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Department of Agriculture



NATIONAL HORTICULTURAL CENTRE FEASIBILITY STUDY

- Report No. 3 -

**Government Research and Service Activities
at National Horticultural Centre, Wantirna**

Coopers and Lybrand Consultants

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APPENDIX A

I EXECUTIVE SUMMARY

101. This report is the third and final report for the Feasibility Study of a National Horticulture Centre ("NHC") at Wantirna in the North Eastern suburbs of Melbourne. The report addresses Government research and service activities which could be relocated to the NHC, and the impacts of such relocation on interaction with industry and likely financial efficiencies.

Relocation of Government Research and Service Activities

102. The establishment of an extension "depot" at NHC as envisaged in the Technical Services to Growers Business Plan (Report No 2) will effectively result in the transfer of some present Burnley and Knoxfield technical and information related services to NHC.

103. This will become even more attractive if the Government chooses to locate at NHC the Institute of Plant Services and Technology ("IPST") presently being considered within DARA following the Baker Report on DARA research activities.

104. Analysis of the DARA Working Committee report statement of IPST land needs shows that IPST full land needs could be accommodated on the NHC site. On the basis of our consultations, the industry strongly supports the location of applied horticulture research facilities at NHC. The extension to the bigger concept of IPST located at NHC is also likely to be supported by industry provided the extended scope of IPST does not inhibit industry participation in research priority development and IPST scientist involvement in application of new and existing knowledge by industry.

105. The facilities proposed for the Home For Horticulture elements of the NHC which are foreshadowed in the Business Plan (Report No 2) to attract 340,000 visitors per annum, home gardeners and general public, makes NHC a most suitable and indeed preferred site for the future location of the Burnley Garden Advisory Service.

106. If the wholesale market proposed for NHC is to develop as an export consolidation centre, access to quarantine services via the DARA quarantine officer presently based on Knoxfield is essential. Our analysis suggests that the other services provided by DARA Rural Policy & Marketing Division (wholesaler registration, dispute resolution, price monitoring etc) will be best performed as part of market management; there are no food safety or nutrition issues involved.

107. In relation to educational services, NHC facilities will support existing or planned educational activities at all levels. Except for consumer education, eg Royal Horticultural Society, our study does not indicate the need or desirability of relocating any existing education services to NHC.

Industry Interaction

108. Our comments on industry reaction presuppose the establishment of a wholesale market for cut flowers and probably also for ornamentals and other nursery products at NHC. Without this market, there is little justification for locating any of the above DARA services except the Garden Advisory Service at NHC.

109. If the market proceeds, the location of technical and information extension services, a major plant research facility and quarantine services at NHC will greatly improve scope for interaction between service suppliers and the industry, particularly the amenity horticulture, cut flowers, ornamentals and other nursery sectors.

Financial Effectiveness

110. For the commercial grower related services (technical, information, research, plant standards and education), our analysis suggests that relocation to NHC as proposed will, in operational cost, be revenue neutral in the medium term but may incur some additional costs in the immediate post establishment period.

111. For the Garden Advisory Service, relocation to NHC with potential access to a share of NHC Home For Horticulture revenue and possibly future membership subscriptions, will allow growth of the service to meet market needs (probably at least double the present enquiry volume) at no extra or even in future reducing real cost to the State.

112. The major potential saving is in trade off between the capital cost of the land for the proposed IPST research facility estimated by the DARA Working Group at \$7.5 million and the rental payable to MMBW for the use of part of the NHC site for a 20ha site. The land purchase price indicated equates to a purchase price of \$37.50 per sq m or about half the market cost of unserviced industrial land in Melbourne. However, on the basis that the MMBW would expect to charge a Government department close to a full market rental for land, for such a purpose, we consider that about 75% of the actual market rental would be a fair rental, ie \$3 psm for 20ha, or \$600,000 per annum (as against capital expenditure of at least \$7.5 million which is unlikely to be sufficient to secure a 20ha site in metropolitan Melbourne) at 1990 prices. This basis has been discussed with MMBW officers who have indicated their support in concept (ie, close to market rates) but without commitment at this stage.

II INTRODUCTION

201. This report is the third and final report for the Feasibility Study of a National Horticulture Centre ("NHC") at Wantirna in the North Eastern suburbs of Melbourne.

202. Report No 1 discusses industry economic potential, success factors and barriers and, by analysis of these, sets out possible roles for NHC in addressing industry priority needs. The report also identifies potential economic benefit from the establishment of NHC.

203. Report No 2 includes business plans for seven sets of activities included in the NHC brief:

1. Original Home for Horticulture Proposal
2. Retail Facilities
3. Hospitality Facilities (Food and Beverages)
4. Education Facilities
5. Horticultural Industry Park
6. Wholesale Flower Market
7. Technical Horticultural Services to Growers.

204. The eighth activity, Advanced Horticultural Research Facility, was excluded from the business plans in view of the work being done within DARA on implementation of the Baker Committee recommendations (Baker et al, 1990).

This Report

205. The scope of this Report No 3 was set out in the Clarification of the Consultant's Brief (Report No 1, Appendix A) as follows:

"The consultant's task includes advising the Government on research and service activities which could be relocated to the NHC site and the consequences of relocation in terms of the improved interaction with industry. The consultants will also need to consider the financial efficiencies to be gained from any relocation".

206. The government research and services activities to be considered in this report include:

- (a) technical and information services to growers;
- (b) research;
- (c) information and advisory services to home gardeners and the general public;
- (d) plant standards, quarantine and other regulatory services;
- (e) educational services.

III TECHNICAL AND INFORMATION SERVICES TO GROWERS

301. In Report No 1, a priority industry need identified was a dedicated wholesale cut flower market to include cut flowers, flower pots and indoor plants and possibly a once a week (or more frequently) ornamentals and other nursery products market.

302. The Business Plan (Report No 2) for a Wholesale Flower and possibly Ornamentals Market suggests that such a market is financially viable under certain conditions relating to development.

303. If this proceeds, then NHC will become "a place to which growers come regularly for meaningful commercial reasons". NHC thus becomes an attractive site to locate resources to service grower needs for information, testing and diagnostic services. Improvement of the latter and the associated "extension" or interpretative advice was seen by industry participants as a high priority need.

304. The Business Plan (Report No 2) on "Technical Services to Growers" recommends the establishment of a self contained extension "depot" consisting of two senior and experienced extension staff, a technical assistant and typist/receptionist/telephonist at a cost level indicated in **Exhibit 3.1**.

305. The Business Plan recommends against:

- (a) the provision of laboratory facilities as these are adequately available elsewhere and the expected sample volume did not justify new dedicated equipment and facilities;
- (b) the establishment of an independent national plant variety/cultivar identification and certification facility on the grounds that there would be insufficient work load to justify the quality of staffing required.

