

**STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS**

2016–17 BUDGET ESTIMATES HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
TUESDAY, 14 JUNE 2016**

**SESSION FOUR
METROPOLITAN REDEVELOPMENT AUTHORITY**

Members

**Hon Ken Travers (Chair)
Hon Peter Katsambanis (Deputy Chair)
Hon Alanna Clohesy
Hon Rick Mazza
Hon Helen Morton**

Hearing commenced at 5.00 pm

Hon DONNA FARAGHER
Minister for Planning, examined:

Mr KIERAN KINSELLA
Chief Executive Officer, examined:

Mr SEAN HENRIQUES
Executive Director, Project Delivery, examined:

Mr MARK REUTENS
Executive Director, Corporate Services, examined:

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

The Witnesses: Yes.

The CHAIR: Thank you. 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 Parliament's 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 committee to scrutinise the budget papers and the committee values your assistance with this.

Unless the minister has any introductory remarks, I invite members if they have any questions. Hon Sue Ellery has the call.

Hon DONNA FARAGHER: Can I ask a favour? I noticed that when Hon Stephen Dawson was at that particular microphone, it was going in and out. Could we move it closer to you?

Hon SUE ELLERY: How is that?

Hon DONNA FARAGHER: Perfect. Thank you.

Hon SUE ELLERY: If I can ask some questions about Elizabeth Quay. The first is following up from answers that were provided to one of my colleagues in the other place following their estimates. It relates to the commercial arrangements for the four food and beverage outlets at Elizabeth Quay. My first question is: for each of those four food and beverage outlets, what was the capital contribution provided for the establishment of their facility?

Hon DONNA FARAGHER: I will ask the CEO to answer that question

Mr Kinsella: Chairman, the issue with the capital contribution, which is a normal thing that would happen, is that we have a deed that we actually have that we enter into with the lessee to those places so that matter remains commercial-in-confidence to an arrangement between ourselves and the incoming lessee—one that, firstly, protects their commercial position and, secondly, from our point of view, we are trying to put those deals in place and not show our hand so that when we are negotiating the next deal, which we might do for food and beverage outlets at Yagan Square, we are

still able to maintain a strong financial negotiating position in the leaseholding. I know that might cause some frustration, but I am unable to reveal those details unless there is another way of my doing that in camera or some other way. We do have that problem with those deeds that are in place.

Hon SUE ELLERY: The problem that the Parliament has with that answer is that you are expending taxpayers' money. I can appreciate what you are saying about wanting to get the balance right between being able to negotiate future arrangements with other food and beverage outlets elsewhere, but there ought to be a way where the Parliament is able to examine the expenditure of public funds on what is a public facility—Elizabeth Quay being a public facility, with significant expenditure by the public so far. I wonder if you could consider doing it this way: do you have a total amount across the four that you could reveal?

Hon DONNA FARAGHER: Mr Chair, if we could take it on notice. I understand the question that you have put, and I think we can assist in that regard, but we probably just need to check against those deeds. I think we can provide that information. If we could take it on notice, we will get that to the member.

[Supplementary Information No D1.]

Hon SUE ELLERY: I have another question on that matter, so let us see if I can get this or if you need to take this on notice as well. How long was the rent-free period for each of those outlets?

Hon DONNA FARAGHER: I might ask the CEO to respond to that.

Mr Kinsella: All of the rent-free periods varied depending on the size of the lease and the style of food and beverage because they are different in nature, but again they are covered by the deed. If we could take that on notice, then we can provide you with the answer we can inside that commercial requirement. My concern is that we have signed a deed and I do not want to break the confidentiality of that deed.

The CHAIR: I would be confident that the deed allows you to provide that information to Parliament, would it not?

Mr Kinsella: I could not tell you that without—I have not got all the detail of the deed in front of me, chair.

The CHAIR: In most cases, through either your establishing legislation or the Financial Management Act, whichever you come under, there is normally a provision that says that you as an agency cannot sign any contract that prevents the provision of information to Parliament. I am assuming that that would be the case, would it not?

Mr Kinsella: I am not able to give you a direct answer now.

The CHAIR: We might talk about the Carat contract later; there is a question mark over whether that does or does not prevent you providing it to Parliament.

Mr Kinsella: Chair, I understand where the member is trying to come from. I just do not have the exact details of what I am able to do and not able to do within those deeds. We will respond the best we can inside that and provide advice and then if that is not suitable, we are happy to follow that through with the follow-up question.

[Supplementary Information No D2.]

Hon SUE ELLERY: If I can move on then, but still on Elizabeth Quay, I want to ask some questions about the sequence of events around the opening of the water park. What we know is that the Executive Director of Public Health gave advice to the Department of Health on the day before the park opened that a permit to operate will require the return of a negative test. My first question is: was that information communicated to the MRA?

Mr Kinsella: No.

