

Business
Plan for
Major
Trading
Undertaking
Within
Neerabup
Industrial
Area

March

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Business Plan for the major trading undertaking under the Local Government Act 1995 – The extraction of resources on Lot 9003 in the Neerabup Industrial Area prior to subdivision development.

Neerabup
Resource
Extraction

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1. Introduction

This Business Plan outlines the proposed resource extraction works on Lot 9003 located within the Neerabup Industrial Area, as required under the Local Government Act 1995, Section 3.59 for a Major Trading Undertaking. The resource extraction is required prior to the industrial sub-division development of Lot 9003.

2. Overview

2.1. Background

The City of Wanneroo (the **City**) owns freehold lots within the Neerabup Industrial Area (**NIA**) and seeks to extract resources (limestone and sand) from the land that is found on Lot 9003. The resource extraction is necessary to reduce the level of the land down to the agreed contour levels detailed in the Local Structure Plan No.17, Amendment Number No.4 (**LSP**). The land covers an area of approximately 127 hectares (ha).

The NIA is a large developable area with the potential to attract a range of industries and subsequently generate up to 20,000 jobs. The City is keen to ensure that the NIA attracts industries of today and the industries of the future by providing the opportunity for renewable energy generation, best available information communication technology delivery and the adoption of guidelines to achieve high quality built form, streetscapes and landscaping.

The NIA as a whole is already progressing with industrial development. LandCorp are progressing with resource extraction from its owned land west of Lot 9003 to reduce the level of this land to the agreed contour levels detailed in the LSP. It is necessary for The City and LandCorp to extract the sand and limestone resource before the land can be developed for industrial use. The land to the east of Lot 9003 doesn't require resource extraction to reduce the level of the land and is currently being used for intensive horticulture, recycling, power generation and manufacturing. LandCorp and the City between them own approximately 70% of the NIA.

Geological studies undertaken on Lot 9003 revealed the presence of limestone and sand. These materials will be extracted to achieve the final contour levels. The City proposes to process the limestone and sand for sale under a contract and an extraction industry license by an experienced contractor.

The Industrial development of Lot 9003 can proceed after resource extraction is completed

and the required contour levels have been achieved. The resource extraction will be staged over fifteen to twenty years. It is expected that there will be 5 resource extraction stages. At the completion of each stage the land will be prepared ready for industrial sub-division development. The first stage of industrial sub-division development, approximately 25 ha, is expected to start three years after the start of resource extraction from this stage.

2.2. Location & Site Specifics

Lot 9003 extends from Lot 9005's boundary (owned by LandCorp) to the west, to Mather Road to the east. The southern boundary is north of Peak Road and extends up to Lot 12748 (Barbagallo Raceway) in the north. Figure 1 shows the overall location of the NIA.



Figure 1 – Location of Neerabup Industrial area

The resource extraction site covers approximately 127 ha and has been unused for some time. The site contains a limestone track which runs approximately north-south along the eastern portion of the site and contains several sandy tracks. Vegetation is sparsely populated, degraded and contains native vegetation. The extraction site is zoned 'General Industrial' in accordance with the City's District Planning Scheme (DPS2). The extraction site is outlined by the red dotted line in Figure 2.

