

# **PUBLIC ACCOUNTS COMMITTEE**

## **INQUIRY INTO PROJECT PLANNING AND FUNDING APPLICATIONS FOR MAJOR WESTERN AUSTRALIAN INFRASTRUCTURE PROJECTS**

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
WEDNESDAY, 23 JUNE 2010**

### **Members**

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

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**Hearing commenced at 9.05 am**

**BRADLEY, MR BRIAN THOMAS**  
Director General, Department of Commerce,  
examined:

**DE JONG, MS JULIE**  
Acting Executive Director, Department of Commerce,  
examined:

**O'HARE, MR JOHN**  
General Manager, Marine and Defence, Department of Commerce,  
examined:

**HOLT, MR ROSS**  
Public Servant, LandCorp,  
examined:

**WILLCOCK, MR LUKE JOSEPH**  
General Manager, LandCorp,  
examined:

**The CHAIRMAN:** Welcome, we have some formalities that we are required to go through as part of the process. On behalf of the Standing Committee on Public Administration I thank you for appearing before us today and for being able to present on what is a very interesting project. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into project planning and funding applications for major Western Australian infrastructure projects. You have been provided with the committee's terms of reference. I introduce other members of the committee—Chris Tallentire, Rita Saffioti and Mr Tony Krsticevic; another member might arrive a bit later, and we also have our staff. The Standing Committee on Public Administration is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal proceeding of 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 contempt of Parliament. This is a public hearing and Hansard will be making a transcript of 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 I need to ask if you have completed the "Details of Witness" form.

**The Witnesses:** Yes.

**The CHAIRMAN:** Do you understand the notice at the bottom of the form?

**The Witnesses:** Yes.

**The CHAIRMAN:** Did you receive and read an information for witnesses briefing sheet provided with the "Details of witness" form today?

**The Witnesses:** Yes.

**The CHAIRMAN:** Do you have any questions relating to your appearances before the committee today?

**The Witnesses:** No.

**The CHAIRMAN:** I thank you for the submission and for allowing us to have a site visit, which members found most informative and quite fascinating. Together with the information that you provide today, your submission will form part of the evidence of this inquiry and may be made public. Are there any amendments that you would like to make to the submission or any opening comments you would like to make further to what you have already presented to us before we begin asking some questions?

**Mr Bradley:** We are comfortable with that.

**The CHAIRMAN:** The presentation and the tour that you gave the committee has given us a real feel for what is happening there and the fact that it is quite exciting and would appear to be very successful. What goes to the heart of our inquiry though is to get an understanding of the business cases that were prepared, how accurate they appear to be in hindsight, and all the planning that goes into the decision making for such a large capital spend. You have already given us some of that, but in terms of some of the questions I would like to lead off with I will draw from page 11 of the submission that you gave to the committee that I take is based on the business case that was done in 1997. There may be an issue, of course, with such a major project that is developed over time that it has gone through various phases, so that what was envisaged at the start may be different in some aspects to what you ended up with. I would appreciate an overview of the initial concept—how big it was and, basically, is what you now have what was thought of, or once you got the first elements in place was it then a development of further business cases to enhance the initial concept? Initially there was one seawall and some land, then you had an extension to the seawall and major infrastructure in that shed being built, then the floating dock and the various onshore facilities that went with that. I would appreciate an overview of the concept that was there, how it was staged and whether it developed into further stages as you went along.

**Mr O'Hare:** If I could start, Mr Chairman, the business plan that was developed back in 1997 was undertaken by Halpern Glick Maunsell. The Jervis Bay infrastructure master plan was a large plan, and I wish to present to the committee this document showing the original plan and what it was going to be. As the committee can see from this document, what came out originally was a lot larger.

