

PUBLIC ACCOUNTS COMMITTEE

**WESTERN AUSTRALIAN INFRASTRUCTURE PROJECTS:
FOLLOW-UP INQUIRIES**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 28 JULY 2011**

Members

Mr J.C. Kobelke (Chairman)
Mr J.M. Francis (Deputy Chairman)
Mr A. Krsticevic
Ms R. Saffioti
Mr C.J. Tallentire

Hearing commenced at 2.32 pm

WALDOCK, MR REECE

Chief Executive Officer, Public Transport Authority, examined:

BURGESS, MR MARK

Managing Director, Public Transport Authority, examined:

HAMILTON, MR ROSS STUART

Executive Director, Major Projects, Public Transport Authority, examined:

KEYS, MR RYAN JAMES BJORN

Acting Chief Executive Officer, East Perth Redevelopment Authority, examined:

REUTENS, MR MARK ANDREW

Chief Finance Officer, East Perth Redevelopment Authority, examined:

The CHAIRMAN: As people are probably aware, we have some formalities. Hopefully having given you some time to settle in, I will go through those before we start.

On behalf of the Public Accounts Committee I would like to welcome you and thank you for your interest in and appearance before the Public Accounts Committee today. The Public Accounts Committee has nominated the Perth CityLink development as a project for follow-up subsequent to its inquiry into the planning, delivery and funding of major infrastructure projects in Western Australia. The purpose of this hearing is to assist the committee in gathering evidence for this follow-up inquiry.

I will introduce the members of the committee: Rita Saffioti; John Kobelke, the Chair; Chris Tallentire; and Tony Krsticevic.

The Public Accounts Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament.

This is a public hearing and Hansard will be making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you would provide the full title for the record. Before we proceed to the questions we have for you today, I need to ask you a series of formal questions. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: You are all happy with that—good. Did you receive and read the "Information for Witnesses" sheet provided with the "Details of Witness" form today?

The Witnesses: Yes.

The CHAIRMAN: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIRMAN: You can decide the order amongst yourselves, but for the record please state your full name and the capacity in which you appear before the committee today.

Mr Burgess: Mark Burgess, managing director, Public Transport Authority.

Mr Hamilton: Ross Hamilton, executive director major projects, Public Transport Authority.

Mr Waldock: Reece Waldock, chief executive officer of the Public Transport Authority.

Mr Keys: Ryan Keys, acting chief executive officer of EPRA.

Mr Reutens: Mark Reutens, director corporate of EPRA.

The CHAIRMAN: Thank you all very much. We have a series of questions that we will develop and elaborate on as we go through. The way we have structured it is to look a bit at the PTA budget and the benefits there, at EPRA, and then look perhaps at the contracting model and then the staging and the master plans. We may deviate from that, but just to signal to you that is the way we are basically looking to try to elicit further information from you on what is a very important and major project. The project total cost of the transport-related elements of the Perth CityLink in terms of the figures I have is \$609.3 million. I am wondering if you could provide us the costings of the rail and bus components of these works?

Mr Waldock: Sure. The rail infrastructure is \$360 318 000; the bus station is \$248 952 000, which totals \$609 270 000. So that is rail and bus. I am happy to break it down, if you wish, into the various contributions from different tiers of government but that might be another question.

The CHAIRMAN: If you could, please.

Mr Waldock: The commonwealth is funding \$236 million; the City of Perth, \$36 850 000 and the state government \$336 420 000.

The CHAIRMAN: So the City of Perth contribution of \$36 million is going to the PTA's part of the work or are you talking about the overall project?

Mr Waldock: That is it. That has already been paid to the PTA's accounts. That money is sitting within PTA now and that will be expended against the project. In fact, as I understand it—Ross our project manager might be able to expand on this—of that \$36 million, \$24 850 000 is expended already and there is another \$12 million to be expended in 2013–14. Is that right, Ross?

Mr Hamilton: Yes. The amounts are allowed within the agreement with the City of Perth. Seventy per cent is allocated to the rail portion of the works, which has already been paid; the other 30 per cent, which is allocated to the bus station works, is yet to be paid. That will occur when we sign the contracts.

The CHAIRMAN: Are there direct benefits to the City of Perth; and, if so, what are they? Or is it more indirect in that they want the whole project to go ahead?

Mr Hamilton: They actually want the whole project to go ahead. There are other things that the City of Perth is contributing to the project as well, other than just financial, for the rail and bus works. They are also contributing to upgrades of Wellington and Roe Streets, which as I understand it are not costed as far as we are concerned, but it is contained within the City of Perth's works budget.

The CHAIRMAN: So that does not form any part of the \$24.8 million?

Mr Hamilton: No.

The CHAIRMAN: Does anyone else have any questions on those cost aspects?

Ms R. SAFFIOTI: Can we have the comparison with what the initial costs were? I understood the initial costs were presented back in 2008 to Infrastructure Australia —

Mr Hamilton: Yes.

Ms R. SAFFIOTI: — whether you can confirm. As I understand, the costs that were presented were \$263 million for the rail component and \$205 million for the bus component. Is that correct?

Mr Waldock: Indeed, yes. The first submission, which was in 2008, indicated a preliminary cost estimate of \$263 million for the underground railway works. In fact, that original submission had been developed in 2006 during the final stages of the MetroRail project. That was very much quite specific; it was for the sinking of a small section of Fremantle railway line from the Horseshoe Bridge as far as Lake Street. That is what we talked about during those particular periods. Indeed, the original submission included limited works in the main part—I will talk about what those additional things are—and did not include any provision, importantly, for the underground bus station. That was the original submission to the commonwealth Infrastructure Australia.

Ms R. SAFFIOTI: That was 2008?

Mr Waldock: That is right.

Ms R. SAFFIOTI: The original submission to IA was \$263 million —

Mr Waldock: That is it.

Ms R. SAFFIOTI: — and that just included the railway component?

[2.40 pm]

Mr Waldock: That is it. In 2009, we did a second submission, and that indicated a preliminary cost estimate of \$468 million, and that was for underground railway and bus station works. Indeed, the commonwealth has provided funding for that particular underground station works, and following that, as you would be aware, the commonwealth announced a contribution of \$236 million in May 2009. That was during the 2009–10 budget process. It is important to understand that the second submission to the commonwealth included a preliminary cost estimate for an underground bus station with a dynamic stand allocation of 14 bus stands and 14 layover bays. So, I guess what we are saying, at that stage we actually had, I guess, limited work done. We certainly had not gone to any more than perhaps a P10 or maybe a P15 but certainly not what we call in the sphere of things a P90, which we have since done a lot of work on. If I just pick it up, the final scope of the railway and bus station was described more latterly, of course, in March 2010 and that is based on the master plans undertaken during 2009 with significant cost of over \$5 million in terms of scope, engineering studies, risk assessment and the like. So, what we talk about today is \$609.3 million. I have given the breakdown there. I think it is important to understand that that particular figure has not changed from this budget and the previous budget. Since the previous budget—that was the previous year of 2010–11 to 2011–12—we have actually gone out to the market; we have contracts on board. In fact, we have let most contracts for the works now both in forward works and indeed with the alliance agreement. We are actually, I think, at a fairly advanced stage. There are certainly still lots more construction issues before us, but certainly I think we did particularly well from the later master planning work, which was far more detailed, to P90. Perhaps just finishing, if I could—I have been a long time getting to this, but I think it is important to understand the major differences from the early work we did in the second submission to the final numbers we came to government on.

Ms R. SAFFIOTI: On that, because, the 2009 submission was \$468 million in total. Could you give us that breakdown between the railway and the bus station?

Mr Waldock: I certainly can. I have not got it with me, but you might have it, Ross?

Mr Hamilton: The railway works was \$263 million and the bus station was estimated at that stage at \$205 million. That brings you to the \$468 million.

Ms R. SAFFIOTI: So, Reece, are you now going to work through how we got from \$468 million to \$609 million?

Mr Waldock: Sure, that was what I was planning on doing. I have already worked through to the extent that when we did the earlier work like any costing was very premature; we had not done the work, we had not done the detailed scoping and certainly costing. So we were certainly at an early stage estimate and, as you have seen, it was certainly more in the end when we did more detailed work. But I think the difference is in scope also. There have been significant differences in scope. If I can just detail those for the committee's attention: there was an additional track and an additional platform to replace the platform capacity lost after the demolition of western platforms 6 and 8. What we have done, from the earlier work we realised we needed to build in certainly more robustness, more capacity, than what we initially thought. You will see on the Roe Street side we have a whole new platform as part of a new scope. That was not in the original work. So it is, again, an additional platform, which was very important, we felt, to sort of future-proof the project.

