



# Premier & Cabinet

Mr Paul Gibson MP  
Chair  
Public Accounts Committee  
Legislative Assembly  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000



22 OCT 2010

Dear Mr Gibson

I refer to your letter of 1 September 2010 (Ref: PAC329) regarding Government investment in the V8 Supercar races at Sydney Olympic Park. I note your advice that the Public Accounts Committee is examining the Auditor-General's report and wishes to know how the Department of Premier and Cabinet (DPC) is responding to each of the report's recommendations.

While DPC takes a whole-of-government perspective on events, especially through the work of its Community Engagement and Events Division, it had only a minimal involvement in the audit and the event, the latter being coordinated by the Homebush Motor Racing Authority in the Department of Industry & Investment. DPC administers a policy in relation to agency user charges for events, which, as the report noted, is currently being reviewed. I have advised the Auditor General that the review will be completed by 30 June 2011, and that he will be updated when it has concluded.

I note that the Committee has also written to Industry & Investment and to Events NSW, who have responded separately to the Committee.

Yours sincerely

Brendan O'Reilly  
**Director General**

FACSIMILE



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To: <i>MOHINI</i>	From: <i>DONAL O'SHEA</i>
Position:	Position:
Division/Unit:	Division/Unit:
Company name:	Date:
Company fax:	
Subject:	

Urgent     Confidential     Please reply     Original to be mailed

*attached as discussed*

*are the ① letter to the Chair of the Public Accounts Committee.*

*② a table outlining the status of our implementation of the Audit Recommendations*

*Kind regards Donal O'Shea*

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Mr Paul Gibson MP  
Chair of the Public Accounts Committee  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW 2000

MIN10/3314

24 OCT 2010

Dear Mr Gibson

**Land and Property Management Authority's submission to Performance Audit 191 -  
'Administering Domestic Waterfront Tenancies'.**

I am pleased to report that the Land and Property Management Authority (LPMA) has actively implemented the recommendations of the audit report. Many of the changes have been well received by licence holders. LPMA has had great success in making the payment of rent easier with 93% of licence holders choosing to make quarterly payments as from 1 April 2010.

Improvements have been made to information available to licence holders. Website content has been updated and key variables in the formula are now available on the website. In November 2009 a new policy document and plain English licence document were also made available. A Memorandum of Understanding with Maritime NSW was developed to enhance coordination between the agencies in managing the domestic waterfront portfolio. The attached submission details LPMA's response and actions taken to implement the recommendations contained in the Performance Audit.

In addressing the recommendation that LPMA review the Rate of Return (RoR), LPMA engaged KPMG to provide expert advice on how to develop a methodology to determine the RoR. This expert advice was considered essential to address the recommendation since the IPART report did not provide instruction on how or when to update the RoR. Over 100 public submissions were received and face-to-face consultations were conducted with key stakeholders by KPMG.

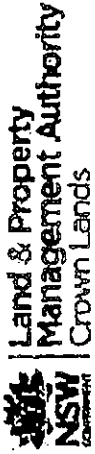
The KPMG review made a series of recommendations including IPART undertaking a comprehensive review of the general formula in 2012. The analysis within the review proposed options to set the RoR at 2.74% or 3.58%. The current rate RoR is set at 3.05%. Given that some areas of the general formula are not explicitly defined and open to interpretation the recommendations have not been acted upon. At the conclusion of this period of research and report, LPMA's position was that it was appropriate for IPART to reconsider the matter in the interests of maintaining an appropriate and sustainable methodology for determining rentals. This matter is now under consideration by Government.

I trust this information has been of assistance. Should you require further details regarding the submission LPMA's Mr Donal O'Shea, Senior Manager Business Improvement, is available to assist you and can be contacted on telephone 49205078 or by email: [Donal.O'Shea@lpma.nsw.gov.au](mailto:Donal.O'Shea@lpma.nsw.gov.au).

Yours faithfully

  
Tony Kelly MLC  
Minister for Lands

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LPGA SUBMISSION TO THE PUBLIC ACCOUNTS COMMITTEE  
 PERFORMANCE AUDIT NO 191 'ADMINISTERING DOMESTIC WATERFRONT TENANCIES'

