



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES  
COMMITTEE

**Reference: Disposal of Defence properties**

MONDAY, 2 APRIL 2001

CANBERRA

### CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee. It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

**[PROOF COPY]**

## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

**SENATE**  
**FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES COMMITTEE**  
**Monday, 2 April 2001**

**Members:** Senator Hogg (*Chair*), Senator Sandy Macdonald (*Deputy Chair*), Senators Bourne, Hutchins, Lightfoot and West

**Participating members:** Senators Abetz, Bolkus, Boswell, Brown, Calvert, Chapman, Cook, Coonan, Crane, Eggleston, Faulkner, Ferguson, Ferris, Forshaw, Gibbs, Gibson, Harradine, Harris, Knowles, Mason, McGauran, Murphy, Payne, Tchen, Tierney and Watson

**Senators in attendance:** Senators Hogg, Hutchins, Lightfoot, Sandy Macdonald and West

**Terms of reference for the inquiry:**

For inquiry into and report on:

1. The importance and value of the Western Australian Army Museum and the Fremantle Artillery Barracks.
2. Whether the Fremantle Artillery Barracks is the most appropriate and suitable location for the Museum.
3. The reason for the disposal of the Fremantle Artillery Barracks.
4. The disposal of the Fremantle Artillery Barracks and the probity of the disposal process.
5. How the Australian Defence Organisation (ADO) decides whether property is surplus to requirements and the management or disposal of surplus property.
6. Sale and lease-back of ADO property.
7. Any other matter related to the above-mentioned issues.

**WITNESSES**

<b>BAIN, Mr Ross Kenneth, Assistant Secretary, Property Management, Defence Estate Organisation, Department of Defence .....</b>	<b>629</b>
<b>BLACKLEY, Mr Bernard, Director, Defence Estate Organisation, Department of Defence .....</b>	<b>629</b>
<b>CLARK, Ms Liz, Director, Property Disposal, Department of Defence .....</b>	<b>629</b>
<b>COREY, Mr Rodney William, Head, Defence Estate Organisation, Department of Defence .....</b>	<b>629</b>
<b>MACDONALD, Mr Nigel, Director, National Project Consultants Pty Ltd .....</b>	<b>629</b>
<b>SIER, Mr Trevor Allan, Development Manager, Fitzwalter and Associates Pty Ltd.....</b>	<b>629</b>



**Committee met at 9.35 a.m.**

**BAIN, Mr Ross Kenneth, Assistant Secretary, Property Management, Defence Estate Organisation, Department of Defence**

**BLACKLEY, Mr Bernard, Director, Defence Estate Organisation, Department of Defence**

**CLARK, Ms Liz, Director, Property Disposal, Department of Defence**

**COREY, Mr Rodney William, Head, Defence Estate Organisation, Department of Defence**

**MACDONALD, Mr Nigel, Director, National Project Consultants Pty Ltd**

**SIER, Mr Trevor Allan, Development Manager, Fitzwalter and Associates Pty Ltd**

**CHAIR**—I declare open this public meeting of the Senate Foreign Affairs, Defence and Trade References Committee which is inquiring into the disposal of defence properties. I again welcome officers of the Department of Defence and their advisers. The committee prefers all evidence to be given in public but, should you at any stage wish to give any part of your evidence in private, you may ask to do so and the committee will consider your request. You will not be required to comment on the reasons for certain policy decisions or the advice which you have tendered in the formulation of policy or to express a personal opinion on matters of policy.

Before inviting you to make an opening statement, I will state that this is designed to be our last day of formal hearing. We do have some in camera evidence that we need to take. I suggest, if it is satisfactory to you, that we will take that at around five past 12 because I have a speaking commitment in the chamber soon after the commencement. That will give us a bit of time to take that in camera evidence that you wish to give us. Any other questions that we fail to ask today we will put on notice to you. Do you have an opening statement that you wish to make? If not, we will start with questions.

**Senator HUTCHINS**—Whilst it is acknowledged that Defence does not have to involve local authorities in the remediation of sites prior to disposal, how does Defence respond to significant concerns about the transparency of remediation works on Defence sites—that is, whether it was done in accordance with state and government regulations and legislation? For example, while remediation has been undertaken at Werrington, no documentation has been submitted to the local council detailing the process undertaken and the results. Would you like to make a comment?

**Mr Corey**—I could probably talk to that in general first. All our remediation and contamination assessments are done in accordance with state and Commonwealth legislation. When we remediate a site, we get an independent auditor who is appointed under the legislation to credit the site, and documentation that supports that remediation process is available on the public record. I will ask Bernard to specifically address Werrington.

**Mr Blackley**—The remediation at Werrington was undertaken because we knew of some contamination on the site that had been in a series of dumping pits there for many years. The

idea was to remediate it to remove the Commonwealth's liability and any Commonwealth liability into the future resulting from its ownership of the land. So the objective was to remediate the site suitable for its future land use. The intention was to remediate Werrington suitable for either residential or high tech industrial use, which we then proceeded to do in accordance with the New South Wales Contaminated Land Management Act. Under that act, we appointed an auditor from the firm URS Corporation. His name was Frank Mohen. All of the remediation is really framed around the requirements that that independent auditor requires to enable him to certify in a two-page statement that the land is suitable for its intended use. The work was undertaken entirely under New South Wales planning regulations. A site audit statement was produced by Frank Mohen certifying that the land is suitable for residential use, which is probably the highest classification.

In terms of providing that information to council, if you have completed the remediation at the time when you submit a rezoning application, the normal process is that you submit it at the same time as the site audit statement, or you submit a draft site audit statement along the lines that you will ultimately produce when you have completed the remediation. It happens either at the rezoning stage or at the time when you are seeking development consent for a particular development. We have the site audit statement. It was dated, I think, December 1999. So it has been undertaken for some time. That is available, but it is not normally the situation that we would go to the council and say, 'Here is a site audit statement for the land.' It is really taken in the context of what you are trying to do with the site. There has been no intention to withhold the statement. The council planners know that we have a site audit statement. It will be provided to the council as part of the subdivision consent, which we are hoping is not too far away.

**Senator HUTCHINS**—If I recall last time when we had the inspections, the council's view was that there should be a mix of residential and commercial/industrial. There has been a bit of a rethink on that position, hasn't there, at the Werrington site?

**Mr Blackley**—Werrington has not been a terrifically successful planning exercise. It has been difficult. We started with the process of a university village concept. With the then vice-chancellor of the University of Western Sydney, Professor Schreuder, in 1997 I made a presentation to the council of this university village concept. There had not been one in Australia other than the one at Bond University in Queensland. The council enthusiastically embraced the concept but, unfortunately, when we submitted our rezoning proposal, within months council rejected it because they did not think that it was commercially achievable. While they approved the land use, they were concerned that the land use would ultimately change into being just any other residential estate. So they did not think what they had actually approved was achievable.

So, having rejected it, we went into a process where the council suggested a land swap with Defence. The council were not entirely clear in their mind what they wanted the land to be used for, other than that it be university related. They proposed that we should swap the land for some other land that the university had. We said, 'We are quite happy to do that. We will take another parcel of land as long as we will get the same value from the land, but on the condition that we do not have to go through another two-year planning to rezone this swapped land.' The council would not deliver that. They refused it. So the whole thing came to ground.

Then we went along for probably another four or five months, and we got to the point where I was approached by Bruce Macdonald and Alan Stoneham whom you know. They suggested to me that the entire site should be used for industrial—employment generating. That was something that had developed within the council. Probably from 1998 they had become strongly committed to employment generating land. We said, ‘There is a complication with that because, as you probably know, there is an intention to build a railway station on the Defence site. The approval authorities for the railway station’—

**Senator HUTCHINS**—I am still concerned about those kangaroos.

**Mr Blackley**—No, they have all gone.

**Senator HUTCHINS**—Where did they go to? Did they get a train somewhere?

**Mr Blackley**—No-one knows. The police caught a few of them running down the Great Western Highway. But, other than that, they were 20 feet tall and they could jump any fence.

**Senator HUTCHINS**—There is a prime suspect, Mr Blackley.

**Mr Blackley**—No, I think the people of St Marys actually took it.

**Senator WEST**—They caught the kangaroos, did they?

**Mr Blackley**—No, they had a completely different species of kangaroo. But ours just disappeared.

**Senator WEST**—That’s funny. The greys are used out in the western lands area—

**CHAIR**—Defence kangaroos disappear.

**Mr Blackley**—We employed very high tech specialists to actually target these—

**Senator WEST**—I think I would change my wording, if I were you.

**Senator HUTCHINS**—That is probably the word.

**Mr Blackley**—kangaroos and dart them, put them to sleep and relocate them into some other suitable environment. But you could not catch them. You would walk up and disguise yourself as a tree and you would try to dart them—

**CHAIR**—I would never believe that of you, Mr Blackley. Any resemblance would be purely accidental.

**Senator WEST**—Maybe you should go and sell your—

**Mr Blackley**—The problem was that the kangaroos were spooked, so the next night you would camouflage yourself as a tent and try to walk up. We went through this process for about

12 months and then we just let them unspook themselves. When we went back they were all gone. No holes in the fences so I do not know where they went.

**Senator HUTCHINS**—But you are in an amicable position now with the council, aren't you, on Werrington?

**Mr Blackley**—Just to finish my story about that, the council were saying fully industrial, employment generating land. The department of transport and the State Rail Authority would not agree. They refused to agree to put a station there unless there was some residential development. So in effect we were the meat in the sandwich. We proposed a compromise whereby it was half residential, half industrial, and the council rejected that because it did not meet their requirements.

Since then the Department of Urban Affairs and Planning have intervened in the process with a variety of studies. So the two years have taken us to the point where the council resolved, in December, for a mix, probably the same sort of mix that we agreed two years ago, and Defence has compromised even more. We have actually contributed more land to become part of the high tech interrelationship with the University of Western Sydney. Nigel Macdonald is the development manager on the site. He has been preparing a development control plan, and the development control plan and the local environmental plan are going out on public exhibition early next month, early May. We have actually come to an agreement with the council.

**Senator HUTCHINS**—With State Rail and the department of transport as well?

**Mr Blackley**—They are not as happy because, as you know, the department of transport want to get people onto public transport and cars off the road. They want as much residential on that site as they can get and the highest density possible. But there is a compromise here. Everyone had to agree because the New South Wales planning minister was going to pull his support for the railway station. Unless there was agreement between all the stakeholders it was going to go. That was the reason we ultimately got across the line with council just prior to December.

**Senator HUTCHINS**—Councillor Bradbury told the committee that council had been involved in the planning of the north Penrith site since 1992. Why has it taken so long for that site to be prepared?

**Mr Blackley**—Nine years—

**Senator HUTCHINS**—Did you have a change of consultant in that period?

**Mr Blackley**—Yes, we did.

**Senator HUTCHINS**—Was it essentially just going to be residential at one stage?

**Mr Blackley**—Yes. You have to appreciate, going back nine years, a lot of Defence sites are zoned 'special use as defence'. On zoning plans and strategic plans for council, regardless of where it is, a defence site is mostly just a block of yellow in the middle or a scratched out site. It is special use as defence. There is no strategic vision for that site. That was the case with Penrith. To actually come to some idea about what the future land use for Penrith should be we

engaged a company called Planning Workshop Australia with Professor Sonia Lyneham and her partner Robert Auburn. They are essentially urban designers and strategic planners. They prepared a land use that was predominantly residential. It took five years for the council to come to terms with what it really did want for the site against the background of what Planning Workshop had proposed. It was not full-scale residential.

**Senator HUTCHINS**—What is it now, Mr Blackley?

**Mr Blackley**—It is a mix of industrial, residential, and there is a car parking provision. There are new environmental wetlands proposed. There is provision for home businesses. So it is sort of multi use across the site.

**Senator HUTCHINS**—Has that reduced what Defence Estate anticipated collecting from the sale of those properties? Is that sort of comparison available—residential, commercial, industrial, what you would have got if you had had your ideal—

**Mr Sier**—I might just step in there. Early on in our real estate studies we looked at the various options for the site. We addressed the residential development component. We looked at industrial and we looked at a range of other uses in accordance with, I guess, the demographic studies we had done at the time—the social demand, the population statistics. In relation to the site, there is a very marginal difference between what Defence would achieve for a purely residential site and an industrial site. The order of difference, say, might be \$100,000 a hectare in globo. The order of magnitude is minimal for the site. The difference between the two, while there is a difference, is marginal. With Defence agreeing to this mixed use estate, it actually came through from council in 1997 that we create what is called a new urbanism development in line with state policy. To answer your question, there is not much of a difference at the end of the day in the value. If Defence had pursued a full residential outcome, I would think there would have been a lost opportunity cost because the actual rezoning of the site would have taken longer to achieve than what we have achieved now.

