

Rottnest Island Authority, \$7 730 000 -

Mr J.R. Quigley, Chairman.

Mr M. McGowan, Minister for Tourism.

Mr P.F. Amaranti, Chief Executive Officer.

Ms P. Wallace, Policy Adviser, Office of the Minister for Tourism.

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 Chairman 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. For the purpose of following up the provision of this information, I ask the minister to clearly indicate to the committee which 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 17 June 2005, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and accordingly I ask the minister to cooperate with those requirements.

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. Only supplementary information that the minister agrees to provide will be sought by 17 June 2005. I now ask the minister to introduce his advisers to the committee.

Mr R.F. JOHNSON: I refer to infrastructure and operation at page 889 and I will ask a series of questions that are short and related to the same thing. I refer to the test results showing levels of faecal bacteria at Rottnest Island that breached the national safety guidelines on 10 occasions, I believe. Has the cause been identified? On how many occasions has the beach been closed? On how many occasions have signs been erected to notify residents and visitors? Why are there no paper recycling bins at Rottnest Island?

Mr M. McGOWAN: Is the member referring specifically to the incident at Geordie Bay that was recently reported on the front page of *The West Australian*?

Mr R.F. JOHNSON: It was a few months ago. That is when it was highlighted. Was the cause eventually identified, because there was some doubt as to whether it was from boats?

Mr M. McGOWAN: It was from a boat.

Mr R.F. JOHNSON: Was it from a boat, because there was some question about the waste water treatment plant?

Mr M. McGOWAN: To the best that we can determine, it was from a boat. As members would be aware, boats are numerous in those locations and we expect boat owners to empty out their tanks more than 800 or 900 metres offshore.

Mr R.F. JOHNSON: I thought it was 500 metres.

Mr M. McGOWAN: The requirement is 800 or 900 metres. We hope they would do that but, unfortunately, some people do not. I understand the readings were taken shortly after a boat's tanks were emptied and accordingly the levels were high. Another reading was taken two days later and it was within acceptable levels.

Mr R.F. JOHNSON: On how many occasions has the beach been closed?

Mr M. McGOWAN: That was the first time in the past two years, and it was the highest reading ever recorded.

Mr R.F. JOHNSON: I am told that there are no paper recycling bins at Rottnest Island. Is that the case? I understand there are bottle and can recycling bins, but no paper recycling bins.

Mr M. McGOWAN: I will ask Mr Amaranti to answer the question.

Mr P.F. Amaranti: We certainly have recycling bins in the sense that all the waste is taken off the island to be processed. We do have bins all over the island, not only for glass and paper but also for normal waste.

Mr R.F. JOHNSON: Are there separate bins or does all the rubbish go into the one bin?

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Mr P.F. Amaranti: No, there are separate bins.

Mr M. McGOWAN: I do not think it is related to the incident at Geordie Bay.

Mr R.F. JOHNSON: No, I do not think it is. It was basically an environmental question, because I am a greenie.

Mr M.P. MURRAY: As far as the Rottnest Island upgrade is concerned, when is the break-even mark projected and when will the taxpayer subsidies cease for this exclusive western suburbs playground?

Mr M. McGOWAN: How recently was the member there?

Mr M.P. MURRAY: Probably 10 years ago and it was the most boring place I have ever been.

Mr R.F. JOHNSON: Shame on the member.

Mr M. McGOWAN: We will have to get the member there.

Mr R.F. JOHNSON: The member for Collie-Wellington only goes to Mandurah.

Mr M. McGOWAN: As members know, we committed approximately \$20.1 million to an upgrade for the island. In the last financial year, \$6 million was spent. We will complete the works in the current time frame of 2008-09. The work includes all sorts of upgrades to water and electricity supplies. Members would have observed that the government is putting in a wind turbine and a desalination plant. The work includes improvements to a range of buildings on the island, the removal of asbestos and improvements to some of the heritage buildings. In overall terms, it is the best improvement ever to the island. We want to retain it as a place where ordinary folk can go. Although a lot of the boats that moor at the island are from the western suburbs, there are also a number of people who live elsewhere. For example, the member for Peel is a regular visitor to Rottnest. In fact he has an annual sojourn there.