Implementation of recommendations

Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
<p>The Land and Property Management Authority should improve customer service by:</p> <ul style="list-style-type: none"> <li>1. Strengthening collaboration (with Maritime NSW) by agreeing on a joint approach to limit, control and reduce differences in their practices. A memorandum of understanding will ensure that:                             <ul style="list-style-type: none"> <li>• reviews of practices are conducted jointly and on an agreed cycle (page 48)</li> <li>• differences in the introduction of revised practices are minimised (page 42)</li> <li>• phasing in practices are standardised and differences in rents are minimised (pages 23 and 25).</li> </ul> </li> </ul> <p>These arrangements should be in place by December 2009 (page 30).</p>	<p>Accepted</p>	<p>MOU entered into with Maritime NSW</p> <p>A Memorandum of Understanding (MOU) was signed by CEO LPGA and CEO Maritime NSW in February 2010. The MOU is available at Attachment A (DOC10/02825).</p> <p>Meetings were agreed to be established on a 6 monthly cycle or as the need arises. The first meeting between departmental staff was held in April 2010.</p> <p>Consistent approaches to issues were agreed and policies and guidelines were shared.</p> <p>Both agencies committed to supporting the IPART review into the Rate of Return.</p>	<p>Dec 2009</p>	<p>100% complete</p>	<p>Paul Robinson</p>

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Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
<p>2. Further improving communication with tenants by:</p> <ul style="list-style-type: none"> <li>addressing tenants' issues in a more open and timely manner, including implementing processes to prioritise them and advise tenants of progress (pages 39 and 46)</li> <li>making policies and decisions transparent, especially with rental invoices, to compensate for the limited rights of appeal (page 31).</li> </ul>	<p>Accepted</p>	<p><b>Improved communication</b>                      LPMA is committed to improving communication and addressing issues faced by tenants.                      Rent redetermination notices                      Notice of Redetermination of Rent sent to tenants outlining their ability to object to rent redeterminations and provide a 28-day objection period. LPMA service standard is now that objections to rent are responded to within 21 days of receipt.                      In conjunction with Land Board, a process has been implemented to communicate to licence holders that during their appeal, the licence holder is required to pay their rent and penalties may apply if the licence holder fails to make payment.                      From December 2009 to 1 September 2010, 148 objections to rent redetermination have been received, prioritised and responded to by LPMA. Refer to item 4 for information on improvements to the Complaints Handling system.                      Publication of policies and information online                      A range of information has been published online making decision making more transparent. Refer to item 7 for further details.</p>	<p>Not stated</p>	<p>100% complete</p>	<p>Donal O'Shea</p>

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Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
<p>3. Extending and promoting the option of paying rent in instalments to all tenants by June 2010 (page 38).</p>	<p>Accepted</p>	<p><b>Communication to licence holders about quarterly payments option</b></p> <p>On 9 November 2009 the Authority wrote to all licence holders outlining the introduction of quarterly payments as the default payment option, with the ability to opt out to annual payments. This letter also invited licence holders to consider making a submission to the rate of return review (sample of letter at Attachment 8).</p> <p>The Authority introduced quarterly payments for DWF licence holders for accounts due and payable from 1 April 2010.</p> <p><b>Results from implementing quarterly payment option</b></p> <p>There was a positive response to quarterly payments with 6,383 (93%) DWF licence holders now on quarterly payments. Some licence holders preferred annual payments, with 495(7%) electing to remain on annual payments.</p> <p><b>New licences</b></p> <p>New licences created default to quarterly payments unless licence holder elects other payment frequency.</p> <p><b>Hardship provisions</b></p> <p>Hardship provisions are available to those in financial difficulty by offering a range of payment options in addition to quarterly payments, and waivers if appropriate.</p>	<p>June 2010</p>	<p>100% complete, communication to licence holders in November 2009, implementation 1 April 2010.</p>	<p>Donal O'Shea</p>

Recommendations	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
<p>4. Introducing a systematic approach to recording and managing inquiries and complaints on domestic waterfront tenancies to ensure responses are appropriate and timely by December 2010 (page 45).</p>	<p>Accepted</p>	<p><b>Changes to complaints handling system</b></p> <p>In December 2009, new categories were included in LPMIA's corporate Complaints Handling System to record objections against IPART formula to calculate rent (from 1 Jan 2009 to present)</p> <p>All complaints about DWF in general are recorded in Complaints Handling System in an ongoing basis.</p> <p><b>Number of complaints from 1 Jan 2009</b></p> <p>From 1 Jan 2009, 148 (2.15%) of all DWF licence holders have objected to their rent redetermination.</p> <p>Ongoing focus</p> <p>Staff have been advised of the new categories in the Complaints Handling System and is an ongoing focus for staff to ensure objections and complaints are recorded, prioritised and managed in a fair and systematic way.</p>	<p>December 2010</p>	<p>100% complete December 2009 Ongoing data entry as issues arise</p>	<p>Donal O'Shea</p>



