

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2015–16 ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
TUESDAY, 25 OCTOBER 2016**

**SESSION FIVE  
METROPOLITAN REDEVELOPMENT AUTHORITY**

**Members**

**Hon Rick Mazza (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Alanna Clohesy  
Hon Helen Morton  
Hon Sally Talbot**

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**Hearing commenced at 3.17 pm**

**Hon DONNA FARAGHER**  
**Minister for Planning, examined:**

**Mr KIERAN KINSELLA**  
**Chief Executive Officer, examined:**

**Mrs HILARY MANDERSON**  
**Director, Finance and Treasury, examined:**

**Mr SEAN HENRIQUES**  
**Executive Director, Projects, examined:**

**Mr MARK REUTENS**  
**Executive Director, Corporate Services, examined:**

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

**The Witnesses:** Yes.

**The CHAIR:** It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the parliamentary website. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private. If, for some reason, you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Agencies and departments have an important role and duty in assisting the Parliament to review agency outcomes and the committee values your assistance with this. Hon Sue Ellery shall kick off.

**Hon SUE ELLERY:** Thanks very much, chair. I take you to page 16 of the report on Elizabeth Quay, particularly the water park references. What is now the likely opening date of the water park?

**Hon DONNA FARAGHER:** I will refer to Mr Kinsella, but I will indicate that the works have been completed and obviously testing has been undertaken by the Department of Health. They will make the final decision as to when the water park can open when they issue a permit to operate. But I will refer to Mr Kinsella.

**Mr KINSELLA:** We have one piece of paperwork that the Executive Director of Public Health has asked us to do on public health. That is a hazard analysis critical path plan. I might have those words wrong, but basically that plan has been submitted to Health in a draft form. Basically, it is all the information we have put into a format that can be worked through with Health. That document is about 95 per cent complete. Given that we have had some feedback from Health on that plan, we intend to have that plan peer reviewed by IFAP so that we have another body to have a look at it. We are hoping that the final document is with Health early next week. Once the Executive Director of Public Health is happy with that plan, we are led to believe that he will then issue us with a certificate of completion or compliance and that we can set the water park open.

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**Hon SUE ELLERY:** Thank you for that. Originally, the proposed date was the end of June. It was clear from the health issues identified at the start of the year what would need to be met to meet the Department of Health's requirements. What has been the delay to date?

**Mr KINSELLA:** We worked with Health on basically what was required in terms of the upgrade to the filtration system so that we could get the park open. Basically, that plan went to Health in June, which is when we got our approval to go ahead. We then procured the extra equipment and fitted out the equipment. Once winter came, there was not any great rush to have the park open in the middle of winter so we were slow and steady to work through and make sure that the equipment was properly installed and tested. The park has been operating without putting water on the deck and open to the public for some weeks now, basically going through a very thorough commissioning process and a very thorough checking of all the systems. We have put some fail-safe systems in place and they have just been tested, and the Department of Health has done its testing. We think from a physical point of view the park is ready to go and we are waiting now for the hazard plan to be finalised and then we can go from there.

[3.20 pm]

**Hon SUE ELLERY:** If I take your project planning, if we work on the best-case scenario that you said today, that you intend to get that final five per cent, I think, of the hazard analysis critical path plan—I think you referred to it as—your intention is to get that to the Department of Health next week. Let us say that happens; let us work on that assumption. What time line then are you working towards?

**Mr KINSELLA:** The decision is taken by the Executive Director of Public Health. We put it on the table with him and he makes a call based—but we have had good feedback from the health department on the way through in assembling the plan. We do not expect it will be long, but I am not at liberty to make a decision for him on the time frame.

**Hon SUE ELLERY:** Sure, I am not asking you to make a decision for him, but have you had any conversations with the Department of Health so that you are able to say, "If we get you everything you need in this plan, what is your anticipation of how long it will take you, the Department of Health, to work through it—a week, two weeks, a month, three months?"

**Mr KINSELLA:** I would hope within 10 working days of the plan being accepted by the Executive Director of Public Health we would then turn the water on to the park.

**Hon DONNA FARAGHER:** Again, the caveat is that the ultimate decision is not the MRA's; it will be the Department of Health's.

