APPENDIX D

Kempsey
Shire Council

www.kempsey.nsw.gov.au
ksc@kempsey.nsw.gov.au
ABN: 70 705 618 663

Your council Our community

OUR REF: F12/1377
YOUR REF: A550440

6 July 2017

Mr Grant Gleeson
Director Legal
Chairman PRC
Office of Local Government
Locked Bag 3015
NOWRA NSW 2541

Dear Mr Gleeson

**KEMPSEY SHIRE COUNCIL & MAJESTIC CINEMAS PTY LIMITED AND GOWING BROS LIMITED**

Thank you for your letter of 15 June 2017. The purpose of this letter is to provide the PRC with Council's response to the issues raised in the 15 June letter and to also outline the process Council has sought to undertake in order to satisfactorily respond to the issues raised by the PRC.

As requested in the 15 June letter, Council tabled the PRC's 15 June letter at its next scheduled meeting of 27 June. In order to ensure Council's support for the proposed response back to the PRC, Council additionally provided a number of key documents in draft format for Council's consideration, including an earlier draft version of this letter. Council further resolved that Council should update and put on public exhibition an updated Probity Report, Public Interest Evaluation Report, Long Term Financial Plan and Risk Management Plan, for a two-week period commencing Tuesday, July 4.

In terms of next steps, it is proposed that any comments received during the public exhibition period will be reported to the July 18 meeting of Council with a recommendation they be provided to the PRC to be considered as part of the review of Council's response ahead of its next meeting, which I understand is tentatively scheduled to be held on July 27 or July 28.

The July 27 or 28 assessment from the PRC will then be reported to Council as soon as practically possible thereafter.

I hope this response and proposed response meets with the PRC's expectations and satisfies the comments expressed in the 15 June letter.

Below please find Council's substantive response to the issues raised in the 15 June letter.

**Role of Council**

Among the guiding principles for local government as set out in Section 8 of the *Local Government Act* 1993 is integrated planning. Councils are required to identify and prioritise key local community needs and aspirations and consider reasonable priorities. They are required to manage risks to the local community and to do so effectively and proactively. In exercising its functions, Council has proactively identified a significant risk of doing nothing to address the effects of the Pacific Highway Bypass. It has concluded that the risks of doing nothing are to the detriment of the community. The bypass delivered Kempsey an immediate job loss of 70. The identified risks of the PPP not proceeding include further job losses, lost retailers, less consumer choice, less competition, increased retail leakage, a lower standard of living for Shire residents, and the continuing absence of the social and cultural amenity that is needed to make Kempsey a desirable place to live for professionals and investors.

**Attachment A** is the University of NSW report prepared by Dr Bruno Parolin dated 14 February 2014, which examined and measured the economic impacts of Pacific Highway Bypass on Kempsey. The executive summary notes many of the adverse effects of the bypass and summarises criticisms from business owners that Council should be doing more to assist the highway-related sector. Businesses interviewed believed Council should give priority to completing the beautification of the main street, rectifying bypass signage, and bringing more jobs and people to town. In summary, the priority for Council from the businesses community was to drive economic growth and prosperity for the town.

Council also commissioned expert, independent economic analysis of the Kempsey Cinema Project from .id in July 2015 **(Attachment B)**. The report's executive summary sets out the key findings in relation to the economic value-add of the construction of the cinema and its ongoing operational benefits to the CBD and the community.

The rapid benefit cost analysis as set out in section 5, page 17 of the report, projects the development will deliver around $22.6 million (in net present value terms) in benefits to the community and the economy over a 20-year period. The benefit cost ratio, being the sum of the present value of benefits against the sum of present value of costs, is a ratio of 3.14. This ratio demonstrates the proposed development benefit significantly outweighs the cost. As .id states, for every dollar of investment, the project is expected to generate an additional $3.14

of economic and community growth. Section 5.2 of the report sets out additional benefits which the.id report notes are likely to further improve the development's benefit cost ratio.

Importantly, the report further notes a positive employment effect both directly and indirectly, with the potential for increased sales from both tourists and locals. The cinema will also diversify the CBD's employment offering and support growth in the developing service sector economy.

