

**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON
WEDNESDAY 12 SEPTEMBER 2007.**

**INQUIRY INTO ADMINISTRATION OF THE CROWN LANDS (SHACK SITES)
ACT 1997**

Mr DAVID CONNOLLY, PITT AND SHERRY, CONSULTANTS AND ENGINEERS,
WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Wilkinson) - David, thanks very much for coming along. You are aware that this committee is endeavouring to get to the bottom of the shack sites issue. Pitt and Sherry were heavily involved, so I will open it up to you to give your evidence as you wish. If you wish to give us a brief overview, please proceed.

Mr CONNOLLY - I will start with a very brief overview. This is a very big topic and there are lots of detail issues, so I will try to be as brief as I can but give you the perspective that you are seeking.

We were engaged by the Department of Primary Industries and Water approximately four years ago to prepare detailed designs for infrastructure, mostly wastewater systems and some access arrangements for the shack sites. Approximately 300 shacks were in our brief. We didn't end up preparing designs for all 300 because there was a process within the contract that we were engaged in that said that shack owners had the option in certain circumstances to install the systems themselves. Sometimes we did designs for them and they took that design and installed it. In other cases they prepared designs themselves. We had 300 shacks, which included quite a number in the Central Highlands and places like Rocky Cape and Cowrie Point in the north-west and a number in the Huon Valley, some on the east coast and some down at Port Arthur. Where most of our energies were directed as the process evolved was in the communal systems, where there was a communal treatment plant and then discharge of treated wastewater onto a property adjacent, but public property rather than the shack owner's individual site. The difference being that with a number of individual shack owners you might have a single installation such as a septic tank or a little treatment plant and everything is contained within the site - that is the individual system and the sort of thing that lent itself more to individual shack-owner installation. The communal system was 10 to 15 shack owners having a centralised collection and treatment and then disposal on a larger block of land. Those communal systems have been the ones that have been the most difficult to implement, for various reasons, and the ones that have taken all the time and have been the subject of some controversy.

There had been concept designs prepared by other parties, so our brief was to work with the concept design that had been put forward and turn that into a detailed design and obtain the necessary approvals and then engage contractors for the construction. Our brief also declared that we weren't to change that original concept that had been the subject of quite a lot of discussion with shack owners and statutory bodies over a lengthy period. Having said that, there were some reasons in some instances why we departed

from that, but it was through consultation with the Department of Primary Industries and shack owners.

That is a very short summary of the work we did. I am happy to take questions now.

Mrs SMITH - David, you made the comment that there were concept designs done by other parties. Are you aware of those other parties - department or other contract -

Mr CONNOLLY - They were mostly other consultants. We were given all that material. There were reports prepared for every settlement of shacks throughout the State. They went down to the detail of every individual block and said, 'For this block this is the solution'. I don't know how many reports there were. Of the 300 shacks we had, we had a report for every shack. Say, if the shack was at Brandon Bay in the Central Highlands, the report might have been a 50-page report that contained the details of 20 or 30 shacks at that site. They were prepared by various consultants over a period of years and that was the base material that we were to work on.

Mrs SMITH - You made the comment that you were to engage contractors; am I to presume you engaged them, oversaw their work and signed off before they received payment et cetera? Is that the concept of engaging contractors?

Mr CONNOLLY - Yes, we would go through the Government's standard tendering processes, select a contractor and then we supervised the installation of the work.

Mrs SMITH - The other comment you made is that you were not to change the original concept, but you did depart from some, with consultation?

Mr CONNOLLY - I only say that because there is a lot of consultation and the department had a view that the solution was the best fit or the best compromise, recognising there are some extreme difficulties with some of these sites. I think that what the department was trying to do was say, 'We believe that the process has delivered the right concept design so we don't want you heading off on tangents looking at other things'. It was more out of necessity that we looked at other things as we got into detail and we found that there might have been some difficulties in implementing the approved concept. We then said, 'This isn't going to work in the manner you thought; we need to change it and do something different'. The brief was to work on those reports as a concept. If the concept said, 'These 10 blocks will have septic tanks', then our brief was to put septic tanks in and not to look at other things. So we looked at that and said, 'Will that work and can we get approval for it?' and that is what we did.

Mrs SMITH - You mentioned the areas you had worked in - Rocky Cape?

Mr CONNOLLY - Yes.

Mrs SMITH - Have you completed your work there?

Mr CONNOLLY - No. There have been several designs presented; there has been a lengthy process with council and we have another set of designs to put up to council in the hope of getting approval in principle.

Mrs SMITH - Can you expand on that issue? You put several designs to council and they have not been approved?

Mr CONNOLLY - Again, I could spend all morning telling you about Rocky Cape but I will try to encapsulate in a fairly concise form. The difficulties of Rocky Cape are proximity to coastal environment, sandy soils which are not ideal for receiving wastewater, very small block sizes, rocky ground - a whole combination of physical factors. I think it is fair to say that if Rocky Cape was a greenfield site and a developer said, 'I want to build a development at Rocky Cape', I think there would be a very slim chance that the development would be approved. We are dealing with something that is there and we are trying to make it work. Council have been diligent, I guess. They have not been as easy to deal with as some councils but I feel that they have been diligent. They have considered the public interest. I guess they do not want to be left with a legacy of accepting something within their municipality that fundamentally does not work, so they have certainly put us through the hoops in terms of scrutiny, far more so than perhaps some other councils would. That is one of the things that - I will not say 'frustrates the process' - in dealing with different municipalities you find different views about whether conversion of shack sites was a good thing for the municipality or not.

Central Highlands had an environmental health officer who was very cooperative in the process. I think from Central Highlands point of view that shack owners in a sense are the lifeblood of the municipality, so there was a collective will to want to make this happen. The process was more straightforward and easier and parties tended to work together. With some of the other municipalities, those with a different view, you perhaps have not had the same level of cooperation, so they are some of the factors that make the approval process more difficult and why some sites take longer than others.

Mrs SMITH - With Cowrie Point, someone who gave evidence described it as a magnificent white elephant, exceptionally costly, in comparison with a different scenario they started out with. They were looking at Aussie Clean, which must have been one of the individual systems, perhaps. Were you involved at Cowrie Point?

Mr CONNOLLY - Yes, we were involved with Cowrie Point.

Mrs SMITH - Can you make some comments on that?

Mr CONNOLLY - I don't think at any stage that individual treatment was ever on the cards at Rocky Cape. I could go back to the original concept report. I think it would have suggested that things like septic tanks or individual on-site treatment would not work on that site because of very small block sizes. They are sitting on rock shelves and they are within a few metres of the coastline. I do not think that that was ever under consideration.

Cowrie Point grew significantly in scope and size, I guess, of the treatment area and level of compliance. Again that was largely driven by requirements of the Circular Head Council. I think they wanted something they felt was a robust design that would stand the test of time. That was how it was driven. There were also some significant access issues at Cowrie Point. There was nearly half a million dollars spent on the Bass Highway in providing turning and passing bays to allow right turns onto the highway.

When the concept design was put up, the amount of highway widening was somewhat more modest than what was ultimately put in.

Mrs SMITH - You talked about the east coast; am I to presume that was Ansons Bay?

Mr CONNOLLY - No, Ansons Bay is not one that we were involved with. There were a couple of minor installations at Coles Bay, as I recall.

Mrs SMITH - You were given a brief by the Government?

Mr CONNOLLY - Yes.

Mrs SMITH - Were you given timelines in that brief, or just a brief to complete a project?

Mr CONNOLLY - We were invited to submit our own timeline we thought we could complete the work in; it was certainly had a lot less than four years. The project was far more complicated on engineering grounds, political grounds, public input and shack owner acceptance. It was one of the most complex things that I have been involved in, just considering all the factors. With hindsight it is easy to see why it has taken so long, whilst appreciating the shack owners' perspective and even the Government's perspective. It has probably been pretty frustrating for people but there are many factors that have been put on it.

Something would be put up to council; it might take two or three months to work up to the solution and perhaps do site investigations and so on, and then two or three months might go past before a reply would come back from council. So four or six months have gone past. Then with the next set of questions in that process a year has disappeared pretty quickly in some instances. In other areas we did have smooth passage for the approval and got it quite quickly.

There was a sense of urgency conveyed to us. Certainly from my perspective we dealt with the issues as expeditiously as we were able to, given all the complexities and inputs.

Mrs SMITH - You came in in 2003 and the shack sites act was passed 1997-98, so I think it is fair to say that it was recognised that they needed more help to get this thing up and moving. The minister in his evidence made the comment that in some instances we were presented with Rolls-Royce schemes and they had to be sent back. Did you have any experience with that?

Mr CONNOLLY - I don't think there are any Rolls-Royce schemes. I think you have -

Mrs SMITH - Difficult areas that need attention?

Mr CONNOLLY - Yes. I think if you spoke to the Circular Head Council they would think they haven't got a Rolls-Royce scheme. I don't think we have a Rolls-Royce scheme anywhere. In fact some of the shack sites have water treated to what we call class B, yet in just the passage of two or three years, class A, which is a higher standard, probably should have been implemented. It was approved and it still meets environmental requirements but if you were looking at best practice, again if you are starting here in 2007, you might have another look at the sites that have got class B

and say, 'Really with a sustainability view and best practice environmental management they should be class A'. I do not think that there is Rolls Royce in -

Mrs SMITH - Please correct me if I am wrong as I do not mind being corrected, but perhaps some councils who were perceived as being tougher in their negotiations as to what they wanted were really looking to get the right scheme long term for sustainability and it was not an issue of dawdle and push the timelines out for no good reason.

Mr CONNOLLY - To be honest, I do not think that I saw people wanting to push the time frame out for no good reason and I think I would need to put that in context from a council perspective. At times there were one or two issues with individuals where people - and again I think acting from an ethical perspective and we saw this in one or two cases - felt that perhaps this is not a good thing for the municipality. That might not have been a view that was accepted by the broader council but the individual thought, 'We don't think this is a good thing, we will insist on a high level of compliance.' There were some add ins, additional features perhaps that were not part of Pitt and Sherry's individual designs in some instances that were sought by council and we would have said, 'We don't recommend that, that will add extra cost and we're not sure whether there's any added benefit of it' but in the end, in order to get the thing approved, that was what was necessary. That was the exception rather than the rule, but on occasions that has happened.

Mrs SMITH - Were Pitt and Sherry employed on a fee-for-service, a contract on a tender basis or an hourly rate? What was the arrangement with the department?

Mr CONNOLLY - We were employed on a lump sum contract initially and through the process we renegotiated some aspects of the tender. There were a number of changes to it but we competed for the work on the open market. It was a lump sum fee based on the original scope -

Mrs SMITH - So do you mean a lump sum, one amount for the work?

Mr CONNOLLY - Yes, an amount of money - one amount.

Mrs SMITH - And as the work quite clearly became much more than expected you renegotiated that amount?

Mr CONNOLLY - Yes.

Mrs SMITH - Fine, thank you.

Mr STURGES - My colleague has asked a lot of questions that came up in the evidence that we previously took so I will just come to one area that you talked about, David, and that is shack owner design. You said that your brief was to develop infrastructure design around the concept design. Some who have provided evidence to the committee have said that they believe they had a better design and better solution to issues. What sort of flexibility and what process was provided to allow for shack owner design to be implemented?

Mr CONNOLLY - You see, the concept design process looked at all those issues and generally said - and let us face it, there are more septic tanks in all these shacks than anything else so perhaps I will just use that as a benchmark example, if you like - that there could be a composting toilet, there could be off-site disposal, there could be a septic tank; the recommended solution is the septic -

Mr STURGES - Communal or individual.

Mr CONNOLLY - Mostly the communal - I guess they are dependent on site constraints and so on. I think the preference always was for individual on-site where that could be brought about. When we started our work we were using these reports that said, 'The recommended solution here is a septic tank' so that was the thing that we implemented.

Mr STURGES - That was your benchmark.

Mr CONNOLLY - Yes, so in one sense the decision had already been made to implement a septic tank because that was the outcome of the previous report that was done. I think the process was that the Department of Primary Industries always said to shack owners, 'This is the design. If you want something different, you are at liberty to pursue your own case through council and submit your own permit'. Shack owners did not get that flexibility with the communal system because it relied on a rigorous design and a level of capital investment that would have been outside a group of shack owners to put the wherewithal together to do that. I think the consultation process, the discussion with owners and the assessment of options had largely been done.

Mr STURGES - I think that's a question that we will need to put to another party, to find out what sort of consultation process was in place to determine those recommended designs.

Mr CONNOLLY - The fine print in our contract - and I don't have a copy of it here, but I could give you the relevant part - said that the concept designs were not to be changed because there had been a lengthy consultation process.

CHAIR - Is it fair to say, when you were saying the concept designs shouldn't be changed, you accepted that because that was the instruction given to you?

Mr CONNOLLY - Yes, that's exactly right.

CHAIR - Would you not have been able to form an opinion to say whether the concept designs were reasonable or unreasonable?

Mr CONNOLLY - Yes, we did. In some cases where we could see that it was at risk of perhaps council not approving it, we sought something different or we said, 'This won't work, given that we have collected more information'. The sort of default position was, 'Take this design. This is the approved design. Take it and develop it'.

CHAIR - Is that the normal type of brief you get?

Mr CONNOLLY - No, we get all sorts of briefs. If we had been engaged right back at the concept stage and developed the concepts - but that had been done by a number of other parties. Sometimes a brief says, 'Develop concepts and put them up'. I guess the

department felt that process had been covered. There had been meetings with owners and various committees of shack owners and the various options had been tabled. The reports had all been submitted to local government. The view was that we had, in effect, agreement in principle from every local government authority that was involved because they had seen the report. I think the view was that shack owners knew this is what they were getting. The reality, as we got into it, was that there were different levels of understanding of what people were getting and different levels of understanding at local government level. It had never been approved but the understanding was that the council had accepted it as a concept, but hadn't signed off on it.

Mr STURGES - Dare I say that you came in at a time when somebody considered it was time for movement?