Hon SUE ELLERY: The second question is: given that a negative test was never received before the opening, who was responsible for opening the water park on 29 January? If I put that another way to you, it is my understanding and my advice that a test to determine whether there was a negative finding was never undertaken. Who took final and ultimate responsibility for opening the water park on 29 January?

[5.10 pm]

Mr Kinsella: The Department of Health issued us with a compliance certificate at about three o'clock on that day, so we would open the water park only on that advice from the Department of Health. What actually happened was that on the Thursday we were informed there was presence of bacteria in the backwash pipe. Obviously, we were keen to have the water park operating as part of the opening of Elizabeth Quay. We took advice from the health department regarding bringing in a contractor who was a specialist that the Department of Health had faith in and we went through a series of procedures to superchlorinate and wash down the water park. We did that during Thursday and we kept up filtration of the system overnight. We did another wash on Thursday morning and the chlorination. These were a series of procedures that we said to the health department we would do. Somewhere early to late morning on Friday, we were informed that those procedures were acceptable and then it took two or three hours for the health department to issue the compliance certificate. We only then turned on the water park once we had that compliance certificate.

Hon SUE ELLERY: Thank you for that. There are two elements I want to follow-up in your answer. In the communication between you and Department of Health about whether the employment of a contractor and superchlorination was going to be sufficient, was any information conveyed to the MRA at all that superchlorination was going to occur without anybody doing a further and final test to determine whether there would be a positive or negative result?

Mr Kinsella: I am not aware of any communication to my office. There may have been communication between the health department and our consultant, but I do not think that particular statement you are seeking was part of that information. Our understanding of where the bacteria was, what that it was a non-disease causing bacteria. It was in the backwash pipe, so it could not get onto the deck; it could not get into the water system. In fact, what we were doing was like a cleansing and making sure there was no possibility that any other bacteria could get into the system from the deck because the system itself was operating okay at that stage.

Hon SUE ELLERY: Thank you. You can take this on notice. Are you able to check with the consultant that there was in fact no communication between the consultant and the Department of Health about whether another final test needed to be conducted to give a positive or negative result and whether superchlorination was being considered as an alternative to doing a final test to determine whether a negative or positive result was reached?

Mr Kinsella: We can take that question on notice and make that request. Basically, the way it operated, the consultant was called in and they put in place a regime of procedures that they would undertake to make sure that superchlorination and other procedures would happen so that there was no doubt in anyone's mind that there was no health risk posed by the water park and that is why the health department was then able to issue that certificate of compliance.

Hon SUE ELLERY: Sure, but if you will forgive me, the Executive Director of Public Health is on the record as saying to his or her supervisors in the Department of Health that a permit to operate will require return of a negative test. So sometime between the Executive Director of Public Health saying that and a decision being made that superchlorination was all that was required, somebody determined that they would not do a final test to get a negative return. I am trying to track what extent that decision was made within the Metropolitan Redevelopment Authority.

Mr Kinsella: It was not with us.

Hon DONNA FARAGHER: I am happy to take it on notice but I foreshadow that part of the question you are asking relates to the Department of Health and its decision-making which, of course, is not part of the remit of the MRA. I am happy to take it on notice, but I am not sure whether the answer will be any different from what has already been provided. Superchlorination was part, as I understand it, of the actions that were required. I say again as I have said previously in relation to this matter—obviously, I was not the minister at the time—my clear understanding is that the MRA would not have opened the water park if it had not received the necessary approvals and the certificate to operate the water park by the Department of Health. I understand your question and I am happy to look at it and see whether there is anything further we can add but it may well be something we also refer to the Department of Health.

[Supplementary Information No D3.]

The CHAIR: I want to be clear. There was no-one in the MRA communicating with the health department, it was all done through your consultant?

Mr Kinsella: I did speak to a person from the health department after lunch, probably around half past one or two o'clock, because the certificate had not been forthcoming. From my understanding at 11.00 am we had met the requirements that our consultant had agreed with the health department to do to get clear. I would have rung the right level officer in the health department at least twice to say, "From my understanding we've met the requirements; can you please issue the certificate?"

The CHAIR: When you say an appropriate level officer, who were you inquiring of at the health department?

Mr Kinsella: I was trying to protect that officer's identity but I am quite happy to say who it is, if that is required of me here. It was Jim Dodds from the Department of Health.

The CHAIR: Did they tell you why they had not issued the certificate at that point? Was there any conversation in that regard between you and them?

Mr Kinsella: There was an issue going on that day that was of more importance in the total scheme of things because Jim Dodds was actually tied up in a telephone conference across Australia trying to put in place protocols for the Zika virus for Australia, so Jim's attention was on that and he was coming out of the meeting and talking to me and trying to get one of his officers to issue those compliance certificates. I appreciated that he had a fairly major issue in front of him so he was doing the best he could under the circumstances to make sure that we got the compliance certificate.

The CHAIR: You said there were two calls. How far apart were they spaced and what sort of times were they then, if there were two calls?

Mr Kinsella: I do not have that record, but it was post lunch and there would have been one at half past one and one about 2.15 or so.

