

THE GOOD WEEKEND

THE NSW Government could be up for \$50 million in damages to developers who were induced to put their money into Woolloomooloo. Last week one developer was awarded \$745,000 in damages against the Department of Environment and Planning and Sydney City Council. MALCOLM WILSON, Investment Editor, recounts the sorry saga of Woolloomooloo.

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How Harry, Paul, Sid and Frank lost their shirts in Woolloomooloo

CHRIS MORROW IS MUM-MA'S BOY
THE POLICE KILLED
LYOLD (sic) TITMARCH (sic).
PARKS FOR PEOPLE.
FREE BILL O'MEALLY.

THESE signs, scribbled on the sides of old tenement buildings in Woolloomooloo, convey in their own way the message that Woolloomooloo has for the rest of the world.

Woolloomooloo is a suburb that might have been. It might have become a kind of North Sydney, instead of remaining as a sort of down market version of Paddington. By now it might have been a thriving, thrusting complex of office blocks stretching into the sky, and rivaling North Sydney in size as a satellite of the City itself.

Woolloomooloo certainly tried to convert itself from what was close to a slum area into a shiny new series of skyscrapers. In 1969, the then State Planning Authority (it has since changed its name to the NSW Department of Environment and Planning) outlined a bold new plan for the redevelopment of Woolloomooloo.

But the past 13 years have produced very little. Some attractive new residential developments have appeared, but many of the old terraces in Woolloomooloo are still there. And a major court case last week in the NSW Supreme Court now means that the NSW Government could be up for possibly as much as \$50 million in damages to the developers who felt induced to put their money into the area, and who all subsequently lost their shirts when it was found that the SPA's plans were totally impracticable.

Last week, a Sydney property developer, Mr Harold Baker, was awarded \$745,248 as damages against the SPA and the Sydney City Council, by Justice Ash.

In his judgment, his Honour said that the SPA and the SCC had been negligent, that they had made representations that were untrue, that they had induced the property

developers to buy land in the Woolloomooloo area, and that they had subsequently changed the rules on them so that they all lost their money.

The judgment is certain to be read closely by all Government departments and local councils who give advice to developers — particularly also in view of a judgment that was made last year against the Parramatta Council.

In the Parramatta Council case, another property developer, Mr Lindsay Shaddock was awarded \$175,000 as damages against the council because it had told him, incorrectly, that there were no road-widening proposals which would affect his land.

The Woolloomooloo case is many times larger and many more people lost many millions of dollars through the negligence of the Government bodies.

The biggest loser of all at Woolloomooloo was the USSR-owned bank, the Moscow Narodny Bank, which lent more than \$30 million to the largest developer in Woolloomooloo, Mr Sidney Londish, and which only got about \$10 million back from the mess after Londish's companies failed.

The Moscow Narodny Bank is still owed about \$20 million on Woolloomooloo, and the receiver of the Londish companies, Mr Geoffrey Kelleher, says that he is looking at the situation.

If Kelleher decides to proceed with an action and wins, the total amount, after allowing for all the interest that has accrued since the early 1970s, would run to possibly as much as \$50 million.

The court case itself proved to be a mammoth battle that went for 70 days last year and earlier this year. Justice Ash was presented with some 200 exhibits and the evidence took 2,000 pages of transcript, and he had to listen to argument from three leading Queens Counsel and their juniors: Murray Wilcox, QC, and his junior, Jeffery Hilton represented Baker, Theo Simos, QC, and his junior, John Bryson, represented the SPA and Murray Tobias, QC, and his junior, Arthur Emmett, represented the SCC.

Among those who went into the

witness box were Professor John Toon, the Professor of Town and Country Planning at Sydney University, and Professor Hans Westerman, the Professor of Town and Country Planning at the University of NSW.

The evidence showed that the SPA and the SCC had made a major blunder when they put the plans together for the redevelopment of the Woolloomooloo area.

They didn't realise that the plans, if implemented, would create enormous traffic chaos in the Woolloomooloo area as it would be virtually impossible to bring 35,000 office workers into the area each day, given Sydney's transport capabilities.

THE whole sorry saga of the Woolloomooloo redevelopment scheme began in 1968. In February of that year, the chairman of the SPA, Mr Nigel Ashton, discussed the matter with the chief commissioner of the SCC, Mr (later Sir) Vernon Treant, and the SCC's town clerk, Mr Jack Luscombe. They agreed that a detailed plan should be prepared for the redevelopment of Woolloomooloo.

