

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

**INQUIRY INTO TECHNOLOGICAL AND SERVICE INNOVATION
IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
TUESDAY, 12 APRIL 2016**

Members

**Mr I.C. Blayney (Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr T.K. Waldron**

Hearing commenced at 9.33 am**Mr FRANK MARRA****Chief Executive Officer, LandCorp, examined:****Mr JOHN CLIFTON****Manager, Strategy and Innovation, LandCorp, examined:****Mrs KERRY ANNE FIJAC****Manager, Business Development and Marketing, LandCorp, examined:**

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us here today. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into technological and service innovation in Western Australia. You have been provided with a copy of the committee's terms of reference. At this stage, I would like to introduce myself and the other members of the committee here today. I am the chair, Ian Blayney; with me is the deputy chair, Hon Fran Logan and committee member Peter Tinley. The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect as is given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of the Parliament. This is a public hearing and Hansard is making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you would provide the full title for the record.

Before we proceed to the inquiry-specific questions that we have for you today, I need to ask you the following. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIR: Did you receive and read the "Information for Witnesses" briefing sheet provided with the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIR: Before we ask you questions, do you have an opening statement?

Mr Marra: Thank you, Mr Chairman. I would just like to make a brief opening statement. You have had brief introductions of the people here. I thought I would just elaborate on that a little bit. Myself, I have been with LandCorp for—I joined in the mid-1990s. I have undertaken many roles at LandCorp, and LandCorp has had significant changes over that period of time as it has continued to adapt to the government's land and property development agenda, and I will talk about that a little more. Kerry Fijac, on my left, has been with the business for a number of years. She has a very long and distinguished career in the public sector, mainly in the Department of Housing prior to coming to LandCorp, so she brings a real service ethic and understanding of affordable housing

matters to the business. John Clifton, on my right, has very extensive experience, starting with the Industrial Lands Development Authority prior to that being incorporated into LandCorp in the early 1990s. John has undertaken a range of strategy, innovation, procedural and market development roles for the organisation.

LandCorp itself, we are the government's land and property development entity. We were created in 1992 through the amalgamation of several government entities at that time, being the Joondalup Development Corporation and the Industrial Lands Development Authority, but we can trace our roots back to the 1940s when government was involved in industrial land supply in those periods. So, right at the heart of our business is industrial land supply. We then, as part of the Joondalup and other functions, undertake a role in urban development and infill development today, and we also have a significant regional development program. LandCorp also has a role in terms of providing infrastructure to enable our estates to reach their potential.

Our role in innovation stretches from three perspectives. One is our legislation makes it clear under section 16 that LandCorp is to balance as far as practicable the triple-bottom-line elements of all of its projects. That in itself creates the environment to make innovation happen. There is also government policy around this space. The government policy—everything from “State Planning Strategy” documents and regional development policy documents, but cabinet has also indicated that one of the key roles of the government land entity is to accelerate the rate of change in housing and built form development. The third area where we get our mandate for innovation is from our core strategy. Since I have been chief executive for two years, we have made it clear that a core strategy of LandCorp is market leadership and innovation, where we seek through a program of what we call “innovation through demonstration” to find ways of unlocking complex problems, but, more importantly, to trial and to test new ideas and new innovations ready for market uptake. We do not want to conduct experiments for experiment's sake. We want to de-risk and de-constrain new and innovative ideas so that the market sector as a whole will undertake those.

Essentially, LandCorp provides a platform to solve those real-world problems in terms of land and property development. We are not in the space of policy development; we are in the space of implementation. A lot of those activities are from solving our own land and property developments, but also those of the wider industry where we engage very broadly with the urban development and industrial land development sector and the universities to determine those new real-world problems, looking for potential solutions. I will leave it at that. Thank you.

The CHAIR: Thanks very much.

Mr P.C. TINLEY: Thanks, Frank; I appreciate that. We have seen that Landgate, for example, has probably been the real leader in innovation—technical innovation, I should say; “innovation” is a pretty broad word these days—particularly with the GIS model and the way they are doing electronic titles and all that sort of stuff. I see that potentially rolling out to other jurisdictions, which is really interesting news in innovation by itself. Has there been an application of technology in your sphere? I am thinking more digital, but I will keep it as a broad sort of application. For example, do you think you have got a comprehensive list of the crown land inventory as an example?