It is in light of these reports, together with analysis undertaken with Gowings and Majestic, that Council considered the independent accountant's report. While Council refrained from being overly critical of Mr Caldwell's report in the PRC submission, it has addressed the report at length both within Council, with its prospective PPP partners, and with the community. Of fundamental note is that Mr Caldwell's report was prepared looking at the financial business case of the operations, having no context of the circumstances and objectives, nor any substantial discussion with the PPP partners, who could have satisfactorily addressed Mr Caldwell's apparent concerns as they have with Council. The economic returns, as set out in the .id report, justify the construction of the cinema, the Commonwealth Government grant, and Council's support. The sheer benefit of obtaining a 3 to 1 multiplier effect of Council's $2 million contribution with $6 million of immediate economic stimulus to the Shire, is a significant benefit as is the 15-20 permanent and casual jobs being created by the cinema and the multiplier jobs being created from reducing escape expenditure. Without going into a lengthy list of financial, social and welfare benefits, these are the key benefits Mr Caldwell's report neglects to consider.

The Council meeting of 25 May (not 27 May) was conducted within the context of these broader, strategic economic and social objectives. To this extent, Council has demonstrated it is cognisant of, and accepts, the project's financial risks when weighted against the significant economic and social benefits to be derived. Council accepts the ongoing financial risks principally within the context of 1) the significant financial and social benefits, and 2) the fact that the ongoing financial risks can be significantly mitigated.

**Caldwell Report Specific Issues**

Your letter asserts Council has not adequately addressed or considered some specific matters in the Caldwell Report and the attendant financial risks. That is rejected.

Council has fully considered Mr Caldwell's report within the context of the economic imperatives underpinning the project. It is in this light that Council wishes to proceed with the project, not because of any failure to appreciate the risks of not achieving a commercial return on the investment.

Addressing each of the matters under the heading "Review of Submitted Material":

- **Rent:** Mr Caldwell's comments regarding rent are academic and unqualified. We respond as follows;

  - For a cinema whose total build cost is $6 million, the total rent would typically be in the vicinity of $600,000 (Source: Birch Coyle Carroll Coffs Harbour, Majestic Cinemas Port Macquarie, Gowing Bros Limited). There are no $6 million cinemas in Australia which pay a $200,000 rent. It is only because of the grant funding and the Council loan that Council has been able to attract a private landlord and an operator to jointly provide a cinema which Kempsey would otherwise not achieve in our current generations' lifetime.

  - The existing Target tenancy situated directly below the proposed cinema currently pays $250,000 in rent. As such, the Cinema is trading at a lower commercial rent than the existing commercial rents being achieved by the landlord. This is a significant point and highlights the goodwill that a company like Gowings is contributing. Gowings has been part of the open book feasibility of the cinema and is aware that the cinema cannot sustain a rent higher than $200,000 irrespective of the capital cost. Gowings' primary motivation is that it has loss-making Target and Coles anchor tenants, who have both expressed an intention to vacate the centre upon expiry of their current leases. As such, Gowings is motivated to do everything possible to strengthen the centre's performance and tenancies.

- Mr Robert McNamara of Winsome Real Estate, a qualified Kempsey real estate agent with extensive historical knowledge of the local commercial property market, provided a market appraisal of rental expectations in the vicinity of $200,000.00 per annum excluding GST. Mr Caldwell previously advised Council he was unable to properly address the assessment of a fair rental. Council has accepted the view of the real estate expert who considered $200,000 to be a fair rent.

  From the perspective of Gowings, a publically listed company with 1,500 shareholders, the rate of return on the capital it is investing is the minimum arms-length commercial return it can accept. In addition, Gowings is investing $2 million with the additional risk of bearing 100% of all development cost overruns. It is a significant and valuable outcome that Council has been able to successfully negotiate with Gowings with no development capital risk for Council.

- **Unnecessarily subsidising Majestic:** A public Expression of Interest process was undertaken by Council. The successful proposal reflected the best offer submitted through a competitive, open market process.

  Mr Caldwell has suggested the repayment of the loan by Majestic "is some form of commercial nonsense". The concept of sharing profits to repay a loan is novel but not unique. The use of a loan structure is also important so as to ensure the mortgage of lease secures an obligation to Council.

The fact that the management fee being paid by Council to Majestic is a further cost to Council is well understood. This has been primarily a Council project. Majestic has agreed to lend its expertise for a fixed management fee. There is commercial uncertainty around the viability of the project. Accordingly, in order to provide an incentive to Majestic, Council proposed a share of profits and losses, with a reasonable cap. Any charge that would expose Majestic to any greater loss would put Majestic's involvement in the entire project at risk.