**Senator HUTCHINS**—But I suppose for the council the rates they collect from commercial industrial are higher than they get from residential, aren't they?

**Mr Blackley**—I do not know the comparison.

**Senator HUTCHINS**—I am not sure about Penrith but I know in a number of councils there is not the money in residences there is in commercial industrial.

**Mr Blackley**—I could not answer that.

**CHAIR**—We might come back to that in a moment. Senator West flagged last week that she needs to ask some questions not on Penrith. She has to go in about 10 minutes. We might allow Senator West to get her questions in and then we will return to the questions of Senator Hutchins.

**Senator WEST**—I want to canvass Dubbo and Marangaroo. It will be no surprise to you, Mr Corey.

**Mr Corey**—I am very surprised.

**Senator WEST**—You mean you do not have any information there that you can—

**Mr Corey**—I would have thought nothing that will be new. Nothing that is new, I would have thought.

**Senator WEST**—If we can start with Dubbo, when was that declared surplus?

**Mr Corey**—In 1995.

**Senator WEST**—A valuation has been put on it of \$4.9 million. When was that valuation arrived at?

**Mr Corey**—On 18 November 1996, by the look of it. I imagine it would have been valued at the same time.

**Mr Bain**—Yes, the second half of 1996.

**Senator WEST**—How was that valuation arrived at?

**Ms Clark**—It was based on a concept that the council had been working with and provided to the department. The department used that as instructions to the valuer.

**Senator WEST**—Is it possible to have a copy of the concept plan?

**Ms Clark**—The concept plan from council, yes.

**Senator WEST**—That valuation was based on what the concept plans for the use of the site were to be; is that right?

**Ms Clark**—Based on the concept that council had provided to the department.

**Senator WEST**—How was that concept arrived at? Was it in consultation with Defence? What role did Defence have?

**Ms Clark**—I am not sure that there was that much discussion about the actual concept. We were talking about council with regard to its future but not specifically on its uses at that stage because the New South Wales government were interested in acquiring it under a priority sale arrangement.

**Senator WEST**—That never came about? The New South Wales government never took up the priority sale?

**Ms Clark**—No, they withdrew.

**Senator WEST**—Council is maintaining now that the \$4.5 million is not its true valuation and they are saying \$1.9 million because they claim that they have had valuers value the land and they have come up with the \$1.9 million proposal.

**Ms Clark**—That is right. Subsequent to receiving that advice about the \$4.9 million, council went back to the site. When they provided instructions to their valuers there was concern in relation to the heritage aspects, and it was indicated that there would be severe impediments to the opportunities for the site. That instruction was provided to their valuers, and that was the answer they came back with.

**Senator WEST**—Do you disagree with that \$1.9 million?

**Ms Clark**—It is something that we are working through with the council now. Council actually have agreed to work with us on developing a master plan. I think the issue is that that site in Dubbo has a strategic position in relation to the area around it.

**Senator WEST**—It is slap-bang in the middle of town.

**Ms Clark**—Yes. The concern was that, with severe heritage restrictions on it, the opportunity would be lost for the site. What we are doing now is working with council so that council can achieve the objectives that they require in relation to community contributions. They are talking about a theatre. There is concern about ensuring there is a location for the Vietnam Veterans Association. That is what we are working on with them now. They have agreed that Defence is entitled to a reasonable return for the property. Jointly, through a master plan process, I think we should be able to come up with a satisfactory solution. Dubbo council is certainly quite happy with that approach.

**Senator WEST**—Why has it taken over long to get to the situation of deciding to go down the master plan concept way?

**Ms Clark**—For a long of period of time council were of the opinion that they had to own the property to achieve the objectives that they wanted. I think what we have come to now is a much more suitable compromise where we are working together to achieve both objectives.

**Senator WEST**—My understanding is that in recent times Defence have put this out to the private sector; is that correct?

**Ms Clark**—In what sense?

**Senator WEST**—They have sought expressions of interest in the private sector.

**Ms Clark**—No, we have not.

**Senator WEST**—You have not?

**Ms Clark**—No.

**Senator WEST**—Defence have not made any comments that would lead anybody to believe that Defence have ceased consultation with council and are actually seeking private sector expressions of interest?

**Ms Clark**—My office have met with council just recently and they articulated the options of the way forward. One of the options, and the preferred option for us, is the master planning option. I think in discussion they said that obviously one of those options is putting it to the market. But that is not our preferred option. The option that we are going through with council is to develop a master plan. At no time have we actually put it out to the market.

**Senator WEST**—But there have been expressions that this might happen?

**Mr Corey**—I think what Ms Clark is saying is that one of the options available to the department if we cannot reach agreement with the council would be to test it on the open market. That is not our preferred option, and that has not occurred and will not occur until such time as negotiations with the council break down, if they do.

**Senator WEST**—Right. Then presumably the local rag has got itself some steps ahead of what the actual situation is, then.

**Mr Corey**—That does not surprise me, either.

**Senator WEST**—I will let you tell the editor of that. I am sure that Lawson will be pleased to know that. I am interested to know why in the very beginning Defence did not take up or discuss with council the master plan option.

**Mr Corey**—Council had an option of their own in the beginning that we went with. They had a concept called Middleton Park or something.

**Senator WEST**—The Middleton Park one. But that has long gone.

**Mr Corey**—It took a long time for that to evolve to where we are now, Senator. As you are aware, in most of the discussions we have had with defence properties, particularly in remote areas—Dubbo is hardly a remote area—

**Senator WEST**—You are going well. I do not think you should go and visit Dubbo in the near future.

**CHAIR**—Your word is recorded.

**Mr Corey**—Even where there are large blocks of land that have strategic importance to the local community, there is an expectation initially, and probably prolonging in many areas, that it is land that should be gifted to the community. That is the position we have been moving through with Dubbo for a long time. We have outlined the departmental and the Commonwealth's position in relation to Commonwealth lands. They are now starting to understand that, yes, we are quite serious about that. There are not many options for them other than to work with us.

**Senator WEST**—So you have backed them into a corner?

**Mr Corey**—No, they have backed us into a corner. We are both in the same corner now and we are dancing together. We hope to dance out of that corner.

**CHAIR**—This is a very enlightening hearing—disappearing kangaroos, dancing in the same corner.

**Senator WEST**—That is very interesting. I am not sure if there are any kangaroos on the Dubbo site.

**Mr Corey**—I have not seen any.

**Senator HUTCHINS**—Send Bernard up there.

**Mr Bain**—The position that we reached quite recently in discussions with council was first raised with them back in October 1999 when I had a meeting with the mayor at the time, Mayor Peacock. Clearly council had other views. As Mr Corey indicated, they were trying to get the property for nothing and they had a number of views. But the position was put to them that if we worked together we could achieve the right outcome, and it did not require the council to acquire the property to achieve that outcome.

**Senator WEST**—Has any contamination assessment been done on the property?

**Ms Clark**—Yes.

**Senator WEST**—The results?

**Ms Clark**—I don't think there is any there. There is no remediation required.

**Senator WEST**—What about environmental assessment?

**Ms Clark**—Yes, that has been completed, too, and a heritage study as well.

**Senator WEST**—Because this is how many hundred hectares that have been locked up?

**Ms Clark**—It is 39.

**Senator WEST**—It has been locked up for many years. Therefore the vegetation, one would expect, would be a pretty fair example of what the original vegetation of the area was like.

**Ms Clark**—I cannot say in relation to remnant.

**Mr Corey**—Grasses—that is all that is on it.

**Ms Clark**—The land was cleared quite substantially because it has quite large hangars on the facility. There are some substantial stands of trees. There is a bunker there. That has always

been identified in the heritage listing. We are working with the AHC at the moment in relation to that listing.

**Senator WEST**—So those hangars and the bunker have heritage listing?

**Ms Clark**—I think one of the hangars has, and the bunker area as well. But that is all part of the negotiation process with council and AHC in relation to its future use.

**Senator WEST**—Can I now turn to Marangaroo. This one has been going on for even longer, has it not, Mr Corey?

**Mr Corey**—It has been going on for quite a while.

**Senator WEST**—Has Marangaroo, or parts thereof, ever been declared surplus to needs?

**Mr Corey**—Not formally, I do not think.

**Senator WEST**—Informally?

**Mr Corey**—We have been working toward how we might get out of part or all of Marangaroo in the medium to long term. It still has some use for Defence. But it is significantly contaminated, and we are looking at a strategy that might enable at least part of it to be released. That is what we are working on with Howard and Sons. But that has not really moved all that much. There have been a number of studies done, a number of assessments on what might be involved in remediating the site, and what parts of it might be available for other use.

**Senator WEST**—Are we able to say what is actually on the site?

**Mr Corey**—There is a significant UXO problem on the site because it has been an explosives demolition site, a storage depot, and some of the habits of Defence in the past have been less than pristine in the way they have treated UXO.

**Senator WEST**—Are you able to give us an updated inventory since 1995 of what contamination there is, or has there been no further contamination study done since the one with CMPS & F?

**Mr Corey**—That has been the only real study that has been done. But it was quite comprehensive. The use that the site has been put to would not have contaminated any further in that time.

**Senator WEST**—Right. You say it was used as a storage site as well as for ordnance, the explosion of UXOs.

**Mr Corey**—It was a major storage depot.

**Senator WEST**—What were they storing there?

**Mr Corey**—All sorts of explosives from things like Mangalore torpedos through to small arms ammunition. There was a whole swag of high explosives stored there for many years.

**Senator WEST**—Were there other things stored there?

**Mr Corey**—Other things?

**Senator WEST**—World War I or World War II material?

**Mr Corey**—I think the Mangalore torpedos probably came out of World War II.

**Senator WEST**—Mustard gas?

**Mr Corey**—I am not aware. I would have to take that on notice. I am not aware of anything of that nature. But it is not inconceivable. I do not think there was any evidence of that found in the contamination study.

**Senator WEST**—What was burnt there at the end of World War II?

**Mr Corey**—Probably a lot of explosives, I would imagine.

**Senator WEST**—You would burn explosives?

**Mr Corey**—Yes. That was the way of getting rid of explosives, to burn them in the open air. There would be shells emptied out and they would set fire to them.

**Senator WEST**—My recollection is, and I do not have my copy of the—

**Mr Corey**—*Marangaroo Bugle*?

**Senator WEST**—Do you really want to make your relations with them any worse? I do not have my copy here of the environmental assessment thing, which runs to five documents. Because I do not know whether it is actually a public document at this stage, I am a bit cautious. However, you did give it to me as a result of an estimates question I asked, so I would always maintain that it is a public document despite the fact that there are caveats in the front of it saying that it is not.

**Mr Corey**—There are two copies. The council have two copies of the contamination assessment as well, so in that sense I guess it is a public document.

**Senator WEST**—But you have a couple of disclaimers in the front saying that the entire contents are the property of CMPS & F Environmental and ADI Services. I do not know who they have become in the change of life?

**Mr Corey**—Nor do I.

**Mr Blackley**—Aegis Consulting Australia.

**Senator WEST**—And may not be disclosed to third parties or reproduced in whole or in part in any manner without express or written permission from either of those organisations.

**Mr Corey**—That is probably a disclaimer in a professional context, I would have thought, rather than the disclosure of information. I think they are scientific assessments, and assessments of that nature would be what the disclaimer is all about.

**Senator WEST**—In 1997 you told me it was the property of the Department of Defence and not a public document, that it was provided for my personal use only. I have abided by that. But I have a recollection from my reading of that that things like mustard gas and other rather nasty things were stored there and were burned off after World War II.

**Mr Corey**—I would have to check that.

**Senator WEST**—If you would do that for me, I would like you to confirm all of that. You say it was never formally decided that Marangaroo was surplus to needs—informally might have been—

**Mr Corey**—I guess it arose out of the Defence Reform Program in 1997. Subsequent to that process we developed a strategic plan for the Defence Estate which identified all of the Defence Estate and those sites. That categorised them as sites which have a long-term future, sites that have a medium-term future and sites which only have a short-term future. I think Marangaroo was probably characterised in the medium term as a site that we would not have a long term use for and would be disposed of at some stage, given all other factors, including the remediation requirements.

**Senator WEST**—But at least in 1997, probably earlier, negotiations or expressions of interest were received from Howard and Sons, a pyrotechnic company, to relocate to part of that site; is that correct?