Mr Marra: As the government's land and development agency, we are not responsible for crown land management. The Department of Lands and Landgate undertake that. We get access to the records that the Department of Lands and Landgate operate, so through their SLIP Future program, we can access through GIS systems, and we do apply those systems within our own business. But we have applied technologies to our products and services over a number of years. To give you an example of one—we had an open day this weekend just past—it is our Cool Earth project, where we are building two homes side by side in the infill suburb of Craigie. One is a standard home and the other is a very similar home, but we have applied geothermal heating and cooling technologies as a way of finding a way to heat and cool a home while having an open loop water system, which

will, hopefully, save 50 per cent of energy use for heating and cooling purposes in Perth. While the technology has been utilised around the world mainly for heating purposes through Europe, it has not actually been applied in Australia in a suburban context, in an individual house context, but the technology exists. It just has not been de-risked and debugged from that perspective. We had over 200 people attend our open day over the weekend, so there is a real community desire to see more and more of these things.

Mr P.C. TINLEY: So did you tie up with—the Department of Housing itself has been running various programs in relation to these builds; they have done an energy efficiency one. One in Hilton springs to mind immediately.

Mr Marra: We certainly have regular discussions with the Department of Housing and the other government land organisations across Australia to make sure that so our work complements and does not duplicate —

Mr P.C. TINLEY: You are aware of what is going on.

Mr Marra: Yes, we are aware across the whole industry that there have been various different innovations to try to make sure that we are pushing a distinct barrow forward in that regard so that we do not duplicate.

Mr F.M. LOGAN: Can I just ask, Frank, about the geothermal house. So, that obviously would have involved drilling into the nearest aquifer—well, actually the nearest aquifer was hot enough for it to actually create some geothermal hot water. How much did that drilling cost and why would you do that for one house when it would be economically more efficient to actually do it for a whole suburb?

Mr Marra: Thank you for the question. The term “geothermal” just refers to accessing energy which is stored in the earth’s —

Mr F.M. LOGAN: In the aquifer.

Mr Marra: In the aquifer, but it is not about hot water. I will refer to my colleague to the right, but I will give you a little introduction. We have sunk a regular bore. It has gone down into the shallow aquifer and we extract water at approximately 19 to 20 degrees. The importance of it is that water is at that temperature, day in, night in, 365 days of the year, so it is consistent. So the cost of undertaking it has been relatively straightforward. It is a normal bore in that regard. The additional cost that we have implemented is through the heat exchange technology, which is around \$12 000 for an individual home, and that is because it was the first application of its kind in a home. I am not sure whether you could sink a community bore to undertake a similar kind of structure or whether it would be cost-effective, but I can hand over to John.

Mr Clifton: For the Cool Earth home in Craigie, the bore went down to 40 metres at the top of the aquifer and 60 at the bottom. It is an open-source system, which means the water is recharged back into the aquifer, so all we are actually doing is extracting the heat. It is a normal irrigation system, and part of the system actually uses water for reticulation in the garden as well, so you can actually use it for a few different purposes. In fact, on the weekend the scientists were talking about doing from the roof aquifer recharge, and they were talking about how you could actually, in a water balancing sense, push more water in than the household is actually extracting. That just came through discussion amongst a bunch of scientists. Down in the groundwater there are monitors, so we are monitoring groundwater temperature, the temperature of the ground, the temperature in the house, the temperature in both houses. We have got a couple of key partners in the way the project was put together. So, UWA, their geophysics–geothermal area were a key partner; Carbonomics, who were scientists who volunteered their time and services over a number of years to see a project like this get going; the heat exchange manufacturers, they are keen to see applications of geothermal broadly across Australia, so this was an opportunity for them to showcase this type of technology at a household level.

[9.45 am]

Then there were ourselves involved and then the ABN group who actually built identical houses side by side for the purposes of the trial. All the data is being extracted and used by UWA. It is open source, so they are taking the data out of live feed at the moment. They are tracking data now. The intention is for them to publish research papers over the next two years to actually demonstrate the effectiveness of the geothermal system. We already think that it will run at 50 per cent of the energy draw of a normal air-conditioning unit. We have got the normal air-conditioning unit sitting next to it. So, at a household level, we are already looking at trying to calculate the payback period if someone would like to put one of these into their household; we envisage one day you could go to any builder and this will just be another appliance that they could purchase. The marginal cost of that will come down over time. Currently, the marginal cost is about \$15 000. I think that is going to drive down to below \$10 000 and I think the payback period is going to come down pretty rapidly as well.

