

**STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS**

2016–17 BUDGET ESTIMATES HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 16 JUNE 2016**

**SESSION FIVE
DEPARTMENT OF LANDS**

Members

**Hon Ken Travers (Chair)
Hon Peter Katsambanis (Deputy Chair)
Hon Alanna Clohesy
Hon Rick Mazza
Hon Helen Morton**

Hearing commenced at 5.13 pm

Hon COL HOLT

Minister representing the Minister for Lands, examined:

Mr COLIN SLATTERY

Director General, examined:

Mr PASCOE RECHICHI

Executive Director, Corporate Services, examined:

Ms TESSA CORNES

Management Accountant, examined:

Mr PETER ZADEIAN

Executive Director, Land Asset Management Services, examined:

The ACTING CHAIR: On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can the witnesses confirm that they have read, understood and signed a document headed "Information for Witnesses"?

The Witnesses: Yes.

The ACTING CHAIR: It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in private, although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceeding, you should request that the evidence be taken in closed session before answering the question. Agencies and departments have an important role and duty in assisting the committee to scrutinise the budget papers and the committee values your assistance with this.

Do you have any beginning statements, minister?

Hon COL HOLT: No.

The ACTING CHAIR: We will go straight into questions. We will start with Hon Ken Travers.

Hon KEN TRAVERS: As I understand it, the government has a target of \$536 million in land sales between 2015–16 and 2019–20. Are you able to give us, in each of the financial years of 2015–16 through to 2019–20, the figures for how much of that \$536 million you expect to sell? For each year, I assume that \$536 million is broken down into so much for 2015–16 and so much for 2016–17?

Hon COL HOLT: The land asset sales program?

Hon KEN TRAVERS: Yes.

Hon COL HOLT: I will ask Mr Slattery to answer that.

Mr Slattery: Thank you very much, minister. We do have a break-up of the individual estimates which are actually in the budget. I point out there are two particular lines in there. One looks at the crown land administered sales, which is the work that is conducted by my department, as the manager of crown land across the state.

Hon KEN TRAVERS: So where in the budget is it?

Mr Slattery: It is on page 246. If we look at page 246 in the “Details of Administered Transactions”, you will see “Income” and it has “Other” and “Appropriations”, “Other Revenue” and “Sale of Land”. That is where the details of the crown land administered amounts are, so that is the bit that the Department of Lands is responsible for. Then for the freehold component, which is other agencies, on page 245, under “Cashflows from Investing Activities”, you will see a line that says “Proceeds from sale of non-current assets”, which is the other component of that \$536 million.

Hon KEN TRAVERS: So they are the targets that you are expected to achieve?

Mr Slattery: That is our forecast, yes.

Hon KEN TRAVERS: In terms of the 2015–16 year, you came in \$21 million below target for crown land; is that correct?

Mr Slattery: We adjusted that number at midyear to have a revised target of \$45 million. That was picking up the fact that market sentiment had moved and also some of the assets that we were proposing to sell within this financial year are not ready yet for divestment, so they have been put forward into the forward estimates. They are still captured in our forward estimates, but we did not achieve those sales this financial year.

[5.20 pm]

Hon KEN TRAVERS: Have you identified land to make those targets or are you still to identify actual pieces of land that will allow you to meet those targets?

Mr Slattery: Through the forward estimates there is a mix of ones that have already been identified and being worked upon that have a value, which is perhaps some of the original properties we talked about with the top 20 as we have discussed previously. We have now added to that and we have a range of properties on the market at the moment and are being prepared for divestment, which gives us a pretty good baseline through those forward estimates.

Hon KEN TRAVERS: You have not actually answered my question. Have you identified the pieces of land necessary to meet those targets in terms of your estimated valuation of the land? You now have identified 34 pieces of land that, if sold based on your valuations, would meet those revenue figures.

Hon COL HOLT: You are talking about the whole of the forward estimates, are you not?

Hon KEN TRAVERS: Yes, across the forward estimates.

Mr Slattery: They are identified assets that we are doing divestment programs for now and that will yield next year’s forward estimate for the budget. We also have what we have now implemented, which is the land asset sales portal. That land asset sales portal captures all land across government whether it be freehold or crown land assets that we are pursuing. We currently have just under 600 properties that we are investigating in that portal to make up that forward estimate and we are fairly confident that there is about \$700 million worth of gross properties we are investigating.

Hon KEN TRAVERS: How many parcels of land have you identified that are ready for sale right now or will be ready for sale both this year and over the forward estimates and what is the total valuation of those pieces?

Mr Slattery: We currently have 32 assets on the market.

Hon KEN TRAVERS: What is the total value of them?

Mr Slattery: Approximately \$29 million. It is currently on the market at this time and you can consult our website, which has all those properties listed and the agents with which you can interact and purchase them from. Another range of properties are being prepared for sale.

Hon KEN TRAVERS: When you say —

Hon COL HOLT: You have to let him at least finish his sentence.

Hon KEN TRAVERS: I am sorry; I just want to be clear. I know, but I just want to make sure that I am clear about it as he answers it. That is why I am interrupting, and I apologise for that. Are we talking about just your land or both freehold and crown land? That is the only thing I want to be clear about, sorry.