Mr M.P. MURRAY: Last time he was there they called out CALM to try to tow him back out to sea.

[5.40 pm]

Mr M. McGOWAN: A range of people go to Rottnest. Our aim is to get Rottnest Island back onto a good financial footing so that in the future it will not be a drain on taxpayers. We have put in the funds. We have put in place a new management team. The problem has always been that much of the infrastructure is over 80 years old. The island has always had to cover those expenses. That has made it very difficult for the island to get in front. The aim of this infrastructure spending is to put the island back onto a good commercial footing so that it does not incur any further expenses for taxpayers.

Mr M.P. MURRAY: Will the tariffs ever reflect the full cost of running Rottnest Island? I say that because I certainly do not get any subsidies for my family, or their families, when I go to a holiday resort or camping ground down south. The caravan park subsidy in the budget has been well received. However, people certainly do not get the same sorts of subsidies if they go elsewhere as do people who go to Rottnest Island.

Mr M. McGOWAN: That is a good point. Rottnest Island is a state government-run facility, so it will always be difficult for it to be judged in the same way as a resort in the south west may be judged. The member needs to realise that Rottnest Island is also a place where people live. One of the reasons that we need to put capital works into Rottnest is that people actually live on Rottnest. We put a range of capital works into the towns that the member represents, for example, but we do not always get a return on that investment. We never get our money back when we put in a football ground or electricity works. That can often be a drain on taxpayers. Rottnest is difficult to analyse in the way the member has put it. We cannot analyse it in the same way as we may analyse the Broadwater Resort in Busselton, because we need to provide services for the people who live there. There is a school there. The people who live there need water supplies. I will ask the chief executive officers to expand upon my answer.

Mr P.F. Amaranti: It is certainly our intention that at some stage we will balance the books. Our intention is not to keep running the island at a loss. It will be some time before we will be able to run it at a profit. We do charge fees for accommodation, and those fees could be increased, but it depends on where we want to head with that and how much money we want to raise. Our intention is to bring the island to a neutral balance and thereby ensure that we are able invest back into the island.

Mr R.F. JOHNSON: How much revenue is collected by way of accommodation, rent on retail premises, and mooring and landing fees? Also, what is the average cost of accommodation for one week at a six-person villa?

Mr M. McGOWAN: It might be better if we provide that by way of supplementary information.

Mr R.F. JOHNSON: I do not mind, so long as I get the information.

[*Supplementary Information No B18.*]

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Mr T.R. SPRIGG: One of my passions in life is pubs. I note under completed works on page 889 that there is mention of the Rottnest Island Hotel. I presume that means the Quokka Arms. I do not know when the name was changed. The completed works at the hotel include an amount of \$500 000 for infrastructure and equipment replacement over the two years ending 30 June this year. What are the plans for that hotel? I know it is heritage listed. There is no ongoing budget estimate for that hotel. Does that mean it will be left to rot, as happened under the previous lessees?

Mr M. McGOWAN: We have taken the hotel back in-house. As the member would be aware, the hotel is an icon for the island. We have in place an extensive refurbishment program for the hotel. Has the member been there recently?

Mr T.R. SPRIGG: Not recently.

Mr M. McGOWAN: If the member goes there now, he will notice that it looks very different from what it used to look like. It will look very different in the future. The restaurant component of the hotel will be put out to tender. It has been a loss-making part of the hotel in the past. We want to see whether we can put it on a sound commercial footing. The hotel will remain in public control, and we believe that will be a good outcome, because the hotel generates revenue for the island.

Mr T.R. SPRIGG: Is it perceived that the authority will keep running the hotel and it will not be leased to a private operator?

Mr M. McGOWAN: That is what the board has resolved. I believe that is a sensible decision.

Mr T.R. SPRIGG: I guess the board is good at running hotels.