**Hon SUE ELLERY:** Yes, but I just want to be clear that that 10 days is from when you get the tick-off from the Department of Health. Have you had any conversations with the Department of Health? Assuming you have done everything you can to get that hazard analysis document to them, given you have been working with them on preparing the plan, have they given you an indication, "We think we'll need two working weeks; we think we'll need three months"? What are they thinking they will need?

**Mr KINSELLA:** We think within the 10 working days of the plan going to be finalised and being lodged—we anticipate in that sort of time the executive director will sign off on the plan and provide us with a compliance certificate. That is our best estimate. To be frank, the Executive Director of Public Health has reserved the right to himself because he is the regulator; we are not the regulators. That is our best estimate as I sit here today.

**Hon SUE ELLERY:** Is there some reason that the hazard analysis critical path plan was not undertaken or completed before the original opening?

**Mr KINSELLA:** We submitted and we had inspections. We had a daytime inspection and a night-time inspection of the water park probably some four weeks ago. We became aware of the critical analysis —

**Hon SUE ELLERY:** Let us call it hazard analysis.

**Hon DONNA FARAGHER:** The hazard management plan.

**Mr KINSELLA:** The hazard management plan, sorry; I just got myself tongue-tied there. We only became aware of that requirement probably three weeks ago. The Executive Director of Public Health looked at all the work we had done, looked at the plans, had his officers inspect the place and basically he said, “Look, just to close this all out, I would like for that to happen”, so we took that on board. We had most of that information available to us because we collected that information as part of the works we had done to put the new works in place.

**Hon SUE ELLERY:** Just so I understand what this document is, is it something that the Department of Health would regularly rely upon or is it a collection of data points that they asked you to meet specifically for this project?

**Mr KINSELLA:** It is sort of a common name for those sorts of documents, for those sorts of plans, and we think in this particular instance it is really a belt and braces-type thing. I would imagine that this is the first water spray park in Australia that actually has this plan associated with it. Our attitude from day one has been that if the health department has asked us to do something, we have tried to comply and we have done it in a timely fashion.

**Hon SUE ELLERY:** Given there are other water parks, is there a reason that Health has identified to you why they have not had similar problems with other water parks? There are other smaller versions in the metropolitan area—there is the one in Forrest Place and there are others in regional centres. Have they identified to you why there were problems at this one that there were not at others?

**Mr KINSELLA:** The main issue has been the high usage of our park, so from that point of view that is what caused the difficulties at the beginning. From our point of view it is not an exact science. All of these water parks have their own idiosyncrasies. They are not like for like; it is not like I am going to build you a 60 000-litre swimming pool and that is the sort of pump system you need to run it. They all have their own different operations. I think given the level of adverse publicity, the attention that we have had both parliamentary scrutiny and from the media, the Executive Director of Public Health wants to make sure that when the park is open all the bases are covered and the park has every chance of operating in a robust position. That has been the reason for the exactness of the work we have gone through. We certainly set benchmarks in what we have been doing in this work for the health department for water parks going forward.

**Hon SUE ELLERY:** The first benchmark that you set was not that crash-hot; it did not work that well. I do not know that you want to aspire to setting that kind of benchmark for other water parks.

**Mr KINSELLA:** I think the level of usage was beyond what we anticipated. At the end of the day the water park, the way it was constructed in the first place had a carrying capacity that was obviously exceeded. We have now gone through and beefed it up. It is a little bit unfair, that comment.

[3.30 pm]

**Hon SUE ELLERY:** On the original construction and the original engineering, is it accurate to say now that it was not constructed or engineered for the kind of usage that it actually got and that the size of the floor space, if you like, was too big compared to the capacity of the filtration system?

**Mr KINSELLA:** I think that is obvious; otherwise we would not have gone out and invested in the extra filtration equipment and we worked our way through making sure—we believe that we have

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a very robust system now that has virtually unlimited capacity, given the size of the floor plan that people can come on and use.

**Hon SUE ELLERY:** On the work that you have done now, what have been the costs of the modifications to get that filtration system to match your floor space footprint size?

**Mr KINSELLA:** We have spent about \$290 000 on the actual equipment upgrade of the filtration system. We have doubled the number of filters. We have put in two UV filters, and we have added another pump to the system and improved the calibration measurement of the amount of chlorine and pH travelling through the water, and we have made sure that the water has longer in time; that is, the water has spent more time being filtered before it goes back up onto the deck.