Ms R. SAFFIOTI: Reece, is that additional to what currently exists?

Mr Waldock: No, additional —

Ms R. SAFFIOTI: To what was going to?

Mr Waldock: To what was going to; that's exactly right.

Ms R. SAFFIOTI: So under the original plan one platform was disappearing?

Mr Waldock: In fact, two platforms were disappearing; it was platform 6 west and 8.

Ms R. SAFFIOTI: So under the original plan?

Mr Waldock: Yes.

Ms R. SAFFIOTI: So there are two platforms disappearing?

Mr Waldock: Yes.

Ms R. SAFFIOTI: Now we are replacing those with one?

Mr Waldock: Yes, but we are also extending the platforms under Barrack Street, but that was always going to be. So we have additional platform extensions under Barrack Street bridge, but as well as that we put in an additional platform, which we thought was very important, particularly for major events where we need layovers capacity when we are pushing lots of people through.

Ms R. SAFFIOTI: Burswood stadium, for example.

Mr Waldock: For example, that is right, but it could have been Burswood or Subiaco. The second one is the additional track on the north side of the station—that is additional to what we are talking about—requiring extensive alterations to the Citiplace Child Care Centre and, indeed, it requires a new underpass beneath Barrack Street. So it is not just a platform —

Ms R. SAFFIOTI: Sorry, can you say that again?

Mr Waldock: Where the new platform is going, it is not just a matter of putting a new platform where it stands on that Roe Street grassed area; we have also got to take it under Barrack Street and so punch a new hole through the Barrack Street bridge, extend the breadth of the Barrack Street bridge where it is now and the childcare centre above it has actually had to sort of, one, move out and also undergo major —

Mr Hamilton: Essentially around the playground area. So, the childcare centre structure itself is on the car park. The playground area out the front, we actually have to demolish that while we build the new track under there and then we will reinstate it.

Mr Waldock: There is a third issue, which I think is important and I think it has been—Mr Burgess was at great lengths to sort of try to convince both myself and the minister—this pedestrian underpass. So, a whole new part of scoping has been included—a pedestrian underpass whereby we have totally integrated and properly integrated the underground train station for New MetroRail with the old station. So, how we have done that is rather than—if you go into the old train station

now, as you know, you go through the tunnels, come up to ground level, go through the station, then go over and down. It is lots of grades, lots of walking. Quite frankly, not very friendly for many people, particularly our aged customers. What we are doing now is we are actually continuing the underground pedestrian tunnel all the way through under the old station.

The CHAIRMAN: This is from William Street station through to the new platforms in the Perth station?

Mr Waldock: That is it.

Ms R. SAFFIOTI: Would it be under the old station or connecting to it?

Mr Waldock: Under the old station and connecting to the platforms. So we will be putting a tunnel; the tunnel is extending from the new underground railway station at that grade all the way through to the old station. Rather than going up, up, up and then down, you will be going down and then escalators up to the platforms. Far more friendly, a major initiative in terms of amenity and certainly we were delighted we were getting some real benefits rather than just the urban benefits for the city.

Ms R. SAFFIOTI: Just recapping. So the three key things that affected the cost between \$468 million and \$609 million is: the reinstatement of a platform that was going to be abolished; going into the Barrack Street bridge to try to accommodate that platform and impact on childcare centre; and the third is the pedestrian access to the New MetroRail William Street station.

Mr Waldock: There is more. There are two others, if I could finish. The additional underground infrastructure for the bus accommodation. So, what we also looked at is the bus accommodation when we first did that work we actually sort of did a number of bus bays and layover bays.

Ms R. SAFFIOTI: So this is in relation to the bus station now?

Mr Waldock: Yes, but it is the total cost because you have asked us to compare the two and see how the two compares both. Certainly, in terms of the underground bus station we actually made a significant increase. I think it went from about 12 bays to 16 bays. Would that be about right, Ross?

Mr Hamilton: I think that is right.

Mr Waldock: Which includes, as I say, bus bays, bus layovers, and a longer bus tunnel. I guess what we are saying is we have actually increased the capacity of that dynamic underground bus station to allow for what we thought was sensible future growth. So, again, we were putting a lot of work into not just building for the day, but certainly going out 2031-plus. It is certainly larger and quite significantly larger. The last one was—I think importantly because it comes up with our friends at EPRA—we looked at it and we did require for the underground bus station additional engineering to strengthen the structures containing the railway and the bus station to accommodate building over the bus station and the railway tunnel in the future. We have actually designed it to go to 30 storeys. It would have only been about four storeys under the existing sort of arrangement. So actually again we put additional moneys in, put them aside, identified those, to allow that to happen. Do you want to make any other comments, Ross?

Mr Hamilton: No. I think the important exercise is that the original estimates that were prepared were based on planning that was done as part of New MetroRail work or what was scoped at that stage; that is what went across to Infrastructure Australia. When we did the master plan we identified these other elements that make it much more robust and, as Reece says, much more able to accommodate future development and capacity issues.

[2.50 pm]

Mr C.J. TALLENTIRE: Expandability in terms of the surface you are dealing with, but what about for additional bus bays, additional platform space as well? How much engineering design is there for that sort of expansion?

Mr Waldock: Again, what we did—this is underground—we have gone from, I think, 12 bays to 16 bays underground, so it is underground, so we have expanded that. Part of the challenge for bus movements is not just to look at what is under the ground but how we can bring in buses quickly from other layover facilities, and it is fair to say that we have actually identified, where we needed, other opportunities for land available on the bus and rail, and Main Roads reserved where we could put bus layovers. But certainly, I guess, for the work we have done to date, we think that we have actually pretty much got at least 15 years of growth in the current arrangements. So we are pretty well placed, we think, and we did, in fact, as I say, expand the underground bus station quite substantially. And that is all dollars because it meant more concrete, a larger area, more columns, so it was a major bit of work.

Mr Hamilton: The other thing that we have done in respect particularly of the bus station is look at how we would use it and what we are planning to do is introduce a dynamic stand allocation. So rather than having one bus route always arriving and leaving from the one bus stand, we will make a dynamic stand allocation so it will change around, and we think that will give us extra throughput through the station of something between 25 and 40 per cent more capacity.

Mr C.J. TALLENTIRE: Just going back to trains, is there going to be scope to accommodate additional train lines coming into the station?

Mr Waldock: Well, we actually have additional platforms, as I mentioned. What we have also done—it was planned pretty early, but I suppose it is an extra again—we have pretty much made Perth station far more flexible; in other words, all the lines are able to now connect, so we have actually tried to make it far more flexible and that has been an extra cost too. Indeed, if we look at the—this is quite complex without diagrams, but try and stay with me.

Ms R. SAFFIOTI: So just confirming that the Joondalup line can connect to the Armadale line; is that what you are saying?

Mr Waldock: That is right. The three lines will be able to connect.

Mr Burgess: It is probably fair to say that they will not routinely, but they can for special events and so on. They will maintain their routine passengers—Midland, Fremantle, Joondalup, Mandurah.

Mr Hamilton: Within Perth station, here is the Horseshoe Bridge. We have Barrack Street, Wellington Street and Roe Street on the far side. What we are doing is adding an extra platform on, as Reece indicated, in this grassed area and another track which will come around this north side and go out onto Barrack Street. What we have done is, at this end here, provided better cross-connections between the four platforms that exist through there to allow flexibility of operations in both directions, if you like. Separately, there is a cross-connection between the underground railway lines where they come around through here, and the new Fremantle lines, we have an existing cross-connection already, but that will remain in this location through here so that trains coming in from Joondalup, if you like, can cross over and go into Perth station and trains that come from here can go through and then cross over and go out to Subiaco, as they currently do.

Mr Waldock: An example of that would be with the stadium at Burswood. We will be able to move people from Burswood by rail to the northern line and the Fremantle line, and of course, the Armadale line in the opposite direction, so we will have full flexibility in terms of movement of people on those lines.

Ms R. SAFFIOTI: Not Mandurah?

Mr Waldock: No, then there will be the undercroft; that will be a changeover.

Ms R. SAFFIOTI: You were talking about expandability and the next 15 years. The 2031 plan does not include a rail line to Ellenbrook, Reece, but it does include the light rail to Mirrabooka. If you are undergrounding the bus station and the train station, how would it fit into the works that are being projected now?

Mr Waldock: There has not been a government decision on that yet, as you would appreciate. But certainly the northern suburbs, especially that sort of north east corridor is enormously expanding, as you know. Should the government agree to go along, we will be running both light rail and passenger bus services. But the passenger bus services, we think, are still going to be enormously strong, and Mark might want to pick up the demand aspects there. What it may do in the next 12 months, whilst we are still doing some route planning for the light rail, we will also be having another look at the underground bus station to see whether we may, in fact, make some minor reductions in their capacity, but I think at this stage —

Ms R. SAFFIOTI: Are they not more in the capacity—for example, where would that light rail go? For example, if you are undergrounding heavy rail and bus, you would want to be undergrounding the light rail connection.