Mr Slattery: Sure. I may get my executive director of land asset management to assist there, but the 32 assets are both crown land and freehold assets. They continually cycle through. We have sold around 75 assets worth about \$140 million to date. The constant pipeline of those projects keeps on yielding properties for sale. That is when we crystallise the property that is actually for sale. We are developing divestment strategies for the whole range of properties. Once that strategy is ready to go, that is when it hits the market for sale. That is when I can say with absolute confidence that that property is on the market and can be contributing to that number. The rest of it is made up of our confidence we have in the range of properties we have identified and we are now doing divestment strategies for. I should point out that of the nearly 600 properties, not all of those will be sold. We do an analysis of those properties to make sure: can we use it for another government objective and do we reuse it? That is a very good part about the portal and then the divestment of properties coming out the other end. What I am saying is that I cannot give you a specific number of properties that make up that one-to-one relationship with a forward estimate. It is a forward estimate based on our knowledge of what is in the pipeline and some work that we have done to create an algorithm that actually projects what we may achieve with sales. I also point out that we have to be sensitive to market sentiment. We do not want to flood the market with properties either at the same time, so we have to make sure we do not flood the market but also present properties that the market actually wants to buy. Does that assist you?

Hon KEN TRAVERS: It does. I assume the freehold land currently sits on the accounts of the individual agencies that use them. Would that be correct?

Mr Slattery: That is mainly correct. The Department of Lands also holds freehold assets on behalf of other agencies that do not have the power to hold freehold assets. There may be a mixture of those that are held by a government trading enterprise or agency or those that we hold on behalf of another agency because they do not have the holding power.

Hon KEN TRAVERS: Are departments able to hold land?

Mr Slattery: Some, like the Department of Housing or the Housing Authority can—government trading enterprises like LandCorp, the Water Corp and Western Power.

Hon KEN TRAVERS: So, government departments. If the Department of Transport has its office somewhere, does it own the land or do you own the land?

Hon COL HOLT: I think he is saying that some do have the ability to hold land and some do not.

Hon KEN TRAVERS: I am trying to understand who does.

Hon COL HOLT: Do you want a list of who can and who cannot; is that what you are saying?

Hon KEN TRAVERS: We can get to that but, generally, those that are government departments can own land, can they not; they can own and hold land in their own name?

Mr Slattery: Not all government departments can hold land in their own name.

Hon KEN TRAVERS: Is there a list of those that can?

Mr Slattery: Yes. We look at agencies that have legislative power to hold land. I think perhaps the answer is that all the land is owned by the government in one shape or another. You might find that a particular agency may have a building on government reserve land, so that will be land that is

provided by our act which could be for a fire station or a train station. It will be a reserve “for the purposes of”.

Hon KEN TRAVERS: At the moment I want to focus on just agencies within the general government sector. I am happy to go to the non-financial public sector in a minute but at this point I want to focus on government agencies within the general government sector. Are there agencies within the general government sector that have the capacity to own land? If it is crown land, I assume they have a management vesting order with them but are there any government agencies in the general government sector that can own land?

Mr Slattery: It would depend on their legislation. My understanding is there are. The Housing Authority can hold land.

Hon KEN TRAVERS: The Housing Authority is not part of this process is it?

Mr Slattery: It is part of the process but in terms of affordable housing, we look at particular properties. It is a beneficiary of the land asset sales program where we may provide land to it.

Hon KEN TRAVERS: Yes, but in terms of the land you have targeted to meet your \$536 million, it does not include the landholdings of the Department of Housing because it is a trading agency. The minister, wearing his other hat, will be buying and selling land all the time and the sales it makes are not considered part of that \$536 million. Is that correct?

Mr Slattery: They are currently not included but they are not precluded. Department of Housing assets will be investigated.

Hon COL HOLT: They are currently not included.

Hon KEN TRAVERS: You want to watch the Treasurer, minister; I think he is coming after you, if that is the case.

Hon COL HOLT: I am pretty sure you are correct. I think that is right; I think they are excluded because of the nature of the Housing Authority’s business.

Hon KEN TRAVERS: There are lots of bits of land and, hopefully, at some point, you will get on and sell some of the land in Mirrabooka and Joondalup that you have or develop it yourself, or sell it to have it developed. But I would hate to think that then gets incorporated into this \$536 million. I hope it stays with you to develop more housing.

Hon COL HOLT: You would understand the Housing Authority’s business, as I do. It relies on those land asset sales to do its business. It might sell it or might develop it.

[5.30 pm]

Hon KEN TRAVERS: That is what I am saying. That is why they are not part of that \$536 million, because you are in the business of buying and selling land and you use the profits to build new houses, and then you sell other bits of land to help you build the housing stock that you need.

Hon COL HOLT: Yes, but the director general is also correct in that some of the benefits of those potential land sales can come to the Housing Authority as well.

Hon KEN TRAVERS: Let us go to some of those pieces of land. The first is land that the Department of Agriculture owns. The three sites that they had were listed in your top 20 back in September 2014. Do they own that land or do you own those pieces of land?

Mr Slattery: Again, the government owns the land is the fundamental principle to start off with.