Recommendation	Accepted or Rejected	Issues to be taken	Due Date	Status/Comment	Responsibility
<p>5. Jointly reviewing the net rate of return in an open and consultative manner by December 2009. The review should include assessment of the net rate of return from a location and time specific perspective, similar to the approach taken for assessing the statutory land value of precincts (pages 23 and 48)</p>	<p>Accepted</p>	<p>LPMA engaged external experts to conduct review                      LPMA engaged KPMG in October 2009 to provide expert advice on how to develop a methodology to determine the rate of return.                      This expert advice was considered essential to addressing the recommendation as the IPART report did not provide any instruction on how or when to update the RoR. Over 100 public submissions were received and face-to-face consultations were conducted with key stakeholders by KPMG.                      Among other options, the review did include an assessment of the net rate of return from a location and time specific perspective.                      LPMA received the final report and recommendations from KPMG in February 2010. The KPMG review made a series of recommendations including IPART undertaking a comprehensive review of the general formula in 2012.                      The analysis within the review proposed options to set the rate of return at 2.74% or 3.58%. The current rate of return is set at 3.05%. Given that some areas of the general formula are not explicitly defined and open to interpretation the recommendations have not been acted upon.                      LPMA's position on receiving the report was that it was appropriate for IPART to reconsider the matter in the interests of maintaining an appropriate and sustainable methodology for determining rentals. This matter is now under consideration by Government.</p>	<p>December 2010</p>	<p>Review 100% complete, implementation under consideration by Government.</p>	<p>Paul Robinson</p>



Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
6. (relates to the Maritime NSW)	NA	NA	NA	No action for LPMA	NA

Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status Comment	Responsibility
<p>7. In addition the Land and Property Management Authority should:</p> <ul style="list-style-type: none"> <li>ensure that the occupancy areas are included in the precinct statutory land valuation calculations, similar to Maritime by December 2009 (page 22)</li> <li>include on their website all policies on domestic waterfront tenancies and specifically information on the calculation of rent rate per precinct, similar to Maritime, by December 2009 (page 31).</li> </ul>	<p>Accepted</p>	<p>Individual occupancy areas are shown on Notice of Redevelopment of Rent for each tenure holder.</p> <p>Publication of information on online</p> <ul style="list-style-type: none"> <li>IPART formula components explained online.</li> <li>15 waterways precinct maps showing 54 macro precincts and text descriptions. (see Attachment C).</li> <li>Similar to Maritime PSLV, occupancy areas and waterfront rates (\$/m<sup>2</sup>) published. All figures are updated in February each year in advance of 1 April commencement.</li> <li>Quarterly payments: commencing 1 April 2010.</li> <li>Sublicensing approved berthing areas: for eligible licence holders with an approved berthing area. (see Attachment D)</li> <li>Rebates and concessions: when they are applied and how to make an application. (see Attachment E)</li> <li>Information on the Rate of return review</li> <li>Domestic Waterfront Facility policy was published in late 2009 and made available on LPM's website (copy at Attachment F).</li> <li>Your standard terms and conditions' for DWF licences are now in plain English to improve communication with new licensees about their rights and responsibilities. This publication is available online and may be viewed by any prospective licensee (copy at Attachment G).</li> </ul>	<p>December 2009</p>	<p>100% complete</p>	<p>Donal O'Shea</p>

Schedule of Attachments	
Attachment A	MOU between LPMMA and Maritime NSW
Attachment B	Sample of letter sent to all DWF licence holders on 9 November 2009 outlining move to quarterly payments and invitation to consider making a submission to the rate of return review.
Attachment C	15 Maps of macro precincts administered by LPMMA and supporting web pages displaying IPAKT rent formula.
Attachment D	'Sublicensing your approved berthing area'
Attachment E	'LPMMA Rebates and Concessions Policy'
Attachment F	'Domestic Waterfront Facility Policy 2009'
Attachment G	'Your standard terms and conditions' - Plain English licence for DWF licence holders


  
*above attachments not included in this fax.*
  
*If required can be sent by express post.*
  




Treasurer  
Minister for State and Regional Development  
Minister for Ports and Waterways  
Minister for the Illawarra  
Special Minister of State

Mr Paul Gibson MP  
Chair  
Public Accounts Committee  
Parliament of NSW  
Macquarie St  
SYDNEY NSW 2000

Our Reference: 10/00726



8 NOV 2010

Dear Mr Gibson

I refer to your correspondence of 8 September 2010 to NSW Maritime's Chief Executive, Mr Steve Dunn, regarding the Auditor General's Report No 191, *Administering Domestic Waterfront Tenancies*.

A submission detailing actions taken by NSW Maritime in response to the recommendations is attached.