Mr Waldock: No, it will be surface, and we think we can move it through the surface alignment in this particular area.

Mr Hamilton: Potentially, coming through this area through here, just in relation to —

Ms R. SAFFIOTI: What is that cross-section—that street? I cannot see it.

Mr Hamilton: This is William Street running through here. We have given thought to it—as Reece says, no decision as yet—but coming through the city square area there, so dropping people off right in the centre of the city, where they have got, if they need, access into the bus station or the train system, or flowing back into the rest of the city.

Ms R. SAFFIOTI: Okay, so the light rail station infrastructure would be aboveground?

Mr Waldock: Yes, it would be aboveground.

Mr Keys: Certainly in the initial discussions given as Reece has suggested the design or particularly the routing of the light rail when you get into the city centre has not been finalised and a decision has not been made. Certainly, city square is one option. Given there are five or three grade links being provided throughout the project, there are a couple of different options that could be determined in terms of light rail, depending on how, when it gets from Mirrabooka into the city centre, exactly the path it takes through. The light rail from the city's point of view and from the urban design perspective in terms of at grade or underground, the visibility of the light rail and certainly being more frequent stopping and getting people moving around the city does also add to the operation of the city at the surface without hiding all the public transport underground. That is very appropriate for the undergrounding of the heavy rail and so forth, because that then is allowing the links with the light rail. It will certainly add to the vibrancy of the city to have the light rail operating at street level, as it does through a number of other cities around Australia and the world.

Ms R. SAFFIOTI: Just confirming, 2031, the rail expansions that are included are just Alkimos and then the airport concept. That will be coming from the Midland line so again, you would not envisage any new lines being built into the city for the next 30 years?

Mr Waldock: Next 20 years.

Ms R. SAFFIOTI: Twenty years, sorry.

The CHAIRMAN: Can I just come back to the bus station and what you were saying in terms of 16 bays would be adequate for the next 15 years of growth. Is that your projection?

Mr Waldock: No. I was saying that 2031 was 16 bays. I think what we did when we first of all looked at it we realised we had under-done it in terms of the future. Mark, have you got any other perspectives on that in terms of demand on the bus station? Certainly, we were comfortable with the underground bus station of 2031. I guess what I am saying though, if indeed the light rail did go ahead, we would then have to look at either modifying the capacities somewhat, although I do not

think it would be great, or indeed just appreciating that we have actually got inbuilt capacity for future public transport growth.

The CHAIRMAN: That is assuming that some of your bus patrons then move to the light rail.

Mr Waldock: Yes. We are assuming there would be a clear transfer there, particularly in the north east corridor.

The CHAIRMAN: So there is obviously a lot of parameters that can change, but just coming back to a more limited scenario, after 2031, if the current projections stay the same, you will have maximum capacity at that underground bus station.

Mr Waldock: No. Again, I have probably confused you a bit. What I was talking about with 15 years was the actual need to look at additional bus layovers. At the present moment, the bus layovers would be able to be accommodated within the underground structure. In the future, if we have to get greater capacity and work it harder to meet the growth, then we will be putting bus layovers probably on the other side of the bus bridge—and that is the corridor there—so then we could call them up electronically very quickly to come into the underground station.

[3.00 pm]

A lot of it is not just infrastructure; a lot of it will be operational. We are happy to talk about the operational side, but part of all this is going to be every bus being smart bussed in terms of GPS systems, and as it moves into the underground bus station, it will be very sophisticated in terms of getting buses to stop, so they are not just laying over, hopefully, in the future; they will be sitting there and loading to go on another route straightaway. There are a lot of issues to be considered.

The CHAIRMAN: What you are talking about, I assume, is the dynamic standover?

Mr Waldock: Dynamic stand allocation, yes.

The CHAIRMAN: What is the cost of that, with the GPS and operating systems; and is that built into the budget figures you have already given us?

Mr Waldock: Yes, we can answer that. The ITS for the bus station is certainly included, so that is in there. The actual —

Mr Burgess: The hardware—do you want me to talk about that?

Mr Waldock: Yes, please.

Mr Burgess: I will quickly talk about that dynamic stand allocation system. The fundamental difference, so the committee understands: if you look at Wellington Street bus station today, it is a series of stands—four platforms long with stands along it. They are well used but not intensively used; in other words, a bus goes there and there may be no bus on the stand. At peak periods they are typically used a fair bit more, but there will be an amount of—it is not a maximised asset, if I can put it that way. The idea of these dynamic stand allocation systems, which are in a few other places in the world, is that it is more like an airport field. At the moment the passengers at Wellington Street bus station are in a reasonably hostile environment, in a weather sense. On a hot day they are not in a nice, cool environment, and on a cold, windy day, like today, they are exposed to that. Even though we have overhead cover, it is not great. The idea of this is that there is a centralised lounge where all the passengers wait, with high levels of security and amenity, with toilets and a kiosk and information services and so on. As Mr Hamilton has indicated, the station is then divided into zones. Whilst your bus would not leave from the same stand every time, it will leave from the same corner basically, or area, so you would not wait in the middle and say, “I wonder where it is going to leave from this time.” There will be announcement systems, as well as visual systems, that say, “Bus number 887 leaving from this stand”, so people know to go there. Obviously, to do that, there needs to be some smarts between the system that Mr Waldock indicated will be built in, and is in the project budget to be built into the bus station. That needs to talk to the

buses and know which bus is coming in next and tell it which stand to go to. The project budget encompasses that system being built into it, but the piece that I think you are referring to is the piece that then needs to talk to that on the bus. All the indications are that that will not be an expensive system, because they do operate in other parts of the world; we know roughly what those pieces of equipment look like. We have recently gone out to the market in an exercise. I think we had 50 indications of interest and ultimately about 17 submissions, and people at the PTA are working through that right now, with the idea that we will be doing a trial of both hardware and software from a proponent and making sure we have worked out exactly what we want and all the bugs before we move into the bus station environment. What we need on the bus is not an expensive proposition. Certainly, PTA is comfortable it can accommodate that in its bus fleet budget.

Mr Waldock: Perhaps the important thing you missed out, Mark, is the reason we have not accommodated it in this budget is because we need this information on our bus fleet for other purposes as well; it is not just for this purpose. We will be looking at actually having traffic light priorities and all the rest. That means you need GPS on buses to interact with the SCAT system for the traffic lights. We are trying to get a smart bus fleet that actually gives travellers the best travel time and the best time frames —

The CHAIRMAN: I take it, then, that this system will be rolled out across your whole fleet, or what percentage of your fleet?

Mr Waldock: It will; the whole fleet.

The CHAIRMAN: So what are the ballpark figures to apply this across the fleet?

Mr Burgess: I have got to say they are indicative numbers. They might be to the tune of \$5 000 a bus.

Mr Waldock: It is best to work on 1 200 buses, so it is —

The CHAIRMAN: Five thousand a bus by about 1 200 buses —

Mr Waldock: Yes.

The CHAIRMAN: — as an indicative cost; great.

Still sticking with the PTA: have you actually delineated the benefits of this whole project for public transport?

Mr Waldock: In fact Ross did the business case. Perhaps I will go first, but Ross will pick up the detail. Very much we see this, as you might expect, as an urban development opportunity, and certainly there is a lot of detail there. As part of the original business case study we did look at the benefit–cost analysis, and the benefit–cost analysis was certainly in terms of land tax and the like and revenues coming back to the state. Indeed, I think that since that early work, though—that early work, as I mentioned, was probably years ago—the fact that we have actually been able to allow a number of new initiatives in terms of greater flexibility in our underground train system, in terms of better integration for passengers between the two train stations, the fact that we have actually got for the first time a new bus solution that was going to replace the very old, tired bus station that needed to be refurbished, we have actually identified very substantial public transport benefits as well. Ross, do you want to talk about the specific benefit cost?

Mr Hamilton: I guess the question is: are you referring to the cost–benefit analysis that was sent across to Infrastructure Australia or in a general sense?

The CHAIRMAN: I am aware that Infrastructure Australia, in their early report, suggested the business case did not stack up and that you needed to look to a more creative business case to actually be able to make the case. What I am trying to find out now, after we have over \$600 million committed, is what will be the transport benefits as opposed to the planning and the

opening up of the city, which clearly is the major benefit, but I would like to get some quantification of the direct benefits to transport out of the \$600-odd million?

