

JOHN HENRY PLUMMER, Acting Chairman of Land Commission of New South Wales, of

and

BRIAN CHARLES McELVOGUE, Investment and Finance Manager of Land Commission of New South Wales, of

sworn and examined:

CHAIRMAN: Did you receive a summons issued under my hand to attend before this Committee?---A. (Mr Plummer) Just immediately prior to coming through the door.

(Mr McElvogue) I did.

Q. Can you nominate the specific objectives of the commission in 1982-83 and 1983-84?---A. (Mr Plummer) Mr Chairman, an earlier reply was given by the commission to the previous chairman, Mr Michael Egan, on 10 November in which, basically, the objectives of the Land Commission of New South Wales were fairly succinctly stated to the Committee. Do you wish that I repeat those?

Q. We have got a copy of that letter. Is there anything you wish to say in elaborating upon the objectives as outlined in that statement?---A. No. They are still a reasonable statement of the situation as they exist at the present moment.

Q. Bearing in mind those objectives, how does the commission assess its performance each year?---A. Its performance can be broadly broken up into programme performance and financial performance. The programme consists of an acquisition programme, a development programme and, of course, a marketing, or sales, programme. It sets its targets at the beginning of each financial year, and it reports against those targets, generally

on a monthly basis, and, of course, the assessment is made in the annual report for all to see at the end of the year. The financial basis, of course, is reported again in the annual report, and it is fair to say that in the years of operation of the Land Commission of New South Wales we have always been favourably committed financially at the end of each financial year. Our lowest profit was recorded as \$0.1 million, but we are anticipating that we will certainly have a financial credit in this current year.

Q. Is it possible to nominate a small number of performance indicators that enable you to test how well you are going? Are you familiar with that concept?---A. Yes. We have set ourselves those sorts of performance criteria. As I said previously, we have those.

Q. Would they include, for example, lots sold per year?---A. Yes, they would. We would have those all targeted, for instance, in the current year. I assume that we are not simply referring to 1982-83?

Q. No.---A. As we sit now we probably have record sales for all time that have just been concluded. We are virtually approaching something in the order of 3 000 allotments for the current year. Considering that of that 3 000 allotments sold there was no component related to the Registry, which has previously been anything up to 1 000 lots of our sales, that constitutes quite a creditable performance so far as the commission is concerned.

Q. What other performance indicators do you work off when it comes to the purchase of broadacres of land?---A. We

have notional targets of having stock in hand for our programme, so we set ourselves some years' stock, because we know we will run down on that stock. So we have to keep adding to the stock of land that we have so that we are right for development. From that stock, which is serviceable land, shall we say, we get our development. It is normally zoned and serviced, or we have to go through the process of zoning and servicing it.

On acquisition, for instance, last year we acquired something in the order of about 2 300 lots, which fell short of our targeted amount because of difficulties in acquisition. Traditionally the commission has acquired land by negotiation. Its powers only allow it to resume land where a person is not in residence. If a particular party lives on a property the commission does not have the power to appropriate that particular property. So all of our purchases to date have been by negotiation.

(Mr McElvogue) On financial performance we do a financial feasibility when we purchase the property, which is intended to show whether it shows a break-even or profit. In most cases we purchase properties which show break-even or profit. Then, throughout the life of the project, in our accounting we do what we call project reviews, which show the financial result of the particular project on an ongoing basis throughout. So as regards performance indicators in the financial sense, we are always looking at the financial result which is ongoing for a project from the start to the finish at various stages, and certainly at least once a year, but particularly at the

time when we decide to go to tender and at the time when we decide to release the block and price the block.

Q. What would you see as the priorities of the commission over the next twelve months - that is in the 1984-85 year?---

A. (Mr Plummer) First of all to achieve the same targets that we have now set ourselves for the current year in the aspects that I mentioned previously. Certain problems have been more evident in the last twelve months relating to the acquisition of land, and they have related to the availability of serviced land. The commission is running out of land which is suitable for its development programme. That is one priority. The relations of the commission with the private sector is of some concern, in addition.

When we make certain assumptions as to the level of our development programme we have to assume that the private sector has the remaining portion of that action. It is quite evident that in certain areas, where in years gone by the commission assumed it would have, maybe, a third of the action, some of the private developers are no longer active within those areas. So it is a concern that we use our best endeavours to attract the private sector back into that particular arena, so that is a great priority so far as the commission is concerned.

Q. To exert the stabilizing influence you talk about on residential land markets it would seem necessary for you to have a major presence in that market, or submarket. Are you able to give some examples of the market share that Landcom has held in various submarkets, and the way that presence has affected that market?---A. Yes. If I were to go back

to the beginning, where we set ourselves approximately a third of the production, which involved some 15 000 home sites, the commission set itself approximate targets of 4 000 to 5 000 allotments, and they were principally in the areas of Campbelltown, Penrith, Fairfield and Blacktown.

The commission gradually, in the last four years, or so, has increased its percentage by virtue of the fact that we have been most competitive in our pricing. We have set prices of our land at such a level that, quite obviously, the private sector developer, or the simple developer as against a developer-builder, no longer has any presence. We find that in, say, Penrith and Campbelltown, the approximate figures would be approximately 80 - 90 per cent of the market, and it may well approach 100 per cent.

Q. What is the effect of that presence on the market?---

A. The effect of that presence on the market is that the Land Commission of New South Wales, as a result, virtually becomes the market. We have to be mindful of the fact that under a monopolistic situation there is a tendency then to become inefficient, so we have to be more than mindful of our efficiencies and the way we operate.

Q. Have you got a policy, therefore, on market share: that it would be pointless, for example, for you to have too small a share of a submarket?--A. That is a difficult question. You can imagine it has taxed the minds of the management of the commission for some time with the departure of the private sector. We see no way out of changing the situation in those three or four main submarkets. It is a policy through lack

of having an alternative policy. It is by default of the private sector that we need to continue that involvement in those areas, and in some of the upper-priced areas we find that we still need a presence within those areas to monitor the ultimate cost of land within those areas. Of late we have taken over the operations of the Homesites Branch of the Crown Lands Office, and most of the Crown land operation, of course, within that higher-priced bracket. So we do have a presence in there by way of the newly-acquired Homesites Branch of the Crown Lands Office.

Q. Would 80 - 90 per cent of a market be too high, and would 30 - 40 per cent enable you to influence the submarket?---

A. Yes, generally speaking, that would be the case. However, traditionally, we started that way, but by default of the private sector it has evolved that we now have 80 - 90 per cent.

(Mr McElvogue) The economic downturn that occurred in 1981-82 made the private sector depart from the market, and that left us with a larger share of the market when demand dropped generally, as a result. Also we have what we see as a social commitment to produce land up to the demand level. We have always got the compromise of producing land at the cheapest possible price and pricing it up high enough to allow the private sector to compete. I suppose we got caught in 1981-82 the same as everyone else did. When the market went down our share of the market escalated because the private sector went out of it because there was no profit for them, and that indeed affected our results in 1982-83.

Q. In practice how does the commission determine the price at which it will sell a particular parcel of land?---

A. When we get to that stage we get market valuations from a number of sources. We do a profit review to show what the financial result will be. We look at that. We look at what we believe the private sector might require in that area, but we are mindful of what the prices that have been set earlier have been, and then we make recommendations to our chairman, who has delegation from the commission to set the prices, and he sets them based on those factors. It is a difficult process. As we have tried to say in our letter, and as we say in our report each year, it is something we are always battling with, and something that anyone can make a mistake with one way or the other.

Q. Is it possible to establish procedures to prevent speculative buying?---A. We do that. We have a covenant on our land which says the buyer must build within three years. If the buyer does not build within three years the commission has an option to purchase the block at the original price, which means that the buyer will give up the interest charges.