**Hon SUE ELLERY:** Are there any other costs separate to the filtration system that you have had to undertake for preparing the water park to reopen?

**Mr KINSELLA:** Look, there will be minor costs associated with the peer review from IFAP on our hazard analysis critical path plan. Any other costs associated with that will be costs that will be picked up by the major contractor on the site.

**Hon SUE ELLERY:** Doing, let us call it, the hazard analysis critical path plan, have you incurred any additional costs in having to prepare that information for the Department of Health?

**Mr KINSELLA:** No. Most of that information, as I said earlier, was with us in terms of the works that we have done in doing the upgrade, so we had that information available to us.

**Hon SUE ELLERY:** How much of the costs for preparing the park for reopening and any of the costs in respect to modifications of the filtration system has the private company that built the park had to pay or will have to pay?

**Mr KINSELLA:** I do not have that figure with me. We will have to work that through.

**Hon SUE ELLERY:** Are you able to get that?

**Mr KINSELLA:** I do not have access to all of it. I can certainly ask them to provide us with their estimated figure there, yes.

**Hon SUE ELLERY:** Can we identify that, chair?

Mr Kinsella, through you, minister, if you are able to split what the taxpayers have had to pay and what that private contractor has had to pay, that would be helpful as well.

**The CHAIR:** As part of that, yes.

*[Supplementary Information No E1.]*

**Mr KINSELLA:** We can do that, and a lot of those costs are inside the approved basic form for the works at Elizabeth Quay.

**Hon SUE ELLERY:** One more and then I will hand back to you, if I may, chair. The park, as I understand it, was originally built to cater for about 150 people. With the modifications that you have made now, are there any additional numbers that can be safely accommodated using the water park in its new version—more or less?

**Mr KINSELLA:** Without being too precise now, it goes now into the fact that the reason that we have done the upgrade of the water park is not really how many people are actually sitting on the deck; it is the amount of time that the water goes through the filtration system and is held in the filtration system. All of the science associated with the water park is based around the amount of time the water has to be cleaned before it goes back up on the deck and the time that the water is scrubbed. So, the capacity that we have been building is in that part of the project. In our first attempt, we did not have enough scrubbing capacity of the water. That was a problem we got ourselves into. It is really not so much a numbers things; it is about the quality of the water that is delivered up on to the deck. In the actual filtration system, there is computer monitoring, live

monitoring of the water as it comes through, and the quality of the water is measured. Then we have tolerance levels inside that that we operate in. In the event, if it had been working for some time, and the water—the chlorine level, the pH level—dropped below the tolerance level, then the computer automatically turns the water off to the deck. It continues to scrub the water until the water is satisfactory to go back up on the deck. In most cases, that self-turning-off issue would result in the water not going back on the deck for one and a half to two hours.

**Hon SUE ELLERY:** At the beginning you said the problem was more people used it than you were anticipating.

**Mr KINSELLA:** Yes.

**Hon SUE ELLERY:** Now you are saying that the number does not actually matter. If five times the number of people turn up and use it than used it in January, that is not going to be a problem.

**Mr KINSELLA:** Look, the issue for us is that when we started, in fairness to ourselves, we did not actually understand all of the science about how these things operate. It was a new initiative for us, but we have now come to that understanding and learning that it is more about the energy and effort you put into making sure that the water stays acceptable for public health use in the spray park.

**Hon SUE ELLERY:** If there are a larger number of people and the computer picks up that the chlorination level is not what it needs to be, it could shut down again and stay shut for another hour or hour and a half while it does the extra scrubbing that it needs to do.

**Mr KINSELLA:** It is designed so make sure that the only water that goes to the deck is water that is suitable for being on the spray park, so that is right. It is a process now that takes it out of human hands so that it is controlled and monitored by the computer, in a sense, to make sure that we only put suitable water onto the deck.

**The CHAIR:** Sounds like it might be shut down now and again.

**Hon SUE ELLERY:** It sounds like it to me.

**Hon ALANNA CLOHESY:** Can I just go to the financial statements and a couple of the notes on the financial statements. On page 76 under “Intangible assets” is accumulated amortisation. Could you just explain to me those figures, and why?

**Mr Reutens:** The authority holds software at cost and then we depreciate or amortise it over the life of the software, so that is recorded as a charge on our income statement every year. That is the accumulated amortisation against that software.

