PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO DEVELOPER CONTRIBUTIONS FOR INFRASTRUCTURE COSTS ASSOCIATED WITH LAND DEVELOPMENT

TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
ON WEDNESDAY, 10 MARCH 2004

SESSION 2

Members

Mr J.B. D'Orazio (Chairman)
Mr M.G. House (Deputy Chairman)
Mr J.L. Bradshaw
Mr A.J. Dean
Ms J.A. Radisich

MARRA, MR FRANK

General Manager, Finance and Business Strategy, LandCorp,

40 The Esplanade,

Perth, examined:

CLIFTON, MR JOHN

Business Manager, Business Strategy, LandCorp,

40 The Esplanade,

Perth, examined:

LOW, MR BRUCE

Business Manager, Operations, LandCorp,

40 The Esplanade,

Perth, examined:

The CHAIRMAN: Good morning, gentlemen. The committee hearing is a proceeding of the Parliament and warrants the same respect that proceedings in the House itself demand. Even though you are not required to give evidence on oath, any misleading of the committee may be regarded as a contempt of Parliament. Have you completed the Details of Witness form?

Witnesses: Yes.

The CHAIRMAN: Did you understand the notes attached to it?

Witnesses: Yes.

The CHAIRMAN: Did you receive and read an Information for Witness briefing sheet regarding giving evidence before a parliamentary committee?

Witnesses: Yes.

The CHAIRMAN: You have not made a formal submission.

Witnesses: No, we have not.

The CHAIRMAN: You obviously know that we are doing a developer contribution study. We would like to hear from LandCorp how it assesses these costs, what they look like and any suggestions.

Mr J.L. BRADSHAW: You are developers yourselves, are you not?

Mr Clifton: Yes, we are.

The CHAIRMAN: Developers on behalf of the Government.

Mr Marra: We have a broader mandate than some private developers. Infill and some frontal land is developed by LandCorp. We also have a mandate to develop industrial land, so we develop land in the regions and throughout the metropolitan area. I would also like to put on the record that our chief executive, Ross Holt, has provided his apologies. He would like to have been here today but he is over east at an Urban Development Institute of Australia conference.

The CHAIRMAN: Can you tell us a bit about how LandCorp goes about developer contributions?

Mr Marra: When parcels of land are developed, LandCorp makes standard developer contributions as part of the statutory approval process. There are also the additional costs that LandCorp makes as part of improving a site to improve its marketability and meet what the community would like. Bruce Low has a better handle on the specific details of the individual components.

Mr Low: If I go into this in too much depth, please tell me. Because, inherently, every site we look at has a different location, local authority, topography, geotech, water issues etc, we basically start with employing planners and other consultants to look at what is possible in product and yield from the site and then we look at the development costs. In doing that, there are some generic development costs that relate to what I call hard infrastructure; for instance, the Water Corporation servicing headworks, sewerage and water, and the reticulation costs of water, sewerage, electricity, gas etc. There are also some discretionary costs such as the level of landscaping, the level of finish of roads, the treatment of power poles etc. On top of that, the developers may look at incurring other costs in community enhancements. We might look at joining with the local authority on the early provision of certain infrastructure, but that is certainly a discretionary, rather than a mandatory, option. The costs that I have talked about generally relate to the direct costs of creating a product for sale within an estate.

Mr J.L. BRADSHAW: Why does LandCorp get into the subdivision business? I think I know the answer; I just want on the record why LandCorp does it, and not private developers.

Mr Marra: Under the Western Australian Land Authority Act, LandCorp is charged to deliver on certain functions. Those three functions basically come down to the provision of industrial land, the provision of major urban integrated developments and the subdivision of surplus government land.

[10.30 am]

On the first leg, the industrial land side of things, the Government gets involved in the provision of subdivided industrial lots, generally because the private market is not able to provide some of the types of land that LandCorp is able to provide. That is because of the long time frames. For example, Canning Vale estate has been in development for 25 years. The private sector generally does not have the capital to hold land for that period and develop it. The same can be said for heavy industrial land, which LandCorp also develops. On the integrated major urban developments, LandCorp is often playing a leadership role on behalf of government. Government policy determines how it would like to see the urban form develop in the future, and LandCorp has a lead role in trying to implement some of that, as a demonstration for the development industry. Some examples I give there are the development of Joondalup, Marlston Hill in Bunbury and the Mandurah Ocean Marina. Those are the kinds of development, in which there is a large public infrastructure component, whether it be a public marina or city centres, and in which there is a large level of innovation compared with where the industry may be at that point in time.