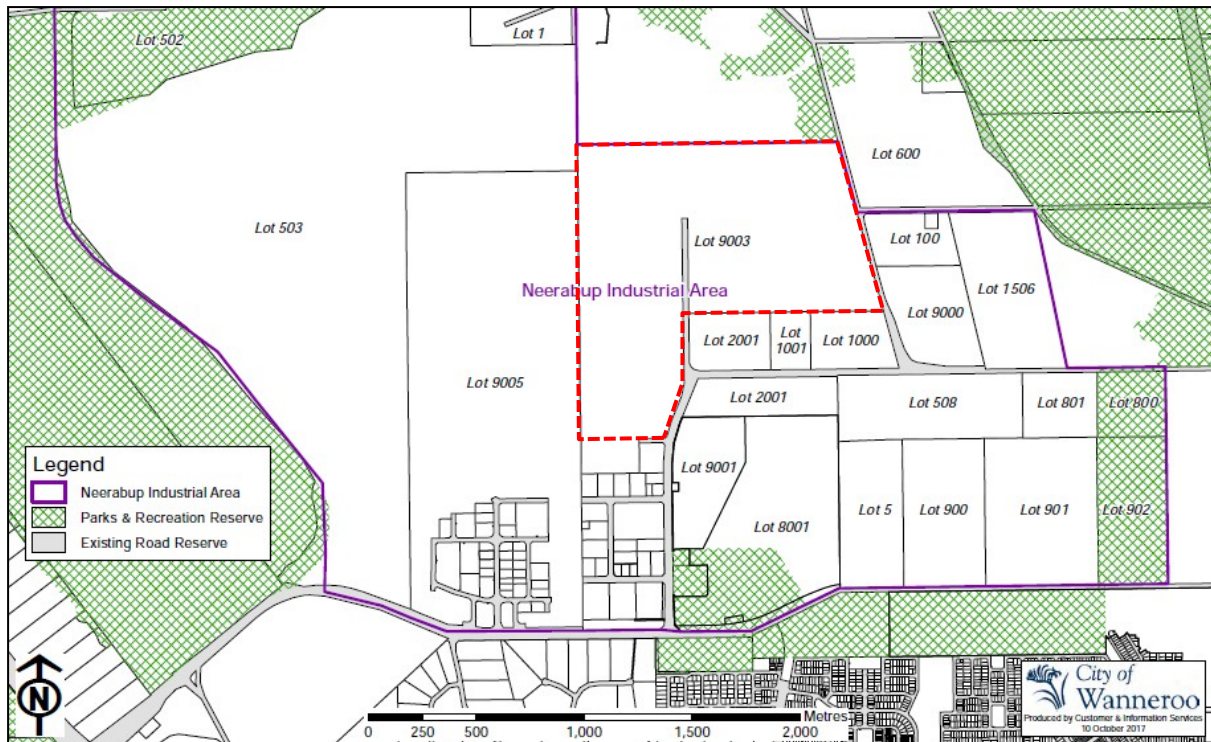


Figure 2 - Extraction Site

3. Proposed Major Trading Undertaking

3.1 Details of Proposed Major Trading Undertaking

The City's proposal is to extract the limestone and sand from Lot 9003 which is necessary to allow for future industrial development. An earthworks study was carried out by a consultancy company engaged by the City. The study reports that an approximate volume of 6,883,844m³ of limestone and sand is to be removed from Lot 9003 to achieve the design contour levels. It is expected that the limestone and sand will be extracted and processed for use in construction and building industries. The extraction process will be undertaken over several years due to the large volume of material required to be extracted and sold. The

City has obtained a clearing permit (CPS 6359/3) from the Department of Environmental Regulation for the clearing of the vegetation from Lot 9003.

The extraction site has safe access to Mather Drive which leads on to the major roads of Flynn Drive which in turn leads on to Wanneroo Road and a new improved junction and dual carriage way through to the Mitchell Freeway. An asphalt road leads directly to the proposed site entrance which is suitable for the traffic volumes and vehicle types. The extraction site is not in a visually significant location as the area is mostly undeveloped, with the undeveloped area of Meridian Park to the west of the lot.

Local Structure Plan No. 17 zones the area of proposed resource extraction as 'Industrial Development'. The resource extraction works require approval prior to starting and works shall be in accordance with the relevant legislation. These include:

- State Planning Policy 2.4 Basic Raw Materials;
- State Planning Policy 4.1 State Industrial Buffer Policy;
- Extractive industry local laws;
- Local planning scheme provisions; and
- Region scheme planning provisions.

As required under Section 162 of the Planning and Development Act 2005, before the land can be developed, approval must be obtained from the Western Australian Planning Commission (WAPC).

The extraction process is a necessary activity under the WAPC State Planning Policy 2.4 Basic Raw Material Policy and further considerations are listed as:

- The extraction process will not involve major disturbance of acid sulphate soils;
 - The extraction process will involve clearing of vegetation under clearing permit EPBC 2007/3479 issued by Department of Environment;
 - The site is not listed as a Bush Forever area;
 - The extraction process to take into account the impact on the local community;
 - The proposed activity is compatible with surrounding land uses;
 - Where the proposed activity causes disturbance to the amenity of the area the process will be managed to limit impact and risk;
 - The site will not have a negative visual impact on major roads, scenic areas or adjoining properties;
 - The site has adequate separation distance to any residential or special rural area, or existing dwelling in a rural area. Typically separation distances should be 500m to 1000m to any sensitive land uses, such as residential areas, schools or hospitals;
- and

- Operational issues such as hours of operation, noise and dust monitoring and site access will be managed to limit impacts and liability.