**Mr Corey**—That is right. Howard and Sons have been attempting to get onto the site for a number of years, even when it was an operating site. They were attempting to obtain access to part of the site because they felt that the activities that they were undertaking were compatible with activities that were on the site.

**Senator WEST**—Because you both made big bangs?

**Mr Corey**—Yes.

**Senator WEST**—How long did those negotiations go on for?

**Mr Corey**—I am not sure they have ever finished, have they?

**Mr Bain**—They have. They finished effectively in February 2000 for us. We are trying to bring Howard and Sons to the table to conclude negotiations. For reasons unknown to us they did not want to complete the negotiations and have since found an alternate site at a place near Lithgow which starts with 'W'—

**Senator WEST**—Between Wallerawang and Portland they bought a property that was up for sale.

**Mr Bain**—Yes. On 2 May 2000 Andrew Howard from Howard and Sons advised us that they will not be pursuing a lease of land at Defence's Marangaroo property.

**Senator WEST**—Why did the negotiations drag on for so long, given that we are talking about starting prior to 1997 and Howard and Sons pulled out in May 2000 or early 2000? What is the sequence of events that took place over such a lengthy period of time?

**Mr Bain**—It was a range of issues. Not least were their requirements, and what they perceived to be some of the key issues of occupying a site such as Marangaroo where there are potential liabilities for the company. The Commonwealth equally had to protect its position. Some of those questions have to be directed at Howard and Sons. We were trying to progress the negotiations, and I think we were providing updates to the local member and yourself. We gave you a briefing on where it was at. There was only so much we could do. It would appear that Howard and Sons' preference was probably to own something in the long term rather than lease a property.

**Senator WEST**—What about indemnity issues?

**Mr Bain**—In what respect?

**Senator WEST**—If you are dealing with explosives, you would require fairly significant indemnity. What were the leasing arrangements that Defence were requiring of Howard and Sons?

**Mr Bain**—I do not have the details of that but I can provide that to you. They would provide the normal protection to the Commonwealth in regard to their activities. There is also the issue of what the residual effect of Howard and Sons activities on Commonwealth land might be and where the responsibility lay for that. There were a whole range of issues to be dealt with, as you can see.

**Senator WEST**—Where did the Commonwealth think those responsibilities would lie?

**Mr Corey**—We actually did a contamination assessment of the site that Howard and Sons wished to occupy.

**Senator WEST**—So there has at least been another partial contamination assessment of the site done?

**Mr Corey**—I would have thought it would have only been an extension of the existing remediation contamination assessment.

**Senator WEST**—But you do not know?

**Mr Corey**—I think it is only from reading what has already been done.

**Senator WEST**—Could you ascertain for certain what that was, please?

**Mr Corey**—It was done in early 1998. When was the original survey done?

**Senator WEST**—It was published in 1995.

**Mr Corey**—It was probably another study to make sure there was nothing on that site that had not been picked up in the earlier strategy. My understanding of it was that we were awaiting plans of what Howard and Sons wished to do before we would actually execute a lease. We gave them a draft lease, and I am sure the draft lease would include the indemnity issues you are talking about, which we can come back to you with. Howard and Sons basically went cold on it, as I understand it.

**Senator WEST**—Is it possible to have a copy of the draft lease, please?

**Mr Corey**—I am sure it is.

**Senator WEST**—Because it is no longer commercial-in-confidence. They did not take up the lease.

**Mr Corey**—No, they did not.

**Mr Bain**—Sure.

**Senator WEST**—There has been media comment that not only were Howard and Sons being required to have substantial indemnity to cover their land site and their operations if they caused an injury but also be responsible for indemnifying themselves for what might happen on the Commonwealth land.

**Mr Corey**—Only on the land that they would be leasing from us. They would not have had any indemnity on the other land because they would not have had access to it.

**Senator WEST**—Okay. Talking of this other land, it has now been decided that it is not surplus to needs; is that correct?

**Mr Corey**—It is something that we do not need at the moment. The cost of cleaning it up—

**Senator WEST**—That we do not need.

**Mr Corey**—And to make it available for disposal is far in excess of any revenue that would be recovered from the site. So it will sit there locked up to the extent that we can until such time as a new technology comes on the market to clean it up in a more economical way.

**Senator WEST**—The council has been advised by their then acting general manager—their now current general manager—that the Defence department had now advised council that it intends retaining the property for explosives and other ordnance training by the three armed services.

**Mr Corey**—Yes, in the short term that is right. We cannot dispose of the site because, as I said, it is too contaminated. The cost of remediating it at the moment and the revenue projections do not make any sense. So until technology moves on and there is a new technology that enables us to clean it up in a much more economic fashion, we will continue to use the site.

**Senator WEST**—That does not quite accord with my understanding of what you had previously said. I also understand it is being used by the Army reserve for cadet training.

**Mr Corey**—Quite possibly.

**Senator WEST**—But it is your land, isn't it? Isn't Defence Estate responsible for it?

**Mr Corey**—Yes.

**Senator WEST**—You do not know what is actually taking place on it.

**Mr Corey**—I don't know what is actually taking place on a lot of land around the country, Senator. It is all managed. I could find out exactly for you what has been happening on the land at Marangaroo.

**Senator WEST**—Who is monitoring Marangaroo?

**Mr Corey**—It is probably being managed by our property managers, KFPW.

**Senator WEST**—'Probably being managed by'.

**Mr Corey**—Most of the sites that are either being leased or managed in that context are under the management of KFPW. I do not know precisely what management arrangements for Marangaroo are, but I could come back and inform you on that—unless somebody else here already knows. Do you know? We can come back and confirm that for you.

**Senator WEST**—I am just surprised that you do not know, given that I warned that I was going to be asking questions about Marangaroo.

**Mr Corey**—We have a brief here on Marangaroo that gives me a whole lot of information. But the sort of detail that you are delving into I would need questions on notice and have to do some work on those. There is no way I could brief myself to answer some of those questions. I apologise for that.

**Senator WEST**—If it is heavily contaminated, as you are leading me to believe, or substantially contaminated and too contaminated for current technology to be able to remediate at a reasonable cost, how well fenced off is this property?

**Mr Corey**—It was an ammunition depot and I understand it is ringed by cliffs in about three parts of its boundary. The flat access to it is significantly fenced.

**Senator WEST**—Significantly fenced.

**Mr Corey**—Sufficiently to stop animals and people who do not want to get on there. Animals would be stopped. People who want to get in there and do not intend to be stopped by a fence could get in there, I guess.

**Senator WEST**—Are you sure that it is properly fenced all the way around because reports I have of a councillor's comments indicate that it is not properly fenced all the way around.

**Mr Corey**—It is probably not fenced along the ridge line. But for anybody to access the property from the ridge line they would have to be very athletic and be able to abseil.

**Senator WEST**—Given that quite a bit of abseiling actually takes place in that region—

**Mr Corey**—I would have to take that on notice. I have no idea of the condition of the fencing on the site. I was there probably 10 years ago but I have not been back since.

**Senator WEST**—Who is monitoring who is accessing the property?

**Mr Corey**—There are still people on site, I am informed.

**Senator WEST**—Because the local gossip in the town is that some of the buildings on the site are used over weekends by military people and others coming up from Sydney to have a nice weekend in the bush.

**Mr Corey**—Probably cadets and the Army reserve you referred to earlier, Senator. But I could check that up for you.

**Senator WEST**—I would appreciate it if you would do that for me, please, because the council is still not happy. They are concerned about the remediation issue. They are concerned about what they might have at their backdoor and what they might also have draining into the rivers and creeks there that actually do go into the Sydney water supply.

**Mr Corey**—The contamination assessment that was done indicates that none of that is happening. As I indicated to you earlier, the council has two copies of that report. If they have concerns there, I suggest they come to us because there is nothing in those reports that suggests that that is happening.

**Senator WEST**—So you have had no representations seeking an effective decontamination program?

**Mr Corey**—No, we have not.

**Senator WEST**—None whatsoever; no representations from the local member?

**Mr Corey**—Not that I am aware of.

**Senator WEST**—None from the council?

**Mr Corey**—Not that I am aware of.

**Senator WEST**—Because I understood at a meeting in August of last year Councillor Morrissey moved and Councillor Ritchie seconded the motion that representations be made for an effective decontamination program.

**Mr Corey**—They may have done that, but I am not aware of it being represented to us.

**Senator WEST**—If it was not represented to you, who would it have been represented to? Would it not have ended up on your doorstep?

**Mr Corey**—It would have, yes. But I am not aware of it. I could check to make sure. Are you aware?

**Mr Bain**—No. But even for some of the properties where they know that I am the contact officer in Sydney, they arrive at the Department of Defence Sydney—

**Senator WEST**—No, I am sorry, Mr Blackley but this lot would not—

**Mr Corey**—No, if there was a representation, it would have finished up on my desk.

**Senator WEST**—I would have thought so.

**Mr Corey**—I am not aware of it. Ross has been occupying my job for some period during the last 12 months and he is not aware of it. So I would be very surprised, but we will follow that up.

**Senator WEST**—I will follow it up with the council as well. I am advising you that I am giving my copies of the contamination report to the committee secretariat.

**CHAIR**—We have just lost Senator Hutchins to continue with Penrith. So we might move to the issue that I am interested in. I raised this issue with yourselves and also with the Department of Finance and Administration—that is, the sale and leaseback of Russell. When Defence undertakes the sale and leaseback of the Sydney, Melbourne and Russell properties, will the revenue return to Defence as per other surplus property sales?

**Mr Corey**—No, Senator, they will be returned to the general budget.

**CHAIR**—So not even a percentage of it will return to Defence?

**Mr Corey**—None.

**CHAIR**—None at all.

**Mr Corey**—No.

**CHAIR**—In respect of the three properties, can you tell us what was the initial cost of purchasing the sites?

**Mr Corey**—Should we give you this in camera as well because of the commercial nature and the fact that they are about to be sold and leased back at the moment? There could be some commerciality in relation to these costs.

**CHAIR**—I will tell you where I am coming from and then I will be guided best by you. I want to know what they cost, what refurbishments, if any, have been done and the cost of those refurbishments. I then want to know the ongoing costs of the maintenance of those properties and also the annual rent that Defence has decided to pay. Because at the end of the day what we want to determine—it is the question that I asked of DOFA—is the opportunity cost involved in these properties. We want to get some feeling for what is happening there. It was a bit of a game of cat and mouse in one sense: they said that you were the people who actually managed the property so you had all of this information and that they were just handling the sale of the property seeing that it was a large asset sale. I am guided by you. If you want to take it in camera—

**Mr Corey**—We can give you all of that information without perhaps the rent, because the rent will not be struck until such time as—the purchase price of the buildings will be as much influenced by the rental stream as it will be by the value of the property. That is the nature of sale and leaseback in large part. In many ways because of the long-term nature of the leases we have, particularly in relation to Russell Hill, it is just an income stream for an investor. It depends what people are prepared to pay.

**CHAIR**—How do you want to handle it, Mr Corey? Do you want to discuss those figures now?

**Mr Corey**—We can give you the ones that we have now: the purchase costs, the costs of fitting out and the annual maintenance costs—I am not sure I have them in front of me but we can come back to annual maintenance costs. But we could not give you the rent because it will not be struck. If we will start with the Defence Plaza Building in Sydney: it was purchased for \$40.2 million in 1994; the fitout cost was \$15.029 million; and I will have to get for you the annual maintenance costs. The Defence Plaza Building in Burke Street, Melbourne was purchased in 1994 for \$14.75 million and the fitout costs were \$16.327 million. The average annual maintenance cost of that building I do have. It is \$471,000 per annum. I do not have the purchase price on Russell. We actually bought Russell back for \$59 million, I think, and the year was probably 1996 or 1997—I will have to confirm the actual year—or it might be 1995. I will confirm the year. The cost of demolition, rebuilding the new buildings and fitting out the existing buildings was \$226.583 million. There was other work associated with fixing up the computing network, an extension to one of the buildings and some car parking, which added a further \$47 million to the cost of the Russell complex.

**CHAIR**—And the average maintenance cost?

**Mr Corey**—I do not have that. I will have to get that for you as well.

**CHAIR**—Okay. Of those three properties, as I understand it, Sydney and Melbourne were commercial properties in the first instance which were purchased by Defence?

**Mr Corey**—They were commercial properties that were purchased by Defence—largely vacant buildings.

**CHAIR**—They were normal commercial properties, whereas Russell was specifically built and developed for Defence, given that that site is fairly uniquely a defence site.