The CHAIRMAN: Looking at the example of Joondalup, where you built the infrastructure for a city centre and all the rest of it, how do you break down the cost of those to a lot price? You obviously cannot make a loss, so how do you then build those costs into the price of the land that you are producing? In other words, what is the cost of development to the State? Obviously it cannot provide all the infrastructure for greenfields developments. In your case, you are basically the Government, and doing it on our behalf, and providing all these facilities. Using Joondalup as an example, what sort of breakdown of costs are we talking about per lot? What were the infrastructures costs per lot?

Mr Marra: Infrastructures costs per lot would have been made up of elements similar to those that Bruce was talking about before in terms of roads, underground services, etc. On a project like

Joondalup, the city centre itself had a high level of cost as well. It has a central park, and very high levels of landscaping and community amenity. Some of those are considered scheme costs, to be spread over the entire Joondalup city centre. The city centre was made up of many components - the city centre core, the shopping centre site, the industrial and business park and inner-city residential areas - as an in-house accounting treatment, all those costs were incurred. Direct costs were allocated against each lot in the central area. Indirect costs, like the central park - the scheme costs - were allocated against all the lots in the area. That is the accounting treatment, but in terms of working out the price the individual lots would then sell for, and how that is factored in, pricing is always determined by the market value. We would always ask private professional valuers to give us an estimate of the market value of those sites, and then utilise that amount for private treaty sale, or go to a public tender process to work out the amount.

The CHAIRMAN: I understand that, but if you can provide the level of infrastructure that you did in Joondalup, which in my opinion was extremely high compared with everything else, and still make a decent profit at those numbers, it begs the question of why is the State not getting more out of current developers for infrastructure contributions? That is my argument, and that is why I was asking for the breakdown of what it actually cost per lot.

Mr Marra: Joondalup has had an interesting gestation. It started in the mid 1970s. The original developer, the Joondalup Development Corporation, did not have a profit motive; it was purely there to develop the city centre. It was provided with the land on a concessional basis up front. I think it was provided with 1 000 hectares of what was state forest at the time, for that land to be repaid at some future point in time. It is probably not directly comparable with how a private sector developer would do it. If a private sector developer were asked to buy the 1 000 hectares up front, hold that land for 20-odd years, and then develop it, it would say that the rates of return were insufficient to cover even its financing charges. The Government was able to do it because of the extra benefits it wanted to achieve, which was all about a new city centre and all the community benefits that brings. The Government is able to take on board those benefits to offset the financial costs.

Mr M.G. HOUSE: The same thing applies to some of the things that LandCorp is developing, even today.

Mr Marra: In what regard?

Mr M.G. HOUSE: The Albany foreshore is a good example. There was no profit for LandCorp in that; it would be an expense. So, as I said, the same principle applies to LandCorp.

Mr Marra: Yes, we have the ability. Although LandCorp has a commerciality criterion in its legislation, through which the Government requests us to undertake a project that will not meet its financial hurdle costs, we can go to the Treasury and say that we can deliver this project, and ask for a top-up - the difference between what the project will cost and what the rate of return needs to be. That is a community service obligation framework.

The CHAIRMAN: Getting back to development, and the cost of development, do you see a problem between the different standards of different developers? Obviously LandCorp is not at the top of the range; nor is it at the bottom. Is there some scope in those developer contributions to, for example, lift the standard for local authority infrastructure costs, and/or provide more funding for state infrastructure costs, such as transport, whether rail or freeways; schools; and hospitals?

Mr Low: That is almost a question of policy. At the moment there is capacity for developers to look at the market they are in, and obviously they will go into a development in which they can buy the land and do the hard servicing. What they will then do is look at points of difference. Some of them go for landscaping; other developers in the past have come to arrangements with local authorities for contributions for early provision of community infrastructure at a local government level. Other developers who wish to develop in advance of the current front have to pay certain additional charges to bring in services. All of those additional costs are factored into the decision on whether to proceed with the development. As to whether there is scope for a commercial operator to bear additional charges, that would be hard for me to answer, not knowing the individual private developer's financial accounts and so forth.

The CHAIRMAN: Do you have some examples of instances in which you have done a breakdown of the development costs - providing sewerage and all the infrastructure costs - in one of your subdivisions? What is the cost per lot?

