

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

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

**Hon. DAVID LLEWELLYN**, MINISTER FOR PRIMARY INDUSTRIES AND WATER WAS CALLED AND EXAMINED; AND **Mr STEPHEN GODFREY**, GENERAL MANAGER, ILS; AND **Ms SUE CHAPPLE**, DIRECTOR, POLICY AND SERVICE, ILS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Wilkinson) - Minister, do you want to give us a brief overview before we ask you some questions in relation to the issue surrounding the shack sites.

**Mr LLEWELLYN** - I will keep it brief. We responded to your letter, which you should have received. I have some information for you about the costs. They are listed in alphabetical order, from Adventure Bay through to Trial Harbour - the overall settlement costs, settlement revenue and the net balance. I draw your attention to the fact that we still have some areas to complete but I think that shows it is obviously not a revenue-raising issue so far as the Government is concerned. We are trying to balance the costs and revenues as much as we possibly can. In latter times there has been some escalation in the actual price of shack sites but that is all relative. It is a factor of a process which is taking such a long time. When one is dealing with individuals on a one-to-one basis from the time that we started this, that is probably not surprising. Maybe we should have foreseen that it was going to take that length of time.

**Mr ROCKLIFF** - You almost answered my first question, Minister. The project now is nine years into being and was not expected to last any more than two to three. Why has it taken so long? If the Government allocated more resources to the project, would that have expedited the project?

**Mr LLEWELLYN** - Yes, but it would have probably also cost more. From an administrative point of view, you are focussing on that as one aspect of costs. It certainly would have been more costly from that point of view. I think there were some 1 400 individuals in total. In dealing with people on a one-to-one basis we would not have wanted to appear at someone's shack site, trying to deal with the issues, with a group of 10 people. They would have felt a little overpowered. There is a limit to how many people can be involved in dealing with things on a one-to-one basis, as we have been undertaking.

I take the point with regard to some of the contractors who have been engaged and the like, making sure that things go in an orderly way. We have had a changeover of staff over that period, as was obviously going to happen because of the extended nature of the process and that has perhaps added to the time a little bit. Being involved in this from the very beginning, I wanted to achieve an outcome that would convert as many shacks as possible that were being leased from the Crown to freehold. We have looked at every

way possible to try to do that. It is only those shacks that have not complied where we have been able to offer leases, and the very small number that we could not offer leases to, where we have had to say we will have to remove the shack. Even at that stage we have said, 'We will help you do that', or, 'We will try to find an alternative site for you'. I do not think you could have expected any more. That was the objective and I think that has been the outcome.

**Mrs SMITH** - Minister, can you give us an overview of how your department dealt with it? Did you have two or three people specifically on shack sites or did they do that as a part of their other work? Can you give us an indication of what the process was staff-wise from the beginning?

**Mr LLEWELLYN** - There were specific people allocated to this particular project.

**Ms CHAPPLE** - There certainly was a shacks project team from, if not ten years ago, fairly early on. At the moment the shacks project team would be five or six staff. It has had slightly more than that because, as you would appreciate from these figures, we are coming to the end of the shack sites project now; in fact it is winding up this year. They have been dedicated to the task of assessing these shacks and getting the shacks ready for sale. They do not have other jobs.

**Mrs SMITH** - Okay, and what would it have been at the peak? You said that that is what the team is now.

**Mr GODFREY** - Ten.

**Mr ROCKLIFF** - Ten FTEs. Is it possible to have a breakdown of the full-time equivalents from the start of the shack site project to near completion?

**CHAIR** - Two years was the estimate and it has been nine years now. I realise it was a difficult project but have there been any delays in order for the project to be completed. I understand 1 400 individuals have had to be dealt with but it has been very drawn out.

**Mr LLEWELLYN** - Yes, a long time. Each of those individuals have had to be dealt with. It has not been a process where you go and approach someone with a tick list and they say, yes that is fine, tick, tick, tick, tick. That is you, everything is okay, so sign here. That process has been extended, in some cases, over many months or years because of ramifications and personal arrangements and concerns that individuals have. You might have to revisit, on an individual basis, some of the parties many times in order to resolve the issues.

**CHAIR** - Was it always a high priority scheme or did it have to take a back seat from time to time as other issues arose?

**Mr LLEWELLYN** - No, we had a permanent workforce on the program. I suppose I could try to handball it a bit by saying it was not this Government's scheme initially. It came from the previous government. I took responsibility of it in 1998, so we did not set the actual deadline. I am probably responsible for extending the deadline, with some of my other counterparts over the period between 2002 and 2006 when I was Minister for Health. But now I am back again.

**Mr ROCKLIFF** - My understanding is that the project will end up being revenue positive.

**Mr LLEWELLYN** - Slightly, by the looks of things, yes.

**Mr ROCKLIFF** - With respect to 'slightly' or whatever the case may be, where will that revenue be allocated?

**Mr LLEWELLYN** - In the Crown Land Accumulation Fund, a fund that has always been there in Treasury for dealing with acquisitions and disposals of crown land.