Mr Hamilton: Benefits really exist in two areas, if you like, for the railway and then for the bus station. I do not have the figures off the top of my head, so I guess we would take that question on notice. Certainly there are benefits in terms of the internal transfer between the underground station and the above-ground station with the new underpass. That is calculated or estimated to be something in the order of two and a half minutes per person in transfers through there, so there is a benefit that arises from that. Depending upon how you value that benefit and ascribe it depends on the type of benefit you will receive out of that. There are other things that obviously come out of that in terms of reduced congestion in a general sense on roads and benefits to other road users through more people being on public transport through a range of those sorts of things. There are increased operational benefits around the flexibility that we have in the station to cater for expansion and also to cater for special events that we have arranged as well. In respect of the bus station, it is the increased throughput and flexibility that we can get in addition to upgrading the existing station, which was simply life expired and needed to have a fair amount of money spent on that. So there are benefits in a direct connection into the city from the bus station. There will be some benefits to passengers moving out of that station directly to the areas of the city they wish to go. There are entry–exit —

Mr Waldock: And transfer benefits.

Mr Hamilton: And transfer benefits between the two stations.

The CHAIRMAN: I think you suggested that perhaps you did have hard numbers on this. Is it possible, by way of supplementary information, to provide numbers to the committee that stack up in terms of what are the extra patronage or dollars saved through this whole project for public transport outcomes? If you could help us with that at a later date, that would be very much appreciated. You touched on being able to transfer trains from different lines through the new arrangement; Burswood was mentioned via that. Has any work been done in terms of how you can increase capacity of Burswood now through coming through the central station?

Mr Waldock: Yes, we have done significant work on the Burswood scenario for public transport; both rail and bus.

The CHAIRMAN: Just sticking to rail for the moment, does this mean that the different types of trains that you have can now all be directed through to Burswood, or somewhere close by, then turned around and brought back through as required?

Mr Waldock: Yes.

The CHAIRMAN: And that can be done with the existing line structure, or does it need major change to the structure and the stations?

[3.10 pm]

Mr Waldock: Based on this, there are no major changes, but the real expansion of capacity that will be seen at Burswood is that we will be able to put significant new lines close to the stadium for trains to, in fact, stop there and be ready to pick up major events. We will actually have the benefit of a fairly large rail reserve along there to put significant stowage storage capability for trains, and we will be able to move them through very quickly with tight headways. The real benefit in terms of capacity is not so much at Perth station, although this in fact assists that because we can move between lines. Certainly, signalling may have to have some sort of upgrades, but, we think, not significant ones. But the real benefits in capacity will be the additional capacity for holdover trains. Do you want to comment, Ross?

Mr Hamilton: To the extent of signalling changes, we will need to have a look at that operation, particularly between Burswood and Perth station, to give consideration to fleeting movements.

When I talk about “fleeting”, I mean using both lines and running both lines into Perth at the same time to look at the capacity issues out there.

Ms R. SAFFIOTI: So, by “both lines”, you are talking about which lines—Joondalup?

Mr Hamilton: No. At Burswood, we have two train lines. One runs out towards Armadale and the other one runs into towards Perth. We need to give consideration to being able to use both those train lines to move back into Perth station.

Ms R. SAFFIOTI: So, go in the same direction?

Mr Hamilton: Yes, to give us increased capacity or to gain flow in there. As Reece indicated, that will require signalling work. The other thing is doing improvements to the headways between Burswood and Perth station.

Ms R. SAFFIOTI: Just to clarify, Joondalup, Armadale and Fremantle are the lines that can be connected.

Mr Waldock: That is it.

Ms R. SAFFIOTI: And Midland will be changing over at Claisebrook and Mandurah would have to change over at the city centre.

Mr Waldock: That is right.

The CHAIRMAN: Just continuing, I think we have almost wrapped up the PTA. Could we have just a brief overview of who has got the contracts that have been let or are about to be let and what the scope of the works of those various contracts are?

Mr Waldock: Certainly. We have actually just had a steering group meeting and we have actually detailed \$375 million of contracts that have been let, which is the vast bulk of the rail contracts. That is in table 4, so I will make that available.

The CHAIRMAN: Thank you; that would be very good.

Ms R. SAFFIOTI: Can I just ask a couple of follow-up questions? I think they relate to the PTA, but maybe to EPRA as well. As part of the design, is there any improved connectivity into Northbridge over Roe Street?

Mr Keys: Through the Chair, this was referred to before. It is part of the agreement with the City of Perth that the City of Perth will undertake the upgrade of Roe Street. That design is coming through, and together with the group at the table is the City of Perth.

Ms R. SAFFIOTI: I am saying we are sinking the railway but then there is Roe Street. Is the City of Perth looking at pedestrian overpasses and all those sorts of things?

Mr Keys: As I say, for Roe Street particularly, as was mentioned, that is within their works’ budget. The upgrade of Roe Street is not included in the state budget figures.

Mr Waldock: It is fair to say that the City of Perth and EPRA will be looking at more at-grade activity. A lot of what we are talking about is activation at street level.

Mr Keys: Yes; correct. The flows of Roe Street are to have people walking across and not perpetuate the things that occur throughout the city of going under or over and separating into two or three different levels of pedestrian movement.

Ms R. SAFFIOTI: My recollection is that the Stokes’ land is not being undergrounded. The railway is not being undergrounded right next to —

Mr Waldock: Do you just want to show that, Ross?

Mr Hamilton: This is just a depiction showing EPRA’s aboveground development, if you like. The railway starts going down from a point about in the middle of the station and goes underground. It is completely underground by a point about here and remains underground to a point just west of

the King Street and Lake Street connection, and then starts coming back up to surface level, because it needs to be at grade to match with the Joondalup lines at that surface level to be able to provide that cross connection that I talked about before. What is happening is that from this point here, we are building a cover back over the top of the railway to allow this development. It will particularly allow this Milligan Street land bridge cross-connection through here. These parcels here are the Channel Seven land. Immediately behind that, it will not be underground, but it will be coming up to ground level along that section through there.

The CHAIRMAN: How many metres will be actually fully underground?

Mr Hamilton: Through here fully underground, I think it is 364 or 365 metres.

Ms R. SAFFIOTI: Is Channel Seven contributing at all to the —

Mr Hamilton: To?

Ms R. SAFFIOTI: To the cost of the infrastructure to increase the value of their land?

Mr Waldock: No.

Ms R. SAFFIOTI: Were there any discussions on that?

Mr Hamilton: That is a discussion for EPRA.

Mr Keys: No, they are not specifically. Certainly, there is the land rationalisation agreement signed between Channel Seven and the state. That does involve the transfer of land. Certainly, where the current entertainment centre still sits for the time being, it sits on some of the land required for the rail works. Part of that agreement is an exchange of land parcels. It will be at neutral cost in that Channel Seven will be giving up some land to the state. The state will, in turn, be giving up land in kind. A monetary contribution from Channel Seven will not be provided to the state in relation to other works going on.

Ms R. SAFFIOTI: Is there any estimate of the increased value of that land as a result of the sinking of the rail line? I am just asking.

Mr Keys: No, not from us.

Ms R. SAFFIOTI: In relation to determining the net cost of the EPRA contribution, you must have some sort of estimate of the current value of that land and the estimated cost of that land after the significant urban improvement.

Mr Keys: Certainly, we have undertaken a review of what the land may be worth, and certainly may be post-redevelopment. EPRA is about to release the state government landholdings to the market in the coming months. Certainly, we are not in a position to release those figures publicly, obviously because it then puts information out there that is not appropriate in the circumstances of that process. But we have done the feasibility of our estimates of the value of the land.

The CHAIRMAN: Can I just come back to the table of contracts and scope of work? Is that available to us now? We might get them mixed up with —

Mr Hamilton: I do not have a copy of it here. My apologies. We had it at the steering meeting, but I did not bring it here. Sorry, Reece. We will provide that.

The CHAIRMAN: I would appreciate it if you could provide it as supplementary information. Could you just put a bit of a summary of that before us now? What are the major contracts?

Mr Hamilton: The major contract is the alliance contract, which is an alliance arrangement between the state government, John Holland and GHD. The other major contracts—there are two separate contracts—are with DORIC construction to undertake forward works. I think the total value of those is about \$11 million.

The CHAIRMAN: There are two separate contracts?

Mr Hamilton: There are two separate contracts there.

The CHAIRMAN: So, one is already underway. You can see the signs there.

Mr Hamilton: Those two contracts are part of our forward works, and they are both coming to an end. One is essentially complete; the other one is the platform works that they are undertaking for us. They are the two major value contracts that we have.