Mr Clifton: Yes, we have provided that. The submission that was made by the UDIA cited two case studies that LandCorp had provided to the Department of Treasury and Finance, which was then referred on to the Productivity Commission. The two case studies referred to concern an infill and a middle ring development. Those numbers are actual LandCorp project costs. They are not attributed to a specific project, and we requested that that not be the case, because in a way we are still giving away commercially sensitive information. You will not find other developers revealing that level of information. We certainly have many costs against all our projects.

The CHAIRMAN: Do you have a ballpark figure of the costs per lot?

Mr Low: I can talk in general terms. We do not have an active project in the north west corridor at the moment. Alkimos is a landholding we have, but we have not started development at this stage. At Ocean Rise, Karrinyup, which is an infill site, the direct costs, excluding land but including headworks, earthworks, retaining walls, services and landscaping, was in the order of about $40 000 per lot. This was similar to the old Mount Henry hospital site. At Harvest Lakes, Atwell, we have different land conditions to operate in, and the development costs there are actually higher than in those infill sites, mainly because, although there are fewer retaining walls, more earthworks are required to get height separation from the watertable. We are looking at helping the Department of Housing and Works with -

The CHAIRMAN: When you say "more than $40 000", how much more would it cost down there?

Mr Clifton: The two case examples we have cited were those that we actually provided. The direct costs for site works were $39 252 - those are model costs - for the infill project, which was LandCorp's Noalimba project, and on Harvest Lakes, the other case that Bruce cited, the actual direct costs were $51 127 for providing hard infrastructure. That reflects the nature of the site at Harvest Lakes.

The CHAIRMAN: The price of lots at Harvest Lakes is $70 000 to $80 000.

Mr Low: The latest releases are priced at about $125 000.

Mr M.G. HOUSE: What is the average block size?

Mr Low: I am not trying to be difficult, but there is a range of sizes. Most developers now are providing various products so that they can increase their overall sales. We have small cottage lots at 350 square metres, and a range of lots sized between 450 and 650 square metres. Most of those would be in the 580 to 640 square metre range. We have some traditional lots, for the amenity of the community, on a ridge to open up to some native trees etc. They are larger, at 900 square metres. Then we have special rural interface lots for the ground water buffer area. Most developers now are moving to having a number of products available for sale at any time so that the overall sales rate increases.

Mr M.G. HOUSE: What about high-rise, or more dense development, such as unit development, in that area?

Mr Low: At Harvest Lakes we have earmarked a section within an 800-metre radius of the proposed train station. We are calling that the neighbourhood or town centre. That has been put to one side so that over time, as the rail station comes close to being constructed, we will try to increase the density of that to reflect the walk-on nature of living in that area. Again, that is very much like everything we look at. We ask how we can, in accordance with government policy, improve density. It is a balanced view when looking at an overall estate. That estate is about 100 hectares and about 1 000 lots, so we are trying to create a balanced community with varying lot sizes.

Mr M.G. HOUSE: Following on from that, as a developer - we are only using this as an example, so it would apply to any developer - you have created a situation in which you say that there will be a rail station there, and as a consequence of that there will be certain densities. How do you see the developer being involved in the cost of that rail service?

Mr Low: As I see it, that would be to maximise the development that would occur on the adjoining land. We are making use of the existing freeway and the rail. My view would be that, by increasing the housing densities around the rail we are trying to make sure that the long-term viability of that infrastructure improves. Obviously, the higher the density, the more viable that bit of infrastructure should be.

Mr Marra: Traditionally, developers have agreed with statutory authorities to provide a certain level of infrastructure, whether that be internal roads and contributions to main roads servicing the area, but with other major state-based infrastructure, developers have developed their land to support and take advantage of it, but have not contributed financially toward it. Examples are freeways, rail stations, fire stations, etc. They have a level of amenity that is far greater than applying to just that development; the entire community benefits.

[10.45 am]

Mr M.G. HOUSE: That is the nub of the question, of course. That is exactly what we are trying to determine. You used the terms “traditional” and “government policy”. They are the two things we are trying to put aside at the moment to determine whether there is another way of coming at this issue.

The CHAIRMAN: In summing up, you are suggesting that the developer should contribute to the provision of state infrastructure, which developers do not currently do. Is that what you are telling me?

Mr Marra: No, that is not what I said at all.