Exhibit 3.1Operating Costs - Extension Depot

	<u>Unit Costs</u>	<u>Total Cost</u>
<u>Salaries</u>		<u>\$ pa</u>
2 x SCI IV	2 x \$45,500	
1 x TAI	1 x \$22,000	
1 x Sec Grade 1	1 x \$25,000	
		138,000
<u>Oncosts</u>		
Superannuation on all salaries at 17%	\$23,500	
Workcare)		
LSL, Sick Leave) 10.00%		
of salaries	\$13,800	
Payroll Tax)		
		37,300
<u>Operating</u>		
Travel, accommodation, consumables)		
Rent, power, phone, postage, etc)	\$49,000	
Cars (2) - Lease	\$12,000	
- Operating	\$13,200	
		74,200
<u>Total Operating Cost (Per Annum)</u>		<u>\$249,500</u>
<u>Office Establishment Cost</u>		
Desks, computers, filing cabinets etc		<u>10,000</u>

Interaction with Industry

306. The establishment of a depot manned by experienced "extension" staff will, on the evidence presented in Report No 1, fulfil an industry priority need and facilitate interaction with industry in improving both testing and diagnostic service delivery and also the interpretation and related advice which is frequently missing at present.

Financial Efficiencies

307. The Business Plan (Report No 2 Appendix A) forecasts:

- (a) revenue from the depot increasing from about \$182,000 in the first year of operating to \$377,000 per annum in Year 5;

- (b) an operating loss (including rent) of about \$165,000 in Year One reducing to about \$130,000 in Year 5.

308. The establishment of the "depot" would be expected to increase demand for and utilisation of extension services, but would also be expected to replace existing DARA ornamentals extension services, including some or all of the following Projects (eg, Report No 1 Appendix) as at 1 May 1990:

<u>Centre No.</u>	<u>Total Funds</u>
	\$
<u>Melbourne District</u>	
No: DHC/010 (I/SML) To provide an effective diagnostic and advisory service to all sections of horticulture.	Nil
No: DHE/061 Development and extension of soundly based technical advice to all sections of amenity horticulture	132,669
No: DMA/131 (I/SMC) Clerical reception and general office duties concerned with the provision of nursery/ornamental services	21,520
<u>Plant Research Institute, Burnley</u>	
No: DHE/014 (P/RPI) Management of Pests and Diseases of Ornamentals	195,743
No: DIS/002 (R/RPI) General extension services to the seed industry.	59,254
<u>Horticulture Research Centre, Knoxfield</u>	
No: DHE/162 (P/RHI) Statewide services to horticulture.	51,461
No: DHE/146 (P/RHI) Development of integrated production protocols for ornamental crops.	176,967
No: DHP/018 (P/RHI) Development and monitory of Quality Assurance procedures and management techniques to enable export markets to expand.	56,947
<u>Total Project Funds</u>	<u>694,561</u>

309. The forecast loss for the NHC extension depot represents in Year One 26% of the above DARA project funding reducing to 21% in Year Five.

310. The expected outcome from the transfer of this level of existing funding to support NHC based extension and information services would be revenue neutral but would generate the prospect of greatly improved interaction with flower, ornamental and other nursery product growers.

IV RESEARCH

401. In relation to plant and horticulture research, our Report No 1 commented:

"Failure to exploit identified market opportunities derives significantly from industry lack of focus, leadership and cohesion. This failure has been exacerbated by a similar fragmentation and lack of cohesion in services provided by government and by a divergence of industry and research manager views on the nature of government service needs and hence objectives. Research managers see themselves as committed to longer term strategic improvement of competitive advantage; industry participants see themselves as having a myriad of small problems with no one place to go for help and see government resource allocation as having moved away from helping with both their small problems such as diagnostic and extension services and their longer term needs in post harvest management improvement".

402. Specific industry priority needs that were identified include:

- (a) much greater research and technical resource commitment to post harvest research in all its forms, including new variety development, and to research on alternative treatments to pesticides for export;
- (b) a single horticulture research unit to support these needs.

403. The recent Baker Review earlier commented on fragmentation and recommended the establishment of an Institute of Plant Biotechnology in the Eastern suburbs of Melbourne. Following this review an internal Working Group examined and reported on "Preferred Options for an Institute of Plant Biotechnology".

404. This was in turn followed by a Ministerial Statement to Parliament which stated:

"An Institute of Plant Sciences and Biotechnology will be established in the eastern suburbs of Melbourne, combining the resources of the current Plant Research Institute, Burnley, the Horticultural Research Institute, Knoxfield and some of the activities of the Vegetable Research Station, Frankston. The Institute will be established by placing the campuses of Burnley and Knoxfield under single management."

405. These recommendations are generally consistent with the views of the industry as expressed in our Report No 1 which specifically included:

- (a) integration of horticulture related applied research, diagnostic and information services preferably on the one site;
- (b) strong support for NHC as the preferred site;
- (c) support, and certainly no objection, to the expansion of the concept for a "Horticulture Research Institute" to that of a broader "Institute of Plant Biotechnology".

406. The reservations that industry people might have about (c) is that the broader scientific role of such an Institute might perpetuate communication barriers and lack of involvement of industry people in government research resource allocation decisions.

407. While there is sympathy and some understanding of the "critical scientific mass" arguments that lead to a larger Institute of Plant Biotechnology, industry people will want to see a much greater willingness of research managers to engage in genuine dialogue with industry people on research and development programme priorities and on resource allocation between immediate problem solving and strategic or mission oriented research.

Physical Suitability of NHC Site

408. In terms of location, NHC site **advantages** include:

- (a) well located in relation to nursery, cut flower and ornamental growers including seed growers and fruit tree propagators;
- (b) in an area that provides attractive living environments for employees.

409. Its **disadvantages** included:

- (a) distance from majority of fruit and vegetable producers;
- (b) distance from Melbourne universities and other biotechnology research facilities in the Melbourne metropolitan area.

410. Site requirements as developed by the DARA Institute of Plant Biotechnology Working Group are set out in Appendix A. Essentially these indicate a need for 20 hectares (5 hectares for buildings and 15 hectares for field land) at a likely cost of \$7.5 million.

411. The estimate of land cost of \$7.5 million for 20 hectares, or 200,000 square metres, represents an average cost of \$38 per square metre which is about half the actual cost of vacant industrial zoned land in Melbourne.

412. The total site area of the MMBW land set aside for the NHC is 100 hectares, however 35 hectares of this space is to be reserved as open space (ie the area west of the transmission line). Of the remaining, 65 hectares is required for the H for H and about 10 hectares is required for other commercial activities including carparking space for the H for H. On this basis, the remaining land available is 20 hectares, indicating that it is possible to accommodate a proposed Institute of Plant Biotechnology on the site.

Interaction with Industry

413. Location of applied horticulture research facilities at NHC will be welcomed by growers and will provide improved opportunities for interaction with growers, information services to them and their involvement in resource allocation decisions.