**Hon ALANNA CLOHESY:** Okay. So you spread it over —

**Mr Reutens:** A period of time in the life of the asset. For normal furniture and equipment it is called depreciation and for intangibles we call it amortisation.

**Hon ALANNA CLOHESY:** Also on page 80, there is some equity of the authority—contribution from government, capital contribution of \$63 million. When was that paid and what is it for?

**Mr Reutens:** These are contributions received to the MRA from the state government centrally—some central consolidated funds throughout the financial year. What are they paid for? They are paid for our projects to be funded; in particular, the majority of these projects is Elizabeth Quay.

**Hon ALANNA CLOHESY:** Ordinarily, we would see in the budget X amount of money from consolidated revenue coming into the MRA for a capital contribution, and then that would be seen as Elizabeth Quay or Scarborough or Midland or whatever.

**Mr Reutens:** Yes, that is right. So in budget estimates we can see the table there of appropriations provided to the authority, and it is broken down by redevelopment area, as I recall, so that matches up to what we receive. This is the actual drawdowns that we have received in that financial year.

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**Hon ALANNA CLOHESY:** Did that \$63 million actually appear in the budget the previous year, 2015–16, which we are reporting on?

[3.40 pm]

**Mr Reutens:** The appropriations that were budgeted to be provided to the MRA in the 2015–16 year were in the 2015–16 budget, yes.

**Hon ALANNA CLOHESY:** So all of them were?

**Mr Reutens:** Yes. I cannot remember what exact number was provided in the budget papers last year. I think it was 63, but I cannot remember if we drew down —

**Hon ALANNA CLOHESY:** Can we get you to check that it was included in the appropriation?

**Mr Reutens:** Sure.

**Hon ALANNA CLOHESY:** I guess my question is: was it forecast?

**Mr Reutens:** I understand.

**Hon ALANNA CLOHESY:** Was that forecast? The other part of that is, if not, when was the amount appropriated and for what purpose?

**Mr Reutens:** Yes; I understand the question.

[*Supplementary Information No E2.*]

**Hon SUE ELLERY:** Page 18 refers to Perth City Link. It states —

A new land release strategy will rollout in 2016 while negotiations relating to two lots adjacent to Perth Arena continue with an alternative developer.

What is the status of each of the blocks now at City Link and what is the anticipated revenue from these land sales?

**Hon DONNA FARAGHER:** I will ask Mr Kinsella to respond.

**Mr KINSELLA:** I have a chart; I do not know whether that will help you. The first two lots, lots 2 and 3A, are the lots adjacent to the arena, which we have contracted with Hong Kong's Far East Consortium. The sale price for them is \$4 million, and we expect that they will put on them serviced apartments, a hotel and residential apartments. Basically, that deal has been contracted. We are waiting for the issue of titles to settle that deal, which will happen sometime early in the calendar year. We will move on from there.

Just in the last two weeks, the next lots are lot 3B, lot 4, lot 6 and lot 7. They are lots that start from the arena and come further east. Those lots have just gone into the marketplace now, so expressions of interest for those lots are going to close on 30 November. Then we will work our way through assessing the bids we get for those lots.

The last four lots, lot 9 north, lot 9 south, lot 10 north and lot 10 south, we will wait and see the results of this expression of interest and have a feel for the market conditions, and, you know, we will let them to the market somewhere in the next two to three years depending upon what we perceive to be the market appetite at the time.

**Hon SUE ELLERY:** Going back to my favourite subject —

**The CHAIR:** Before you leave that subject—if you would not mind, Hon Sue Ellery: on City Link and the Kings Square precinct, the business Woogi Espresso has temporarily closed down at this point in time, and a couple of others, Eat House, Jamaica Blue and Brew-Ha, are also feeling the pinch, it says in this article. Has any consideration been given to some compensation to those people while this precinct is being built, similar to Elizabeth Quay?

**Mr KINSELLA:** Chairman, those businesses you mention are domiciled in buildings that were built by Leighton Properties and on land sold by Channel Seven, and three of those four buildings

are actually owned by the Dexus Property Group. They are properties that the MRA does not have any control over at all. If you look at the Perth City Link precinct, there was, I think, six lots that were owned by Channel Seven and the balance of the lot was owned by the state government. We have never made any commitment to build on that site prior to the time frame that we are continuing on, so we are not out of sync with what we said we would do on that site at all. Those people who are not travelling so well on those sites, their recourse is back to the landowners, which is Dexus.