Mr CONNOLLY - No, I think they had reached a point where the initial work, the concept, had been done. From the department's perspective - and I guess someone in the department said, 'This is my take on it' - they wanted to put the work back to the market to ensure they were getting best value and had the best service provider to take them forward. There was a large number of previous providers. The one that had done most of these concept reports also had the opportunity to tender for the work. Perhaps you could say that one of the reasons that told against them ultimately - I don't know whether it came to price - but they knew a lot about it and about the politics that perhaps we didn't know and thought, 'This is a harder job than we thought'. I think it was more just that it had always been envisaged that, having reached the concept design stage, the department would put the remaining work to the market.

Mrs SMITH - Did you have any involvement in the road infrastructure in the Central Highlands? Did you have any input into that at any stage of the process?

Mr CONNOLLY - Yes, we did. Our involvement was to prepare cost estimates for the work. When I got involved we were told the council had put its hand up to take on the work and it was to prepare estimates. The department wanted verification of the estimates, so we had a role to prepare estimates for most of the roadwork.

Mrs SMITH - So it was only the estimates? No supervision, nothing else; just provide the estimates and walk away?

Mr CONNOLLY - It was a verification estimate, so council said, 'We'll upgrade this section for x dollars, so what is an independent view of whether that is a reasonable amount'.

Mr WILKINSON - In relation to the work that you were doing, which sites were you doing them on?

Mr CONNOLLY - For the shack sites?

Mr WILKINSON - Yes.

Mr CONNOLLY - I might leave some out here but we had probably 20 sites in the Central Highlands, including but not limited to Brandum Bay, Haulage Hill, Doctors Rocks - there are probably 15 or more. Then we have had sites in the Huon Valley - Eggs and Bacon Bay, Surveyors Bay, Little Roaring Beach, and a few isolated individual

installations in the Huon Valley. Then we have had the two sites in the north-west and Circular Head - Cowrie Point and Rocky Cape. We have had a couple of individual ones. There were one or two at Coles Bay and a couple down at Port Arthur and I think there was one on the east coast near Binalong Bay.

Mr WILKINSON - Ansons Bay?

Mr CONNOLLY - It was not Ansons Bay. Ansons Bay was a communal one and this was just an individual shack. That is the broad overview.

Mr WILKINSON - You have not finished yet?

Mr CONNOLLY - No, we are still preparing or endeavouring to get approval for special connection permits through Circular Head Council for the Rocky Cape site.

Mr WILKINSON - Is there an end in sight and, if so, when is that end going to be as far as your job is concerned?

Mr CONNOLLY - Yes, we dearly hope so. We have prepared a round of designs. We have had further discussion with council. Some drawings go off this week for consideration by council. It is not for the issue of permits; it is for them to gain a better understanding of what we think is a workable solution. Possibly installations may start at the end of the year or early in the new year but it depends on how council views that.

Mr WILKINSON - Is there anybody dragging the chain?

Mr CONNOLLY - No; it remains to be seen what council's view is at Rocky Cape and I know that there are still shack owners who are not happy with the solution. There is a group who think, on the one hand, 'It might not be what we'd hoped for but it's an answer and a way forward, so let's take it and move on', and there is perhaps another group who think it is not the right solution. I do not know how happy they will be with the process. I think there are still a few obstacles to overcome there. If council endorsed what they have recently said then we would expect approval perhaps within three months. Then tenders could be called and it should be possible to make a start in the new year. I know the Government would like it to be sooner than that.

Mrs SMITH - Were you responsible for the design of the waste treatment plant down at Surveyors Bay?

Mr CONNOLLY - We installed a proprietary system, a blivet, which is an off-the-shelf system. We went to the Huon Valley Council and consulted with them, as they would be the ultimate owner. We didn't have a fixed position on what sort of plant should be installed. The decision to install a blivet was taken by council because of views about ease of maintenance and a number of other similar installations in the municipality. Our role was to put together a tender document, and the permit conditions mandated the use of that system. We did the design for all the pipe work and associated facilities.

Mrs SMITH - And who installed it?

Mr CONNOLLY - It was installed by Ron Carthew Civil Contracting.

Mrs SMITH - Is it correct that there was some time before the council was prepared to take it over because it wasn't working properly?

Mr CONNOLLY - There were some issues with odour - a number of complaints from property owners. I believe there are still some issues there.

Mrs SMITH - You made the comment that the council supported the design. Was it that the council supported or insisted on the design?

Mr CONNOLLY - It was a council requirement that that particular plant went in. There are a range of solutions and we asked whether they had a view or a preference, and that was the one they requested.

Mrs SMITH - Would you have taken a different direction in hindsight?

Mr CONNOLLY - In hindsight, clearly it appears with that particular product that there may be some odour issues that are not so apparent. All sewage treatment plants, unfortunately, are subject to odours at certain times, whether that be Rosny or Selfs Point or wherever else. It is perhaps not so much the plant as the intermittent use of the shacks that may be more at the heart of the problem, more than a particular fault with the plant. You could argue whether the plant should be able to cater for all those. One of the things with effluent that might sit in tanks for a lengthy period is that it produces foul odours and it is difficult for the plant to deal with that. If people live there all the time or if things were used on a more regular basis, that odour issue may not occur. So again it is a fairly complex issue.

Mrs SMITH - So it is fair to say that many of the plants were built for much more population, and permanent population, rather than intermittent population? That appears to be a comment we have received in evidence. The plant was designed for people to be there all the time - which I can understand to a degree because a lot of people end up retiring to their shack - and the problems are coming up because people are there intermittently.

Mr CONNOLLY - I think it is probably fair to say that state of the art technology does not deal with intermittent use. There probably isn't a technology around that is ideally suited to intermittent occupancy, and I think that's a bit of a flaw in the system. The other thing is that just about every regulatory authority has the view that we should design, certainly on capacity grounds, to cater for 365-day-a-year occupancy, to cater for changing lifestyles and freehold title, so they could become much more heavily occupied. It was trying to get some middle ground between those two competing objectives.

Mrs BUTLER - Have you been asked to do anything about erosion on the front of blocks?

Mr CONNOLLY - No.

Mr STURGES - The suitability and adequacy of the system at Surveyors Bay was raised by all those who made submissions and have subsequently come before us and given evidence. Does your brief allow you to go back and revisit that? I heard what you said that technology isn't necessarily available, but surely there must be something that can be

done to revisit the issue of constant odour problems in the Surveyors Bay area. In fact, we had one person give evidence to us who said that she went down there recently and unpacked the car and within a couple of hours packed the car back up and went home. That is not acceptable. What process is there in the contract arrangements for you to revisit it or is it all over as far as you are concerned now?

Mr CONNOLLY - No, it's not all over. There have been a number of measures that have been implemented there. From Pitt and Sherry's perspective, we feel a certain obligation to put something in that is satisfactory to all parties. We don't take the view, 'It's not our problem'. We have applied -

Mr STURGES - I am just asking where the contract stands. If the contract is finished, we have to find out who is responsible to go back and revisit this.

Mr CONNOLLY - The contract is finished, I guess. The department has requested us to look into a number of things and a number of measures have been implemented that still haven't delivered a satisfactory outcome from shack owners. I don't know how bad the problem is. I have been down there several times and I've never had a similar experience to the one you just described. I do not believe it is a constant odour thing. I think it is a combination of the design of a system. A gravity system may have worked better there but we had Aboriginal heritage issues which prevented us from excavating trenches, which would have enabled us to put a gravity line in. We had to bore underneath. There are so many factors in all of this; there is no single thing such as, 'It's the wrong plant'. A combination of the intermittent use with the pump situation probably exacerbates the situation. I suspect, as I say, if it was a gravity situation it might result in the effluent moving into the treatment plant more quickly. It does not have to sit around in a holding tank until the tank is full and then empties out.

Mr STURGES - Very simplistically, can you put a timer on the pump so that the pump is programmed to go off periodically?

Mr CONNOLLY - That could be done. I think more needs to be done and it might be a message that shack owners don't want to hear, that perhaps they need to flush out their systems if they are leaving their shack for an extended period. The downside of that is that it will use water and water is a scarce resource down there. It is still being looked at to see what possible remedial measures are available.

Mrs SMITH - Is it correct that you only had involvement in infrastructure, that you had no involvement in the decision on sale versus lease versus removal?

Mr CONNOLLY - No, that is - that is more technical stuff for us.

CHAIR - Thank you for coming along, David.

THE WITNESS WITHDREW.

Mr IAN MASON, ACTING VALUER-GENERAL, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Wilkinson) - Ian, thank you for coming along in relation to the shack site inquiry. Would you like to give a brief overview?

Mr MASON - Sure. I am the acting Valuer-General at the moment and I have been in that position since 4 May, following the resignation of the former Valuer-General, Lou Rae. I am familiar with the shack site process and our involvement in it and I have undertaken reviews in accordance with the act and appeared in the one court case that so far has been referred to the Administrative Appeals Division of the Magistrates Court.

Basically, the Valuer-General's role in this matter is to undertake valuations of the shack sites following instructions from the shack sites project group in accordance with section 25, subsection (2) of the Crown Lands (Shack Sites) Act and relevant government policy.

Mrs SMITH - Ian, could you tell us the valuations that were done, the percentage done in-house and the percentage done under external consultancy?

Mr MASON - They were all done by the Office of the Valuer-General.

Mrs SMITH - All done by the office?

Mr MASON - Yes. In Heybridge we employed a private north-west coast-based valuer to do an independent assessment just to ensure that the drivers of value and the appropriate considerations had been taken into account. This independent assessment, independent of those made by the Office of the Valuer-General's staff, supported our valuations.

Mrs SMITH - Have you any idea why on the shack site project contractor list Brothers & Newton are there as valuation and consultancy?

Mr MASON - No, I do not know.

Mrs SMITH - We could ask the department, they may -

Mr MASON - It might have been at the early stages of the development of the legislation or seeking some general advice.

Mrs SMITH - The initial process of course had time lines of 1998 to 2001. Was your brief an instruction from the government department with a time line on it or were you just intermittently asked to value a particular area? Can you give us an indication of how the department dealt with the areas around the State?

Mr MASON - The Office of the Valuer-General undertook assessments of valuation following instructions from the shack sites project group. That was generally on a settlement basis.

Mrs SMITH - So you only got involved when they were about to settle?

Mr MASON - No, we were asked to undertake a valuation once it had been through all the processes and they were in a position to provide us with a survey and an area for the lots and advise us as to what the required infrastructure for each lot was.

Mrs SMITH - So that was right at the end of the process, and correct me if I am wrong, when the decision had been made for sale, removal or lease and the work had been done by consultants on what type of infrastructure improvement was needed on roads, waste treatment, et cetera, and you had a plan, quite clearly by a surveyor, that this is the block and you then went in and did evaluation?

Mr MASON - Yes, we were involved in none of the processes leading up to that in the determinations or the assessment of required infrastructure or any of those. It was given to us once all those processes had been done.

Mrs SMITH - Was it generally done in bulk in that you went to Heybridge or Cowrie Point or Central Highlands, or were you intermittently all over the State most of the time?

Mr MASON - Certainly the valuation instructions that we received were for a defined shack sites settlement and they were lodged with the Valuer-General at the same time to ensure that the lots within a settlement were all valued at the same relevant date of valuation and that was to ensure uniformity and consistency in relation to the levels of value. Certainly lots within a defined settlement were not piecemeal instructions to us, no.

Mrs SMITH - Thank you. Quite clearly because of the time process and people's expectation in letters from the Government that this process would happen between 1998 and 2001 and some quite clear explanations as to why it did not - we only had to listen to the evidence of the previous witness about some of the areas they had to attempt to find infrastructure solutions for. The 1998-2001 valuations in Tasmania are significantly different from the valuations when real estate started to move.

Mr MASON - Very definitely.

Mrs SMITH - In evidence, the person presented land valuations in Break O'Day, in the Ansons Bay area. For 2005-06 it was \$15 000; 2006-07, \$19 000 and then 2007-08, \$70 000.

Mr MASON - Certainly there was a dramatic increase in the selling prices and values of land in Tasmania across the board, more particularly for coastal land. That really started in 2002. The Office of the Valuer-General, through a number of processes we do including adjustment factors for other purposes, monitored the market very closely. We produced statistics internally to assist other government agencies about movements in levels of value and changes in rental values, vacant land and different classes of property. We have generated statistics, that I am happy to table, showing that the dramatic increase, or 'boom' as it is known, started off really in 2002. It was quite dramatic through 2002-05 and is still strong.

Mrs SMITH - Would it have been possible, if the blocks had been surveyed, for you to have done a valuation before the infrastructure costs et cetera were there? Was that an option,

that it could have been the value of the land and then the other added, rather than the way it was dealt with?

Mr MASON - No. We would have needed to know what the required infrastructure was to service that block, to freehold that block, in order to undertake the valuation of that land for freeholding purposes.

Mrs SMITH - The presumed road and the presumed type of waste management et cetera would have added value to the lot, as against a septic on-site treatment and a gravel road? Is that what I am interpreting from you, that the valuation can be higher or lower depending on the infrastructure that surrounds it and is involved in it?

Mr MASON - That is true. The infrastructure required - in the form of the road works, wastewater systems, fire tanks and all of that - was all necessary to create the freehold block. We really needed to know, to form a valuation of it, what that required infrastructure would be, where it would be, and easements as a consequence of it, to form the correct valuation of the property.

Mr STURGES - You would have been able to make an assessed valuation if you were given a concept design for an area?

Mr MASON - If we knew what was going to be required, even though it might not have then been in place, we could certainly do the valuation, determine the current market value of the land, on the basis that the infrastructure works were to be completed, even though at that date of valuation they were yet to be completed. So we would know what was involved and what had to be done to create the freehold lot. When it came to the actual sale price notification further down the track - within 12 months, I think, of our assessment - certainly the cost of that required infrastructure needed to be known then in order to show the three components of the sale price: the land value component, the cost of providing the infrastructure, and a third component under section 25(2) - being administrative costs. My understanding is that in all instances administrative costs haven't been levied as a component of the sale price to the lessees or licensees in freeholding the land.

Mrs SMITH - So it is a fact that in some instances you have valued on the presumption of what is going to be there?

