

**Metropolitan Redevelopment Authority —**

Mr I.M. Britza, Chairman.

Mr J.H.D. Day, Minister for Planning.

Mr K.G. Kinsella, Chief Executive Officer.

Mr M. Reutens, Chief Financial Officer.

Mr S.M. Henriques, Executive Director, Project Delivery.

**The CHAIRMAN:** This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 August 2013. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

**The CHAIRMAN:** The member for West Swan.

**Ms R. SAFFIOTI:** I refer to page 451 of the *Budget Statements* and the line item regarding Elizabeth Quay. An estimated total cost of \$423 million is presented in this part of the budget. What is the estimated total cost of this project? Are other projects, such as the Western Power and Water Corporation works, part of this budget or are they additional amounts, and how much are they?

**Mr J.H.D. DAY:** The estimated total cost of the project is approximately \$440 million. My recollection of the reason that \$423 million is shown here is that this is the amount allocated for capital works and the remaining amount of the approximately \$440 million is recurrent-type expenditure. I will get Sean to comment more on that in a moment. The expenditure for the Western Power and Water Corporation projects are separate from the cost of the project shown here. They are being funded by those organisations or out of their borrowings. It is important to recognise that the work being undertaken in those two utilities will upgrade the capacity for both systems in the general area for quite some time into the future. Although they were initiated by the Elizabeth Quay development, they will provide wider benefits in the longer term as well. Although we have not been able to modify the forward estimates at this stage, we expect that from the remuneration that will be achieved through land sales, the final cost will be far less, and even possibly close to zero, compared with the \$440 million gross cost. The current estimated net cost is \$270 million, but we do expect it to be a lot less than that once the land sales are completed, but that is something for the future. I ask Sean to comment a bit more on the funding aspects.

**Mr S.M. Henriques:** I will embellish a little more between the parts of the budget. The \$423 million is for the capital works. When we talk about Elizabeth Quay, this is the heavy civil works involving the inlet and the building of all the infrastructure and the public domain. The remaining \$15 million, to bring it up to the \$438 million that is normally talked about, is for the expensed items, such as the place management side of the business—the pieces that we feel are critical in getting the place established in the early years.

**Ms R. SAFFIOTI:** Do you have an estimated budget for the associated roadworks for Western Power and the Water Corporation?

**Mr J.H.D. DAY:** Roadworks are included in the figures we have mentioned. I ask Sean to comment on the Water Corporation and Western Power aspects.

**Mr S.M. Henriques:** The Western Power and Water Corporation funding sits within their budgets currently and they reimburse the works as they occur through our contracts on the ground. Without knowing the Western Power and Water Corporation elements, the amounts were previously \$15 million and \$9 million, which sat within their budgets as part of the original business case. That will come back in in some form through agreements between us and those authorities. They are actually using the opportunity whilst we are in the ground to build the infrastructure wider than just for Elizabeth Quay—it is a city-wide infrastructure upgrade.

**Ms R. SAFFIOTI:** I have a further question. The \$15 million was for Western Power and the \$9 million was for the Water Corporation. To understand the process of reimbursement, if that is not part of the \$423 million, do they just borrow the money and do the work?

**Mr J.H.D. DAY:** That is correct, but they were given approval to do so in the cabinet decision to go ahead with the project, whenever that was—close to three years ago.

**Ms R. SAFFIOTI:** I have one final question, and I may need the answer by way of supplementary information. Can the minister provide information on the initial budgeted cost and the current estimated total cost of all the components of all the contracts that have been let?

**Mr J.H.D. DAY:** Contracts that are let are publicised on the government Tenders WA website.

**Ms R. SAFFIOTI:** Sure. I tried to find it, but it is quite complicated. Given that it is a half-billion dollar project, just as the previous government did in relation to the rail project, can the minister provide an itemised list of each component of the project and what the initial budget was and what the estimated current budget is?

**Mr J.H.D. DAY:** We will provide by way of supplementary information a breakdown of the estimated expenditure.

[*Supplementary Information No A16.*]

**Ms E. EVANGEL:** I refer to pages 450 and 451 of the *Budget Statements* and the investment in the Perth City Link project. Can the minister please outline the next major steps in this project and what the 2013–14 funding will actually deliver?