**The CHAIR:** Who they are tenants for now, but it is the development of City Link in the Kings Square that is causing them some of the issues, is it not? You are quoted in this article, in fact.

**Mr KINSELLA:** Yes. Basically, it is a situation whereby land that was around the old Entertainment Centre was owned by the Channel Seven and the balance of the land was owned by the state, but in practical terms the state is not behind the eight ball in terms of delivery of the buildings that we were going to deliver. The underground bus station was only just completed, and most of our land is impacted by that; it was only just completed two months ago. I do not think we have actually got access to some of that land yet; we are still waiting for the PTA to clear itself from that land. We have a \$10 million project on foot now, running services into those lots, so I think if those businesses are feeling any pain it is because representations that are made to them by, you know, the developers there in Leighton Properties rather than by the state government.

**Hon PETER KATSAMBANIS:** One of the great advantages of City Link—there are going to be lots of advantages—is the ability to access it from the north side, from the site that the railway line used to occupy. Is there any time frame as to when the public will be able to access any part of that precinct, whether it is the Kings Square precinct or any other part of the precinct from the north side?

**Mr KINSELLA:** The working title we have for Kings Square is a small pocket part that is actually the extension of King Street to the north, and that road will be trafficable from May next year. Somewhere around June or July next year the Yagan Square program will be finished and there will be access along the William Street mall for people, and then Queen Street will open probably in 18 months to two years' time, depending upon the build out there. The first vehicle connection will be May of next year.

**Hon PETER KATSAMBANIS:** That will be pedestrian connection as well, of course?

**Mr KINSELLA:** Yes, it will be.

**Hon PETER KATSAMBANIS:** That is great. That is one of the main impediments to getting foot traffic to those businesses that Hon Rick Mazza talked about—it is only people who are in that precinct or can access from the southern side. If you can access from the north, I think it will create a much better flow and a better corridor.

**Mr KINSELLA:** Yes. I think the significant issue about foot traffic in the precinct is that building KS1 does not have any tenants in it and building KS3 has only got limited tenancy. Like most people there, those tenancies not being there is basically based on what has happened with the commercial office market in Perth in general, which is sitting at the 24 per cent vacancy mark.

**Hon SUE ELLERY:** I will go back to the water park —

**Hon PETER KATSAMBANIS:** The good old water park.

**Hon SUE ELLERY:** Yes; it keeps on giving!

I want to ask about the regulation of the water temperature. If there is an issue, are you aware there is an issue because of the design and essentially the lack of shade? Does that contribute to an issue with the water?

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**Mr KINSELLA:** Obviously the temperature of the deck will impact on the water, although the water does not stay on the deck for very long; it is sprayed and comes off pretty quickly. Under our new control conditions, a temperature mark has been set for the temperature of the water in the tank. The temperature of the deck is not at play; it is the temperature of the water when it comes back to the balance tank, and we have an agitator in the balance tank to try to keep that water moving and the way it flows through the system. There is a set of guidelines we have around what the temperature in the tank will be. At this stage it will be a matter of running that through. Part of our management conditions going forward will be that we will be monitoring the temperature in the water tank and monitoring the cleanliness of the water. We are saying that when the water—again it is all about the water—gets to a condition that we do not think it is safe to put up on the deck, and that is inside the tolerances we have been given by the health department, then the automatic system cuts in and we do not put water on the deck. The design is there to make sure the public health of the water spraying on the deck remains absolutely within tolerances all the time.

[3.50 pm]

**Hon SUE ELLERY:** Did the Department of Health recommend that you put shade over the water park?

**Mr KINSELLA:** We are in the process of procuring and putting some shade over the deck, and we are also working with the Cancer Council on putting a meter in place so people can understand what the temperature is and what that means in terms of the amount of time that children or adults should be in the space.

**Hon SUE ELLERY:** Or people with red hair and fair skin.

**Hon DONNA FARAGHER:** I hear you—and who have two small children!

**Mr KINSELLA:** I can get sunburnt on a 24-degree day. The shade is being procured now, not only for the water park but also the other playground, and we are working to have the meter in place and educate people.