**The CHAIRMAN:** What we have now is larger?

**Mr O'Hare:** No. What we have now with stage 1 and stage 2, the infrastructure upgrade, is coming to what we had there. What happened was we received comment on the business plan. The state went to the market and said "This is what we would like to build." The market said that it was quite large and it did not believe the case was there. When we went back, we consolidated and dropped, particularly, the dock facility that members will see there, and we went forward primarily based on fabrication for the oil and gas industry. The information that came out of the business plan formed the core. The original plan was developed and went into the marketplace, and industry said that it was too big. It came back and we reformulated it, and we went forward with that. This particular plan was the one that, in particular, drew the state to funding the Australian Marine Complex infrastructure. It had the business case, in conjunction with the active group with John Holland, and went to the market and said there is a potential to develop Jervis Bay. That was also put into one of the reports—the second report to the commonwealth government, which recommended that the commonwealth and state look at developing Jervis Bay.

**The CHAIRMAN:** I would like to get that absolutely clear on the record. The original concept went to the marketplace for consultation, and you then shifted that to something slightly smaller?

**Mr O'Hare:** Slightly smaller, yes.

**The CHAIRMAN:** Was the business plan based on the concept after you had consulted or prior to that consultation?

**Mr O'Hare:** The information that came out of the business plan was what we based it on. It was, if you like, a bridge too far perhaps in terms of what was requested.

**The CHAIRMAN:** So the business plan was done on the initial concept?

**Mr O'Hare:** Yes.

**The CHAIRMAN:** Was there a reworking of that business plan when you changed the extent or the size of the project?

**Mr O'Hare:** My understanding was that the basis remained much the same; it was the appetite for cost.

**The CHAIRMAN:** As the project unfolded with the various stages that you have gone through, can you give a potted history of the major changes along the way as you reacted to market realities and what potential customers wanted?

**Mr O'Hare:** I can do that. It is fair to say that when we started off in 2003—the members saw the slide—it was bare asphalt, so we were going into virgin territory. The original concept was primarily based on the oil and gas industry. As members can see from the way it was designed, it is a load-out facility, and whilst it is acknowledged that the resources and defence industries were not the original focus of the strategic business development plans, but as we got into it the government—LandCorp and the then Department of Commerce and Trade—worked it up with AMC Management, a private sector company, we began to realise that industry had been looking at the facility itself and there were other uses that perhaps we had not thought of. Once the original facility was open, work started to come in and we adjusted our plans accordingly, in particular —

**The CHAIRMAN:** I will get some clarity—you are close to it—to make sure that we understand what is on the record. When you say that the original facility was in place, could you briefly describe that?

**Mr O'Hare:** The original facility was the large hall, two load-out wharves, the fabrication facility and some eight hectares of land that members saw at the back. It was primarily for use by the fabrication industry to do major projects. The Navy became a customer. The Navy wanted to remove repair and maintenance work off Garden Island as Garden Island is an operational base and is not the most conducive place, which we were aware of, to do repair and maintenance upgrades of naval vessel, in particular, submarines. The Navy was looking at our facility, and we were aware of that. The wharves were designed as a load-out facility first up, but with the shape of the ships they were not conducive to mooring and they were getting banged because we did not have fendering and we did not have potable water, power and fire fighting to the wharves, and we were always going to need that requirement. Then, as it became evident what we were doing, a business case was worked into a cabinet submission, which went through in November 2006. That went, if you like, to the upgrade of facilities at the AMC. That upgrade was some six projects and was to enhance capability built on the business cases that we had seen to date; in particular, the eastern wharf, which was the first thing we had operational around July 2007 and was primarily to support the Royal Australian Navy. Those wharves were designed for the Anzac-class frigates, and the one that slopes off to the side has fendering and power for Collins-class submarines. That was based on the usage that was coming out, and of to date. By then, the state had engaged in particular with the Australian Submarine Corporation on the work and activity that that company was looking at doing in the west. It has a 25-year through-life support contract for the Collins-class submarines. It was the state's intent—this is going right back to the mid-80s when the state

had targeted the Collins-class originally as a build—to do through-life support and maintenance in the west. The situation was not optimum; in fact, it was sub-optimum from the viewpoint of the company, the commonwealth and the Department of Defence, so we engaged with them to look at how we could ensure that that work could remain in Western Australia. Arising out of that came particularly the floating dock and on the back end of that was AMC's commitment to undertake a designated amount of work in the west. As we engaged with industry—we do have a strategic plan that was worked up between LandCorp, ourselves and AMC Management—we worked out what we could do to enhance their ability to compete nationally and internationally. That is how it evolved. The first tranche, if you like, was from 2003, when we opened in July, to November 2006 based on that cabinet submission. It was industry coming to the government saying, "This is what we are looking at, and what we require." That is relatively potted.