The CHAIRMAN: And those costs are incorporated into the \$609.3 million.

Mr Hamilton: Yes.

The CHAIRMAN: Perhaps we will come back to talk about the alliance contract and come over to EPRA in terms of the funding in the budget and what is covered by that. Could you just confirm what the \$128 million that is in the EPRA budget is for?

Mr Keys: Certainly, Chairman. There are two main elements to the \$128 million in the current budget figures. Broadly speaking, they are broken into two components: \$73.1 million of that is required for the construction of City Square by EPRA, and the remaining approximately \$55 million is for the remaining works—construction of subdivision works, head works, creation of public realm, certain road connections through the project such as that through what will be called Kings Square to ensure that that connection is in place at the completion of the bus station, and works to that effect.

Ms R. SAFFIOTI: In the original submission, or even the 2009 submission, why was that cost not included in the bids to Infrastructure Australia?

[3.20 pm]

Mr Keys: The original cost—three-month stage—are the figures that EPRA has put forward. The first one of \$9 million back in 2008 related to the stage 1 works only. They are works that we just started this month.

Ms R. SAFFIOTI: That is just the forecourt of the arena is it not, basically?

Mr Keys: In that area; not the forecourt of the arena, but certainly the extension of Milligan Street and the public space around there and the start of one of those land bridges across the rail reserve. That was stage 1. The whole life of the project was in the state budget in May '10. That was increased to \$47 million. Again that was primarily just an increase of, rather than a stage 1 factoring in the rest of the project works to be developed. That has then increased to \$128 million. The reason being when \$47 million was the estimate it was on the basis that significant parts of the public realms—specifically City Square—would be delivered by the private land developer. It was not included in EPRA's capital works costs. Following the approval of the budget, as requested by cabinet, EPRA reviewed the delivery of City Square, particularly to time with the delivery of the rail and the bus station. In reviewing that it was no longer feasible to have the private developer be delivering, because their land would become available at the completion of particularly the bus station; it would be required in terms of getting the City Square up and running at the same time as the bus station and the rail works are complete. They needed to deliver that first because it was not feasible in that type of delivery structure. That then required EPRA, on behalf of the state, to pick up that work, so bringing forward into our estimates the \$73 million for the construction of City Square being brought into the capital works expenditure, rather than relying on the developer. The cost of that works, again, is balanced out in terms of the likely revenues that we expect to get from a developer. They would have otherwise factored those into what they would expect to pay for the land with those things in place—the City Square and the connection between King and Lake Streets; so that generates a balancing net effect of earlier initial costs to EPRA to construct those public facilities, but then the higher revenue at the end of the project.

The CHAIRMAN: With that \$128 million, are there any further aspects or parts of the project which have not been costed, which perhaps will go on top of that?

Mr Keys: No; that costing is for the life of the project.

Ms R. SAFFIOTI: Again confirming that \$128 million is the total cost or the net cost. Is it after or pre-land sales?

Mr Keys: That is the cost to EPRA.

Ms R. SAFFIOTI: Is that factoring in land sales?

Mr Keys: No, it is not. It is gross cost.

The CHAIRMAN: Any revenue from land sales would mean the net cost will be lower than \$128 million?

Mr Keys: Correct, yes.

Ms R. SAFFIOTI: I know you cannot tell us how much per square metre or hectare, but what is the budgeted amount of the land that is going to be sold? You do not know?

Mr Keys: No. We have estimates. The market will depend on the final land value, particularly in the way that EPRA is looking to release this land to market. It will be in one component rather than lot by lot—the more traditional model—so, again, it is talking of specific revenues, expecting we are talking about the whole land, so it is a figure, as I say, putting that to market. While we have estimates, the market will determine that land value, and until we get to that point in negotiating with the preferred proponents through that process we —

The CHAIRMAN: What is the area of land that will go to market?

Mr Keys: It is approximately nine and a half hectares. The whole project is thirteen and a half; the Channel Seven land and the Perth Arena come out of that so it is probably about eight hectares, but we can confirm that.

The CHAIRMAN: If you would, please.

The alliance contract is what PTA is using. Is EPRA a partner in that, or are you staying separate from that? If so, then what form of contracting have you entered into for the City Square and the other headworks and related works?

Mr Keys: Certainly the alliance contracting is separate. We have entered into a contract with Downer EDI Works to construct stage 1. We have not progressed the particular procurement of works and tendering for City Square at this stage.

The CHAIRMAN: To what extent have you done the quantities to be able to come up with that \$73 million? Do you think they are fairly firm?

Mr Keys: We believe so. Certainly we have got to final design and awarded the contract to Downer EDI for the stage 1 works, which does involve the creation of public spaces. Certainly, the intention is things like materials and landscaping will be of a high quality but working with the city to ensure that the link forms part of the city, not necessarily the specific precinct or development in its own right. From the knowledge of those works that have already been constructed by the city in terms of paving materials, streetscapes, landscaping, as well as our own design work and awarding contracts for stage 1, they have formed a good basis for us to estimate costs of what we can expect for City Square.

Ms R. SAFFIOTI: In the original costs—let us call it the 2009 costs—which agency is responsible for putting that together for Infrastructure Australia? I thought it was EPRA, but I think it must be PTA.

Mr Waldock: It is PTA, working with EPRA. PTA was the lead agency.

Ms R. SAFFIOTI: Again, I can understand the City Square element being underestimated by such an extent, because it is the private sector going to the public sector. For the \$55 million of other works, how come there was such an underestimate of those costs?

Mr Keys: I will hand to Mr Reutens to answer on the \$55 million, but in terms of the reference to an underestimate, again, it was not necessarily an underestimate; it was originally not factored in that the state, through EPRA, would construct the City Square, therefore it was not included in the capital works, rather than estimating the particular cost that has now been changed in terms of scope.

Ms R. SAFFIOTI: Sure, but the \$128 million included \$73 million for the City Square and you said \$55 million for other works.

Mr Keys: Yes; I can clarify that the \$55 million was not necessarily a previous estimate that has now changed; it was the fact that we have now included it rather than changing our estimate.

Mr Reutens: The May 2010 budget already had \$47 million, so the increase is only from \$47 million to \$55 million, so the increase is only \$8 million. That reflects the year of additional design work and work with PTA on the staging, for example. One of the principal increases of that \$47 million to the \$55 million includes EPRA allowing for the linkage in Kings Square at the completion of the bus station.

Ms R. SAFFIOTI: Just confirming that when the decision was made that estimate did not exist. So when the decision was made to go ahead with this project, there was no estimate of how much the above-ground works were going to cost. The decision was made in late 2008, early 2009, and I am trying to understand that there was no recognition of those costs, whether net or gross —

Mr Reutens: I think the answer to the question is that EPRA had in its budget \$9 million to fund the approved part of the project, which was at that stage merely the western portion of the project near the arena. Similar to PTA, there was no further money in our budget for significant works yet. At the same time as PTA got its significant amount of money in the budget in 2010, that was the first time EPRA had a significant amount of money for the project to come into EPRA's budget—\$47 million. EPRA previously had costings for the above-ground work, but it was only when the project became, sort of, live—the design work and all that happening—that enabled the 2010 budget to reflect the project's life costs.

Mr Hamilton: At the time we were doing our master plan for the rail works and the bus station works, EPRA was doing its development all the time. There was a joint cabinet submission that led to the approval in 2010 of the \$609 million for us and the \$47 million for EPRA.

Mr Waldock: March 2010.

Ms R. SAFFIOTI: Sure. All I am saying is that when the decision was made to do this project, it was made without those costs in front of government. The decision was made in 2009. I am saying that the total cost was not finalised until March 2010.

Mr Waldock: That is right.

The CHAIRMAN: The Premier's letter to the Prime Minister, which I have a copy of, says, and I quote, "The total estimated cost of the project is \$263 million." Those are the Premier's words in his letter dated 2008. We have gone from \$263 million to some \$760 million. It is a big change in scope and extra things you are doing.

Mr Hamilton: The \$263 million was purely for the rail under-grounding works, yes.

Mr Burgess: With its original, limited scope.

Mr Hamilton: Yes, with its limited scope; that is correct.

The CHAIRMAN: I am jumping over our order, which you are not aware of, which I mentioned briefly. Perhaps we can talk about the master plan. The June 2008 master plan was about repopulating Perth, promoting strategies to activate the city. I am wondering if you can just say to what extent that has changed? I am assuming your headline goal for outcomes has not, but perhaps

some of the ways you are doing it have. Would you like to talk about any variations in development of that master plan?