Mr MASON - Yes, on the basis that the required works, as explained in the valuation instructions, had been completed.

Mrs SMITH - People have given evidence that they have paid what they considered a significant valuation, and you have given us an understanding of why that is, and are now in some instances paying rates on that valuation and yet still don't have the road or a workable waste-treatment process. I am trying to work out why we couldn't have valued earlier for some of these people. You are quite clearly telling us that you value on the design of the end product, but it appears from evidence that we do not yet have the end product, even though we have the valuation of your department, which people are being charged on. They have paid on that valuation and now are repaying, in a rateable concept, to a local authority.

Mr MASON - The basis of the valuation is that the required infrastructure is in place and completed.

Mrs SMITH - That is the basis, that you have handed that information to the Government?

Mr MASON - Yes, that is correct.

Mrs SMITH - If they haven't completed it, would you believe it fair and reasonable that they should complete it before the sale is completed? What is your experience in the past?

Mr MASON - It wouldn't really matter because the date of valuation and the levels of valuation would be fixed as at the date of inspection. Yes, it would be certainly desirable that at the completion of the sale all the identified required infrastructure was in place.

Mrs SMITH - In place and working at the completion of the sale, or just in place?

Mr MASON - The basis of the valuation we have undertaken is that all the required infrastructure is compliant and to standard.

Mrs SMITH - So that is not telling me it is working; am I correct in interpreting that?

Mr MASON - We would base the valuation on not only being complete but complete to a required, appropriate and workable standard.

Mrs SMITH - With Surveyors Bay, we had some evidence that the valuation was done in March 2004 in preparation for the sale of blocks and the valuation was only valid for 12 months. Is that correct?

Mr MASON - That is my understanding, through government policy, that the life of the valuation is 12 months.

Mrs SMITH - So that is only specific to shack sites, or for everything?

Mr MASON - Certainly in today's buoyant market for mortgage purposes et cetera the life of the valuation would be far less than 12 months.

Mrs SMITH - So that 12-month valuation is standard? Their issue was they had the valuation for 12 months, the permits weren't processed, the infrastructure was not completed and the valuation fell over. That was one element of that.

Mr MASON - During a period of rising values.

Mrs SMITH - There were two lots in Surveyors Bay. The numbers were given in evidence; one was valued at \$70 000 and one at \$60 000. Following revaluation in November 2005 - 18 months later - lot 5, the \$70 000 one, was \$119 000, and lot 12, the \$60 000 one, was \$155 000. Do you find that unusual in the space of 12-15 months?

Mr MASON - It would seem a significant increase in value solely as a consequence of market movement over that period. There could have been issues associated with

provenance and easements and other changes to the infrastructure requirements between those two instructions, which might require some investigation.

Mrs SMITH - So from March 2004 to November 2005 you believe the difference may have been that lot 5, which was the dearer, may have been completed a lot cheaper than was presumed in 2004 and that lot 12 had more infrastructure issues to deal with?

Mr MASON - I would have to investigate a site-specific question like that, having not been involved on a large scale.

Mrs SMITH - People gave evidence that an independent valuation at the same time put them both at \$95 000 so we were just trying to find a middle of the road -

Mr MASON - The process and the methodology.

Mrs SMITH - Yes. The methodology that you used, was it the same throughout the State?

Mr MASON - It certainly was. With the example you are giving maybe that would have been the land value component of the overall sale price and there could well have been different infrastructure requirements and costs associated with those two lots, so the actual current market value on the basis that required infrastructure was in place might not have shown that variance between the two parcels.

Mr STURGES - So the three components of your methodology have been admin costs, land valuation and -

Mr MASON - Infrastructure costs.

Mr STURGES - Okay, and that has been uniformly and consistently applied.

Mr MASON - That is correct.

Mr STURGES - Okay, thank you.

Mr MASON - The commencing point being the current market value of the property on the basis that that required infrastructure is in place. From that amount the cost to the Crown -

Mr STURGES - Sorry, the current market value?

Mr MASON - Of the land.

Mr STURGES - Sorry, I do not work in this area.

Mr MASON - That is fine. The current market value of that shack site at the date of inspection by the Valuer-General, from that the cost to the Crown of providing the required infrastructure is subtracted and that balance amount, and land value is sometimes referred to as net land value.

Mr STURGES - Thank you, that has been helpful.

Mrs BUTLER - Can I ask if that is consistent for blocks that are below sea level?

Mr MASON - That approach to the valuation is consistent for all shack site settlements.

CHAIR - There has been a bit of a complaint, Ian, in relation to people who had their blocks ready for sale in 2002. They were obviously far better off than those who are still waiting to purchase those blocks. I would imagine you would be able to go back to 2002 or a date around there and still value that block as at 2002 as opposed to 2007 or 2008?

Mr MASON - Correct. If so instructed we could.

Mrs SMITH - So the law allows you to do that if the minister instructed. If he had picked a year and said, 'Value everything at that year' the law would have allowed you to do it?

Mr MASON - I do not know about the law but certainly from the valuation principle's perspective we certainly could.

CHAIR - And so therefore everybody could say, 'Our property is valued at a certain time' and therefore there would not be this complaint now that those that were first are far better off than those still waiting for valuation.

Mr MASON - Well certainly as a consequence of the 'property boom', anyone who purchased land prior to 2002 certainly has seen a significant capital appreciation over that period of time.

Mrs SMITH - I am looking for a professional opinion here because you would have done some revaluations in council areas since the time some of these shack sites were transferred and completed. Are you of the opinion that, whilst some of the shack site owners see that it cost them significantly, they will have their value substantially rechecked virtually in the next round of valuations that you do across the entire community?

Mr MASON - There will be a fresh valuation as a consequence of municipal revaluations of these lots progressively, but on a slightly different basis of valuation. The statutory assessments are under the provisions of the Valuation of Land Act 2001 which makes certain assumptions for those statutory assessments that land is free from encumbrances and things like that whereas for the purpose of the Crown Land (Shack Sites) Act, encumbrances in the form of covenants and things like that were certainly fully considered.

Mrs SMITH - You have in the last 12 months completed a revaluation of the Central Coast area?

Mr MASON - That is correct.

Mrs SMITH - Are you aware whether or not the prices of the shacks that were transferred in Heybridge have met or surpassed the value at which they were transferred?

Mr MASON - I haven't had occasion to check that but it would be publicly available information. Fresh valuation for Central Coast has been proclaimed and it is now effective from 1 July this year.

Mrs SMITH - Would you mind checking that on your files and letting the committee know?

Mr MASON - Certainly.

Mrs SMITH - It gives us an indication.

Mr MASON - Once again, with that slight overrider. There are different acts so there is not the uniformity and consistency in that regard.

Mrs SMITH - I understand that. I am just looking for a generalisation, whether or not the amounts those people have paid now reflects in their revaluations, which should give some comfort, one would think, to owners of properties who might have considered that they paid considerable money in 1900 and something, but here is this current valuation and their asset is solid into the future.

Mr MASON - It certainly would give them comfort in that regard. Probably a number of them might have had private valuations for whatever reasons but now freeholding them and owning them should give them comfort and that they didn't overpay, that it is fully supported by market sales.

Mrs SMITH - Everyone still thinks they've overpaid, that's life.

Mr MASON - That's human nature.

Mr DEAN - I just wanted to confirm one thing, and I am not sure whether you answered it or not. In relation to the valuations of properties, you've created a valuation of a lot of these properties on what could occur and what was likely to occur with infrastructure changes?

Mr MASON - On what was required.

Mr DEAN - That was what was required. I thought you said that some people had purchased properties on that valuation. Are you aware of that?

Mr MASON - The Office of the Valuer-General just provides the assessments of value to the shack sites and they complete the sale notifications and issues of early payments and discounts and all of that. I can't comment in that regard.

Mr STURGES - I can probably help Ivan there - I think I hear where you are coming from. Effectively in 1999, if an estimated value was given on a piece of land, that really didn't matter until such time as - let's say in 2004 - the offer of sale on a piece of land was going to be made to the shack owner. From what you were saying before, rather than value on the concept design, you valued on the infrastructure being in place - roads, wastewater, et cetera - so there could be that gap in time. I think that is the point we are trying to make.

Mr MASON - Yes. My understanding is that the life of that valuation is 12 months and there is 12 months then to complete the sale. If it can't be completed, then there would be fresh

valuation instructions to the Valuer-General and we would do a fresh assessment of the value of the property.

Mr STURGES - That is the message we have been getting from people who have given evidence, and that's the frustrating part of the process. Thank you.

CHAIR - I thank you for coming along and for answering the questions the way you have.

Mr MASON - I will chase up the Heybridge statutory assessments of land value in relation to market value assessments and submit them.

Mrs SMITH - It will give us a general overall picture.

Mrs BUTLER - Would Break O'Day be available?

Mr MASON - Yes. Break O'Day has had a fresh valuation.

Mrs BUTLER - Would it be possible to have that?

Mr MASON - I think I could do that.

CHAIR - Thank you, Ian.

THE WITNESS WITHDREW.

Mr RICHARD EBBS, STATE MANAGER, SINCLAIR, KNIGHT MERZ PTY LTD, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Wilkinson) - Richard, thank you for coming today to give evidence. Would you like to give a brief overview and then we will ask some questions?

Mr EBBS - Absolutely. I have prepared a statement in advance. If it is acceptable, I will distribute it, read to the statement and then take questions afterwards.

I have held the role of State manager in Tasmania since I saw the light in March 2006 when I moved to Tasmania from Victoria! The vast majority of this project that is the subject matter of this inquiry predated my arrival in Tasmania. Nonetheless, I am well aware that it did occur. I was with Sinclair, Knight Merz prior to my arrival in Tasmania.

From my review of the records, it appears that SKMs involvement in the project consisted of nine individual projects that included, firstly, the preparation of guidelines for future shack assessments, beginning about 1 March 2000 and being completed on 30 September, and then running through the various other tasks: the conduct of the environmental assessment of 102 shack sites at Ansons Bay; some environmental assessment of 356 shack sites at the Great Lake in central Tasmania; a very large project, which was the environmental and planning assessment, across Tasmania of 549 shack sites on crown land; following that, there were some extensions to that project; in 2003 delivering data to the client in a useable format and particularly in a GIS format; some additional extensions of that work - some in 2002 and 2006; in 2003 the assessment of the environmental sustainability of shack sites built on crown land with a view to conversion to freehold title or leasehold; and most recently, the preparation of shack sites data that had been determined for lease - the plans adhering to the central plan register within Tasmania.

Going back through my records, it is interesting to look at the number of people who were involved with this project. In fact, the majority of the people associated with the project, particularly at a management level - project managers and directors - have either retired, left SKM or have relocated to positions in other States. It is difficult, without any intimate knowledge of the project, to comment on its performance. I suppose I did not want to pre-empt what questions you might have, so I haven't gone into a great amount of analysis of this project. Beyond stating that on my professional experience, it seems to have taken a very long time in terms of the tasks that were being undertaken and for that length of time the budget looks quite low. It does appear to me that it has had a bit of a stop-start nature to it. It does not appear to have been a project that was well defined at the start; that was concentrated for a period of six months and then completed.

If any further information is required - and that may come out in questions from the committee - then I am more than happy to take these issues on board and report back in a timely manner to you. I am more than happy to take questions.

Mr STURGES - A couple of very pertinent comments.

Mrs SMITH - Richard, when you commented on the stop-start nature, do you mean by the department or by the previous members who were involved in this project from the scheme?

Mr EBBS - I make the comment based on the project plan. Because it was broken up in these sections and over such a long period of time, I would say that it was probably by government and the way that it was managed.

Mrs SMITH - Was this something that the company tendered for? How did SKM come up with the job?

Mr EBBS - I will take that question on notice, but I would assume that it was tendered. Our government contracts in Tasmania generally are always tendered but I am happy to take that question on board.

Mr STURGES - I note, too, that in your submission you have only been in the role of State Manager since March 2006 so you may need to take this one on notice as well. I note back in March 2000 you were contracted to prepare guidelines for future shack site assessments. Could you just overview what the brief actually was and what the guidelines were or are?

Mr EBBS - I am happy to take that on notice and provide that.

Mr STURGES - Thank you.

CHAIR - It is interesting to note, Richard, too that all associated with the project have either retired, left SKM or relocated to positions in other States.

Mr STURGES - A war of attrition.

Laughter.

Mr EBBS - I cannot comment on that but, yes, it is interesting that there is no-one really around or left any more.

Mrs SMITH - When it says 'conduct environmental assessment', for instance, 356 shack sites at Great Lakes, by that does it mean just the waste management or does that include the road infrastructure, et cetera, in that process?

Mr EBBS - I am happy to take that on notice but my assumption would be that it is all associated works.

Mrs SMITH - Can you also take on notice then whether or not the contract included an oversight and audit role of the contractors, particularly in the Great Lake area? With the Ansons Bay shacks, did it include an oversight and audit there of road infrastructure, and the waste treatment plant, which we believe is not working? We had some evidence from another party that they came on board with the department in 2003 and had to pick up concept designs of other parties: would the other party have been SKM?

Mr EBBS - Specifically which project were you referring to?

Mrs SMITH - Their comment on the areas is that some of them overlap. I see you are in Central Highlands and they were as well, with 20 different areas. The others were not in Ansons Bay. It seems Central Highlands is the main one and Cowrie Point.

Mr EBBS - That another party adopted some preliminary plans?

Mrs SMITH - Yes, they did not come on board until 2003. They were given concept plans and told, 'You must stay with the concept plans', which is understandable - why reinvent the wheel? Unless there was some discrepancy that they picked up, you would presume that they would just pick it up and manage the work from there. Their comment was 'other parties' and it appears there are only two in the consultants that are consulting services, engineer, environment scientist, building surveyor services. I would suggest that it should have been one company or the other parties unless the department did any of the concept designs themselves. I would be very surprised that they would have that in-house capacity.

Mr EBBS - So it was a contractor at a contracting organisation.

Mrs SMITH - Yes. I would be interested to know whether SKM actually did concept designs and then they did not have to follow them through, they were passed to other parties. It is quite clear here you have done some designs and presumably followed it through.