**The CHAIRMAN:** Thank you, that is excellent. Can we have the total capital spend? Obviously LandCorp may have some confidentiality issues, but I think you will be mainly talking about the common use infrastructure and you also have the facilities that are available by developing the land behind, and perhaps we can come to that in a moment.

**Mr O'Hare:** In terms of what we are looking at here, if you like, and restricted to what we have done on the common use, the original was \$180 million, of which \$80 million came from the commonwealth government's federation fund and the remainder came from the state. We then went to stage 2, which is \$170.3 million. This is the project we were looking at and originally it was \$174 million, and you may have noticed there is \$4 million that the Navy had in there that for a variety of reasons was not forthcoming. There has also been additional expenditure by the government over a number of years. I particularly refer to breakwaters in the northern harbour. There has also been the development of the technology park by the Department of Commerce and its predecessors. I will have to take that on notice, but I believe that the building was some \$14 million, plus, through LandCorp, a number of blocks of land, and there have also been improvements to the land that LandCorp has undertaken in terms of amenity upgrades, roads and putting in plants et cetera. There has been considerable expenditure by the government.

**The CHAIRMAN:** I want to try and get clarity on those figures. The first stage was \$180 million and the second was \$170 million. Do they include some of the breakwater costs, or is that in addition?

**Mr O'Hare:** The breakwater costs, in terms of the original breakwater in the AMC-CUF, was part of the \$180 million. The breakwaters in the northern harbour do not form part of that.

**The CHAIRMAN:** Do you have a figure on those?

**Mr O'Hare:** I would have to go back to the record, but the first was done in 1986–87 I think and it was \$6 million. I will have to take it on notice.

**The CHAIRMAN:** If you can provide that and those dollars are all dollars of the day.

**Mr O'Hare:** Yes, dollars of the day.

[9.20 am]

**The CHAIRMAN:** Mr Holt, while we are on that, has that land development sat quite separate from the projects we have been getting costs on in terms of the partnership? Are your accounts and processes quite separate or are the two integrated together?

**Mr Holt:** They are able to be separated. Additional to the \$180 million and the \$170 million the committee has heard about, we also entered into an arrangement with Chevron to support the Gorgon project with a load-out facility, which is about \$35 million. That is fully commercially based, so there is no government subsidy or infrastructure investment there

outside the commercial element. The land behind the common user and the lease areas has all been commercially developed, so that is additional development as well. You heard about the tech park, which is generally not commercially based, so that has been government supported; and historically there has been a lot of investment in that ship building area in the northern precinct where Austal is located and also the support industry areas. Our estimates are that in the order of about half a billion dollars has been invested, and some of that has been recouped through land sales revenues.

**The CHAIRMAN:** Does that half a billion dollars include the figures Mr O'Hare has been talking about?

**Mr Holt:** Including that, so indicatively it is a half-billion dollar investment in the overall AMC.

**The CHAIRMAN:** I would like some further clarity on LandCorp's role as the land developer. I think we are aware that when LandCorp develops land it is required to have a certain rate of return, otherwise there is a form of CSO or government funding; am I correct?

**Mr Holt:** That is correct.

**The CHAIRMAN:** In terms of the development there, which precincts—because you have alluded to one already—and which part of the whole area were done on a commercial basis and in which area was there special assistance because government wanted a particular type of development to fit in with the overall project?