If you require any further information, please do not hesitate to contact NSW Maritime's Chief Executive, Mr Steve Dunn on (02) 9364 2019.

Yours sincerely

**THE HON ERIC ROOZENDAAL MLC**

**'PERFORMANCE AUDIT No 191 – 'Administering Domestic Waterfront Tenancies'**

**Implementation of Recommendations**

1	Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status	Responsibility
	<p>Maritime should improve customer service by:</p> <ul style="list-style-type: none"> <li>Strengthening collaboration (with Land and Property Management Authority) by agreeing on a joint approach to limit, control and reduce differences in their practices. A memorandum of understanding will ensure that: <ul style="list-style-type: none"> <li>Reviews of practices are conducted jointly and on an agreed cycle</li> <li>Differences in the introduction of revised practices are minimised</li> <li>Phasing-in practices are standardised and differences in rents are minimised</li> </ul> </li> </ul> <p>These arrangements should be in place by December 2009.</p>	<p>Accepted in principle, noting that some practice differences arise from legislative requirements, government directives, red tape reductions by respective agencies and the varying nature of respective property portfolios.</p>	<p>a) NSW Maritime and LPMA to form a four-person working group to develop an MOU.  b) Working group to meet periodically to discuss practice differences and where feasible, recommend synchronisation.</p>	<p>a) by December 2009  b) First meeting in December 2009</p>	<p>Completed</p>	<p>Manager of Domestic Property &amp; Geospatial Services</p>

	Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status	Responsibility
2	<p>Further improving communication with tenants by:</p> <ul style="list-style-type: none"> <li>Addressing tenants issues in a more open and timely manner, including implementing processes to prioritise them and advise tenants of progress,</li> <li>Making policies and decisions transparent, especially with rental invoices, to compensate for the limited rights of appeal.</li> </ul>		<p>a) Improvements to consistency and transparency already in place following 2007 Domestic Lease Review, and as evidenced by reduction in complaint numbers and issues, as noted in Audit Report. Domestic leasing policies and procedures are available on NSW Maritime website, including the formula for the calculation of domestic rentals. NSW Maritime also provides a free review of individual domestic rental calculations on request.</p> <p>b) Further improvements to include introduction to new lease handling software (timeliness, transparency, consistency), formal adoption of complaints handling procedure including formalisation of complaint recording (timeliness, transparency) and aggregation of domestic leasing policies into a single policy booklet (transparency).</p>	<p>a) Complete</p> <p>b1) Software operational by June 2010</p> <p>b2) Complaints handling procedure in effect by June 2010</p> <p>b3) Domestic Lease booklet circulated by March 2010</p>	<p>b1) Software has been developed and partially implemented.</p> <p>b2) Complaints handling register has been established and procedure is to be introduced in conjunction with staff training during November.</p> <p>b3) Domestic Lease booklet has been prepared and due for publication on NSW Maritime website during November.</p>	General Manager Property, Planning and Infrastructure
3	Extend and promote the option of paying rent in instalments to all tenants by June 2010.	In place since 2004	Payments by instalments in place since 2004. Availability of instalments option routinely advertised on NSW Maritime website, in policy documents and in correspondence with lessees.	N/A	Completed	Manager Domestic Property

	Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status	Responsibility
4	Introducing a systematic approach to recording and managing inquiries and complaints on domestic waterfront tenancies to ensure responses are appropriate and timely by December 2010.	Agreed		a) Procedure to be finalised, and customer service and property officer staff trained in its implementation by June 2010	A complaints register has been established and staff training to occur in November 2010.	Manager Domestic Property & Geospatial Services
5	Jointly reviewing the net rate of return in an open and consultative manner by December 2009. The review should include assessment of the net rate of return from a location and time specific perspective, similar to the approach taken for assessing the statutory land value of precincts.	Agreed	Review undertaken in September 2009. Public submissions called for and received during October 2009.	Outcomes and recommendations to be submitted to Government in December 2009	Review completed and presently under consideration by Government.	General Manager Property, Planning and Infrastructure
6	NSW Maritime should replace the old leases with the new leases by December 2010 to apply the rental formula to all domestic waterfront tenancies. (An exception is those long term leases that cannot be replaced until lease term has expired)	Agreed	All NSW Maritime domestic leases to be updated to new lease format, with lease conditions as determined by 2007 Domestic Leasing review.	1500 domestic leases to be updated in 3 equal stages with stage due dates: March 2010, August 2010, December 2010	New leases are being progressively sent to domestic leaseholders. Target date for the completion of the lease roll out is December 2011.	NSW Maritime Domestic Property Branch