**Mr Corey**—The existing Russell complex was built in the 1960s and 1970s. A decision was taken in the early 1990s to upgrade those facilities, because some of the buildings were not airconditioned and the cost-benefit analysis suggested we should demolish eight of the buildings and reconfigure the complex. We did that in consultation with the National Capital Authority and built them purpose built buildings for Defence, yes. But I might add that in large part, while there are some particular security requirements for Defence in the way we fit out buildings—we have some secure components of the buildings—they are still commercial buildings.

**CHAIR**—I accept that but, given the unique position of Russell, it is very much a defence site as opposed to being a set of commercial shops or commercial building of some other nature?

**Mr Corey**—Yes.

**CHAIR**—Also, as I understand it, that property was purchased after a lot of pressure from Defence to take it on board rather than being in the position, where it had been for a number of years, of paying a nominal rent for it. Is that correct?

**Mr Corey**—With Defence, the buildings were taken over by the then department of admin services and we were charged a normal commercial rent for the properties. When we purchased the buildings back from Finance in the early to mid 1990s, we were refunded the rent. No, it was when we actually handed them over to the department of administration in—I am not sure when it was—that we were supplemented for rent. So we paid a commercial rent but we got a one time supplementation of the annual rental of those buildings.

**CHAIR**—In terms of the fitout of Russell, which in round figures seems to be nearly \$275 million—

**Mr Corey**—There were two new buildings in that.

**CHAIR**—I accept that. There was \$226 million and \$47 million—

**Mr Corey**—Yes.

**CHAIR**—So nearly \$275 million, without arguing about a million here or there, who paid for that cost and where was it paid for?

**Mr Corey**—That came out of the defence budget.

**CHAIR**—So if the properties are sold not even that fitout is recovered to the defence budget?

**Mr Corey**—No, it is not. But we will be supplemented for the annual rent—for Russell only and not for Sydney and Melbourne.

**CHAIR**—And supplemented for how long?

**Mr Corey**—Indefinitely. It becomes an adjustment to our budget base.

**CHAIR**—But I presume that the actual cost of purchase, \$59 million, came out of the defence budget?

**Mr Corey**—That came out of the defence budget, yes.

**CHAIR**—And the \$226 and the \$47 million came out of the defence budget—none of that will go back to Defence?

**Mr Corey**—No, but some of that would have been a charge to Defence in any event. The cost of putting in the computing network irrespective of whether the buildings were built and paid for by somebody else, we would still have had to fit that out. Some of the fitout would have been a cost to Defence in any event.

**CHAIR**—Have Defence Estate done the opportunity cost of the leaseback of the property?

**Mr Corey**—We had an exercise done on the opportunity cost. It was done by KPMG Finance about 12 or 18 months ago.

**CHAIR**—Is that available to the committee?

**Mr Corey**—It is probably not. It was probably done on an advice between the department and the minister.

**CHAIR**—Can you check if it was done on the basis of advice to the minister. If it was not done on the basis of advice to the minister, then could you make a copy of that available to the committee?

**Mr Corey**—I can do that, Senator.

**CHAIR**—Because we would be very interested to see what the opportunity costs there are. In respect of the properties in Sydney and Melbourne, did Defence seek supplementation for those?

**Mr Corey**—I was not at the Expenditure Review Committee meeting that actually considered this. I imagine that we did seek supplementation, but it was not agreed.

**CHAIR**—Do we know why it was not agreed?

**Mr Corey**—I think it was in the context of the total defence budget that was being discussed before the Expenditure Review Committee of cabinet, and they formed the judgment that on balance that was where it would come out.

**CHAIR**—Has it got anything to do with the fact that Defence could at some stage in the future, even if it takes a lease out on the properties in Sydney and Melbourne, get out of those properties in Sydney and Melbourne; whereas the likelihood is that it will not seek to get out of its lease when the lease terminates in respect of Russell—they will just seek further ongoing extensions to the lease?

**Mr Corey**—I guess both of those assumptions you are making are that we could get out of the Sydney and Melbourne buildings at some stage in the future and it is unlikely that in at least the predicable future we would get out of Russell—

**CHAIR**—I am just wondering whether that influenced whether supplementation was given or not.

**Mr Corey**—I really cannot answer that.

**CHAIR**—Could you take that on notice again? If you can give us an answer to that, that would be welcome. Those are the questions I had on Russell. I will now pass over to Senator Hutchins who will continue his questions on Penrith.

**Senator HUTCHINS**—I want to come back to Werrington. Has there been an agreed mix yet of what will be residential and commercial/industrial—is it 50:50 or 60:40?

**Mr Blackley**—Yes, the site is 22.06 hectares in size. I have personally agreed with the mayor that there will be eight hectares of industrial, high tech, employment generation—whatever they want to use—close up to the highway and that elsewhere on the site there will be a guaranteed eight hectares of residential. So that is 16 hectares. That leaves six hectares: about one hectare will be for the station and the remaining five will be broken up into utilities, services, roads and what have you. There is also some Cumberland Plain woodland there on the site where some trees will be retained.

**Senator HUTCHINS**—Very important out there that Cumberland Plain.

**Mr Blackley**—Yes, increasingly so.

**Senator HUTCHINS**—On 25 January there was a point made that, in that Penrith area, there is up to 1,800 areas of defence land. Defence does not have a regular liaison arrangement with the council, does it? If not, should there be one considered? Or is that harsh?

**Mr Blackley**—I think that is a little harsh.

**Senator HUTCHINS**—Mr Blackley, considering the fact that there is still the Kingswood Orchard Hills site, the RAAF base there. At some point that must be going. How many hectares are there, do you know?

**Mr Blackley**—Over 1,500 hectares. It is a very large site. So there would be that site and the transmitter station at Londonderry is another site. But to the best of my knowledge, neither of those sites has yet been declared surplus, although I understand there is an intention to possibly decommission the Orchard Hills site at some time in the next 20 years. Other than that, we just have the Werrington site and the North Penrith site. The consultation in regard to North Penrith could not be more intense than it has been for the last four years. In regard to Ermington, the very first point of call—

**Mr Corey**—Werrington you mean; you said Ermington.

**Mr Blackley**—Sorry.

**Senator HUTCHINS**—Ermington is your showcase one.

**Mr Blackley**—I do not want to mention that. I was just seizing an opportunity.

**CHAIR**—You have Mr Corey worried.

**Mr Blackley**—In the case of Werrington, we started the process with a meeting between myself, Mr Macdonald and Bruce McDonald to talk about this university village concept, which he totally embraced. So the consultation has been there right from the outset, and it is continuing. It is sometimes difficult, but rezonings in New South Wales are not all easy.

**Mr Corey**—We do have consultations with the state government on an annual basis at a strategic level. Bernard negotiates or consults with lands planning and environment—what are they called?

**Mr Blackley**—Urban Affairs and Planning—

**Mr Corey**—on a regular basis. While there might be not be intense consultation with the local council in relation to sites that have a long-term prospect of being released, they are at least registered with the state government at the higher level.

**Senator HUTCHINS**—This might be to the panel: what is the future for, say, for the Kingswood Orchard Hills site and Londonderry? Are there any preliminary indications of where they are going and what is happening there?

**Mr Corey**—We have designated the Orchard Hills site as having disposal potential in the medium to long term. It depends upon what happens with storage and distribution for munitions more generally in an Australian context. That has gone out to contract. There are tender negotiations in process or approaching conclusion for ADI to take over the storage and distribution function of munitions in Australia. The long-term future of Orchard Hills will come into that context somewhere down the track.

**Senator HUTCHINS**—Would it be something that the department has considered to start heritage assessments of the site now; have they started and been completed; or is it being considered?

**Mr Corey**—I do not think we have undertaken any heritage studies of the Orchard Hills site at this stage.

**Mr Blackley**—There have been some initial studies in regard to Cumberland Plain woodland. Just in the paper recently there is a suggestion of an interim listing of Cumberland Plain woodland on the Orchard Hills site, but we have not had any discussion with Environment Australia. There has been no consultation about that listing with us, and that has been taken up by a number of agencies—not just Defence—with Environment Australia.

**Senator HUTCHINS**—It may be something to consider in light of the current controversies in the west the heritage value of some of these properties be identified now, and you have your debates now rather than down the track. You would have seen the huge rally that was at Penrith yesterday about the ADI site. I know that is no longer in your jurisdiction.

**Mr Corey**—Thankfully.

**Mr Blackley**—I think that is useful, but you can only take heritage assessments to a certain level where you do not know what the future land use is going to be. In many instances, there are heritage assets on a site that you actually adaptively reuse and others you will ultimately remove if they are of low classification and the urban potential of the site is better than retaining some heritage character. What tends to happen if you do a prescriptive heritage analysis right from the outset is that you have virtually shackled yourself in regard to possibly better outcomes for everyone. It is a trade-off. I do not know the Orchard Hills site but an initial heritage assessment is probably a good idea.

**Senator HUTCHINS**—I can only see the swimming pools from the road. That is all I can see. It is an RAAF personnel base.

**Mr Blackley**—I have never been there. It is a fair comment to say that some initial heritage review would be appropriate.

**Senator HUTCHINS**—That is something to be considered by the DEO because it sounds like it is inevitable—I think Mr Corey it has been placed on the long-term list to be disposed of.

**Mr Bain**—The defence property at Orchard Hills has actually been nominated for listing on the register of the national estate, and the interim listing I understand is expected to appear in the Commonwealth *Gazette* of May 2001. That will trigger a whole range of studies and assessments in relation to the potential heritage value of the site.

**Senator HUTCHINS**—Fair enough. On 25 January the mayor, Councillor Bradbury, made this comment to the committee, and you may wish to make a comment on it. He said:

One of our concerns is that on many of these sites no rating income is received is up until the actual sale of the property. That may in some cases mean that an enormous amount of preparation work is done by the council in trying to

facilitate a new development. There are some examples that we provide in the submission. One is the rezoning process for the Engineers Stores Depot at North Penrith.

That task alone has entailed somewhere in the order of 17,500 hours of staff time since 1992. In fairly modest terms, we equate that with a cost of approximately \$570,000. That is an enormous amount of money and it is an enormous job, but it is something that we have to do if we want to get the best outcome from a development. All of that has taken place since 1992 without rate income being paid to the council. Our concern is that that point must be considered. Different starting points might be used in terms of when the Commonwealth might determine that it is entitled, or should be obliged, to pay that rating income. But not contributing anything until the land is sold makes it exceptionally difficult for local authorities, such as our council, to try to prepare ourselves and to do what we are legally obliged to do. Ultimately, I guess we would like to see a greater contribution from the Commonwealth in terms of rating income.

Is there a case for providing some money in advance of a sale to a local council to cover some of the costs of preparing the property for sale?

**Mr Blackley**—There are provisions within the New South Wales EPA Act for the council to lodge without any consultation with the proponent an amount of money that it requires, a contribution, for it to consider a rezoning. Defence does not offer any amount. That is determined by the council. Whether that is \$5,000 or \$500,000, that is entirely determined by the council and Defence or other landowners have no option other than to pay it. So, in the first instance, that is determined by the council. They vary quite widely from council to council in New South Wales. The other point I would make in regard to 17,500 hours that the mayor stated is that it just goes to show, in answer to an earlier question, the amount of consultation that has actually been going on with the council in the nine-year period.

**Senator HUTCHINS**—Or checking on you.

**Mr Corey**—But there is a policy question there as well in relation to Defence and rates. In some areas we make contributions in lieu of rates where we have substantial properties in urban areas. But it is an issue that needs to be taken up at a state-Commonwealth level.

**Senator HUTCHINS**—Have you done anything in the Penrith area at all with these sites—any contributions at all?

**Mr Blackley**—In regard to North Penrith, you should be aware—although it was not mentioned by the mayor—that when I came on the scene in 1996 we agreed to fund the work of a planner in council to \$35,000 a year, which was about the cost of a planner four or five years ago. The idea was to pay an annual fee of \$35,000 and that would enable them to take on an extra staff person to cope specifically with Penrith. We offered that amount.

**Senator HUTCHINS**—Is that what you would do in other council areas as well?

**Mr Blackley**—We have never done that in another council and we have only done it in regard to North Penrith. We did not do it in regard to Werrington. So there is that \$35,000 a year to start with. The other important element is that, in the rezoning proposal that was approved gazetted by the minister in December last year, there was a very long list of financial commitments that totalled about \$5 million that Defence had made in regard to investing in social capital within the Penrith area. They relate specifically to creating the environmental wetlands that I was talking about and looking after the heritage. That particular site is steeped in heritage. There are commitments in regard to the embellishment of Thornton Hall. There is eight hectares of public open space. There is also a commitment to enter into a deed with the

RTA about approving access to and from the site. These are real financial commitments that Defence has made—not necessarily to the council but certainly they are investing in the social capital of the surrounding area.