**Mr Holt:** The northern precinct, the shipbuilding precinct, has been essentially commercially based. The fabrication precinct, which sits behind the common user facility, has been commercially based. The support industry area has been commercially based. The technology park area has been supported. There are a number of hybrids amongst all of that, so different elements may have a level of government support financially if there is a particular government objective that is sought to be met. But generally, as you say, under LandCorp's operating arrangements our act requires that we at least achieve a minimum hurdle rate. We run a feasibility on all of our developments, and if it meets LandCorp's hurdle rate requirements we proceed without recourse to government funding support, otherwise we take a case back to the Department of Commerce, which takes it back to government to see whether the government agrees there is a justification for that project to proceed.

**The CHAIRMAN:** And in cases where that has happened has the government tipped in the money or has it simply authorised that you go ahead and do not get the rate of return that would be expected under your statute?

**Mr Holt:** Government has generally, as you say, tipped in the money on the basis that it is a closed loop. If it generates a return in excess of what was forecast, it is still retained within government, and the tax and dividend arrangements that apply for LandCorp will see those funds, in part, repatriated back to the consolidated fund or alternatively it is retained in LandCorp, which is 100 per cent government owned, so there is no leakage.

**The CHAIRMAN:** Can you characterise, please, in the areas where you have done them on a commercial basis have you generally just met the required rate of return or has it been a bit more handsome in the return than just the benchmark return that you are set?

**Mr Holt:** A lot of that depends on when the land that is being developed was acquired. If it was acquired at a relatively low value vis-à-vis today's values, then that reflects in usually a significant accounting profit. If we have had to acquire the land more recently, then it generally shows a much lower rate of return. I am not sure whether that answers it, but the land down there is a cocktail of acquisition time frames; therefore, there is a variety, if you like, of commercial outcomes. I think of the AMC as a major infrastructure platform for the state. It is not about generating commercial returns, it is about putting in place infrastructure

to facilitate industry growth. The benefit of it is really the spill-over or externalities that flow through to the private development sector. And, through that, the state retains work that it would otherwise potentially lose overseas.

**The CHAIRMAN:** I will throw it open to other members in a moment. The tricky issue for us, because the project is so complex, is to try and get a handle in the short time we have—and personally I have a little understanding of the details of what you people have been doing—is to try to get some idea in terms of the decision making and what were the issues that had to be confronted, where were the risks and what return have we got back. Before I come back to ask questions in that area, do other members have some questions?

**Mr C.J. TALLENTIRE:** Mr O'Hare was saying, as far as developing the business case goes, that he had help from the Royal Australian Navy when looking at the projected revenue stream for the defence and marine-type work.

**Mr O'Hare:** It was not in terms of the revenue streams, it was the work won by the private sector. What the Navy was saying to us was that it was unhappy and it was suboptimum with what it had. What it did then was to start looking for alternatives. If those alternatives mean, for example, a company that may have a base over east and a base in Western Australia could take the vessels back over east where it is more competitive, that is not in the interests of Western Australian industry. We also had a dialogue with the contractors who do the work on behalf of the Navy to ensure that the new facility was fit for purpose. That is what we were endeavouring to do. Then we say to them, "You have so many vessels coming through over so many years", and then we can extrapolate that out.

**Mr C.J. TALLENTIRE:** So that helped you build the business case as far as those defence-type contracts.

**Mr O'Hare:** It did for the second case as well.

**Mr C.J. TALLENTIRE:** I am interested in how you got your information together for your business case on a revenue stream for the oil and gas sector.

**Mr O'Hare:** Again, when one looks at what we are doing here in terms of the original work, it is broad brush. The companies are not going to come in and say, "This is what we are going to spend in the west" as it is subject to a variety of conditions. What we are looking at is speaking to the companies, and AMC Management and ourselves seeing what are the large projects that are coming up and what are the competitive advantages that Western Australia has got, and working with the companies that are bidding for this and will they use our facilities, and if they say, "Yes, we will, possibly" what is the percentage of the AMC costing into the bid? Some of the information that you are after is quite difficult to obtain on our business case in terms of the dollar value and we do not get down to that that particular level.