The CHAIRMAN: I am just sort of summarising.

Mr Marra: What I said is that it has not been a policy at this point.

The CHAIRMAN: I understand that it has not been a policy.

Mr Marra: However, infrastructure benefits the entire community and not just the developer, so I think there needs to be an equitable distribution of the cost of that infrastructure. That needs to be done in the way that is best to pick up the cost of that infrastructure.

The CHAIRMAN: Currently, developers do not pay anything towards major infrastructure type things such as the railway to Mandurah. You guys will not pay anything. The Government will pay for it. Do you not see that at some point there needs to be some contribution? It may provide betterments. Increased density around the railway station will obviously be of benefit to the developer. In this case it is LandCorp, but it might be developer X. Do you not think that there should be some contribution to major infrastructure costs?

Mr Marra: I think there are different ways in which you can provide these contributions. Developers may well indicate that they already provide contributions in terms of their general land tax, which is a general government source. Individual owners of the land also pay ongoing state taxes, which contribute to that. It is whether you think there should be a broad-based taxation system to generate funds to pay for this infrastructure, or whether it needs to be a point-based system under which the developer is penalised up front. That then just gets passed on to the individual purchaser of the land until it gets factored into the in globo land prices.

Mr M.G. HOUSE: I will ask the question in a different way. Developers are getting bigger and more efficient, just as most corporate businesses are. Is it your judgment as an organisation that the margin made by developers in a good-quality subdivision is higher or less than it ought to be? Wesfarmers says that it will not touch a project that does not return 18 per cent gross. What is the average return? Are these guys making huge profits or are we talking about reasonable profits? Where does it sit in your judgment, as experienced people?

Mr Marra: It has changed quite a bit over the past decade. The market during the 1970s and 1980s was characterised by lots of small developers who perhaps traditionally owned the land and became developers by subdividing it. LandCorp might have been a bit of an alternative. We were a corporate business in an industry that had a small base. During the 1990s, large developers came into town - Australand, Stockland, Mirvac Fini etc. They brought with them very large capital bases and very sophisticated systems. If anything, I think the rates of return that developers are making are coming down. There is increased competition. I think that the rates of return that valuers are placing on what they would call the profit-and-risk margin that is brokered would have come down. Bruce, you are a valuer. Would you concur with that?

Mr Low: Yes. I will answer that as a developer and not as a valuer, looking over the past five years and then looking forward. If you were confident that the market was going to maintain the momentum, you would certainly adjust your margin down to take into consideration greater than normal price escalations. At this time, looking forward over the next few years, I do not think it would be seen as rosy as, say, when somebody looked at the market three or four years ago. I believe that most developers would be starting to look at adjusting their margins and moving them back up to what they might have been buying over the past three or four years. That is my opinion.

The CHAIRMAN: What sort of margin are we talking about? Thirty per cent?

Mr Low: A lot of developers would like to obtain 30 per cent, but I do not think it is in that order any more.

The CHAIRMAN: So what is it? Is it 25 to 30 per cent?

Mr Low: They obviously do not tell me what their margins are.

Mr M.G. HOUSE: What do you work on?

Mr Low: Frank, that is one for you, I think.

Mr J.L. BRADSHAW: You are a bit unique. You are different from a normal developer, so it is pretty hard to compare.

Mr Marra: It would not be directly comparable.

The CHAIRMAN: No, it is not. Still, it would be nice to know what your margin is.

Mr Clifton: I will provide the margins on the two case examples cited by the Urban Development Institute of Australia. For example, on the infill project our margin was six per cent.

Mr M.G. HOUSE: Really?

Mr Low: No.

Mr Clifton: Our margin on Noalimba was 18 per cent.

The CHAIRMAN: Bruce is saying no.

Mr M.G. HOUSE: Eighteen per cent sounds right, but six per cent does not sound too good.

The CHAIRMAN: You would go broke if you worked on a margin of six per cent.

Ms J.A. RADISICH: Put it in a term deposit and forget about it.

Mr Low: I would have to look at those figures.

Mr J.L. BRADSHAW: If you looked at the one at Harvey, which is Korijekup Estate, you would probably be minus, I suspect.

Mr Marra: That is the townsite development program in Harvey.

Mr J.L. BRADSHAW: That would be minus.

Mr Marra: Yes. We do a lot of the development out in the regions as a community service obligation. We do it without financial return.