The CHAIR: Why were the two calls necessary? If you had spoken to him and he was a busy man and he said he was going to get his staff to fix it, why did you need the second call?

Mr Kinsella: Because I could not open the water park without the compliance certificate, so we had the follow-up.

The CHAIR: At the earlier call, did he say he would get it to you within the next half our and that is why you rang at 2.15 or did he say, "There's still some issues that need to be resolved and I'll get back to you"?

Mr Kinsella: No; it was just that he had to get someone else to do the work.

The CHAIR: With all due respect, I find it a bit bizarre that you would ring someone at 1.30 having known that at 11 o'clock everything was resolved. They would say that they were going to get it fixed, that you would not agree on a time that they would get it to you by, and then they would deliver by that time if there were no problems going on.

[5.20 pm]

Hon SUE ELLERY: I might follow up on that and you could maybe think about this while you seek advice. I am also interested in communication between you, your office and the Premier's office in the days leading up to the opening and whether or not the same kind of information was being exchanged with the Premier's office. I ask you to answer the question: was the fact that you made two phone calls to the Department of Health generated by requests to you from the Premier's office to hurry up and get a certificate?

Mr Kinsella: No, that was not the case. As you would expect as a minister, I informed the chief of staff on the Thursday when the issue had arisen that we needed to go ahead and do the work so —

The CHAIR: Sorry, whose chief of staff?

Mr Kinsella: This is the Minister for Planning's office. I did not have any contact myself personally with the Premier's office at all. In the event that we were not going to be issued with the compliance certificate because of that matter, I did not want it to be a surprise on the Friday, so that was a heads-up to the chief of staff, which is appropriate for me to do. I had no contact at all with the Premier's office. Chairman, with respect, we expected a crowd to come, so I had asked for the certificate to be issued. It had not come after 45 minutes and I wanted to make sure that I had that certificate because there was anticipation that we would open that park that afternoon. If I am guilty of having lacked the—I was told that the certificate would come. After 45 minutes it had not come, so I thought it was appropriate for me to request that. That is my position.

The CHAIR: When you rang at around 1.30, the agreement was the certificate would be delivered within a short space of time?

Mr Kinsella: It was going to be emailed to my office and it had not happened. There was not a time frame set on it; he just said, "I'll get on to it." It had not arrived so I rang again.

The CHAIR: In those conversations, there was no discussion about whether they had any concerns?

Mr Kinsella: No, there were no issues about that. The decision had been taken at 11 o'clock, as I understood it, to issue the compliance certificate. As I have said before, Jim had his mind on other things and when he was taking the phone calls, he was taking phone calls and stepping out of the meeting on his mobile phone. He was in a teleconference, as I understand the situation. He then had to get the message to me.

Hon SUE ELLERY: If I can follow up. Based on what you have just told us, when you communicated with the Minister for Planning's chief of staff, are you able to tell us what communication between the Thursday and the opening you had with the Premier's office?

Mr Kinsella: The Premier's office?

Hon SUE ELLERY: Yes.

Mr Kinsella: I had none myself.

Hon SUE ELLERY: Did anyone from your office have communication with the Premier's office?

Mr Kinsella: No.

Hon SUE ELLERY: Nobody from the Premier's office put to you, or to anyone in your office, any pressure or expectation that you needed to ensure that the opening went ahead, irrespective of what the Executive Director of Public Health has now said that a permit to operate will require the return of a negative test?

Mr Kinsella: I was not aware that that was an issue about the negative test. As far as we were concerned, the bacteria was in the backwash; it was not affecting the water quality at all. I still do not quite understand why you would need to test the water in those circumstances. From our point

of view it was not a matter; we had no conversation or no inferred pressure or anything from the Premier's office and I had none from the minister's office. I gave them the heads-up. I have not got total recall of what happened on the Friday in terms of—I am sure that I had another phone call with the chief of staff in the Minister for Planning's office just to let her know how things were going on the day, but I can assure all members of the committee that if I did not get the say from Health we would not have issued the compliance. From our point of view we were not going to compromise any public safety and we were not going to turn on the water without a compliance certificate. That is why we were certainly very, very keen to get the certificate so we could turn it on.

Hon DONNA FARAGHER: Can I also just say that the former Minister for Planning has publicly stated that no “pressure”—I know that that is the term that has been used—was placed on making sure that the water park opened. Again, the water park would not have opened if the certificate of compliance and the permit to operate had not been given to the MRA.

Hon SUE ELLERY: Thank you for that. I want to move forward to the monthly test, but I just want to make this point: from the outset, if we had accepted at face value the information that was given, we would never have established that in fact the Executive Director of Public Health said that a permit to operate will require the return of a negative test. If we had not pursued these issues, we would not have found out that there was consideration that the opening of the park on that day required a particular test and that in fact that particular test was not undertaken. I do not back away from pursuing these issues at all because if we had not, we would not know what we know so far. Every time we ask, we find out a little bit more.