**Senator HUTCHINS**—I have just one or two final questions. Mr Corey, you mentioned Londonderry. What is the future for the Londonderry site?

**Mr Corey**—The Londonderry site is medium term for disposal. We will have no further use for it once some changes in technology come into play in relation to the site, and currently 2002-03 is the present planning.

**Senator HUTCHINS**—What do you expect will be put on there—another debate about residential versus commercial/industrial?

**Mr Corey**—We should start embracing the council in relation to the future of that site.

**Senator HUTCHINS**—One final question concerning the RAAF base up at Lapstone—

**Mr Corey**—At Richmond?

**Senator HUTCHINS**—No, Lapstone—Glenbrook.

**Mr Corey**—Glenbrook. The future of that is dependent on the future of the Headquarters Australian Theatre. That project has been running around in Defence and in government circles for four or five years. There is a proposal that is to be considered by government in the short term as to the structure and location of the Headquarters Australian Theatre. Once that is up and established, which is probably in a three- or four-year time frame at the earliest because it is a fairly substantial headquarters, Lapstone will be phased out. We would have thought by now under our earlier planning but probably by a 2006 time frame we would be looking—subject to the Headquarters Australian Theatre being approved—at Lapstone being phased out.

**Senator HUTCHINS**—Do you know how many hectares are there?

**Mr Corey**—No, but I do know that the site has quite significant heritage restrictions on it and part of it is in a national park. It is not a site that has great development potential but it has some redevelopment potential, I would have thought.

**Mr Blackley**—I thought I could tell you but I cannot. I think it is about 24 hectares from memory.

**Mr Corey**—We can confirm that for you anyway.

**Senator HUTCHINS**—If you would not mind just what the 24 hectares comprises—heritage and national park.

**Mr Corey**—What it comprises, yes.

**Senator HUTCHINS**—Thank you, Mr Chairman.

**Senator LIGHTFOOT**—Gentlemen and Ms Clark, I want if I may to take you several kilometres over to the state of Western Australia. A press release on 14 January this year indicated that the federal government had given the Fremantle barracks to the state of Western Australia or it implied that it had given the barracks to the state of Western Australia. Was this a fact or was there some payment involved, as had been indicated in the latter part of last year?

**Mr Corey**—The press release I think you were referring to was one made by Senator Abetz?

**Senator LIGHTFOOT**—No, I think it was Senator Ellison that made it.

**Mr Corey**—I am aware that Senator Abetz made a press release—

**Senator LIGHTFOOT**—That was the previous year, yes.

**Mr Corey**—which indicated that it would be transferred to the Western Australian government.

**Senator LIGHTFOOT**—The committee secretary has been kind enough to give me a copy of it. It clearly has Senator the Hon. Christopher Ellison above the actual release.

**Mr Corey**—He is saying that it would be given to the Western Australian government?

**Senator LIGHTFOOT**—I was really asking that question.

**Mr Corey**—I cannot speak on behalf of Senator Ellison.

**Senator LIGHTFOOT**—I was not asking you to speak on behalf of him. I was asking you to ratify whether what his press release had inferred was correct?

**Mr Corey**—From the department's point of view and from the press release that Senator Abetz had released, we were in the process of transferring the title of all or part of that property—or the artillery barracks component at least—to the Western Australian government and the terms of that transfer were yet to be confirmed. We were to enter into negotiations with the Western Australian government to finalise that.

**Senator LIGHTFOOT**—Have you entered into any documentation that the committee could be the recipient of?

**Mr Corey**—No, we have not.

**Senator LIGHTFOOT**—They were verbal conversations?

**Mr Corey**—We have had some verbal conversations.

**Senator LIGHTFOOT**—With whom?

**Mr Corey**—With officials in the West Australian government.

**Senator LIGHTFOOT**—Who were those officials? Would you like to take that on notice?

**Mr Corey**—Yes, I could do that. Do you know the names, Ms Clark?

**Ms Clark**—There was Bala Murali. He is in the Premier's office.

**Senator LIGHTFOOT**—Is that a male or a female?

**Ms Clark**—It is a male.

**Senator LIGHTFOOT**—What was the gist of the conversation, as far as you can recall?

**Ms Clark**—The conversation was about the West Australian government's interest in the property in the future under a priority sale initiative or if it was transferred to the West Australian government.

**Senator LIGHTFOOT**—So there was some doubt not that the barracks would be transferred but about how they would be transferred. Was that the reason for the discussion?

**Ms Clark**—That was the reason at that time.

**Senator LIGHTFOOT**—Can you expand on that, then?

**Ms Clark**—The conversation actually took place a couple of weeks before that release and it was to determine the West Australian government's interest in the future of the property.

**Senator LIGHTFOOT**—Was that the last significant conversation?

**Mr Corey**—No. I was part of a Defence team who had an annual consultation process with the officials from the West Australian government last Thursday in Perth. At that, there was the head of the Premier's department, Bala Murali and a number of other officials. I can give you their names.

**Senator LIGHTFOOT**—What is the position of Mr Bala Murali?

**Ms Clark**—He is one of the senior officers within the Premier's department.

**Senator LIGHTFOOT**—He is just an officer there? He is not an adviser?

**Mr Corey**—No. These were all officials.

**Ms Clark**—These are just official-to-official discussions.

**Senator LIGHTFOOT**—Is he new to the department?

**Mr Corey**—No. He has been there for some time.

**Senator LIGHTFOOT**—So he was a staff carryover into the new administration; is that right?

**Ms Clark**—I spoke to him before the new administration came in.

**Mr Corey**—He has been there for at least a couple of years.

**Senator LIGHTFOOT**—Why was there a delay in the transfer of the property to the Western Australian government?

**Mr Corey**—The terms under which it is to be transferred have yet to be confirmed.

**Senator LIGHTFOOT**—Do you have a draft of those terms?

**Mr Corey**—No, we do not.

**Senator LIGHTFOOT**—Who has a draft?

**Mr Corey**—There is no draft.

**Senator LIGHTFOOT**—How can you confirm them if there is no draft?

**Mr Corey**—We have not entered into negotiations to actually determine the terms yet.

**Senator LIGHTFOOT**—So you are yet to even negotiate the terms of the transfer; is that correct?

**Mr Corey**—That is exactly right.

**Senator LIGHTFOOT**—So where would you be, compared with six months ago?

**Mr Corey**—Six months ago, we understood that it was going to be sold as a priority sale to the West Australian government.

**Senator LIGHTFOOT**—What was the discussion about the funding from the Centenary of Federation funds that was to be allocated to the Western Australian government in order to pay for the barracks? That money was to be sent back to CRF or sent back to Defence.

**Mr Corey**—That was one of a number of options that were floating around in discussions between the department and the government last year, and it was an option that the government did not choose to pursue.

**Senator LIGHTFOOT**—How was it proposed, to your knowledge, Mr Corey, that the barracks would be transferred? What sort of cash payment, if any, is to be made?

**Mr Corey**—From a departmental point of view, we were looking at a return from the West Australian government of the assessed value of that site.

**Senator LIGHTFOOT**—Which was?

**Mr Corey**—We have not had a formal valuation on the site as yet. You understand, Senator, it is a very difficult site to value. It has a number of heritage restrictions on it.

**Senator LIGHTFOOT**—I do not think anything is too difficult for you, Mr Corey.

**Mr Corey**—It has some open space that may be capable of having a development in the future. That is the process we need to go through with not only the West Australian government but the local council, and we can get all the parties agreed to the future of the site. Once we get the future of the site agreed, we can determine the value of it.

**Senator LIGHTFOOT**—When you say ‘open space’, are you talking about what is known as the oval?

**Mr Corey**—Yes, that is part of it. It has potential for development, depending upon the council’s point of view and others.

**Senator LIGHTFOOT**—Is there any other open space?

**Mr Corey**—There is a couple of existing houses, one which is used as a residence for a military person and one which is vacant.

**Senator LIGHTFOOT**—Is that what is referred to as Gun House?

**Mr Corey**—There is Gun House and Rifle Cottage. There are other heritage houses along the bottom part of the site that may also have some potential for commercial use.

**CHAIR**—Are they being maintained?

**Mr Corey**—They have not fallen down, but I would have to take it on notice as to the condition of them.

**Senator LIGHTFOOT**—Could you take that on notice, the condition of Gun House and Rifle Cottage?

**Mr Corey**—Gun House is in fine condition and Rifle Cottage is in fine condition too; I am talking more about the terraced type houses that are at the bottom part of the site.

**Senator LIGHTFOOT**—Has Defence made any move whatsoever to subdivide any part of Fremantle Artillery Barracks?

**Mr Corey**—No, Senator.

**Senator LIGHTFOOT**—Are there plans?

**Mr Corey**—We have a proposition that we are going to put to the government that suggests that one of the ways of progressing the site may be to deal with it in more than one part.

**Senator LIGHTFOOT**—What are those parts likely to be, Mr Corey?

**Mr Corey**—That is yet to be determined. We will be putting a proposition to the parliamentary secretary that says, ‘These are a number of options we can have to progress this site.’ If we get his agreement to that, then we can enter into formal negotiations with the Western Australian government and the Fremantle Council to progress those.

**Senator LIGHTFOOT**—So you are not sure of what parts they are?

**Mr Corey**—The parts themselves can be one or up to seven. That is something we have to make a judgment about with the government before we enter into negotiations with the Western Australians.

**Senator LIGHTFOOT**—Do you intend to subdivide the parade ground?

**Mr Corey**—We have no intention of subdividing the parade ground or subdividing anything at this stage; we are just looking at how the property—

**Senator LIGHTFOOT**—Is it part of your plan or your planning options?

**Mr Corey**—No.

**Senator LIGHTFOOT**—What about the fairly generous amount of land around both Rifle Cottage and Gun House? Is it part of your planning to subdivide some of that land?

**Mr Corey**—Not at this stage, Senator.

**Senator LIGHTFOOT**—You leave your option open there, of course.

**Mr Corey**—All our options—apart from some that are quite clearly closed off such as the parade ground and the barracks. The proposition we are developing for the government to consider is to give us agreement to engage with the Western Australian government on a range of options with the Western Australian government and the council so we can progress this site. We want to unlock it as quickly as the Western Australian government does.

**Senator LIGHTFOOT**—Senator Abetz was quoted by Senator Ellison in his media release dated 14 January—or embargoed until 14 January when it was made this year—where he quotes Senator Abetz as saying:

‘The transfer had been canvassed some time ago—

that is a transfer to the Western Australian government—

by the Parliamentary Secretary to the Minister for Defence, Senator Eric Abetz, whose cooperation in this matter had been instrumental in the positive outcome.'

Correct me if I am wrong, but that sounds like the positive outcome is that the barracks were going to be transferred. Now you are telling the committee this morning that they are not and they are subject to all sorts of things—

**Mr Corey**—No, Senator, I am telling you they are going to be transferred.

**Senator LIGHTFOOT**—If I could finish, Mr Corey: including the worst nightmare for some people in Western Australia that the barracks may now be subject to subdivision.

**Mr Corey**—What I am informing you is that the position that the government is considering is the terms under which the barracks will be transferred to the Western Australian government, and that is to be negotiated with the Western Australian government.

**Senator LIGHTFOOT**—An option of which is to subdivide open space there. That is what you said, Mr Corey.

**Mr Corey**—I said that one of the options we are putting forward will include breaking the whole site up into a number of portions. That may or may not be agreed by the government.

**Senator LIGHTFOOT**—Yes, I am just choosing one of your options which was a 'may' option.

**Mr Corey**—I am probably giving you information that the government will give me a kicking for, because it may be that they will not agree with the proposition we are putting forward.

**Senator LIGHTFOOT**—This government is an open and transparent government, Mr Corey—

**Mr Corey**—Yes, it is, Senator.

**Senator LIGHTFOOT**—I am sure they will commend you for what you are doing with the committee.

**CHAIR**—You have Senator Lightfoot on board; you are right.

**Mr Corey**—That is good.

**Senator LIGHTFOOT**—I do not want to dwell too long on this, but how much further advanced is the committee now than what it was six months ago when it took evidence on the barracks that at that stage, as Senator Abetz alludes to here, the matter has been instrumental in the positive outcome. That is not a very positive outcome, is it? So Senator Abetz is clearly wrong, isn't he?