Hon KEN TRAVERS: On whose books is that land?

Mr Slattery: There are a few lots of land out there now that we will be talking about. But on the first lot of land, which is the site that the Department of Agriculture and Food sits on at the moment, I will just ask my colleague Mr Zadeian.

Mr Zadeian: I cannot recall the tenure of that DAFWA site at this moment in time.

Mr Slattery: My understanding is that it may be a management order, but I would need to double-check that.

Hon COL HOLT: We might need to check on that for you, member. From memory, I am not sure he knows what the tender arrangements are.

The ACTING CHAIR: Hon Ken Travers, can I clarify something? Are you going to ask questions specifically around individual lots of land as to who owns it and who does not, because these are all going to have to go on notice by the sound of it?

Hon KEN TRAVERS: To be honest, what I am trying to establish is to get to the principles, and if I could just get simple answers to my questions instead of going off on tangents, we might be able to get there. I have got a series of questions that I want answered. The simple answer is that some government agencies can own land in their own right within the general government sector. Can I just get a simple yes or no to that?

Mr Slattery: Yes.

Hon KEN TRAVERS: Where those agencies own the land, is it then held against their assets as a property?

Mr Slattery: In the main, yes. It will be held against their books as an asset. However, there are some circumstances where the freehold actually sits with the Minister for Lands.

Hon KEN TRAVERS: When a piece of land is sold and is held on the assets of the agency, how is that then recorded? If you sell that land will that be treated as part of meeting the targets that you have listed on page 246 or will it be part of the items on page 245? That is where the agency owns it and has it recorded on their books.

Mr Slattery: That will be held on page 245. That is freehold sales of freehold land held by other agencies. That is us reporting to government what those sales are. Our job is to be a land monitor for those ones.

Hon KEN TRAVERS: When Synergy, I think it was, or Western Power—I am not sure which one of the power agencies—had the land in Forrestfield that was recently sold, which I think would make up a fair chunk of that \$140 million that you have sold to date, in terms of their treatment of it, I assume that when they sell that land, they would book only the profit from that land, or do they book the full value of the land? I think you can understand what I am saying. They would have bought the land for X amount and they would have then revalued it every year. When they finally sell it, do they treat just the profit component of it, so it is above the valuation, or do they treat the full amount in terms of recording it back into your figures in the budget at page 245?

Mr Slattery: In terms of the numbers at page 245, that is the number that we report to Treasury. In that particular case, we reported the sales value that was achieved by Western Power for that Forrestfield site, and Treasury was able then to work with Western Power about the accounting treatment of that money and how it was going to be represented in their books. We performed the land monitor function reporting on the sale. Western Power reported to us, “We are going to sell this; is there another use in government for it?”, and its board decided to sell. It is then a matter for Treasury to work with Western Power on the actual book treatment of how proceeds are to be treated.

The ACTING CHAIR: Hon Ken Travers, I am going to move on, because we have had 20 minutes on this, and go to Hon Rick Mazza.

Hon RICK MAZZA: Thank you, Chair. I refer to page 236, “Spending Changes”, and the line item “Pastoral Lease Renewal Program—Compensation for Lawful Improvements”. Can you give me a bit of commentary as to was that is about?

Mr Slattery: Certainly, if you will bear with me one moment. When the pastoral renewals happened, which was 1 July 2015, that meant that a range of pastoral leases were not renewed, and there was a range of excisions made in pastoral leases that had been determined about 10 years beforehand for use and inclusion into national parks, or expansion of town sites. Under our legislation, we will compensate the pastoralist or the leaseholder for lawful improvements, which can include fences, windmills, sheds and so forth. We have an amount of money in our budget to provide compensation to those pastoralists; we either took the leases back or we excluded land from them.

Hon RICK MAZZA: Thank you for that. Further down, there is the line item “Modernising the Framework for Western Australia’s Crown Land”. Can you also give a bit of commentary as to what that entails and the fact that there is nothing in the forward estimates after this couple of years?

Mr Slattery: This relates to some royalties for regions funding that we received in relation to amending our legislation. The Land Administration Act when it came in in 1997 still had a lot of work to be done on it. A review was conducted. This is funding to assist us in drafting some of those amendments so that we actually modernise the act, and by modernising the act we hope to achieve a range of efficiencies for regional Western Australia in that space. That is why that particular comment appears. It is project funding. It finishes at a certain point in time. That will yield up some amendments that will hopefully come before this house to discuss.

Hon RICK MAZZA: Thank you, Chair; that will do me for now.

The ACTING CHAIR: Hon Alanna Clohesy.

Hon ALANNA CLOHESY: Thank you. Could we have a list of those agencies in the general government sector that own land and a list of those agencies where the freehold sits with the Minister for Lands?

Hon COL HOLT: Just to clarify, you want a list of agencies that have the ability to hold land?

Hon ALANNA CLOHESY: Yes.

Hon COL HOLT: And the ones that are not able to, and therefore it is vested in the Minister for Lands. I think we will have to take that on notice.

Mr Slattery: I do not have that list to hand, minister, but I would be very happy to provide that.

[Supplementary Information No E1.]

