagine you would have some form of assessment document you would go through when the tenders are received, particularly if you are suggesting it is more than just on price. Can you provide those? I understand you may want to ask that they be kept confidential. If you can indicate what elements of the information there you think needs to be kept confidential in terms of the tender assessments, although I have seen them released under FOI in the past. I would not expect you to be too keen to ask that everything be kept confidential.

[*Supplementary Information No A12.*]

The CHAIR: Are you currently purchasing any land that was identified in the economic and employment land strategy that was released in 2012?

Mr Marra: The economic and employment land strategy identified a number of regional areas throughout the Perth metropolitan region that should be prioritised for industrial or economic employment lands development. Some of those sites are sites that LandCorp already owns land in and some of those sites are areas where LandCorp has an interest in acquiring land in the future. I think our future pipeline always looks at opportunities aligned with that, so I am not able to given specific details as to what —

The CHAIR: When land becomes available in those areas, do you have a current policy of seeking to purchase it?

Mr Marra: We do not have a fixed policy of standing in the market to buy land in those areas.

The CHAIR: Are you monitoring whether land becomes available in those areas and trying to buy it if it is at the right price?

Mr Marra: Certainly.

The CHAIR: If not; if you go back to your historical role pre-LandCorp, part of your business as the Industrial Lands Development Authority I would have thought it was absolutely crucial that you were out there in the market trying to purchase land in areas that the government has identified as future industrial sites, to consolidate them.

Mr Marra: Yes. Our economic and employment lands program is central to LandCorp—current operations and certainly our future operations. We have a strategy moving forward as to which sites are likely to be the sites that LandCorp wants to try to consolidate land holdings within. We certainly monitor the market in those areas to see whether there are opportunities for us to acquire and consolidate our land holdings in those areas.

The CHAIR: Can you take on notice what land you currently hold in any of the sites? There is the short term, medium term and long term that that strategy identified—what land you currently hold in there and what land have you purchased in that area. What is your current annual budget for land purchases? A couple of years ago you had a complex arrangement of retaining some of your dividends. What is your current and how does that relate? Are you still subject to government controls with the changes made a couple of years ago to limit the amount of money you have available for purchasing land?

[*Supplementary Information No A13.*]

Mr Marra: LandCorp does not have a specific allocation or a maximum allocation, which is the land held in the EELs identified sites and what we have purchased sites.

The CHAIR: My apologies.

Mr Marra: LandCorp does not have a fixed amount that it can spend only on acquisitions. As a government trading enterprise, LandCorp agrees with government each year on what is called a net debt figure, which is the amount of our borrowings that LandCorp is able to have at the year end. As members will understand, LandCorp is a self-funding entity, so our level of debt holdings is a function of three things: The amount of revenue we are able to bring in, expenditure we make on developments and then acquisitions.

The CHAIR: And how much the government allows you to retain of your profit, I would have thought.

Mr Marra: The revenue side, yes.

The CHAIR: It is not just the revenue it is also how much the government lets you keep?

Mr Marra: That is part of the leakage out of the business back to the state through taxes and dividends et cetera. It is a complex cash flow model in that regard. As part of our annual budgetary processes, LandCorp has an estimate for what it will spend on acquisitions in a given year, but the outturn of that is determined through that complex arrangement of what revenue can come in and what development expenditure we have.

The CHAIR: Because of the time, can you maybe take on notice, how much you have spent each year over the last five years on purchasing land, and whether it is metropolitan or regional and what your budget is for this year? I assume you will also have in your statement a strategic development plan what you expect to spend in each year of the forward estimates on land purchases. Can you provide that as supplementary information?

Mr Marra: We can certainly provide the land acquisitions for the last five years to the extent we have included it within our budget numbers going forward.

[Supplementary Information No A14.]

The CHAIR: The committee will forward any additional questions it has to you by the minister in writing in the next couple of days together with a transcript of your evidence, which includes questions that have been taken on notice. Responses to these questions will be requested by 15 January 2015. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to email them to the committee as soon as possible after the hearing. On behalf of the committee, I thank you for your attendance today.

Hearing concluded at 11.07 am