To answer your question about precinct scale, yes, there are applications like that already in Perth. The Pawsey centre has got a precinct-scale application to do groundwater extraction. They are using it for cooling rather than heating purposes. There are a number of other precinct-type approaches. What restricts that at a residential-scale subdivision is how you deal with the governance of that piece of infrastructure—so, who owns that, who operates it and who takes the risks for that over time. For Western Australia, community titles may be one of those breakthroughs that enable this type of infrastructure to be deployed more universally. You are absolutely right; one hole into the aquifer might be the approach to be taken, but there is a fair bit of science that needs to be done around that as well so that we are not heating the aquifer at the same time and then all we are doing is creating another problem somewhere else.

Mr F.M. LOGAN: The reason I raise it is that the visiting fellow and world-leading geophysicist to UWA about eight or nine years ago strongly urged Perth to get on board with that type of technology of using community bores to cool, particularly the City of Perth. Obviously, the issue that comes up is about the ownership of the actual infrastructure itself and who pays for it and how you pay for it. All you have got to do is visit anywhere in New Zealand and you will get the answer, because they drill into the ground and get the hot water out for their heating in New Zealand. I am sure they have come to a landing on that issue.

The CHAIR: Did you have any role in the Bentley Technology Park; and, if you were doing such a development today, what would be different about a technology park, because quite a long time has elapsed since that one was built?

Mr Marra: I am aware that LandCorp has a very residual role today in the Bentley Technology Park. We co-own with the Department of Commerce a number of what are called enterprise units. These were structures that were built. LandCorp helped to co-fund these structures some 20 years ago and they provide for relatively inexpensive access to start-up companies to utilise space—so, they are almost like incubators—and then promote. That is one involvement that I am aware that we have on the Bentley Technology Park space itself. I am not sure whether ILDA, through its previous times, also had a role in it. Perhaps John can answer that.

Mr Clifton: Historically, yes, it was involved and worked closely with the Department of Commerce. From memory, and it is memory, I think they were involved in construction—so, somebody doing the physical works for the Department of Commerce, who was the lead policy agency at the time. In terms of owning of physical assets, ILDA was assisting the government by taking stewardship of some of the assets inside Technology Park. It is one of those areas that personally I have watched—a bit like Canning Vale industrial estate and some of the other industrial estates that I have had the benefit of watching grow over 25 years. Bentley Technology Park is a good success story. I was there yesterday at the CSIRO headquarters for metallurgy. There is a lot of good science that goes on in a place like that. It is co-located next to a university,

which I think adds to the mix. It is an example of the government taking a position and creating an estate, because I do not think the private sector would have delivered such a beast, although you could set up the platform for the private sector to get there, but I think government still has to preserve that future capability. Would we create such things again? I guess, from a practical point of view, I would urge something like that to happen. Co-location is a key part of the story. If it is not lodging next to a university campus or some sort of other heavily research-based community, it becomes an island by itself. That is just my personal view. I would put them right next to universities because I think the synergies are there and they are very strong. It is almost a seamless blend. It is interesting to see where does the university campus stop and where does the tech park start. I think that line has blurred over time.

The CHAIR: If you were building it today, what would you do differently do you think? Obviously, there would be international trends in these things, so I assume that if you started with a clean sheet of paper, it would probably look different, and I am just curious in what way it would be different.

Mr Clifton: One of the first things you would do is make provision for communications. Bentley tech park did not necessarily make provision for fibre deployment; we have had to go back and do a redevelopment and we are going back into a brownfields there. Sizing infrastructure for that type of capacity in the future is one thing that I would do. I know at the time when Bentley was being formed, they were quite selective as to the types of businesses, industries and enterprises that were going in there. Maybe over time that sometimes can erode and it is very hard to hold that off for 25 years when there are other more short-term drivers. You are finding that there may be some propositions that are put forward during the length of that time and you find some nonconforming uses that may slip into an area like that. I would be very selective in the formation of future estates—I repeat that—to make sure that we got the cluster that we were looking for. I wonder about offering leasehold tenure as opposed to freehold tenure, and that is just a wonder. Although it presents difficulties around financing, it is a different way that you can maintain the influence over the estate over a long period of time. I am not really close to the governance structure around Technology Park now, so I am not sure how the government now involves itself to the extent that it needs to in the day-to-day activities of the park in joining organisations together. I do not know whether there is a head body, be it not-for-profit or anything like that, that sits over the top of tech park, for example, at the moment that governs the way the park functions. I would suggest that is probably something that you would set up to create a new one.