Hon ALANNA CLOHESY: I was listening to that exchange fairly closely and am just trying to work through that. I have also got the website up. Can I have a list of the properties that are currently for sale; the properties that are currently being assessed for sale; which departments own those properties, and, if the freehold sits with the Minister for Lands, which agencies the minister is holding that freehold for; how much that land is going to the market for, for those that have been assessed; and the expected price? That would be a good start.

Hon COL HOLT: I will get the director general to comment, but there may be some commercial sensitivities in those questions that you ask.

Hon ALANNA CLOHESY: In which case the committee could still receive the information in a private capacity.

Hon COL HOLT: I am not the responsible minister. You would know how some of these processes work, and for the Department of Housing and also around Keystart there will be some commercial sensitivities that the director general may well be more aware of than I, but perhaps he can add to that. I am just a bit cautious about committing the minister to answer those questions without that consideration.

[5.40 pm]

The ACTING CHAIR: Just before the director general responds, I need to make it clear that the committee cannot guarantee that it will decide to keep that information private.

Hon COL HOLT: That is right. It has always been a committee decision to make and we will weigh that up, I guess, with the responsible minister.

Hon KEN TRAVERS: It is worth noting that the committee has always respected requests from ministers and it has never released any information without first going back and discussing it—in fact I do not think we have ever released information in my time on the committee without having discussed and reached agreement with the minister on what can and cannot be released. I think you have been involved in that process yourself, minister.

Hon COL HOLT: I have, but as I said I am not the responsible minister. I am not going to commit the minister to releasing information that he thinks has commercial confidentiality about it. Perhaps the director general will comment.

Mr Slattery: Thank you very much. It is a reasonably complex question you have asked but we can—having a look at the website right now you will notice it also has a recent sales history in there was well. It has the properties on the market, which we do not have a valuation for because it is commercial activity at this moment. We do not want to influence the market by putting in what we think those properties are worth because we want the market to respond.

Hon ALANNA CLOHESY: Sorry, just on that, is that not just for registrations of interest?

Mr Slattery: Not all of them are for registrations of interest. Some are actually straight on the market for sale.

Hon ALANNA CLOHESY: Most of them are not. Most of them have an asking price.

Mr Slattery: But that is through the agent, so we are going to market on those. There will be a range of prices for some of those properties too. For the larger scale ones, we will not necessarily be putting a valuation or a price range on those markets because we are trying to test the market.

Hon KEN TRAVERS: In the current climate though releasing the valuations might help push up the price a bit.

Mr Slattery: I appreciate your idea member. What we are doing here though is the Auditor General has just released its report on our land assets sales process and it has made a couple of recommendations, which we will be following through. When you see a property that is sold, we will be putting the sale value plus the valuation that we had when we went to market. The important consideration is that we get a new valuation done just before we go to market, because old valuations may not be exactly how we designed it. Our intention is not to release valuations before we go to market. We can provide you with a list of properties that are shortly coming to market and properties that we are developing investment strategies for.

Hon ALANNA CLOHESY: That would be very interesting, thank you.

[Supplementary Information No E2.]

Hon ALANNA CLOHESY: You said that you do a valuation just before you go to market. For the properties that have been sold—I will draw a line in the sand—in the last 12 months, each of those would have had a valuation just before it went to the market, and one prior to that at some point in time.

Mr Slattery: It may have different valuations for different purposes going back. We draw a distinction between the types of valuations done. It might be a valuation for rental purposes. That is not one that you would do for sales purposes. That is why we rely on the latest valuation provided to us by the Valuer-General, and we may get a private valuation as well just to test the market in that sense to help us set what is our expectation around a particular property.

Hon ALANNA CLOHESY: Is it possible to get a list of properties sold with the last two valuations by owner of the property?

Mr Slattery: You may have to help me out here. What we can provide you with is —

Hon ALANNA CLOHESY: In my head I have a table based pretty much on what is on your website: the property, the sale, the last two valuations and the owner.

Mr Slattery: Yes. I can give you the last valuation, the sale price and the agency, which was the owner. We intend to publish that on our website as part of the Auditor General's findings on our land asset sales process.

Hon ALANNA CLOHESY: If I could have that for the last 12 months, it would be good to have the two most recent valuations.

Mr Slattery: I can only provide you with the last valuation conducted for the purposes of sale. Any previous valuation has little or no relevance to the sales process.

Hon ALANNA CLOHESY: Except it can give you a strong indication of the market.

Mr Slattery: If it was done on the same basis, but I cannot guarantee that they are done on the same basis because they were not necessarily valuations that were called for by my agency.

Hon COL HOLT: I think the important point here is that the Office of the Auditor General did a review and it was released in April. What the director general is suggesting is that they are following his recommendations to release that information, and that is what we are basing his answer on. The most current, recent valuation as per the Auditor General's recommendations will be the ones released on the website.

Hon ALANNA CLOHESY: Is it not funny that the Auditor General and I think alike.

The ACTING CHAIR: Can I clarify that that is still E2. That is part and parcel of the list, or is that a different list of properties?

Hon ALANNA CLOHESY: It is related. It could be a different list just to make it easier.

Hon COL HOLT: Are you able to tell me exactly what those questions are?