**Hon SUE ELLERY:** Was that a recommendation of the Department of Health?

**Mr KINSELLA:** They have talked to us about those things, yes, and we are happy to do that, and we have also put in place, since the water park has opened, a substantial number of umbrellas that you see around the site. We have put an extra lot of those around the park. There will be shade sails on the southern side of the park and on the northern side, I think, 10 to 15 new umbrellas have been put in place.

**Hon SUE ELLERY:** I want to talk about the assistance paid to the new food and beverage outlets—the Reveley, the V Burger Bar and Gusto Gelato. It is in that same bit—I think it is page 17—on Elizabeth Quay. Can you tell us what has been the total cost of assistance that you have paid to these outlets, and to Voyager, in assisting with fit-outs and the like?

**Mr KINSELLA:** Basically, that figure is around \$870 000. When we make a normal commercial arrangement—if we make a contribution towards fit-out, the fit-out is essentially a fixture inside the actual restaurant. The MRA maintains ownership of the restaurant, so they are capital works that go into the restaurant, and will be continued. If in the event that the operator decides to vacate the premises, that equipment would stay, so in a sense it is an improvement to the actual restaurant itself. Some of the arrangements have a free period, where people have got the opportunity to trade without paying us any fee at all, and then some of them are based on, as their turnover increases, we get a share of the turnover.

**Hon SUE ELLERY:** Just so that I can be clear, that total of \$870 000 includes a component related to rent assistance, rent-free periods et cetera, or is it just about physical fit-out et cetera?

**Mr KINSELLA:** That is the contribution towards the fit-out across the four venues.

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**Hon SUE ELLERY:** Okay, so \$870 000 is the fit-out across those four venues. If I can turn to other financial assistance around rent-free periods, for example, are you able to quantify that in terms of dollars?

**Mr KINSELLA:** Not particularly, because, in saying that, what actually happens—we might, now that we have got trading records for those restaurants in their first six months. Basically, what happened is that they needed to reach a threshold turnover before they then started to pay rent to us. There was a time embargo—whether it was three months or six months—on them having to make any payments. We will have audited figures in place that allow us to see what they did turn over; and, if we did give them that holiday from paying us something, we work that out. We will probably have that as part of this year's annual report, as to just where we have gone, and to be able to give a good estimate of what revenue we did forgo in those start-up periods.

**Hon SUE ELLERY:** Based on the length of time they have been operating now—take it on notice—are you able to give us an estimation of what you think that assistance to them has been to date?

**Mr KINSELLA:** I do not have enough knowledge of just how much information we have from them. Can I take that on notice and give a commitment to do that? Under our sales contracts, we actually have a right to look at their turnovers by way of our leasing contracts.

*[Supplementary Information No E3.]*

**Hon SUE ELLERY:** I think you gave me some information earlier about blocks 9 and 10—the Far East. In respect to the Far East consortium for the apartments and hotels on blocks 9 and 10, how many of those apartments have been sold?

**Mr KINSELLA:** I do not think that information is available to us.

**Hon SUE ELLERY:** Okay. Maybe you can tell me this. The government has said elsewhere in Parliament that the government is to receive a share of the apartment sales revenue. Would you have the information about how much has been received so far and how much is forecast?

**Mr KINSELLA:** We have not received anything, because we get paid on settlement, and so we need to know what the total sales figures are, and then we get a percentage of the increase in revenue over and above what was anticipated in the initial contracting phase. It is called an overreach clause, and that is certainly in vogue. I can say that our understanding is that the state is doing relatively well in that consideration, because we have the sales knowledge to date, but we do not have the total figure here at this stage.

**Hon SUE ELLERY:** I refer to the Adrian Fini and Victor Goh blocks, which are blocks 2 and 3. Can you explain the reason for the difference in price? I think you got \$65 million for those blocks—2 and 3—but only \$25 million for blocks 9 and 10. Is that right?