The CHAIR: Currently, blocks are freehold, are they? Is that right?

Mr Clifton: It is freehold tenure in there.

The CHAIR: And in other places that they do them, is it like a 25-year lease or something?

Mr Clifton: They offer long-term leases and commercial arrangements for builders, but it is horses for courses. Freehold has its advantages as well.

Mr Marra: Some points I would make, Mr Chairman, on this is technology parks are a form of economic and employment zones and there would be lots of similarities to other industrial parks as well, and that is around making sure that the core infrastructure is right, and John has spoken about that. In terms of technology, that core infrastructure obviously includes technology, but also includes strong linkages to those research institutions. I would also think that a future technology park would have a different kind of sense and feel. The one that we have in Bentley was designed at a time in the 1980s with that large campus-style development, with very large green areas. It probably does not have that bump and that grind element of different researchers and different professional bodies actually bumping up against each other. There are very large spaces. Unless you create an environment to artificially get them to come together, you do not necessarily have that. I think a more high-density kind of arrangement which still preserves the really nice environment but gives people an excuse to bump into each other would be very positive.

The other point that I would make is that success breeds success. While having a pure technology park area that says only certain people must come in is lauded with very high ideals, if that restricts the initial uptake of the project, it can then lead to some issues. I know this committee has received evidence in the past that says potentially you need to seed in a significant player as a critical mass to start with. I think there is some real benefit in that, but there is also some real benefit in also potentially starting from the core of the park and then moving out, and as you move further out, other ancillary uses are okay to go in there to try to get that view, as I said, that success breeds success. If you want to be a technology and innovative company, you desperately need to be associated with people who have been successful in the past as well and not just lone start-ups. I think having walls around it completely could be detrimental, so we could certainly encourage that.

Mr P.C. TINLEY: You deal a lot in financial models, obviously. You talk about the economic value and you mentioned, Frank, in your opening comment profit versus the economic multiplier that is enshrined in legislation, but that is always the interpretation of legislation, and the application in a real world sense is never even; it is lumpy. There has been a sort of general view that in economically constrained times like we are in now where private capital is timid, public capital needs to be brave, and you have already mentioned several initiatives, like the house development and so on. Have you had a look at your financial model? I am particularly talking about how you partner and how you go about developing these particular parcels of land. Have you looked at those and said, “What can we do that is innovative or different?” because you typically do only JVs, do you not?

Mr Marra: LandCorp undertakes the full range of development activity, from developing our projects 100 per cent on balance sheets ourselves, through to joint ventures, through to collaborative partnership arrangements where we might tip in land and someone else might take on the development fully, through to LandCorp being very hands off and we do what we call a structured sale where we will sell off a parcel of land but with conditions and then allow the private sector to fully operate it. We choose what we think is the right intervention model for different projects. If there is a real depth of private sector capacity, LandCorp can be far more hands off. If there is a lack of depth, we will get in and get involved a lot further. When we undertake a new project, Kerry’s team prepares a business case that actually looks through that range of activities to try to pick the right intervention that we should apply.

Mr P.C. TINLEY: If you call that a spectrum—straight transactions through to 100 per cent on balance sheet activities—every time you come to this side, the cost to the taxpayer, or the reduction in your profit margin—whichever way you want to describe it—is going to be impacted; is that correct, generally?

Mr Marra: One has high capital input and potentially higher profits. The other one has the lower capital input from the taxpayer and potentially lower profits.

Mr P.C. TINLEY: Typically, the higher capital input end may not necessarily translate to profit because the reason you are getting involved is the nature of the development inside the ambition.

[10.00 am]

Mr Marra: Under LandCorp’s legislation, we are required to ensure that we meet a minimum hurdle rate of return for the capital that we invest in our projects. If a project is not going to meet that minimum rate of return and government still wants us to undertake it, then a top-up payment can be made called a community service obligation payment to make sure that we meet it. A minimum rate of return needs to be achieved so if you are applying more capital and a greater return is achieved, that is just through the mathematical formula as it works out. However, our hurdle rate of return would be at the lower end of the market. If the private sector wanted a rate of return up here, the rate of return that government would expect of LandCorp investments would be at a different level.