Q. Does the commission aim to benefit a particular segment of the community? If so, how is that decision made, and how successful are you in achieving that objective?---A. No. Our areas are concentrated in the areas where the zoned land is available in its largest quantities. Therefore they tend to go to the lower cost home buyer. However, as we have now taken over the Crown Lands operation, we are varied in our area of operations from places such as Little Bay, East

Wahroonga, and even in the Land Commission proper we bought an area of land at Glenhaven, which is currently selling in the order of about \$50,000 a block. I would have to say that we pander mainly to the lower or medium-income home buyer, but not exclusively.

Q. Does the commission take into account the total cost to government of various land development options, given that one of your objectives is to promote orderly and economic urban development?---A. Yes. We have discussions with the Department of Environment and Planning Land Co-ordination Unit and the Metropolitan Water Sewerage and Drainage Board. We have had areas where we have concentrated on road standards, for instance. We have a desire to reduce costs. We are always looking for high yields and ways to economize, although not at the expense of such things as open space and community facilities. Here again we have a bit of a conflict between the social side of our activities and the commercial side of our activities, but we always try to reach a compromise.

Q. Why was a decision taken during 1982-83 to establish a community planning unit?--A. (Mr Plummer) The aims of the unit are to ensure the allocation of sufficient appropriate land for community facilities and services over the life-cycle of an estate; to advise Landcom, the Minister's office and other authorities on social policy and planning issues affecting new estate development; to provide and facilitate community facilities and services in estates, and to identify and respond to the needs of residents as they occupy estates.

When the commission was first formed it had an urgent

need to produce land quickly, and there was a concentration of effort into the development of land which had been formerly Urban Land Council land which had been transferred to the Land Commission of New South Wales. As a result of that it was fair that the community facility side took second place to providing home sites.

However, the commission now has a programme of going back to those estates and providing such facilities in a backlog programme, and it is the particular task of the community planning unit to do that. The unit works in conjunction with local councils and the Department of Youth and Community Services, and liaises quite well on that aspect. It has its own programme, which will be set, once again, by the commission, and they also have targeted programmes for the provision of those facilities within the estates.

Mr AQUILINA: Just going back a little bit to some of the earlier questions asked by the Chairman, particularly in relation to speculative buying, could you tell us whether or not the commission has itself been the victim of speculation in the past, or speculative practices, in terms of some of the lots you have bought?---A. (Mr McElvogue) If you are asking whether the developers made a profit, no. We had acquisition policies which required us to establish a basic land stock in the area. Certainly when we do feasibility studies we do not aim to make a loss; we try to make sure that we at least break even and achieve some surplus on our activities. Our main thrust in acquisition was to establish a base, usually in the bigger areas where the zoned land was available.

Q. My question was alluding more to whether or not in hindsight the commission feels it may itself have been the victim of speculative practices in some areas.---A. That people have speculated on our land?

Q. Yes.---A. In one sense, yes. For instance, we prevent speculation of the land, and passing on of the land, but if you care to buy a block of land from us and build a house on it and hold it for a few years and then sell it afterwards, we have no way to stop that sort of speculation. That is one way of speculating. There have been some suggestions that perhaps builders may have speculated on our land by buying it at our price, which, as we point out, is usually \$3,000 to \$5,000 below market value, and then perhaps mentioning that there were site costs on the block of land of \$8,000 where there might be only \$5,000 worth of site costs.

Apart from that I would say that speculation would be fairly limited on our estates on balance.

(Mr Plummer) I would like to add to that to say that initially when we came on to the market with our St Clair estate at the prices we were selling that land there would have been reasonable capital gain for those people who built houses on that estate at that time. We were selling the land at \$8,250 through to \$10,500 in those early days. If that is the form of speculation to which you were alluding I guess that may have been across the board right throughout the community, but not a strict speculation as we would see it.

Q. Given the proviso that once the land has been purchased it has to be built on in a three-year period, virtually anybody,

including building companies, is eligible to buy land. Is that correct?---A. That is correct.

Q. So there is nothing to prevent a building company purchasing twenty or thirty blocks in one estate?---A. No. In early days we set aside 50 per cent for builders and 50 per cent for private individuals, so we did curtail that to some degree. We had an arrangement whereby builders could reserve those blocks in advance, and we work fairly closely with the building industry in that regard. We talk to the various builders, and they know when the various releases are coming up, and they come along and say "We want twenty lots on that estate" or "thirty lots". Sometimes they do not get thirty lots on that estate, because of the size of the estate. There are too many builders for the number of lots. So we have to make a value judgment as to how many lots the builders get and how many lots the private individuals get .

(Mr McElvogue) As well as that we usually put the builders under a restriction that they have to build within twelve months. Also, when the builder does build, we request that he provide us with a price certificate that he gets the ultimate purchaser of the house to sign saying "I hereby certify that I bought a block of land from the Land Commission of New South Wales for \$25,000 and a house from L.J. Hooker for \$35,000, being a total of \$60,000". That \$25,000 has to be passed on to them. That is one method of trying to ensure that the builder does not speculate on our land. It is not foolproof, but it is a psychological deterrent to the builder. We try to monitor that as best we can.

(Mr Plummer) The builders still have the means of adding extras to the package they can offer the individual which can disguise the initial land component. Our Minister has directed us of late to revise our contract conditions, which also relate to the repurchase by the Commission for default by people who do not comply with that three-year building time.

Q. Is it fair to say that there has been some justifiable criticism of practices adopted in the past whereby builders go into an estate and reserve the best blocks available on the high sites and leave the second or third-grade blocks to the ordinary house buyers?---A. That is not the case. I have had no evidence of that. I would say probably more to the contrary, especially where we have co-operative societies that let tenders for competitive pricing from builders. They would tend to get those on the lots that would have the fill rather than the converse. In other words, I would say that in any estate where you had a component of co-operative societies, because of the overall tender package from the builder the houses built would have to be on the lower-priced blocks.

Q. Could you tell us how many joint venture undertakings the Land Commission of New South Wales has under way at the moment?---Q. We have two under the original Land Commission. One has recently been added with Hawkesbury Council through the Homesites Branch of the Crown Lands Office. Essentially the main one is the joint venture with Property Resources, which is Tooth & Company and L.J. Hooker. That is at

Minchinbury, in the Blacktown area. The other small one is with Maitland Council, which comprises some sixty-three lots at Metford in Newcastle, and the one with Hawkesbury Shire Council is the one through the Crown Lands Office, which is another form of joint venture.

Q. In relation to the Minchinbury development what percentage of the blocks that have been prepared there under the joint venture situation have, in turn, been bought by Hookers as builders?---A. The joint venture arrangement is that the blocks will be divided uniformly. In other words, 50 per cent of the blocks go to Landcom and 50 per cent go to Property Resources. The fine point there is that Property Resources is the joint venture partner. Hooker Homes have an arrangement with Property Resources to buy the blocks from them.

All costs are basically shared, and the joint venture partner purchases their 50 per cent of the blocks at cost. The arrangement with Property Resources and Hookers, or whoever they may choose to sell those blocks to, is a matter for them. However, the joint venture has a gentlemen's agreement clause which basically suggests that neither partner will inconvenience the other partner, so that Property Resources is protected from the Land Commission of New South Wales, for instance, selling lots at \$10,000 per lot. That gentlemen's agreement has worked well to date.

Q. What has been the main benefit to the Land Commission of New South Wales in going into these joint venture arrangements?---A. The main benefit in the Minchinbury case was that

the Land Commission had one-third of the total land which it managed to put together; the other two-thirds happened to be land owned by Penfolds. The fact that the Land Commission of New South Wales was involved led to the rezoning of the entire estate and the production of something like about 1150 potential homesites, which would not have occurred if both parties had been left to their own progress.