CHAIR - Would guidelines and concepts be the same thing, Richard, or you just do not know?

Mr EBBS - I would doubt it. Guidelines would generally set the rules that needed to be adhered to and a concept plan would generally overview the required infrastructure.

Mrs SMITH - I presume that at \$5 140 it certainly would not be concept designs.

Mr EBBS - No, I would doubt it.

Mrs SMITH - I am making the presumption that in some of those amounts where it says, 'conduct environmental assessment', for instance, Ansons Bay or Great Lakes that perhaps the assessment was done, the design was done and then it was handed to another party to pick up in 2003 and it may have been because of the amount of work - it is a big project and one company cannot handle it all, so that is perhaps when the other company came on board.

Mr EBBS - It would be normal if it were a construction company for a role of an engineer to be completed at the design phase and that design then to be handed to a contractor to undertake those works.

Mrs SMITH - I understand that but this was another consulting company as well that came on board.

Mr EBBS - Okay.

Mrs SMITH - They are a company that you could have expected to have been there at the start and to have done concept designs right through to the management of the project but they did not come on board until 2003. Quite clearly, from your evidence here, your company was in the loop from 1999.

Mr EBBS - Yes, that is correct.

Mrs SMITH - So I am reading into that that perhaps it just got such a big project that there was a second company brought in to try to move it along.

Mr STURGES - To take up some of the soak.

Mrs SMITH - Yes.

CHAIR - In the brief that we have in front of us, first we have conduct environmental assessment of 356 shack sites at Great Lake in Central Tasmania and then carry out environmental and planning assessment across Tasmania of 549 shack sites on crown land. A couple of the matters contained in the scope of project engagement indicate the same type of thing because you have additional shack sites, assessment of environmental sustainability of shacks built on crown land with a view to conversion to freehold title or leasehold. I just wonder whether that relates strictly to the Great Lakes in the Central Highlands, Ansons Bay and Cowrie Point or does it take in others such as Surveyors Bay and any other areas where there are shack sites available under this proposal? Can you see what I am getting at?

Mr EBBS - Yes, I can. It is whether those projects of a more general nature actually extended outside those specific areas that we -

CHAIR - Specific areas that you have noted here and, if so, where.

Mr STURGES - I'm sorry, I just had to leave the room for a second. I asked a question before about the preparation of the guidelines which I know you have taken on notice. Just prior to you coming into the room we were talking with the Valuer-General and the he was saying to the committee that he was not in a position to provide a valuation for a block of land until such time as the infrastructure was in situ. I note that in relation to - and I will use Ansons Bay as an example - you were contracted to undertake environmental assessment of the Ansons Bay shack site area in 1999. Can you let us know when you completed that assessment, please? I will ask the same question in relation to the Great Lake shack site area as well. I don't know whether you are able to make a professional observation, but I am assuming that a concept design for infrastructure wouldn't be able to be undertaken or completed satisfactorily without having had the initial environmental assessment undertaken?

Mr EBBS - That is a reasonable assumption.

CHAIR - What is an environmental assessment?

Mr EBBS - In simple terms, it is looking at the state of current environmental conditions in an area and then an assessment of the potential impact of particular works being undertaken in that area.

Mr DEAN - Does that require you to visit each shack site or do you simply make that assessment on an area?

Mr EBBS - I'm not as sure in these specific examples but general practice would be that you would visit all the shack sites because there could be some environmental conditions that vary between those sites.

Mr DEAN - Would that also require you to access any documentation local government would have on these areas and on each shack that was required to be assessed?

Mr EBBS - I would expect so, and also any State or Commonwealth information as well.

Mr DEAN - Can it be ascertained whether that happened?

CHAIR - Richard, this is going onto *Hansard*. If you want, we can write to you with the questions.

Mr EBBS - That would be good.

Mrs BUTLER - In relation to Ansons Bay again, could you comment on the fact that a lot of the blocks were below sea level? There have been complaints from people about some of the works there. Could you comment further on your working relationship with the Break O'Day Council, please?

Mr EBBS - Yes; I'll take those on notice.

Mrs SMITH - Richard, you have an engineering background?

Mr EBBS - No, I am an economist.

Mrs SMITH - You are also the general manager, so I'd like an opinion. Last year these properties were completed on transfer in a particular area around the State. The words 'environmental assessment' came up. I have photos of shacks that are leaning and the beach is impinging on them. Would you like to comment, from the perspective of SKM, on whether there was appropriate assessment? Unless strong conditions were attached, those shacks should not have gone to freehold.

Mr EBBS - I am more than happy to take that on notice. By observation it looks as though they are very close to inundation from the water line.

Mrs SMITH - I am happy to send the photos as well.

Mr EBBS - Okay; are they in Ansons Bay?

Mrs SMITH - No, in another area. I think there may be the same issues in Ansons Bay, but I don't know. This was one we had in evidence that shows physically what is happening to some blocks that have freehold, and quite clearly no conditions are attached or no infrastructure was put in place before transfer.

Mr STURGES - Built on a floating slab for a good reason.

Laughter.

Mrs SMITH - One would presume there would have to have been some sort of wall put in place as part of the infrastructure, not only there but in other places too, before people paid significant amounts for a block of land. I know nothing about the environment except that I think it is going to wash that block of land away eventually. Some people have paid \$85 000-plus for their land.

Mr STURGES - On that point, I did ask for some information regarding the environmental assessment at Ansons Bay and for shack sites in the Great Lake district. You have also mentioned, Richard, that you have undertaken environmental planning assessments for another 549 shack sites. Are you able to give us the areas that you undertook those assessments in?

Mr EBBS - I think that was a question asked before.

Mr DEAN - I asked that. If I could expand on that, Richard, that would also require you or your group, SKM, to provide a written assessment or report on each individual property. Could you please include that in your reply?

CHAIR - Thank you for coming along, Richard. We will send to you a copy of those questions so you know exactly what they are.

Mr EBBS - That is fine. Could you also give some indication as to whether you would like it to be in writing or as a presentation.

THE WITNESS WITHDREW.

Mr ROSS HINE, MAYOR AND **Mr TONY SMART**, EXECUTIVE OFFICER, CIRCULAR HEAD COUNCIL, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Ross and Tony, thanks for coming along. Give us a brief overview in relation to shack site developments within your area and then members of the committee will ask questions if they think it appropriate.

Mr HINE -First of all, Mr Chairman, I would like to apologise for our non-attendance of the meeting in Ulverstone a while back. There was a bit of a misunderstanding within the council and I take full responsibility for that. In particular, I apologise to Mrs Smith because she was acting chairman that day.

Mrs SMITH - I was looking after your interest - getting it closer to home, but you missed the boat.

Mr HINE - Yes, there was a misunderstanding. We have been through the process down there and I suppose, personally, I was involved because we had a shack down there. From my perspective the whole thing worked pretty well except that the last process at Cowrie Point lingered on a bit because of the situation with sewerage. Because of some of the questions we were asked at council meetings by residents, I felt that there was a bit of a lack of communication between the Government and the residents concerned. I think that could have been done a bit better and it put us, as a council, in the hot seat because we were asked to take up the cause for the residents. But it has finally been fixed and they have an up-to-date modern sewerage system at Cowrie Point now. We are now going through the process at Rocky Cape.

As a council, one of our concerns over the years with all of this - going back to the days of Crayfish Creek and Hellyer Beach - is that a lot of the blocks surveyed are too small to cater for their own effluent and it has been creating some problems for us as a council with those particular shack sites - they are freehold areas now, of course - where they have gone from shacks to homes, from weekenders to full-timers. People want to renovate them because they are freehold and they cannot do it because of the problems we have with the effluent. It is to do with the size of the block and the make-up of the soil with its the rocky outcrops. That is causing us a bit of a headache, and I do not know what the answer is. The only answer I can see is a full-blown sewerage system in some of those areas out there which will be pretty expensive for the council to take on board.

I know that at Rocky Cape they are looking at some sort of composting toilets. That may be the only answer there but I have had some discussions with the minister on that and I am a little bit concerned about that from the council's perspective because if the maintenance is not done properly what happens to those systems in four or five years' time? It seems a bit strange to me that there is a huge parcel of national park there. Why couldn't we annex a little bit of land there to put in some sort of a sprinkler system just to cater for that shack site area?

But overall, given that the process was fairly heavily involved and we had shack site nodes all the way down the west coast, it went pretty well. You might want to comment from your perspective, Tony.

Mr SMART - I would like to support the mayor in what he said there. Also in relation to the Rocky Cape, as officers of council we are receiving numerous calls from residents of the Rocky Cape area who are concerned about the possible sewerage-type system that is going to be put in out there. In the words of one of them especially, representing a handful of them, 'The type of composting system we will be forced to take if we take ownership of our shacks is probably good if you are out in the back of the Great Lake area on your own, but we are talking about where we have holidays and family members attend'. As officers of the council, we are continually facing the problem that the mayor has spoken about. We are now having to knock people back, even if they only want to put up a new roof or to extend a sunroom et cetera. Because some of these people have freehold, they believe they can do what they want to do and they find that they cannot because of the actual land size. We find that a very big concern.

CHAIR - So they are already in the shack, they have freehold, they believe they are able to extend now and add value to their place, but they find out that they cannot because of the area that their shack is in - is that correct?

Mr SMART - That is exactly right.

Mr HINE - In a lot of instances, Mr Chairman, you get the situation where the shacks have been sold to somebody else. They have come on board with no understanding of what they have got themselves into and then all of a sudden they want to do the renovations and they cannot.

Mrs SMITH - So there was no caveat on any title when it was transferred to them that informed them that there could be no extensions?

Mr HINE - Not to my knowledge.

Mrs SMITH - If they have been on-sold, it sounds as if there was not. Is it in particular areas or is this a splattering right across the board?

Mr HINE - We are having trouble at Hellyer Beach now.

Mr SMART - And the west coast, south of the Arthur area. We have a design that has been put in just recently. It is something that you would build on the foreshore here on the Derwent. Somebody from the mainland purchased this little shack down there and they have come in with this design and there is no way - we are talking about three toilets in the place and it cannot even carry anything. These are the sorts of problems that we are facing at the moment and we are a little bit lost as to why, when any of these shacks are sold, this information is not being processed. People do not understand. Whether it is there or not, we are not sure.

Mrs SMITH - I would have thought if there were restrictions on it there should have been some sort of caveat that says what you cannot do. You might catch one person now and

then, but people buying something usually check what the restrictions are, particularly if they really want the block, not the shack.

Mr HINES - I felt that there was probably a bit of onus on the real estate agents to tell the whole story about these particular shacks.

Mrs SMITH - I think there is a law now - as of this year - where they are required to do so and the owner has to sign that there are no encumbrances on property. That will come back to bite someone in the near future by the sound of it.

CHAIR - What about when you make your requisitions and requisitions to councils? There is nothing on those requisitions at all in relation to what you can and cannot do when you purchase a house?

Mr SMART - There is on some. I would have to take that on notice.

CHAIR - If you would not mind because it would be interesting to see, firstly if there are any and, secondly, if there are not any, what is happening and why there are not. Should the Land Titles Office be transferring that information to councils? Should it be on councils' books to endeavour to find out why that is not the case? People could be buying, as you say, without that knowledge at all.

Mr HINES - Yes, buying a pup.

Mrs SMITH - Is it the small block or is it the waste treatment process that is stopping them from renovating or building? You can build some magnificent homes on a little block if you do not want a garden or anything.

Mr HINES - But in particular some of the issues on the west coast are Aboriginal issues on some of those shack sites. I am pretty sure that, with a lot of those sites down there, they surveyed the block off but they were only allowed to build on the original shack footprint. I do not know whether that applies to going up as well. To do anything like put a septic tank in you have to get an Aboriginal plot study done of the area. That can be very difficult down there because it is very rich in Aboriginal history and you even have to take your own post holes in with you if you want to put them in because you cannot dig anything. It is a very difficult situation.

Mrs SMITH - What about Hellyer Beach, is that the type of waste treatment that has been put in with these shacks that have freehold? What is the rationale there that a person cannot build something larger or renovate?

Mr SMART - One of the problems at Hellyer Beach is land size and there are areas where it is identified that there is a lot of rock within that land so there is no drainage for them. That cuts down their septic systems.

Mrs SMITH - They are all septic at Hellyer, there is no major treatment plant?

Mr SMART - My understanding is that they are septic.

Mrs SMITH - I refer to the other comment you made about Rocky Cape. It appears the only thing holding that up is the waste treatment plant. National parks are allowed to put waste treatment plants in national parks. Has it been considered that that happens, that you do not have to annexe a piece? Under the National Parks Act I am sure they have authority to put in whatever sort of systems they need.

Mr HINES - We had a letter back from the minister that clearly stated that there was no way that they could put the effluent system in the national park area.

Mrs SMITH - Is it because it is a national park?

Mr HINES - Because it is a national park, that is my understanding.

Mrs SMITH - What about a reserve? We had the instance of excising a piece of the Trevallyn reserve - and we need to check the difference between a national park and a reserve - for a holding tank and a water pipeline only last week. Is that right? I do not want to go back to that debate, but there is a precedent for reserve. I think the committee needs to look at 'reserve' versus 'national park'.

Mr HINE - They talked about threatened species and that sort of thing but, from my perspective, there is a big area of national park.

Mrs SMITH - Cradle Mountain is getting a new sewage treatment plant. Is that a national park? It's a World Heritage Area, isn't it.

Mr HINE - From our perspective, we believe that that would be the best system to put in out there because we have some apprehension about the composting toilets and the long-term maintenance of them. The problem we have is that the onus might come back on us as a council in a few years' time to say, 'There's something wrong with these toilets'.

CHAIR - Are you getting conflicting advice from the engineers, as opposed to your own experts?

Mr HINE - I don't think the engineer we had would have approved the composting toilets.

Mr SMART - No. Our previous engineer was against it.

Mrs SMITH - Is that the position of the council at the moment, that composting toilets will not be approved?

Mr HINE - Since our meeting with the minister it hasn't been to the council table, but the indication was given that if they took some sort of onus on the project and wrote in that they would not hold the council responsible, we probably would look at approving it.