Mr P.C. TINLEY: So it is on a sliding scale that, Kerry, you look after; is that right? The IRR is your —

Mrs Fijac: Yes, IRR is the province of my team. I think, although it is important to understand when we choose a delivery model, we do look at the return that is inherent in that project, but that is only one of the factors in making the decision about what delivery model we choose to go along with. We will look at whether the government needs to hang in there to achieve a result in terms of whatever policy outcome is important to government at that time. It could be affordability—do we need to hang in there to ensure affordability outcomes are achieved?—or infill outcomes or high-density outcomes with the level of quality as well. So although it is important, it is not the only factor in our decision because, as Frank has mentioned before, we make our decisions according to TBL principles.

Mr P.C. TINLEY: Even though you say legislative-required applied hurdle rate, yet I sense there is a conflict between that and TBL at different times in the economic cycle.

Mrs Fijac: I would not say it is a conflict; I would say it is a balance. We need to make a commercial return wherever possible or seek the assistance of government to help us get to that space, but it is also really important to us that we achieve the policy outcomes of government, who is our shareholder.

Mr P.C. TINLEY: In terms of risks to taxpayers, I think you have a pretty good track record. Nothing springs to mind as being a high-profile failure—my colleague might have some. Where on that spectrum represents the most risk to the taxpayer today?

Mr Marra: Our activities, by their nature, are aimed at implementing government policy so whether that be for affordable housing or whether that be through industry development programs, they have the support of the government policy mandate. LandCorp's activities are also done in a market-based system. LandCorp is not a monopoly, so to speak. Our products are out there from a market-based perspective. We have to make sure that we produce the right products that the market wants, so we undertake a lot of research to try to de-risk those areas before we get involved in them. We have a very comprehensive business case methodology that makes sure that the risks that we undertake on behalf of the government are measured risks but, more importantly, that the return profile reflects those risks. I would suggest that our risk profile is no different to any other market-exposed government trading enterprise in that space but we have the benefit of being supported by government policy. LandCorp does not go out on its own follies and just say, "We want to create an industrial park because we think it is needed." We make sure that the industrial parks that we develop have the backing of Department of Planning policies and the Planning Commission, and the Department of Commerce is lined up. We undertake a very collaborative approach to make sure that all those policy elements are lined up. That de-risks it from a government point of view because it means that it wants this to occur.

Mr P.C. TINLEY: You say you are not into policy development but you are obviously into policy interpretation. You put your nose in the wind and see which way the government is going—you have to do that. Clearly, now there is a track towards densification—Peel@3.5million or whatever we are up to and Directions 2031—it has set the running in terms of government policy around building strategic centres and those sorts of things. The opportunities in brownfield circumstances like that for LandCorp to lead the innovation, is that something if you looked at in urban design and/or opportunities within your portfolio to actually lead the way?

Mr Marra: Thank you for that.

Mr P.C. TINLEY: It was not a dixer.

Mr Marra: No, but it leads very clearly into our new strategy moving forward.

Mr P.C. TINLEY: Sorry, before you answer—I ask this question quite often—has anybody done any modelling about the cost of the urban sprawl i.e. delivering services, utilities and public

services versus leveraging off the inner urban infrastructure that exists? Have you guys been involved with any of those sorts of numbers?

Mr Marra: I have seen that research that has been conducted by others. I think the Department of Planning and other bodies have undertaken it. We have not undertaken our own independent research in that space.

Mr P.C. TINLEY: It is the ratio I hear about, about the cost of delivering public infrastructure into the urban fringe versus leveraging, even if you have to increase capacity around the densification.