The CHAIR: Before you move to your next question: Mr Kinsella, do you make any diary notes or file notes of conversations you have?

Mr Kinsella: Not with those three conversations we are talking about.

The CHAIR: But do you generally make them?

Mr Kinsella: I am not a great diary note maker, no.

Hon SUE ELLERY: I am going to move on. In respect to the monthly testing results for the Elizabeth Quay inlet, has a decision been made yet on whether those results will be made public; and, if so, can you provide those?

Hon DONNA FARAGHER: As I understand, and Mr Kinsella might add to this, we are currently working with the Department of Parks and Wildlife. They obviously have their own website where they put this information with respect to the Swan River more generally. As I understand it, the MRA is working with them to enable that information from the inlet to also be posted on that website. I understand they might have some slightly different programs for putting it on, and I think that is some of the work that is being done. Mr Kinsella, anything else?

Mr Kinsella: The testing we were doing was part of a management plan for the inlet post-construction. Basically, that is why we were doing the testing regime rather than Parks and Wildlife in a sense. We have still got that commitment to do it in terms of our post-construction management plan. We have been in negotiations with Parks and Wildlife about how we can post those results alongside the other results, because what we are trying to do is have one place where people can go to see all of those results alongside each other.

Hon SUE ELLERY: If I can ask one final question with respect to Elizabeth Quay water park: was there any communication from BHP about the opening of the water park, either before or after the opening?

Mr Kinsella: We had conversations with BHP because we actually had the general manager coming down to be with the Premier for the opening. BHP wanted to make sure that the opening did not go ahead without the compliance certificate, so from our point of view we were keeping them

informed of our progress with the health department and getting the compliance certificate. When the certificate came through, we were able to inform BHP's communications team that the certificate was in place and that the ceremony would go ahead. But as late as three o'clock we were certainly considering not going ahead with the opening if the certificate was not available to us, and BHP was aware of that.

Hon SUE ELLERY: That was communication with BHP beforehand. Has BHP expressed any concern to you since the opening?

Mr Kinsella: About what?

Hon SUE ELLERY: About the health issues related to the water.

[5.30 pm]

Mr Kinsella: We have had because they are an important stakeholder, in that we have had ongoing discussions with them. Basically, in my discussions with the BHP Billiton representatives they understand that we need to get the water park right and that we have explained to them why we have gone back basically to ground zero to start again to get things done. BHP Billiton also had a water park in Port Hedland that had similar problems getting open and operating, so they had been through that process before. They were aware of what was required to be done and I suppose like all of us were disappointed that the park was not opened, but we have explained to them what we are doing and what we are doing with the health department to make sure that when we do reopen the water park it will be able to cope with the crowds that will come there. Obviously, we are working together on that.

Hon SUE ELLERY: When do you expect it to open?

Mr Kinsella: Only just Friday week ago, we received approval from the health department for our new filtration build, so we are in the process of doing that. We will get that build done in the next two to three weeks, and then we will run the park to make sure that we get it up and operating. We will go through the testing regime and then we will submit our test results to the director of public health, and then he will make a call then as to whether or not we can reopen the park. We are in the hands of the health department, but let us say mid to late July depending upon how that testing regime goes.

Hon LIZ BEHJAT: I want to move to a different area of the north metro region, from the centre of the city up to Scarborough and before I ask my question, probably put on the record that I am very involved in the Scarborough redevelopment, having been recently appointed to head the community advisory group there. This is not a dorothy dixer, I can assure you, chair, looking at me that way; this is a genuine question.

The CHAIR: No, it worries me though that they are obviously not giving the head of their advisory committee information.

Hon LIZ BEHJAT: No. I note in the budget papers at page 824 we have the commitment about the asset investment program that the authority will spend \$22.4 million in Scarborough to deliver works as part of the implementation of the Scarborough master plan, and we know that in 2013 there was \$30 million committed to that plan. I want to know where I and the rest of the public can go to see how that \$22.4 million is going to be allocated. I do not see it there in the forward figures or in your works in progress. I know work is yet to start on the actual redevelopment, but can you just put a bit of light on that for me?

Hon DONNA FARAGHER: I will ask Mr Reutens to provide his advice in relation to that, but can I just indicate to all members that last week forward works actually commenced. That involves a number of elements in terms of excavation of land to construct the swimming pool, which is obviously a City of Stirling project. There are a number of other forward works that are being done

in anticipation of the major works commencing shortly. I thank the member for being a key part of the consultation group that we are establishing. I will hand over to Mr Reutens.

Mr Reutens: The reason it is not on the table of the asset investment program is that it is not considered to be an asset of the MRA because we do not own the land at Scarborough that we are working on. That is why it is not shown in the table. But for completeness to ensure that it is transparent we have included that note there on page 824, that the member referred to, to describe that we are spending the state's money on that project in that year.

Hon LIZ BEHJAT: For more details then, to go to the master plan.

Mr Reutens: Yes, and there is more detail on the MRA's website that describes the type of works and activities that we will be doing in the area.