Mrs SMITH - We have had evidence from another council that has refused to take the waste-treatment plant over because it does not work. They said, 'We don't want it ever', which is an interesting concept. I don't know what is going to happen there. 'Ever' is not a long time sometimes. It doesn't work properly so they don't want it.

CHAIR - Is there conflicting advice, though, from the engineers that are looking at it? Has Pitt and Sherry given advice that it would be suitable and your engineer is saying it is not suitable? Is there is a bit of a Mexican stand-off?

Mr HINE - There is a bit of that, yes.

Mrs SMITH - What is the potential for the Rocky Cape area to grow into more or less permanence?

Mr HINE - There is a lot of potential there. I would probably go as far as to say that some are permanents now.

Mrs SMITH - We have had evidence this morning that some of the treatment plants they are putting in are for permanents and why they are not working is because the people are itinerant weekenders. That may have bitten some of the engineers who are giving different advice by the sounds of it now because they accept there is not a short-term sewerage system for itinerant use; it has to be more constant use. So there is capacity in the future for expansion and more permanents than are there at the moment?

Mr HINE - Absolutely. In all those little nodes along the coast the potential is there all the time.

Mr SMART - We had some representation from people from the Rocky Cape shacks and they are looking at future retirement. People from Burnie and further along who own shacks there are saying, 'This is where we hope to end up and spend the rest of our life'. There are younger families starting to look around as well for shack sites as a way of life. The people from Rocky Cape believe there is potential for permanency down there.

Mrs SMITH - We had some representations from Cowrie Point where they looked at a particular treatment - AusClean, I think it was called. They felt it was much cheaper than 'the white elephant we now have at a significantly more expensive cost'. Do you have any comment to make on the Cowrie Point area, the one type versus the other? It sounds as though you have ended up at Cowrie Point with what you really want at Rocky Cape.

Mr SMART - Cowrie Point at the present moment is still going through tests with Pitt and Sherry. The council is in the process of looking at the handover for that. The testing program is still in process and we are waiting on the final results to come through for that. There were some concerns by Pitt and Sherry engineers to start with but at this point in time we cannot say any more than that.

Mrs SMITH - So your expectation is that you will take it over when you know it is working properly.

Mr SMART - Yes.

Mr HINES - Once it is up to speed and working properly then council will take it over.

Mrs SMITH - Have you had any contact from the residents about a sewerage treatment plant in that area? Are there any concerns they have?

Mr HINES - We have one particular resident in that area who comes to a fair few council meetings. He has taken it on board to be the spokesman for the group, if you like. He has had a fair bit of concern about the whole arrangement there and had a fair bit to say. It has been a bit difficult for us as a council to deal with some of his issues because we are not involved in the process as such. We have written to the minister on his behalf a couple of times stating that we believe there has been a lack of communication between the Government and residents on that issue. He was also a bit concerned, as a resident, about the cost of the sewerage system that was put in place. The fact was that Cowrie Point was all wrong; something had to be done there and nothing would work. You drive past there and you see this expensive system in place for just a few shacks. You would have to wonder about it but at least their future is secure, I suppose.

Mr SMART - The resident asked whether the reason tests have not come forward yet from Pitt and Sherry was that very few people are in those shacks at the present moment. On behalf of him we are going to seek some answers from Pitt and Sherry.

Mrs SMITH - On the issue of consultation, we have a copy of the letter you wrote to the minister about Cowrie Point, for instance, and the minister's response. It sounds from the minister's response that he was confident that officers of the department and the shack owners had conversed at public meetings et cetera, but I did not get the impression that the council were in that loop. Was it a case of the department and the residents but the council not being in the loop, and then the department and the council?

Mr HINES - I do not think it was in the loop all the time. I think it was mainly to do with the department and the residents. We had one meeting, I think, out at the tavern one night with the residents but that was more between council and residents. I think you are probably right that there was not enough of everybody getting together to talk about it.

Mrs SMITH - It appears from some evidence that it has certainly been a long, drawn out process and that perhaps in a lot of areas if it had been council who had to tick it off, with the department and the residents in the one loop, they may have been able to get across some of the concerns much quicker and sort them out. Is that a fair assumption, from your experience?

Mr HINES - That is a fair assumption, I believe, because while council was left out of the loop we then had to pick it up at council meetings and go back through the process. If we had all been sitting around the table then we would have all known what was going on. That is a fair assumption.

Mr SMART - That is particularly so with the Rocky Cape people. They had a lot of discussion before council actually came on board with it. Officers were under the impression that council was holding things back a bit but at this point in time the council had not even been discussing it. It was not until the three bodies got together for the first meeting that we started to realise there had been a fair bit of communication going on but the council had not been involved.

Mrs SMITH - Is it your intention to have separate sewerage rates in each different area or do you have one rate across the district?

Mr SMART - At present we have in draft form a sewer district for Cowrie Point. We are looking at doing the same thing for the Arthur River and we would have to consider whatever is going to be done for Rocky Cape. All that has yet to go to council for discussion. The draft for Cowrie Point has been assisted by Pitt and Sherry and is now with our engineers.

Mrs SMITH - So you are confident that the cost to council of the system at Cowrie Point, for instance, is affordable for all of the current residents, because we do not know how and when it will grow?

Mr HINE - That is another one of my concerns - the cost of running the system might be enormously high for the few residents there. We don't know that at this stage, but that is one of the fears that I have.

Mr SMART - It is a real concern for the officers. We are waiting to ascertain what the full costs are of Cowrie Point so we can take everything to council in go. The costs are a real concern.

Mrs SMITH - If it appears too expensive what are you going to do? Leave it with the department? Is that an option?

Mr HINE - It probably is, but we can't answer that because we don't know. I do know that the system in place at the Arthur River is what they call a 'secondary-type system' where everything goes through the septic and then out into a holding tank and then is pumped from there to a common tank where it is treated and sprayed out onto the sand dunes. That seems to be running pretty well and it services 25 shacks. That is compared with the Cowrie Point one, which is a full-blown sewerage system.

Mrs SMITH - Am I to assume that perhaps the residents were right and that one of these AusClean things would have been a better option for Cowrie Point, cost-wise and for everything else?

Mr HINE - A possibility, but I don't know. We do not know much about the AusClean thing, only what the engineer had some dealings with. From the council perspective, I do not know much about the AusClean system.

Mrs SMITH - If you could achieve your treatment plant at Rocky Cape, are you comfortable that that will not be too expensive for the residents of Rocky Cape?

Mr HINE - That is a possibility, but we don't know.

Mrs BUTLER - Are you not given information on how much these different systems are going to cost to run? There seems to be a lot of information missing.

Mr HINE - We have never had a lot of costings unless the engineer did costings. From the councillors' perspective, we never got involved with the costings too much. We were looking mainly at the systems themselves. I don't know how the AusClean system operates.

Mrs SMITH - It sounds as if the discussions between the department, the consultants and the council engineers have been about the type and standards, that it is operating properly before council takes it over, and there has been little discussion on affordability. Is that a fair assumption?

Mr HINE - From my perspective that would be.

CHAIR - It doesn't seem we are any further down the track, though.

Mr HINE - I suppose it was the same for Cowrie Point and will be the same for Rocky Cape, but the price of the infrastructure comes off the price of the block. In theory, to put the appropriate infrastructure in place does not really cost the resident any more money.

Mrs SMITH - At the initial stage.

Mr HINE - Yes, at the initial stage. From a council's perspective, if we got the opportunity to put in the best system then naturally you would jump at that, but the cost of running the system may or could be fairly high.

Mr DEAN - Have local government and the State discussed the system that would be the best and most appropriate for the area?

Mr HINE - I have had discussions with the minister on the Rocky Cape systems but our engineer has discussed the systems at Cowrie Point with the department bureaucracy.

Mr DEAN - So currently the council has done no costing at all on what it would be for the best system - the system that you believe to be most appropriate for the area - and any ongoing costs? If you have not done that, why wouldn't council have been able to do that? You know the number of users, I would suggest, you know the number of shack sites - the number of people that were using this system - you ought to know, I would have thought, the size of the system and the units that you would need and I would have thought that you would have had a reasonable idea of the ongoing costs.

Mr SMART - I would like to take that on notice. I believe our previous engineer who was dealing with the Cowrie Point site has information that I can answer that with.

Mr DEAN - Okay, fine, if you could, thanks.

CHAIR - All this, though, Ross and Tony, am I right in saying, would have been known around about 2000. We do not seem to have come far over the last seven years. We seem to have been going around and around in circles, it would appear, and we are not getting any development -

Mr HINE - On a couple of particular sites -

CHAIR - Sorry?

Mr HINE - Like at Cowrie Point and those particular sites?

CHAIR - Yes, they are the only sticking points, are they?

Mr HINE - Yes, Rocky Cape and Cowrie Point. Cowrie Point is finished, we do not know the costings yet and Rocky Cape is about to be done, and that is the last one.

CHAIR - Who has been dragging the chain on this? Has anybody, do you think?

Mr HINE - Because of the issues with the toilets at Rocky Cape, our being a bit apprehensive about the composting toilets and their trying to come up with another design for council to have a look at it and say, 'No, we're not looking at it' - there has been a fair bit of that in it - I suppose that is where the major hold-up has been.

CHAIR - So do I understand you as saying that the shack site development project, as far as you are concerned, has gone quite well but for those two sites that you have mentioned, that you've struck a snag with the two sites because of the matters that you've just outlined but you are on the way to progressing those?

Mr HINE - Yes. From a council perspective, we look at the issues at hand with Crayfish Creek and Hellyer and with the small sites, and we are saying that we don't want a repetition of that; we want something in place that can handle the sewage properly rather than say -

CHAIR - Did you have problems with Crayfish Point and Hellyer with the sewerage?

Mr HINE - Yes.

CHAIR - So you are saying that as a result of those problems, you do not want the same -

Mr HINE - That is right, we do not want the same. From our perspective we are not that fussed about dragging the time out, as long as we get the right systems in place but then, of course, we might have a system in place - it is a possibility - that is going to cost a bit to run. I do not know until the costings are done.

CHAIR - And the costings are done on one of the sites, is that correct?

Mr SMART - They are working on that.

CHAIR - But nowhere near it in relation to the others.

Mr HINE - No. The other one has not been finalised yet.

Mrs SMITH - Are there any sites in Rocky Cape, privately-owned vacant blocks, where you could put a treatment plant outside the national park?

Mr HINE - There are, there is private land that runs up and around.

Mrs SMITH - So the Government could acquire a site, not in the national park, as part of the process if it was proven that that was the best option rather than a composter?

Mr HINE - I believe they could.

Mr DEAN - You might have answered this question while I was out but the Rocky Cape site and the other unfinished site. Has council yet received the valuations of those properties that have been set by the Valuer-General?

Mr HINE - Yes, we would have done.

Mr DEAN - So you would have received those valuations. Are you aware whether those valuations were provided on the current position of the shacks or were they provided on the improved value - the sewerage improvements and the infrastructure improvements - are you able to answer that or not?

Mr HINE - No, we will have to take that on notice.

Mr DEAN - I ask that question because of a previous witness that we had and some comment made there. So is that possible to take on notice?

Mrs SMITH - I am not sure that the valuations have been done in Rocky Cape because they do not have the infrastructure settled and they are supposed to at least have it settled on paper before they value.

Mr DEAN - But you are not sure whether you have or not?

Mr HINE - No, I am not sure.

Mrs SMITH - Cowrie Point is finished with, really, isn't it, except for transfer of ownership? It is very muddy, isn't it?

CHAIR - Any other questions at all for Ross or Tony?

Mr SMART - Can I say something?

CHAIR - Yes.

Mr SMART - On the question of the time line and how it has dragged out, officers of council get conflicting reports from the owners of those shacks. Some of those people are quite happy with the process that has gone on and other people are really bagging everybody and it makes it very difficult for us to try to satisfy everybody. We have received a lot of good comments about the whole process from various people involved.

Mrs SMITH - If you got your valuations before the prices increased substantially in Tasmania I think you would be very happy but if you got your valuation in the last two years when prices were at a premium -

Mr HINES - That is one of the concerns.

Mrs SMITH - By the time you get to Rocky Cape it probably will have stabilised and then they will not be happy.

Mr HINES - Just following up on what Tony said, he is dead right. I talked to some of the residents out there and they are quite happy with the whole process and it is a great thing for them, but there are one or two, and one in particular, who has a bit of an issue with it.

CHAIR - You always get one, don't you?

Mr STURGES - Think yourself lucky you only have one.

Laughter.

CHAIR - Any other questions? Ross and Tony, thanks for coming down and giving us your views.

THE WITNESSES WITHDREW.

Hon. DAVID LLEWELLYN, MINISTER FOR PRIMARY INDUSTRIES AND WATER; **Mr STEPHEN GODFREY**, GENERAL MANAGER; **Mr SEAN McARDLE**, MANAGER, SHACK SITES PROGRAM; AND **Mr MICHAEL JONES**, MANAGER, CROWN LAND SERVICE, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Mrs SMITH - Minister, on 3 August you provided the committee with some responses and included in them the contract between your Government and the Central Highlands Council. The council came to give evidence but they were all new faces so they were not very helpful to us. One of the issues, though, was that in the contract it says:

'The Crown must, within 10 business days of the date hereof, pay to the council the money referred to in the schedule, being the amount agreed or the full cost of the roadwork's.'

In your letter you stated that there were six instalments, rather than one amount, as the cost of the works required as the various settlements were finalised. Each time there was an instalment was there any audit process that had to be completed before they received the money in the Central Highlands? Can somebody clear that up for us?

Mr JONES - As per the agreement, it was reviewed by a quantity surveyor to verify that the compensation payment was of an appropriate quantity to in future upgrade the road.

Mrs SMITH - So when the quantity surveyor ticked it off they were paid one of those six instalments?

Mr JONES - The information provided by the quantity surveyor, saying that that was an appropriate quote, was then sent for approval to, I believe, the Director-General for Lands. So there was approval at the delegated level.

Mrs SMITH - Was the quantity surveyor in-house or external?