Mr Marra: I think the economic and social model for infill development is very, very strong in a growing city such as Perth in Western Australia. For that reason, LandCorp's strategy moving forward is to have a greater role in that infill development. It does not mean we are not going to have a role in assisting on the fringe but the private sector seems to be undertaking that role quite comprehensively, so our interventions there can be lessened whereas our interventions and involvement in the inner city and middle rings of Perth are lifting. An example of that is our White Gum Valley project, which was a former primary school site which was no longer needed. LandCorp acquired that a number of years ago. Is a relatively small site; it is two hectares, but we have redeveloped it in a way that we think can set the model for infill development moving forward. It has got a range of housing typologies from apartments, to maisonettes, to individual homes. It has intergenerational housing forward of it in part of the project: we are building or we are calling a generation Y demonstration home where three one-bedroom, one-bathroom apartments are being incorporated into one larger house that will fit on a 250 square metre block of land and allow for someone starting off in the market to buy one of those and, over time, combine it with the neighbouring properties and eventually have a three-bedroom house if they wish. We have also gone further than that because, at a precinct level, we have a community bore where potable water use will be I think 40 per cent to 60 per cent less than the Perth average. We also have trialled, and I think there will be some announcement this week, around micro-grids in apartment complexes. Solar panel penetration across Australia is very high, as I am sure the committee knows, but it is very low on apartments. The reason why it is very low in apartment buildings is because the majority of individual apartments are owned by investors. Up until now, there has been no business model for an investor to put solar panels on the roof and subsidise the cost of electricity to tenants because they have no way of recovering it. We have developed, with the energy utilities and the universities, a micro-grid product that we are going to apply to the apartments at White Gum Valley. It will allow for the investors to put the solar panels on the roof and for the strata company which then owns the solar panels to then on-sell the electricity to the individual tenancies and to make a return on that electricity to pay for those solar panels. We think that this is now going to unleash the ability to have solar panels on apartment blocks throughout not just Perth, but throughout Australia. That is that real innovation through demonstration. It is not so much about the technology, but that was around governance, which is the real technology there. The micro-grid concept existed but no-one knew how to apply it in a cost-effective way. That, I think, is the future of infill in Perth where we can have a product which the community wants, but it is also far more energy and water sustainable. The energy cut in terms of sector draw is something like 70 per cent. There will be a 70 per cent reduction in those homes that we build in White Gum Valley draw on the electrical grid, so it is quite an incredible outcome.

The CHAIR: What challenges do you face in working in collaboration with other arms of government and other entities?

Mr F.M. LOGAN: Can I add to that as well because it goes to the very question that I was going to ask as well. I have been confused for a fairly long time and I am still confused over the relationship between LandCorp and the Department of Housing. That goes to the heart of what the chairman has just asked in terms of LandCorp's relationship with other entities. From what you are describing to the committee now in terms of the areas of innovation, LandCorp are now involved in affordable

housing, building innovation, private sector home innovation—from all the great things that you have told the committee that you have been doing. But so has the Department of Housing being doing that for a long period of time and it works closely with the HIA and the building industry; it has been doing that for a very long period of time. Why has the government got two arms doing the same thing? For example, LandCorp always was brought in when there were tricky land developments to be redeveloped and some value to be generated out of it—for example, the industrial sites in Mosman Park. It was the sort of thing that the Housing Authority could not do and LandCorp was probably best-placed to do that. From that, LandCorp has been involved in quite a number of high-end property developments through state-owned land, whether it is school sites or industrial areas. They have been involved in that. Now we have the Department of Housing also in that space. For example, as I pointed out to the press and it has been on the front page of *The Sunday Times*, the Housing Authority is taking over ownership of luxury units in Elizabeth Quay and Adelaide Terrace. So they have moved into your space and you are moving into their space; now they are moving into your space. What is going on? Why have we got two government bodies now—you may not be competing—operating by doing the same things?

Mr Marra: LandCorp's mandate is clear. We have been established to be the state government's land and property land development agency. Our mandate covers the whole of the state—regional and metropolitan activity—and we are the only agency that covers the full spectrum of property development activities. What I mean by that is industrial, commercial, tourism, housing—housing is just one part of our portfolio—and agricultural land; so all types of land and property developments. We are agnostic as to the ultimate use of it. The example that I provided about White Gum Valley was a former government school site. It fits very much within your preamble where you were saying one of the roles of LandCorp was to optimise the outcome of surplus government property assets. White Gum Valley was a former primary school so we optimised the value of that asset. In optimising the value of that asset, LandCorp goes about its business trying to fulfil government policy in its activities. Government policy is clearly aimed at energy reductions, affordable housing et cetera so it is natural for LandCorp to undertake its activities to be sympathetic to those wider government policies. It is no different to if it was a surplus industrial land site and we redeveloped it. We would do so in close collaboration with the Department of Commerce and the Department of State Development to make sure that the project met those government objectives while still optimising the return back to the taxpayer. LandCorp does not get involved in the sphere of social housing. There is a wide government policy that says where surplus government property assets are developed, a minimum of 15 per cent should be targeted to affordable housing and LandCorp follows that agenda. That challenges us to be innovative as to how we achieve that. Again, that is a much wider mandate than the Department of Housing's mandate in that space. LandCorp continues to undertake the redevelopment of those complex sites—those redevelopments and remediation sites—and many of those projects that now have innovations with them started off as one of those. The Cool Earth project that my colleague John Clifton spoke about a little earlier is, again, on a former school site. We just seek, as part of optimising a return on that asset, to facilitate that innovation agenda as part of it.