**Mr Corey**—I cannot comment on that. It would be quite simple to resolve this if we were prepared to transfer the site to the Western Australian government at no cost. We are clearly not in a position to do that.

**Senator LIGHTFOOT**—Who said you are not in a position to do that?

**Mr Corey**—The Department of Finance and Administration will make the final decision if the property were to be gifted. I am not aware of any properties that have been gifted to anybody, apart from those that were done in the terms of the Federation Fund, and Defence obtained revenue from those.

**Senator LIGHTFOOT**—What about the Torrens parade ground in King William Street, Adelaide?

**Mr Corey**—That was done under the Federation Fund as well.

**Senator LIGHTFOOT**—What was that transferred for?

**Mr Corey**—That was transferred to the South Australian government, and Defence was given \$3 million for it.

**Senator LIGHTFOOT**—So the government from the Centenary of Federation Fund gave \$3 million to the South Australian government?

**Mr Corey**—No, they gave \$3 million to Defence.

**Senator LIGHTFOOT**—To Defence?

**Mr Corey**—Yes. We transferred the property to the South Australian government and the Federation Fund compensated Defence.

**Senator LIGHTFOOT**—So it did not actually cost the South Australian government anything?

**Mr Corey**—No, it did not.

**Senator LIGHTFOOT**—Why couldn't the same thing happen with the Fremantle Artillery Barracks?

**Mr Corey**—You will have to ask that question of the government.

**Senator LIGHTFOOT**—You have no objection to it being transferred to the Western Australian government for nothing?

**Mr Corey**—I am a mere public servant; I do as I am told. I put propositions and advice to the government. They accept them, reject them and tell me what to do.

**CHAIR**—The use of the word ‘mere’ is not a very good choice, Mr Corey.

**Senator LIGHTFOOT**—What is happening then to the Army museum of Western Australia?

**Mr Corey**—The Army position on the museum is quite clear in that Army support of museums under that title of ‘Army museums’ is only provided when they are in defence accommodation. The Army museum policy people in Canberra have a position that says that, if the title of this property were to transfer to the Western Australian government, their preference would be to transfer the museum to a defence owned property.

**Senator LIGHTFOOT**—We understand that; we have had evidence to that effect on a couple of occasions. What of the properties encompassed by the Fremantle barracks that are referred to as the terrace houses? There are 10 or 11 terrace houses there. What is the latest position with those? Are they going to be included in a subdivision? In other words, are they going to be strata titled or are they going to be sold off singularly? Are they going to be given to the Notre Dame University?

**Mr Corey**—That is part of the negotiation we have to have with the Western Australian government as to the future use of those houses.

**Senator LIGHTFOOT**—Are you negotiating with Notre Dame?

**Mr Corey**—We are not negotiating with Notre Dame.

**Senator LIGHTFOOT**—Are you aware that the Western Australian government has negotiated with Notre Dame?

**Mr Corey**—I am aware that some time ago the Western Australian government was interested in the site being occupied by Notre Dame but, where that stands now, I am not sure.

**Senator LIGHTFOOT**—When do you think the most likely time is for an outcome that will determine the future of the Fremantle barracks?

**Mr Corey**—I predicted to the Western Australian officials on Thursday that we would be back talking to them in detail within a month.

**Senator LIGHTFOOT**—Within a month?

**Mr Corey**—That was my prediction. Now whether that turns out to be right or not —

**Senator LIGHTFOOT**—With a view to determining the outcome?

**Mr Corey**—With determining the future—finalising the details on the transfer of the property to the Western Australian government.

**Senator LIGHTFOOT**—What is your prediction of that outcome? You have yet to formulate what you might tell the government?

**Mr Corey**—I have some options that I am putting to the government.

**Senator LIGHTFOOT**—Are you saying they are commercial-in-confidence at this stage?

**Mr Corey**—It is not commercial-in-confidence; it is probably as much political-in-confidence as it is commercial-in-confidence. The government will make a decision.

**Senator LIGHTFOOT**—Is that political incompetence or in-confidence?

**Mr Corey**—I said ‘in-confidence.’

**Senator LIGHTFOOT**—Thank you, I have no more questions.

**CHAIR**—We might adjourn for the next 10 minutes so that people can have a break.

**Proceedings suspended from 11.04 a.m. to 11.16 a.m.**

**CHAIR**—The committee will resume and we will move on to some questions about Afton Street Hill in Melbourne, because they gave us evidence as well. The Save the Afton Street Hill Group accused DEO of not doing enough to preserve important environmental remnants left on the land. Is this correct?

**Ms Clark**—The defence department has carried out a number of studies on this property, which identified grassland areas, which are remnant areas. We have developed an environmental management plan. That was about to be implemented. We are addressing some of those issues they have raised in relation to noxious weeds, and that is being overlooked by the Defence Estate manager in Victoria. The total environmental management plan has been discussed with the council as well with regard to their council's interest in acquiring the property.

**CHAIR**—I do not know whether you had left the hearing on the day they appeared, Ms Clark, had you?

**Ms Clark**—I had left.

**CHAIR**—I thought so. They were quite critical of the fact that this was a property up for disposal and it had just been left to go into a state of decay by the lack of control of noxious weeds. Are you saying that the control of noxious weeds on the site is now under control?

**Ms Clark**—That is being addressed.

**CHAIR**—What is actually going to happen to that site?

**Ms Clark**—We had a recent meeting with the council with regard to the future. The council are putting forward a proposal to acquire the property under a priority sale arrangement. We are helping them to prepare that submission.

**CHAIR**—The priority sale is at commercial value?

**Ms Clark**—It will be a market value based on its future use as open space.

**CHAIR**—Those negotiations have commenced?

**Ms Clark**—Yes.

**CHAIR**—How long is it before you believe they will conclude?

**Ms Clark**—We are helping them with their submission at the moment. I would anticipate the submission should be forwarded to the department within the month.

**CHAIR**—Who is the submission to?

**Ms Clark**—The submission comes from the Mooney Valley City Council to Defence and then I believe we will support the case to go to the Minister for Finance and Administration for approval.

**CHAIR**—From your reading of the *Hansard*, are there any other things that we missed out with respect to that property that you should inform us of?

**Ms Clark**—I do not think so.

**CHAIR**—Those were the issues that we picked up?

**Ms Clark**—Yes.

**CHAIR**—I think we have covered all the major properties that we visited. You have had a reasonable opportunity, I believe, to answer questions and put up any comments that you want to put up in relation to those properties. Just before we close off, are there any others?

**Mr Corey**—I think Ms Clark would like to read into the record some further information on Point Cook before we get off the specific properties.

**CHAIR**—That is fine.

**Ms Clark**—It actually covers a couple of issues besides Point Cook. For the information of the committee, I would like to table a Defence response to the committee concerning evidence given to the committee in Brisbane on 23 January 2001. I have a letter with some attachments.

**CHAIR**—Could you identify that for the *Hansard* record?

**Ms Clark**—It is a letter to you, Senator John Hogg, dated 30 March 2001, with two attachments which are a chronology of discussions with between the Department of Defence and Brisbane City Council and a letter from me, Liz Clark, to Brisbane City Council, dated 12 July 1999 covering Department of Defence properties in Brisbane. In addition, in response to questions from the committee of 26 March 2001 in relation to Point Cook, I would like to submit the following responses. They cover the nature of the variations that were made to the airfield use agreement between the Commonwealth of Australia and the Royal Melbourne Institute of Technology. I have also provided a copy of DEO's chronology record of negotiations and correspondence between the Commonwealth and RMIT, which was managed on our behalf by KFPW. You sought clarification as to whether a variation to the airfield use agreement between the Commonwealth of Australia and the Royal Victorian Aero Club was made on the last day. I have details of the correspondence relating to that variation as well. I submit a folder of documents.

**CHAIR**—Thank you very much for that. That will now become part of the record of the committee. Is there anything else?

**Mr Corey**—Somebody asked a question about the gross replacement value of Point Cook. I think we agreed to provide that. It is \$31.607 million. It is comprised of land, \$1.365 million; buildings of \$8.816561 million; and, infrastructure, \$21,426,020.

**CHAIR**—What is that valuation based on?

**Mr Corey**—Gross replacement value. The cost incurred by Defence in developing the airfield use agreement was \$40,000. As to the number of leases and licences that are currently in place, there are 331 expenditure leases—265 leases and 66 licences—and on the revenue side there are 126 leases and 500 licences.

**CHAIR**—How many of those would be multiple licences?

**Mr Corey**—That is the trouble; we keep giving you more information and you keep asking more questions—

**CHAIR**—No I am just trying to get—

**Mr Corey**—I do not know.

**CHAIR**—I presume there are multiple users there, are there?

**Ms Clark**—They would be individual. A lot of those revenue licences would be grazing licences, water tapping licences and those sorts of things.

**CHAIR**—All right. We will move on to some general questions and then at about five past 12 we will go in camera and take that evidence that we said we would take. Just on the side of disposal policy, when considering whether a property is surplus or not, who makes the decision—DEO or the respective service or another part of the department?

**Mr Corey**—The DEO would make a recommendation. In relation to surplus properties generally, we developed a strategic plan for the Defence Estate, which was endorsed by the Defence Committee in late 1998. It outlined what we categorised, as I mentioned earlier. We categorised each property as having a short-term future, a medium-term future or a long-term future and the ones that were identified for disposal. So the Defence Committee—which comprises all of the senior executives from the services and other elements of the department—agree to that, then it goes to the government.

**CHAIR**—Are there instances where those properties are withdrawn as being no longer surplus?

**Mr Corey**—There have been instances where the properties have been withdrawn where we have determined that they have had a future use, where something has changed or, in the case of Marangaroo, where the contamination is to such an extent that to remediate them has not been sensible at the time.

**CHAIR**—But withdrawal is more the exception rather than the rule?

**Mr Corey**—It is, yes.

**CHAIR**— In respect of property disposal, is the decision made in the context of the government's rural and regional policy and would this policy take priority over the wishes of the respective services?

**Mr Corey**—The application of the government's rural and regional policy and its impact on Defence disposals are considered on a case-by-case basis. We have just had examples and we are still having examples of where we were out to tender for Defence's integrated distribution system, where it had impacts, and that has been reviewed. The storage and distribution of ammunition was similarly reviewed. Any property that has an impact in rural and regional Australia is reviewed by the government.

**CHAIR**—On DOFA's web site, a stated objective is a dollar figure returned to government from their divestment process. Does Defence have a target amount to be raised from the sale of Defence properties in this financial year?

**Mr Corey**—Yes, we do. Including the Federation Fund receipts which come forward—do you mean next financial year or this financial year?

**CHAIR**—This financial year—and we might as well get next financial year.

**Mr Corey**—The current one is in the order of \$97 million and next year, including the receipts from the Federation Fund which become payable to Defence in that year, I think it is a total of \$173 million.

**CHAIR**—Is that the total receipts to Defence?

**Mr Corey**—Total receipts to Defence only.

**CHAIR**—That is not the sale of the properties, though?

**Mr Corey**—No, that is not the sale of properties. That is return to the government in the general budget. In the context of Defence properties, I think the original planning figure was \$500 million this year—

**Ms Clark**—We will confirm it.

**CHAIR**—So it is a substantially greater amount?

**Mr Corey**—Yes, it is substantially greater.

**CHAIR**—There are two things: there is the return to government and there is the return to Defence.

**Mr Corey**—The original figures I gave you were of the return to Defence.

**CHAIR**—That is the \$97 million and the \$173 million?

**Mr Corey**—Yes. I would have to confirm the figures on the return to government. We will get them for you before we leave here this morning.

**CHAIR**—To what extent is DEO's performance measured by the amount of revenue generated by the sales of properties? Is that a driving force in DEO's measurement, as to whether it has achieved its end?

**Mr Corey**—I guess it is a driving force in the context of once we set a budget, we like to achieve it. But the budget is framed on the basis of what can be achieved. We do not set ourselves a target and then ask how we can we get it. We actually go through our planning processes and say, 'Which properties will be disposed of in this year and what is the expected revenue?' and that becomes the target, rather than the reverse.

**Senator SANDY MACDONALD**—Mr Corey, you mentioned Marangaroo. What is the current status of Marangaroo?

**Mr Corey**—Senator, you should have been here earlier.

**Senator SANDY MACDONALD**—I am sure I should have been; that is why I was reluctant to ask. Briefly, can you tell me what has happened?