**Mr J.H.D. DAY:** I recognise that the member has a strong interest in this project as the member for Perth but also from having been on the City of Perth council, which is one of the contributors to the project, although the major contributor is the state government. I acknowledge and recognise that the federal government is also contributing, from memory, about \$236 million to this project, so it is very much a cooperative process. In 2013–14 we expect the MRA will spend about \$13 million on works, including the installation of essential services infrastructure on Wellington Street and further detailed planning for the city square. Also in the general precinct the MRA will be spending \$1 million in the current financial year towards the revitalisation of Chinatown in Roe Street, Northbridge, which the member is certainly very familiar with. Expenditure by the MRA is generally for above-ground activities. The undergrounding of the rail line, which, from memory, will be completed in the first half of next year—it is a very well advanced project—to be followed by the undergrounding of the Wellington Street bus station, is being funded through the Public Transport Authority. I should also mention that construction has started on the first commercial buildings at the one privately owned site, which is owned by Seven West Media Limited. Leighton Contractors has commenced construction of the first building, which will have Shell Australia as one of the tenants in that precinct, along with John Holland, which will be relocating its WA headquarters to the King's Square area. The health insurer HBF will also be relocating its offices there, so that is well along the path of activating that area as a result of this project being undertaken.

[7.10 pm]

**Ms R. SAFFIOTI:** I refer to page 451 and the line item, "Riverside Redevelopment Works". I am talking particularly about the works being undertaken right next to the Causeway, and not so much about the work that has been completed where the old ChemCentre was—adjacent to the WACA. What is the time frame for development of that project? What is the estimated commercial, residential and retail space? What is the expectation about it being utilised within the forecast time frame?

**Mr J.H.D. DAY:** The area that the member is specifically talking about in the riverside project is known as the Waterbank precinct. It is expected that there will be about 7 000 people living there and about 4 000 dwellings. There will be about 90 000 square metres of commercial space. In relation to the Waterbank precinct, Lend Lease has a contractual agreement with the Metropolitan Redevelopment Authority to develop the site. We expect that that will provide for about \$1 billion of construction work. In relation to the timing, it will obviously be over a number of years. The work that is underway at the moment is what is known as surcharging of the land; it is necessary, in simple terms, to squeeze out a lot of the water that is in the ground there, so the area is being loaded up with large amounts of sand. That will continue over a couple of years.

**Mr S.M. Henriques:** The surcharging will be completed in just over a year's time, so from mid to late 2014 we would anticipate coming back in and shaving the top of it off, by which point it would have done the majority of its work, which is to compact that whole area. We would still be required to pile for any large buildings, but this provides a stable structure for the public domain and any lightweight structures that sit within that.

**Ms R. SAFFIOTI:** What is the time frame? It is a year of consolidating the ground, and what is then the expected time frame for development of the buildings and the public space in that area?

**Mr J.H.D. DAY:** I am advised that Lend Lease is expected to commence construction of the public open space areas and the first of the private sector buildings in late 2014. This obviously is a project that will extend over several years. I also advise that the MRA is currently in the process of purchasing the site where the old government Chemical Laboratories—ChemCentre, as it is now known—used to be located facing Hay Street near the corner of Plain Street. That will enable that site to be redeveloped and activated, including the development of a supermarket, which will be important for the area.

**Mr S.M. Henriques:** The first stage, with regard to the commencement of work, happens in 2014, and by 2017 we will see the first of the first built form. I guess, more importantly, probably about 85 to 90 per cent of the public domain is being created first, up-front, ahead of the built form as part of that deal with Lend Lease.

**Ms R. SAFFIOTI:** Can the minister explain the relationship with Lend Lease and the MRA? What is Lend Lease's responsibility? What cost or what payment is being paid to Lend Lease on an annual basis?

**Mr K.G. Kinsella:** Essentially we have this development deed process with Lend Lease, and the project has a time frame of 10 to 15 years. That is adjusted according to the market take-up, so for stage 1 we are talking about Lend Lease providing 70 per cent of the public domain area and we are also asking it to provide 10 000 square metres of gross floor area, whether that be in commercial, restaurants, apartments or a hotel, depending on how it takes it to the market. Between now and when we want it to go on the ground post-April 2014, Lend Lease will roll out its development applications based on its current market thinking and how it is going to put that on the ground. The way the deed works is that as Lend Lease takes land from us to do a development, it will then pay based on the valuation of that land. We also have a rather complicated arrangement with it on the basis that it is going to build the public domain as a contra against the cost of the land overall. We are doing that so that we have the one organisation with responsibility for laying out the public realm and the buildings that go around it. It is still talking to us about the particular way that it wants to stage that, based on its sense of how the market will take up that offer.