The CHAIR: Does it ultimately become a grant to the local council?

Mr Kinsella: The local council basically have those assets under management and we are building them. Then, as we normalise, we will go from the area and the council will take over any built form or anything that we leave in place, yes.

The CHAIR: That will ultimately be a transfer to the local council?

Mr Kinsella: Yes.

Hon LIZ BEHJAT: Supplementary to that, I just want you to clarify for me. I know for the works that began on the swimming pool there has been man-made dunes that have had to be moved and that the sand that has been moved is going to be used elsewhere. There were also some trees that were taken away, but they were an introduced species of tree and there is going to be a lot more trees being replaced than what was removed. I think there is a misconception out there that we are doing dreadful things taking away trees, but we are putting trees back into the area.

Hon DONNA FARAGHER: Yes, I will ask the CEO to provide a bit more detail, but you are correct that some trees are being removed. An arborist—I understand that there has been an analysis in relation to that and a number of them are of your lower value, if I might put it that way. Mr Kinsella will have the correct numbers, but it is well over 600, I think, new trees that will be planted. There will also be some relocation of high-value trees as well and that has obviously very much been taken into account as part of the planning. But I will ask Mr Kinsella if he has further details.

Mr Kinsella: There is a portion of the man-made sand dune that sits in front of what we call "Sunset Hill". It is only a relatively small portion and the dune has been slightly reconfigured, but it opens up a wide gap, so that people sitting on the grass banks on Sunset Hill will have a clear uninterrupted vista to the water: a very popular pastime at Scarborough, when people come down and have a picnic basket or fish and chips and someone in the family sits there on that grass and enjoys that space. From a trees point of view, there are 690 new trees to be planted across the whole—I mean, Scarborough is a great big sea of car parks and the idea is to soften up the car parks. The trees that are being removed basically were trees of poor quality or trees that were actually in the direct way of the works. We did our best to keep as many of those trees as we can, but there are some that are going to be relocated. We are keeping some of the icon trees, if you like, of Scarborough and we are going to introduce some other trees besides the Norfolk Island pines to Scarborough, but, overall, in line with the City of Stirling's greening policy, we will be putting a lot more trees back into Scarborough, and they will all be in place by 2018, when we finish those works.

Hon SUE ELLERY: Just about moving the dunes for roads. Are you able to tell us if there have been any concerns expressed to you by the local member, the member for Scarborough, about moving those dunes to create space for the roads?

Hon DONNA FARAGHER: I suppose in a general sense the member for Scarborough, who is very supportive of this project, as you would well imagine, is also, however, conscious that the proposed roads have caused some contention within the local community. She has obviously been actively engaging with some of her constituents—I think held a couple of forums for those who live in the immediate vicinity. As part and in due regard to some of the concerns that have been expressed with respect to the roads that is why we are establishing a community reference group, to which Hon Liz Behjat will be the chair and we are inviting members of the community to put forward nominations to be part of that. I think that is important. There are obviously still a number of steps that need to be gone through with respect to the planning and decision-making of the final alignment and take into account a range of factors. I suppose that is part of the second phase and we want to make sure we get it right. Taking those community inputs early on as part of the community reference group is something that I am very keen to see happen.

[5.40 pm]

Hon PETER KATSAMBANIS: Just on the Scarborough redevelopment, how many of the existing car parks will not be usable in this coming summer period?

Hon DONNA FARAGHER: I will ask Mr Kinsella to answer that.

Mr Kinsella: I cannot give you the exact number, but it is quite extensive. I do not know if you have been to Scarborough in the last week or so, but you will see that the construction fences are up. We have tried to keep as many bays open as we can. I would say somewhere in the order of 80 per cent of the car parking bays are not available at this time. The forward works are scheduled to be completed by the finish of —

Hon DONNA FARAGHER: Can I just indicate that we are trying to do the forward works during the quieter winter months, recognising that it will have an impact on those who visit Scarborough. We are trying to do it in that period of time when perhaps there is less visitation than there is at other times of the year.

Hon PETER KATSAMBANIS: The reason why I asked is that I have seen the very recent works and the amount of work there is, and quite evidently it is a good idea to do it now. You are a bit constrained by whatever the weather will be like in the next little period. Is there any possibility that you could replace those bays with bays somewhere else within the precinct so that people can still access the area in the way that they have been used to?

Mr Kinsella: It is not possible for us to replace all of those bays in that time frame. The forward works are basically digging the hole for the swimming pool and the sand. The fill that is coming out of the hole, is being moved to create Sunset Hill. We are hopeful that by the end of this calendar year, Sunset Hill will be in place and a lot of those car parking bays will be freed up. I was on the wrong horse earlier on. Hopefully, by late this year we will be able to take down some of those construction fences and have those car parking bays that have been impacted returned for summer use.

Hon PETER KATSAMBANIS: Will there be any restrictions—really, I am asking about the summer period, say, from October onwards; I am not necessarily sure that it is a major issue right now—on the use of the beach? Will there be any impact of the works on the beach itself?

