



CRIME AND CORRUPTION COMMISSION

TRANSCRIPT OF INVESTIGATIVE HEARING

10 CONDUCTED AT LEVEL 2, NORTH TOWER, 515 ST PAULS TERRACE,
FORTITUDE VALLEY WITH RESPECT TO

File No: CO-16-1664

HEARING NO: 17/0001

DAY 7 – FRIDAY 28 APRIL 2017
(DURATION: 22MINS)

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LEGEND

PO Presiding Officer – ALAN MACSPORRAN QC
CA Counsel Assisting – GLEN RICE QC
30 HRO Hearing Room Orderly – MELISSA LETONDEUR
W Witness – CAMERON MURRAY
LR Legal Representative – N/A

CA I call Dr Cameron MURRAY.

PO Dr MURRAY, do you have any objection to taking an oath on the Bible?

W No.

PO Thank you.

10 HRO The evidence which I shall give in these proceedings.

W The evidence which I shall give in these proceedings.

HRO Shall be the truth, the whole truth, and nothing but the truth.

W Shall be the truth, the whole truth, and nothing but the truth.

HRO So help me God.

20 W So help me God.

HRO Thank you. Take a seat.

CA Is your name Cameron Keith MURRAY?

W Correct.

CA You're an economist, I think, Dr MURRAY?

30 W Correct.

CA You work at - which university, just remind me?

W University of Queensland.

CA You have a range of qualifications, I think, commencing with a Bachelor of Applied Science, with a major in property economics, from QUT?

W Correct, yes.

40 CA Master of Business Research and Environmental Economics from QUT?

W That's right.

CA And also a Doctor of Philosophy, majoring in economics, from the University of Queensland?

W That's right.

50 CA You're appearing, I think, in response to a notice to attend today?

W That's right.

CA Can I show you this.

W Sure thing.

- CA Is that a copy of your attendance notice?
- W To the best of my knowledge.
- CA I tender that.
- PO Exhibit 100.
- 10 CA You responded to an invitation from the CCC and made a submission to this inquiry?
- W That's right.
- CA I'll just ask you to confirm this, if you wouldn't mind.
- W Not a problem.
- 20 CA Is that a copy of your submission, Dr MURRAY?
- W It looks like it to me.
- CA I tender that.
- PO Exhibit 101.
- CA You have a special interest, I think, in areas of corruption, property development, property markets?
- 30 W Correct.
- CA And environmental economics?
- W That's right.
- CA Could I just ask you to flesh out some features of your submission.
- W Sure thing.
- 40 CA In the local government area, by virtue of the fact that candidates, by and large, are not party endorsed, there is a private funding model.
- W Mmm-hmm.
- CA So that candidates either fund themselves or obtain funding by way of donations from some other source.
- W That's right.
- 50 CA You have commented, I think, on the disadvantages of that model?
- W I guess I've commented on the fact that not knowing the sources of those donations is a problem, but in principle it's not a problem. But the system could be improved to have some public donations, so that there is a more competitive field of potential candidates rather than those who are likely to succeed by attracting the most donations and simply reinforcing their

success. So there's certainly scope to improve the system and add a public funding element, but per se private funding - you know, it's not such a bad thing.

CA If there was a component of public funding, would you favour the continuation of a proportion of private funding, and to what extent?

10 W I actually think that whatever rule you come up with about private funding is going to have very little effect. Even if you pick a number and say it's \$50,000, I think that the advantages that would have gone via formal donations will come via other means, so that a cap itself will have very little practical effect on those seeking favour using donations. They'll find other means instead.

CA It's capable of being circumvented; is that what you're referring to?

20 W That's what I am suggesting, that a cap on private donations will be circumvented. And we've seen caps on donations in other jurisdictions being avoided by other sorts of gift-giving and informal agreements.

CA So are you not in favour, by virtue of that, of capping of donations?

30 W I'm in favour if there's a legitimate enforcement mechanism and monitoring, but I think what we've seen is that getting that sort of mechanism and monitoring and that institutional set-up correct is very, very difficult. I would like to have a go at it, but I don't think it's going to be a great solution to the problem we're facing of seeking influence of councillors. It may put some sand in the gears and make it a little bit more difficult to carry out.