Mr N.R. MARLBOROUGH: I refer to page 889, the upgrading of holiday and tourism facilities. Can the minister advise where the upgrades have taken place? The holiday season is about to start in earnest. As the minister has indicated, I use Rottnest Island on an annual basis. I have to say at a personal level I go there under sufferance. I go there only because Ros and Patrick love it. I have my doubts about Rottnest as a holiday resort, but, as I have said, I do go there. Most of my doubts - I will be honest with the minister - are based around the fact that I believe the accommodation at Rottnest is totally inadequate. The place needs a major clean-up. The accommodation needs to be upgraded. I would like to know what is happening. The other thing that Rottnest suffers from - this argument has been going on for the past 20 years - is that the south west is now delivering to holiday-makers a far better mix of five-star and caravan facilities than people are getting on Rottnest, so people are making the decision to go to the south west instead. We have put a lot of money into Rottnest. I am looking forward to hearing some detail about the refurbishment that is taking place, because it is much needed.

Mr M. McGOWAN: I think the member for Peel protests a little too much about his attendance at Rottnest, because, as far as I can tell, whenever I speak to the member when he is over there he is having a good time. Rottnest is a terrific venue. We will be spending \$20.142 million on capital works between 2004-05 and 2009-10. It will be the biggest ever upgrade program for the island. It is designed to put it back on its feet. It will include upgrading all the accommodation. I recently inspected one of the upgraded units at Longreach. The roof has been replaced. The kitchens and bathrooms have been upgraded. There is new bedding. The flooring has been repaired. In fact, the whole island is being converted to at least a three and a half-star standard. That means it will be much improved. The units are not airconditioned. However, as the member will note, the power will now be more reliable. The water will be of better quality and will also be more reliable. We have a problem at times with the activity and behaviour of some of the people who go to the island. We must address what is called the "Rotto Assault", which takes place in June each year. A group of in excess of 600 university students visits the island after the university examinations in June. They book out a large part of the island's accommodation, and they have a party. In light of the fact that an enormous amount of funds are being spent to fix up the island, we are concerned about the behaviour of these students. The behaviour last year cost the island in excess of \$10 000. A range of accommodation was damaged with windows broken. Obscene behaviour took place, and animals were treated in an inappropriate fashion. The behaviour included a large amount of street drinking, bad language, intimidation of other guests and rowdiness. Damage was caused. Action had to be taken, and the need for action is apparent from the photographs I have with me detailing what happened to the accommodation that the authority is now turning into a three-star standard. The photographs show all sorts of damage and rubbish being left around the place, to such a degree that human excrement was left on the floors of some units. Therefore, we have decided to take action this year. During the university assault in late June, a \$2 000 bond will apply for each unit, which, of course, will be refundable upon the unit being returned in good condition. I wish to table the photographs.

[5.50 pm]

Mr R.F. JOHNSON: The minister cannot table photographs in estimates committee hearings.

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Mr M. McGOWAN: I make them available for members to examine to decide for themselves whether the action being taken is a good idea. The \$2 000 bond is necessary to protect the island. We will be criticised, as people will say that the bond will make staying there unaffordable, but it is very affordable when six or eight people stay in one unit. At the same time, it will provide a big disincentive for people to damage property. If people do not damage property, they will get their money back.

Mr N.R. MARLBOROUGH: Will that bond be ongoing for all visitors to Rottnest, or is it just for this period?

Mr M. McGOWAN: It will apply only for the “Rotto Assault” period. A web site was set up last year by some people that boasted about the damage done to the island and encouraged people to go over there again and cause more damage. Therefore, we are keen to apply a bond to act as a big disincentive for people to cause damage. We want people to keep going to Rottnest, but not to cause damage. We think it will work. If people do the right thing, they will get their money back.

The CHAIRMAN (Mr J.R. Quigley): To pick up the point made by member for Hillarys that the minister is unable to table the photographs that the members for Collie-Wellington and Peel have pinched from the minister, the minister can make them available as supplementary information so that they are available to everyone.

Mr M. McGOWAN: I would like to make them available for everyone to see.

The CHAIRMAN: How many sheets are there?

Mr N.R. MARLBOROUGH: There are five sheets of photographs and a page from a web site.

[Supplementary Information No B19.]

Mr R.F. JOHNSON: What is the current Rottnest Island Authority debt? With the Rottnest Island Authority assuming responsibility for the operation and costs associated with the Rottnest Island Hotel, how does the profit from the operation of the hotel equate to previous lease income from private operators?