**Mr GODFREY** - All the costs and all the revenue go into the Crown Land Accumulation Fund, which sits within the minister's portfolio but is actually administered by Treasury. So this project has been completely funded out of that money. It has not been an impost on the Consolidated Fund allocation or anything like that. There has been a set amount for projects work. There has not been an issue about funding. Any profit that comes out, taking away the costs, stays in that accumulation - for the needs of government generally.

**Mr LLEWELLYN** - I have a little bit more accurate an assessment. Prior to 1998 there were two people involved in the scheme. That was for the one year it was in operation. From 1998-2001 it was five; 2001-06, ten; and 2006-07 back down to five again.

**CHAIR** - Because the government did not have to meet any of the costs of the delay, did that cause any lapse of time in having the matter dealt with? In other words, if the government had to pay for the administrative costs after 1999, let us say, that may have quickened the whole process up.

**Mr GODFREY** - I think you need to understand the way in which this was undertaken. There are basically two phases to the project: the determinations of which shacks were to be retained and sold, and then removing of the infrastructure and putting in the necessary works - road works, sewerage works, water reticulation - for us to get certificates from councils to enable the titles to be issued so we could sell them.

The issue about the length of the delay is that we had great problems with engaging contractors at the time. Going back a few years there was a lot of work being undertaken across government so that our ability to attract contractors to do that type of work was very restricted. If we were not putting contracts out in excess of a million or more dollars then the big contractors were not necessarily interested. So we had to come up with innovative ways in which to get that work. One of those I can think of was the Central Highlands, where we actually pooled the resources of the locals and got some smaller contractors in; we divided that work up rather than having one big contractor.

I do not believe that the delays can be attributed to the fact that we would have saved on the administrative costs by delaying things. As a matter of fact our administrative costs, in terms of trying to find solutions to meet council needs and also solutions by which we can get people to do the work, meant that we spent more time on that project, so actually the administrative costs borne by the government increased rather than decreased.

**Mr LLEWELLYN** - Stephen was talking about the Central Highlands. We went out and got engineering advice about how to deal with the various shack sites from the point of view

of access, sewerage and power. We were at the time faced with a very expensive proposition that was being put forward - almost a gold-plated solution to the exercise. Of course to impose that sort of solution onto the shack owners would have been very costly to individual shack owners. We sought the advice from the shack owners themselves. We went back and looked at how we could actually do things in a more cost effective way. We had to get more work done and that was more costly as far as administration and those sort of things were concerned. We ended up with a scheme that was about half the cost - it might have even been better than that - than the original proposal, and still meeting the criteria. In every area we tried to minimise the costs to people.

I think the only thing that could be observed - and certainly it is a comment that is coming from some shack owners - is that those people involved very late in the program, because we have only just got to them, are finding that the cost of acquiring the property is much more than what it was at the beginning of the scheme because the cost of those assets have changed over that period. We have had a boom in property prices and we have the Valuer-General involved. Even though that has occurred, the relative price early in the scheme - 1999 or 2000 - is still the same relative price as what it is now. The value that the people get out of their shacks is still on that relative scale. The assets are worth that amount of money or more money than they would have been back in the earlier times.

**CHAIR** - And even more so for the people who were lucky enough to get theirs dealt with back in 1999.

**Mr LLEWELLYN** - Yes, I guess, and in a way that is a legitimate criticism. If it could have been done instantaneously everywhere, that would have been fair for everyone, but it could not and it had to be prioritised on the way through.

**Mr ROCKLIFF** - Mr Godfrey mentioned administration costs in his previous answer. My question relates to the large difference between administrative costs per shack location. I have a table in front of me with a location D south, eight shacks, administration cost per shack, \$172, which is the lowest figure, and then Nelson Bay, 14 shacks, administration cost per shack, \$7 981.

**Mr LLEWELLYN** - I think that can be explained.

**Mr ROCKLIFF** - Good, that was the question!

**Ms CHAPPLE** - There are some issues with how administration costs are attributed for these accounts. There have been three different financial systems over the ten years. In some cases administration costs have been grouped together where there was perhaps a whole-estate consultancy, say for Aboriginal Heritage assessment or something, and it will not be shown against the actual settlement. Some of the ones that you mentioned up in the Central Highlands were also grouped as Central Highlands, so it actually very hard to disaggregate them to the individual settlements. So there is some difficulty with those particular figures as where the costs are.

**Mr ROCKLIFF** - Was any particular method used to ascertain the costs, any sort of structured method?

**Ms CHAPPLE** - As to how they were attributed?

**Mr ROCKLIFF** - Yes.

**Ms CHAPPLE** - Primarily, if it was a larger contract going across the State, they were then put under the shacks sites project, as if they were individual costs against the settlement and they were put against the settlement. Theoretically it is possible to attempt to disaggregate the ones that have been put in the statewide basket but it is probably a fairly big exercise. Again, none of us were here ten years ago or five years ago doing this so this is probably the best that we are able to put the figures to.

