

PUBLIC ACCOUNTS COMMITTEE

Port Coogee Development - Sixth Report

MR J.B. D'ORAZIO (Ballajura) [10.34 am]: I table the sixth report of the Public Accounts Committee into the Port Coogee development and submissions relating to the inquiry.

[See papers Nos 1895 to 1903.]

Mr J.B. D'ORAZIO: The Port Coogee inquiry was referred to the Public Accounts Committee by the Minister for Planning and Infrastructure. The committee conducted an inquiry into what is known as Port Coogee and was previously known as Port Catherine. The area is approximately 19 kilometres south west of the Perth central business district and five kilometres from Fremantle. The land has been vacant since the 1990s. It was previously an industrial area where a large number of noxious industries were located. The size of the proposed development is approximately 85 hectares, a large proportion of which comprises disused industrial land. Some 28 hectares includes the proposed development of the seabed. In addition to that 28 hectares, which is owned by the Government, a further 47 hectares is owned by the Government and 10 hectares is owned by Consolidated Marine Developments (Australia) Pty Ltd, better known as CMD or CMD Holdings Pty Ltd.

In the 1980s, as a result of the influence of the local member and the Government of the day, the decision was made to try to relocate noxious industries from the area. They included abattoirs, wool scourers, tanneries and a number of other industries that had a huge potential to contaminate the area. The process reached fruition in 1990 when the Government called for expressions of interest from proponents who wanted to develop the land. Three submissions were made, only one of which was in accordance with the requirements of the calling for the registration of interest. CMD Holdings was awarded the registration of interest at that time. However, there was a change of Government. It was not until 1995 that further progress was made on the registration of interest. In 1996 a heads of agreement was signed with CMD Holdings to establish a process whereby the area we know today as Port Coogee could be developed.

In 1997 a project agreement was drawn up, again with CMD Holdings. At that stage, as part of that agreement, there was an indication that a joint venture partner needed to be found for the project because of CMD's limited financial ability to fulfil it. The project partner was established as Australand Holdings Ltd, and Port Catherine Developments Pty Ltd was headed up as the umbrella organisation that would propose the development. An amendment was then made to the 1997 agreement. That agreement clearly laid out the responsibilities of the various parties and also the cost of land to be purchased by the proponents. In 1997 not many people wanted to have anything to do with the land because it was regarded as contaminated land in a disused industrial area. Therefore, its value was fairly limited.

As part of the 1997 agreement, the proponents had the ability to renegotiate the terms of the agreement. In 2000 that renegotiation occurred because, according to the proponents, various changes had occurred which made it very difficult to develop a financially viable project. Therefore, in 2000 the Government of the day agreed to change the terms of the agreement. At that stage the Western Australian Planning Commission, which was the agent for the State Government, was unable to introduce the changes that it would have liked. However, because of the proposal by the joint venturers to renegotiate with the Government, some of the terms and conditions were able to be changed, and at the same time the Western Australian Planning Commission was able to incorporate some changes to the agreement.

The changes that occurred in 2000 were the subject of some of our findings and also some of our recommendations. The one that stood out the most was the Government agreeing to not request payment for the seabed part of the development. It comprised some 20-odd hectares and was worth an amount to the tune of \$6 million. The Government decided to give the land to the developers as part of the overall viability of the project. The committee has found that the process of selling off seabed land at no cost is not something that it would endorse and we should make sure that in future land, especially this sort of land on the coast, is sold at an appropriate price.

The 1997 agreement also contained an escalation clause for the sale of the land that fully recognised that the development of the land, with all the approvals that needed to be gone through, would take far longer than it would under a normal process. The escalation clause was also changed under the 2000 arrangement. The escalation clause in 1997 was for seven per cent and under the 2000 agreement it was reduced to 5.7 per cent, which again reduced the return to the State. However, some minor changes were incorporated to benefit the State.

Ms A.J. MacTiernan: Did they explain why they revised down the estimation?

Mr J.B. D'ORAZIO: They employed an independent private valuer to look at the valuation and the complexity of the project. The conclusion was that some adjustments were needed for the project to be financially viable. Land prices in the area, and generally, have skyrocketed since 2000. The price of land stitched up by the

agreement in 1997, and revised in 2000, is way out of kilter with the current marketplace. The land was sold to the joint venturers for about \$42 a square metre, yet the committee received evidence that adjoining land in a similar location could be worth anything up to \$200 a square metre. It is a huge difference. Remember that when the agreement was signed, the land was worth nothing like that amount; therefore, the valuations on which the agreement was based are probably true and acceptable.