The ACTING CHAIR: If you are talking about what has been asked to be provided —

Hon COL HOLT: For E2 —

The ACTING CHAIR: For E2, it is a list of properties for sale, but can you just clarify what —

Hon ALANNA CLOHESY: You will be able to get this back in the committee transcript.

Hon COL HOLT: I want to make sure that we clarify it now because I would like to really —

Hon ALANNA CLOHESY: Let me try to do it again and look at my notes. We did general government sector landholders and where the freehold sits with the lands minister. That is one.

Hon COL HOLT: Yes.

The ACTING CHAIR: So that is a different list because the last list is —

Hon ALANNA CLOHESY: That was the first one that I asked for, which is E1.

The ACTING CHAIR: The second list is the ones that have sold in the last 12 months.

Hon COL HOLT: With the valuation and who the agency was. Is that E3?

The ACTING CHAIR: Yes, and the price.

[Supplementary Information No E3.]

Hon COL HOLT: Okay, just so we know exactly what we are talking about.

Hon ALANNA CLOHESY: And the agency that owned the land, and a summary or list of unsold land.

Mr Slattery: Is that land that we are preparing for sale?

Hon ALANNA CLOHESY: Coming soon, and by owner by valuation.

Mr Slattery: So this relates back to that valuation question. These are properties that have not yet hit the market. We can provide you with the property, the agency and as much detail as we can about the property itself, but the minister has been keeping the valuation aspects aside because of their commercial aspects. We do not want to influence the market.

Hon ALANNA CLOHESY: Sure. The minister can decide.

[Supplementary Information No E4.]

Hon ALANNA CLOHESY: And any land that is still on the books—any unsold land.

Mr Slattery: About 140 000 lots are considered in our government property register, which is maintained by Landgate. So, effectively —

Hon ALANNA CLOHESY: Are they on the market?

Mr Slattery: No, they are not on the market. That is the whole government property register. We currently have about 595 assets that we are investigating at this moment in time.

Hon ALANNA CLOHESY: That are on the market?

Mr Slattery: No, there are 39 properties on the market at the moment. These are ones that may never hit the market. We may decide that the best use of that land is to be repurposed for a fire station or a train station or whatever. It may be that none of those properties hit the market but many of them will. So I cannot tell you which ones will be for sale at this moment in time. I can only tell you that after we have made an investigation and there is a decision by the Minister for Lands or the relevant agency to sell them on the market.

[5.50 pm]

Hon ALANNA CLOHESY: For the purpose of comparison, it is properties that are on the market unsold for the last 12 months. That would be very small.

Mr Slattery: Terrific; we can provide that.

Hon DARREN WEST: I just wanted to refer you to the rangelands review process that is underway that is quite contentious at the moment and just wondered what works the department —

Hon COL HOLT: Have you got a budget page number?

Hon DARREN WEST: Look, I do not have it with me, I am sorry; I am a bit unprepared. It is more of a general question, I guess, than a specific question, which I am sure you can answer.

Hon KEN TRAVERS: It is all listed on page 237.

Hon COL HOLT: Thanks.

Hon DARREN WEST: Yes, apologies for that. What resources is this taking from the department? At what cost to the department is this process and are you able to absorb that within existing funding or is there extra money required for this process, given that it is in its early stages?

Hon COL HOLT: I will ask the director general to answer that.

Mr Slattery: Thank you, member, for your question. The rangelands reform program, which you touched on there, in our context is amendments to the Land Administration Bill—rangelands. We are funded by royalties for regions, so it has given us extra capacity to undertake the legislative review process, plus also the communications aspects to that as well. We are funded to undertake

drafting of the bill, and that is hopefully something that will come to this house in the not too distant future.

Hon DARREN WEST: I am just trying to get a bit of a handle on the extent of extra resources that will take, because there is a possibility that the bill may not pass. I just wonder to what sort of extent you are going in that set of circumstances, given that you need to be prepared when the bill does pass, but given the commentary of the last few days, there is quite a strong possibility that it may not. Will that funding then remain with the department? Will that need to be repaid? What is the contingency should the bill not proceed?

Hon COL HOLT: I think Hon Rick Mazza might have asked this specifically before you came into the chamber.

Hon DARREN WEST: Well, if he has, I apologise because I was not able to get here at the start.

Hon COL HOLT: There is an actual line item around modernising the framework for the Western Australian crown land and the legislative changes on page 236.

Hon DARREN WEST: Given that, I will leave that line of questioning, Chair, and let someone else have a go.

Hon MARK LEWIS: I am probably going to take a more positive light on it. Could you outline the process from here that you see and the timing that you might see for the bill coming before either house of this place?

Hon COL HOLT: That is probably more of a question for me, on behalf of the minister, but it is difficult for me to actually define that. I do not know where he is at with necessary drafting or finalising any cabinet submission or legislative drafting or printing. But, obviously, he has been doing a lot of work in the rangelands around this specific issue for a while now, and there is obviously resources in the budget to bring it to a head, and I think in public commentary he is pretty keen to bring it forward in this term of government. I cannot answer more specifically because I do not actually know, and I do not think it is a role for the director general to comment in that sense, because some of that sort of stuff is not in the control of the department; it is in the control of cabinet and Parliament and drafting.