**Mr LLEWELLYN** - The important point to note is that none of the administrative costs have been actually passed on to the clients.

**Ms CHAPPLE** - That is right, yes.

**Mr ROCKLIFF** - Irrespective of that, is there any way of gaining a breakdown of administration costs, particularly with the larger figure, the shacks that I mentioned at Nelson Bay?

**Ms CHAPPLE** - If you look at the last page of that sheet it says 'shack site project'. That is the administrative cost year by year so you can add all those up. As you can see that is something like \$7 million worth of administration costs. Those in a sense are the centralised costs, which could be for statewide consultancies plus the shack site team costs and things like that. So I think the answer is probably no in terms of how much of those would have been for Nelson Bay or anywhere else. It is fairly difficult to reconstruct that.

**Mr ROCKLIFF** - Okay.

**Ms CHAPPLE** - But for practical purposes, as the minister said, the administration costs were not passed onto the shack owners.

**Mrs SMITH** - Minister, you made some comments earlier about the fund and where the finances sit. There is a presumption that there will be some funds left over that will sit in the crown lands trust account. I was under the impression that this was to be cost neutral, so that it was not going to cost the community of Tasmania. It was going to be a cost against all shack site owners. Can you give me an estimation of how much you believe at the end of the process will be left over in the trust coffers?

**Mr LLEWELLYN** - The figures that you have in front of you at the moment are not complete, quite obviously. The total settlement cost is \$24.5 million; total settlement revenue that has been raised, \$28.6 million; and there is a net surplus balance of \$4 million.

**Mr DEAN** - So that's what you mean by 'slightly' over - \$4 million?

**Mr GODFREY** - No, sorry. What I think you need to understand is that, in all the budget papers going back over previous years, there's always been an estimate of the revenue

that would come into Government. There's an argument that the larger community ought to get some benefit out of the sale of these properties, not just simply pass them across to those shack owners at no benefit to the community. We have been estimating in the budget estimates since I have been involved, which is nearly five years ago, that about \$4 million to \$4.5 million worth of profit would be made by the Government. You will see that now, even though there is an increase in the infrastructure costs compared to the sale valuation price, that the \$4 million to \$4.5 million stayed pretty well constant during the period.

**Mr LLEWELLYN** - I might be a bit controversial in saying this but from the very beginning there was an assumption, with the previous government and as we took the matter on in 1998, that from a Treasury point of view this was going to prevail at the completion of the program. My view as a Minister was always that if we could get an outcome that was cost neutral and didn't cost the community anything, that would be even better. Some of the matters that have been put in place to try to mitigate some of the difficulties, including allowing people to have their resolution of final shack arrangements in their estate when they pass on and all those sorts of hardship issues, have come along and have brought the program more into a cost-neutral situation than would otherwise have been the case.

**Mr ROCKLIFF** - In terms of the hardship issues, how many people have applied for that?

**Mr LLEWELLYN** - We've had quite a few people apply for hardships; one or two right at the moment as well. In most cases, when we've agreed to go down the hardship path and indeed to the extent of facing them, trying to arrange for people to be able to resolve these things out of their estate when they pass on, inevitably family members have come along and said: 'Oh no, we don't think it's a real good idea; we'll provide the money to resolve the issue now rather than wait for that to happen'. So that's just a peculiarity that's happened in the process. But there have been quite a number of hardship provisions in other ways as well.

**Ms CHAPPLE** - There have been 32 applicants for hardship. Five have been successful, 15 ineligible, and at the moment the team is looking at about 12 applicants who have not enough money to even pay the Crown subsidised mortgage. We are looking at other alternatives for those people, which may be some sort of lease arrangement that takes into account their ability to pay. It is quite a small number but in a sense they have become individual cases. We look at their circumstances and see what they can manage.

**CHAIR** - Have any of them become tenancies for life, and once they pass on they go back into the hands of the government or alternatively are be pulled down - anything like that?

**Ms CHAPPLE** - No. At the moment they are all being dealt with in a fairly satisfactory manner.

**Mr LLEWELLYN** - Even with the ones I was talking about before, I suppose the system would work such that if a person is asset-rich but does not have very much capital, in fact no capital, then when they pass on that estate would have to deal with the debt that they had over the shack. They are the ones I have mentioned. A lot of families that have been involved could obviously see that is where the parents have willed the estate, so they

have taken on the responsibility ahead of the event and actually paid for the shack since they will be the benefactors, ultimately.

**CHAIR** - What happens to those, though, that cannot do that? Do they have to pay the price of the shack at the time of death?

**Mr LLEWELLYN** - They would mostly have a home of their own as well as the shack. I guess the asset would have to be liquidated and the amount of money then would come back to the estate and the balance then shared amongst the beneficiaries of the estate.

**Ms CHAPPLE** - A number of people have not been able to get the hardship mortgage to purchase their shacks but they have been offered what is called a hardship lease so that, if their circumstances change, they have a lease at an amount that they can pay while they work out what they are going to do with the shack. That is what we have looked at.