3.2 Staged Approach

Due to the large volume of material available for extraction and sale to the market, a staged approach for the resource extraction will be adopted. The staging plan will be fully developed during Contract negotiations. The expectation is 5 stages in the order of 25ha each. Each stage of resource extraction will last approximately three years, subject to successfully extracting and selling the materials. Industrial sub-division development will follow the completion of each resource extraction stage.

Predicted sales volumes indicate that the extraction site (Lot 9003) will remain operational for between fifteen and twenty years.

3.3 Risks, Constraints & Opportunities

The risks associated with the extraction process are summarised below and will be managed by the extraction contractor. Operational and development risks required to be managed include, but are not limited to the following:

- Environmental risks;
- Public and community relations;
- Operational risks such as dust and noise;
- Utilities and public infrastructure damage; and
- Contractual and financial risks.

The City has undertaken a risk assessment and completed a risk register for the project which will be updated before any works on Lot 9003 start. The risk register will be updated periodically until the completion of the resource extraction works.

3.4 Financials

The project will extract, process and sell limestone and sand which is expected to provide revenue for the City, subject to actual earthwork volumes and any latent ground conditions.

It is proposed that the extraction and ongoing operation of the site will be at the total cost of the contractor. A commercial contract will be negotiated on the basis of set royalties with the possibility of a revenue share. The level of return for the City over and above the set unit rates is dependent on the market price over the project duration. Tenders received detail the charges and payments to the City. The successful contractor will incur expenses from the following activities:

- Site establishment costs;
- Enabling works; Clearing vegetation and top soil strip;
- Operating costs;
- Cut to fill earthworks;
- Resource extraction;
- Rehabilitation work costs (earthworks to final contour levels); and
- Insurances, approvals and licenses.

The charges to the City include carrying out the enabling, rehabilitation and cut to fill works.

Table 1 considers the possible best and worst case cost and revenue scenarios for each resource extraction stage.

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Comment
Worst Case Scenario for each resource extraction Stage	No sale of resources. Cost of the Cut to fill activity. Suspension of works or Termination of contract	No sale of resources. Cost of the Cut to fill activity. Suspension of works or Termination of contract	No sale of resources. Suspension of works or Termination of contract	No sale of resources. Suspension of works or Termination of contract	No sale of resources at the completion of the stage and completion of the Contract works.	
Worst Case Costs (Contract Variation costs not considered)	No resource sale revenue. Clearing, topsoil strip, cut to fill and rehabilitation earthworks cost = <u>\$2,343,289</u>	No resource sale revenue. Clearing, topsoil strip, cut to fill and rehabilitation earthworks cost = <u>\$1,092,999</u>	No resource sale revenue. Clearing, topsoil strip and rehabilitation earthworks cost = <u>\$570,193</u>	No resource revenue. Clearing, topsoil strip and rehabilitation earthworks cost = <u>\$545,360</u>	No resource revenue. Clearing, topsoil strip and rehabilitation earthworks cost = <u>\$824,048</u>	If a worst case scenario is experienced a Suspension or Termination of the Contract will be considered at the completion of any stage. This limits the risk of continuing the Contract at a cost to the City and Contractor.
Best Case Scenarios	Max. Sale of resources. Cost of cut to fill works off set by revenue and remainder deferred to stage 2. Continuation of the contract.	Max. Sale of all resources. Continuation of contract.	Max. Sale of all resources. Continuation of contract.	Max. Sale of all resources. Continuation of contract.	Max. Sale of all resources. Completion of contract.	
Best Case Revenue and Cost	<u>Sale of resources</u> 1,122,777m ³ = \$1,313,650 <u>Cost</u> Cut to fill = \$1,771,062. cost offset by revenue therefore \$457,413 carried over to stage 2. Cost of clearing, topsoil strip and rehabilitation works + 50%	<u>Sale of resources</u> 1,122,777m ³ = \$1,313,650 <u>Cost</u> Cut to fill = \$696,400 + \$457,413 carried over from stage 1 = \$1,153,813 therefore \$159,836 revenue. Cost of clearing, topsoil strip and rehabilitation works + 50% cost of stage 3 clearing and	<u>Sale of resources</u> 1,769,443m ³ = \$2,101,838 <u>Cost</u> Cut to fill = \$12,873 and cost of rehabilitation works and 50% cost stage 4 clearing, topsoil strip = \$416,334 Total Stage Revenue = <u>\$1,685,504</u>	<u>Sale of resources</u> 1,347,332m ³ = \$1,576,378 <u>Cost</u> No cut to fill cost. Cost of 50% clearing, topsoil strip and 100% rehabilitation works = \$397,966 Total Stage Revenue = <u>\$1,178,412</u>	<u>Sale of resources</u> 1,347,332m ³ = \$1,576,378 <u>Cost</u> Cut to fill = \$184,499 and cost of clearing, topsoil strip and rehabilitation works = \$824,048 Total stage Revenue = <u>\$752,330</u>	Best Case Total Revenue = \$7,881,894 Best Case Total Cost = \$5,375,888 Best Case Difference = <u>\$2,506,004</u> revenue.