Mr M. McGOWAN: I ask the chief executive officer to answer those two questions.

Mr P.F. Amaranti: The current debt is \$4.6 million to the Treasury Corporation. We pay interest only on that debt at the moment. Prior to our taking on board the hotel, it was run by Axis Management. We do not have those records. We were paid a fee of \$250 000 for the lease. At this stage, the hotel is in profit, and, to date, the profit is \$102 000. We only have the current figures; we do not have comparison figures because we did not have ownership of the hotel at that time.

Mr R.F. JOHNSON: The question was: what is the RIA’s operation or income and expenditure on the hotel, and what income did the authority receive when the hotel was leased privately? Now that the authority has taken on responsibility for the hotel, the profit is about \$102 000 to date.

Mr M. McGOWAN: Is the member asking for past years; that is, what income was generated by the hotel?

Mr R.F. JOHNSON: I realise the minister cannot give the profit unless the previous operators forwarded that information. From a taxpayers’ point of view -

Mr M. McGOWAN: I will let the chief executive officer answer that question.

Mr P.F. Amaranti: We do not have past figures because we do not have access to the private firm’s figure. We received lease payments from Axis of \$250 000 a year.

Mr R.F. JOHNSON: So far since the government assumed responsibility for the hotel -

Mr P.F. Amaranti: We are in profit to the tune of \$102 000, and we have also spent \$500 000 on infrastructure and fixing up the hotel.

Mr M. McGOWAN: The improvements to the island will make it more attractive for families and more people will visit, so the expectation is that the hotel’s profits will increase.

Mr R.F. JOHNSON: One certainly hopes so.

Mr N.R. MARLBOROUGH: In reference to the capital works program on page 889 of the *Budget Statements*, will the minister outline what progress has been made on the Rottnest Island Taskforce recommendations? I understand over 100 recommendations were made. How far have we advanced in that regard? As an aside, I note the first item under “Completed Works”. The answer looks clear enough, but I have a supplementary question. Has the asbestos removal program been completed? Does “completed” mean it is still ongoing during the financial year as a result of moneys put in place in the previous financial year?

Mr M. McGOWAN: The work is ongoing. A range of asbestos has been removed from the island, including from accommodation at Longreach Bay and south Thomson Bay thus far. It will be ongoing over the next year.

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We expect that by the end of November 2006, it will be fully removed from the island at a cost of over \$6 million.

Mr N.R. MARLBOROUGH: Am I to read therefore that the \$3 million estimated expenditure in 2004-05 will flow into this year as well?

Mr M. McGOWAN: That is right. It is over \$6 million, as there are two lots of \$3 million. We have completed 40 of the 101 task force recommendations, and 35 are in progress. It is all going ahead very well thus far.

Mr T.R. SPRIGG: The budget for the total cost of capital works, listed on the fourth last line at the bottom of page 889, for 2004-05 was \$6 million and actual expenditure was \$17 million. I look then to the out years. All members know that Rottnest Island has problems, and the minister spoke about capital works. Where was the \$11 million overexpenditure directed, and why does the allocation reduce so dramatically to be only \$4 million in 2007-08?

Mr M. McGOWAN: Obviously, works will be completed at that stage. It is \$20.1 million over five years. It is not spent in one year. It is an ongoing project. If all the accommodation were fixed up at once, the island would have to be shut, which would be detrimental to tourism; that is, people might go elsewhere for holidays and not come back to Rottnest again. The work must be spaced out. The allocation is declining because the money is being spent.

Mr T.R. SPRIGG: What about the \$11 million over the estimated amount in 2004-05 - it was \$6 million estimated, and, according to the figures, \$17 million was the estimated actual?

Mr M. McGOWAN: As the member noticed, our budget was \$6 million. The additional money was the money the Rottnest Island Authority spent from its own earnings; it was already spent on the island.

Mr T.R. SPRIGG: It would have been the nice had that been outlined in the papers.

The CHAIRMAN: That concludes consideration of this matter.

Committee adjourned at 6.01 pm