A committee of four was formed to look into the situation. It consisted of Messrs Ashton and Luscombe, together with Mr Peter Kacerek, the deputy chief planner of the SPA, and Mr John Shaw, the former commissioner of the Department of Main Roads who at the time was the deputy chief commissioner of the SCC under Mr Treant.

The committee held 10 meetings in 1968 and 1969. Those closely involved in the preparation of the final report included Mr Jim Snodgrass, principal planner of the SPA, Mr Rodney Pegus, also with the SPA, and Mr Ron Stevenson, the SCC's city engineer.

By July, 1969, the committee had finished its plans for the Woolloomooloo Redevelopment Study, and on August 19, Mr Treant revealed the plans in the Lower Town Hall.

There was very considerable interest in the plans, particularly as

they meant that just about the whole of the 37 hectares in the Woolloomooloo basin would eventually change from being a residential area to a commercial area, with high-rise offices, hotels and business developments replacing the rows of somewhat tatty terrace houses that made up the main part of Woolloomooloo.

There can be no doubt about the SPA's desire to see the developers move into Woolloomooloo.

It has been assumed that private enterprise will bring about the degree of site consolidation necessary for the implementation of many of the principles envisaged because of the economic advantages to be obtained by doing so. Involvement by public authorities will be assumed to be minimal ... the SPA said in 1969 when it introduced its plans to the public.

HAROLD Baker was one of those who saw the plans. He looked at them closely, and liked what he saw. He noted the requirements of site consolidation and how there would be a re-organisation of the streets to allow a very large commercial development.

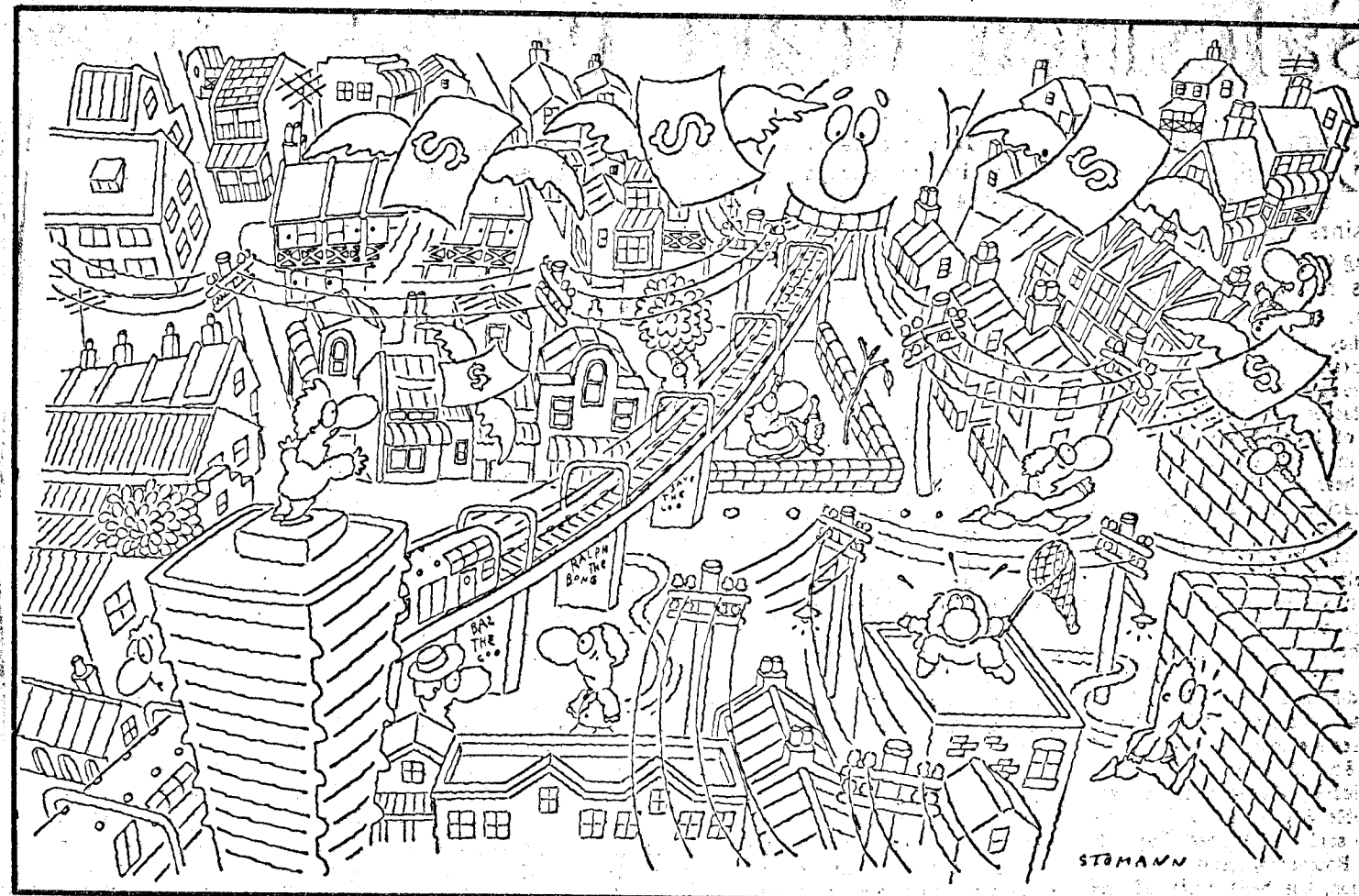
He also concluded that at the then going price of under \$20 a square foot for land in Woolloomooloo, it seemed a much better deal than in Sydney's Central Business District.