414. Inclusion in the same facility of strategic and more basic plant biotechnology research resources will be welcomed by the horticulture industry provided it does not detract from their access to or involvement in applied horticulture research priority setting and resource allocation processes and DARA scientist involvement in application of their research results.

415. However location of research facilities at NHC is only attractive if grower attracting facilities such as wholesale markets are established at NHC.

Financial Effectiveness

416. Three issues need to be considered:

- (a) land cost;
- (b) capital cost;
- (c) operating synergies with other NHC facilities.

Land Cost

417. The cost of land on the MMBW site is difficult to ascertain. The land is currently zoned "Public open space" and there is no precedent for the sale of land under this zoning. However, if a research facility was to be constructed on a site zoned, say, "industrial" in the Wantirna area, then the cost of the land would likely fall within a range of, say, \$70 to \$80 per square metre. Such land would have no improvements (buildings), but would have service connections. The estimate of current land costs is based on industrial land sales recorded in this region during 1990.

418. The DARA Working Group has indicated a land cost of \$7.5 million. This is, in our view, an unrealistically low figure for 20ha of land. It is in fact about half current market rates for unserviced industrial land. Allowing for a full market valuation of 20ha of land, the alternative market rental value of the land would be 5% of sale value and, allowing a concession equivalent to 75% of rental value, the annual rental could be around \$3 per sq m, or about \$600,000 per annum for 200,000 sq m (20ha).

Capital Cost

419. There are no particular site disadvantages that might adversely affect site development or building costs at the NHC site by comparison with other sites. Hence the \$45.8 million estimate of total establishment cost indicated by the DARA Working Group can be expected to apply to the NHC site.

Operating Synergies

420. Apart from the scope for improved industry interaction, the main scope for operating synergies will be with the proposed NHC technical services and extension depot discussed earlier.

421. However, the latter desirably should be located close to the market facility (ie the place where growers go frequently for meaningful commercial reasons") and any research institute will preferably be placed on the site in a way which protects its independence. The benefits of having both on the same site will relate more to quality, speed and effectiveness of services provided by the "depot" and to better feedback of problems to research workers than to the possibility of direct financial benefits through staff savings at the depot.

422. We have not been asked nor have access to the data to assess meaningfully operating costs of a research institute at NHC by comparison with one elsewhere in the Eastern suburbs. However on the available information any operating cost disadvantages or advantages at NHC are likely to be small.

V INFORMATION AND ADVISORY SERVICES TO HOME GARDENERS AND THE GENERAL PUBLIC

501. Key features of NHC "Home for Horticulture" facilities as proposed are a variety of established gardens with associated exhibition and display facilities accessible to the public on payment of a fee.

502. The objectives of these Home For Horticulture features are both to provide an attractive visual and recreational experience to visitors and to educate and inform home gardeners and other users of ornamental plant material.

503. The Business Plan foreshadows the attraction of 340,000 visitors per annum. NHC is thus expected to become the Garden Centre in South Eastern Australia.

504. A corollary of these objectives is that, if and when the Home For Horticulture facilities are established at NHC, it will become a very attractive site for re-location of the Garden Advisory Service ("GAS") presently located at Swan Street, Burnley. The Garden Advisory Service was established in 1977 "to provide gardening advice to the people of Victoria".

Present Operations

505. GAS at present:

- (a) has an annual budget funded by the State vote of \$250,000;
- (b) has a permanent staff of 5 including one receptionist;
- (c) uses 460m² of space;
- (d) in 1988/89, handled 30,000 enquiries:
 - (i) 16,000 telephone;
 - (ii) 2,000 visitor consultation;
 - (iii) 12,000 other.

506. Prior to staff reductions in 1987, the level of enquiries was significantly higher ranging from 60,000 to 70,000 annually.

507. The service is currently rationed in the views of the industry by difficulties and long delays experienced in making telephone enquiries.

GAS Objectives

508. A recent DARA internal review shows GAS Mission Statement and Objectives as follows:

"Mission Statement"

509. "To be of service to DARA and the gardening community of Victoria by providing accessible gardening advice.

"Objectives"

510. "The Business functions of GAS are:

- (a) to provide a range of gardening advisory services that best serve the needs of organisations and individuals in Victoria;
- (b) to act as a visible interface between DARA and the public providing an opportunity to heighten public awareness of the Department's activities;
- (c) to provide a channel for feedback to DARA with regard to:
 - (i) existing and potential plant problems;
 - (ii) pest and diseases;
 - (iii) industry trends;
 - (iv) activities of gardening organisations;
- (d) to co-ordinate all information relevant to plant and garden health;
- (e) to be a focus for all information relevant to gardening (ie plants, insects etc);
- (f) to promote and lend support to the increasing popular recreational aspects of gardening;
- (g) to be as cost efficient as possible increasing revenue where appropriate as a means of providing maximum service possible from a given allocation".

GAS Activities

511. The DARA internal review documents future GAS activities as:

- (a) garden inspections;
- (b) garden week support;
- (c) lectures;
- (d) Plant Line taped messages;
- (e) advice by correspondence and consultation;
- (f) telephone advice service;
- (g) promotion;
- (h) short courses.

512. These all fit well with Home For Horticulture ("H for H") activities as set out in the Report No 2 Business Plan.

Advantages and Disadvantages of Relocation

513. The **advantages** of relocating GAS to NHC include:

- (a) increasing the services available to HFH visitors and hence NHC attractiveness to them;
- (b) increasing the client base accessible to GAS;
- (c) whole or partial funding of GAS activities either from a visitor capitation fee or, if a membership scheme is established for HforH users and supporters, providing preferred access for such members in exchange for a share of annual membership fees; the latter approach is attractive in that it both improves the attractiveness of such membership and provides assured additional annual income to GAS.

514. The **disadvantages** are mainly geographical:

- (a) separation from Burnley research facilities; this of course would apply in reverse if these facilities were relocated at NHC;
- (b) better public transport access to the Burnley location.

Interaction with Industry

515. If the proposed grower related facilities are established at NHC, GAS people would have greatly improved access to and access from growers and other industry people. Advice and information to the public provided by GAS would be supported by public access to established permanent and temporary displays of industry products of all types.

Financial Effectiveness

516. The development of GAS as an integral part of the HforH features at NHC introduces the possibility of progressively reducing the cost to the State budget of maintaining GAS. The importance to Victoria of the amenity horticulture and home gardening sectors, which were shown in Report No 1 to contribute more than \$1 billion per annum, supports the case for a continuing level of State subsidy to GAS as one of the main channels of independent technical and practical advice and information to these sectors. However the DARA review suggests that the service able to be provided with currently available funding falls short of what the market is seeking and may be prepared to pay for.