The quantum of the management fee is equivalent to a full-time employee's salary and on costs. Without Majestic, Council would need to employ a senior manager to supervise the operations of any cinema. Council considers the fee of $70,000 per annum to be a very reasonable management fee given the circumstances and the comprehensive set of services and industry expertise to be provided by Majestic.

- **Little confidence in the cinema complex being viable:** This is an example of Mr Caldwell not taking into account the economic context within which Council is agreeing to financially contribute to this development. It also betrays a lack of appreciation that the proposal is not a commercial investment from Council's perspective. The statement by Mr Caldwell that the involvement of the Council in the Management Agreement on the terms presently proposed is "marginal and beyond normal commercial risk" highlights Mr Caldwell's approach.

  This is not a normal commercial undertaking and Council is not looking to enter into an arrangement that would provide it with a normal commercial return based on normal commercial risks. Council's objective is to deliver significant economic, social and cultural benefits to the community, as opposed to making a 'commercial' investment return.

  Council recognises the cinema development would not proceed if left to strictly commercial interests. Council also recognises that it is unable to provide the cinema without the resources, expertise and financial contributions of its proposed PPP partners. This primary objective is fundamentally ignored by Mr Caldwell.

- **Marginal and beyond normal commercial risk:** see above. Council is only entering this arrangement because no commercial operator would ever do so.

  Council has been informed by Majestic there is a good chance a viable business can be built in Kempsey with the contributions of the Federal Government and Council. However, volatility of earnings, which are dependent on the product supplied by film producers, makes it a risky proposition. It will also take, according to Majestic, 18-24 months to change people's habits and start achieving the potential returns.

- **Core weakness is in the eventual attendance numbers:** Council has every confidence of the ability of Majestic to achieve attendance numbers and their motivation to do so. Mr Caldwell notes the attendance estimates are difficult and has relied on information provided by Majestic Cinemas only to arrive at his estimated figures. Council has used statistical data on Screen Australia figures to develop an alternative method of estimating attendances. Such estimations provided more optimistic figures than those developed by Majestic. It should also be noted that the second cinema company that submitted an expression of interest also forecast higher attendance figures. Majestic has applied its expert knowledge and experience in similar regional centres to determine a base case and margins up and down. Council needs an experienced operator of the cinema complex. The payment of the management fee and the sharing of the loss have been negotiated understanding the risks to Majestic in taking on the operation role.

  Further, Gowings' has satisfied itself of the commercial prospects that the venture will be feasible and able to honour its commitments. Gowings has very rigorous investment criteria and a deep understanding of shopping centres, rapidly evolving retail precincts in regional areas, and the prospects of success. Regionally, Gowings' recent revitalisation of both the Coffs Central Shopping Centre and the Moonee Shopping Centre less than two hours' drive north of Kempsey are testimony to the company's skilled and specialised approach to transforming tired shopping centres into modern, vibrant and popular community spaces.

- **Recommend a renegotiation:** Council has concluded it is not possible to renegotiate the proposed terms of the project. Such a recommendation was not within Council's brief to Mr Caldwell. The proposal that has been put forward is the result of market testing and a public EOI campaign. The whole process has been open book in order to de-risk for each party and to ensure the best prospects of success. The current PPP proposal is a good example of what can be achieved when public and private interests are aligned to achieve a community outcome that would not otherwise ever be possible.

- **Absence of security from Gowings:** This is an erroneous observation by Mr Caldwell. Gowings as the developer must first expend the $6 million and take the development risk on all cost over-runs. Gowings will then submit progress claims in arrears for re-imbursement from Council and the Federal Government. As such, Gowings wears the credit risk. With regards to execution risk by the builder, Gowings has confirmed that the building contract provides for a 5% retention amount, as is standard commercial practice. As the landlord, the developer has solely assumed a significant financial risk once works have commenced in that it has an unlimited risk of capital loss due to default or non-completion. Finally, Gowings is a publically listed 150 year old company and well respected contributor to the Mid North Coast community. In these circumstances, to request further security from Gowings is not reasonable nor to be expected. It is noted that Mr Caldwell fails to make reference to the mortgage of the lease. That mortgage gives Council the guaranteed use of the premises for 10 and up to 20 years.