Q. It is true to say that the partners with the Land Commission of New South Wales could have gone into the development of their own land quite independently from joining up with Landcom. Is that correct?---A. No, that is not so, because the condition of the development was placed by the Department of Environment and Planning, that said that the whole of the estate had to be put together into one parcel before they would even look, or consider, the rezoning.

Q. Have there been any other benefits accruing to the partners of the Land Commission of New South Wales out of this joint venture?---A. Certainly they have been able to enjoy probably a better progress through the various steps of rezoning and development that they may not have enjoyed as individual developers themselves, but, then, Property Resources really was not in that sort of business. It was a consortium that was a property agency of Tooth & Company in conjunction with Hooker-Rex.

Q. Would these advantages perhaps have included also a less stringent requirement of compliance with the various sections of the Planning and Environment Act than a normal private developer on his own would have had to comply with?---

A. No. The normal processes have been complied with. The Land Commission of New South Wales does not have any particular advantage over anyone else, except recourse to the Minister in times of dispute. We have to comply with the Planning and Environment Act as much as any other private developer. However, we have set standards which, with that recourse to the Minister, we are able to carry out at a more efficient and less costly rate than the average developer.

Q. It is fair to say, is it not, that the Land Commission of New South Wales has not been required by a number of local government areas to adhere as stringently to various sections of the Planning and Environment Act, such as section 94, as private developers, and that there are also varying requirements from one local government area to the next, depending on individual agreements that have been reached?---A. Yes, that is true, but on the question of section 94, as I mentioned earlier, the Act says that where there is a dispute between a State agency, such as the Land Commission of New South Wales, and the council, that matter can be resolved through the Minister, whereas, in the case of a private developer, he does not have that particular course of action.

The only recourse that a private developer would have in an argument with a regulating authority, other than a State Government authority, would be through the Land and Environment Court. If you talk to the developers they are reluctant to fight. They assess the amount of profit they are going to lose as a result of fighting a particular action with another authority. My information is that in most cases they finish

up paying up and proceeding with the development rather than fight the issue.

Q. I take it that is what Landcom is currently doing with Baulkham Hills Shire Council in relation to the seventh precinct.---A. That is a question, in our opinion, of rather exorbitant standards which are far in advance of any of the other councils, and we see that as being retrograde so far as development is concerned.

Q. The Land Commission of New South Wales has already developed six precincts complying with the requirements of the council. It has now chosen to change its standards on the seventh precinct.---A. No, that is not the case. We have not complied totally. We have used our own sandstone road materials. In the earlier discussions with Baulkham Hills Shire Council, at which I was present, we told the council we would not comply with road width. However, there is some justification in terms of production to vary road widths at various times, and the Land Commission of New South Wales certainly is not in a position to be adamant about the road widths that it adopts.

The Land Commission of New South Wales uses a basic set of road widths. However, if the planning of a particular area demands that those road widths be widened for some particular reason we comply with that. In other words, we are not adamant about saying roads will be eight metres wide. If a particular street leads to a public reserve, or a national park, and there is going to be parking along that street, then we widen it. There are many examples where we have done

services, the Housing Commission of New South Wales and the Land Commission of New South Wales. They are primarily concerned with normal, detached housing-type development. There are a number of other authorities, such as local councils, also involved in that whole process.

Once again the Department of Environment and Planning has committees where new releases are signalled in advance, and, of course, we co-ordinate our activities in trying to purchase land in those areas where the Department of Environment and Planning indicates they will be making releases in the future.

Q. What about co-ordination with the Department of Motor Transport for the provision of transport facilities, both public and private; the provision of roads, water resources, health, education? Do you go into that sort of detailed co-ordination?---A. Generally speaking, yes, we do, but, of course, to a lower level than State roads and highways. We are principally concerned with the subdivisional-type level of development, and certainly we would have assumed that the planners of new sectors for development would have been mindful of all of the co-ordination.

We are down at a slightly lower level of government than main roads and expressways.

(Mr McElvogue) We have a lot to do with the Department of Education. We sell a lot of our sites in our development estates to the Department of Education, which, of course, requires prior zoning discussions. Particularly in our bigger estates, like St Clair, where we have two or three schools, in the

early part we have ongoing discussions, and we still have liaison meetings with the Department of Education to establish where they want the school, and when they want it. We have difficulty at times getting them to say where they want the school. Sometimes they change their minds, and it wrecks our whole strategy for developing the rest of the estate. But that is just an example of the people we talk to.

We talk to the Department of Youth and Community Services. We have our own community services section to establish that. We receive various representations from people who want to build a new church in a new area, such as St Clair, and, of course, the councils themselves have a number of ideas and put all these things to us. Despite a lot of suggestions to the contrary at times, we try to have fairly good relations with councils. We try to keep in touch with them all the time; tell them what is going on in the many estates we have got.

We spend a fair amount of time in planning. I suppose the normal broadacre purchase of land of 1 000 lots and above would require maybe two to three years' intensive planning before we start releasing it, and part of that planning involves not just discussions with the water boards and local councils but discussions with the Department of Education and the Department of Youth and Community Services.

Usually hospitals are gazetted ahead. We had a hospital planned for our Balarang estate in Wollongong, which has now been built. We negotiated about that. They had an area of land set aside, and they decided to buy some more land for

that. However, following the Land and Housing Cost Inquiry, where there was a definite recommendation that the Local Councils should get their acts together and produce a reasonable, uniform standard, which they have done in the form of a local government and shires book which we follow as a standard, that is a reasonable approach.

Mr FISHER: Does that include undergrounding?---A. The Land Commission of New South Wales puts in undergrounding as a normal requirement of its subdivisions, except where we have an existing area that is overhead, and we may be developing within that area, we see no great point, especially if it is a heavily-treed area, such as some areas on the north shore. We do not see any particular point in undergrounding in those circumstances.

Q. Do you pay headworks charges to councils or authorities?---A. We pay all charges. We do not have any particular advantages at all. With water boards and county councils we pay our money up front as required or we do not get a start. They will not start on water, sewerage or power unless the money is paid. So we are like any other developer.

(Mr McElvogue) We might negotiate like any other developer for a betterment of those terms if they are a bit too stringent on us.

(Mr Plummer) You mentioned the term headworks. That, by definition, suggests such works as major dams and major sewerage treatment works. Currently the Metropolitan Water, Sewerage and Drainage Board does not charge for those, but there has been a tendency in the Gosford area to incur a

headworks charge for the major infrastructure, and we, of course, object to that quite strongly because, in the case of Gosford, it simply puts up the price of land an additional \$2,500 per lot.

Q. Would you be paying it in respect of the Muswellbrook development?---A. Muswellbrook is a case whereby Muswellbrook Council is working in conjunction with the Public Works Department. The infrastructure headworks charge was decreed by the Minister, so we had no option.

Mr AQUILINA: Just following on from some of the questions that both myself and Mr Fisher have asked, does the commission take into account the total cost to the Government of various land development options, given that one of your objectives is to promote orderly and economic urban development?---A. We are a member of an urban development committee, and all members of government agencies are represented on that committee. For example, we have all read of the next move to the Hawkesbury area, where we are talking of the north-western sector.

For quite some months now I have been well aware of this committee studying the cost of rail, transport, land acquisition, planning, etcetera, costs as an overall cost to the Government. I can say as a member of that committee, yes, we are well aware of that.