[3.30 pm]

Mr Keys: As I say, the overarching objective or the aim of the project is still very much the same. Through the different departments of the state, it is to remove the barrier that has existed for the city for approximately 100 years—for a very long time. The city is certainly growing. That physical barrier remains a constraint unless it is removed. Removing that barrier opens up the city to a broader picture, not just a central CBD. So the city at the moment is expanding significantly in terms of not just workers' population but also residents in the city. Perth has a very low resident population and, again, the Perth City Link not only provides residents within the project itself, in the vicinity of 3 000 residents, but it is also progressing and helps facilitate further development to the north of the city—again, places like Northbridge, particularly along Roe Street and to central Northbridge. For a long period of time, because of the issue of the rail reserve, they have not generated a lot of investment from those landowners, so the generation of that flows through to the north of the city. So the overall objective has changed. One of the main components that have changed from that early plan into the current master plan is that there has been a review undertaken of how City Square will operate or how it is to be built. In the earlier plan it was envisaged that there would be a significant landmark building of significant height, upwards of around 30, potentially up to 40 storeys, in the middle of City Square. EPRA, at the request of the government, reviewed that particular concept of the plan. The outcome of that review was that it considered the creation of a more generous City Square with a lower scale building in it, working in with the structures that will be created within the Horseshoe Bridge to deal with the rail works; has lowered that down to a more modest civic-style building of around four storeys. Rather than a landmark in terms of height, it will be a landmark in terms of high-quality design. That is probably the main change to the master plan.

The CHAIRMAN: Was there an increase in the allocation for public open space as part of that area?

Mr Keys: It provides a more usable area of public open space. It was always intended that what was called Town Square, what we now call City Square, would be the major area of public open space or it would have a large building within it. It did have the area of public open space around it, so what we now call City Square is slightly larger than what the Town Square was with the building in it. I do not have the figures in front of me of that particular change, but certainly it would have had a significant area of public open space at the eastern end of the project that helped connect the train station to the bus station as well as the significant north–south connection between Northbridge and the city remained a major component.

The CHAIRMAN: So do you have any estimate of the potential value or the loss of value in not being able to capture with that larger building?

Mr Keys: The change in itself was not necessarily just one building for another. In terms of that review and the adjustment to the master plan, there was also a review of the buildings on the western side of City Square, so there has been a change in the floor space that is now available through our master plan and design guidelines. So those buildings have picked up some of the floor space that was in the larger building, so the net yield that we generated from the master plan is still very much the same, albeit delivered in a different way.

The CHAIRMAN: And were there any other changes to the master plan from 2008?

Mr Keys: No, that was the main area down on the eastern end.

The CHAIRMAN: Was there an issue, though, with an iconic building adjacent to the Horseshoe Bridge and a change of outcomes with that?

Mr Keys: Do you mean whether the taller one was an issue compared to the smaller one?

The CHAIRMAN: So the taller one was referred to as the iconic building?

Mr Keys: Correct. As I say, they are both, whether it is referred to as iconic or landmark, certainly buildings of significance for the city centre but working in different ways. As I say, one would have been iconic or landmark by virtue of its size and scale; this one will still be a landmark, a feature of the city, that people will sort of orient their way by as they move around the city, but more in terms of its high-quality design. Its interaction with the Horseshoe Bridge in both approaches was looked at in detail including in liaison with the Heritage Council. It has always been a fact that they work in two different ways and in both accounts they got to the final approved master plan, so ways the tall building would interact with the Horseshoe Bridge, as this new building does, were factored in.

The CHAIRMAN: What is the indicative percentage of commercial as opposed to residential in that whole development, and has that changed?

Mr Keys: I do not believe the figures have changed significantly but again we can clarify specific floor areas. Certainly, the number of apartments—that is, 1 650—has remained since the early development, and with the commercial floor space, combined commercial and retail is at 244 000 square metres.

Mr A. KRSTICEVIC: Just in terms of opening up the city towards the north and specifically around Northbridge, has there been any work done on the economic impact that that is going to have obviously both from that perspective and also the social side of that side of the city and whether that benefit is tangible in terms of future development and redevelopment?

Mr Keys: There are no specific studies that I am aware of. Certainly, the way people move around the city, there have been a number of those jointly through the state, through the PTA, the City of Perth and EPRA. Looking at how they do it, there are a number of ongoing studies on the city generally that take in that area. Certainly, there is a present partnership with the City of Perth, as well as the City of Vincent now, on certain studies to deal with things like community needs, housing needs assessment and those types of things, and that is factoring in the change the project will develop and what can occur in Northbridge central. Certainly from EPRA's point of view and the state's point of view they have always stayed at the general level, given that the central part of Northbridge between Roe Street and Aberdeen Street remains within the local government's jurisdiction.

Mr A. KRSTICEVIC: Okay, but do you see some major redevelopment coming in that area and has any thought been put around what that might be?

Mr Keys: The extent of the building change?

Mr A. KRSTICEVIC: Yes.

Mr Keys: Again, that we would leave it to the City of Perth, given it is within their jurisdiction, to determine how that changes. Certainly from a social aspect, we think there is a greater connection in removing that physical barrier. As well as the physical, which makes it a lot longer and a lot harder to walk across the rail reserve, the visual barrier is also there, or the mental barrier, so that in itself we think will provide a greater connection between Northbridge and the city. If you are in Northbridge, now the city, while you can see it, feels a long way away just by virtue of the extended path you need to take. With those five connections now being created and through higher quality public spaces we think that that in itself will generate a different feel for Northbridge, albeit we expect it will remain the entertainment–restaurant–dining area for the city proper.

Mr A. KRSTICEVIC: So in terms of the project itself, you are saying that work has not been done, but there will obviously be some major economic and social benefit coming at some point in time that can link back because of the project?

Mr Keys: Correct. Yes, we have not put specific numbers on that but certainly it is our expectation that the money invested between the commonwealth government, the state government and the City

of Perth—the local government—in the Perth City Link project itself will have flow-on effects through Northbridge and to the north.

The CHAIRMAN: We will sort of follow through on that in terms of what degree have you quantified the benefits from the overall project; that is, can you actually look at the increased value of building in terms of the land opened up, in terms of increased activation, the business that will flow from it? I mean, have you got any hard numbers in terms of a business case of what will be the derived benefit?

Mr Keys: Certainly EPRA, as with all our projects, undertook a detailed business case in terms of the project specifically. While that included some commentaries as to the likely mix of social and environmental—both within the project and beyond—as well as economic, I do not believe we have specific numbers as to detailed studies of the areas external to the project itself.

The CHAIRMAN: Is it possible for us to have a copy of that business case? If there is confidential information, indicate or even come to an agreement with our staff to blank out anything that might in any way interfere with your going into the marketplace for sale of land.

Ms R. SAFFIOTI: We will not buy it! We will not buy the land.

Mr Keys: Yes, I believe we can. Again, we might just need to look at more the revenue side of that business case to make sure that there is no commercial-in-confidence information shared. But that business case is again wrapping up those reports that include the commentary of specifically what happens in the project itself as well as the catchment or the surrounding area of the project, which will be included in that.

The CHAIRMAN: If you could provide that, that would be most appreciated. Just coming back to the land which you are going to put to market, if I understood correctly it is going to be as one parcel, something to the order of eight hectares; is that correct?

Mr Keys: That is correct, yes.

The CHAIRMAN: So can we have some understanding of the thinking behind why there will be better value or better outcomes in a planning sense or a social sense in putting that whole package to market as one lot?

Mr Reutens: I think the attraction to the one-line sales strategy reflects that it will attract developers of an international or national capacity to fund a precinct or development of this size and will also enable the capacity of the developer to deliver the public realm elements that are within their scope of works. I think that is one of the key things. It will enable also a coordinated approach to the precinct development as opposed to multiple people who develop different sort of areas in their own way. It also enables the planning authority to have a bit more control of the staging of the development, I think.

[3.40 pm]

The CHAIRMAN: Could you please elaborate on those controls and whether they go to style, quality or staging? Are they going to be written into the offer that goes to market?

Mr Keys: Certainly there will be criteria in terms of the type of development. EPRA will be the landowner and is selling the land and thereby provides the opportunity to set the criteria that those people bidding for the land will be assessed against. The top things will be the capacity of each of the bidders to undertake the work—as Mr Reutens has suggested, looking for a larger scale or greater competency, whether it be through a consortium of local, interstate and international, or others purely from outside the state; their capacity and understanding of the vision for the site as well as through the second stage of the process we will require them to put in concepts for the land that is being released. As well as that sales process, EPRA remains the planning authority for the project. We have in place our redevelopment scheme as well as a general set of development policies and design guidelines specifically for the site. They form the basis of changing the master

plan vision into reality and provide more detail about specific heights of buildings, affordable housing, green buildings and things of that nature. It will be the dual control through the contract of sale, where they need to address certain criteria, and then, through the contract, certain performance requirements and how they will under that contract stage the development. Again, it will not necessarily mean that by selling it in one parcel the expectation is that one developer will build every building within the Perth CityLink at once. There will be a staging, for example, in that they will start at one end and move down to the other, or however that works out under the agreement.