**Ms R. SAFFIOTI:** Is it also involved in any of the other projects—City Link or Elizabeth Quay—or is it solely involved in riverside?

**Mr J.H.D. DAY:** It is not, to my knowledge, involved with Elizabeth Quay at this stage, through the expression of interest process for land being put out to the market. Whether it will seek to become involved is, of course, up to Lend Lease. It is not involved in the Perth City Link project.

**Ms R. SAFFIOTI:** By way of supplementary information, is there more information the minister can provide about the deed between the state government and Lend Lease? Is there any further information available in relation to the obligations of Lend Lease to government in respect of the development time table?

**Mr J.H.D. DAY:** We can provide information by supplementary information—to the extent that we can without compromising commercial confidentiality.

**The CHAIRMAN:** Minister, can you just specify exactly what you are going to provide as supplementary information?

**Mr J.H.D. DAY:** We will provide some further information about the agreement between the MRA and Lend Lease and about the respective obligations of both parties, to the extent that it is responsible to do so.

[*Supplementary Information No A17.*]

**Mr S.K. L'ESTRANGE:** I refer to the last paragraph on page 450 of the *Budget Statements* in which there is a reference to the \$30 million state government commitment to the Scarborough Beach area. Can the minister please outline when this project will get underway, and what the first steps will be?

**Mr J.H.D. DAY:** The government, at the end of its previous term, made the decision to commit \$30 million, as the member indicated, to assist in the urban renewal, revitalisation and upgrading of the Scarborough Beach precinct. The MRA has responsibility for doing that, in close collaboration with the City of Stirling. It is different from many of the other projects that the MRA is involved with in Midland, Subiaco, or the central city area in that it is not generally government-owned land in the Scarborough precinct, so it is necessary to work with private landowners as well. We expect that the revitalisation will provide for a substantial improvement in the amenity; it will provide for boardwalks, a children's playground, much better landscaping and streetscaping, and a range of activities in the area—there will be some activation starting off fairly soon. In the current financial year, \$1.25 million will be spent to review the master plan for the redevelopment of the area, or at least it will be used partly on that process. We are close to completing the process for defining the area that will be included and for which the Metropolitan Redevelopment Authority will be responsible, and after that process there will be a land redevelopment committee appointed. That will be similar to the ones in the other specific areas the MRA has responsibility for, so it will be a combination of local input and local government input, as

well as professional expertise, and then the process will go on past that over the next four years or so. We expect the major capital works activities to occur in 2014-15 for the following three years.

[7.20 pm]

**Ms S.F. McGURK:** Just on that project, is it expected that there will be additional funds allocated from private enterprise?

**Mr J.H.D. DAY:** In short, yes. I would certainly expect that those who would benefit from the rezonings that occur or development that occurs in the area would be contributing through a developer contribution scheme. The other contributor is the City of Stirling, which has allocated \$27 million, as I understand it.

**Ms S.F. McGURK:** Is that in addition to the \$30 million?

**Mr J.H.D. DAY:** It is in addition to the \$30 million from the state government.

**Ms S.F. McGURK:** Could the minister point out the line item for that \$1.25 million?

**Mr J.H.D. DAY:** It is not shown as a line item because the MRA is a statutory authority not included in the normal recurrent expenditure aspect of the budget. Therefore, the detail shown in the *Budget Statements* is different from the Department of Planning or the Western Australian Planning Commission, for example, just because of the normal Treasury processes. But it is referred to in the last paragraph on page 450 of the *Budget Statements*. So the funding is allocated, and it is reflected in the bottom line of the state budget, but it is not shown as a separate line item in the actual accounts here.

**Mr P.T. MILES:** Just with the Scarborough beachfront area, the minister was saying that he is yet to determine the full scope of land area of what is going to be done. The City of Stirling was very much also wishing to have some sort of light rail down Scarborough Beach Road. Is that going to be in any of the plans that the MRA is going to do?

**Mr J.H.D. DAY:** Certainly light rail is not being provided for at this stage, but there will be the space reserved for it, I think I am right in saying. That certainly needs to be the case. The more detailed planning, of course, is yet to be finalised. There has been a master plan done by the City of Stirling, but that, as I said, will be reviewed, and in the long term light rail is a desirable thing to be provided down Scarborough Beach Road from the Stirling city centre and Osborne Park area ultimately. But I will just ask Kieran to comment on the bus terminus, or whatever it is.