Q. Whilst we are on the subject of getting the act together, would the commission like to give any opinion in relation to the level of co-ordination between the main government departments involved in land development?---A. The main government departments are the Department of Youth and Community

the hospital. It wrecked our plans, even though we sold them the land at a reasonable price. There was no loss involved. It is the bane of our life in one sense, but it is something we have to do so that we can give proper facilities to the people who buy our land.

Q. Given, as was stated earlier, that the main objective of the Land Commission of New South Wales is to provide economic development of land, would it be fair to say that the other objective is to provide the orderly development of land, and that Landcom sees itself as being an extension of the planning instrument of the Government in avoiding leap-frog development?---

A. (Mr Plummer) Yes. I am not quite sure what you mean by leap-frog development. Unfortunately leap-frog development is a term which has come about because of the inability of the Land Commission of New South Wales to be able to negotiate and purchase land in certain areas. It has tended to move away from those areas and go to areas where it is far more easy to negotiate a price.

As a result of that, there has been a tendency to call that leap-frogging. However, as part of the Sydney Region Outline Plan the Metropolitan Water, Sewerage and Drainage Board has developed, by way of sewer carriers and water infrastructure, some areas extending virtually out to the Blue Mountains, so that we are simply taking up the slack, you might say, created by the Metropolitan Sewerage and Drainage Board, which already has the services in the ground. We see ourselves as assisting the Government by providing homesites in those areas where multi-million dollar expenditure already

exists in the ground.

Q. In that regard, how closely is Landcom liaising, say, with the Housing Commission of New South Wales in the possible utilization of Housing Commission land which may no longer be required for the purposes for which it was originally purchased?---A. It is fair to say that in the last six or seven years the Land Commission of New South Wales has used extensively the holdings of the Housing Commission of New South Wales for its own purposes. We can name quite a few large estates previously owned by the Housing Commission of New South Wales which have now been taken over by the Land Commission of New South Wales. The estate at Werrington; Shellharbour; shortly one at South Penrith, are all fairly large estates where we have liaised to utilize that land to the Government's best purposes.

Q. Is that a more economic prospect than the Land Commission of New South Wales pursuing a policy of acquiring land presently in private ownership?---A. Yes. If, by comparison, you speak of, say, the Fairfield area, the increase in in globo prices for land there has been something in the order of 72 per cent when the Consumer Price Index was something like 40 per cent.

The rise in such areas as Fairfield, where people are asking anything up to \$12,000 per in globo block, just makes it almost impossible and uneconomical for the Land Commission of New South Wales to go into a place such as Fairfield at the moment and produce lots at a price which the lower income earner can afford to pay.

Mr FISHER: Does that not indicate a duplication between the Housing Commission of New South Wales and the Land Commission of New South Wales? Are you not virtually taking over their role now in some areas?---A. I do not know that that would be a generalization, but certainly that has happened. They are not going ahead with the development. When they purchased the land originally they would have anticipated going ahead, much the same as they did at Mount Druitt.

In many cases, of course, they resumed the land in fairly large estates, and they have not gone ahead with their own development, because they are highly dependent upon federal funds for housing, and, depending upon the availability of those funds, the programme of the Housing Commission of New South Wales fluctuates. In some years they have had virtually no money for development. Quite obviously, under those circumstances, when the land is there, and we need it for our programme, it is a good, co-ordinated effort for us to take that land and develop it.

Q. And the same would apply so far as the Homesites Branch of the Crown Lands Office, would it not?---A. The Homesites Branch, of course, is Crown land. Certainly there is a liaison there. We are now developing, under our name, all of the available Crown homesites.

Q. Which they would have been doing had it not been for the Land Commission of New South Wales?---A. Correct.

(Mr McElvogue) The distinction between Crown land and our land is that all of the funds from the sale of Crown land goes back to Consolidated Revenue. Our own funds, in a

corporate sense, stay in the Land Commission of New South Wales, and are used to buy and develop more properties, and thereby restrict our borrowings.

In our answer to question 7, which relates to why we buy Housing Commission land, I said:

It would be true to say that the commission experiences great difficulty in securing new land stocks which are considered sufficient in most areas. Most times we go out and try to buy from private holders, and the land is not there.

Sometimes we are faced with having to make resumptions, which we only do as a last resort. We usually try to negotiate our way out of it, and sometimes we go to other government departments, such as the Housing Commission of New South Wales, see that they have land available which is not going to be used in the foreseeable future - and by that I mean in the next five or ten years - and say "Can we buy that and develop it, and perhaps even sell you some blocks back at the end of it for use in your programme?"

Q. Is not that then withdrawing from the market relatively cheap land on which the Housing Commission of New South Wales would be able to provide relatively cheap homes to provide low-cost rental accommodation to that sector that they service, which has now been denied them because of your operations?---

A. The Housing Commission of New South Wales seems to do as much as they possibly can with the funds they have available, and they see us in the future as the provider of cheaper land than they can buy anywhere else.

Q. But not houses?---A. We do not build the houses.

We are buying only the broadacres. We still have to pay the up-front costs, and the huge development costs, and the holding charges. Therefore, they see it as possibly a way of applying their funds mainly to the construction side of the industry rather than the land development side - not that they do not still involve themselves in land development. They can see some practicality in allowing us to do the development for them and passing the land back to them.

(Mr Plummer) That has been a trend we have noticed with the Housing Commission of New South Wales. You have probably seen advertisements for package deals that they have been advertising for builders. Builders are offering package deals of houses on land that the builders own, or that the Housing Commission of New South Wales has, or even on Land Commission of New South Wales land. Rather than concentrating on building houses there seems to be a proportion of their traditional development now that is going to be handed out to the building industry, which is a good thing for that particular industry.

Q. But it must reduce the stock of houses available from the Housing Commission of New South Wales to low-income earners?---A. (Mr McElvogue) Long-term stock.

Q. Medium-term stock?---A. They get the money and use it in their existing programme, and maybe it saves them the holding charges on those funds over the period.

Mr AQUILINA: It would be fair to say, though, that a lot of your activity with the Housing Commission of New South Wales relates to the fact that the Housing Commission of New South Wales has quite dramatically changed its attitude in

relation to the broadacre estates, and hopefully, from my point of view, anyway, gone are the days when we will see large Housing Commission estates such as Mount Druitt?---

A. (Mr Plummer) The whole question of social mix, and the involvement of the Housing Commission of New South Wales, assuming that continued, is one that we have been addressing ourselves to. In other words, how do we integrate the Housing Commission in future estates developed by the Land Commission of New South Wales.

Just on the converse, we have the Housing Commission of New South Wales developing one of their estates for us, because it just happened to suit us that way. So there is a good liaison between the two bodies.

Mr MURRAY: Except, Mr Chairman, there is one difference, and that is what Mr Fisher was pointing out. When you buy that land from the Housing Commission of New South Wales you are taking it out of the public domain, because if the Housing Commission of New South Wales builds on that land it retains it in perpetuity. Where it is handed over to you you then dispense it out of the public domain into the private sector. That is what Mr Fisher was really getting at. You are obviously diminishing the rental stock that becomes available for the low income earner. I just wanted to make that point.---

A. (Mr McElvogue) That is a good point, but I should say in counter to that that there is no coercion involved here. We say "Are you interested in selling the land? Put a price on it if you are". They say "No, we are not". They only offer us certain areas of land, and they are the areas way

off in the future. Perhaps they should hold it, to take your point, but we just say we are interested in buying more land. They know that. They put the proposition to us, and if they do not agree with our price they do not sell it to us.

Mr FISHER: Does your community planning unit make some provision for some mix of Housing Commission of New South Wales houses within those estates?---A. (Mr Plummer) Within our estates?