Hon MARK LEWIS: The commentary was that the consultation process had been finished on the green bill and that the bill is being redone and we might be able to hope to expect that coming into cabinet sometime at the end of this month, and that is probably all I need to know.

Hon COL HOLT: I cannot answer that point. I do not think the director general can really answer that either because it is beyond his scope, I would suggest.

Mr Slattery: If I may add, the minister has made some public comments that he is very keen for it to be introduced in this session of Parliament, so that is the expectation he has put on the agencies to provide him with those materials. It is obviously up to the minister to put it forward, but he has been very clear that he wants to introduce it in this term of Parliament.

Hon KEN TRAVERS: Land that is held, is it held on your books as an asset, or is it held on the individual agency, even where it is a management order, as an asset?

Mr Slattery: Because that is an accounting question, I may ask Pascoe Rechichi actually how the administered side of the books is managed.

Mr Rechichi: Land is held on the agency's accounts where the agency has control over that asset. That control can come through a management order for crown land. If you are a general agency and you have control over an asset, that asset will be on your books.

Hon KEN TRAVERS: When that land is sold, and it then appears under your income under "Sale of land"—the \$44 million under "Details of Administered Transactions"—is that the full land

value that is recorded there under “Sale of Land”, or is it simply the amount above the valuation that the agency was holding the land at prior to sale?

Mr Rechichi: That would be the gross value of the land.

Hon KEN TRAVERS: At the holding agency where it is on their books, how will it be treated on their books when that land is sold?

Mr Rechichi: It will be treated adopting normal accounting principles, and it would depend on the value of that asset in the accounts, the valuation and sale price, and of course the profit that is being derived from that asset.

Hon KEN TRAVERS: If a block of land is valued in the books of the agency at \$10 million at their last valuation on 30 June and it is then sold on 5 August at \$1 million, I assume they record in their books a profit for that year of \$1 million. Is that correct?

Mr Rechichi: If the sale proceeds were \$1 million —

Hon KEN TRAVERS: The sale proceeds were \$11 million; sorry. It is \$1 million above the valuation —

Hon COL HOLT: The sale price is \$11 million.

Hon KEN TRAVERS: If the sale price was \$11 million after costs, they would then record a profit of \$1 million in their books?

Mr Rechichi: In the profit and loss statement they would describe a profit of \$1 million, and in their cash flow they would show an \$11 million cash flow.

Hon KEN TRAVERS: Yes, an \$11 million cash flow of money coming in, and \$10 million of it going out, because of the asset being sold, in the cash flow. Would they not have to have a corresponding —

Mr Rechichi: I am sorry, we are getting very technical, but the two transactions that would represent the sale would be \$1 million profit and a reduction in asset of \$10 million, and that \$10 million would then come through the cash flow as the proceeds of sale.

Hon KEN TRAVERS: At \$11 million?

Mr Rechichi: Correct.

Hon COL HOLT: Are you happy with that?

Hon KEN TRAVERS: Yes, that has answered my question, and, correspondingly, if it is sold for \$9 million, they would have to record a loss of \$1 million in their accounts and then the corresponding cash flow issues.

Mr Rechichi: Correct.

Hon KEN TRAVERS: For the \$143 million worth of sales to date, do we know whether the agencies that had the holding orders on them have recorded for each property whether—are we able to get whether the agency recorded in their balance sheet a profit or a loss on that property on the sale?

Hon COL HOLT: We are getting pretty specific now.

Hon KEN TRAVERS: We are, but it is pretty important if you want to understand the accounts of the state, minister.

Hon COL HOLT: Sure.

Hon KEN TRAVERS: That is what our job is here today.

Hon COL HOLT: I am just saying again that I am not sure we will be able to provide your answer right now.

Hon KEN TRAVERS: No. Look, it may be that you have to take it on notice.

Hon COL HOLT: Yes. I will ask the director general about that.

[6.00 pm]

Mr Slattery: I go back to our land monitor function. We record those sales, we tell Treasury. How Treasury then works with those agencies and how it is treated in their books is between Treasury and that agency, and that is where you will find it being recorded—either in the budget or in the annual report in relation to how they are actually treated. It will vary from agency to agency.

Hon KEN TRAVERS: Am I correct in taking as your answer that you do not have that information, you would not be able to access that information; if we want the answer to those questions, we either have to go to Treasury or if you give us the list of the agencies that make up that \$143 million, we would need to go to the individual agencies and ask them how it is treated and recorded in their accounts?

Hon COL HOLT: That is what it sounds like to me.

Mr Slattery: Again, we can tell you who, we can tell you how much, but the agencies and how it is treated in their books is up to them because it is a freehold asset; it is how they are treated.

Hon KEN TRAVERS: Just to be clear, the figures in your budget on page 246 under “Sale of land” and on page 245 under “Proceeds from sale of non-current assets”, what is recorded there are gross sale figures, not for profit or loss from the sale of that land?

Hon COL HOLT: I think that is correct, but I am no accountant!

Mr Slattery: The ones that are ours, which are the ones that are on page 246, that is —

Hon KEN TRAVERS: They are not really yours because they are held on the accounts of the —

Hon COL HOLT: Page 246 is the crown land.