- **Council's investment at some serious risk:** The risk is noted. Council has been aware of the financial exposure it is undertaking by entry into such a project. Council notes the mortgage of lease provides it with the ability to appoint receivers and engage new operators if that ever became necessary. Council's mitigating control in the event that Majestic were to fail from a financial standpoint would be to appoint a new cinema operator. Gowings as landlord would greatly assist in this respect, as it regularly does when a typical retailer fails. Further, the financial risk needs to be put into some perspective. Within the context of a $70 million annual budget managed by Council, the potential exposure by Council is well and truly manageable. This also ignores the overall value added to the economy and the broader benefits to the local community and visitor economy.

- **How Council mitigates against the scenario at page 12:** Council is able, pursuant to the mortgage of lease, to appoint a receiver and to appoint a new operator of the cinema. In doing so, it is able to negotiate a new management arrangement with any new operator.

  As Mr Caldwell notes "a most likely scenario is that the cinema complex would continue and exist to produce the social result the Council desires". The risk referred to concerning the non-recovery of the interest free loan is understood. As mentioned above, the context for this investment is the need to ensure mitigation of the economic impacts on Kempsey of the Pacific Highway Bypass and a need to address other social concerns including unemployment.

  If Majestic walked away from the cinema it does not do so free of risk. To the extent Council guarantees the rent, if ever it is called on to pay the rent, it is entitled to be indemnified by Majestic. It is a long standing legal principle that Council may seek payment from Majestic for the amount of rent Council pays as guarantor.

- **20 year amortisation of loan:** The project will not proceed on the terms recommended by Mr Caldwell in section 10 of his assessment. Any renegotiation on the terms recommended by Mr Caldwell is doomed to fail. Gowings will simply not proceed.

A review of industry reports on retail markets shows that sale prices are at best 7.5 times revenue of the centre. Based on a rental of $200,000 per annum the cinema complex is worth $1,500,000, which is to say less than what Gowings is prepared to invest in construction.

The reason for the project's lack of commercial viability is directly linked to the construction cost of the cinema complex.

Seeking to increase the capital return required by Gowings would make the project even more commercially unattractive. For example, an 8% yield on premises capitalised at $6 million would equal a rent of $480,000 per year. At $4 million the rent would be $320,000.

Council is investing in return for lower rent.

- **If Majestic sells, sale proceeds to be shared:** There is scope within the terms of the mortgage of lease for the Council to influence the terms of the sale of the Kempsey cinema complex business. Clause 4.2 of the mortgage of lease provides that except where the mortgagee has first consented in writing, the mortgagor must not, and must not agree or attempt to, sell, assign, transfer, dispose or part with the possession of the mortgaged property. This permits Council to exercise some leverage with respect to the terms of any such sale. If it was proposed to sell the mortgaged property, Council would be entitled to seek some repayment of the loan out of the proceeds of sale. However, it should be noted Council would seek to work with any new operator to ensure the continued economic return to the community.

**Cash Flow Projections Specific Issues**

In order to assist the OLG and the community to better compare the linkages between the Caldwell (**Attachment C**) and Council (**Attachment D**) ten-year cash flow projections, Council has reformatted the information from Council's financial model to align with the layout used in the Cardwell cash flow table.

The major differences between the two reports are:

1) Council has used more specific population numbers, rather than the rounded numbers used by Caldwell.

2) The independent report is based on the population not changing over time, while Council's spreadsheet forecasts population growth of 0.236% per annum.

3) The independent report includes a 15% below attendance in the first year, while Council has included the 25% below base case.

4) Depreciation in the Council report has be increased to $30,000 from $15,000 to reflect current pricing of equipment.

Other than the above, there is also a difference between the ten-year cumulative, which is due to the level of attendance in the years varying from the base case in all years other than Year 3.

The overall impact of these variable inputs is that the independent review provides a more positive forecast outcome than the broad inputs from which Council has been basing its calculations and assessments. The independent review shows a positive cashflow of $141,109 after ten years, while the Council projection shows a negative position of $104,000. With the degrees of uncertainty over ten years, such a result is considered well within a level of reasonable closeness that did not warrant changes to the Council modelling. Equally, at the end of ten years, the two models reach very similar annual outcomes. Council has allowed for lead-in time in its cost estimates, and is also of the view that the 10% over case is the most likely outcomes. However, it has continued its modelling on the Majestic data as this is considered the most reliably verifiable, thus better covering off on negative risks.