Q. Yes.---A. We are addressing that problem at the moment. We have only of recent times had that situation. Traditionally the Housing Commission of New South Wales has developed its own estates, and the Land Commission of New South Wales has been separate; but by virtue of the shortage, or the availability, of land we are now addressing that point. One estate in question is at Metford, where we have the Housing Commission of New South Wales adjoining us, and both community planning units are working together to jointly fund facilities which are common to both sections of that estate. It is something we are going to have to look to more and more in the future, and we are certainly addressing ourselves to that particular point.

Q. There is a large Air Force involvement, as well, at Metford?---A. No, Metford is in Maitland.

Q. But the Air Force is also building a lot of houses there?---A. No. Maybe you are thinking of Raymond Terrace.

Q. I thought they were building at Metford.---A. You may be correct. I am sorry, I do not know.

(Mr McElvogue) To a limited degree the same thing occurs

in Muswellbrook with the Housing Commission of New South Wales. At Muswellbrook, Landcom land is not selling well, but the Housing Commission of New South Wales have certain reservations in the Muswellbrook estate for lots in certain areas of that estate. They have not paid us for them yet, but they will take them up as and when they require those sites.

Mr AQUILINA: On page 16 of the 1982-83 annual report you make reference to the flexi-lot initiatives in the Government's urban consolidation programme. Would you like to give us some account of how successful that pilot project has been, and whether or not the Land Commission of New South Wales intends to involve itself in other similar projects, or perhaps other programmes for urban consolidation in the future?---A. (Mr Plummer) Yes. The flexi-lot was our own initiative. The meaning of the word flexi-lot simply means that we can design a subdivision with two purposes. We can subdivide virtually using council's standard lot sizes, which we are bound to do. That is one particular thing we cannot vary. We must use council's standard lot sizes.

We designed that subdivision in such a way that we can increase the density. In one project we have at the moment in Penrith, which is experiencing rather a chequered career at the moment, there is something like a 20 per cent increase in the density of that particular pilot programme, which, incidentally, has the interest of the federal government, and it is being studied carefully by them also. It involves in certain instances that lot sizes may be down as low as 350m². The Local Government Act allows us to go to 232m²,

but, of course, that is generally considered impractical. By judiciously constructing houses with common walls, and thereby cutting out little side useless boundaries between them, it is possible to evolve a design which will increase the density but will still give the same sort of appearance of normal, detached housing.

We have a number of these projects: one in Raymond Terrace, one in Orchard Hills, and about four more on the drawing board. We have the assistance of the federal government, and we seem to have the assistance of most of the local councils. They seem to be quite interested in what we are doing. The main problem is the attitude of the residents. As we all know, in certain municipalities and shires there is a lot of resistance to any change in the density, particularly in an area adjoining an existing detached development where people are used to a set of standards. They fear that any increase in the density will lead to a lowering of the value of their particular properties.

So there is quite a lot of opposition, and it has taken us quite some time. Until we get a few runs on the board we cannot comment on that flexi-lot, but everybody wants us to do it as part of the urban consolidation scheme, and we are doing our best to try to get runs on the board.

Mr COLLINS: Is it fair to describe the relationship between Landcom and private developers as highly competitive, and at times strained?---A. (Mr McElvogue) The answer to that would be yes. We are perceived by the private development industry as having come into their domain with a lot of cost

advantages which they do not have. Simply put, they think we have cut into their profits. I would have to say, from my experience in the private sector, that would be the case. Had I been in the private sector I would probably feel the same way.

Q. One of the complaints of private developers is that they lack broadacres for development, of which you seem to have a surplus?---A. Yes, but they have the same opportunity to buy those broadacres as we have by negotiation, and, in fact, they do beat us to the punch still on a number of occasions.

Q. Do you consider that as, if you like, the New South Wales Government's real estate developer, you should be the pacesetters in terms of standards in the industry?---A. (Mr Plummer) We have been in the seven-and-a-half years that we have been formed. You are speaking about development standards now?

Q. Yes, development standards. Are you aware of any major mistakes that have occurred with any of your developments?---A. In terms of workability?

Q. In terms of the day-to-day problems that residents might encounter, having border land with Landcom?---A. We monitor that carefully. One of the tasks that I have for my project manager's brief is to monitor that particular situation. In terms of time we have not been formed long enough for people to say "We do not like this" or "We do like that", and it is unfair to say to people six months after they have bought a place "Do you like the size of the lot?", or ask them whether

they like the width of their road, or whether it is a well-designed estate. It is a difficult question, but we are using our best endeavours to monitor that situation. We have, with the approval of one council, experimented on innovative development standards, and the feedback shows us that was quite successful.

I guess it revolves around two concepts: whether your subdivision is a people estate, or whether it is a vehicle estate. Some councils tend to consider them vehicle estates, and design things around the motor car. We tend to favour the people-type residential development. We hope that we have quieter areas, which some people construe as being something which is small and narrow and ineffective. The feedback so far is quite favourable.

Q. Mr Aquilina earlier was asking you about co-ordination with other government departments. Continuing the line that we are taking at the moment, I take it that you have close co-ordination when it comes to matters like flood-prone lands, and you would carefully avoid building residential properties in flood-prone areas? A. Yes.

Q. Are you aware of any mistakes that have sprung up since you have been in operation in that area?---A. No. I have been a member of those committees dealing with flood-prone land. We obey the directive of the Government which came out in the form of a circular from the Department of Environment and Planning which relates to various categories of flood-prone land. There is a twenty-year flood frequency; there is a fifty-year frequency, and a one-in-100 frequency.

We basically comply with that. You will always have argument between various engineers as to the design parameters, and we have also been innovative in setting design parameters for detention basins, which is just going through the Institution of Engineers, which we hope will prevent argument, and more clearly define the method of designing some of these particular parks and drainage structures we have within our estates. We hope we have been instrumental in resolving some of those difficulties we have had in the past with councils.

Q. If you sold a property which in the first twelve months of private ownership was flooded three times would you regard that as satisfactory on the part of Landcom?---A. I know one particular property that has been flooded twice, but that has nothing to do with the design. It simply happened that the owner built a fence across the floodway. I would like to know the circumstances of that before I could comment.

Q. Could I ask where that one instance occurred?---A. That was in West Dapto.

Q. Is that property owned by a Mrs Moore?---A. That is correct.

Q. In West Dapto?---A. Yes, that is correct, and there have been various ministerials, and the point of that one is there are properties downstream of Mrs Moore's, 200 metres below her property, which have not flooded, and yet Mrs Moore's property has flooded.

Q. Mr Chairman, I would like to show the Committee these photographs of Mrs Moore's property in flood, and also some photographs of flood damage caused to Mrs Moore's home with

water apparently flowing out from her home during flooding. It is not clear to me precisely what Mrs Moore has done to bring the floods upon her, and she appears to have been flooded by a nearby creek, as, indeed, her next-door neighbour appears to have been flooded. Mrs Moore claims to have been flooded three times during the first twelve months of ownership. You claim that is because she built a fence in the wrong place?---A. I understand that not necessarily Mrs Moore but someone has built a fence across the floodway which has directed waters back through her property.

Just recently there were two or three ministerials that were answered by the Land Commission of New South Wales where detailed reports have been given back on that score. If I could just speak generally on the question of one-in-100-year floods -

Q. Perhaps just before you speak generally on floodways, as the asker of the question which raised the matter with the Minister I am unaware of any such information being made public at this stage. Therefore, the matter is still very much on foot, and I would appreciate any way in which you can clarify, or perhaps precis, the information that has been passed to the Minister and which will, no doubt, become public in due course.---A. Would you like me to give you that personally?

Q. Yes, if you would, please. Are you able to give us any further information on those photographs at this stage, before talking about floodways generally?---A. No.