Mr JONES - External. It was selected by public tender and it was Pitt and Sherry.

Mrs SMITH - The agreement between the Crown and Central Highlands Council was dated 23 January 2003, and then '03' was crossed off and '04' written in and initialled. That was the only change in this contract. When the Central Highlands Council gave evidence they said they had found the contract and it had been changed and written over and initialled quite substantially. Has the department any knowledge of that or was it just someone up in Central Highlands fiddling with the contract?

Mr JONES - The contract was negotiated and went through several changes before the final copy was signed off. I can only assume that the changed contract might have been a draft contract. I do not know about that document.

Mrs SMITH - We have a copy of one with 23 January 2003, with '03' crossed off for '04'. Would that have been the final one, do you think?

Mr JONES - That is probably the final.

Mrs SMITH - Could you check that for us?

Mr JONES - I recall that the wrong date was put on and it was crossed out and changed. In terms of a document that was signed and amended with lots of writing on it, I am not sure about that.

Mrs SMITH - We heard this morning from the valuation department that Brothers & Newton Pty Ltd Property Valuers and Consultants did all the valuation costings. Can you tell us what Brothers & Newton might have been used for? I made a presumption that there were so many valuations to do that you had to employ some private contractors, but not according to the evidence this morning.

Mr JONES - I certainly don't recall the shack sites project hiring Brothers & Newton. The Valuer-General's office might have done so but we are not sure of that.

Mrs SMITH - No, that is the issue. They say they didn't. This, in the list of consultants and contractors attached to the minister's letter, says, 'Brothers & Newton, valuation and consultancy'. Could somebody in the department check that and give us a clarification?

Mr JONES - Yes.

Mr LLEWELLYN - What date was that, Sue?

Mrs SMITH - The letter was 3 August, Minister, and there were attachments.

Mr LLEWELLYN - Do you know the date on the attachments?

Mrs SMITH - The date on the bottom of that page is 25 July 2007.

Mr JONES - Can I speculate without it being a final answer?

Mrs SMITH - Yes.

Mr JONES - Brothers & Newton provided valuations for the shack owners, certainly at Surveyors Bay, as an alternative valuation to the Valuer-General's valuation. It is possible that the shack-sites project might have funded that, but I don't know that we did.

Mrs SMITH - There has been concern that some communities paid for infrastructure but that infrastructure either has not been completed or, if it is completed, is not working. Is that a correct assessment from your perception, concerning the Ansons Bay sewage treatment?

Mr LLEWELLYN - The Ansons Bay sewage treatment has been approved and finalised, but it is a matter for the council to take it over and they are refusing to do so.

Mrs SMITH - What happens if we have a Mexican stand-off, Minister?

Mr LLEWELLYN - I don't know. We are meeting with the mayor about that issue. He is saying, quite surprisingly, that since the Government is going to create a single authority

for water and sewerage purposes in the State - unbeknownst to me at this stage - we should maintain responsibility for sewerage in that area.

Mrs SMITH - He does not have as much faith as I have in the Treasurer, then, quite clearly, or he would not have made that statement.

Laughter.

Mr LLEWELLYN - I am going to say thank you very much for the confidence in us and our plans with regard to water and sewerage, but that has not happened and we really need you to take over responsibilities.

Mrs SMITH - The sewerage in Ansons Bay now is operational?

Mr LLEWELLYN - According to what I understand, yes.

Mr GODFREY - It is ready to be operational. The issue is, as the minister says, that the council has refused to take over, therefore the council has also refused to give connection permits. So there is nothing going into it so the system is not operating.

Mrs SMITH - What is the difference between that system and the system at Huon, which was working but had odour issues? The Huon Valley Council did not take it over, I gather, until you solved the odour issues and now they have taken it over. Why is there a difference in those two? Why is it not connected and working regardless of who is responsible?

Mr LLEWELLYN - It is just the attitude of the council.

Mrs SMITH - But did not the department work the Huon system at Surveyors Bay before the Huon Council took it over? Was that not operational?

Mr LLEWELLYN - It must have got licences from the Huon Council first.

Mr GODFREY - There is a sign-off agreement that the council will take it over but we still have some ongoing responsibility during the initial commissioning phase. They have agreed to take it, subject to its being commissioned. That is what Huon has done. At Ansons Bay they refused to take it.

Mrs SMITH - Regarding the treatment plant at Cowrie Point, Minister, you talked about Rolls-Royce systems but someone from Cowrie Point called it 'white elephant grandiose'. I do not know whether they both meant the same thing or not. Is the Cowrie Point system ready to transfer to the council?

Mr GODFREY - It is operating. There are some test results that have to be provided.

Mrs SMITH - So it is the same principle; it is operating and when the commissioning is correct -

Mr GODFREY - The council will take it over fully.

Mrs SMITH - Have any costings been done and provided to the Circular Head Council about the cost of operation of that system?

Mr GODFREY - I do not have the detail but I assume that all the negotiations about councils taking over their systems were fully discussed with councils. We would have had some sort of indication of what the ongoing costs would be.

Mrs SMITH - I might explain, Minister, that one of the biggest problems through this whole evidence-taking process was that wherever we went people have moved on, not only in the department but in councils and everywhere else.

Mr LLEWELLYN - It has taken a long time.

Mrs SMITH - There is significant concern in Cowrie Point that they do not know what their sewerage is going to cost them per annum. There was evidence given that the council does not know what the costs are yet so they cannot work out what a sewerage rate might be. There was a debate over one system versus the other and they ended up with the Rolls-Royce system. I found it strange that they would say they have no costings to be able to work out a sewerage rate.

Mr LLEWELLYN - I can iterate what I said before about the whole philosophy of the shack-site transfer process, which has been prolonged, as you know. Hindsight is always 20:20; I think if we were going through the process again we would have tripled or quadrupled the resources available to be put into it, which would have been costly for other people, or assumed that it was going to take much longer than the original legislation presumed. There are 1 400 people and they are all individuals and it was a matter of dealing with people on an individual basis. It is understandable in that regard.

We wanted to give people in their own local communities the autonomy to do things cheaper if they wished and so on. Inevitably it became a collective decision for those specific locations as to how they went. Some people chose perhaps more elaborate arrangements than others but it was in discussion with those people that that happened. I don't think I was about while the Cowrie issue was being sorted. I was doing some other portfolio responsibilities.

Mrs SMITH - The story goes around.

Laughter.

Mrs SMITH - I think I can see where they are coming from, that there is going to be a second eruption about shack sites. If each has separate rating districts for their sewerage and it happens that the community, for instance, in Cowrie Point wanted some AusClean thing which environmentally or engineering-wise was not accepted and they have something that may appear expensive, if they suddenly get a sewerage rate that is going to cost them \$700 or \$800 a year or - dare I say - more, there will be another eruption in the process.

Mr LLEWELLYN - It is a factor of those people who were involved. I have always taken the view that we would try to accommodate people wherever it is possible within the broad ambit of responsible environmental outcomes for sewerage and the like. Maybe

my predecessor ministers took a more hard line view about some of the issues but I do not know.

Mr GODFREY - I have basically been involved in this since the infrastructure component of it started and the general philosophy has always been that wherever possible if the community or individual can do the work to the satisfaction of the council to enable the council to certify that they are happy with it to enable a title to be issued then we have allowed that to occur. Where it has been a reticulating system it has normally been at the approval of the council involved as to what system they are prepared to accept and to manage into the future and we have done that fairly well consistently across the board. As the minister says, there are some examples where a community system has been put in by the locals who had the expertise and demonstrated to us that they could do it. Other ones have elected not to go that way. They have elected us to go and build it and we have done it in conjunction with councils. Through that whole process it has always been on the basis of putting in place a mechanism which allows the environmental issues to be addressed and to the satisfaction of the councils when they have a title to be issued to enable the freehold to be sold.

Mr LLEWELLYN - We have ongoing discussions with the mayor and the council at Circular Head right at the moment with regard to Rocky Cape. This has been a really vexed issue for us. We are now at a point where we are looking at, because of the limited number of options there, compostible toilets and a system to disperse the wastewater which we have had to talk to the council about. I think the council were fairly reluctant but they understand the limitations that are there at the moment and are looking to hopefully support this last move, which will be a low-cost option I guess but it will still cost.

Mrs SMITH - What was the reluctance?

Mr LLEWELLYN - They were looking for a fully reticulated sewerage arrangement.

Mrs SMITH - And the reason why that could not happen?

Mr LLEWELLYN - There is no land other than a national park which is next to it -

Mrs SMITH - That is not an option?

Mr LLEWELLYN - No, we were not able to convince National Parks and Wildlife to allow us to utilise their land because there are some threatened species involved and concern about disturbance of vegetation and so on.

Mrs SMITH - Is this the same National Parks that allowed you into the Cradle Mountain reserve with the sewage treatment plant?

Mr LLEWELLYN - Yes, but that was a different proposition, I guess.

Mrs SMITH - The same National Parks that have responsibility for the Trevallyn reserve that allowed a holding pond and pipeline in, only last week approved?

Mr LLEWELLYN - Yes.

Laughter.

Mr GODFREY - With one notable exception; the land on which the sewerage plant goes in Cradle Mountain is not a national park, it is crown land.

Mrs SMITH - I am glad you clarified that because I did ask the chairman of another committee because I wanted to be sure and he said it was in a World Heritage Area. So it is crown land then. Has the department considered purchasing private title in Rocky Cape to put in a treatment plant?

Mr GODFREY - Yes, we have tried some negotiation with the next-door neighbour, who refused.

Mrs SMITH - And you did not consider acquisition as an option?

Mr GODFREY - Under the circumstances, no. To clarify one point you made with regard to the cost of the sewerage system operating, apparently part of the plumbing permit to be issued by the council for Cowrie Point for the wastewater system includes the need for us to provide to council the operational and capital costs of the system, and council uses that information to determine the rates. Pitt and Sherry have provided that information to them and the permit was issued. So all the necessary information, as far as we are aware, has been given to the council.

Mrs SMITH - So they have it?

Mr GODFREY - Yes.

Mrs SMITH - They just don't have an engineer at the moment. The council should be able to do if they have all that information and the breaking down of that process.

This morning the acting Valuer-General gave evidence that when valuations were done it was on the premise of the infrastructure all in and operational. From some of the evidence we have received, if it is correct, some areas gave evidence that waste treatment wasn't operational, others that the road infrastructure or pathways to the beach et cetera were not in place at the time. There is some angst amongst people that they had paid for a valuation for everything and in some areas still don't have it.

Mr LLEWELLYN - The presumption is that they will get it and the presumption from the Valuer-General, as would have been said to you, is on the basis that that is the potential situation and therefore the value would be on that basis.

Mrs SMITH - I think his words when we got him to clarify were 'and working'.

Mr LLEWELLYN - That is true, and that is what we want to see and that is what the councils would demand of us as well.

Mrs SMITH - Absolutely.

Mr GODFREY - The acting Valuer-General, as he said this morning, is requested by us to do a valuation and we provide the information in terms of the infrastructure that is to go in. We have done that in some instances where we have had approval and consent from local government to do that and he has made an assessment on the basis that that infrastructure will be in place. The issue in some circumstances - and I presume you are alluding to the Central Highlands where the valuation has been done and the land has been sold on the basis that that infrastructure would be put in place is correct.

Mr LLEWELLYN - We are working with the council cooperatively, even though we have fully funded it and it should be in place but for reasons, as you are quite aware, it isn't. The council has still accepted its responsibilities and is working through that process to ensure that it is in the fullness of time. There is unfortunately going to be a hiatus period between what would have happened and what has actually happened.

CHAIR - If the valuation was done in accordance with what we heard this morning and what Steve has just mentioned, the rates depended upon the valuation therefore people are paying rates over and above what they should be paying.

Mr JONES - Can I add some further detail on the central highland road? The point is that the Valuer-General valued it on the information we provided, that it was a council-maintained road. Despite the fact the council had not done those works to upgrade the road, they had taken over the road reserves and had committed to do the roadworks but at that point in time it was the council's road, irrespective of the standard, and the valuation was based on the fact that it was a council-maintained road. The fact that the council did not then finish the road and have not finished the road for some time, all those roads that those people use are council roads and that relates to the valuation.

Mrs SMITH - Which areas are we talking about?

Mr JONES - Central Highlands, Great Lake.

Mrs SMITH - Break O'Day?

Mr JONES - No, but there was a suggestion that we were talking about the roads in the Central Highlands. I was just clarifying that in that instance when it was done they were council roads.

Mrs SMITH - Mr Godfrey mentioned the Central Highlands and I let him go with that information but in Ansons Bay there were people who gave evidence that they have paid for infrastructure they have not received. They have mentioned roads. Has the council taken over the roads in Ansons Bay?

Mr JONES - A lot of the roads at Ansons Bay were not council roads. They initially had some minimum work done on a few of them but a number of the roads at Ansons Bay were never intended to be council-maintained roads; they were meant to be shack-owner-maintained roads and those valuations would have reflected that. So not all the roads at Ansons Bay were going to be upgraded to a council-managed-road standard.

Mrs SMITH - It would have made them even dearer if they have to maintain their road on top of the valuation.

Mr GODFREY - I think we need to separate the issues of the valuation to buy a shack versus council setting the rates. We put a valuation on the block, having regard to the infrastructure that is going to be provided or is provided, and we have had agreement on that. How the council rates it at the end of the day is a council matter. If they are rating it because there is no sewerage facility there then I do not see that is an issue for us.

Mr DEAN - Well, you are putting a valuation on a property where that infrastructure is not there.

Mr GODFREY - Yes, but -

Mr DEAN - What is the difference? You have set a valuation on infrastructure that might be there. You have raised the issue that is up to council as to how they do it. What would be the difference in council setting a rate on what might be there and what you have done?

Mr GODFREY - The two issues are different. Take the Central Highlands roads as an example. We had an agreement with the council that they would undertake the work to bring the road up to their specified standards to enable us to create those titles and to enable those blocks to be sold. If we had waited until the council did that then we would have been waiting another period for which a valuation would then be made, so it would have gone up.

Mr DEAN - But you are getting an inflated value on a property from a road that will be constructed by the council.