The Public Accounts Committee has legal advice on the basis of the agreement. It concluded that it is a formally binding agreement on the Government. However, in light of the Government's commitments, the committee recognises that the State had to remediate the contaminated land. The expected cost at the time of the decision was \$6 million. The remediation has occurred at a cost nowhere near that figure - it is between \$3 million and \$3.5 million.

Ms A.J. MacTiernan: Does the State pay for that or the developer?

Mr J.B. D'ORAZIO: The State pays for the remediation of the land owned by the State, and provides the land to the joint venturers as uncontaminated land that can be built upon.

Ms A.J. MacTiernan: Did it cost us \$3 million?

Mr J.B. D'ORAZIO: It cost just over \$3 million to remediate the land. Ten hectares are still owned by Consolidated Marine Developments that have not been remediated. The committee was advised that this remediation would cost about \$700 000, which would be borne by CMD, although I believe that responsibility has been transferred to Australand Holdings, which is the controller and owner of the development.

The committee records that the escalation in property values obviously changed the dynamics of the project. One that might have been marginal in 2000 is now significantly more profitable. Other changes were made in relation to the requirement to move the major road. As part of the agreement in 1997, the Government had to use its best endeavours to convince Main Roads to shift the road to the periphery of the development. Main Roads indicated it was not necessary to shift the road. As the Government used its "best endeavours", the joint venturers must meet the cost of shifting the road. The estimation of the cost of relocating the road is between \$8 million and \$11.5 million depending upon who is giving the advice. It is a substantial sum of money. The State no longer needs to spend the money, which is a benefit to the overall state coffers.

The sale of the land to the joint venturers will return a small profit to the State. It was a decision of government to try to get the land developed in the form proposed to benefit the State. Also, it will be the point in the corridor that will attract a number of other businesses and investment and other revenues for the State. The committee believes the project is worthwhile and should be supported. However, it is concerned about the restriction of public access to the foreshore, and the dramatic scale of commercial-residential development on the seabed. The committee believes that the Western Australian Planning Commission should look at limiting the amount of development on the seabed; at the same time, it must understand that the viability of the project should not be compromised. The change might reduce profit but not the viability of the project.

The proposal also contains a proposed boat ramp. The committee believes it is important that the boat ramp be provided in, or near, the development. The agreement contains a proposition that if the developers do not build a boat ramp, they will give the State \$1.5 million. However, it is estimated that the boat ramp will cost \$6 million to build.

Ms A.J. MacTiernan: It must be an incredible boat ramp.

Mr J.B. D'ORAZIO: The associated breakwaters and parking areas are needed to support its operation. The committee is of the opinion that the boat ramp should be part of the project. The \$1.45 million should not be used for the discussed upgrade of Woodman Point. It is too far away. A boat ramp is needed for the facility. It is appropriate that developers provide it as part of the development.

Notwithstanding those points, the committee believes that the marina development is a good proposal. The minister, through the WA Planning Commission, has increased the size of that marina. It is a good idea. It may need an even bigger marina because of future requirements. It is an important facility for the coastline. The project should proceed and the Government should honour its commitment under the contracts, which are formally binding. With some ingenuity and redevelopment, access to the coast can be increased, and this should be a priority in discussions on the final approval process. If not, this part of the coastline would be lost to the public; that is, access would be limited. The two can go hand in hand. Viability for the developers can be achieved while maximising public access to the area. More importantly, the project will provide a much-needed boost to that corridor. It should be supported.

MR M.G. HOUSE (Stirling) [10.47 am]: This inquiry did not take too much time and effort as the facts were evident to the committee quickly and easily. I contemplated a few times why the minister referred this matter to the Public Accounts Committee when the evidence was clear. There was certainly no dispute -

Ms A.J. MacTiernan: There was public uncertainty. Member, because there was a degree of public concern and consternation, it was better to have a very public process of inquiry. I believe it is a proper role for Parliament when there is a degree of public concern, and allegations are made about financial arrangements, to allow a bipartisan assessment of the issue.

Mr M.G. HOUSE: I accept the minister's comments. A group in the area made a submission to the committee expressing some concerns. However, the fact remains: the agreement was entered into, and the process was properly conducted.

Only three recommendations were made by the committee, the first and most important of which is that the State should fulfil its obligations pursuant to the Port Catherine project agreement. Everybody was in agreement on that matter. The committee wants the project to go ahead. This land needs to be redeveloped, and this will enhance the State. Uncertainty needs to be removed for developers so they have no questions about the future. Nobody wants to see the land left as it is.

I add one qualification. One matter really concerned me about the planning process; namely, that development was to be allowed so close to the beach. Some years ago I helped a group of people trying to stop a development at Goode Beach in Albany. The coalition was in Government at the time that approval was sought to build houses on sand dunes on the edge of the beach. The Planning Commission needs to look closely at that matter generally.