Q. Can I say, because this is the only opportunity that

we are going to have to put any questions to Landcom directly for probably another twelve months, that if a private developer had sold a property which in its first twelve months went under water three times that private developer would, quite properly, be kicked from one end of the New South Wales Parliament to the other for selling substandard real estate.

Mrs Moore has purchased a block of land, and I am unaware of any additions which she has made to that block of land, and you are telling this Committee that the reason her property has flooded is that some time between the development of the property by Landcom and her occupation of it somebody built a fence there.---A. That was the general reply in the reply back to the Minister. We deal with dozens and dozens of complaints. I remembered that particular one. The answer was not that her house was located within the flood-prone land. As I said before, there were at least two homes that were two metres lower that did not flood.

Members of this Committee would agree that if people were two metres below Mrs Moore it is fairly logical to assume that something strange was happening to her particular property. However, I do know of three or four cases where private developers have built them, and I do not know of any action that was ever taken against those private people. I know, also, that there were various other mitigating reasons why they flooded. There were pits blocked, and there were other means of obstructing drainageways that caused a divergence of water. I would just add that there is another component of the setting of home levels, and that is the council. The

Land Commission of New South Wales sells land, and it complies with the known civil engineering data relating to flood-prone land. In the case of West Dapto it happened to be the Public Works Department under Wollongong Council who had flood maps of that particular area.

They set flood levels, and we have complied 100 per cent with those. That is the first thing. The second thing is that if the council wishes to allow someone to excavate on their particular site and divert waters into their property that is another contributing factor. The third factor is that civil engineers only have records of less than 100 years in terms of known flood data, so when they design something for one-in-100 years they are only guessing. They are interpreting what the records over the last eighty years would show when the one-in-100 period is reached. That is the third vagary of that civil engineering design that makes it difficult to set those levels.

Q. Initially you indicated that there was only one case you were aware of, and, in defence of your inability to go into greater detail on this case, you said you had received dozens of complaints like this?---A. I can go into great detail. I just do not have the facts with me today.

Q. You cannot tell me how the fence arrived where it is?---A. No. I am simply saying that I remember there was some question of a fence being built across the floodway which caused the waters to come in. I am quite prepared to give you the full details. I can give you copies of the ministerials. That will not create a problem.

Q. Are you able, without going into great detail, to tell us whether this particular purchaser of a Landcom property has been compensated, or assisted in any way, by Landcom?---

A. (Mr McElvogue) I saw a copy of that just a week or so ago. I cannot remember for the life of me what was in it. I have an idea it had something to do with the council, as you say, and I have an idea that it did not, at this stage, say anything about compensation. In other words, we were claiming it was not our fault. That is my memory of it.

Q. It was not your fault; it was council's fault?---

A. I do not know, but I saw it only two weeks ago, and I remember reading that the property had flooded three times. That is rare for us.

Q. Would you describe Mrs Moore as one of your satisfied customers?---A. (Mr Plummer) I would imagine she would not be.

(Mr McElvogue) I remember reading her letter. It was a nice letter. At the end of it she said "Can I be compensated?"

(Mr Plummer) There is a private estate much lower than ours adjoining ours. I do not know whether they got flooded, Mr Collins.

Q. Whether they were flooded or not, you would agree that underwater real estate is one of the standing jokes about the real estate business, and, hopefully, it is the sort of business in which you would not be involved?---A. In the seven-and-a-half years I have been with the Land Commission I have experienced one or two cases.

Q. Yet in this case we have discussed today the lady

has received no compensation?---A. Had I had notice I could have given you a much fuller reply, and I am sure I would have satisfied you.

Q. There is another issue I would like to explore with you, and that is the write-down in value of undeveloped land. The total book value of Landcom land in 1982-83 was approximately \$65 million. The Valuer-General valued that land at \$75 million, leaving a discrepancy of \$10 million. How is it that there can be such a discrepancy? How is it that residential real estate can depreciate, or be depreciated, so quickly, and is that simply an artificial device to create a hollow log to be discovered at some time in the future?---A. (Mr McElvogue) Basically we do that to accord with accounting standards. I suppose the simplest way to explain it is that when we buy a property for, say, \$10 million we capitalize interest on that property at, let us say, 10 per cent per annum, or \$1 million a year.

In the first year if we capitalize \$1 million to that property real estate values may not move up in that particular year, so we are \$1 million down. That is essentially the reason why we do it. It is to provide a flagging to show that at the moment that property is in our books at that figure, and is valued at that ^{other} figure, and we make a provision that varies up and down over the period. There is no subterfuge about it, or artifice about it, to make us do that. It is simply in accordance with accounting standards. Indeed we have received a number of accolades from accounting bodies for doing that, and we are reputed to be the forerunner in

introducing that strategy in our accounting. We simply do it for internal reasons to show whether that property is appreciating, or whether we are facing a loss on it, so that we can decide what we are going to do about it.

Q. I do not dispute that what you have done may be acceptable in accounting terms, but in commercial terms, in everyday terms that the man in the street can understand, it seems to me extraordinary that you have, in effect, written off \$10 million on your real estate holdings. The Valuer-General is not known to be one who puts recklessly ambitious values on properties, and, I would assume, would have provided the bottom line for the commercial value of the properties that you hold.---A. The proof of the pudding is in the eating. We have shown over a period that we have made profits. In 1978 when we first introduced that system we wrote off \$3.3 million. That was essentially our profit report for that year for three properties - St Clair at St Marys, Eaglevale at Campbelltown, and Balarang at Shellharbour.

All those properties became surplus earners for us eventually. I am telling you that to show that precedents show that when we wrote properties down they came back again. The second part of the answer to that question is that we contend, and a number of financial commentators contend, that 1981-82 was the greatest downturn since the great depression. Anybody would concede over the last year or two that real estate values generally have gone down by 10 or 15 per cent. So we have had a period when we have bought land, and it has eased down afterwards. In the past we have recovered and

made profits out of most of our estates, although at Balarang in Shellharbour we are just about breaking even. 1981-83 was a particularly bad period where real estate values would have remained stagnant or gone down. If you are asking us whether we can be caught in the same way as any other real estate developers the answer is "yes".

Q. Why is the total value of undeveloped land as provided by the Valuer-General not shown in the account, at least by way of notes?---A. That is giving ourselves a pat on the back via the back door. We tend to write down the values of land we have got. I have had people in the private sector putting exactly the same question to me. We consider it is more conservative not to do that. That is a way of saying we do not worry about that because we have that much up our sleeves. We could do it, but it would tend to emboss our accounts a little.

Mr FISHER: You made a statement earlier, Mr Plummer, that all of your land acquisition had been acquired by negotiation. Is there a great delay in dealing with vendors?---A. (Mr Plummer) Yes.

Q. After you have acquired the land in negotiation do you make any contributions, or pay any interest on the purchase price if there is a long delay?---A. To whom, Mr Fisher?

Q. To the vendor?---A. Generally not. Not to my knowledge. We have been negotiating for four years with a lady in Maryland. That is a long time. The final price is still negotiable, and no doubt the vendor will have in mind the period of time that has elapsed when the final price is set.

Q. Was there a great delay in acquiring the land you acquired at Muswellbrook?---A. That land was acquired through the Housing Commission of New South Wales, who resumed that from Mr Bromley, who was a local resident of Muswellbrook.

Q. It was acquired by the Housing Commission of New South Wales?---A. Yes.

Q. And subsequently by you?---A. Yes.

Q. And you are developing it, of course?---A. That is right.

Q. You have made reference to the number of home sites that have been made available by the Homesites Branch of the Crown Lands Office, which has been taken over by the Land Commission of New South Wales. That has been taken over in respect of what area of New South Wales?---A. It does not apply to the Land Board offices. The Department of Local Government and Lands still administers those. It basically involves the Sydney area; it involves the Hunter Land Board office at East Maitland, and also the Sutherland office, which deals virtually through Sutherland Shire.