The CHAIRMAN: That is the metropolitan area subsidising the country!

Mr A.J. DEAN: Marlston Hill would be a massively positive result.

Mr Marra: Marlston Hill is a good example. Marlston Hill did not make an enormous rate of return. It would have made returns in the teens but not in the high teens. Most people would consider Marlston Hill to be an extremely successful project because it broke new ground in the regions and even for a developer such as LandCorp. However, the level of infrastructure and amenity provided was so high that it came at a cost. The market did not pay a sufficient premium to offset that.

Mr A.J. DEAN: What would you define as an amenity? There are no amenities there that I know of.

Mr Marra: The standard of finish at Marlston Hill is very high compared with a normal standard of finish on a standard subdivision.

Mr A.J. DEAN: Do you mean the roadways?

Mr Marra: The roads, pavements, public open space and waterfront facilities. All those are of very high amenity compared with a stock-standard subdivision.

The CHAIRMAN: Were you required to do that or did you do that because you thought the area deserved a better standard? Was it a requirement of subdivision? Did the council say that it was a condition of getting approval, or did you guys make a corporate decision on it?

Mr Marra: The solution is a mix. Some of it was provided by the local council and shire. A lot of it was the community's expectations. To win the community's favour and get the development approval up, certain commitments were made by the State, and are reflected in that. It was also to do with the fact that it was breaking new ground. To break new ground we had to make it enticing for the community to want to take up a new product in the area. It was very successfully taken up.

The CHAIRMAN: Getting back to Alkimos Eglinton, which you will obviously be looking at developing, how do you see major state infrastructure, such as the freeway, the railway line and even the extension of major roads, being provided there? Who do you think should pay for that? It would be a helluva cost to the State to get those infrastructure items up there.

Mr Marra: One point that we did not pick up on before about paying for major parts of infrastructure was the concept of value capture. Governments have spoken about that in the past. There are a couple of different ways of doing it. There is always the idea of betterment taxes, which I think is the path you alluded to earlier, in which a developer pays an additional charge because of the betterment that infrastructure provides. That is one option. The other option of value capture is when the State or some other body has a vested interest in that landholding and so will capture the value. That may be the way of delivering it for Alkimos. The State owns a major part of the underlying land. When the infrastructure is put in place, LandCorp will develop it and the profits it makes will be refunded to the Treasury. Every dollar of profit that LandCorp makes is owned by the State of Western Australia. That is a value-capture opportunity as the State will be able to reinvest that in further infrastructure.

The CHAIRMAN: How do you provide the infrastructure up front? The costs are enormous.

Mr Marra: Yes, the costs are enormous. At the moment, government policy is for that infrastructure to be provided, when it is demanded, through general taxation opportunities. However, there is an opportunity to defray that or to at least hypothecate the development profits that may be made by landowners, such as LandCorp, in the area to offset some of those costs.

The CHAIRMAN: LandCorp is government, but other landowners would also get that benefit. How does the Government capture that value? Do we use the betterment tax option? Is that what you are suggesting to us?

Mr Marra: I did not suggest that as an option. I said that it was the term used. As I said before, if you place it on the developer, it becomes an equity issue as the entire community benefits from this infrastructure and not just the community that will live right next door to it. There are benefits that everyone enjoys, whether they are environmental benefits, congestion benefits or direct timesaving benefits. It is something that we will all enjoy and it should perhaps be shared as a cost, rather than just penalising the people who live right next door to it.

Ms J.A. RADISICH: Is there much scope for negotiation with organisations like the Water Corporation on the headworks charges from project to project?

Mr Low: I will just follow on from what Frank was saying about Alkimos Eglinton. The Alkimos Eglinton landholding involves about 2 600 hectares, of which LandCorp has about 1 400 hectares. The next largest landowner has about 800 hectares. We have already started discussions with that owner on sharing certain costs. Pre-funding for Marmion Avenue is being looked at by Tokyu Corporation to bring early construction.

The CHAIRMAN: What is Tokyu's landholding?

Mr Low: It is a couple of thousand hectares; it is quite large and involves many thousands of lots. It is looking to try to fast-track the extension of Marmion Avenue. That is only one of the blue roads within that area. The other landowners are discussing what is a fair and equitable way of sharing the construction of the remaining roads over the entire landholding. In the same vein, we are exploring how to provide regional open space if it is required. The landowners are already starting to look at what are fair methods to share some infrastructure costs over that landholding.