**CHAIR**—I think that is a fair question.

**Mr Corey**—Briefly, Marangaroo is to be used by Defence for reserves, cadets, demolition activities in the short to medium term, because the remediation required to dispose of the property suggests that we could not do it under any sort of reasonable cost at this time. Until technology changes and we can do it in at a much more economic cost, we will retain Marangaroo.

**Senator SANDY MACDONALD**—Is that the whole site?

**Mr Corey**—That is the whole site.

**Senator SANDY MACDONALD**—There is no interest in the rest of the site. If there were an interest in other parts of the site—the front area of the site that has less contamination on it—we would be happy to entertain propositions for the future use of it.

**Senator SANDY MACDONALD**—I had read some time ago about the speculation that the Howards were going to take over.

**Mr Corey**—The Howards are not interested. They have bought a site elsewhere.

**Senator SANDY MACDONALD**—It never occurred?

**Mr Corey**—No, they have moved to an alternative site.

**Senator SANDY MACDONALD**—How many people would be employed in a caretaking role?

**Mr Corey**—I would have to take that on notice. It would not be many. I think it would be two or three, at the maximum.

**Senator SANDY MACDONALD**—Thank you.

**CHAIR**—We will now move on to the broad area of DEO staff and consultants. The committee has been given details of the relevant qualifications of DEO's staff. From where we sit, a number of DEO staff seem to have quite specific expertise in the broad property area.

**Mr Corey**—Are you talking about the element of the DEO that deals with property disposal only?

**CHAIR**—Yes. Is it the intention of DEO to have more staff with qualifications in that area to assist it in its obviously large disposal program, or is there no need? Do you have the level of expertise that is necessary to pursue the disposal of Defence properties?

**Mr Corey**—We will continue to recruit staff with the qualifications necessary within the function, but we will not be increasing the numbers of those staff. We will rely on private sector to provide the expertise we need and we will buy it in as we need it.

**CHAIR**—So as to the training of DEO staff—this was a question I asked in another forum—do you provide an upgrading of the skills of the people who work directly for you as opposed to those who may well be consultants?

**Mr Corey**—We provide opportunities for the staff within our organisation to improve their skills in the handling of property matters, yes. We encourage them to attain qualifications that are appropriate for that sort of occupation as well.

**CHAIR**—What I am getting to is the fact that it may well be that the people who work directly with you should have a fairly broad skills base in this area to assist them in assessing the work that is being done by the consultants. One of the things that there is concern about is that there has been a depletion in the knowledge skills within a number of areas. It may well be that is the case for your particular group. That is not a criticism.

**Mr Corey**—I realise that.

**CHAIR**—It is a very important area. You are mentioning figures this year in the order of \$500 million worth of property in terms of disposal. We do not have a figure for next year, but I would presume that, if the return to Defence is \$97 million this year and \$173 million next year, then the property size next year is even larger.

**Mr Corey**—I might answer that generally, firstly. There is a perception that the public sector had this expertise in a whole range of areas and that, once it downsized, it lost that expertise. In my experience, I would suggest to you that most of that expertise was redundant expertise that

had no real feel for what was happening in the private sector in any event. While we only have a small number of people in our property area, they are people that have got the right sorts of skills. There is no value in our having more people with those skills, because it is available in the private sector. I accept your point that we do need to have the ability to manage those people. We feel that we have got the balance about right. I do not see that there is a problem with the skills. Perhaps some of our skills in how we consult with special interest groups may need honing, but I am not sure how we develop those. Perhaps we need to sit in the chamber for a while.

**CHAIR**—You are most welcome. Mr John McInerney, President Elect of the Royal Australian Planning Institute, told the committee:

... that adequate in-house planning expertise be available to undertake this defence land use planning or to supervise consultants for this.

That was in *Hansard* of 5 March at page 549. Without or with little in-house professional expertise, how can DEO supervisory staff assess the quality of work done and the advice given by consultants?

**Mr Corey**—That may be the case where you have a consultant for the first time. We have established panel arrangements with the consulting industry generally and, in particular, the property consulting industry, and it is based largely on performance. We continue to employ people who perform well and whose performance is proven. That gives us more confidence in the outcome we are getting. We have had pretty much consistency with retaining our people. The jobs are quite interesting and quite challenging. We do not get a high turnover, at least at the higher levels, of our staff. I think that that criticism is probably unfair.

**CHAIR**—You said that you have well performing staff.

**Mr Corey**—I am saying that the consultants we continue to employ are those that are on a panel arrangement with us who perform and perform successfully. If they do not perform, we do not employ those consultants again.

**CHAIR**—So they are not on any performance bonus or anything?

**Mr Corey**—The performance bonus for the consulting people, the consultants that we hire, is that if they perform well they get re-employed. If they do not perform well, they do not get re-employed.

**CHAIR**—I just wanted to dispel—

**Mr Corey**—There is no performance bonus, no. There is a bonus there—they get another job; I guess that is a bonus.

**CHAIR**—I won't comment. What freedom of action did DEO's consultants have in preparing for disposal of property and what processes does Defence use to manage and oversee its consultants?

**Mr Corey**—I think it is probably appropriate if I let Nigel, who is one of our consultants, answer that. Maybe he can give you his perspective, if that would be useful.

**CHAIR**—Yes, that would be useful.

**Mr Macdonald**—Can you just repeat the question again for us?

**CHAIR**—Yes. What freedom of action do DEO's consultants have in preparing for the disposal of the property? Secondly, what processes does Defence use to manage and oversee its consultants? We are getting this answered by a consultant, which I think is helpful.

**Mr Corey**—I will buy into it at a later stage, if I need to.

**CHAIR**—I know you will, Mr Corey; I would expect that.

**Mr Macdonald**—In terms of the freedom of action, looking at sites and the constraints and opportunities, looking at the technical issues that are part of looking at the disposal of a site and looking at the community issues and consultation issues is done in a collaborative manner between the consultant team and the relevant manager within the Defence Estate Organisation who manages that team. So the objectives are usually set down quite early in the piece, going through each of those categories of engineering, consultation, planning constraints, opportunities. All of those objectives are laid down quite early.

Briefs are put in place for the various consultants in terms of what they must achieve and what they must do. Then those briefs are then undertaken. Then they come back to the relevant manager in the way of a review, typically in a report. One of the methods that the Defence Estate Organisation use—quite successfully, I think—is that on things that are controversial, tricky, high risk, they tend to get them peer reviewed. So then they will get someone quite separate—a separate consultant who has not been involved in it—to come along and review the results of those reviews. That seems to be quite a powerful process in minimising risk and making sure all the issues are properly dealt with on the table. There is a degree of flexibility for the consultants in doing the role, but it is strictly within the briefs that are laid down by the relevant manager within the Defence Estate Organisation.

**CHAIR**—Is there a sample brief that you are able to provide us with, Mr Corey?

**Mr Corey**—A brief to a consultant?

**CHAIR**—Yes, just so we can get an idea of the flavour of what you require of the consultants.

**Mr Blackley**—We have a scope of work, and that is embodied in what is called a planning manager agreement in New South Wales. It is a 10-page document empowering him as the Commonwealth agent for that particular work. There is a scope of work at the back, with all of the personnel that he will engage, the process, the fees payable—all of those issues. We have got them for all of the consultants.

**CHAIR**—You can pick one and supply it to the secretariat so it gives us an insight as to what that is about.

**Mr Corey**—Just to add to Nigel's view of that, we also have a periodic—three-monthly or six-monthly, in some cases—review of all the major properties as to where they are at. I will sit on that. I will chair a review. Bernard and others will sit on it. We will go through each of the properties, understand what the issues are and give some directions as to the way ahead. We continually manage the consultants that are engaged in the process; so we know where they are at, they know where they are at, and we know who is carrying what risk.

**Mr Sier**—Nigel has talked about reports and we have talked about other monitoring functions. Also as part of our process of being a consultant, we typically brief Defence via a series of PCG or client meetings. They generally occur monthly or thereabouts to keep Defence informed. Like Nigel has said, if an issue comes up that is controversial or high risk or whatever during the term where we have not engaged in a meeting with Defence, then we would obviously notify Defence of that issue and get their response.

In addition, each of the consultants are controlled by a planning manager agreement. That planning manager agreement has a number of commercial terms. Typically, where we employ sub-consultants to us, as development manager, we mirror those standard Defence terms in our form of contract. So there is also a contractual arrangement issue we have with all our various sub-consultants that we do use, which is in line with Commonwealth procedure.

**CHAIR**—What is the DEO's budget for the engagement of consultants for property disposal this financial year? Do you have that handy?

**Ms Clark**—It is \$30 million.

**Mr Corey**—That includes remediation and acquisitions. We would have to break that down for you.

**CHAIR**—Can you break that down for us?

**Mr Corey**—Yes. There is a budget of \$30 million, but it covers a whole range of activities. If you just broadband it as consultants, it sounds a bit excessive.

**CHAIR**—We are talking specifically about consultants for the sale of property. If you can tell us where the figures come into that \$30 million as well, that would be helpful. When looking at the disposal of property, are any specific instructions given to consultants concerning the liaison with clients and interested parties and the identification of those interested parties?

**Mr Blackley**—When we appeared on 16 March, I was saying to you that we established three objectives for the unit in Sydney. One is optimise the revenue; the second is to be a good neighbour in a planning sense; and the third is to consult widely and proactively with all relevant stakeholders. All of those objectives are equally important. The planning manager takes those on as part of the assignment.

**Mr Corey**—The planning manager agreement quite specifically identifies the need for consultation with the stakeholder.

**Mr Blackley**—Yes, in all of the scopes of work, that will be reflected in the scope of work.

**CHAIR**—What about community groups and the like?

**Mr Blackley**—That includes all relevant stakeholders—community, council, service authorities, local councils, state government.

**CHAIR**—Is this different in Sydney as opposed to anywhere else in Australia? As I understand it, there is you, Mr Blackley, who is the dedicated person in Sydney overseeing DEO operations in New South Wales.

**Mr Blackley**—Metropolitan Sydney.

**CHAIR**—You do metropolitan Sydney.

**Mr Corey**—Plus a couple of other properties that were transferred to him in other states.

**CHAIR**—But I think the situation elsewhere is that it is more controlled from Canberra, is it not?

**Mr Corey**—It is.

**CHAIR**—So in respect of what Mr Blackley does in relation to Sydney, does the operation differ from how the operation is treated from your office in Canberra?

**Mr Corey**—No, it not significantly different. We do the same sorts of processes. We engage a planning manager; there is a planning manager agreement. But for some of the smaller properties, we do not have a planning manager. With some of the politically sensitive properties, again we do not have a planning manager. So the formality that exists in relation to the larger properties—the larger revenue properties, in that sense—probably does not exist in relation to some of the smaller properties scattered throughout the country.

**CHAIR**—When there are difficulties experienced by the consultants, does DEO intervene and, if so, does it intervene of its own accord, or does it intervene at the request of the consultant, and how often does that happen?

**Mr Corey**—I think it happens on both. That was what was explained earlier. There is a monthly project control group meeting where the progress on the project is reviewed. That comprises the DEO person plus the consultant and his team. I imagine that, if something comes up in between project control group, as was mentioned earlier, it is raised immediately with the person that has responsibility for managing that project within the DEO. And, vice versa, if DEO became aware of something, we would go to the project manager and say, ‘What is going on?’

**CHAIR**—But if there were difficulties between a council and the consultant and it was becoming evident that there was an impasse between the two, would your office intervene to say, ‘We now want to see what we can do as DEO,’ or do you let it just run its natural course?

**Mr Corey**—I wish I had the luxury of that. I will let Bernard speak on of his position in Sydney but, with the more political ones, we obviously buy in whenever we become aware of an issue. We do not have any option. But some of the things that you may be referring to are more in relation to our property management functions that are managed by KFPW. They are down in the weeds from where we sit but they can become quite significant issues for the people on the ground. It may be a lease or it may be a licence with a flying operator in Point Cook or one of those issues. We may not become aware of those for a long time.

**CHAIR**—Should there be a process by which you could become aware of these from your consultants?

**Mr Corey**—Something we learned during the course of this inquiry is that we probably need to have a more structured approach. We have regular meetings with the people who manage that process for KFPW but we probably do not get across some of the weeds in enough detail.

**Mr Blackley**—In the case of Sydney, it is a very proactive process. The project managers are there to manage and coordinate with the work of the defence design team and also to liaise with the working level staff within council. But, where those difficulties emerge, I am there. The dialogue is so close and intimate—they are on a daily basis with the planning managers—that those difficulties are arrested right at the outset.