**Mr LLEWELLYN** - This is the step before the ones that I mentioned. Mine was about the ultimate matter. You try to work out a payment process that they can handle first.

**Mr DEAN** - Do the beneficiaries pay or buy the shack at the price at the time of death of the owner or is there a settlement now. Do the people now living there know what they need to pay?

**Ms CHAPPLE** - What has tended to happen is that someone in the family, or someone else, buys the shack and they transfer it at the same time, so it is not necessarily on death.

**Mr DEAN** - So if somebody has one and is unable to pay for it but they meet the hardship requirements, where is the cost of the shack? Is it at the time of death of that person?

**Ms CHAPPLE** - They repay as a mortgage if they have the ability to pay. It is like a bank loan.

**Mr LLEWELLYN** - If they meet those requirements, the actual cost to them of taking over the site and the shack would be accounted for and an agreement signed in regard to that. Then they would pay as though they had bought a house in the same sort of way.

**Mr DEAN** - At today's prices at the time of death.

**Mr LLEWELLYN** - Yes. We have not actually been to that position. That was the point I was making before about someone in a situation where the actual money is going to come out of an estate; no-one has actually got to that point. We have approached it a number of times but the families have stepped in so we have not actually had to go to that final step.

**CHAIR** - I suppose the real question is - where does the cost of the shack commence? Does it commence at the date you come and speak with those people? If they cannot afford to pay it straightaway does it still remain that price or, alternatively, at the time they are able to pay - which could be ten years further on? It would seem to me that you are saying it is the price ten years further on.

**Ms CHAPPLE** - It is the price at the time. They then take out a mortgage at that price.

**CHAIR** - But the people who cannot afford to do that -

**Ms CHAPPLE** - They are mostly now going onto leases.

**CHAIR** - That does not give them ownership of the property.

**Ms CHAPPLE** - No.

**CHAIR** - It just gives them the ability to use it.

**Ms CHAPPLE** - That is right, until such time as they may want to sell it themselves to a third party, in which case they could buy and transfer it at the same time.

**CHAIR** - But they cannot with the lease because the property by law is not theirs; it is the government's if they are only leasing it.

**Ms CHAPPLE** - Correct. The lease would cease. They have the option of going back to sale.

**CHAIR** - They have the option of transferring the lease to another person.

**Mr LLEWELLYN** - We've looked at every way that we can help these people.

**CHAIR** - So the person who can't afford it is able to lease it. That person still hasn't got ownership of that property, just the right of the lease for whatever period of time. If that person can't continue to pay the lease or doesn't wish to continue it he or she can transfer the lease to another party.

**Ms CHAPPLE** - Correct.

**CHAIR** - And that other party then can continue with the lease at the same price or alternatively can purchase -

**Mr LLEWELLYN** - Yes, not lease, they can purchase the property. The value of the property would increase to that point in time, of course, and not remain as it was.

**Ms CHAPPLE** - That is only a very small number.

**CHAIR** - How many are we talking about?

**Ms CHAPPLE** - About 10 - out of 1 400 all up.

**CHAIR** - Do you believe there are going to be any profits, and if there are going to be profits where are they going?

**Mr LLEWELLYN** - We've already answered that. They go back into -

**CHAIR** - Consolidated revenue?



**Mr LLEWELLYN** - No, the Crown Lands Accumulation Fund.

**Mr ROCKLIFF** - I have a table in front of me with respect to revenue achieved from each shack. Again, they vary quite a bit, but there are two locations, Eggs and Bacon Bay and Rocky Cape, that have no settlement revenue allocated to them. Is that because they haven't been finalised yet?

**Ms CHAPPLE** - Yes. For Eggs and Bacon Bay, the infrastructure is just being put in at the moment. There are contractors doing road works and so on, so the offers will go out in the next few months. We'd expect the revenue to come in during this 2007-08 year.

**Mr ROCKLIFF** - Any indication on the revenue?

**Ms CHAPPLE** - I don't have it in front of me.

**Mr ROCKLIFF** - Any estimation of what it might be at this stage?

**Ms CHAPPLE** - We probably do, but I don't have it in front of me. It would be only nine shacks.

**Mr ROCKLIFF** - Yes, 36 at Rocky Cape and nine at Eggs and Bacon Bay. What about Rocky Cape?

**Mr LLEWELLYN** - We are still involved in trying to resolve the waste water issue at Rocky Cape. That's been protracted. I think we're fairly close now. I think I might have to have a trip to Circular Head Council and have a talk to them about the option there because if we can't find a way through the council question then it's going to be difficult.

**Mr ROCKLIFF** - So the council is the main obstacle there, not the shack owners themselves?

**Mr LLEWELLYN** - Yes, council enabling us to go ahead with proposals that we have.

**Mr ROCKLIFF** - I accept the fact that the you haven't got the figures right now for the estimated revenue, but I would have thought that for budgetary purposes you may well have estimated the revenue.