The CHAIRMAN: Do they include the freeway and the railway?

Mr Low: No. I will answer the earlier question. We have started discussions with the Water Corporation. The Water Corporation has indicated that it would like almost a line drawn around Alkimos Eglinton as far as what it will do with water initiatives; that is, the total management of water within that area. It will look at what comes from the sky, what comes through as potable water, what comes from the ground through bores etc, and the recycling of water from the waste water treatment plant throughout the area and possibly the exporting of that water. Again, that group of landowners is starting to look at ways to work with larger authorities or service authorities to get better efficiency in what they are doing.

Ms J.A. RADISICH: Is there much scope for negotiation on a per lot basis if you are doing more rather than fewer lots?

Mr Low: Developers have broached the idea of whether, if they introduced a range of sustainability initiatives, including water and sewerage, which would have the effect of lowering the impost on the infrastructure, the Water Corporation would be prepared to vary its headworks charges. To my knowledge, that is still being investigated.

Ms J.A. RADISICH: Do the headworks charges vary from project to project on a per lot basis?

Mr Low: The Water Corporation issues standard headworks charges, which go up each month. They are set for water and sewerage and for drainage in certain catchment areas. For certain projects the Water Corporation may introduce a special development area charge - that may not be the correct heading. It might say that because it is in front of what it considers to be the urban front, a cost will be imposed. A good example was the Clarkson-Butler area in the late 1980s and 1990s when a special contribution headworks charge was levied over that area for the early provision of infrastructure.

Mr J.L. BRADSHAW: With power infrastructure, does Western Power do that or can a private group do it?

Mr Low: I believe that to date LandCorp has used Western Power.

Mr J.L. BRADSHAW: Can others tender for it or can only Western Power provide that infrastructure?

Mr Low: To my knowledge, LandCorp has not explored using an alternative supplier. Therefore, I do not know.

Mr J.L. BRADSHAW: My experience from talking to private people who have dealt with Western Power is that they seemed to get ripped off. I will put it another way. Maybe they did not get ripped off, but the charges were pretty high.

[11.00 am]

The CHAIRMAN: In relation to getting uniformity of charges, especially for local government charges, do you think a system whereby the developers requirements are clearly identified up front is a better system? That is, would it be better to have an overall set standard whereby developers know up front what it will cost for each council area? It is currently done in an ad hoc way, in which the developers negotiate with the council depending on the estate involved and the standards required. It is a bit like New South Wales, which has a set plan outlining how much it will cost. Would it be good for that to be provided before you start, rather than having to negotiate what the standards will be on every subdivision?

Mr Low: It would help, but I do not think it is an absolute necessity. Experienced developers doing their due diligence when looking at buying land would factor in the period and likely cost of dealing with certain authorities. What may help though, if there were a standard, is that more certainty may allow the time to be factored in and possibly a cost allowance may be reduced.

Mr Marra: I suppose it depends how high the standard is set and whether it is of benefit to the community, and also whether it is used as an opportunity to set the standards much higher than the individual purchaser would want to achieve. With negotiations there is an ability to negotiate the standard to achieve what you think the end purchaser wants to achieve, as opposed to imposing something that might not be in step with that.

Mr M.G. HOUSE: I will follow up on John's question. You guys are charged with the responsibility of providing subdivisions in areas in which it is sometimes not economic to do so. You do that as a community service. You are also charged with developing the best possible standards etc. John's question reflects something that I think has a dramatic effect on that. For example, you could get somebody to put up the poles. I mean, Western Power may say that it will put up the power poles extremely wide apart. I could put up poles. I can put strainer posts in the ground to string up a fence so I could put up a pole. You might need an expert to string the wires. For example, the Water Corporation will dig a ditch and then put in a pipe. I can understand that it might want to put in the pipe, but I could dig the ditch. Do you ever differentiate between those in your costings? I agree with John. In the examples I have seen in my patch, Western Power and the Water Corporation have no idea of the cost of doing some of those jobs. I would have thought that you guys would have had a very close look at that and said that in a certain subdivision you would dig the ditch - you do not put poles up any more, do you?

Mr Low: I am sorry, we do.

Mr M.G. HOUSE: Sorry, I will just keep with the example. I would have thought you would have gone and said, "Look, I can get Bill Bloggs's company to shove these poles in the ground or dig this ditch." However, from your reply, Frank, you have not done that. Is that right?