Mr Kinsella: No, but access to the beach may be slightly longer than has been the case in the past. Our sense is to try to have those forward works completed by Christmas. Gradually, as we can, we will open up that space as best we can. There will be some restriction on accessing the beach, but overall we will do our best to free it up as much as we can.

Hon PETER KATSAMBANIS: I am sure you will do this, but just to make sure it has not slipped through the cracks, will signage be available to direct people really clearly as to where the new access points are? Obviously, people who want to get to the beach and are not able to see the access

points or the usual access points could create disturbances for neighbours. If the signage is very clear, that will minimise that. Have you turned your mind to that?

Mr Kinsella: At the moment the fences just have white shade cloth on them.

Hon PETER KATSAMBANIS: I know; I pass them most days.

Mr Kinsella: We will be doing some way finding and some other messaging on those construction fences so people can find their way around.

Hon PETER KATSAMBANIS: Excellent.

Hon DONNA FARAGHER: Can I also indicate, when we were down there for the announcement, which was prior to any works commencing, the MRA had put up some signage around some of the bollards that said that for information, go to the MRA. I think there is a strong recognition that there needs to be clear information for people on access points and where some of the challenges might be with parking or whatever it might be.

Hon PETER KATSAMBANIS: As one of the local members for North Metropolitan, there is enormous goodwill towards the project. Nobody is saying, “Don’t do this.” People are saying, “Yes, we know there’s going to be some disruption and it’s great that some of the work is happening now so that the disruption is minimised during the period when the usage of the beach and the precinct is at its busiest in summer.”

Hon DONNA FARAGHER: Yes. That is what we are trying to achieve.

Hon PETER KATSAMBANIS: Well done.

Hon SUE ELLERY: Can I just zip back to Elizabeth Quay for a minute and ask you about getting the plumbing arrangements fixed. Are you able to tell us any more information than is already on the public record about your arrangements with the contractor to ensure that they will cover all the direct and indirect costs for the remediation works that need to be done?

Mr Kinsella: The contract is still afoot and any rectification works that need to be done are the contractor’s responsibility. There may be some indirect cost to the MRA because we are still supervising an element of the contract and managing an element of the contract in that regard, but, from our perspective, what is happening at Elizabeth Quay with rectification is not unusual with major projects. Our understanding is that the plumbing fix is relatively easy in terms of a major construction fix. From our point of view, the advice we have had since the last time we were publicly queried on this matter is that we have come a long way. We had an all-day session with our consultants to work through this and to come up with the best ideas that we can to clear things. We had very experienced people do a peer review of the situation. I think shortly we will be able to announce exactly what we are doing in terms of the works and have them done. I think some of the media portrayal of what is happening at Elizabeth Quay with the plumbing has been a bit more adventurous than the degree of difficulty there, and we are relatively confident that we will get that done shortly.

Hon SUE ELLERY: That was a courageous comment to make about the media; but good on you, if that is what you think!

Can I ask you about the indirect costs. You just referred to a peer review of the process. I think what you are referring to is a peer review of the process by which you are oversighting the remediation work. Is there a cost to that peer review process?

Mr Kinsella: Those costs will be picked up by the contractor as part of their rectification works.

Hon SUE ELLERY: So the indirect costs relate to what?

Mr Kinsella: They relate more to the MRA staff’s involvement in having to supervise that area. It may have been that we might have moved the project manager onto other duties prior to that, but that is the cost that we will be wearing.

Hon SUE ELLERY: I will ask about City Link. My understanding of City Link is that it is broken done into three parts. There are eight lots owned by government, there is Kings Square, which is owned by private considerations, and there are lots 2 and 3A, which are owned by the government, where it originally intended a hotel would be. With respect to the eight lots owned by the government, now that Mirvac has withdrawn from the project, what are the financial implications for the state over and above anything that might be listed in the budget papers? That is my first question.

[5.50 pm]

Hon DONNA FARAGHER: I will refer to Mr Kinsella, but I just want to clarify for the record. You referred to Mirvac withdrawing. In fact, it was the MRA that terminated their involvement, if I can put it that way, with Mirvac. It was actually the MRA's decision. It was a board decision; it was not that Mirvac were withdrawing. Just for the public record, I will say that and I will refer to Mr Kinsella.

Mr Kinsella: The eight lots about which we were negotiating potential arrangements with Mirvac do not have any revenues in 2016–17 being generated from them. What is actually happening at Perth City Link at the moment is that we are laying in a circa \$10 million contract along Wellington Street for services, and those works are to put the actual services onto the lots so they can be sold. It should be very clear that the land is not available and not completely titled yet for any development to happen on those lots, so where we were with the Mirvac negotiations was that we were a long way in front of the deal for them to be able to take possession. The out years—so years 2, 3 and 4—have around \$35.6 million potentially there in revenue. What we are now doing as an organisation is sitting down with the board and looking at our land release strategy and whether or not we can release that land in a different manner to maintain that sort of revenue projection both for the forward estimates period and then revenues we have booked in years beyond the forward estimates.