**Long Term Financial Plan Specific Issues**

Council takes on board the PRC's comments in respect of the Long Term Financial Plan placed on public exhibition. A revised LTFP (**Attachment E**) outlining the project's full financial implications, including through a specific mention of project in the introductory pages as well as a dedicated spreadsheet of the project's financial implications, is being re-exhibited with the other cinema documentation referenced as part of this response.

**Public Benefits – Cost Benefit Analysis**

Council has considered the long term and cumulative effects of the proposed cinema project, as well as the cumulative long term effects of not undertaking the project. Council has determined that generational equity demands the delivery of this project. In terms of the cost benefit analysis, we refer you to the economic benefits as set out in the .id report. Young people will be significant beneficiaries of the economic development the project seeks to achieve, through jobs but also through the revitalisation of the CBD.

Council notes the Public Interest Evaluation document did not provide a cost benefit analysis, however that evaluation was undertaken by Council with the full knowledge of the .id report. The Public Interest Evaluation report has been updated to explicitly make clear the cost benefit analysis and will be place on 2 weeks public exhibition from Tuesday, July 4.

While the grant funding from the Federal Government is contingent upon the project continuing for at least 5 years, else it be repaid to the Commonwealth, we draw the PRC's attention to clause 5.4(d) of the Project Development Deed. Gowings and Majestic hold the Council harmless in the event the funding agreement is terminated or funding is reduced or required to be refunded. Additionally, clause 6.5.4 does not create an absolute requirement for the funds to be repaid. Such action is discretionary and Council acting in good faith to carry out the project would mitigate any potential request for funding to be repaid.

The mortgage of lease enables Council to also enter and to operate the cinema or to appoint a new operator if need be. In this way, the risk of the project not continuing for 5 years is mitigated.

The obligation of Majestic to repay the loan is contained within the Management Agreement. As is noted in the Project Development Agreement at clause 6.3, the funding from Council must be repaid by Majestic in accordance with the terms of the Management Agreement and the Security Deed. Clause 8 of the Management Agreement provides that the profits and the losses will be shared and that the funds provided by Council to Majestic are to be repaid by the profit and loss sharing arrangement under that agreement.

Mr Caldwell's report is dated 23 May 2017. Council had been aware of and had received a number of drafts of the report during the month prior to it being finalised. Council's Extraordinary Meeting within 2 days of receipt of the report does not reflect any failure to properly consider or address the issues raised. Rather, it reflects the urgency of meeting certain deadlines to ensure construction of the cinema can proceed with minimal disruption to tenants and to achieve construction by the target date.

**Probity Plan**

A third report from the Probity Officer (**Attachment F**) is provided in respect of the issues raised in your letter.

**Legal Documents**

The pre contract documents provided to the PRC are in a form that is close to final. There may well be some minor amendments but none that will affect the substance of the agreements as set out.

**Andrew Mercado Email**

The statement that only 1-2 screens are needed, and 4 is too many, displays a fundamental misunderstanding of the feasibility of cinemas in country towns. According to Majestic, the old rule of thumb was one screen per 10,000 of population, however since the change to digital this is more like one screen per 7-8,000 of population, as the increase in content, the increasing requirements of consumers to have choice of sessions and diversity of content, and the ability with digital to show a major film in multiple cinemas at slightly staggered times, means smaller auditoria are more feasible rather than the old-style of 200-300 seats plus. Majestic operates complexes of 4 screens in similar sized population areas in Singleton and Nambour, and 3 screens in the Nambucca area with about 2/3 of the Kempsey population. The debate that was had about this complex in early discussions was whether it should be 3 or 4 screens (definitely not 1 or 2 screens), and 4 was determined as future-proofing the complex and increasing the chance of it being commercially viable for Council at minimal extra cost from 3 screens.

Majestic has 15 years of operational experience and members of its management team have many more years than that. Majestic's CEO, Kieren Dell, has served the last 10 years (7 as President and 3 as Vice President) of Independent Cinemas Australia. In this capacity, he is in regular ongoing discussions with independent cinema operators regarding issues, trends and opportunities facing the industry, which has further deepened his knowledge and understanding. Council and Gowings therefore have strong confidence in Mr Dell's recommendation in respect of the number of screens that will drive the highest number of attendances. Additionally, Screen Australia data supports that there has been a move to more and smaller cinemas, with the number of smaller screen complexes reducing over the past ten years.