Small offices at Penrith and other places may be incorporated. That comes within the Sydney scene. All of the western land boards, and all of those other areas where we are talking about minor developments, and minor holdings, do not involve us. When we were formed the Premier directed that we were responsible for the overall supervision of the Homesites Branch as it was within the Crown Lands Office, but, of course, of late that department is now fully under our control, although the arrangements for financing the proceeds back through the

Treasury have yet to be finally sorted out. It is only a matter of months since they have come across.

(Mr McElvogue) The ministerial responsibility has transferred as a result of the recent ministerial reshuffle that occurred in February or March, and we have had the staff from that date.

Q. You indicated earlier that the Land Commission of New South Wales have sold about 3 000 lots in 1983-84?---

A. (Mr Plummer) Yes.

Q. And you sold 2 961 the year before?---A. Yes.

Q. In that time what has been the comparable record of performance of the Homesites Branch?---A. (Mr McElvogue) I do not have the figures here, but I have the sales figures for the four months from the time the Homesites Branch has been relocated. The sales in the four months to June 1984 have amounted to 331 lots with a revenue total of \$13.1 million.

Q. That is in respect of the Sydney area?---A. No, Sydney and the Hunter.

(Mr Plummer) Their production levels were much smaller, of course.

(Mr McElvogue) Sydney includes places like Blaxland, Glenbrook, Blue Mountains, Norah Head, Bateau Bay, Davidson, Illawong, Little Bay, Windsor. They are the sorts of places.

Q. Have the costs of those homesites varied greatly from the cost of your homesites?---A. (Mr Plummer) They have a different style. As I said earlier, it depends where the land is held. They are still developing land in some fairly high-class areas, if I may call them that, and they are asking

some fairly high prices. The money, of course, goes back to the Treasury. There is development in Cessnock, and some of the areas around Newcastle, where the prices of land are no greater than, say, \$14,000 or \$15,000 developed ranging up to \$80,000 or \$90,000 for developments within the Sutherland Shire. Basically 80 to 85 per cent of our operations are round about the \$22,000 to \$27,000 mark, and few of our estates rise up to the \$80,000 mark. We might achieve that in Glenhaven and Baulkham Hills.

Q. What proportion of the land bank that you now hold would have been Crown land taken over from the Homesites Branch?---A. The Crown land is still retained by the Crown Lands Office, and we acquire the land upon subdivision by the Homesites Branch. In other words, the land remains in the ownership of the Crown until such time as it is developed. Then we appropriate the land for purposes of selling it.

(Mr McElvogue) We are acting more in an agency role for the Government in developing the Crown land. Therefore, we do not have the land bank. We are using the Treasury's land, if you like - because the funds are flowing to them - to develop. We have not gone out and bought the land, or paid the Crown Lands Office any money, as we normally would with the Housing Commission of New South Wales, or with any private developer, or private holder, from whom we acquired the land.

Q. I am not quite clear on the amount of land that you now hold, or will be developing, that was Crown land in your land bank as opposed to land that you have acquired from other sources.---A. (Mr Plummer) I do not have any statistics, but

there is an availability of Crown land in the future that is still within the ownership of the Crown Lands Office that will be appropriated as required. We do have statistics on that, because we have carried out various studies. It is the availability of residential land we will have in the future, but I do not have any figures.

(Mr McElvogue) I saw a preliminary report at the office before we left this morning that suggested that the production in the forthcoming year of Crown land in the Hunter and Sydney areas would be somewhere between 1 000 and 1 500 lots. I cannot say that all of those are under production at the moment, because some of them may not start until September, but that might give you some idea of the amount of land we intend to produce in the future.

The title of the land will be transferred over to us as we require to develop the land. We are not holding it. We have not bought it. That is why I keep saying we are acting as an agent for the New South Wales Treasury, in a sense.

(Mr Plummer) The relative targets are round about 1 500 lots for Crown land, and we are aiming at about 4 600 for our own development programme.

(Mr McElvogue) The Crown land production figure last year was about 1 000 lots, and those sale figures of 331 for four months multiplied by three would suggest that.

Q. One-third of your development was from Crown land?---

A. No. As well as the 2 700 lots there were 1 000 Crown land lots produced, but let us say that of that 1 000 Crown land

lots maybe 600 were Crown land lots produced prior to the transfer to us, and 400 were produced by us subsequent to the transfer.

Q. Have you done any projections of the amount of lots that you will be able to make available from Crown land?---

A. Yes. That was what I was just talking about that John and I were discussing this morning. Please do not hold me to these figures, but something like 1 000 lots in the Sydney area and 600 lots in the Maitland area.

Q. That is in the immediate future?---A. That is in the next year.

Q. But have you not done a projection for ten years?---

A. No. We are working on that. Prior to our taking it over from the Crown Lands Office we had some indication of that, but as it was not under our specific control we could not get those figures. The exercise we are doing at the moment is a five-year projection of what we can do that we do every year at this time. We are finding some difficulty getting the figures at the end of the five years, but we are still doing it. I cannot remember what those figures are. Those projections were on my table when I left, but I did not have time to look at them. I looked only at the immediate year ahead.

(Mr Plummer) Some of the development when you get into the area of five years and beyond in Crown land gets you into some fairly rugged country, and you have to be careful what you classify as potential residential land. In the Menai area, for instance, there are severe servicing costs to be

taken into consideration before you could dare include that sort of development in the Crown land programme. So we are looking ahead and trying to identify areas that will take us maybe five to ten years ahead in the Crown land regions.

(Mr McElvogue) To follow the train of your question, Mr Fisher, the Land Commission of New South Wales pure projects to produce, let us say, 4 500 lots in the next financial year. That will compare with a production of 1.500 additional lots on behalf of the Crown Lands Homesites Division, which will make 6 000 lots in all. So the one-to-four ratio rather than the one-to-three ratio that you suggested is probably more appropriate. Bear in mind that in one sense we are a market-led government agency. If the market is not there to produce 6 000 lots it would be folly to produce them.

Q. Overall throughout the State the Crown Lands Office Homesites Branch may well be putting as many homesites on the market as you are?---A. I do not know the figures.

(Mr Plummer) It would not reach that level. In the other areas of the State other than Sydney, the Hunter and Sutherland I would not anticipate that they would be producing anything near that. They will be producing 200 or 300 lots in total, I understand. We have not been involved in that area, because when we took over responsibility it did not include the Upper Hunter, for instance, and there are Crown land developments in Muswellbrok, as you would be well aware.

Q. So you have not done any comparative costing in terms of developing home sites under your system and under the Crown Lands system?---A. (Mr McElvogue) We have. They use a completely

different system to us. We are now bringing them on to what we call our project review system, which shows the cost of development ahead, and adds on things such as administration, marketing and interest holding charges. The difference between us and them is that they have no costs for their land, because it is in Crown ownership.

Referring to the Chairman's question about performance indicators, we do projections as to what the financial outcome of that will be. I remember seeing one today. If I can remember it properly the total costs of the estate in Illawong were something in the order of \$18,000 to \$20,000, and the estate was projected to be sold at a reasonable market value of about \$50,000. Using that particular estate as an example, there was a projected return to the Government of \$30,000.

Q. From the answers you have given today, obviously a large part of the resources that you are developing is coming from either the Housing Commission of New South Wales or the Crown Lands Office?---A. (Mr Plummer) I would not say that. We are also negotiating for many parcels ourselves. We intend to buy a lot of land ourselves. In the current year we are anticipating the equivalent of some 4 000 equivalent lots that we will purchase of our own accord, and some of those may be partly Housing Commission of New South Wales. In the main, however, we will be endeavouring to buy as much of that as we possibly can ourselves.