517. The financial effectiveness of relocating GAS to NHC relates to:

- (a) the feasibility of funding future development of GAS to meet market needs from an agreed share of NHC visitor fees and/or membership subscriptions as well as increased fee for service opportunities from access to the large potential client base of NHC visitors;

and/or

- (b) scope for progressive reduction of State subsidy to GAS as revenue generated from NHC develops.

518. The H for H business plans in Report No 2 predicate a subvention to GAS increasing in 5 years to about \$233,000 in 1997 dollars or the equivalent of \$145,000 in 1990 dollars. This would allow either:

- (a) reduction of State subsidy;
- (b) a ground staff increase of 2-3 persons; or
- (c) a combination of both.

VI PLANT STANDARDS AND QUARANTINE SERVICES AND ACTIVITIES

601. The DARA Division of Plant Standards is currently involved in a range of regulatory and service activities interacting with the cut flower and nursery industries. The possible development of wholesale cut flower and nursery product markets at the NHC site would require a reassessment of resources and services of the Division of Plant Standards.

Current Service Activities

602. The majority are currently centred at the Victorian Wholesale Fruit and Vegetable market. However, Plant Quarantine Services are widely distributed at the World Trade Centre, DARA country offices and Research Centres and the Melbourne Airport. Most of the officers involved in providing services to the cut flower industry also service the much larger fruit and vegetable industry. As a result the cut flower and nursery activities have tended to be a minor add-on activity.

603. Plant Standards Inspectors administer the Fruit and Vegetables Act and the Vegetation and Vine Diseases Act and regulations. The services administered at the Wholesale Fruit and Vegetable Markets include:

(a) Horticultural Inspectors

All stall holders at the market are required under an Act of Parliament to be registered wholesalers. A group of Horticulture Inspectors administer the Act, ensure that the licensing conditions are met and assist in the resolution of disputes. The Cut Flower Wholesalers at the market are also required to be registered wholesalers.

(b) Plant Standards Inspectors

Plant Standards Inspectors administer the Fruit and Vegetables Act and the Vegetation and Vine Diseases Act and regulations. The Plant Inspector's task is to ensure that horticultural produce sold domestically meets prescribed quality, grade packaging and labelling standards and are free from pests and disease. Inspectors periodically check flowers for pests and disease at the market to establish freedom from pests and disease but in general have relatively little involvement with the cut flower wholesalers.

(c) Price Reporting Functions

DARA publishes detailed produce pricing information on each day the market is open. Price reporting officers collect information from both wholesalers and buyers and the reported price is used as a basis for grower payments.

The cut flower prices are reported on Tuesdays and Thursdays which are the main cut flower market days. There is no price reporting on Nursery products.

The prices reporting officers key information to a central computer which assembles the information for publication.

Because the cut flower reporting is an add-on activity to the fruit and vegetable price reporting, it is estimated that it requires less than 25% of the time of one officer to provide the additional cut flower service.

The cut flower price reporting service has been operating for four years. The cost of all price reporting services is currently met by Government. However, there is a proposal to change the method of funding price reporting in the proposed Farm Produce Wholesale Act. The Act specifies that the Melbourne Wholesale Market Trust funds the price reporting service.

Service Required at the Proposed Wantirna Site

604. A number of issues distinguish the proposed Wantirna site from the existing arrangements and will therefore influence the type of Plant Standards Services required.

(a) Frequency of market and the volume of produce moving through the market

Currently less than 10% of cut flower produce moves through the Footscray Market whilst it is anticipated that at least 60% of produce would be handled at NHC. NHC could also provide a six day per week market.

(b) **Location Issues**

The NHC market is in the Eastern Suburbs separated from the fruit and vegetable markets. It is likely that some cut flower wholesaling to fruit and vegetable retailers would continue at Footscray. Thus services at two sites would be required.

(c) **Distribution Centre**

The NHC site would become the major distribution centre for cut flowers including the assembly of export consignments and the marketing of imported products. Plant Quarantine services would therefore be required at the site.

(d) **Nursery Produce Market**

The NHC market role may be expanded to include a wholesale Nursery products market which would provide the opportunity to expand the current services to include the nursery industry.

Specific Activities at NHC

605. Specific activities required at NHC may include:

(a) **Horticultural Inspectors**

The requirements of registration of Wholesalers at NHC will depend on the proposed administration strategy for the market. The current inspectors servicing Footscray could travel to NHC and provide a similar service. Estimated total additional resources are 50% of a person year to provide present level of service by government.

(b) **Plant Standards Inspectors**

Plant Standards Inspectors from the Central Melbourne and Gippsland Region could also provide similar services at NHC. Estimated total additional resources are 50% of a person year to provide present level of service by government.

(c) **Price Reporting Service**

The price reporting service for cut flowers could be readily expanded to a five day per week service with officers travelling to NHC. The service could also be expanded to include nursery products. The service could continue to use the computing and publishing facilities in operation. Alternatively, a locally based service may be developed to service the specific market needs of NHC.

The estimated additional resources to provide a price reporting service to the NHC market is approximately 50% of one person year. It is likely that by the time the NHC market is established, there will be a requirement by industry to financially support the services.

(d) **Quarantine Services**

The role of NHC as a major import-export distribution centre will necessitate plant quarantine certification services. Currently officers servicing the cut flower industry are located at the Melbourne Airport, PRI Burnley and the Horticultural Research Institute, Knoxfield. The officer currently located at Knoxfield could service the NHC site.

Interaction with Industry

606. The exact form and details of the relationship between DARA Division of Plant Standards and the proposed NHC wholesale flower and nursery product markets will relate to the operating philosophy for the market.

607. Market management in a market, where no food products and hence food safety and nutrition issues are involved, may undertake all or most of the present Plant Standards activities at Footscray market with the exception of quarantine services which must continue to be supplied by DARA.

608. These are issues that will require negotiation between DARA and the industry.

Financial Effectiveness

609. Wholesaler registration and Price Reporting could be carried out as part of Market management activities. Earlier discussion in Report No 1 on quality management also calls into question the need for DARA inspection of flowers and nursery products where no food safety issues are involved.

610. Overall the preceding analysis suggests that the equivalent of one full time person will be required to carry out the various present Plant Standards roles excluding quarantine. We have provided for such a person in the Market budgets in Report No 2.

611. For the provision of quarantine services, the analysis indicates the availability of a quarantine officer at Knoxfield. It will probably be appropriate and cost effective to relocate this office at NHC. The analysis does not suggest any need for increased staffing.

612. Overall, the establishment of NHC market facility should allow for market management to provide services presently carried out by Plant Standards with the exception of quarantine and the staffing required should be part of the market management budget. If this is so, there will be no requirement for increased Plant Standards staffing as a result of NHC.

VII EDUCATIONAL SERVICES

701. Government funds horticulture related education at several levels:

- (a) apprenticeships through TAFE;
- (b) tertiary through VCAH and to a limited extent specific to horticulture through the University system;
- (c) specialist short courses provided by DARA.

