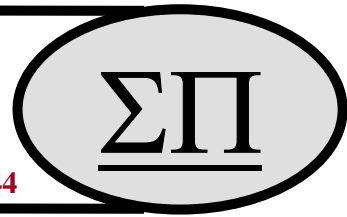


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Our Ref : W97-0100

Financial Statement

Tuesday, 21 November 2006

Rainbow 2000[©] - A Regional Planning Strategy for Albany & the Great Southern

In response to your question, the financials behind the project were detailed on 19 February 1999 as :

- ❖ Partial privatisation (60%) of the Albany Port Corporation (Sea & Airport) - \$400 million
- ❖ Foreshore (Port) redevelopment - \$900 million (91 hectares)
- ❖ Commonwealth Albany EDZ Capital Works Development Funding Program - \$40 million p.a. (FYE 2005 – 2010)
- ❖ Albany City Metropolitan Development Funding Program - \$10 million p.a.
- ❖ State Government's Albany Ring Road - \$20 million
- ❖ City of Albany General Rate Revenue – No increase in overall rate revenue per household – probable % reduction
- ❖ State Land Tax on property transfers – impossible to predict demand for land and value of tax input.

There is no consideration for increased volume of throughput (sea or air) in this equation, or associated fees & charges – plausible to achieve relative budget savings (income exceeds expenditure through improved resource productivity).

I believe \$10.0 million / hectare (\$1.0m penthouse suites) on top of R60 / R80 average density residential development is achievable, given the overall dynamic position of the Rainbow project, commercial hotel development by tender, the Anzac / Bicentennial events, the lifestyle, the amenities, the location, the views, and the anticipated demand.

To relocate the industrial port to a working position on Vancouver Peninsula will require about \$500 million for infrastructure and \$500 million for existing lessee re-establishment (CPI variation expected to apply equally to income & expenditure).

That still leaves a healthy margin for variation, but a probable financial return to the State and Local Government in the order of \$300 million over thirty years – that surplus should fund the gas pipeline from Bunbury to Ravensthorpe to enhance further industry development opportunities in the region.

I still consider port relocation commercially viable and technically feasible – it remains to be seen whether it is politically realistic. However, a mandate by referendum is the only way the port could be moved, which will once and for all time resolve the port / foreshore debate for the future of Albany and the region.

On the other hand, you are welcome to develop your own financial equation that makes Port Relocation plausible to any other location under any range of circumstances – not an easy proposition.

Alternatively, the State Government (via both Elected Representation and Public Sector DMAs), the Albany Port Authority and the City of Albany, individually and collectively accept corporate responsibility for environmental risk management, with attendant transfer of insurance liability to both industry and community.

Once again, thank you for listening.

Yours sincerely,
SMITHSON PLANNING

Neil R. Smithson

NEIL R. SMITHSON
Managing Director
PIA^{CPP}, EIANZ, NELA, LGPA, AAPC, NTWA, FDI, CSC 2003