**Ms CHAPPLE** - We do. I do have the figure for Eggs and Bacon, though again it's preliminary. The infrastructure costs are about \$800 000 and we expect to get about the same amount in revenue. Rocky Cape I don't have because we don't have a finalised waste water solution yet. It depends on how expensive that may be.

**Mr LLEWELLYN** - We're proceeding at the moment with something we can achieve an outcome from. If we can't achieve that outcome there are a couple of other possibilities that we can look at.

**Mr ROCKLIFF** - The fact that the infrastructure costs haven't been settled yet should not necessarily bear on the revenue per shack, should they?

**Mr LLEWELLYN** - They will because it depends on how costly the actual waste water proposal is.

**Ms CHAPPLE** - For a settlement that has, say, a reticulated sewerage system in it, the shacks are worth more than if you had a composting toilet. So the nature of the technical solution does impact on the price. At this stage we are still going through a lot of options with the council.

**Mrs SMITH** - You would have a price on the actual valuation of the land at rocky Cape, and a projected cost for administration, and the infrastructure costs will be added to that to get the final price. So my question is - have you valued the price of the land?

**Mr LLEWELLYN** - There is a special valuation policy that we have adopted. Again, it is beneficial to these people in this process.

**Ms CHAPPLE** - We have had valuations done based on a particular type of waste water system but we have not got anything for the ones we are looking at now.

**Mrs SMITH** - Minister, I think you were talking about the Central Highlands area and a Rolls-Royce type of project that was too expensive. Are the engineering consultants you used putting up those Rolls-Royce projects?

**Mr LLEWELLYN** - Yes.

**Mrs SMITH** - On what basis do you hire these engineering consultants? The Rolls-Royce version has been a waste of time and cost if you then, quite rightly, say it is unaffordable. Did you have a contracted permanent arrangement with an engineering consultant or a rolling price?

**Mr LLEWELLYN** - It varied.

**Mr GODFREY** - We have engaged an overall engineer firm, a consultancy, to do assessments and QAs on the prices of the options that come forward or the preferred system. I think what we need to clearly understand is that when developing these systems we need to take on board the requirements of local government. Any proposals being put forward would normally be ticked off and agreed to with local government. That is where some of the issues come up about Rolls-Royce projects. Councils, in some instances, may have over-specified on the side of caution in that they will have to take on the responsibilities into the future. Our QA engineer has gone through their costings and, after argy-bargy, come up with preferred options which everyone is agreeable to. At the end of the day if local government do not agree to take over these services and systems then they will not give us a certificate to issue the title and we cannot sell. Depending on the area, there may be a different engineer who designs up the system but we have a QA engineer firm that is consistent across the whole of Australia.

**Mr LLEWELLYN** - The case that I outlined was at the very beginning of that process. As we have moved along we have gotten smarter in the way we have approached the issue.

**Mrs SMITH** - Can you give us an estimation of what the engineering consultancy costs will be by the end of the project? Is there a projected figure?

**Mr LLEWELLYN** - They are, I suppose, in table 7.

**Ms CHAPPLE** - They are included under shack sites project costs but I do not have a separate figure for the particular consultancy. There have been a number of major consultancies. In the assessment phase, for example, there was a major consultancy as well. We could come back to you with that. We just have to go back and look at what they charged and what our averages are.

**Mr LLEWELLYN** - The companies involved are companies like Pitt and Sherry.

**Mrs SMITH** - Because they are reputable companies I find the comments surprising. You would have thought they would be well aware of standard requirements in the local area before they start the process. It then ends up being a Rolls-Royce system that you quite clearly have said -

**Mr LLEWELLYN** - Maybe Rolls Royce is the wrong word to use. In essence they were providing solutions that would be the normal solution for a subdivision, when you could do it within regulation but in a different way that was more cost effective. I had a couple of issues with a couple of the people involved.

**Mrs SMITH** - One submission talked about Surveyors Bay and a waste treatment plant down there that was in dispute between the government and the Huon Valley Council. If you have a quality auditing process how did it get to a situation where the department cannot transfer it to the council because the council are saying it is not operational or not working properly or whatever. What happened there?

**Ms CHAPPLE** - I cannot give you blow by blow but I do know that council has now taken over that system.

**Mrs SMITH** - Did the people who built it under tender have to correct something or was it an engineering issue? Where was the error in this process.

**Ms CHAPPLE** - I cannot answer that specifically. There were some problems with the system as there are with many of these systems because we are trying to retro-fit onto an existing settlement rather than starting with a new subdivision, so there are often problems. There were problems with the smell.

**Mr GODFREY** - We liaised very closely with local government on that particular issue. We designed a system which everyone agreed would meet the purpose for the shack owners, the council and the environment. Unfortunately no-one took into consideration the potential for that system and the owners of that system, so it was something that has come out of, if you like, left field, which neither us nor the council had envisaged. We have now been working with the council to try and rectify that to the extent they are going to take it over now.