CA It's a question of who carries out that enforcement function, too, I suppose?

W Who watches the watchers, yes, that's right.

CA Would you regard the banning of donations as being realistic, as opposed to capping?

40 W I think there is a way - it's possible if the political will was there and the investment was made to enforce that sort of thing, that it would be fine, but I think that would be circumvented as well through private gift-giving, other sorts of indirect favouritism and appointments to token jobs, that sort of thing, which are just a way to funnel cash. There will be many, many alternative ways to get around that. But if you want to do it, as I said, anything you do to put sand in the gears of favouritism, I would support.

50 CA There are certain vehicles of donation that you have submitted against, including donations from trusts being an intermediary between a donor and a recipient?

W Correct.

CA Why do you take that position?

W I think if we care about political accountability, we have to have some

10 lens through which to see who is being influenced and how, and trusts are just a way to hide where the money is coming from. I actually spent four years researching the political connections of landowners in Queensland. I looked at 12,000 different landowners. I had 163,000 relationships in my network, from corporate relationships, cross-directorships on boards of directors, and the thing that held me up was when a trust owned the land and I couldn't find out who was behind it or when a trust donated, and that's where I got stuck. So anyone seeking to investigate things, it's just a dead end. That's why I think it either should be banned, or we could even look further about the nature of trust structures themselves.

CA What was the purpose of the research of which you spoke?

W The research I did as part of my PhD looked at whether I could predict favourable land rezoning from political donations or relationship networks of the landowners, taking the view that where the boundary was drawn on the map is a decision about who wins a windfall gain on one side of that line and got rezoned and who loses.

20 Now, if it was a characteristic of the land, we should see that the land would be somewhat different, different in size, something like that, because all my land was next door or across the road.

30 But in fact what I found was that you can predict where the boundary gets drawn by the relationship network of the landowner, how well connected they are to what I would call the corporate and political network in Queensland, those who are on boards of companies together, those who have worked in companies that - in my case, it was the ULDA that did the land rezoning, a state body. Those landowners where employees of the ULDA had worked for them before - that was a good predictor. Those who employed professional lobbyists - in my data, the professional lobbyists had a 100 per cent success rate in making sure your land got rezoned instead of just missing out.

40 What the previous witness we had here said is correct: political donations did not predict who got favoured, and that was partly because everyone was donating to both sides of politics. There was just an abundance of donations at the state level, and I couldn't pick apart whether that donation was leading to that favour, because there were plenty of donations they gave that didn't lead to the favour.

50 So in my view, it's not really the donations, but it's everything else that goes alongside them, all those alternatives to donations - the professional lobbyists, hiring former politicians to sit on your board as in-house lobbyists. I mean, the list is as long as my arm of former politicians in Queensland who work for property developers internally. They get to avoid being on the lobbyist register, because you have to be a professional lobbyist to be on the register, yet they can leave politics on Friday and work for - I know Campbell NEWMAN works for Springfield Land Corporation, one of your witnesses is a 25 per cent owner of them, the next day.

Of course, nothing we're talking about today is going to stop that, but that's where the real influence comes from.

CA Not from donations?

W Donations - I've actually done a lot of other research on donations, about who's donating, what proportions they give to what political party and at what time, not so much at the local level but at the state and federal level. What you find in Australia is 60 per cent of the donation value comes from donors who donate equally to both parties. So they're not about getting the person who's aligned with them politically into power. They're about signalling to whoever gets into power, "If you do me a favour, my credit's good and I'll sort you out later."

10

So donations are just one way to start this chain of reciprocity going. There are plenty of examples I've looked at in Queensland. One is Flinders, which is a land development in Logan City Council. In that situation, the landowner didn't donate a cent. Instead, they would drive the councillors around. "What would you like to see here? What would you like to see here? Come to my meeting. Come to my vision meeting, where I'll employ planners to tell you what we can build here, these grand visions." They employed professional lobbyists, and they got their land rezoned. They did everything but donations.