There are also suggestions to establish a Horticulture Training Foundation.

702. In the immediate future, the NHC role as developed in Report Nos 1 and 2 does not envisage any relocation of government funded education services to NHC, except those provided through GAS.

703. On the other hand, they do envisage NHC supporting existing educational activity as:

- (a) a source of practical experience for students from Outer Eastern and other TAFE colleges;
- (b) a location for VCAH post-graduate students' research work;
- (c) a marketing channel and venue for short courses directed to home gardeners, fruit and vegetable consumers and producers; these short courses would primarily be packaged and conducted by existing agencies, including the Royal Horticulture Society.

704. Report No 1 envisages a need for some form of coordinating group representative of NHC, the industry and education and training suppliers to co-ordinate use and development of NHC facilities for educational and training purposes.

VIII LAND TENURE

801. The proposed NHC site is currently owned by the MMBW and is now zoned Public Open Space. The land effectively forms part of a broader parkland belt which flanks the Dandenong Creek in the Melbourne suburb of Wantirna.

802. The issue of land tenure has been discussed at length with representatives of the MMBW. The key points emerging from these discussions are:

- (i) The MMBW is likely to prefer to retain ownership of that part of the NHC site which is used for "public open space" purposes. In this context, public open space is deemed to include the Home for Horticulture which is both a public and an open space facility.
- (ii) The MMBW would consider the possibility of selling part of the NHC site if the subject part of the site was to be used for purposes which are clearly not 'public open space'. This is likely to include the Industry Park, although Report 2 advises against proceeding with the development of this element for commercial reasons.
- (iii) If part of the NHC site was to be sold, then the MMBW would expect 'replacement' parkland in the vicinity. The MMBW's attitude to each of the proposed elements for the NHC site regarding "replacement parkland" is discussed later in this section of the report.
- (iv) The MMBW would expect not to be directly involved in the operation of any part of the NHC site. An 'arms-length' relationship would be sought with whatever body operates or controls the functions on the NHC site. This should include, however, representation by the MMBW on the board of the controlling body.
- (v) The MMBW would consider the HFH seeking a long-term lease for the NHC site for a period of perhaps 50 years.

- (vi) The MMBW would expect commercial compensation or rental for land leased to the NHC. In reality, the MMBW would probably accept a marginally "less-than-market rent" for those activities which are considered vital to the NHC's operation. This would apply to the Home for Horticulture itself initially in order to make the concept viable. In this regard, however, the MMBW advise that initial costings should include the rental basis put forward as a draft to the HFH in 1987.

- (vii) No restrictions would be placed on the activities on the NHC site, other than those normally imposed by planning and other regulatory bodies, and those covered by the terms of the lease.

803. Taking these factors into account, it is in our view highly unlikely that the MMBW would in fact sell the land or any part thereof. The main reason being that activities which are recommended to be included as part of the NHC would have a public open space element. The Wholesale Flower Market, for example, may be viewed as a tourist attraction as could the Home for Horticulture.

804. The MMBW has provided no indication of the actual dollar value required for land rental for the NHC, although C&LC has been advised to include a rental basis which reflects the contents of a draft lease put forward by the MMBW in 1987. That draft lease is included in the Appendix to this report, with the basic elements being discussed below in paragraph 805.

805. The rental assumptions which have been used in Report 2, and which remain only estimates, can be summarised as follows:

(a) Home For Horticulture

Construction Phase	\$100	pa
Year 1 (opening year)	\$100	plus 10% operating surplus
2	\$100	plus 10% operating surplus
3	\$100	plus 10% operating surplus
4	\$100	plus 10% operating surplus
5	\$100	plus 10% operating surplus
6	\$10,000	plus 10% operating surplus
7	\$10,000	plus 10% operating surplus
8	\$10,000	plus 10% operating surplus
9	\$10,000	plus 10% operating surplus
10	\$10,000	plus 10% operating surplus

The rental level outlined above follows the recommendations of the Hassell Report on the HFH completed in September 1986. The IBIS Report on the HFH completed in May 1988 also accepted the Hassell assumptions as being fair. The rental assumption above comprises a base rent of \$10,000 in 1986 dollars, and 10% of any operating surplus.

A draft lease agreement between the MMBW and the Home For Horticulture prepared in 1987 has been provided to C&LC and is attached as **Appendix B** and is summarised below:

Construction Phase (up to 5 yrs)	\$100	plus 10% operating surplus
Year 1 (opening year)	\$10,000	plus 12% operating surplus
2	\$20,000	plus 12% operating surplus
3	\$30,000	plus 12% operating surplus
4	\$40,000	plus 15% operating surplus
5	\$50,000	plus 20% operating surplus
6	\$60,000	plus 22% operating surplus
7	\$70,000	plus 25% operating surplus
8	\$70,000	plus 30% operating surplus
9+	Agreed base	plus 30% operating surplus

C&LC accepts the rental base established by Hassell Consultants and used also by IBIS. In reality, however, a new rental agreement would have to be struck with the MMBW if the HFH is to proceed. In this regard, the financial analysis conducted in Report 2 includes scenarios on both rental bases.

(b) **Wholesale Flower Market**

C&LC has estimated the ground rental for the site area required for this activity at the equivalent of \$3 psm in 1990 dollars. This rental must be viewed as indicative only, and a precise rental agreement would have to be struck with the MMBW. The MMBW advise that replacement parkland would not be sought in exchange for the leasing of a site for the Wholesale Flower Market.

(c) **Industry Park**

Recommended not to proceed. If it was to proceed, the MMBW would require replacement parkland for an Industry Park.

(d) **Souvenir Shop**

Recommended to be operated by the HFH management. Operating surplus contributes to Total Gross Income of the HFH. Regarded by the MMBW as being an integral part of the HFH. Will not require replacement parkland.

(e) **Convenience Retail Shops**

Recommended not to proceed as an independent element on the NHC site. If it was to proceed, then the MMBW would require replacement parkland.

(f) **Food & Beverage Facilities and Function Room**

Rental assumed at 12% of gross turnover, payable to the HFH management. Regarded by the MMBW as an integral part of the HFH. Will not require replacement parkland.

(g) **Education Facilities**

No recommendation for immediate development. If such facilities do proceed, they are likely to be regarded by the MMBW as public open space and will not require replacement parkland.

(h) **Specialist Retailing Facilities**

Full market rent should be applied if such a facility is to be developed in the longer term. The MMBW regards this facility as a commercial land use which would require replacement parkland.

(i) **Technical Support Services**

No recommendation for immediate development. The MMBW is unlikely to define this land use (if it proceeds in the longer term) as public open space. As a consequence, the MMBW would require replacement parkland for this land use.