Mr GODFREY - But the road is there and all council has done is take over that road. We entered into an agreement and provided them the money to bring that road up to a standard and then they would take it over. The road existed at the time and all that has happened is that the council has taken over that responsibility. Therefore the council would, I presume, argue that it is a matter for the council. They have the cost of maintaining a road and therefore it is a legitimate rate.

Mr DEAN - It is not just on roads; it is on sewerage and other things as well.

Mr GODFREY - All those other things in terms of the Central Highlands are in fact only that. With Ansons Bay there could be an argument but I am not aware that many of those blocks have been sold.

Mr LLEWELLYN - With respect to Ansons Bay, a lot of the people who have been given the right to buy their properties would like to have done that two or three years ago because the blocks would have been cheaper. We have established the valuation based on the infrastructure that is going to be operating, and needs to be operating, according to the council. There is an issue with the council at the moment. I hope that the council is not rating those people and those blocks as though they are fully serviced blocks and then not looking after them.

Mrs SMITH - No, Minister. They are not paying a sewerage rate because they do not have sewerage, but rates are set on the assessed annual value. I think we all know that. The

Valuer-General this morning told us that he set the values according to the infrastructure that would be there - from the design plans - and operational at the end of the day. No sewage treatment plant is working. They have paid their share of the infrastructure so people are angry that it is not working, but at least they are not being rated on it. However, the valuation that has set their rates would generally include roads and everything else. Some of these people maintain that they have paid for infrastructure they haven't got, yet their valuations went from \$15 000 to \$25 000 to \$85 000, on which they of course then pay rates under the rating system of Tasmania, not under individual council processes. That is the difficulty some people have expressed. I think their valuations on some sales would reflect that they haven't lost money but they haven't got the services.

Mr LLEWELLYN - Since I have been involved in this, apart from the four years I wasn't involved, we have bent over backwards to make sure that every opportunity is given to shack owners to own their property. We have looked at every which way in order to do that, even to the extent of establishing policies so that if they don't have the capacity to pay then they can have it taken out of their estate. They have always had the option, if they didn't want to buy the shack, to return it to the State. There is an issue there, though, particularly in areas like Ansons Bay. If a number of shack owners were to forgo their right to own their shack and to walk away, that would put the responsibility onto the remaining people and add to their cost in providing infrastructure for sewerage and the like. We still have a couple of those issues to resolve in other areas of the State - Kingfish Beach being one.

CHAIR - What about the situation where the people who were lucky enough to get their places valued and have the work done back in 2000-01 are far better off than those who are still waiting? The acting Valuer-General today stated it would be easy if there was a common date set - let's say November 2002, before the prices started to increase - as far as a valuation was concerned. Therefore if people wished to purchase the property then they purchased it at that valuation of, let's say, 2002.

Mr LLEWELLYN - The act doesn't allow us to do that.

CHAIR - But we can sort that out, can't we?

Mr LLEWELLYN - We would be in the position of having to go back to a whole lot of individual situations and reassess things that have already happened.

CHAIR - The Valuer-General said that he would be able to do that.

Mr LLEWELLYN - Did he?

CHAIR - He said he could go back and revalue that place as if everything was in place as at 2002.

Mr GODFREY - You are correct. He can go back and provide a valuation on a particular piece of land at any point of time. But that's a different issue from whether or not you go back and do it under this regime and whether that determines the price.

CHAIR - I realise that; it is just an option that would seem to some to be fairer than others. One witness was told it would be very soon that the matter would be completed. She therefore sold her block and invested that money on the short-term money market because she was hoping to purchase the shack site within the year. It didn't happen and she is just left with quite a marked loss. She did that on what she was informed.

Mr GODFREY - In the majority of cases - and I would be interested if there are exceptions to this - in instances where shack owners asked us for a price before the infrastructure went in, we provided them with an indicative price. We also made it quite clear that it was indicative, not a sale price, and that the sale price was subject to the infrastructure going in and the cost of that infrastructure.

Mrs SMITH - Minister, we have had some evidence that in November 1998 these letters went out to people when there was change and amendments. Would that be an estimate of the correct year?

Mr LLEWELLYN - 1998?

Mrs SMITH - Were you minister in 1998?

Mr LLEWELLYN - Yes, I was.

Mrs SMITH - Someone wrote '11/98', but it is not dated. We have had evidence that probably 10 or a dozen of those letters put in with people's evidence.

Mr LLEWELLYN - I'm not sure it can be 1998 because the attachment talks about 2001.

Mrs SMITH - That is the assessment of when it would all be finished. Could you check your files to clarify what year that letter was?

Mr LLEWELLYN - Sure. Did I give you that letter?

Mrs SMITH - No. It is in my evidence.

Mr LLEWELLYN - If we could have a copy of that, I will go back through the files.

Mr WILKINSON - It just had '11/98' on it.

Mrs SMITH - By somebody who had received it, we presume.

Mr LLEWELLYN - That is bad. I don't like those letters going out without date stamps on them.

Mrs SMITH - There were quite a few at that time, Minister, but I know you have rectified it now.

Mr JONES - Does that have a signature on it?

Mrs SMITH - Yes, the minister's signature.

I asked the question because the letter went out after amendments to the Crown Lands (Shack Sites) Act and one paragraph says:

'I wish to assure you that these amendments do not mean you will be faced with increased costs, as has been asserted in the media. The amendments take into account any extraordinary administrative charges that might result from repeated surveys, design changes and valuations necessary to satisfy individual needs of one or more shack owners and are charges that should not be carried by other shack owners for the benefit of a few.'

There are some who have given evidence that they felt that that letter was telling them that even though things had changed and slowed up they would not see any increases in costs. If that was 1998-2005 or 2006 we can all see what has happened.

Mr LLEWELLYN - We were presuming at that stage, naively - and I readily accept this - that we would complete this process within the frameworks that were there. I do not think you can draw that conclusion, frankly.

Mr JONES - The context of the amendment was about adding a clause into the valuation to relate to administrative costs being charged to shack owners, hence the context of those comments that relate to that. We subsequently have not charged administrative costs to the shack owners, so that amendment which was brought in has not been implemented and therefore hasn't passed those costs on to shack owners.

Mrs SMITH - It is that paragraph that has resulted in people making, I think it is fair to say, a presumption -

Mr LLEWELLYN - But you haven't highlighted the piece that is important there.

Mrs SMITH - I didn't highlight any of it.

Mr LLEWELLYN - They have specifically not highlighted the first part of the first sentence which says 'these amendments' and the amendments were referring to the administrative costs - 'will provide me with additional' and then they only choose to highlight 'flexibilities to enable the speedy resolution of the whole program' et cetera. You cannot make that assumption.

Mrs SMITH - Minister, in the paragraph before that, apparently the media had assessed that the prices would increase significantly for shack sites. You have disputed that in saying that regardless of what the media says, that is not the case.

Mr LLEWELLYN - It says in the letter:

'I would like to bring to your attention legislation recently passed by Parliament amending the Crown Lands (Shack Sites) Act 1997. As you might recall, this particular act was first drafted to enable the assessment of a subdivision of all crown land shack sites to be undertaken outside the usual planning regulations for a limited period. Through the Crown Lands (Shack Sites) Act, shack owners benefit from regulations that recognise shack sites as existing settlements requiring special attention (rather than a

new development). We are therefore not constrained by the more rigid requirements of the current planning regulations in sorting out this difficult situation.

The amendments extend the period for assessment and determination of shack sites for another three years, brings land required for infrastructure and services, waste water, roads et cetera under the act, allows for administrative costs to be recovered in certain circumstances and makes minor changes to correct inconsistencies in the principal act. We wish to assure you that these amendments do not mean you will be faced with increased costs, as has been asserted by the media.

The amendments take into account any extraordinary administrative charges that might result from repeated surveys, design changes, valuations necessary to satisfy individual needs of one or more shack owner and are changes that should not be carried by other shack owners for the benefit of a few. These amendments will provide me with additional flexibility' -

I do not think the general issue of valuations over a particular time can be construed to be encompassed in that particular statement.

CHAIR - I think by going back to what the media was stating at the time in relation to that one could argue that that is reflecting - because the media was talking about an increase in costs - not administrative costs but just the blow-out of costs - and, as a result of that comment, they were of the understanding that the costs would not increase.

Mr LLEWELLYN - When did we do that amendment in Parliament?

Mr JONES - Around that period of 1998.

Mrs SMITH - I have no reason to dispute their 11/98 that was on one of them but we just need to confirm it because it was only written on it and when it is not dated we would need to know. It could have been last year and I think it was.

Mr JONES - I think it is probably valid to say that if someone writes a letter with a particular intention they cannot really be held accountable because someone else interprets it differently, can they, so you are talking about the interpretation that is made of that letter, particularly when you highlight certain sentences rather than the intent of the letter.

Mrs SMITH - Would you believe it fair and reasonable that you, along with a lot of other people, when you were in the middle of purchasing something received a letter that said there had been some hiccups and some changes but it would not mean you would face increased costs as the media assert, might take some comfort that, because of the necessary changes and the extended time line that slowed it up, it is not going to cost you any more money? Do you not think that is a fair assumption for people to make?

Mr LLEWELLYN - Some people might make that assumption. As I said, I bend over backwards to try to do things for shack owners that will facilitate this. I have to say to you that most shack owners that are involved in this process have had extremely high windfall gains from purchasing these properties.

Mrs SMITH - I might say to you, Minister, that we have received some evidence where people are now asset rich and do not have sixpence left in their pocket because of that process and in all but one instance at Surveyors Bay, it was their home not the shack. Some people had the choice of selling their shack if they got into money troubles and I accept that, but one individual in particular, who had finances from a compensation claim and to keep a roof over their head because the valuation rose, put all their money into it, being now asset rich and cash poor in that circumstance. There are always two sides to a story and I acknowledge that they can cash them out.

Mr LLEWELLYN - I do not know the details about individuals and it is wrong probably to even comment on it, but if they have reduced their available capital they have also maximised their ability to receive benefits from the Commonwealth and others in that regard because if it is their home it will not be taken into account as an asset.

Mrs SMITH - The other issue we took evidence on was the title recalls that occurred for some reason. Could you clarify that there were some title recalls. I think that was at Ansons Bay again, wasn't it, Jeremy?

Mr JONES - I certainly cannot add any detail on that.

Mr SHAUN McARDLE, MANAGER, SHACK SITES PROGRAM, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Come and join us.

Mr McARDLE - With regard to Ansons Bay and the recall of some titles, the way that the titles were created for the shack site settlements was that they surveyed the sites, created the plans often before the infrastructure was complete. At Ansons Bay we completed a number of sales but because of the works that were still ongoing with the infrastructure we required the creation of additional easements, and that was flagged in the sale contracts. With those sites that had previously been sold, to get those easements put on title we needed to recall one or a number of titles. Even if it was only affecting one lot on the plan, the Titles Office requires all those titles to be returned before they can deal with that one change.

CHAIR - You might have heard this morning the comment that people have purchased blocks and have endeavoured to do some alterations on the properties but have not been able to. There was nothing on the title or the requisition to the council to suggest they were unable to do that. They are incapable of doing so because of the situation where they had purchased these blocks, but there was nothing at all on any documentation received prior to the purchase to suggest they were unable to do that type of thing.

Mr McARDLE - Without knowing why they couldn't do what they wanted to do, I would say that was a council decision to prohibit them or prevent them from doing the development works they wanted. As part of the sale process there were encumbrances put on the titles for those things that we knew about, such as flora and fauna issues and Aboriginal heritage issues. So there were things registered on the title but that did not

prevent property owners from making an application to the council to apply for a development. If they had done that then they would have first needed to come to the Crown in some instances where the title hadn't been transferred. If title was in their name and transferred to them then they were within their rights to lodge an application to the council. It would have been entirely up to the council to approve or reject that application.

CHAIR - Often when you purchase land, as you know, there are certain encumbrances on that title.

Mr LLEWELLYN - There are encumbrances on some titles with regard to Ansons Bay because some are very low-level sites.

CHAIR - I am not saying they are not on a number of titles, but from evidence we have received there was nothing to suggest that people were unable to improve the property, so they purchased the property and endeavoured to improve that property but were incapable of doing so.

Mr GODFREY - There was a number of instances in Ansons Bay whereby we made it quite explicit, and advised the shack owners that, in buying and purchasing those lots, if they wished to increase the size of the footprint of their shacks, they would have to go through a development application process with the council. We would not guarantee in any way whatsoever that they would get council approval.

CHAIR - They're not suggesting that didn't happen.

Mr GODFREY - No. In those instances we made it fairly up front to the shack owners what those restrictions were. You can't put that sort of restriction on a title, as you would appreciate, but we made it quite plain to the shack owners that that is the risk they took.

Mr ROCKLIFF - Is that consistent with other areas as well?

Mr GODFREY - If that was the case, if we knew about it.

Mr ROCKLIFF - Circular Head, for example?

Mr GODFREY - In terms of Cowrie Point?

Mr ROCKLIFF - Yes.

Mr GODFREY - It depends whether the council indicated to us that it has some concerns about it. With this particular one at Ansons Bay, the council advised us that they had some reservations about expanding without the sewerage work and other infrastructure being available. They would look at each of those applications on a case-by-case basis and they would give no guarantee that they would or would not approve.

Mr LLEWELLYN - Specific things about inundation and so on for some of those very low-lying sites in Ansons Bay are clearly on the title.

Mr GODFREY - That is one of the issues we are going through now, particularly from the non-commissioning of the sewerage works at Ansons Bay. A number of people who have bought the shacks have made application to council to redevelop. They have put down certain conditions which they have to meet and one of them is connection to a reticulated sewerage system. We can't achieve that at this point in time.

Mr LLEWELLYN - If they come to me I will have to say to them that it is the council that is preventing them from making the application at this stage because they won't take over responsibility.

Mr DEAN - The council will probably say you should have told these people when they bought these properties what the situation was.

Mr LLEWELLYN - No, the council agreed that we proceed with the process in the way we have. We have come to the 59th minute of the 11th hour and they've gone uppity. I am on fairly good terms with Mr Legge. He is the one who has written me letters in recent times and we will be meeting with him again shortly.