**Ms CHAPPLE** - They have taken it over and all of those shacks have been sold.

**Mr GODFREY** - It was just one of those things that came out of building one of those systems.

**CHAIR** - When this process started the ideal thing would have been to sit down with all the appropriate people, councils and governmental people who were going to deal with it and say, 'What are the problems we are going to face? Do you think there are going to be any problems?', in an endeavour to sort those problems out back in 1999. The view seems to have been, 'Let us cope with the problem when it arises', as opposed to what occurred back in 1999. Is that right or not?

**Mr LLEWELLYN** - No; I think what you are suggesting actually did happen, but all the best plans -

**CHAIR** - So that did happen and I can understand that it should have happened so there have obviously been delays by councils. Are you able to estimate time delays as a result of issues with councils?

**Mr LLEWELLYN** - You could say that the whole system itself had these unfortunate delays all the way. We tried to do the best thing by the clients as well. In most of these areas there were 10 or 30 clients so you had to get agreement from people who were leasing the land as much as possible because ultimately it came out of their pockets. In order to do that you had to deal with people on an individual basis and then you had to factor in the concerns of council in that whole process. Councils meet once a month or whatever.

**Mr DEAN** - Once a fortnight.

**Mr LLEWELLYN** - Once a fortnight in the case of Launceston.

**CHAIR** - That is what I am getting at. Surely that could be factored in at the start when the whole process was being looked at.

**Mr LLEWELLYN** - Yes, I think it was grossly optimistic to say it was only going to take two or three years.

**Mr GODFREY** - When I first took over this project it was in the second phase, which was infrastructure, and I was told I had the easy job. Well I can assure you it has not been the easy job. I think I would rather have been on the determination side of the fence if I had a choice.

Getting back to Surveyors Bay, what we have to realise is that we come up with an engineering solution in conjunction with the best engineering advice we can get, along with the council's advice. A lot of these small shack site areas are very small in number and of intermittent use. Therefore the problem is not enough stuff going through the systems and that is one of the issues that we have had to try to deal with in the designs. You can come up with all those scenarios and try to cover them up but until you actually put it into production or turn it on you do not really know what the outcome is going to be. You can predict the amount of flow that is likely to go through it, but if that flow does not go through it then these issues arise.

**Mr LLEWELLYN** - I suppose, in a way, you could put some of the responsibility back onto me over that particular issue. If I had not set in place a policy that we wanted to try to convert as many of these shacks to private ownership as we possibly could, and bent over

backwards to do that, it would have been much easier for the department to say, 'Look, you 30 people here, you can't convert your shacks from lease to ownership because there are too many imponderables and therefore you're going to have to remove your shack'. If we had done that all the way around the place, we would have ended up with maybe 800 shacks out of the 1 400, or 600 shacks out of the 1 400, and the process would have been finished, but it would have been a very painful process.

**CHAIR** - Do not get me wrong, I am not trying to point the blame at anybody. I am trying to understand the delay.

**Mr LLEWELLYN** - I hope that answer helped because the delay is our trying to accommodate people as much as anything else.

**Mrs SMITH** - The information as at 30 April had 79 shacks yet to be offered for sale. Have most of the determinations been completed?

**Ms CHAPPLE** - All of the determinations are completed. The main areas are Eggs and Bacon Bay, where the infrastructure is being put in at the moment; Ansons Bay, where there are some very tricky issues on 16 sites in getting permits under the Aboriginal Relics Act - a number of different consultancies have gone in there to try to find a solution and we are still working on that; and Rocky Cape. There are a couple of other one-offs but that is basically it.

**Mrs SMITH** - When is the expected time line that those sites will be offered for sale?

**Ms CHAPPLE** - Eggs and Bacon Bay within the next couple of months. Rocky Cape depends on the outcome of the discussions with the council. At Ansons Bay we are hopeful but I would not want to commit until we have gone back through the Aboriginal permits process, which we are due to do over the next couple of weeks. We hope that they would all be offered during the 2007-08 year - offered and sold.

**Mrs SMITH** - Our research showed that the completion date for conversion was last extended to 30 June 2005. Can you please explain why we are not illegal in these last processes?

**Ms CHAPPLE** - I cannot, but we are not.

*Laughter.*

**Mrs SMITH** - It is important that somebody explains why we still have some but are within the bounds of the legislative framework.

**Ms CHAPPLE** - I know that we are definitely not illegal. The conversion period was to get the determinations finalised and they were all done by that date.

**Mrs SMITH** - Okay, so the determinations are the conversion factor?

**Ms CHAPPLE** - That is correct, yes.

**Mrs SMITH** - So that is an error on the part of parliamentarians, isn't it, that we make a presumption that because that is the date then that is the end of the process.

**Ms CHAPPLE** - Everything had to be done by then, yes.

**Mrs SMITH** - Minister, we can't avoid the issue of the Central Highlands process. The issue is that the Central Highlands Council tendered to complete the works up there and the State Government transferred an amount of money for that provision. They then re-tendered and that process fell over with a significant amount of infrastructure failure, non-completions, and non-starts in some instances. Where is that now in the process of the shack sites considerations? People have paid their money with an expectation of certain outcomes that evidently have not been achieved.