It is a fact that many Kempsey people travel to Nambucca and Port Macquarie to attend the movies, with some also going to South West Rocks. About 10% of the attendance in both those Majestic sites can be attributed to residents of Kempsey Shire.

In regards to employment, Majestic expects to employ a combination of permanent and casual staff of around 15-20 people in Kempsey based on similar sites elsewhere. This is more than the 'handful' suggested by Mr Mercado. Importantly, a cinema provides much needed youth employment for school students on weekends and evenings.

As for Mr Mercado's assertion the figures being quoted for fitout being ludicrously low, it is unclear which figures are referred to, however, with the exception of the note that Majestic's specialist equipment will be more like $300,000, the fitout of the cinemas by Gowings has been carefully costed and any risk of overrun is taken on by Gowings, not Council. In this respect the Management Agreement (clause 3.1(b)) obliges Majestic to spend more than $300,000 on the project assets.

The SWR Cinema purchased by Mr Mercado is a different type of cinema experience to what is proposed for Kempsey as it is operated from a community hall type facility. It is a different proposition to what local residents are currently travelling to Port Macquarie and Nambucca for.

Mr Mercado was free to submit a proposal during the public tender process, but declined to do so.

**Gary and Colleen Waterson Letter**

There is a statement that there is a loan with "no security" which is not correct, as the Council is taking security by way of a mortgage over the lease.

Again, a statement backed up by the Taree and Forster operators (who did not participate in the public tender process) that 4 screens is not viable based on population is considered incorrect and does not understand the current dynamics of cinemas in country towns as outlined above. In fact, Forster/Tuncurry, with a population similar to that of Nambucca of around 20,000, also has 3 screens, while Taree has long been recognised as being under screened (as is Port Macquarie, it should be noted, even after the number of screens was increased from 2 to 5 in 2013).

The proposal did go to a public process.

**Conclusion**

In conclusion, following the bypass of Kempsey with the Pacific Highway upgrade in March 2013, 74 jobs were lost within 12 months. Ongoing job losses continue, which has led to a deterioration of the vibrancy of the Kempsey CBD. The town's iconic department store, Barsby's, closed in 2014 after 106 years in business. Australia's oldest single family owned furniture store, Harvey's Furniture, shut down in 2015 after 133 years.

The Coles Supermarket within the Kempsey Central Shopping Centre is a loss making operation, according to Coles. It is the anchor business to 13 speciality stores within that complex. Collectively 129 people are employed within the centre's businesses. In the event that Coles does not stay as an anchor tenant, there is a risk of considerably more job losses. The cinema complex will assist in drawing more people and more shopping dollars to the Kempsey retail precinct.

Consequently, the economic imperatives of:

- stopping the retail leakage rate of 43%
- attracting higher income earners to live in the Macleay Valley
- addressing youth and indigenous unemployment (currently at 18%) of the area's 15 to 24 year olds and 16.9% of indigenous youth registered as unemployed

- addressing high unemployment and crime rates, and
- attracting further commercial and retail investment into the CBD

all leave Council to determine that the development of the cinema complex is an important and necessary project to undertake.

In terms of the PRC's role in this, we cannot make it clearer that Council is aware of the financial risk. The community, together with Council, want this project to proceed. The project is considered to be strategically important as it will deliver the desired economic outcomes for the town centre, with important social and cultural benefits as well.

Gowings, as the shopping centre manager and developer, has a track record spanning more than 100 years, and has the capacity to ensure construction of the complex to a high standard and to otherwise provide the ongoing management of the retail shopping centre.

Majestic is a cinema operator with considerable experience, expertise and track record in growing a profitable business in regional markets.

Any private commercial investment into regional Australia is very difficult to attract in the current market, particularly in areas of low population growth such as Kempsey. Both the Federal Government grant and Council loan recognise and support the Kempsey Cinema project as a bespoke commercial arrangement with clear strategic benefits for the Macleay Valley economy and CBD, as well as our community's long-term commercial, social and cultural prosperity.

It is for these reasons that Council seeks a positive assessment from the PRC of Council's compliance with the PPP guidelines.

Yours faithfully

David Rawlings
General Manager
**Kempsey Shire Council**