Mr Slattery: Those are the ones we are responsible for and so what we are showing there is net proceeds going into Treasury after costs, so there is divestment costs in preparing property —

Hon KEN TRAVERS: But they cannot be recorded on your balance sheet as yours because if that was the case I would have expected your balance, your property, plant and equipment to have declined by a larger amount. Those land sales must be recorded on the agencies’ balance sheets, not your balance sheet. If you look at your accountant, I reckon he might have the answer for you. Chief financial officer, with all due respect, my apologies.

Mr Slattery: I expect I know the answer, but I am happy to hear it.

Mr Rechichi: If the asset is recorded in the controlled accounts of the agency, so it is an agency-held asset, the transaction that we report is through our controlled cash flow and balance sheet items at the gross value, the total sale value. If it is a transaction that relates to crown land and the Department of Lands has sold the property, it will go through our administered accounts at the gross value.

Hon KEN TRAVERS: Yes, so the \$44.9 million that is on page 246—let us use last year’s which is probably easier, 2015–16, the \$45 million. Is that all land that was prior to the sale was sitting on your asset sheet or is some of it your asset land and some of it land that was sitting on other agencies’ assets sheets?

Mr Slattery: Many of those properties will be administered so they are not held on our books. We administer those assets that are held on Treasury’s books, as it were, to a global amount for the whole, so you will not find those assets sitting in our asset register, if that is what you are asking. They are administered, so that is perhaps what you are asking.

Hon KEN TRAVERS: But the \$45 million is the gross figure for the sales, it is not a profit and loss figure in terms of the agency, so we are going to have to go back to work out exactly what the benefit of these land sales are in a bottom-line figure for the state in terms of its overall net worth.

Mr Slattery: Discounting the actual divestment costs, so you are looking at total cost —

Hon KEN TRAVERS: I am trying to work out what the benefit to the state is. For all we know, the land at Forrestfield that Western Power sold, they may have had borrowings identified against that land, so they would have to have paid down borrowings. I cannot remember what the figure was they sold it for—\$35 million or something —

Mr Slattery: It was \$34 million.

Hon KEN TRAVERS: It may be that they did not get a net benefit of \$34 million on their bottom line. They may have actually got something different. In fact, if the land was on their books at \$40 million they may have to have booked a loss somewhere in their accounts of \$6 million.

Hon COL HOLT: You may have been right in the first instance when you said you might have to go back to the holding agency because as the director general said, the monitoring aspect and role that they play delivers a gross return.

Mr Slattery: I cannot answer that, but that is where we say, “We report the sale to Treasury, Treasury works with Western Power about their treatment of that particular asset and how it is held on the books in terms of dividend or however they are going to treat it.” Our monitoring role is simply to reveal that sale has been achieved and Treasury works with the agency that put that particular market forward about how it is actually to be treated on the books.

Hon MARK LEWIS: I just relate back to the reform process. I was asked a question this morning and instead of writing the minister a letter I might ask it here; it might be quicker.

Hon COL HOLT: You have not got the minister!

Hon MARK LEWIS: The question was really: what is the cost of the actual Pastoral Lands Board—that is, the members, not the executive and the staff that supply it or work to it? What is the cost under the rangelands reform process of the PARAB, the expert panel and the advocate or advocates that is being proposed? I guess the question was: in comparative terms, if we disband the PLB and adopt the PARAB, the expert panel and the advocate or advocates —

Hon COL HOLT: The cost of the PLB now and the projected cost of the replacement committee into the future if the legislation passes and comes in?

Hon MARK LEWIS: Yes.

Hon COL HOLT: I will ask the director general if he can potentially have a crack at that one.

Mr Slattery: I just point out that the pastoral and rangelands advisory board is not replacing the Pastoral Lands Board, the minister is.

Hon MARK LEWIS: I understand that.

Mr Slattery: That is just a technical thing. The Department of Lands will take over the administrative functions that were performed by the Pastoral Lands Board. Inside our budget is an amount for the administration. There is not a particular budget line for that. I can only give you an estimate and I much prefer to give you the accurate number if I can.

Hon COL HOLT: That will be the cost of the Pastoral Lands Board.

[*Supplementary Information No E5.*]

Hon MARK LEWIS: Specifically the members, the travel and the accommodation, but not the executive office support and not the staff support because the PARAP will require that, I assume, as well, so it will be just the costs of running the —

Hon COL HOLT: For the last financial year?

Hon MARK LEWIS: That will do.

Hon COL HOLT: I am assuming it will change depending on whether they have a meeting and where they meet.

Hon MARK LEWIS: That is fine. It will save me writing a letter. Thanks.

Hon ALANNA CLOHESY: I notice that the department now has an unsolicited bid process. Is that correct?

Mr Slattery: Yes.

Hon ALANNA CLOHESY: When did that actually commence?

Hon COL HOLT: I do not know when that came in. I will ask the director general if he knows when it was instigated.