**Mr LLEWELLYN** - We've worked with the Central Highlands Council. We've said to the council they have to fulfil their part of the bargain. We have provided the money and the council has accepted that that's the case and are fairly embarrassed about what has happened in regard to the contract that was there. They have put into place contingency arrangements which by and large divide the project up into smaller chunks.

**Mrs SMITH** - That's what got them into trouble in the first place.

**Mr LLEWELLYN** - No, smaller bits so they can actually accommodate the process within their own internal arrangements. Therefore their workforce is able to put more effort into dealing with the issue from a council point of view than otherwise would be the case had it been tendered externally. My last discussion with them was that they are on track to actually complete the process within their own internal arrangements.

**Mrs SMITH** - How far has that extended the time line for the people who paid for their properties up there with an expectation of completion of infrastructure? There are many members, undoubtedly, who get phone calls every time it rains - which is not very often - saying their front door is flooded because they haven't fixed this problem. Have we got time lines that people up there can now be aware that there is an end?

**Ms CHAPPLE** - The Council has given us a revised schedule with dates for settlement and for the work program. My understanding is that's been made available by council to the shack owners in the area.

**Mrs SMITH** - So, how far did it push it out from the original?

**Ms CHAPPLE** - It has pushed it out to the end of 2008 to finalise everything.

**Mrs SMITH** - What was the original expectation when the money was transferred to the Central Highlands Council for them to complete that contract?

**Mr GODFREY** - Three years.

**Mrs SMITH** - From what date?

**Ms CHAPPLE** - I'd say it was 2006. We can check the date and get back to you on that.

**Mrs SMITH** - Could somebody come back with the actual date of contracts with the Central Highlands Council?

**Ms CHAPPLE** - Yes.

**Mr GODFREY** - The arrangement we went into with the Central Highlands Council was on the basis that there was an amount of road works to be completed and funds were allocated to that. The option for us was to let those tenders out, as we have normally done for everyone else. The Council asked if they could undertake that work either within their own works crews or by sub-contracting. We came to an agreement as to the standards, time frames and the dollars involved in that, then internally they contracted those works out. So, they didn't go through a tendering process to get to it; it was a partnership arranged between the State Government and the Council to do it that way at their request.

**Mrs SMITH** - So, at the time of your arrangement with them they clearly had two options: to do it themselves or to go out to tender internally within their own system.

**Mr GODFREY** - Correct.

**Mrs SMITH** - And they chose the latter in the first instance.

**Mr GODFREY** - They chose to go that way, yes. Our requirements were that they had a schedule of works to do and a time frame to do it in.

**Mr LLEWELLYN** - To answer your question specifically, it is probably in excess of two years that it has extended the program.

**Mrs SMITH** - As the history of shack sites started to unravel there were some propositions put by potential shack owners of their paying for the valuation, the price of the land, and then paying the infrastructure component at the completion of the infrastructure. Was that considered by the department before the decision was made? Was that an option for people purchasing their land?

**Mr LLEWELLYN** - I can not recall the issue being divided in that way. I think the Valuer-General, in arriving at a formula for dealing with this, took all those matters into consideration. We certainly did not opt in that direction anyway.

**Mr GODFREY** - Basically the Valuer-General's policy on this was that he would value the land as if the services had been installed and from that was deducted the cost of putting in the infrastructure. That also came into consideration whether we did it or whether they did some of the works themselves. You have to remember that a lot of the people, particularly with septic tanks, did a lot of that infrastructure work themselves so all they paid for was the land component.

**Mr LLEWELLYN** - Which, again, was beneficial for the individuals concerned. That was the policy direction that we had and still have.

**CHAIR** - At the start of the process there would have been an estimated figure that the infrastructure would have cost the Government. I wonder if there was, what was it and what is it now?

**Ms CHAPPLE** - I am not aware that there was a figure at the beginning.

**Mr GODFREY** - There was no doubt that we gave some indication to Treasury as to what the administrative costs have been in setting up the shack site project, engaging the staff to do that, but we went back to Treasury each year with a revised budget based on the designs of the systems as they came on board. We knew, for example, we were going to put a certain system in that settlement and something else over there, so we gave an indication in those financial years of what those estimated costs would be as against the number of sales we would have done. If you go back through the budget process you will see there are many years where it was total expenditure.

So to answer your question, no, we would not have known back then exactly what the infrastructure was and what the increases would have been because we did it on the basis of the infrastructure as it was determined and costed.

**Mr LLEWELLYN** - Yes, but the general policy was that it was not going to actually cost the State, and it would be at a reasonable cost to those people who were actually purchasing the shacks. That was the general policy. I suppose if Treasury had thought it was going to be negative from the point of view of costs on Consolidated Revenue or through the Crown Land Accumulation Fund, they may have balked at the decision that was made back in 1997. But they did not and the current Government took it on that basis when I became minister in 1998.

**CHAIR** - It is always easy to say in hindsight what should or should not have been done, but what can we say, as a State or a government, that we have learnt from the process? What would we do differently now if the process arose again?