Mrs SMITH - Good luck; you might need it.

Mr LLEWELLYN - I tried to help him to come and talk to you; I assisted him with some information.

Mrs SMITH - I go back to the titles that were issued incorrectly. We got some evidence that it took nine months to correct. Is that a fair assumption? We're just trying to prove it or otherwise.

Mr McARDLE - I could not give you exact time frames but there were some delays in getting some titles returned.

Mrs SMITH - Some were at banks and that creates some difficulty?

Mr McARDLE - Yes, some were at banks, and some were with shack owners who weren't directly affected by the change to the plan and were reluctant in returning those titles.

Mrs SMITH - Was that a cost to those people?

Mr McARDLE - No.

Mrs SMITH - So there are no compensatory issues to look at, in your opinion, on any of these issues?

Mr McARDLE - No.

Mrs SMITH - There is nothing in the pipeline about people agitating over the slowness of the process or anything else?

Mr McARDLE - There are always agitations about the slowness of the process but I couldn't say there is anything directly relating to claims or compensation that I can recall.

Mrs SMITH - Minister, you haven't made any offer of compensation in the shack sites program for any delays or title issues or anything else?

Mr LLEWELLYN - No, not that I can recall.

CHAIR - The letter that we received on 3 August, in response to our letter of 16 July, spoke of \$1.233 million in relation to the contracted fee. It was \$1 233 641 and \$539 000 respectively, and that is in the first paragraph of the letter you wrote on 3 August. It said:

'The shack sites project contracted two firms to provide services on a statewide basis.'

Mr LLEWELLYN - I don't have that correspondence.

CHAIR - I am just wondering because the costs there do not seem to fit with the costs we got from Sinclair Knight Merz. Their costing showed that around about \$1.7 million has been received by them and what we have there is \$1.2 million for one and \$549 000 for the other.

Mr GODFREY - It is qualified. It says:

'The latter contract is ongoing and subject to a number of variations.'

which is what the engineer talked about this morning.

CHAIR - That was with Pitt and Sherry. I was taking the \$549 000 to be Pitt and Sherry and Sinclair Knight Merz obviously is about \$1.7 million. I can give you a copy of that letter if you want.

Mr McARDLE - I would suggest that the information contained in the letter of 3 August was the contract prices at which Pitt and Sherry and SKM were engaged, and during the term of the contract there were variations. I am not saying there were variations of \$500 000 between what we contracted with SKM and what we paid them, but I would suggest that there have been variations over that time.

CHAIR - Can I ask you to take that on notice, please, and have a look at the letter we forwarded to you and see whether you are able to properly clarify that because it would seem to me that we are asking for a costing? What you may have done, I don't know, was have the initial cost without any extras. There may have been extras, I don't know, of approximately \$500 000 to SKM.

Mr LLEWELLYN - Can we have a copy of the letter from SKM so we can check that against it?

CHAIR - Yes, sure.

Mr LLEWELLYN - If we have that we will be able to check that against our own records.

CHAIR - All right, thank you. Who prepared the initial concept designs, do you know?

Mr LLEWELLYN - This is in relation to the central highlands - or all of it?

CHAIR - All of it, yes.

Mr JONES - SKM were the original contract. I can also indicate in relation to the previous question that the two figures here were the original contract figures. SKM have quoted additional work that we had commissioned from them throughout the life of the project. For instance, the Great Lake shacks \$181 000 - a totally different contract than what is quoted here, as is the Ansons Bay, so that is the difference in the figures.

CHAIR - Okay, so you are saying these are extras.

Mr JONES - Yes, this reference is to the contract that SKM worked on to get the shacks to a stage of determination and what SKM have quoted is that, which is the statewide shacks \$1.275 million. Then they have also quoted the work that they have done at Ansons Bay, the Great Lake shacks during 1999 et cetera. So they have quoted every single piece of work that they have done for the shack sites project outside that contract, as well as that contract. That is the difference in the figures.

CHAIR - I wonder if you can have a look, and I do not have it with me at the moment - I have everything else but not that letter - the letter that we forwarded to you to cause that response because it would seem that the figure that you have quoted is for statewide shacks - \$1 275 170 Is that right?

Mr JONES - We have quoted here \$1 233 641.

CHAIR - That is right so there is a difference there but there are these other matters as well, which obviously SKM did. It was prior to and after that time which is still far in excess of \$1.2 million.

Mr GODFREY - If you like, we will try to do a reconciliation of the original contracts, any variations and we will try to match it up.

Mr LLEWELLYN - I do not think there is anything untoward there. There may be a variation in the statewide shack contract that would explain the extra \$40 000 or whatever between the two figures there and we can look at that. But the others really are subsequent contracts that have been issued along the way so it seems to me that - anyway, we can tell you when they were all issued and so on, and against SKM's letter there.

CHAIR - Others are after that and there are some before it as well as you can see. So SKM carried out the initial concept designs?

Mr JONES - Yes.

CHAIR - They carried those out in August 2001 or before that time? Here it says August 2001 to 3 May 2003.

Mr JONES - They generally finish their work in terms of their preliminary design work by about November 2002 and then they carry it over doing additional work associated with drafting up titles and that sort of thing into early 2003.

CHAIR - But they carried out other work conducting environmental assessment of 356 shack sites at Great Lake in central Tasmania in 1999 to 2000.

Mr JONES - That is right. That was before this contract, a totally separate contract to do an assessment of the Great Lake shack settlement, the outcome of which was pretty much across the board rejected by both the council and all the shack owners -

Mr LLEWELLYN - And the Government.

Mr JONES - And the Government.

CHAIR - With \$81 000 worth of a rejection.

Mr LLEWELLYN - I can recall it at the time. The actual work was not wasted because the whole project was modified and the bills were not added on to the shack owners, for the additional work that we had done there. But, I have to say, SKM were presenting us a gold-plated scheme and it was not acceptable to anyone.

CHAIR - Okay, and conducting environmental assessment of 102 shack sites at Ansons Bay \$115 529, do you recall what that was from 1999 to 2000?

Mr JONES - That was another individual site contract which was awarded to them to do the work necessary to do the determinations at Ansons Bay.

CHAIR - So if we are talking about initial concept designs, do I understand that we are only talking about this matter here of \$1.275 million?

Mr JONES - That is what we were referring to in that letter, yes.

CHAIR - All right. Did the Government conduct any evaluation of the designs before accepting them?

Mr LLEWELLYN - In regard to what I was saying to you about the Great Lakes, the Government did make some evaluation about that particular issue. I remember having Mr Bill Lawson in from Sinclair Knight Merz and having a long conversation with him about the fact that he was designing a system which was not taking into account the actual shack site provisions of trying to do things in an equitable way for everyone but rather as though he were designing a new subdivision for Kerry Packer or someone.

CHAIR - The evaluations were done within supposed government or ministerial office as opposed to putting it out to another engineer to see whether it was appropriate?

Mr LLEWELLYN - I think Sinclair Knight Merz did a re-evaluation themselves.

Mr GODFREY - The first contract was done to enable us to have the information necessary as to what was feasible to do to bring it up to environmental standards to enable us to

meet environmental conditions that were required, the sustainability of it and also to obtain in-principle approval from council that they were happy for these to be freehold. Once that contract went out we went to the next stage, based on those concept designs, a phase of infrastructure implementation. Part of that contract was let to Pitt and Sherry to go back and review those designs, sit down with councils in the shack owners' areas to determine the best way to go. In some instances the suggestions that were put forward were accepted and in other instances they were completely and utterly modified.

CHAIR - In relation to SKM then you did some evaluations. Did you do evaluations with Pitt and Sherry's work?

Mr GODFREY - Part of that evaluation was the fact that we were dealing with councils, so councils were the ones at the end of the day who would be ultimately responsible for it and they were running their engineering expertise across it as well.

CHAIR - Did you do any work at all on evaluating the erosion of the land down at Surveyors Bay where we can see from some photographs pretty well the sea lapping up against the deck?

Mr GODFREY - The determination of whether a shack should be leased, not leased or sold was the determination process which was done previously and once that determination was made, whichever way, then our role then was to implement those determinations.

Mrs SMITH - Who did the determination?

Mr GODFREY - The determination was done by the secretary of the agency based on the information provided from the various consultants' reports.

Mr LLEWELLYN - Under the act.

Mr GODFREY - Under the act.

Mrs SMITH - So the consultants advised the secretary of the department and then he made his decision on their advice?

Mr LLEWELLYN - No, there are provisions in the act that provide the secretary is the person that makes the determination.

Mrs SMITH - Was there any discussion about any infrastructure issues and these erosion issues, whether or not infrastructure costs should have been expanded to solve some of the problems?

Mr LLEWELLYN - Some of these things have happened subsequently and they are to do with surge damage and the like, I think, at Surveyors Bay.

Mrs SMITH - Minister, if you are paying the millions of dollars that you have paid out, would you not expect if they are talking about environmental sustainability to decide whether or not these properties are close enough to the beach that they needed some particular infrastructure along the front or something to ensure that they did not end up losing part of their block. It appears to me that half their title may have washed away,

but I do not know as I did not see it before the photo. You have paid engineers a lot of money.

Mr LLEWELLYN - We paid the engineers to provide for the appropriate access, sewerage and those sorts of normal provisions. The judgment on the conditions that were placed on certain titles, with respect to the responsibility of the owners of those blocks, are with the prospective or current owners to a large extent.

Mr GODFREY - Part of the determination process took into consideration coastal erosion and the effect of sea level rising and all those sorts of things. One assumes, on the best information available, the secretary made his decision in accordance with the act. In terms of Surveyors Bay, there is no doubt that there was some erosion there. If I recall correctly, we went back and resurveyed and revalued those lands in light of that.

Mrs SMITH - So you revalued in light of it rather than looking at whether an infrastructure put in place might -

Mr LLEWELLYN - Put the infrastructure in place and the people involved with the shacks will have to pay for it.

Mrs SMITH - That's right, but they cannot come back and complain to you in 12 months' time that it is disappearing.

Mr LLEWELLYN - They bought it on the condition that they don't complain.

Mr GODFREY - That is clearly on the title. If you look at the title, there is an indication in titles that the Crown will not accept any responsibility, and neither will the councils in regards to that, in the future.

Mr LLEWELLYN - By and large they were all prepared to accept that if something might happen it is their responsibility.

Mrs SMITH - And that is on the title at Surveyors Bay and Ansons Bay, some of them that are below sea level as well?

Mr GODFREY - It is on those titles where we believed that might occur. In terms of infrastructure, one would assume that if some experts had said, 'Put this in place because of that' at the time of the determination, then that would have been a condition of the determination, but none of those conditions were enforced or suggested.

CHAIR - With Pitt and Sherry, I understand there was a fixed cost for them at first and there was also another account for extra work done. Are we able to find out how much you paid Pitt and Sherry for what they tendered for and then for the extras they did? There is some talk that the costs received were a percentage of the work that they performed.

Mr GODFREY - One of my first roles was to run the tender for the implementation and supervision of the infrastructure. I can assure you that was based on a fixed priced. It had not linkages whatsoever to the value of the infrastructure. There is no doubt that during the contract there have been variations to that, which we have taken on board and

considered and which have increased that price to a degree, but there is no linkages whatsoever. It was a firm price.

Mr JONES - Those changes all related to things that required additional work or assessment that was not covered in the original contract.

Mr GODFREY - I think one question was asked this morning about what is going to happen in the future and are we going to walk away. From where I am sitting we have a responsibility to do that, and if we need to keep Pitt and Sherry engaged for that process then that means another variation and we will do it.

Mr LLEWELLYN - The ones remaining are the hard ones; there's no doubt about that.

CHAIR - How many are remaining?

Mr McARDLE - There are 100 shacks still outstanding or to be released for sale.

CHAIR - Are you able to say how many are the 'hard' ones?

Mr McARDLE - All of them.

Mrs SMITH - Is this Rocky Cape?

Mr McARDLE - Yes, Rocky Cape, Ansons Bay, Eggs and Bacon Bay - which is nearing completion - and Kingfish Beach. They are all in the too-hard basket.

Mrs SMITH - I will again whether the department is dealing with anybody on a compensation basis. I ask that because we have received some evidence that someone was pursuing with their solicitor an issue of compensation for the nine-month hold up. They had paid their money and then the titles were recalled. You usually get your title back in 30 days but they didn't, so there was an interest component. Could somebody in the department please check as to whether or not the evidence given is correct?

Mr LLEWELLYN - If there is some sort of issue, if from no fault of the people a situation has arisen, we would probably waive additional costs that might have accrued under those circumstances. We have done that in the past.

Mrs SMITH - No, I think the costs have accrued the other way, Minister. They paid their money expecting their title within 30 days. It spun out to nine months because of having to reissue titles. So they did not have the title or their money, but they had a bank on this side of the ledger. I think that is the issue if I interpret the evidence correctly. Could check that within your department? It might not be called 'compensation'. I would call it compensation but I am not a lawyer.

Mr LLEWELLYN - We will check that.

Mr JONES - I think there was an issue of someone bringing forward a claim for repayment of bank interest. I will have to look further into that.

CHAIR - Other than SKM and Pitt and Sherry, were there any other consultants used?

Mr JONES - Yes. Certainly it goes before my time as manager or even directly working on the project. In the early days of the project, consultants were engaged on a shack-by-shack settlement basis. Peacock Darcy & Anderson were hired for Rocky Cape, for instance. I don't know whether Pitt and Sherry did any before they came on board with the big contract. GHD did a lot of the assessments on the north-west coast.

Mr McARDLE - In the information we provided there was a list of other consultants. There was certainly a number of other smaller consultants but that list should have identified the major ones.

Mr JONES - Just to put it in context, when the project was reshuffled under Scott Marston's management, that is when the decision was made to put out one large tender for the entirety of the work. Then we followed that up with the implementation tender.

Mr GODFREY - We would have engaged consultants on the small ones for such things as threatened species surveys, Aboriginal heritage et cetera.

CHAIR - Thank you all for coming along and answering our questions.

THE WITNESSES WITHDREW.