[6.10 pm]

Mr Slattery: The government released the unsolicited bids guidelines and so forth on 22 January. That was of course shortly after cabinet approved it. That brings us pretty much into alignment with every other jurisdiction in the country that has an unsolicited bids process. I will just have a quick look to see if I have got the number of bids at this moment in time. I believe we have had 21 inquiries. That is a verbal inquiry that comes into the system. In the order of five proposals have proceeded to a mandatory pre-submission meeting, which is where we do a face-to-face and talk through the guidelines with the proponents. I believe we have received one bid—a first-stage submission—at this moment in time.

Hon ALANNA CLOHESY: Can you tell me what properties the 21 inquiries were for?

Mr Slattery: Part of the unsolicited bid process is that we treat each applicant confidentially, simply to protect them plus the intellectual property that they are putting forward. Part of the idea of unsolicited bids is that you are only coming forward if you have got something unique to offer Western Australia and there are some unique benefits to be achieved. Part of the process is that we respect the confidentiality of individuals until it gets to a point where we make a public disclosure about a particular project when it has reached some point of approval and a negotiation point. We have not got any of those yet.

Hon ALANNA CLOHESY: What is that point?

Mr Slattery: I will ask my executive director. The announcements will be made once we have entered into an arrangement with those particular bodies. It will have gone through cabinet for approval, because that is part of the process, and then once that is approved, the minister will do a private treaty with that organisation. That is when the announcement will be made about the particular project.

Hon KEN TRAVERS: I take you to page 244. Under non-current assets is “Land held by Agencies (Land Asset Sales Program Estimates) and for 2015–16 there is an estimate of \$96.389 million. That is identical to the figure on the “Statement of Cashflows” for “Proceeds from sale of non-current assets”. For 2016–17 you have \$158.951 million, which is about \$90 million higher than the proceeds from sale of non-current assets on the cash flow statement. Could you explain to me why one is identical and the other has such a big discrepancy?

Mr Rechichi: The figures on the “Statement of Financial Position” table are cumulative. That is the distinction between the two figures. One is cumulative and the other one is not.

Hon COL HOLT: Can I ask, member, where you are on page 244?

Hon KEN TRAVERS: It is under non-current assets. Why, in your “Statement of Financial Position”, would you have a cumulative figure over the forward estimates?

Mr Rechichi: These figures represent the whole-of-government transaction records for Treasury. They are not an asset; they are a notional asset value. We are able to pick them up in the whole-of-government accounts. That is why they are cumulative. They are not an asset of Lands.

Mr Slattery: Mr Rechichi, can I just ask you to check the 56 answer? We are talking about our own plant and equipment here.

Hon COL HOLT: Is the member referring to line item 56 or 57?

Mr Rechichi: I was going off 57.

Hon KEN TRAVERS: I am looking at page 244 under non-current assets, the third line down is “Land held by Agencies (Land Assets Sales Program Estimates)”.

Hon COL HOLT: That is the one he responded to.

Hon KEN TRAVERS: I now agree with him that they are cumulative figures, but I am still trying to understand why you would include cumulative figures in a statement of financial position.

Hon COL HOLT: I think he has explained it, but he will have another go.

Mr Rechichi: This is the mechanism in which we are able to report to Treasury in regard to whole-of-government sales for controlled assets. It is picked up in Treasury’s SIMS system.

Hon KEN TRAVERS: Are the cash assets sitting at the top, in the top line of that, the \$168 million going to \$222.607 million —

Hon COL HOLT: In 2016–17 to 2017–18?

Hon KEN TRAVERS: For 2017–18, under “Cash assets”.

Hon COL HOLT: Yes; explain that.

Hon KEN TRAVERS: Yes. What is the generator of that? Is that also a cumulative figure?

Hon COL HOLT: I will get Mr Rechichi to answer that.

Mr Rechichi: Yes, it is.

Hon KEN TRAVERS: So the cash is never drawn down; the cash just sits in your accounts?

Mr Rechichi: The cash is never drawn down by us.

Hon KEN TRAVERS: When land is sold, it gets recorded into your books as a non-current asset and the cash value of it, even though you have sold the land, still sits in non-current assets and the cash you receive from it goes on to your cash assets?

Mr Rechichi: These assets represent those assets that have been sold by other agencies and have been reported through our LASP portal. They are not assets that we have received proceeds for. It is a reporting mechanism to enable information to be captured in the whole-of-government SIMS accounts. They are notional in value.

Hon COL HOLT: Director general, do you want to add?

Hon KEN TRAVERS: You do not have cash at bank of that value?

Mr Rechichi: No.

Mr Slattery: Item (b) down the bottom there, the little subscript to it is where we are saying it is a notional amount of money. This is a recording mechanism. It is not held in our books; it is a recording mechanism of a notional amount. That is the assistance that we play with Treasury in providing a land monitor function

The ACTING CHAIR: I think we are going to have to call it a day at this stage.

Hon KEN TRAVERS: It is all right, because I am so bamboozled and confused by this I will have to go home and think about it anyway!

The ACTING CHAIR: On behalf of the committee, I thank you for your attendance today. The committee will forward any additional questions it has to you in writing after Monday, 20 June 2016, together with the transcript of evidence, which includes the questions you have taken on notice, highlighted in the transcript. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit these to the committee clerk at the close of the hearing. Once again, I thank you for your attendance today.

Hearing concluded at 6.18 pm