Baker decided to become a developer in the area and began buying properties. During this period he had a number of discussions with Mr Ray Hill, the development control officer of the SCC, who said that the policy of the council was to favour blocks with a minimum of 30,000 square feet before considering a development application.

But Baker wasn't the only sharp-eyed property developer who thought he was on to something big. Other men of property, including Mr Sidney Londish's Regional Landholdings, Mr Ian Kiernan's IBK Constructions, Mr Frank Theeman's Victoria Point group and Sir Paul Strasser's Parkes Developments group also saw the big money that could be made from the redevelopment of Woolloomooloo.

Together they began to buy furiously. Londish was the biggest spender, and within 18 months he had spent more than \$10 million in acquiring a huge four-hectare slab of Woolloomooloo, concentrating on the upper reaches of the area near William Street and stretching down along Bourke, Crown and Palmer Streets.

Sid Londish later was to describe his buildings in the Woolloomooloo area as "tenth-rate factories, ramshackle shops and dilapidated slums ... most have long since



reached the end of their useful lives."

The developers tended to concentrate their buying in particular areas. Theeman bought along Victoria Street in a strip that overlooked the Woolloomooloo basin, Strasser bought in the block bounded by William, Dowling, Cathedral and Forbes Streets and Baker concentrated on buying the houses in a strip along Nicholson Street near the Harbour.

Obviously, this sort of concentrated buying didn't go unnoticed among the owners of the properties, and by 1971, the developers had pushed up the price of land in the area from \$20 to around \$45 a square foot.

In January 1971, Baker met with three SCC aldermen, Mr Barry Lewis, Mr (later Sir) David Griffin and Mr John Harris. He told them of his wish to undertake a development project in the area. He wanted to buy the council's depot in Bland Street in order to make an area large enough to get a block of more than 30,000 square feet and he offered \$30 a square foot for it.

AS the developers continued their big buying, rumblings from within the SPA late in 1970 began to indicate that it was in the process of causing one of the biggest planning blunders of all time.

Meetings were held deep within the bowels of the SPA and the SCC to work out what to do. New committees were formed. Investigations were held. Consultants were consulted. Reports were made.

Without admitting it to developers, the SPA suddenly realised that the redevelopment plans for Woolloomooloo were just not going to work.

For no one at the SPA had given any real thought to the following simple problem: how were all the office workers who would be working in all these nice new office blocks in Woolloomooloo going to get to work in the morning and then get out of the area at night?

The town planners at the SPA certainly hadn't thought about it.

And no one at the SPA realised the extent to which the developers

would take maximum advantage of the floor space ratios which would be available in the redevelopment of Woolloomooloo.

What happened was that the SPA plainly didn't do its homework to calculate the impact of the extra workforce that would flood into Woolloomooloo each day or the ability of Sydney's transport system to handle it.

A few calculations had been done on the backs of envelopes which estimated that the extra workforce in the Woolloomooloo area after the redevelopment would be 35,000 people. No quantitative analysis was performed on looking at how to get these people into and out of Woolloomooloo each day.

Looking back on it, it is obvious that to have such a large mass of people converging on Woolloomooloo each day would place tremendous strains on Sydney's transport system to handle it.