Ms R. SAFFIOTI: Just on the staging and development, how do you ensure that development is going according to what government wants in a sense and they are not holding back development to maximise their returns and, basically, holding up that vision for 10 or 15 years? Will there be triggers so that once 80 per cent of existing buildings are full, they have to go into stage 2? Will there be triggers for further development?

Mr Keys: Correct. There will be milestones within the agreement talking about the staging, so there will be an agreement under the contract of sale, particularly about where they start and time frames for when they need to start and complete each stage, and there will be financial—in terms of it may not necessarily be a one-off payment. Again, we cannot say exactly how the transaction will be structured ultimately, but they will need to propose that and come to an agreement. Generally speaking, it is the staging of both the timing and the payments made by the developer to the state—the exchange. Certainly EPRA and the other redevelopment authorities have successfully over time, through the dual powers of the planning regulator, as well as the land developer and through contracts of sale, been able to implement milestones or triggers, as you say, in needing to meet specific time lines with penalties under the contracts that ensure that people buying the land—again, it is has been a different type of approach from the retail to the wholesale—but certainly, where people do not perform against time lines there are mechanisms to either penalise them financially or as happened in some cases in the earlier days of the East Perth Redevelopment Authority the potential to re-purchase the land to stop the speculation and, as you say, to ensure that land does not sit there for 15 to 20 years with no development on it, because that is certainly not what we are looking for.

Ms R. SAFFIOTI: Will that be part of the sale contract?

Mr Keys: Yes.

Ms R. SAFFIOTI: Are you selling or is it leasehold?

Mr Keys: We are selling the land.

Ms R. SAFFIOTI: So it is freehold?

Mr Keys: That is correct.

The CHAIRMAN: When will that technical information for EOIs be made public? Is it close to being ready?

Mr Keys: It will be out in the coming months. That process will commence in the very near future.

Ms R. SAFFIOTI: Why did you go for freehold instead of what has been done with other developments, such as the convention centre and other areas, with a 99-year lease?

Mr Keys: We looked at different options. We have moved from a different style of selling lot by lot to one big parcel. We think it is more attractive for the larger scale developers to be in the city centre. We think it gives them more certainty. Again, with the relevant controls in place that I have talked about, it enables the developers to come forward. It attracts the type of developers that we want that we think Perth city is still deserving of while still enabling us to control the land.

Ms R. SAFFIOTI: In relation to the planning controls, what is the percentage of each type of mixed use development—that is, commercial, residential and retail?

Mr Keys: Through our design guidelines, it will be included in the expressions of interest documentation as to what we think is the appropriate mix. We use the language of the preferred mix for us. That is subject to a proponent coming back with a slightly different mix to that. We have done feasibilities on what we think the city can cope with or requires in terms of demand and whether it is office floor space or retail. If a proponent, whether through the contract of sale process or as they move through the staging, believes that any different mix is more appropriate, particularly as we get to five or six years or beyond and as we get to the later stages and the Perth city dynamic is different, there is sufficient flexibility for them to propose a different mix; a different percentage. In that case, they will need to update the similar justifications that EPRA did to prepare those design guidelines and the master plan itself in terms of retail modelling and residential population demand.

Ms R. SAFFIOTI: It is a huge risk. The government has spent \$700 million creating this urban redevelopment and it wants to transfer responsibility of that to one landowner. It is a significant risk to government in ultimately achieving the objectives that have been set out.

Mr Keys: I believe it is a balanced risk. We have looked at the different options. We are undertaking a similar type of project, albeit on a slightly smaller piece of land, with the riverside project at the eastern end of the city. We are not travelling down the path without knowledge that this process has been done before outside of WA. We have taken the learnings from those agencies to ensure that we have appropriate controls in place.

Ms R. SAFFIOTI: Can you give an example?

Mr Keys: One example is the Barangaroo Delivery Authority. It is responsible for a large piece of land right on the edge of the city centre. They are going through negotiations but we have looked at the way they worked through the sales process and how that will be developed. It is a significant piece of land right on the edge of the city. It is a matter of trying to bring the right developer in. There are different risks associated with one piece of land versus trying to manage or monitor a number of different and smaller developers with arguably more risk associated with their ability to perform against contracts.

Ms R. SAFFIOTI: These developers do change ownership quite a bit. In 10 years they could have a third owner.

The CHAIRMAN: The Port Kennedy development is a lesson in how not to do it.

Mr Keys: We certainly understand that. That is certainly why throughout the whole process we are looking at a number of criteria relating to capability, financial performance and actual quality of those potential proponents. We are not simply putting a price on the land or even just an indicative concept. They need to go through a number of steps to try to ensure that we are achieving the right development for the city with increased checkpoints through that process to make sure we have someone who is the lowest risk possible.

The CHAIRMAN: Is that by a prequalification process or an assessment of financial and non-financial aspects?

Mr Keys: There will be a two-stage process. Initially, the first one will relate more to their financial capacity and the indicative price for land. That will flow through to the second stage through a short list of proponents and we will get into more of the detailed design concept following that. The first step is to make sure the people interested in the land and wanting to buy the land are of a top quality calibre both in terms of their design aspiration and also their capabilities in business.

Mr C.J. TALLENTIRE: If milestones are not met or if their corporate structure changes, is there the ability for EPRA or the state to take back the land?

Mr Keys: That will be determined through a final structure of the contract but they are the type of things that have worked previously for EPRA and we will be looking to ensure that the appropriate mechanisms are there.

Ms R. SAFFIOTI: I just want to clarify this again. You sell the land. There are all these conditions attached to the contract of sale. Those conditions would include how much retail, how much commercial, the height of the buildings and the layout of the proposed design. Are they coming to you not only with a purchase price for land but a design of what they are going to put on it?

Mr Reutens: Yes. They come up with a detailed proposal for the development of the site.

Ms R. SAFFIOTI: Including the height of the buildings, the use of the buildings, the landscaping and public open space—the whole infrastructure plan in a sense?

Mr Keys: Yes, that is correct. Again, the contract of sale negotiations are not the final point of that. It is an indicative concept. Entering into a contract and approval by EPRA does not give them the right to develop the site. They then take that concept forward through the normal regulatory processes of EPRA as the planning regulator for the site to assess against the redevelopment scheme, the design guidelines, the policy and referral out to relevant agencies, including the Heritage Council, the PTA and the City of Perth.

The CHAIRMAN: Part of what you alluded to as the responsibilities of the buyer of this land is public realm developments. Could you elaborate on that? It includes public open space but does it also include some of the infrastructure such as roads, relocating sewers and those sorts of things? To what extent will they be involved in meeting the cost of public realm developments?

[3.50 pm]

Mr Keys: If I work through the project, as we have discussed, EPRA will construct City Square. Queens Square is the next piece of public realm, with the expectation that the developer will construct that place. The central of the five links is Kings Square. Again, as we have discussed, EPRA will undertake creating the road connection to ensure that is open to connecting to the western entry to the bus station. The next one is through the Channel Seven land, so part of their requirements—again, they will need to go through the planning application and approval process detailing the design of the public open space—is that they will also need to create roads as part of that; that is the fourth one. The fifth one is the Milligan Street plaza, and the work has just started by EPRA. To sum up, the main pieces of public space expected from the developer is Kings Square in its entirety—road and public realm; and Kings Square in terms of the public realm, given EPRA would have already constructed the road through that, to ensure access to the bus station.

Ms R. SAFFIOTI: Will this land have reserves for the light rail link and all those other new public transport initiatives as part of 2031?

Mr Keys: Through the subdivision of this piece of land, which is yet to be finally approved, there will not be specific easements or rights of carriage for those types of things. But, as I say, the public spaces will be appropriately reserved to enable their public use and also traffic through them, whether it be certain low scale motor vehicle or public transport light rail—those type of things. We are not locking in specific reserves at this stage, given as we have discussed things like the light rail specific alignment has not been finally approved.

Ms R. SAFFIOTI: When is this going onto the market?

Mr Waldock: We expect in the next couple of months.

The CHAIRMAN: Perhaps we should cut it fairly short, because we appreciate you have given quite a bit of valuable time. We will come back, perhaps more in the PTA area, to some of the engineering risks. We have covered pretty well growth in demand and all those issues. Obviously, in a project like this, there are considerable risks. Could you quantify them and give us some understanding of them?