**Mr C.J. TALLENTIRE:** I am concerned about where the advice is coming from. Were the companies giving you the advice or had they external contractors giving you the advice on the likely volume of business that would be coming through?

**Mr O'Hare:** The best way I can put it, for example, is the big shed. There may be a number fabricators looking at using the big shed and bidding for projects. They would come to AMC Management and say that they are bidding for this particular project and they would like to use the shed over this period, what is the rate for the shed over that period. We would have that information and they would bid for the project, and that would form part of their overall cost.

**Mr C.J. TALLENTIRE:** It was not independent advice, but advice that was vested, if you like, because the people who were going to use the facility were the ones who were telling you how much business. How does that give you an independent business case?

**Mr O'Hare:** They are the ones who are going to use it. In terms of our business case, we have a strategic case and we are looking at projects that are coming down. We work with AMC Management and actually engage with companies like the Chevrans, the Woodsides and the Royal Australian Navy and ask what work is coming up in the future. If you like, that is at the strategic level. At the technical level, the project managers will go to AMC Management and ask for the costings because they want to use them. The state has to be aware of that because, in the end, as you may have noticed when you were down there, a number of companies are bidding for the same project. Other companies may be bidding on another project and want to use the shed, so we have to have a good understanding of who is bidding and who wants to use it. The last thing that we want to do is to have two companies, perhaps bidding for different projects, planning to use the infrastructure and they cannot use it at the same time.

**The CHAIRMAN:** Would a major Australian company that invests in infrastructure, whether it be a finance house or a Leightons that mixes the two together occasionally, be likely to take a project on like this from the start, or would there simply not be the rate of return?

**Mr O'Hare:** I do not believe that they would because when the state went forward into the marketplace it was not forthcoming, and we adjusted the model accordingly. I do not believe that we would get the rate of return that you would on a state-owned asset.

**The CHAIRMAN:** It is a leading question, because I assumed what your answer would be. The difficulty we have is that when the state embarks on spending very large amounts of money because it wants to create the support base for industry so that we have jobs and industry growth the situation moves away from just a straight commercial basis for doing it, to the potential for the flow-on and the multiplier effects that we want. Do you have any access to numbers on that and the risk analysis? When the last government was considering putting the money in—Rita Saffioti and I were on the ERC and we spent many hours going over this—when I went out to industry there were some nay-sayers who said they did not need it. They might have had vested interest on the Kwinana strip et cetera and saw this as a competitor, but it certainly caused me disquiet that some people in the industry were knocking it. It has been proved now that that knocking was not of any value. How do we make that call, if we as a committee were giving advice for future investment and we looked at this as a project that has already taken place, what are the key factors we should look at to see, when we move beyond what is a commercial proposition because you want to get the jobs and the industry in the state, to assess that in our business case planning and decision making?

**Mr O'Hare:** One of the factors that the state was looking at was the growth of, for example, new industry sectors. One of the things we saw down there is the sub-sea industry. That industry is a new one and it is one that has the AMC as its home and it is developing. It may have developed without the government infrastructure down there, but a lot of these situations, as you said, Mr Chair, when you start you do not really know. That is growth there. The situation that the state was facing in particular with the mid-cycle dockings and the future works for the Collins-class submarines, had we not made that investment, it is fair to say that ASC would have looked at an alternative and that was Adelaide. The situation just was not working at the time. The growth of the super yacht industry down there came out of the infrastructure that the state had expanded. The work that was done on the conversion of the *Sirius* would have gone to Singapore. Another example of what we are looking at now is the servicing of vessels to support the Barrow Island project. A number has been given to us by Chevron of the vessels that it is looking for. Again, companies have come to us just in the past two weeks looking at servicing and maintaining a fleet to do that. All of these are, if you like, new and expanding industries that would not have occurred had the state not had the foresight to develop the infrastructure.