**CHAIR**—But I think that is very much a manifestation of the closeness of your organisation in Sydney vis-a-vis the disparity that I see existing in the broader organisation. That is not a criticism. That is just a natural—

**Mr Corey**—They are more concentrated; they are more high profile; they are more structured arrangements. That is exactly right.

**CHAIR**—Sorry, Mr Blackley.

**Mr Blackley**—I was just going to say if there are difficulties with the local member about a particular property or the state government or Sydney Water or some authority like that, I am the one that fronts all of those meetings and those concerns and I take the planning managers along with me. I am on top of the situation to know when there are difficulties. If I am not, it is the planning managers’ responsibility to bring it to my attention.

**Mr Corey**—Just to put it in context, how many properties do you have?

**Mr Blackley**—We have 19 now.

**Mr Corey**—And Liz has 120. So while the revenue generated is principally out of the properties in Sydney—they are high profile; they soak up a lot of expenditure and a lot of time; and they involve a lot of management effort from Bernard and his team and the consultants—

on Liz's side you have some 120 properties scattered throughout the country that are only in the noise in large part but they make a lot of noise when something goes wrong with them.

**CHAIR**—Yes, I accept that. I am just wondering how you overcome the noises.

**Mr Corey**—We are thinking about how we might do that.

**CHAIR**—Good.

**Mr Sier**—Just on that point, on some of the more high profile issues that come up on some of the larger projects, it is an issue for the planning manager to advise Defence. Sometimes we will bring an independent facilitator in to facilitate these public meetings. If they are of a higher profile nature, such as Bernard said he would attend that meeting to see what the issues are, the meetings are then minuted so we know what the issues are and with Defence we would develop the responses. I guess it is horses for courses a bit: some of the issues are more minor and the planning manager would deal with them directly; but, with the more high profile issues, that is a strategy we do use.

**CHAIR**—Thank you. If I can now turn to your web site, on it your *Defence estate management guide* states:

... promulgates the policy and procedures for the management of Defence Estate ... and is the prime reference document for all staff concerned with these processes.

I am also led to believe that for the disposal section of the guide only chapter headings, not text, have been placed on the site. Are you aware of that and, if so, when will that be upgraded?

**Mr Corey**—The *Defence estate management guide* is something that has been developing for some time but it principally focuses on major contractual processes for investment and that part of the estate rather than the disposals function. We actually did a lot of work on disposals a number of years ago—we had some consultants do some work for us and we had the department of admin services do some work for us—but we finished up with a lot of procedural information which did not add much value to the process. So we are looking at how we might take that forward.

**CHAIR**—Is there a manual which the disposals staff consult with regard to the disposal policy and procedures?

**Ms Clark**—Yes, there is a framework that we are just about to put on to the web site. We have it within house.

**CHAIR**—Can we get a copy of that? That is what we are offer.

**Ms Clark**—Yes.

**CHAIR**—If I can get on to the redevelopment of sites prior to sale. Mr Bartos of the Department of Finance and Administration told the committee:

At the moment it—

that is, DEO—

is getting into some land development activities and the problem with that is that it is not a land developer.

How would you respond to those comments?

**Mr Corey**—I think it probably shows a lack of appreciation on behalf of Mr Bartos as to what we actually do. We are not land developers and we do not intend to be land developers but, by the same token, we intend to take whatever action is necessary to maximise the revenue to Defence and to government before we dispose of properties. We have passed on from where we used to just put a ‘for sale’ sign on a property and hand over substantial revenue gains to the private sector. We actually maximise them for Defence and the government.

**CHAIR**—I think you gave us some evidence of a story about a developer making windfall profits from a site in Sydney—

**Mr Corey**—In Melbourne.

**CHAIR**—It was in Melbourne, was it? Were those windfall profits gained by too low a sale price rather than the by lack of redevelopment by Defence in the first instance?

**Mr Corey**—No, I think that particular one in Melbourne was the fact that we could not get a development approval in place. We got an indicative one from the council and the purchaser subsequently got a different one from the council. I think the one I mentioned in Sydney was in relation to one of the significant sites. We probably did not stay in it for as long as we may have done and passed on significant—we are assuming they are significant—gains to the purchaser. That will not be proven for some time. But the way the market is in Sydney and the way it has moved since we got out of the site is a pretty fair indication that the person who bought it will make significant revenue gains.

**CHAIR**—On the issue of consultation, Mr John McInerney, the President Elect of the Royal Australian Planning Institute, told the committee:

Probably the lesson is in fact for them—

that is, DEO—

to start talking a little earlier than they have in the past.

Mr McInerney went on to say that dialogue with state and local governments might start even before a decision is made to declare a property surplus to requirements. Why does DEO not start consultations earlier with state and local governments, the local community, the developers and other possible interested parties in line with the statement by Mr McInerney?

**Mr Corey**—I take his comment. We probably engage in consultation at the earlier stages in most cases, but there will be some where it may not happen. We accept his comment for what it is.

**CHAIR**—When you are starting the consultation process, do you always ask interested parties how they see the property being redeveloped? Or do you just front up to them and say, ‘This is our vision for the property; this is our opening shot; and we will negotiate from here’? Or as we have heard, in fairness to you, I think Mr Blackley told us in evidence that he has been to some with just a clean sheet. Are there different approaches and what determines the approach that you will use?

**Mr Corey**—As we have been through, properties in country towns, army reserve depots and some of the small properties that have very little revenue potential and significant potential for agitation or disagreement will be dealt with totally differently. In terms of the large properties that Bernard is dealing with in Sydney, you have no option but to negotiate with the planners from the highest levels down to the local level, and that is what we do in every case. For the small country towns, again, we talk to the local council, the local government in the first instance because it does not make any sense not to do it.

**CHAIR**—Is there a predetermined view within DEO that the likely outcome of the disposal of defence property is some form of real estate development, whether it be a mixture of housing and commercial or mainly housing?

**Mr Corey**—No, there is not. Probably the only predetermined view we have is that there will be very limited cases where it will be open space, especially when you can look at the property. If a property is surrounded by residential development or industrial development, it pretty much determines what the future is going to be. You can make an intuitive judgment, but we do not predetermine anything.

**CHAIR**— So there is no internal set of values that says that, with any piece of real estate that defence have, we can see this being carved up into a housing estate? That was the view that I think was formed by some of the people that appeared before the committee and which, reasonably, I could have even formed as well—I cannot speak for others—that everything is going to go into some form of real estate development project.

**Mr Corey**—No determination of the future use of any major property is determined until such time as the consultative process has taken place with all the stakeholders. That is the way the process works. People may perceive it as being different. The interest groups will do that.

**Mr Sier**—Adding to that, in New South Wales, through the Department of Urban Affairs and Planning, to get a site as an urban development potential site or an industrial development potential site, you just do not rock up and say, ‘I think this is residential or industrial.’ There is a process of placing the land—typically, in its early days—on the urban development program. To even get that land on that urban development program, which is run by Urban Affairs and Planning, there is a whole series of heads of consideration that need to be addressed, which look at the demographic profile, population, surrounding development, whether services are available, and the likely economic impacts of this decision. So if, as a planning agency, Urban Affairs and Planning, which is the governing body in New South Wales, said, ‘I think this is

open space', that is really a decision for them based on that evidence provided to them. So there is a statutory process that needs to be gone through and determined.

**Ms Clark**—A similar process is appropriate for the other states as well. The Commonwealth cannot actually rezone the lands, in the main, but there is a process there. In some instances, which we can make known, the council will have an indicative or underlying zoning for our properties. But in a lot of instances the future use of it is determined by the local planning authority, which is usually the local council, as part of consideration of a change of use application or a development application.

**CHAIR**—In the case of the disposal of properties, is there an attitude or a deliberate policy on the part of DEO to allow the facilities that might exist on the property to run down because there is a prospective sale in sight, or does DEO maintain the property to a correct standard?

**Mr Corey**—It depends. If there are buildings that have no heritage or other value and we have vacated them, we have no future use for them, then obviously we are not going to put money into them to maintain them. That has happened in the case of a number of sites. Some sites have been vandalised, even though we have security in place. But where there is a future use for the buildings, they are maintained.

**CHAIR**—How much does maintaining though buildings detract from the long term sale price? Does a substantial cost come off the sale price?

**Mr Corey**—It depends on the building.

**CHAIR**—It depends on the buildings and the number, I suppose. What is your experience so far?

**Mr Corey**—I guess our biggest cost has been with maintaining some of the harbour sites in Sydney where they are transferring to the federation trust because of the time it took to set up the federation trust. They were probably our biggest costs in maintaining security and in maintaining those buildings, some of which are empty and some of which are not. But generally, if we have got a property for disposal, part of the disposal process will be the demolition of buildings. Many of them have asbestos roofing and, as part of the remediation strategy we have to demolish the buildings anyway. In most of our sites, unless there is a heritage use or a quite clear future use, we would have a strategy that demolishes the buildings.

**CHAIR**—The Australian Council of National Trusts submitted that:

No general program of identifying places of heritage significance has been instituted by ADO.

Is that correct?

**Mr Corey**—That is nonsense. I do not know where these people live, but along with the Heritage Commission, we did a heritage study of all our properties. We documented them, listed them and got a pat on the back from the Heritage Commission because of the work we had done. I do not know where some of these people come from.

**CHAIR**—They went on:

Many ADO properties have significant heritage values which should be properly identified and assessed well before procedures are set in place for disposal. This must be a holistic assessment; that is, it should include natural, indigenous and cultural heritage values. In many areas, for example, ADO-owned coastal sites are often the best preserved remnant coastal dune bushland remaining, but these values have often been overlooked.

Do you agree with their statement?

**Mr Corey**—No, I do not.

**CHAIR**—What do you think made them come to that conclusion about DEO?

**Mr Corey**—Probably they have formed a perception based on looking in the mirror—I do not know. We do a heritage assessment of all our sites. All our properties that are heritage listed are recorded. So I do not know where they are coming from.

**CHAIR**—Does this apply to properties that are not necessarily on the disposal list?

**Mr Corey**—It does, it applies to all our properties.

**CHAIR**—So you have got a comprehensive heritage assessment of all defence properties?

**Mr Corey**—Yes, we do.

**CHAIR**—Is that kept in some form of register?

**Mr Corey**—Each property probably has a file on it.

**CHAIR**—Is it available to the likes of the Australian Council of National Trusts or to the broader community at large?

**Mr Corey**—Probably not. It is probably not in a digestible form for the community at large. If someone had a particular interest in a particular property, we could provide it for them, but we do not have it in a compendium that is available in that sort of format, no.

**CHAIR**—How often is that assessment updated or upgraded?

**Mr Corey**—Once an assessment is done on a property, unless something is done to vary that, you would not upgrade it tall, because it is an enduring thing.

**CHAIR**—Who made the assessments in the first instance?

**Mr Corey**—Heritage consultants, heritage architects, and that has been endorsed, in many cases, by the Australian Heritage Commission.

**CHAIR**—How many would not have been endorsed by the Heritage Commission?

**Mr Corey**—Anything that is registered on the National Estate would be endorsed by the Heritage Commission. Others would be agreed by local heritage, state heritage organisations. There are different levels of registration, so it would depend upon the property.

**CHAIR**—It seems to me that this is an area of real contention, and if it is an area that you can simplify in some way—

**Mr Corey**—Not without significant costs. I would think that if people have got an interest, maybe we need to promulgate that. Maybe we need to put something on the web that says that if they have got an interest in a site, in a heritage thing, they should come and talk to us, and we can give them information.

**CHAIR**—If that is not on the site, that might be a valuable addition to your site.

**Mr Corey**—Yes, at least it puts something in there which gives people an opportunity to come and discuss it.

**Mr Bain**—At the moment, we are about to go out and award a contract to compile a register of all our defence heritage assets so that they are in an easily digestible form.

**CHAIR**—That is good news. When will the contract go out?

**Mr Bain**—I am told the end of March. It must be out now, I presume.

**CHAIR**—When is the work due to be completed by?

**Mr Bain**—It will take a bit of time in that we have got a lot of properties. It looks like February 2002 is the current target.

**Mr Corey**—Less than 12 months.

**CHAIR**—That is good news. In the intervening period, I think Mr Corey's suggestion to update your web site would be very helpful. It being five past twelve, I think we should move into the other area. We will now take these proceedings in camera.

*Evidence was then taken in camera—*

**Committee adjourned at 12.24 p.m.**