**Mr LLEWELLYN** - I do not know. I could offer some encouraging words for you to put in the report about how we worked diligently and cost-effectively on the project and all those sort of things, but I do not think that is what you are asking the question about. How could we do it differently? When we started the process we were a little unsure in some respects. We have honed the process down to a pretty fine art. The process we have been operating on now for the last few years is as effective a way of dealing with it as we possibly could have.

**Mr GODFREY** - I think it is typical of any major project that is done on a term basis within government. You get a group of people together, you have a team, and they were employed for three years or whatever on that particular project. Then it gets close to that time where people start looking for other work, so any project of this nature has a turnover in staff. We have been lucky in that we have been able to keep a percentage of the staff from whoa to go but there have been changes in the project team as you go through the course. I do not know how you get around that but that is just a classic example of what happens in the majority of the larger projects that the government will be undertaking.

I think we have taken some risks in terms of some of the things we have done. We have on occasions gone out with what we thought councils would have been happy with in terms of systems designs and so forth. We have gone out to tender and got those in place so that the contractor is ready to go when you get the approvals, only to find we had to go through some more hurdles to get there. That has slowed the process down because we



have to go back through the tender process. I am not too sure how you get around any of that stuff in a situation like this because the only other way to do it would have been to set all those things in place and go out with a program of works from whoa to go. That would have delayed probably more than the way we have done it. It certainly would have cost more.

**Mr LLEWELLYN** - And you would not have got the outcomes if you are looking at that imperative of trying to transfer the greatest number of people to ownership.

**Mr GODFREY** - I am not saying it is the best way to go but I am not saying it is the worst way to go. I am not too sure how else we could have done it.

**Mrs SMITH** - Has the main problem been environmental issues in the whole shack sites process of getting land valued and getting infrastructure in? These are very sensitive areas.

**Mr LLEWELLYN** - I do not think it is a single issue, no. A lot of the issues related to costs and issues that were of a personal nature for individual shack owners. We had some fairly clear guidelines and parameters about what was expected for access and sewerage and infrastructure, so they were fairly well known. There were quite a few Aboriginal heritage issues, which were specific, and the issues with a couple of the remaining ones at Rocky Cape and Ansons Bay could fall into the environmental category.

**Ms CHAPPLE** - A lot of it is because you have shacks that people have higgledy piggedly popped down somewhere, so often they are very small sites and very close together. All of that complicates finding waste water and other solutions. You are not starting with a clean slate and designing a settlement; you are trying to make the best of what is there. That is certainly a big factor in waste water, for example.

**CHAIR** - What about shack site owners? If you were doing, let us say, the Adventure Bay proposal, if one of the shack site owners did not agree with you and the other six did, did that cause a delay? Did you have to solve the problem for the whole seven before you could proceed with the development?

**Mr LLEWELLYN** - Yes and that is the sort of thing I was talking about - the personal issues. They were some of the reasons for the delay. That was added to by the fact we have had this boom in real estate prices, which has confused the issue, of course, and people have used that to argue their own specific issues. As I said at the beginning, it is all very relative because before the boom there was a certain relative price for the shack and after the boom both the acquisition price and the value of the asset have risen. However, people are still saying, 'Well, if we had been in the first tranche we would have benefited more than being at the end of the line'. It is just an unfortunate situation that developed.

**CHAIR** - The only way to cope with that was to have the Valuer-General deal with all the shack sites at the one time, put a value on them and use that as the value, even though the block of land was not purchased until five or six years later. That was the only other way you could have dealt with it.

**Mr LLEWELLYN** - Yes, and it would be very difficult to do that because each site had to be adjusted differently as far as infrastructure was concerned and you certainly could not factor that in. You could have had them all in abeyance and everyone would have been dissatisfied with the boom.

**CHAIR** - It is a fairly important question, so that would be the answer to that suggestion. If we did it that way there would have been a problem because we did not know what the infrastructure costs were going to be. Therefore the Valuer-General would have had to estimate the cost of that in accordance with best advice, and that best advice would have had the high end of the scale as opposed to the lower end of the scale.

**Mr LLEWELLYN** - Yes, probably that is right.

**CHAIR** - Would that be your answer to that?

**Mr LLEWELLYN** - Yes.

**Mr GODFREY** - I think you are right. There is no doubt that during the period of the property boom you could not get contractors. The price that we estimated from our QA engineers of what it would cost do some of the works compared to what we had to pay through a tendering process was dramatically higher in a number of instances. We just could not get some of these contractors, so the cost went up. If we had done it the way you are suggesting the government would have got  $x$  amount of value for the land but the infrastructure would have blown out.

To answer your other question about one person not agreeing in a settlement, what we did was go through a consultative process. We have gone with the majority, so if six of the seven agree we would have told the seventh that this is the way we are going, you make the option of whether you want to buy or not. So, no, we did not hold the whole lot up for just one person.

**CHAIR** - I thank you minister for coming along and your advisers.

**THE WITNESSES WITHDREW.**