	cost of stage 3 clearing and topsoil strip. = \$722,854 Total Stage Cost = <u>\$722,854</u>	topsoil strip = \$547,223 Total Stage Cost = <u>\$387,387</u>				
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Table 1 – Resource Extraction Stage Best and Worst Case Cost and Revenue Estimation Scenarios

Stage 1 and 2 requires material to be cut from high areas and fill to low areas to achieve the design contour levels. This cut and fill requirement increases the cost of stage 1 and 2 but in return the works duration is assured because stage 1 and 2 are less dependent on resource sales. Stage 1 requires the largest proportion of filling to achieve the design contour levels. To offset the cost of the stage 1 and 2 cut to fill exercise, material from stage 3 will be extracted for sale and cost smoothing between stage 1 and 2 will be considered.

The identified risks that may affect the financial outcome include:

- Market demand not meeting cash flow projections leading to the Suspension and or the Termination of the Contract.
- Sales volumes and gross revenue downward adjustment; volumes not as high as estimated in the earthworks study.
- Material quality is poorer than expected which in turn affects commercial sales. Set rates agreed in the Contract to remove the City's risk but may lead to the Suspension or Termination of the Contract.
- Duration of extraction delays which impact further development of the overall area. To be minimised by the duration of extraction stages agreed in the contract unless there are legitimate claims for extension of time.
- Higher than expected costs of removal of overburden and vegetation. Works to be monitored on site and measured for accuracy.
- Poor performance of extraction Contractor as measured through efficiency and reliability of service provided. The duration of the extraction stages and rates are set in the Contract but the contract could be Terminated.
- Additional earthwork costs to adjust the final levels to better suit the following sub-division development. The additional earthworks would reduce the sub-division development costs.

- Latent ground conditions experienced.

Risk mitigation

- A minimum resource sale rate is fixed in the Contract terms and conditions.
- Earthworks study completed to calculate the resource volume.
- Only 2 extraction materials defined in the Contract, Limestone or Sand to simplify volume surveys and value calculations.
- Monthly surveys to measure the extracted volume are included as a Contract requirement.
- Stage 1 and 2 includes the majority of the areas requiring fill which provides works completion duration surety of these stages.
- Experienced contractor engaged to perform the works.

Table 1 below sets out the estimated volumes expected for topsoil, overburden, sand and limestone.

Activity description	Quantity – m3
Topsoil	
1. Removal of topsoil and site clearance to spoil	323,445
Sand	
2. Sand extraction (upper & lower sand)	4,640,582
3. Sand cut-to-fill or cut-to-stockpile-to-fill	-980,858
4. Rehabilitation including earthworks from other Lots	-437,542
Sand	3,222,182
Limestone	
5. Limestone extraction to Final Design Levels (FDL)	3,661,662
Limestone	3,661,662

Table 2 - Estimated Volumes and Design Levels

3.5 Operational Requirements

The responsibility under the contract of ensuring appropriate management of the extracted resources, as required under the Extractive Industries Local Law 1998, lies with the contractor. Materials will be excavated using mechanical equipment and plant. The material to be excavated extends to a height of up to a 17m above the final design contour levels.