20

So whatever rules we change as a result of this inquiry would have had absolutely zero effect, and I estimate that they got a gain of around \$80 million to \$100 million from a planning decision after doing that.

CA Do I sum it up correctly, you will consider that networking and lobbying have far more leverage than donations?

W Correct.

30

CA Although donations, I think you have said, have their place in establishing a relationship of reciprocity?

W Correct. My research suggests that donations are more like a ticket to entry for newcomers to this relationship network. So if you're not already at the table and well entrenched, then you need to work your way towards the centre, and so you would want to donate. What we see in the donations data is that the largest donors these days are, for example, new Chinese developers. They're donating the most, because they're not at the table. They're not in the network. They have to buy their way in.

40

One of the former witnesses here, Bob SHARPLESS, said we should ban developer donations. That would suit him perfectly because he has already got a seat at the table. He's already right in the middle of the network. That stops any new kids on the block coming to enter the network and compete for the political favours.

CA You've raised an interesting matter in your submission by referring to what you call the value of council decisions.

50

W Correct.

CA You make the point that valuable decisions are made by councils to confer benefits, effectively, for nothing?

W Correct.

- CA Would you like to explain that for us?
- W Sure. The reason we're here today and the reason New South Wales had an inquiry into rezoning and developer donations was because we've decided as a community that giving additional property rights to particular landowners should be done for free instead of at market prices.
- CA You talk about zoning, for example?
- 10 W Correct. So you can imagine that I own a plot of land and I can build a single-unit dwelling. Okay? When the rule changes so I can build a 10-storey building, that's a new property right that attaches to that land, that is owned by the community, that should be sold. Okay? And there are examples in Brazil where they auction additional rights to develop at high densities. They're sold at market prices and landowners must compete with each other to bid for that, and they essentially sell it to them.
- 20 W In the ACT, they don't have auctions. Instead, they charge 75 per cent of the value gain as a tax. Okay? So it's essentially a sale at a 25 per cent discount. So if we had that sort of system, the pie that everybody is fighting over and that everybody is trying to work their networks and get those favours for would be much, much smaller. It would be 75 per cent smaller.
- W I've calculated that if we just adopted the ACT system, that's \$1.7 billion across Queensland that could be raised that is, instead, given away to selected landowners for free.
- 30 CA Just to develop that a little more so we understand the ACT model, upon rezoning-
- W No. Upon - sorry. Sorry to interrupt.
- CA No, no, by all means.
- W You can do any zoning decision you like, draw any lines on any map, but when someone takes their land from its current use and seeks permission to change the use, so the equivalent in Queensland would be an application for a material change of use, the assessor of that checks if it's consistent with the plan and then says, "Well, your land at this new use is worth maybe \$3 million. The land at the old use was worth \$1 million. We'll send you a bill for 75 per cent of the difference and then stamp your approval."
- 40 CA How is the valuation undertaken?
- W It's internal valuers, very much like how annual land valuations are undertaken. They're done by valuers who defend their valuations in court.
- 50 CA All right, that's one model.
- W That's right.
- CA Working out current value as opposed to rezoned value and linking a tax to the difference?