Mr Low: In the subdivisions we have a common trench with Western Power. A lot of the deep services - that is, drainage, sewerage and then the services other than roads such as water, reticulation, gas, Telstra, broadband and whatever - are in a common trench. Western Power cable is also within that trench. When we get contractors to service the lots, they all go in, including the Western Power servicing. The contractor also puts up poles. Western Power has come up with a range of poles from which we can select for whatever amenity we would like in a particular subdivision. Our contractor does that, but the cost we pay Western Power involves connecting to the system and the supply of cable etc. A private contractor installs it, but it is provided by Western Power. I guess we have not tested Western Power on that. Really, it must maintain the system and I do not want to go back to it and say that it is its problem if our contractors have used different wires from what it will claim is its standard.

The CHAIRMAN: Getting back to developer contributions, do your costings have a breakdown of what it costs for the local government component of the infrastructure costs?

Mr Low: Could you perhaps explain about those costs? Generally, we have to provide drainage and roads to the satisfaction of the local authority.

The CHAIRMAN: I mean soft infrastructure such as child-care facilities, the maintenance of parks, and the provision of playground equipment and cycleways. Do you have a costing of what you are contributing to subdivisions?

Mr Low: That will vary from local authority to local authority and with the level of presentation the developer wants to achieve. That can vary from $2 000 up to $7 000 per lot, depending on whether they want lakes, hard infrastructure and solar-powered lighting and on the type of screen walls. It can range quite dramatically. Whatever we do as far as public open space development is concerned is signed off by the local authority; it signs off on the plans and the species. We also generally have to meet a maintenance program that the shire provides. For instance, the City of Cockburn has said that it does not care what we do in there as long as the ongoing cost does not exceed $18 000 per hectare. On the way through, they also tick off on the plants and shrubs that are put in.

The CHAIRMAN: I am trying to get an order of costs. You are saying a figure between $2 000 and $7 000 is what you would set aside for what I call local government costs. Does that include local roads or not?

Mr Low: Roads are separate. We obviously do the roads. Again, we can go away and try to provide information, but it will vary from project to project. Yes, we put in drainage and roads. The local authorities maintain those. We put in the public open space. The cost of that will vary from project to project. We provide a local authority fee for supervision. We generally put in playground equipment as a matter of course, but we then do not normally go to the next stage of putting in child-minding centres etc. We may provide a child-minding centre or we may provide sites within the public open space. We normally cede those to the Crown. My understanding is that authorities can then request vesting of those back for community purposes.

The CHAIRMAN: And costs are between $2 000 and $7 000. Is that what you were saying?

Mr Low: No, I was talking purely about landscaping costs. Those other costs of providing the public open space land or sites within the public open space comes out of the mandatory 10 per cent, or under livable neighbourhoods, eight per cent.

The CHAIRMAN: So the cost of the bits and pieces of other things is between $2 000 and $7 000. Is that what you are saying, or is it lower?

Mr Low: With an infill site it could be lower than $2 000. It is very site specific and dependent on what the developer wants to achieve in the marketing of the estate. However, a lot of them are within that range.

Mr A.J. DEAN: I have one last question. Please excuse my ignorance - I should know this - but does LandCorp pay a tax burden payment or dividend to the Government; and, if so, how much was it last financial year?

Mr Marra: Yes, we pay full tax equivalents, both state-based and commonwealth-based taxes, and we also pay direct local government taxes when the land generates revenue. When it does not generate revenue we provide a rate equivalent to the State. Full taxes are paid. We also have a dividend provision that we make to Treasury every year through the Government. From memory, last year's figure was in the order of $7 million, and this year there is an additional component that our board will declare following a few operations.

The CHAIRMAN: It is not much money, is it?

Mr Clifton: That is just the dividends. That does not include tax equivalents.

Mr Marra: No, it did not include the tax equivalents. That is on top of that. I do not have those figures with me. I could certainly provide those figures to you.

Mr A.J. DEAN: So it would be several million.

Mr J.L. BRADSHAW: It will be in the annual report.

Mr Marra: It is fully disclosed in the annual report. It would be several millions of dollars.

The CHAIRMAN: Gentlemen, thank you very much. I need to cut this session short because we are running very late. Thank you for your evidence this morning. We may need to talk to you again. If we do, we will ask you to come back. Thank you very much.