Existing and proposed land contour levels will be checked and measured by regular surveys to ensure design levels are achieved and earthwork volumes are controlled to

achieve the designed final contour levels.

3.6 Procurement and Timeline

The City will procure a suitable contractor for the extraction process through an expression of interest and a closed tender process. The tender process will follow the City's policies and other considerations relevant to:

- Scope of Works;
- Specification and Conditions of Contract;
- Specific and timely performance;
- Safety performance;
- Sustainability and environmental consideration;
- Local employment and community support;
- Innovation and use of new technologies; and
- Social and economic effects on the local community.

4 Local Government Act Compliance

The relevant legislation is as follows:

- Local Government Act 1995, Section 3.59(3) Local Government Act 1995, Section 3.59(3); and
- Local Government (Functions and General) Regulations 1996, Section 10.

In accordance with the Local Government Act 1995 Section 3.59(2), before it (a) commences a major trading undertaking; a local government is to prepare a business plan. In accordance with Section 3.59(3), the business plan is to include an overall assessment of the major trading undertaking and is to include details of – (a) its expected effect on the provision of facilities and services by the local government; and (b) its expected effect on other persons providing facilities and services in the district; and (c) its expected financial effect on the local government; and (d) its expected effect on the local governments planning for the future; and (e) the ability of the local government to manage the undertaking; and (f) any other matter prescribed for the purpose of this subsection.

4.1 Expected Effect On The Provision Of Facilities And Services By The Local Government (Section 3.59(3)(a))

The proposed contract will facilitate the extraction of the resources under a contract for a period of fifteen years with options to extend. The extraction will be carried out in a staged approach in order to allow the land to be developed progressively. There are no further provisions required other than the monitoring and management of contractors.

4.2 Expected Effect On Other Persons Providing Facilities And Services In The District (Section 3.59(3)(b))

The resource extraction is necessary before the development of the City's owned land can start. The industrial development of the City's owned land will add to the ongoing industrial development of LandCorp's owned land within the NIA. It is expected that the population of the City's owned land with the industries of the future will promote the opportunity for present and new businesses to provide mutually beneficial services leading to clustering possibilities; trigger the improvement of infrastructure and services to and within the NIA; benefit from future proofed information communication technology and renewable energy generation; benefit from NIA marketing and promotions and attract quality employment from the available growing northern corridor population who will be attracted by short commuter routes, diverse, future-thinking work place opportunities and a vibrant, attractive, modern industrial area.

4.3 Expected Financial Effect On The Local Government (Section 3.59(3)(c))

Each landowner within the NIA LSP area may be responsible for contributions towards shared infrastructure costs, referred to as Cell Works. The actual costs of the Cell Works, which include road upgrades, will be determined through a separate DPS2 amendment process, in consultation with the landowners, the City and WAPC.

The costs associated with the contouring earthworks following the required resource extraction are expected to be funded by the revenue received from the sale of the extracted resources.

The City will be responsible for the sub-division development costs of its owned land. The City will receive revenue from land leasing or sales and alternative revenue streams such as electric vehicle charging facilities, data collection and lighting pole access for information communication technology. The development of the City's land will provide a long term source of revenue and return on its investment.

4.4 Expected Effect on the Local Governments Planning for the Future (Section 3.59(3)(d))

This project has the potential to address a number of the goals and strategies as defined in the City's Strategic Community Plan (2017/18 – 2026/27), including:

"2 Economy

2.2 Strategic Growth

4.5 Ability of the Local Government to Manage the Undertaking (Section 3.59(3)(e))

The City will be obtaining professional support in the commercial and legal negotiations and have a project manager to oversee the process and ongoing operations. The City manages a range of projects and holds a substantial property portfolio.

4.6 Any Other Matter Prescribed for the Purpose of this Sub-section (Section 3.59(3)(F))

The Business Plan for the Major Trading Undertaking for “The Extraction of Resources on Lot 9003 in the Neerabup Industrial Area prior to sub-division development” will be publicly advertised, as required under the Local Government Act 1995.

5 Public Consultation and Advertising

Following the public advertising period (Section 3.59(3)(f)), the City will consider all submissions and may decide (by absolute majority) to proceed with the Major Trading Undertaking as described in this plan in accordance with the provisions of the Local Government Act 1995, section 3.59. The period of advertisement will be forty-two (42) days.