- W Correct.
- CA What's the other model? You mentioned Brazil, I think.
- W That's right. So instead of drawing that line on the map and rezoning, you draw the line and say you can build to that additional density, but you must come and buy the additional right to get that additional density.
- 10 So if you are a light industrial user and you want to develop, for example, here at New Farm or at West End or something like that, and you want to develop a 12-storey building, you come and buy that at our auctions, and we're going to auction the right. For example, each 10,000 square metres of additional development right of this use will be auctioned at the end of each month, and all the developers will line up and bid for that right, and, once they own that right, they can then build to the plan.
- CA Those suggestions would have an attraction in terms of raising revenue?
- 20 W Correct.
- CA Do they have an attraction in terms of limitation of corruption, or the perception of it?
- W Well, the attraction is that when the pie is radically shrunk, there's a lot less to go and nurture your relationships over. So rather than getting - for example, in the case of Flinders I talked about, Undullah is the suburb it's in - rather than \$80 million or \$100 million of value, it would only be \$15 million or \$20 million, that additional gain from the decision. So you would invest a lot less time for a \$10 million or \$15 million or \$20 million pot in nurturing those relationships and hiring the lobbyists and jumping through all those hoops than you would for a \$80 million or a \$100 million pot.
- 30 CA You're in favour of that kind of a system, by the sound of it?
- W My general view is that when you have things of large private value that are given away with discretion through the political system, you should do your best to charge market value for them. Otherwise, it's a bit like running a lottery and having it decided by a committee. Of course the relatives of that committee are always going to end up winning that lottery. But if we reduce that value down massively, we at least have less willingness to participate. There's less motivation. There's less - you know, I could spend \$15 million lobbying for \$100 million. But let's say we taxed it at 85 per cent, then I wouldn't bother spending the \$15 million. I would have spent all my gains, if you know what I mean.
- 40 CA Are there any downsides, then, to levying some sort of tax or impost on decisions that effect land value?
- 50 W The downside is that it's political suicide. There was one imposed in Sydney in the early 1970s. It lasted three years. It was a 30 per cent tax on the gain from rural to urban transition of land. Basically, all the wealthy landowners who wanted to bank on subdividing their land then mobilised their efforts to get rid of the government and make sure that that was squashed.

In the ACT, I guess they have the advantage that it was implemented at an opportune time, and of course their land titles system has a slightly different history to the rest of the states in terms of the establishment of the territory and the use of taxation of land and the management of land to raise funds to build the city. So they have quite a unique political situation.

10

I can tell you now, if you propose this in Queensland, I've interviewed former senior bureaucrats and people who have worked for politicians in Queensland, and they've told me that if you raise the words "betterment tax", which is what it's traditionally known as, in these circles, no-one will talk to you again. You will be shunned. It's a signal that you are not part of this group, this favoured group.

CA

As a politician or councillor?

W

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Correct. A politician, councillor, anyone who is already within those groups who realises that they're giving favours worth a lot of money to other people who are going to repay them with favours in the future, whether directly or indirectly, they will think it's bad and they'll believe that it's bad for some particular reason. These people are no different to you and me. They're just in a different social situation. They will believe it's bad and they won't want to do it, because it will upset their networks. It will upset their friends and family. So they will believe what they say. It must be bad.

30

If you proposed it, if the Queensland Government proposed it tomorrow, you would see a backlash from the property industry, the Stocklands, the Lend Leases. Bob SHARPLESS would surely be involved at funding a massive campaign to get rid of the government that proposed that. And of course it would be worth \$1.7 billion a year to them to run that campaign, because that's what my calculation shows is what's going to be given up, this \$1.7 billion freebie.

CA

You point to some differences between Queensland and the ACT in terms of landholdings. But even allowing for that, how long has that system been in operation in the ACT?

40

W

The tax on the value gain?

CA

Yes.

W

Since 1971.

CA

Has that resistance that you have spoken of from the property industry been evident there?

50

W

As I said, the political opportunity was ripe because the conversion of rural to urban uses in the ACT is only done by the ACT Government, because they only have leasehold rural land. In fact, all their land is leasehold. But for urban uses, it's 99 years. So there isn't a development lobby and there has never been a big development lobby in the ACT, purely because it constructed originally a system of land titles that prohibited land banking and speculation on changes of use, even from 1911 or whenever it was first implemented.

CA Thanks, Dr MURRAY.

W That's all? Thank you.

PO Thanks, Dr MURRAY. Thanks for coming. You are excused.

W Thank you.

10 PO Mr RICE, that's the only evidence today?

CA That's the last witness for the day and that's the last witness that's scheduled for this hearing.

Commissioner, I am advised that the investigation of Operation Belcarra remains ongoing and that consequent upon information provided by some witnesses, further inquiries are being undertaken, which could give rise to further witnesses giving evidence at another time.

20 Accordingly, my submission is that it would be appropriate to adjourn the proceedings to a date to be fixed rather than finalising the hearing today.

PO Yes, thank you. I accept that. We'll adjourn, then, the inquiry to a date to be fixed.

HRO This hearing is adjourned. Thank you.

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