**Mr K.G. Kinsella:** Where the buses arrive at Scarborough Beach at the moment, that area is planned to be revitalised and perhaps the buses put into a central corridor to make the circulation easier around the beachfront. Part of the works we are planning to do is to—it is a bit of a maze at Scarborough; it is not very legible for people when they come down to use those car parks—reconfigure the whole sort of way the traffic moves around the roundabout area there and the bus station. So they are all part and parcel of that master plan that is currently in the market now.

**Ms R. SAFFIOTI:** Is that bus station funded?

**Mr K.G. Kinsella:** Yes, it will be part of those overall works. So if the member goes to the master plan now, she can see the bus station, or bus terminal if you like. It is not a heavy building; it is more bus stands and where the buses will pull up and how they will access Scarborough Beach. It is very similar to where it is, but it has been put into the central part of the road and the roads are sort of being built around it, just to give priority to public transport access to the beach.

**Mr J.H.D. DAY:** That is covered by the —

**Mr K.G. Kinsella:** That is in our overall budget.

**Ms R. SAFFIOTI:** My question relates to Elizabeth Quay again, and the 130 000 cubic metres being excavated from the site. I understand most of the infill is coming to my electorate. Where is that fill going to be dumped in Whiteman Park, and what impact will that have on the surrounding environment? I will just ask first whereabouts it is going to be dumped in Whiteman Park.

**The CHAIRMAN:** While they are doing that, member can you just point me to a line item for that question?

**Ms R. SAFFIOTI:** I refer to Elizabeth Quay on page 451 of the *Budget Statements*.

**Mr J.H.D. DAY:** I am advised that the volume will be less than the member quoted.

**Ms R. SAFFIOTI:** It was the minister's answer.

**Mr J.H.D. DAY:** It is expected to be less than I said it was previously, I think, so I will ask Kieran to comment on that. Some of the fill is going to be used for construction of the island. In relation to where the rest is disposed, I will ask Kieran to comment.

**Mr K.G. Kinsella:** Basically, the City of Swan and the Western Australian Planning Commission have been working on a recreation area within Whiteman Park. The fill was intended to help provide car parking for the recreational area, so the idea would be that the fill would be laid in and then would be encapsulated in the car parking areas. We are still in the process of working through our management contract with Leighton and Broad, and there is some value engineering going on at the moment to determine just exactly the amount of fill. It could be as little as 25 000 cubic metres; in that event, we are still determining, based on the testing we do on that fill, whether it is suitable to go to Whiteman Park. The first issue will be environmental suitability for the fill to go into that sort of placement; the second thing will be just how much fill we need to move. Any fill that is moved will be moved under the appropriate Department of Environment Regulation regulations—whether the trucks will have a cover over them to make sure that there is no sand drift or whatever else. If it is used at Whiteman Park, it will be used and contained under bitumen car parks if required.

**Ms R. SAFFIOTI:** When will the department be making that final decision on how much, and whether it is clean enough to head out to Whiteman Park?

**Mr K.G. Kinsella:** I think that would be towards the end of this 12-month period we are in now. We need to do some further measurements and investigations of what we will actually do in the construction part of the quay.

**Mr D.A. TEMPLEMAN:** I refer to the Metropolitan Redevelopment Authority's expenditure on advertising services, which I understand is just shy of \$5 million. Is the minister able to give some indication of the scope of this significant budget for advertising services?

**Ms R. SAFFIOTI:** It was a contract that was let in December.

**Mr D.A. TEMPLEMAN:** Yes, it was let on 31 December 2012. I refer to page 450 of the *Budget Statements*.

**Ms R. SAFFIOTI:** It is expenditure under the Metropolitan Redevelopment Authority, so it is part of the budget.

**Mr J.H.D. DAY:** A significant aspect has been about informing the public about roadworks.

**Mr K.G. Kinsella:** And just our general branding.

**Mr J.H.D. DAY:** Could you just explain it?

**Mr K.G. Kinsella:** Basically, the way we have gone out to the market with our contract, it is a five-year contract so we need to engage the agencies to help us to do our advertising. We have 13 major projects, and it is to do with our community information, community consultation processes, our branding and just general notices that we do to the public about works and things that are going on. So, although it seems like a lot of money in one hit, it is for the whole organisation across our 13 major projects over a five-year period.

**Mr J.H.D. DAY:** That includes, presumably, advertising events at Perth Cultural Centre and that sort of activity.

**Mr K.G. Kinsella:** Yes.

**The appropriation was recommended.**

[7.30 pm]