APPENDIX A

PROPOSED INSTITUTE OF PLANT BIOTECHNOLOGY**SITE NEEDS****SOURCE: DARA WORKING GROUP**

The choice of appropriate location relies on a balanced assessment of the attributes and limitations of each site, the buildings costs, the need to purchase or sell land and various issues that will affect staff conditions and recruitment.

A detailed authoritative analysis of costings is required, and it will be essential that this take into account the many possible constraints on future development of both the Burnley and Knoxfield sites.

(a) Requirements of the Site:

- (i) **Adequate Space and Flexibility for Planning** - An ability to plan for the physical layout of the buildings and annexes and for the supply of services (gas, electricity, water, drainage) with minimum constraints is of fundamental importance. The integration of specialised buildings or facilities positioned according to a design plan is preferable. Examples might include: glasshouse complex (up to 25 individual houses), toxic waste disposal, computer facilities, laboratories equipped for radioisotope work, chemical stores and housing for major items of equipment. The site should also be of sufficient size to permit co-location of other research teams. Car parking space for at least 250 people will be required. Space for child-care facilities will be a further requirement.
- (ii) **Possibilities for Expansion** - Prospects for extending buildings and facilities in the long-term should be a major consideration in site selection. The present proposal should capitalise on the rare opportunity to plan for the future of scientific research in Victoria.

(iii) **Availability of Land for Field Experimentation** - Given that this proposal incorporates the breadth of plant sciences, there will be a requirement for arable land. Crops, ranging from cereals to vegetables, will need to be maintained in experimental numbers. To complement the biotechnology work either during experimentation (eg, transposon tagging) or for testing of transgenic plants, there will be an additional absolute requirement for an area of land adequately secured by fencing. The need to grow larger numbers of plants on broad acres could be met by outlying DARA establishments.

(iv) **Interaction with other Research Establishments** - The Institute should be located at a site with easy access to research teams at Universities, CSIRO and in private enterprises.

(v) **Accommodation for Visiting Scientists, Post-Doctoral Fellows and PhD Students** - There could be as many as 20 visiting scientists (including post-doctoral fellows) at the Institute at any one time. Consideration should therefore be given to on-site temporary accommodation.

(b) **Staffing Issues:**

(i) **Disruption** - Staff disruption may be an important issue. Transfer of staff could disrupt both work programmes and personal issues such as travel schedules. Some attention would need to be given to the effects of award restructuring and its implications in off-campus training.

(ii) **Proximity to Residential Areas** - When considering the location of a new Institute it is very important that consideration be given to the availability and proximity of reasonably priced residential housing. This would be an obvious concern for new staff especially younger officers. The difficulties in staffing and recruitment at various research institutes in the Sydney area attest to this.

(iii) **Motivation of Staff** - Maximum motivation will occur where all staff are exposed to modern facilities and equipment. The choice of some options will present a mixture of old and new buildings that might create feelings of disparity.

- (iv) **Outside Interaction** - Proximity to external institutes and groups will have an influence on communication and interaction. Of particular note are proximity to the universities, other teaching institutes and to other DARA establishments.
- (v) **Public Transport** - A desirable location will have access to adequate public transport.
- (c) Cost Considerations:
 - (i) **Buildings** - Costs for research laboratories and communal areas are derived from the recently completed facilities at Attwood. Attention has also been given to the minimum office and laboratory space requirements for staff, set by the Public Service Board. Analyses of the staff lists at each of the participating establishments lead to envisaged requirements of; laboratory area 4,050m², office space 3,339m², "dead space" 739m² and communal areas comprising 1,800m². Current building costs are estimated to be \$3,000/m². Estimated total building cost is therefore \$29.8 million.⁽¹⁾ Other costs to consider are site works/delivery of services (maximum \$3 million), glasshouse complex (25 units maximum, \$2.5 million), phytotron and growth rooms (\$2.5 million), major items of equipment (\$5 million). Special inclusions involve the construction of post-harvest cool rooms equivalent to the HRI facility (\$2 million) and a quarantine facility equivalent to the PRI facility (\$1 million). Total maximum establishment costs are therefore around \$45.8 million.

Note: (1) These figures were supplied to Coopers & Lybrand Consultants and we have not independently verified them.

LAND RENTAL ESTIMATE**Land Value**

Unimproved land zoned industrial would be valued at around \$80-90 psm in the Knox area. An even higher figure of, say, \$120-150 psm might be achieved for a fully serviced lot in an industrial estate. However, for broadacre unserviced land, the valuation would probably be \$80-90 psm, say \$80 psm in Wantirna.

Land Rental Value

The rental value of industrial zoned land would be broadly equivalent to about 10 percent of the rental of fully developed industrial premises eg:

- 1000 ha industrial land;
- planning permits allow 60 percent of land area as building space ie 600 sqm;
- lease value of industrial premises, say \$70 psm;
- building rent: 600 sqm at 70 psm = \$42,000;
- total land area: 1000 sqm ÷ \$42,000 = \$42 psm, or 60 percent of \$70 psm;
- excluding capital improvements, the value of the land alone would be about 10 percent of capital improved value, ie \$42 psm at 10 percent = \$4.20 psm;
- therefore, land rental alone can be expressed as either of the following:
 - \$4.20 as a proportion of \$42.0 or 10 percent, or
 - \$4.20 as a proportion of \$70.0 or 6 percent, or
 - \$4.20 as a proportion of 80 or 5 percent.

APPENDIX B

THIS AGREEMENT is made the

day of

1987

BETWEEN:

MELBOURNE AND METROPOLITAN BOARD OF WORKS
of 625 Little Collins Street, Melbourne

(hereinafter called "the Board")

of the one part

AND

THE VICTORIAN HOME FOR HORTICULTURE (INCORPORATED)
of 38 Hamilton Street, Mont Albert

(hereinafter called "the Association")

of the other part

WHEREAS:

- A. The Board has carried out a process of property acquisition and park development in connection with the establishment of the Dandenong Valley Metropolitan Park (hereinafter called "the park").
- B. Pursuant to the Board's objective of establishing the park the Board purchased an area of land (hereinafter called "the land") at the intersection of Burwood Highway and Mountain Highway, Wantirna North outlined in red on the attached plan (hereinafter called "the plan") to form part of the northern section of the park.
- C. The Association made a submission to the Board to enable the Association to lease and develop that part of the land comprising 35 hectares or thereabouts (hereinafter called "the core area") shown coloured blue on the plan in order to provide a high quality garden exhibition for the use of the public, a centre for horticulture in Victoria, an education resource centre and a major tourist and recreation attraction (hereinafter called "the project") and for the Board to develop the balance of the land comprising 70 hectares or thereabouts (hereinafter called "the complementary area") shown coloured yellow on the plan for the purpose of public open space and being complementary to the project.
- D. The Board has accepted that the project is a proper use of the core area as a part of the development of the park by establishing a diverse recreational activity within the park.
- E. The parties hereto have reached agreement that there be a joint arrangement in connection with the land whereby the Board shall lease the core area to the Association to enable the Association to carry out the project and that the Board shall retain the control management and development of the complementary area.