The Chair is correct, if my memory serves me right. When we opened the *WA Business News* headline was “White Elephant”. There were a lot of nay-sayers and others. We were very, very fortunate, to be perfectly candid, that the economic situation as it evolved in terms of economic growth did favour the decision. In terms of employment opportunities, the move into new sectors and growth of the existing industries such as Austal and Strategic Marine and other companies of that ilk at the back have been predicated on the development of the infrastructure down there. I think that one of the sincerest forms of flattery is imitation. If members look at Techport Australia in South Australia, it came off our model. We have a representative from Queensland coming to look at how the AMC was developed. The commonwealth government for the first time in history has a priority industry capability, which is what the commonwealth has designated to 12 industry sectors that they want to see in the marketplace as they regard them as core to the national security. For the first time ever, we have ship dry-docking and common use infrastructure in there. That has occurred as a result of the state’s investment in business models and the work that has been done to get up into that level. The commonwealth is looking at replicating the AMC on the east coast and in the north. It has been successful. The model has worked and others have sought to replicate it. It has grown new industry sectors. It has added value to our fabricators in that they can go to larger and greater projects based on that capability and do not have the capabilities to build it themselves. If we go back to the original report from Ernst and Young and the two commonwealth government reports on the opportunities that would be missed by Australian industry, this infrastructure was put in place to assist industry so that we did not miss out on those opportunities in the future. That is its key.

**The CHAIRMAN:** Mr Holt, I turn to you on the same question because LandCorp has been involved in the space of many years, not only doing things as a commercial proposition, but also because of state significance to development. What are some of the factors that you see as important in making that judgement when you go beyond what would be a straight commercial proposition?

**Mr Holt:** The sort of thing that comes to my mind is that there needs to be a vision. At the political and bureaucratic level there was a vision. As John O’Hare said, in the absence of this sort of infrastructure the state would definitely have lost a lot of fabrication and other activity. It was somewhat an act of faith that therefore the government needed to do what it could to try to retain as much of that work as possible, because of the flow-on benefits that were spoken about and multiplier impacts. A vision is good, but then there was a concept developed. The appetite of the private sector was assessed, so the market was tested and it was found there was not a receptiveness in the private market to take this on. The government then went back, and if you like, regathered all the intelligence and looked at, if it were to undertake the development itself, what form would that development take. There was a whole lot of input, as John said, from various industry players, but somewhat non-specific and without any commitment. That was a lot of joining up the dots and trying to get a level of understanding of what was the potential—the upside, downside, high growth and low growth cases, external studies, such as the Ernst and Young study and other supporting studies. As the committee would appreciate, Treasury is very rigorous in its assessments, and it was very demanding in terms of what evidence there was to indicate that the proposition would actually work. Then it had to go through the cabinet or government process, which was another level of scrutiny, if you like. I suppose another protection against any downside risk is that the whole development is a phased one. As you have heard, the development down there has been phased or staged, and it has been in response to quite often emergent industry needs or emergent opportunities coming out of the defence sector and the oil and gas developments in the north of the state. It is a level of opportunism, but I think that is fine. I think that is a level of risk management in that the state is able to take advantage of things and has a level of flexibility in its response capabilities. As we all say, it is a great success story for the state. It

has come about because it is, I think, a managed, considered, phased and reasonably well-tested concept over time.

**The CHAIRMAN:** Is there any relevance to this of a concept of critical mass that when you have got your maintenance, repair, ship building, Navy servicing, sub-sea and the service industries that work for them have various areas of overlap, and have we reached it?

[9.40 am]

**Mr Holt:** In the past, single industry-based activities were not really sustainable. They were not robust in the down times; therefore, this was seen as oil and gas fabrication, defence and ship building. It had a number of platforms and not all of those would be firing at once. There was a huge need for continuity of work, particularly to address the industrial relations issues. A multi-platform facility addressing a range of industry sectors was seen as another way of addressing the risks. The second part of that, which you were talking about, is the clustering. Successive governments have been quite committed to developing clusters, whether they be on the defence side, ship building or oil and gas. That has again been part of the model that has been developed. John, you may want to expand.