Mr F.M. LOGAN: Yes, I think that is the bit that I am still stuck with. If you look at LandCorp's involvement in the Swanbourne primary school site, the Swanbourne high school site and the Mosman Park site I referred to earlier, in optimising the value of that property, LandCorp did the rehabilitation redevelopment of salt blocks; that is it. It did not then move into innovation and geothermal extraction, but it is now.

Mr Clifton: I, perhaps, can shed some light on that. If we take White Gum or the Cool Earth project in Craigie, the demonstration of the geothermal project, certainly at a household level, is one of the key things that we are trying to show the public in terms of what the future is but there is a bigger agenda, which is we are reducing the energy draw on the interconnected system. This is, in a precinct scale or even a head works scale, about driving down costs of delivery of energy. At a

bigger scale again, if we roll out that type of technology en masse and even do retrofits, we start to defer our gas-fired power stations being on reserve waiting to actually provide energy into the grid. The driver here is about how can we actually deliver a product more efficiently at a lower cost, and I think everybody gets into that space; that is the driver.

[10.15 am]

Mr F.M. LOGAN: I am not going into the ethics of it; I fully support the ethics of it. It is just a question of who does it.

The CHAIR: Can I just go back to the other part of the question, which was working with other government agencies. I would assume that if you are working with one it sort of gets harder, but if it is more than one it probably becomes even harder.

Mr P.C. TINLEY: That is why the MRA was invented.

The CHAIR: Yes. What sort of difficulties did that add to your job, and how do you get around that, when you are dealing with other government agencies?

Mr Marra: LandCorp's activities require, right at its heart, a whole lot of coordination and collaboration with lots of different agencies. Even in terms of standard land subdivision it requires an enormous amount of coordination with different government agencies, whether that is through regulators or semi-regulators, so the Departments of Planning, Water, Environment, local government authorities and power utilities et cetera. We are very versed in terms of that coordination approach, because that is the nature of land and property development. In our innovation space, we extend that by having further collaborative partnerships, often with universities, but quite often with a lead policy agency as well, to assist us. You asked about challenges in that space; probably the greatest challenges that come to us are in the ultimate governance, the ultimate ownership of infrastructure and things like that. I have spoken about this a few times; a lot of innovation has already been created and already exists, but lacks a vehicle for its implementation. Quite often that vehicle is held back through existing regulations or existing governance, and a lot of our energy gets put into that space. For example, in the White Gum Valley model, the community bore was only able to operate because the Department of Water relaxed its standard approach to ensuring that whoever operates a water supply system is a licensed water operator, which has a whole lot of high-level obligations. In this case, the local authority, the City of Fremantle, was happy to take on that obligation. The Department of Water felt comfortable that it had systems and processes in place and provided the requisite regulatory approvals for that to occur. But in the absence of that, there are systems and processes in place that protect the community but somehow also can limit innovation in that space.

Mrs Fijac: Can I just add a point? From my own perspective, I think that is one of the key strengths of LandCorp, and it is brought about by a project management methodology and a huge emphasis we have internally on relationship management and collaboration. I feel that LandCorp has some excellent skills in terms of community engagement and the ability to bring a lot of key stakeholders together on the journey in terms of initial start-up, getting the idea going, proving out the commercial application of the idea, and then implementing ongoing governance, management and maintenance. In terms of challenges, I think relationships, collaboration, who bears the costs—there are all those sorts of challenges that come up, but we are very well versed in dealing with those because of our mandate and because of the work we have done over the years.

The CHAIR: Okay. I will have to call it to a close there.

I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for the correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to

provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thanks very much.

Hearing concluded at 10.19 am