NOW THIS AGREEMENT WITNESSETH as follows:

1. The Board hereby leases the core area to the Association subject to the covenants conditions powers and provisions hereinafter contained to be held by the Association as a tenant for the term of Fifty (50) years (hereinafter called "the term") commencing on the date hereof at the rental herein provided.
2. The Association covenants with the Board to pay to the Board the following rental:
 - (a) Until the core area is opened on a permanent basis to the public, which date shall be determined by consultation between the parties, or until the expiration of five years from the commencement of the lease, whichever is the earlier date (hereinafter called "the opening date") the rental shall be ONE HUNDRED DOLLARS (\$100.00) per annum payable in advance plus 10% of the operating surplus.
 - (b) For the first year commencing after the opening date - TEN THOUSAND DOLLARS (\$10,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (c) For the second year commencing after the opening date - TWENTY THOUSAND DOLLARS (\$20,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (d) For the third year commencing after the opening date - THIRTY THOUSAND DOLLARS (\$30,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (e) For the fourth year commencing after the opening date - FORTY THOUSAND DOLLARS (\$40,000.00) per annum payable quarterly in advance plus 15% of the operating surplus.
 - (f) For the fifth year commencing after the opening date - FIFTY THOUSAND DOLLARS (\$50,000.00) per annum payable quarterly in advance plus 20% of the operating surplus.
 - (g) For the sixth year commencing after the opening date - SIXTY THOUSAND DOLLARS (\$60,000.00) per annum payable quarterly in advance plus 22% of the operating surplus.

- (h) For the seventh year commencing after the opening date - SEVENTY THOUSAND DOLLARS (\$70,000.00) per annum payable quarterly in advance plus 25% of the operating surplus.
- (i) For the eighth year commencing after the opening date - SEVENTY THOUSAND DOLLARS (\$70,000.00) per annum payable quarterly in advance plus 30% of the operating surplus.
- (j) For each subsequent year of the term 30% of the operating surplus plus an amount to be agreed upon at the expiration of the eighth year commencing after the opening date and each successive five year period thereafter and should the Board and the Association be unable to agree to the amount, such rental (apart from the operating surplus) as shall be determined by an Valuer appointed jointly by the Minister of Conservation Forests and Lands and the Minister for Water Resources or their successors but in any event such amount shall not be less than the rental (apart from the operating surplus) for the period immediately preceding the review thereof. The appointed Valuer shall act as an expert and not as an arbitrator but in so determining the rental he shall determine the same on the basis of a fair market rental for the core area disregarding any improvements to the core area made by the Association. The fee of the Valuer so appointed shall be apportioned equally between the Board and the Association.

- 3. For the purposes of Clause 2 hereof, the operating surplus shall be the gross income of the Association, not including donations from the public, derived from the project during the year ended 30th of June immediately preceding the year for which the rent is calculated less the operating costs of the project for that financial year as shown on the audited accounts of the Association. In calculating the operating costs the Association shall allow the rental (apart from the operating surplus) as an item therein. The portion of the operating surplus shall be payable within three months after the expiration of the financial year upon which the operating surplus is calculated.
- 4. The rental received by the Board pursuant to this Agreement shall reimburse the Board for its purchase of the land or be applied by the Board towards the development and maintenance of the complementary area, at the sole discretion of the Board.
- 5. The Association shall be solely responsible at its cost for the development of the core area and the construction of buildings, features, facilities and works thereon (hereinafter called "the features") in a substantial and workmanlike manner using good and sound materials and with all reasonable speed.

6. The Association shall not use the core area save for the purposes of a high quality garden exhibition for the use by the public and as a centre for horticulture in Victoria including the construction of the features which may include the following:
 - (a) A landscaped area of flowers, plants, trees and lawn.
 - (b) Greenhouses, conservatories and trial gardens.
 - (c) Water features, eg. ponds, lakes and fountains.
 - (d) An exhibition area.
 - (e) A display area for products allied to the home garden industry.
 - (f) A section for media coverage of home garden matters.
 - (g) An education resource centre.
 - (h) A restaurant and retail sales facility for nursery products.
 - (i) Recreation facilities of general interest.
 - (j) Office facilities for major horticultural organisations.
 - (k) Lecture theatre, museum and music shell.
7. The Association shall be solely responsible at its cost for the effective and proper management and maintenance of the core area and the features.
8. The Association shall from time to time and at all times during the term repair, cleanse, maintain and keep in good order and condition the core area and the features.
9. The Association shall at the end or sooner determination of the term yield to the Board the core area together with the features which shall be the property of the Board.
10. The Association shall pay during the term all municipal and other rates and charges and State Land Tax assessed in respect of the core area and all telephone, gas and electricity charges and other like outgoings in respect thereof, together with the costs of providing those services.
11. The Association shall not assign or sublet or otherwise dispose of or in any wise part with the possession of or grant any licence to use the core area or any part or parts thereof without the consent in writing of the Board first had and obtained.

12. The Association shall pay the costs of and incidental to this agreement and all Stamp Duty thereon.
13. The Board hereby covenants that on the Association paying the rent hereby reserved and performing and observing the covenants agreements conditions and restrictions on the Association's part herein contained and implied the Association may peaceably possess and enjoy the core area for the term without any interruption or disturbance from the Board or any person claiming lawfully through or under the Board.
14. The Association shall duly comply at its own expense with the provisions of the Labour and Industry Act 1958 and the Health Act 1958 or any Statutory re-enactment modification or amendment of any such Acts and any regulations issued thereunder and any Commonwealth or state enactment or regulations notices directions orders requirements or demands of any Government Municipal or other authority affecting the core area.
15. If the rent hereby reserved or any part thereof shall be in arrears for thirty days after any of the days whereon the same ought to be paid as aforesaid (whether the same shall have been formally demanded or not) or if and whenever there shall be a breach of non-performance or non-observance of the covenants and conditions herein contained and on the part of the Association to be observed or performed and such breach continues for twenty-one days after service of a notice on the Association requiring it to remedy the same or in case the Association shall have its property seized under any distress or execution or makes any arrangement with or assignment for the benefit of its creditors or is the subject of any proceedings for or takes any step towards liquidation or makes any arrangement or composition with its creditors it shall be lawful for the Board thereupon or at any time thereafter to re-enter and repossess the core area and the term hereby granted shall absolutely determine and be void but without prejudice to the right of action of the Board in respect of any breach of the Association's covenants herein contained.
16. The Association shall apply for and obtain the necessary planning permits and building permits and all other necessary permits and approvals as required for its use of the core area and for the construction and use of the features.
17. The Association shall prepare and provide to the Board a development plan for the development of the core area and the construction of the features and an indicative timetable for such development and construction, for the prior written approval of the Board. The Association shall forthwith notify the Board of any changes sought in the development plan and major variations therein shall not be made by the Association without the Board's prior written consent.