Ms A.J. MacTiernan: We've done that. We've got the statement on planning policies on coastal set-backs. Obviously, a marina must be built up to the water's edge.

Mr M.G. HOUSE: In this case, there is approval to build over the seabed.

Ms A.J. MacTiernan: That is problematic - I agree.

Mr M.G. HOUSE: There is some debate about that aspect. I am trying to put this in a bipartisan way. All members would agree that some of the approvals given on the Gold Coast should not have happened. One of the great things about living in Australia, and Western Australia particularly, is that no matter how much or how little money people have, they can access good, natural environments, such as forests, beaches and rivers. In some cases along the Swan River people have private access to the river's edge. Along the Gold Coast people have been allowed to build on the edge of the beach, and, therefore, public access has been diminished by that plan. That is something about which we need to be very careful in Western Australia. It is great for everybody, no matter where a person can afford to live, to have access to the natural advantages that this State has to offer. I am very much in agreement with this report, but, as a peripheral to that, the Western Australian Planning Commission must be very careful about giving future approvals to developments so close to natural resources like rivers, beaches and forest areas. I support the chairman's comments.

MS J.A. RADISICH (Swan Hills) [10.51 am]: The issues surrounding the Port Coogee development have gone on for far too long. It is about time that this Parliament and this Government put them to rest. The stakeholders need to know where they stand, in particular the developers who should be getting on with the job of investing in and developing that area so that the community can know where it stands and have input into the future of the area. The noose that has been the Port Catherine/Port Coogee development should finally be removed from around the Government's neck.

I support the contentions outlined in finding 4 and recommendation 1. It is my view that all crown land available for sale should attract a proper market value and I absolutely support the sea bed being included in that equation. I do not support the contention that the sea bed should be provided to anyone to develop free of charge. Some people purport that because the sea bed is so expensive to develop, that as part of a broader development land package it should be given free of charge and that the public benefit warrants that. I do not support that, and, as outlined in the committee's report, it does not support that either. Given the significant prices that on-water properties command in the current real estate market, it is perfectly legitimate and feasible that a developer should make the significant investment that is required to develop the sea bed and then provide people with the resources and the inclination to buy that real estate.

It is a failing of the heads of agreement that the WAPC has assumed unlimited responsibility for site remediation - I make that comment on behalf of the broader public's point of view. As we know, the price tag is in the order of millions of dollars and it is a very expensive and long process given that the EPA standards will be adhered to. It is a big drain on the public purse to have, particularly in an agreement, unlimited expenditure attributed to a government agency. It is something that should not occur in the future. Of course, that is in addition to the costs that former Governments bore in relocating all the noxious industries that were at the Port Coogee site.

The land costs approximately \$42 per square metre, which has been referred to many times. I am not happy with that sum and agree with finding 7 in the report. Although I am not a valuer - I am just a layperson - in 1997

dollars that figure is probably an underestimation. Perhaps the developers got a good bargain. However, it is a free market and from what we have discovered, all the processes were properly adhered to and there is no avenue by which the Government can revisit that price. Given the legal status of the agreement, it should certainly be carried through. The escalation rate was also reduced during negotiations for the two heads of agreement. Little evidence was given for the discounted escalation rate. The process appears to have been a proper one but it is something that I would not support happening again in the future.

There will be some direct and indirect returns to the State as a part of this development, although it is my view that they could have been a lot greater had the land been sold to the developer at a higher price per hectare. Perhaps more skilled and steadfast negotiations could have occurred throughout the many years this issue has been discussed, but, having said that, there will certainly be more jobs for the southern corridor as well as positive social outcomes for that area. The most positive outcome that will hopefully accrue in the years to come as a result of the Port Coogee development will be for the south metropolitan region, particularly for those people who want to live on or near the beach. I think you, Madam Deputy Speaker, will agree as many people in your electorate enjoy living by the beach in the northern suburbs and have access to many kilometres of northern beaches. Through this development we are facilitating a small area of access to the water and beachside lifestyle that many people in the southern corridor do not currently have. That will be a positive for those people and I support the sixth report from the Public Accounts Committee.

MR J.L. BRADSHAW (Murray-Wellington) [10.56 am]: I was not going to speak, but it is good that the report has been completed in record time. Most reports from the Public Accounts Committee and other committees take forever to complete. I pay tribute to Simon Kennedy, our research officer, for the good work he did in bringing it to fruition. I thank him sincerely on behalf of all committee members.

Mr M.G. House: Hear, hear!