**Mr KINSELLA:** Yes. Actually, 2 and 3 is an \$85 million deal that will be paid to the state, and is paid in three tranches. There is a backend payment of around \$20 million once we have reached practical completion on the complete build on blocks 2 and 3. The change in the market in Perth has been quite dramatic, from the time of the construction phase of all the work going on in the state to what is happening now. If we go back to when we put those blocks into the marketplace, there were no hotel rooms coming onstream in Perth, so the state government had a commitment to create some 1 900 new hotel rooms. We had big companies like Chevron, Woodside and BHP pre-booking rooms, so tourists could not get a room in Perth. We have stories of vice-presidents from Chevron staying in backpackers in Northbridge at the time. The state had an incentive program through cabinet to incentivise hotel buildings. In Elizabeth Quay, we did not go to that point but what we did do when we went to the market is we did mandate that there would be a five-star hotel on the site. That has caused the reduced price for that land, realising that next door we had Chevron. We had sold that land for \$64 million, which was a record price for Perth. In a sense, the mandating of the five-star hotel severely discounted that site at the time. Things have moved on from there.

When we went for the bid for lots 2 and 3, we had eight or nine very serious bids for that site. Five or six of them were from South-East Asia, and there was a lot of competition for the site. The Elizabeth Quay project is well known through South-East Asia as one of the best sites in Australia, and Mr Goh and Mr Fini made up their mind that they wanted the site. It would be our view that it is a record price for commercial land in the CBD of Perth. From the project's point of view, and from the state's point of view, it has probably been a bit of a windfall. That is a very, very top of the market price, which reflects on how well Elizabeth Quay is held by developers around Asia and the state.

[4.00 pm]

**Hon SUE ELLERY:** And the timing of the changes in the market.

**Mr KINSELLA:** Not particularly. You would think that the market would have degenerated from where we were when we were out with lots 9 and 10. Look, people have confidence in—when we sold lots 9 and 10, Elizabeth Quay had not opened. It was a sort of facilitating-type development. The people that bought that were Far East Organization in Hong Kong. It was really a matter of developing confidence in the product, and the outcome. I think when we speak to developers, they see the value in the site. We travel to Asia on an annual basis to talk to developers. They know the product well and they understand what it is, and there is a limited supply. There is now only one lot at Elizabeth Quay—lot 4—that has not got any sort of contracts or obligation or exclusive right over it, and we expect that lot 4, which is in the market at the moment, will also gain good credence.

It is a bit like we expect that the land on Perth City Link will go well because it is the best transit-oriented development location in Australia due to the level of investment that has been made by the state and commonwealth governments into the site with the arena and Yagan Square. There is already \$1.9 billion, a billion worth of investment happening on Perth City Link. In any other jurisdiction, it would be seen as a very strong, successful debut for that project, and we believe that the land value there will eventually climb over the next few years as well as we come out of this deep cycle that we have been in with land value.

**Hon DONNA FARAGHER:** I would also put with respect to Elizabeth Quay, as I understand it, that when it was originally announced, there was an expectation that through land sales we would reach around \$175 million. We have now reached that with the finalisation of lots 2 and 3. We still have one lot to go. So we are now in addition to even what the government at the time had expected, which is good.

**Hon SUE ELLERY:** Okay. I will keep going until you shut me up, Mr Chairman. Can I go back to the commissioning of the water park. Can you confirm, or otherwise, that PricewaterhouseCoopers were engaged to assist with the commissioning?

**Mr KINSELLA:** PricewaterhouseCoopers are our project managers, so they look after all of our works on the site. On behalf of the government, or on behalf of the MRA, they look after the subcontractors and the main contractor on the site. The people from PricewaterhouseCoopers did not actually do the commissioning but they were supervising and being associated with making sure that happened.

**Hon SUE ELLERY:** Okay. Are you able to tell us what the cost of PricewaterhouseCoopers' engagement is?

**Mr KINSELLA:** Across the whole project?

**Hon SUE ELLERY:** Yes.

**Mr KINSELLA:** The \$400-odd million project, I cannot give you the exact figure today, but it is in the vicinity of around \$10 million.

**Hon SUE ELLERY:** Perhaps we could take that on notice as well just to get that figure confirmed, please.

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[*Supplementary Information No E4.*]

**Hon DONNA FARAGHER:** And, again, that is for the entire site.

**Hon SUE ELLERY:** Yes; I understood it. So, they are project managers. They are managing your relationships with all of your contractors and subcontractors on that site.

**Mr KINSELLA:** And keeping them accountable, yes.

**Hon SUE ELLERY:** Okay. I am going to move off the water park now. Page 33 of the report refers to Wungong Urban. What is the total value of the landholdings by MRA in that development?