William Street would be clogged with cars and buses each morning and afternoon, as would the Cahill Expressway as it runs off the Harbour Bridge. In addition, a severe strain would be placed on the nearest railway station at Kings Cross, and the pressure on the railways would work itself back to Town Hall Station where many thousands of people coming by train from the Western Suburbs and who would be working in Woolloomooloo would have to change trains.

The evidence before the Supreme Court showed that the SPA never seriously looked at the transport problem. The then Railways Commissioner, Mr Neil McCusker, was approached in 1969 about the Kings Cross Station, which was then under construction. The SPA also asked him if it was possible to add a railway station at Woolloomooloo, between Kings Cross and Martin Place stations, but nothing came of it.

The SPA also spoke to Mr Ernest Jefferay, the urban investigation engineer of the Department of Main Roads, particularly about the possible congestion on the Harbour Bridge and the Cahill Expressway, but nothing further was done about it.

The SPA maintained in its defence that it had consulted both the Railways Department and the

DMR, and that it was these two departments' failure to notice the problem that was the main cause of the gigantic blunder. This contention was strongly denied by both departments.

But Justice Ash found that it was 80 per cent the SPA's fault and 20 per cent the SCC's fault. The SPA had sought no advice from the Railways Department as to the costs of upgrading Town Hall Station, or of the likely requirement of extra roads and lanes in the Woolloomooloo area with a workforce of 35,000.

But not only had the SPA not done its homework on how to handle the daily influx of 35,000 people a day into Woolloomooloo, but the actual figure was going to be much more than 35,000.

For the developers were buying such large blocks of land that they would be able to claim the maximum floor space ratios. (If a building covers half the area of land on which it is built and is 12 stories high, then the floor space ratio is 6:1).

The SPA had recommended that the redevelopment of Woolloomooloo should have a basic floor space ratio of 5:1. But with bonuses being allowed for such things as overhead bridges between buildings and also parks, the developer was able to get approval for a much higher ratio.

What the SPA failed to understand was that property developers who are in it for the profits will try to obtain as high a floor space ratio as possible. The higher the ratio, the more floors they can build and the more money they will make.

Frank Theeman's original plans for Victoria Street were approved on the basis of a 9.6:1 ratio, while Sid Londish's application in October, 1971, was on the basis of an even higher 12:1 ratio.

Obviously, the floor space ratios that the developers were looking at were a lot higher than the SPA had anticipated. Mr George Clarke, a town planner who was consulted by the SPA on the Woolloomooloo redevelopment, calculated in 1971 that the potential workforce would be around 75,000 if all the developments went ahead.

The SPA itself also came to the same conclusion. At a meeting of the SPA in February, 1971, Mr

Jack Wickham, the deputy chairman of the SPA, said that the estimate of the workforce in Woolloomooloo was likely to be between 50,000 and 90,000.

At about the same time at a meeting concerned with the preparation of the City of Sydney Strategic Plan, Mr Graham Crockett of the SPA said that its figures for the workforce were in excess of 90,000. These figures were confirmed by Mr Andrew Briger, an architect by trade and an alderman on the SCC.

The SCC was also well aware by early in 1971 something was seriously amiss with the plans for Woolloomooloo. The then Lord Mayor, Sir Emmet McDermott, a dentist by trade, wrote that the workforce "may well be in the nature of 60,000 to 90,000".

More meetings were held, and it was concluded that the whole thing was unworkable. The plans were quietly scrapped. The developers were told that low rise residential developments were back in favour. The developers suddenly found that their plans were in shreds and they were forced to the wall.

Clarke was the main town planning expert called by Baker. He spent 10 gruelling days in the witness box, and faced lengthy cross-examinations from both Theo Simos for the SPA and Murray Tobias for the SCC. He proved to be a man of strong views about the deficiencies in the SPA's plans for Woolloomooloo.

Clarke described the SPA's work as brief — only 8,750 words — unquantified, with no numerical research or analysis, narrow in scope and "devoid of any economic or transportation analysis or proper recognition and study of influences or ramifications beyond the restricted area of Woolloomooloo".

He said that a plan for the redevelopment of the Artarmon area involving 43 hectares ran to 126 pages with 40,000 words, and he also referred to the SPA's 1969 study on the Bondi Junction area as having been done by people who were "properly qualified and experienced in that type of work", indicating that he had little time for the plans made by the SPA for Woolloomooloo.

ERROR FOR SCC