Hon SUE ELLERY: By that do I assume that you are looking at other ways of packaging to try to achieve the same \$35.6 million, I think you said, return to government? Is that what you are talking about?

Mr Kinsella: That is right, yes. I might say that since we have gone public with the announcement that we have terminated the arrangement with Mirvac, we have had quite a few developers express interest in the land. We did have developers that were keen to come across that land, because it is the best land associated with transit-oriented development in Australia in a sense, so it is high value and there is a high level of interest in the land, notwithstanding that the commercial market is subdued. So, we will turn our attention to looking at other forms of development through our land sales, looking at perhaps bringing forward residential apartment mixed-use towers and maybe some more retail rather than office commercial to balance out that sales program over the next four years.

Hon SUE ELLERY: Is there not a glut, though, of residential apartments in the CBD?

Mr Kinsella: There are a lot of apartments in the CBD, but there are also not very many that sit right on top of a bus station and a rail station, so in terms of inner city living against the transit-oriented development, that is a very high value location. It is right adjacent to Northbridge. I am not going to do to a sales program here, but it basically —

The CHAIR: We will charge you for an advert!

Mr Kinsella: There has been \$1.8 billion worth of development on the site with the arena, the rail line being sunk, the bus station almost ready to be opened and the Channel 7 land having \$600 million worth of development on it. In any measure, the project has been a success to date. From our point of view—the MRA's point of view—having now decided to go down a different land release strategy, we are very confident that we will be able to maintain our revenue streams,

and the project continues to be much in demand from other developers. We have now opened up a bigger field.

Hon SUE ELLERY: So the \$35.6 million that I think you are talking about in years 2, 3 and 4 was the projected return if Mirvac had remained involved; did I understand that number correctly?

Mr Kinsella: Yes.

Hon SUE ELLERY: Have you got in your thinking what the original time frame for the development was if Mirvac had remained engaged? And now that you have terminated, to use the minister's language, their engagement, what is your thinking about the time line for the development there? So, what was the original and then what is your thinking about how you need to adjust it?

Mr Kinsella: To be fair, we have not actually got all of that worked out; we are still preparing that land release strategy and taking further advice from experts in the field. But from our point of view, we do not think that we will deliver under the new strategy any longer than the original strategy. The way that these deals go, the Mirvac deal had an element in it where they could draw down the land based on the commercial market, because you cannot contract people into positions where the market would not allow that to be taken up.

Hon SUE ELLERY: If you did that, it would not be the first time this government has done that.

Mr Kinsella: It is a situation whereby we would have to work through with the developers and make sure there was an opportunity for them to get out and sell their product.

Hon SUE ELLERY: The first part of the question, though, was: what was the original time frame, if Mirvac had remained engaged, to reach that return of \$35.6 million?

Mr Kinsella: The first part? We expected that we would generate that revenue in the forward estimates period, and that was subject to the market variable.

The CHAIR: But your business case that the development was based on must have had a time frame at which point you expected developments to occur and for you to receive money.

Mr Kinsella: With respect, chairman, we had some triggers at the front end of the deal and what we do in most of those deals —

The CHAIR: You might have had a risk analysis overlaying it, but for your business case you must have landed at, "We expect to get X amount of dollars and X amount of sales in this year, this year and this year." I think that is where the question was leading and I am trying to hear an answer.

Mr Kinsella: That could be as long as 10 or 15 years, chair, because beyond the original trigger, which was that there would be certain development at a trigger point at the beginning, there was a time frame that could pull it down.

The CHAIR: But to achieve that return, it must have been around a fixed time frame. There must have been a time frame. You cannot set a dollar return and not have a timetable attached to that, because every year it goes out, you would have interest costs and a whole range of other things occurring. There must have been a time frame that locked into those returns. Everything is variable, but at the end of the day, you still have to come up with budgets and strategic development plans and all the rest of it.

Mr Kinsella: I know; I understand. I am just trying to find the best way to answer that for you, because there were clauses in the contract that allowed for when they would pull down the land. If you would like us to take that on notice and give you the land release time frame that was associated with that, well and good.

The CHAIR: Yes, that would be good.

[Supplementary Information D4.]

Hon SUE ELLERY: Are you able to tell us whether there had been any costs to the board's decision to terminate the relationship with Mirvac?

Mr Kinsella: Not to the actual decision for the termination, but the MRA had spent just shy of \$2 million on a range of things. That is a very, very complex set of land. There are a lot of easements, and actually trying to do the titling of those blocks of land was a major part of that component. We also took advice on how we framed our business case from financial advisers and strategic advisers, so we spent money on that advice. That advice is still part and parcel of the benchmarking that we will do to set land prices when we go to market later on. In the main, the majority of the \$1.98 million that the MRA has invested to date will have a useful life going forward. We did not really have a great marketing budget that went astray, because once we had the EOI in place, we were able to negotiate with the successful partners.