**Mr KINSELLA:** Nil in Wungong. Basically, Wungong is a group of landowners that come together under the development contribution scheme, and we are basically the managers of that space and of that scheme in particular. We have a planning scheme over Wungong which allows us then to operate the development contribution scheme.

**Hon SUE ELLERY:** Page 80 is your financials. It talks about the capital contribution from government in 2016 of some \$63 million. Are you able to tell us when that capital contribution was paid? When did government make a decision to make this contribution, and was it forecast at the beginning of the year? I am trying to understand the timing of the decision.

**Mr Reutens:** I think the MRA drew down the capital contributions during the financial year. I do not know the exact dates of the withdrawals, but it was a normal process of agencies receiving appropriations from Treasury.

**Hon DONNA FARAGHER:** Can I just indicate—Hon Sue Ellery might have been otherwise engaged on a particular matter—but I think Hon Alanna Clohesy asked some similar questions at that point.

**Hon SUE ELLERY:** Was there any answer to that?

**Hon DONNA FARAGHER:** In part, I think. So if it is helpful to Mr Chairman, we can just crosscheck and we will give you a consolidated answer, and if there is anything that you have added that is not in —

**Hon ALANNA CLOHESY:** Sue's questions might be different.

**Mr KINSELLA:** Can I just give some context about these allocations? Basically, in our budget papers we have —

**The CHAIR:** Sorry, can I just stop you there so we can get this clear on the question on notice. Hon Alanna Clohesy asked about a depreciation. I think it was a written-down value amount.

**Hon ALANNA CLOHESY:** I did, but I did not take that on notice. I got an answer.

**The CHAIR:** So which question is the same as the one that you are asking?

**Mr KINSELLA:** The capital contribution of \$63 000.

**The CHAIR:** Okay, which was E2.

**Mr KINSELLA:** Yes, that is right.

**Hon SUE ELLERY:** I am relaxed if it is all in that. Okay?

**Hon ALANNA CLOHESY:** Just ask your questions, to make sure.

**Hon SUE ELLERY:** I have asked them. Sorry, I have to look at my list.

**Mr KINSELLA:** Chairman, just as a point of order, or just to help the members, when we publish our budget papers, we have an asset investment program, and where the funds are coming from should be obvious for each project area. We have a slightly different area in Scarborough, because at Scarborough we do not actually own the asset—the state does not own the asset. The reserves that are in the management order are in the City of Stirling. So when we spend money at

Scarborough, it does not sit in that asset investment program, but it will be part of that \$63 million drawdown.

**Hon SUE ELLERY:** I have got one last question.

**The CHAIR:** Ask it.

**Hon SUE ELLERY:** Thanks, and then I am done. Blocks 7 and 8—I am still going with land sales at Elizabeth Quay—are the Chevron blocks. Are you able to bring me up to speed with what is happening with those?

**Mr KINSELLA:** We had the request for the two-year delay, and we have entered into a deed with Chevron to effect that delay. We have also been able to negotiate with Chevron an investment by them to put the grass and services onto that lot so that it can be used for activation in the meantime. Works are happening on that site as we speak. We expect that somewhere in the next six weeks that lot will be available for us to use during our summertime public activation while we wait for that. All that detail is in the original contract in terms of DA lodgement and then everything was just put back on the two-year time frame that they requested.

**Hon SUE ELLERY:** So that activation, who pays for those works? What is the deal there?

**Mr KINSELLA:** The works will be paid for to get it to ready to go. Anything that goes on top of that will be done by people making an application. In the main, we have found that because the site is so popular, we are not spending very much money on sponsorship to get things to happen on the site at all. People are coming to us now and we are actually charging them a fee to use the space, in the main. There is a little bit of give and take in there depending upon the event. For commercial deals, we are certainly charging a fee. Sometimes when it is a community project, then we would be providing our space and security in kind.

**Hon SUE ELLERY:** That is it; I am done.

**The CHAIR:** If there are no further questions, we will leave it there. On behalf of the committee, I thank you for your attendance today. The committee will forward the transcript of evidence, which highlights the questions taken on notice, together with any additional questions in writing, after Monday, 31 October 2016. Responses to these questions will be requested within 10 working days of receiving the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible beforehand. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit these to the committee clerk at the close of the hearing. Once again, thank you for your attendance today.

**Hearing concluded at 4.10 pm**

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