(Mr McElvogue) If the Housing Commission of New South Wales ~~does not sell~~ /to us we will have to try to get our quota of 4 000 lots elsewhere.

Q. You do not see yourselves as a co-ordinating agency operating on Housing Commission of New South Wales land?---

A. No. We also buy surplus government land as well. When there is a school site that is not required any more we bid for that and develop that. Our object is to produce as many lots as we can, in the right proportion, we hope.

Mr MURRAY: Gentlemen, I would like to take you through what one could term the soft underbelly of your operations over the last two to three years, and that is project 134 North Wyong. That is a project that has run into certain problems, and we should look at that because of the write-down in the undeveloped land totalling \$1.7 million of that \$5.5 million.

The overall purchase price was round about \$2 million, and the Valuer-General valued it at \$500,000, so there is about a 400 per cent difference. Would you agree with the valuation of the Valuer-General?---A. (Mr Plummer) There are two methodologies here. We are in direct conflict with the Valuer-General. The way that we purchase land, and the way that the vendor, or the vendor's agent, works out how much their land is worth, is done by a fairly simple feasibility study whereby you take the ultimate realization of the lot of, say, \$24,000; you take off the development costs, which may well be \$20,000, and your break-even price to the vendor is \$4,000.

We do our feasibility studies on certain estates and make certain assessments and certain assumptions depending upon the servicing times, and we have to allow to hold the

land for certain periods of time. We own two projects, 118 and 134, and they are both much the same. One was the Bailey property - the big one - and the other one was the McHugh property. They were bought along the same lines as that feasibility study. The vendor was asking, and expecting, the residual of that subtraction that I spoke of. We were quite happy about that arrangement. We came to an amicable, negotiated amount that we paid the vendor.

That is trading stock in the hands of the Land Commission of New South Wales as we see it. If things had gone according to Hoyle; if the servicing, the problems with mine subsidence; the expected market in the North Wyong area had gone according to Hoyle, we would have developed there; we would have gained our price, and we would have made some form of profit, and everyone would have been happy. It has not gone that way. The predictions, unfortunately, due to outside influences of the Department of Mineral Resources and the decision as to the outfall at Norah Head, have affected the end result, or the success, we originally estimated.

That is the way we calculate how much we are prepared to pay for the land, whether it be at North Wyong, Muswellbrook or Blacktown. In simplistic terms that is exactly how we work it out. The Valuer-General goes to North Wyong, and if he cannot see development in the foreseeable future he does not go through the process of doing a feasibility study. He simply assesses it on virtually the rural value it has at the particular time. That is why there is such a tremendous discrepancy between that value and what we paid for it.

Q. If you offloaded that land you would have to offload it on the Valuer-General's basis rather than on your basis?---

A. We do not intend to offload it. It is on our programme. In due course we will be developing North Wyong.

(Mr McElvogue) If we were forced to, you would probably be right. We would try to negotiate a better price. So long as we are happy with the long-term future of the project we will hold on to it.

Q. So you are going to hang in there?---A. (Mr Plummer) Yes. The original feasibility study has been undermined by later developments. The council altered its strategy for the provision of sewerage, and that is likely to significantly delay the time that the estate can be developed and sold. You are probably all well aware of the decision to take the outfall through at Norah Head, and the opposition from local residents.

Q. CRAP.---A. I beg your pardon?

Q. CRAP.---A. I will take that the right way.

Q. That was their name.---A. The current advice is that the sewerage connection will be made in 1985-86, providing that the current increased levels of Government funding are made available, which is another factor. In other words, the Department of Public Works has got to provide the money to connect up and construct that sewerage outfall. We planned originally to release lots in mid 1985, but we will have to wait now to see about the sewer. The original information we received from the Department of Mineral Resources was that we would not have a problem. As a matter of fact I saw a

Q. Has the management of that project been in the hands of an individual from the time of purchase in 1981, or have you had a number of operatives looking after that particular project?---A. I am again speaking from memory without notice. There were two projects. There was the McHugh property, which was a smaller property. That was Project 118. It was round about one-sixth of the value of the Bailey property, which was a much larger one adjoining it.

At the particular point of time of the first project there was a proposal that the council would accept the first smaller estate into the existing sewerage scheme. They changed their minds on that, and they offered, or suggested, that we take the sewerage to the other end of Wyong - right to the extreme southern end of Wyong, where the existing treatment works was, and that was just too expensive, so we obviously did not proceed there.

My recollection is that a firm of project managers was appointed to the McHugh property. They got to the stage even of designing the estate in the lots that were there, in conjunction with council. The same project manager, from recollection, was working on the second Bailey property at a preliminary stage. I am sorry, I did not come prepared for that question. We have had the same regional manager who has been looking after the estate right the way through.

(Mr McElvogue) That is the internal man in the Land Commission of New South Wales. The project managers are external fellows, but there has been one internal man supervising it from the commencement.

Q. You have indicated in your response that you are fairly confident in the medium to long term that you will be able to buy your way out of that problem area. On what do you base that assumption?---A. (Mr Plummer) Historical experience that we have had with estates.

Q. You are hoping?---A. In all real estate development there is always a degree of hope. We do not know all of the answers.

(Mr McElvogue) I am the financial man. We are always conservative.

(Mr Plummer) We try to be conservative in our estimates, but the vagaries of that sort of development are well known. Should we have, for instance, a resources boom in the Hunter, it would affect people who would be willing to go and live in Wyong. We have no control over those factors which are going to influence the future of our estates. There is a certain amount of uncertainty.

(Mr McElvogue) I have worked for a property development company, and I have been in a position where I have had access to other property development companies' accounts. It is rare to find a property development company that does not lose on a few estates. We have made some losses on our estates. We have made real losses; not just the provisional losses we put in our accounts. They have not been big losses, touch wood.

All property development companies make mistakes in their assessments. Those mistakes have to be limited. At North Wyong we thought the sewer was coming on in 1985, and we were

told by the Department of Mineral Resources that the land was not subsidence affected. The market was good at the time we bought the property. 1981-83 occurred. The sewerage was not coming on; it was changed. Our information was wrong. Something was wrong with our assessment. The Department of Mineral Resources then said it was mine subsidence-affected, and that affected the whole thing. We have to carry that.

It is important to say, too, that it will not be the end home buyer that bears the costs. We will try to recover our costs, but if it is mine subsidence-affected the price will go down. It strikes me, too, that one of our principal competitors in the Muswellbrook area is the council, which has an estate to the north of the town, whereas ours is to the south of the town. Their estate has been "mine subsidence-affected" up until recently, and now it has been removed for some reason. There is a possibility that it will be mine subsidence-affected. What I am saying is that things can change. That might be another reason for some optimism.

Q. There is a lot of virgin land in the Wyong area. What relationship do you have with the planning department in Wyong Council?---A. (Mr Plummer) We have a regional manager who looks after the Central Coast, Wyong and the Hunter. He has a strong liaison, as I would understand it, with the Wyong Council. We have carried out a number of studies in conjunction with the council to assist their planning department. We have partly funded, or shared the cost, of some of those studies with the council.

Q. What you are intimating to the Committee is that the

purchase would have been undertaken in conjunction with the knowledge of the planning department, and probably with the benefit of some of their background information?---A. Yes.

Q. They would have pointed you in that direction?---

A. Yes. From memory they had LEPs already established, or almost finalized, for that area.

(The witnesses withdrew)

(The Committee adjourned at 4 p.m.)