The construction of the features and the development of the core area may only proceed in accordance with the development plan together with any major variations thereto as herein provided.

18. The Association shall submit to the Board all plans and specifications for the features.
19. The Association shall indemnify the Board against any claims by any person or body for any loss, damage or injury arising out of the design, construction or operation of the features and the Association's use of the core area and the Association shall take out and keep with such insurance company as the Board may approve a policy of insurance in the joint names of the Association and the Board indemnifying them against any such claims to the extent of not less than Five Million Dollars, which amounts shall be reviewed annually by the parties hereto and in the event of any disagreement the opinion of the Board shall prevail.
20. If requested so to do by the Board, the Association shall permit a duly qualified and registered Auditor appointed by the Board to inspect its audited books of account. In so inspecting these books of account the Auditor appointed by the Board shall keep all matters disclosed therein confidential and shall not disclose them to any person save as is absolutely necessary in reporting his findings thereon to the Board. The costs of and incidental to such Auditor's inspection shall be paid by the Board save where such inspection discloses a variance of more than ten per cent in the amount of operating surplus to be paid to the Board pursuant to Clause 2 hereof, in which case such costs shall be borne by the Association.
21. The Association shall permit the Board to send an observer to any meetings of the Association.
22. The Association shall permit the Board to inspect the core area at any reasonable time.
23. The Association shall submit for the Board's written approval plans for traffic flow to and from the core area.
24. The Association shall protect the flora and fauna on the land and the park and shall take no action which may destroy or endanger the said flora and fauna without the prior written consent of the Board.
25. The payment by the Association to the Board of a percentage of the operating surplus as part of the rental shall not be constructed as a partnership or joint venture between the parties hereto.

26. The Board will upon the written request of the Association delivered to the Board not less than six months prior to the expiration of the term hereof and so long as there shall not then be any existing breaches or non-observances of any of the covenants conditions agreements and provisos on the part of the Association herein contained renew this lease for a term of fifty years at a rental to be agreed upon and failing agreement to be determined in the manner prescribed by Clause 2 (j) hereof upon the same terms and conditions as are herein contained but excluding this agreement for renewal.
27. Any notice requiring to be served hereunder shall be sufficiently served if forwarded by post or left addressed to the party to whom it is directed at its address shown herein or such further or other address as the party may have notified the other during the term hereof.

ALTERNATE CLAUSES 1, 2 and 26.

1. The Board hereby leases the core area to the Association subject to the covenants conditions powers and provisions hereinafter contained to be held by the Association as a tenant for the term of Ten (10) years (hereinafter called "the term") commencing on the date hereof at the rental herein provided.
2. The Association covenants with the Board to pay to the Board the following rental:
 - (a) Until the core area is opened on a permanent basis to the public, which date shall be determined by consultation between the parties, or until the expiration of five years from the commencement of the lease, whichever is the earlier date (hereinafter called "the opening date") the rental shall be ONE HUNDRED DOLLARS (\$100.00) per annum payable in advance plus 10% of the operating surplus.
 - (b) For the first year commencing after the opening date - TEN THOUSAND DOLLARS (\$10,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (c) For the second year commencing after the opening date - TWENTY THOUSAND DOLLARS (\$20,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (d) For the third year commencing after the opening date - THIRTY THOUSAND DOLLARS (\$30,000.00) per annum payable quarterly in advance plus 12% of the operating surplus.
 - (e) For the fourth year commencing after the opening date - FORTY THOUSAND DOLLARS (\$40,000.00) per annum payable quarterly in advance plus 15% of the operating surplus.
 - (f) For the fifth year commencing after the opening date - FIFTY THOUSAND DOLLARS (\$50,000.00) per annum payable quarterly in advance plus 20% of the operating surplus.
 - (g) For the sixth year commencing after the opening date - SIXTY THOUSAND DOLLARS (\$60,000.00) per annum payable quarterly in advance plus 22% of the operating surplus.

- (h) For the seventh year commencing after the opening date - SEVENTY THOUSAND DOLLARS (\$70,000.00) per annum payable quarterly in advance plus 25% of the operating surplus.
- (i) For the eighth year commencing after the opening date - SEVENTY THOUSAND DOLLARS (\$70,000.00) per annum payable quarterly in advance plus 30% of the operating surplus.
- (j) For each subsequent year of the term 30% of the operating surplus plus an amount to be agreed upon at the expiration of the eighth year commencing after the opening date and each successive year period thereafter and should the Board and the Association be unable to agree to the amount, such rental (apart from the operating surplus) as shall be determined by an Valuer appointed jointly by the Minister of Conservation Forests and Lands and the Minister for Water Resources or their successors but in any event such amount shall not be less than the rental (apart from the operating surplus) for the period immediately preceding the review thereof. The appointed Valuer shall act as an expert and not as an arbitrator but in so determining the rental he shall determine the same on the basis of a fair market rental for the core area disregarding any improvements to the core area made by the Association. The fee of the Valuer so appointed shall be apportioned equally between the Board and the Association.

PROVIDED THAT where the provisions of paragraphs (a) to (i) of this Clause would apply to a period in excess of the term hereof, such paragraphs to the extent that they apply to such period in excess of the term hereof shall be of no force and effect save as provided in Clause 26 hereof.

26.

The Board hereby grants to the Association the option of renewing this lease for nine periods of ten years each upon the following terms and conditions:

- (a) The Association may exercise each option for renewal by notice in writing given to the Board not less than six months prior to the expiration of the term hereof or the term of any renewal hereof.
- (b) The Association shall not be entitled to exercise each option whilst and so long as there shall be any existing breaches or non-observances of any of the covenants conditions agreements and provisos on the part of the Association contained herein or in any renewal hereof.

- (c) Upon receipt of each such exercise of option the Board shall renew this lease for a period of ten years at a rental to be agreed or determined as hereinafter provided upon the same terms and conditions as are herein contained save that the number of options contained in paragraph (a) of this clause which shall be reduced in accordance with each exercise of option.
- (d) The annual rental payable for each five year period pursuant to such renewals shall be the rental (apart from the operating surplus which shall be fixed at 30%) as agreed between the Board and the Association and in default of agreement such amount as shall be fixed by a Valuer appointed jointly by the Minister of Conservation Forests and Lands and the Minister of Water Resources or their successors provided that in the case of the first renewal the annual rental, including the payment of operating surplus, shall be, to the extent it is applicable, the rental determined pursuant to sub-clauses (b) to (i) of Clause 2 hereof and the annual rental (apart from the operating surplus which shall be fixed at 30%) for the balance of the first renewal term shall be determined as aforesaid as if such balance were a five year period. The appointed Valuer shall act as an expert and not as an arbitrator. The fee of the Valuer so appointed shall be apportioned equally between the Board and the Association.