**Mr O'Hare:** Thank you for that, Ross. The clustering effect has been proved. As a student from Edith Cowan University I did a PhD on clustering down there and the effects of it. Yes critical mass is a factor. Companies that are down there encourage—we are starting to see it now—their support, and other companies they rely on to come together. In the AMC newsletter we produce, three editions back, there is an example of linkages, a complete project within four or five companies at the AMC that combined to do these very complex dive chambers that go offshore in high quality manufacturing. Yes; there is clustering and a sheer mass. It also gives the employers greater pull in attracting skilled expertise. As Ross mentioned, we are quite fortunate here in the west because we have not concentrated on one particular industry sector. The state has been very clear in terms of the other industry sectors that it is keen to attract. We are starting to see employers moving between the sectors, which is great. As Ross mentioned, one of the reasons it was developed was the continuity of work, and that continuity of work is very important in terms of fabricators and engineers that can move from one sector to the other and not losing out on a project and then deciding they may move interstate or overseas. The continuity of work, the increase of local content and the building of critical mass are all important components.

**The CHAIRMAN:** I would like to end up getting hard numbers in terms of what revenue is flowing through it, specifically direct, and then looking at indirect multiplier effects. Is there any way of getting that? Obviously LandCorp is one silo in terms of your accounting and the money for it. With respect to the common user, I am not sure whether there is just one agency you can see the total flow of money that is coming through.

**Mr O'Hare:** We capture it, if you like, at some levels. But in terms of the money coming through AMC Management does report in to LandCorp so it would have a greater understanding of the actual flow coming through there. If we go back to page 1 and the major projects undertaken during that time at the AMC and the project value, the total figure was some \$294.5 million. That is, if you like, the broad-branch use of those particular projects that were undertaken at the AMC at that time.

**The CHAIRMAN:** That is the value of projects?

**Mr O'Hare:** Yes.

**The CHAIRMAN:** What about the specific money that comes through eventually to government agencies and which agencies pick up what on the way through?

**Mr Holt:** I think I can respond to that by taking it on notice. We can give you what the revenues have been through the common user facility for each year. Additional to the

common user behind that are leasehold sites. Instead of selling a lot of this land off in freehold, because of the major investment by the state into infrastructure, that land is reserved for leasehold, so if people who are in there currently no longer need to be there, the land can be readily freed up and put to someone who will use it and need access to shore-front land, for example. We can give you that information as well, if that is useful.

**The CHAIRMAN:** That would be very useful. There may be an issue of some commercial value if you gave it for a particular site, but I would like you to break it down as far as you can so that for the precincts you have, what is the annual revenue for those areas? It may be in sales or it may be in lease.

**Mr Holt:** You would like where we sell land and where we lease?

**The CHAIRMAN:** And by the broad groupings within the precinct for three or four years to show a bit of a build-up as activities increase there.

**Mr Holt:** Sure.

**The CHAIRMAN:** Thank you. From that, can you actually get some idea of rate of return on investment?

**Mr Holt:** Underpinning, particularly the CUF, community service obligation arrangements, every year a calculation is undertaken to show how to achieve our hurdle rate of return. The hurdle rate of return is a mixture of the revenue generated, looking at the return on the fixed assets then a top up through the CSO arrangements. If you like, we can lay that out as well.

**The CHAIRMAN:** Is that a public document?

**Mr Holt:** Yes.

**The CHAIRMAN:** That would be very useful, thank you. None of the information you have provided to us appears to have any commercial confidentiality to it so I take it we do not have to worry about that? Thank you very much.

I thank you for the evidence you gave us today, for appearing here and again for the tour you provided to us. The 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 of 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 or, as you have indicated, provide additional information, please provide that as a supplementary submission for the committee's consideration when you return the transcript.

Again, I thank you very much for assisting the committee.

**Hearing concluded at 9.46 am**