Mr Waldock: I will let Ross Hamilton, the project director, go into detail, and it was raised a bit in the introduction about the nature of the contract. We spent over 12 months just reviewing different contract delivery mechanisms. We felt very comfortable in the end, and we did that through many, many workshops within the PTA and with external agencies and external experts to try to understand the risk profile of this project and to try to manage that risk. At the end of the day, as you are well aware, we in fact entered into a competitive alliance. We are very comfortable with that. As you are well aware, a brownfield site is subject to enormous operational constraints and we felt we were best able to work with the contractor in a true alliance rather than having perhaps some of the worst of some of the new MetroRail experience, where we pretty much fought each other for five years in terms of some of the claims and counterclaims of the city project and the other packages. We are confident with this. Certainly as part of that we identified two key risks. Probably the first was the disruption risk, which is real, and the second, in an enduring sense, was certainly the dive structure as it comes very close to the tunnel for the new MetroRail. We have had to look at that very closely, both in geotech terms and construction engineering. Mr Hamilton went overseas with other experts to better understand and quantify that type of risk. Ross, do you want to pick up from there in terms of risk?

Mr Hamilton: Certainly the major technical risks are the soft ground conditions and the closeness of the cut and cover structure of the Fremantle railway over the top of the twin-bore tunnels. We have done a lot of work around assessing the levels of risk associated with those and looking to satisfy ourselves that we can actually undertake the work safely, minimise the risk associated with those and do it in a professional manner. The other major sort of geotechnical risk, if you like, is the construction of the pedestrian underpass where it goes under the heritage-listed Perth station building. That by itself is a fairly significant exercise and requires underpinning of that structure et cetera. It is perhaps not as critical as where we go over the top of the bored tunnels, but it is certainly another level of risk. There is a significant amount of dewatering required to reduce the watertable down to where we can open up the excavation and do our construction activities and foundations that are required to go some 30 metres down to the bedrock. As Reece indicated, the other major risk for us is the disruption and interaction with our passengers and also the public in the construction of these works. So right back at the start we sat down as an organisation and looked at the success factors and objectives we wanted to achieve out of that, and then went through a process of looking at the procurement options and the risk for the project and assessing those altogether to determine what gave us the best ability to manage the project, and going into an alliance where we are at the table managing some aspects of it, particularly around our day-to-day passenger operations, which we have to keep going right through the project and we thought gave us the best outcome.

The CHAIRMAN: The contractual arrangements are likely to be quite complex, but what are some of the key elements of the alliance? For instance, do you forgo the ability to take court action, one party against the other, and what are some of the key elements of the alliance?

Mr Hamilton: Generally, they are no-suit alliances; however, there are some allocated liabilities in this contract whereby we retain the ability to take court action for some aspects of work, particularly around wilful default and those sorts of things, so that we can have some measure of control in regard to those areas.

The CHAIRMAN: What are some of the key drivers on your partners to deliver on time and on budget? For example, if they finish ahead or below a certain budget, do they get extra payment? What are the economic drivers?

Mr Hamilton: Within the alliance there is obviously the benefit that if they come under budget there is a saving in terms of cost, and that is shared between ourselves and the alliance partners. On the other hand, if they go over budget, there is a cost-sharing arrangement and they start losing their corporate profit and overheads. There is a target for cost outcome for the project, and in a general

sense it follows the models that have been used with the Water Corporation and Main Roads. In addition to that, there are some behaviours which we wish to incentivise in the alliance, so we wish to ensure that they respect our need to have minimised disruption. In a contracting sense, they may well say, "If that is the thing, we might run over time because it gives us a benefit of completing work." In this regard, there is an incentive for them to earn money if they do the right things and minimise the disruption to us as an operating organisation.

The CHAIRMAN: So that is built into the alliance?

Mr Hamilton: That is correct.

The CHAIRMAN: With respect to your time lines, have you had to readjust the time lines for completion of certain parts or are you on time? How is that looking?

Mr Hamilton: No. We are on time and on target at this stage. We did a lot of work ahead of going into the procurement around the operational staging to provide clear areas for them to build in, rather than building in operating railway environments. We came up with a seven-stage operating plan and various construction stages for that. That then went to the EOI process and we said to the market that we are firm about this; we think this is the best way to do it, but you tell us if you have a better way to stage it. In fact, they have not come back and they have accepted our staging. In the timing there will be some small changes in our timing because, basically, they will need to work out their construction methodology, and they are firming up those timing issues right now. The end target has not changed.

The CHAIRMAN: The end target is?

Mr Hamilton: The end target is the middle of 2014. I think the date in our contract is actually 31 June 2014. They are actually targeting an earlier completion at the end of March.

Ms R. SAFFIOTI: Just confirming that the construction process is tunnelling with the bore machine—the same one that we used?

Mr Hamilton: No, it is a cut-and-cover tunnel.

Ms R. SAFFIOTI: It is all cut and cover?

Mr Hamilton: It is all cut and cover, but we are digging fairly close to the twin-bore tunnels of the existing Joondalup railway.

[4.00 pm]

The CHAIRMAN: I will just come back to EPRA in terms of your time lines. What are the key target dates that you have for completion of major parts of the work?

Mr Keys: The stage 1 works that are currently underway will be going for just under the next 12 months. The City Square development has been factored in. Why we are now delivering it as opposed to the private land developer is associated with the completion of the rail and the bus station. So City Square is intended to be complete in mid-16 to coordinate with the completion of the bus station.

The CHAIRMAN: Mid-2016?

Mr Keys: Yes.

The CHAIRMAN: And that is the bus station completion date as well, is it?

Mr Burgess: That is correct. So the rail works are due for completion in mid-2014. The bus station construction that will follow is a two-year program scheduled to be complete in mid-2016.

The CHAIRMAN: And the contracting model for the bus station?

Mr Burgess: We have not finally firmed up on that. There has been a procurement options analysis carried out through the Department of Treasury and Finance, through their PPP unit, to look at the

various models that might be used for that. The analysis indicated that there was not significant value in going into a PPP for delivery of the bus station or the above-ground structures or even, indeed, City Square. There were a number of options that looked at that. At this stage the recommendation is to do a D&C contract for the bus station. The risk profile around construction of the bus station is quite different from the risk profile for the railway works.

Ms R. SAFFIOTI: I am just confirming about the land sales: you are selling the land over the next year, but they are not required to do any work until 2016?

Mr Keys: No. Certainly, through the sales process negotiation, the actual staging will be finalised. As I say, there are pieces of land that will become available prior to that. For example, the stage 1 work that we are now doing is creating development sites next to the Perth Arena.

Ms R. SAFFIOTI: So stage 1 is part of that land sale.

Mr Keys: Correct, yes. Again, while we might have a predicted timing, for example, it might make sense, on that area next to the Perth Arena, for the early lots to be developed by virtue that they will be the ones around which the infrastructure will be complete, and no encumbrance from the other works through City Square and the rail and bus works to be done. That might be the early stage and, as land becomes available—one through the completion of other works, as well as the staging agreed to under the contract—that will then roll out from there. Certainly, we expect, while rail and bus works are going on, City Square will start at the completion of the rail in 2014—so between 2014 and 2016, a similar time line to the bus station—and probably the development works for the land that we are selling will start most likely down the other end. We expect Channel Seven, on their privately owned land, to have achieved planning approvals and also be constructing on their land, so there will be development throughout the site.

I have one last point on that, just thinking through one of your earlier questions about the risk to the state and potential penalties. With the agreed staging of the plan, it is not necessarily that EPRA will transfer the whole land parcel, which we have been estimating at eight hectares, at once, with, necessarily, penalties. The staging in terms of their construction will be aligned with the release of the land. For example, if the eight hectares were broken up into four two-hectare chunks, we would release only two hectares of land for their first stage, for example, and once they have achieved the appropriate time lines in development, we will then release the next chunk of land. So the remaining portions of the land will remain in the ownership of the state; and, if they do not perform against the contract, rather than having to go through a repurchase-type scenario, we simply do not keep transferring land to them. So that is one of the mechanisms to deal with that risk of delivery.

Ms R. SAFFIOTI: I have just one last question. In the payment to be received from that developer, you would expect payments when each block of land is released, not up-front.

Mr Keys: Correct. There is most likely to be an up-front payment, and then staged payments as development goes forward.

The CHAIRMAN: I appreciate your time. Does anyone have a statement that they would like to make, or any corrections or issues? If not, I have some brief formalities to close the meeting.

I thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. I think there were three particular points on which you were going to provide us additional information. Again, I thank you very much for the very valuable information and for giving us your time.

Hearing concluded at 4.04 pm