[6.00 pm]

The CHAIR: I just have one quick question, if I could, going back to Scarborough. In one of your documents around the master plan under transport and traffic, it said that the MRA is working with a number of government agencies, including the City of Stirling and Main Roads, to consider traffic management on West Coast Highway and broader issues around transport planning within Scarborough. Where are we up to with that?

Mr Kinsella: Basically, one of the elements that we are considering with the design of the extension to the north and south of the Esplanade is how they would interface with West Coast Highway, and how the traffic would move through that area. We are still doing work with the Department of Transport and Main Roads on that. That will influence some of the design work we put into those roads.

The CHAIR: In terms of underpinning the plan, are you attempting to try and direct traffic away from that area? Particularly, West Coast–Scarborough Beach Road is a highly dysfunctional intersection today, and I note that you want to better accessibility for pedestrians to cross that road. The MRA, with Elizabeth Quay, had a deliberate strategy to try and push traffic away from that location onto other roads rather than using that through pass. Is that the strategy you are adopting there or, if not, how are you managing the traffic, which is just going to get higher and higher? As you head south you have got less than 20 000 vehicles a day coming out of Port Beach Road, and it is going to double to over 44 000, and a lot of those will go north. What is your plan? Is it to direct the traffic away, or is it to manage it at that location?

Mr Kinsella: It is more about managing it at that location, to have different access so that people can get in and out, and we think that some of the —

The CHAIR: But the through traffic —

Mr Kinsella: Some of the reconfiguration of the traffic lights may allow longer stacking times, and so a reconfiguration of some of the traffic lights is under consideration.

The CHAIR: But it is already under pressure. That is just going to buy you time. What is the long-term solution? If you are not trying to direct it away from there, you are ultimately still going to have this massive congestion nightmare, particularly at West Coast–Scarborough Beach Road, so what is the solution?

Mr Kinsella: There is no plan within the master plan to do grade separation, which is probably the only solution, and it is very difficult to do that at the West Coast Highway–Scarborough Beach Road intersection.

The CHAIR: I would have thought the only way you could do it is to start a tunnel well before and bring it out well after, would it not?

Mr Kinsella: Yes, well —

The CHAIR: I am serious. In terms of getting through that area, you cannot dig down and get through under that area. If you actually look at the topography, you would go up on either side of

Scarborough. The reason that I am asking this is that where you are bringing your roads back out onto West Coast Highway are probably the locations where you would want the start of the dive for a tunnel. That is why I would have thought you would need to know what the long-term plan is before you started ripping through bush that may ultimately need to be replaced by an alternate strategy.

Mr Kinsella: I think those local access roads will always be required. How they fit in with the longer term solution is really a matter that is still under study, and at the end of the day, the main roads will —

The CHAIR: How do you do a project if you do not know what the long-term solution is?

Mr Kinsella: There is no obvious long-term solution other than what you have alluded to.

The CHAIR: If that is the case, surely you need to be doing work on the potential location —
[Interruption.]

The CHAIR: We have fines for that; you have got to shout the bar afterwards!

Surely you are looking at avoiding putting your roads coming out at the locations where your potential future dive structures would occur?

Mr Kinsella: The tunnel option that you have just put forward is probably something that our current transport minister is keen on but, from our point of view we have not got to that level.

The CHAIR: He loves tunnels; he wants them everywhere if he has his way.

Mr Kinsella: Chairman, honestly we have not got to that level. I suppose what we are trying to do is say that what we are doing with the distribution of traffic in and out of the beachfront may give us some relief from the building of that tunnel, and we are hoping that by the judicious placement and movement of traffic lights we can provide bigger stacking areas in that space, so that we get more traffic through that intersection. I do not think the Scarborough Beach redevelopment upgrade—basically a landscaping project—is capable of actually tackling that major issue in what we have done.

The CHAIR: But you have now coverage for the planning of that whole area, though. You are doing not just landscaping; you are also approving residential developments and the like in there, are you not? You have now got the responsibility for that as well.

Mr Kinsella: We have got a capital works budget of \$48 million, and nothing more in the pipeline.

The CHAIR: I realise you do not have the money to do it, but I cannot see how you can be making decisions without knowing what the long-term needs of that area are, and how you can resolve them. The tunnel might be cheaper than the Stephenson highway, which will be your other option.

Hon DONNA FARAGHER: Obviously, you have mentioned that there are ongoing discussions with Main Roads and the City of Stirling. This is evolving. If there is any further information that we can provide, we are happy to provide it to you.

[*Supplementary Information No D5.*]

The CHAIR: With that, I need to close the hearing.

On behalf the committee, I thank you for your attendance today. The committee will forward any additional questions it has to you in writing after Monday, 20 June, together with the transcript of evidence, which includes the questions you have taken on notice highlighted on the transcript. Hopefully, the transcript will be available on the website before that as well. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit these to the committee clerk at the close of the hearing. Once again, I thank you for your attendance today.

Hearing concluded at 6.07 pm
