

**COMMUNITY DEVELOPMENT AND JUSTICE  
STANDING COMMITTEE**

**INQUIRY INTO THE ADEQUACY AND FUTURE DIRECTIONS OF  
SOCIAL HOUSING IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 18 MAY 2011**

**Members**

**Mr A.P. O’Gorman (Chairman)  
Mr A.P. Jacob (Deputy Chairman)  
Ms M.M. Quirk  
Mr I.M. Britza  
Mr T.G. Stephens**

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Hearing commenced at 10.01 am

**PERRY, DR RUSSEL JOHN**

**Chief Executive Officer, Capricorn Village Joint Venture, examined:**

**The CHAIRMAN:** This committee hearing is a proceeding of Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed the "Details of Witness" form?

**Dr Perry:** Yes, I have.

**The CHAIRMAN:** Did you understand the notes at the bottom of the form?

**Dr Perry:** Yes.

**The CHAIRMAN:** Did you receive and read an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

**Dr Perry:** Yes.

**The CHAIRMAN:** Do you have any questions in relation to your appearance before the committee this morning?

**Dr Perry:** No.

**The CHAIRMAN:** Would you please state the capacity in which you appear before the committee this morning?

**Dr Perry:** I am here wearing the hat of chief executive officer of the Capricorn Village Joint Venture, which is the developer of a landholding in the Yanchep and Two Rocks areas in the outer metropolitan area. Prior to that, I was involved in a project called Ellenbrook, in the Swan Valley. So my experience in the land development industry has been primarily in the outer metropolitan area.

**The CHAIRMAN:** Thank you. Is there anything you would like to say to the committee this morning in the form of a submission?

**Dr Perry:** I have thought about it, and I have some comments and information to share. Perhaps I can begin by asking how much time you have allocated to me?

**Mr T.G. STEPHENS:** As long as it takes!

**Dr Perry:** Okay.

**Mr T.G. STEPHENS:** We have to be out of here by 11.30.

**Dr Perry:** So an hour or so. That is fine. If you are comfortable with this, I might talk a bit about this subject, and perhaps along the way if you have queries we can diverge into those areas.

**Mr T.G. STEPHENS:** That sounds good.

**Dr Perry:** I have a reputation for speaking under wet cement, so you will need to interrupt!

**Mr T.G. STEPHENS:** That is why I drew attention to the time!

**Dr Perry:** I have been involved in the land development industry probably for 20–25 years, both within government and in the private sector. Prior to my time with Yanchep, I was involved in Ellenbrook. Prior to that, I had a period of time working in the office of the Minister for Planning in the then Court government, working in I guess what was loosely described as an urban development

facilitator's role. Prior to that, I had a broader brief in terms of fast tracking projects in the last year of the then Labor government, prior to the Liberals being elected with Richard Court as Premier, when Carmen Lawrence was Premier. So I have worked in both sides of politics in state government, and I have worked in the private sector.

If I can come to the issue of affordability, coincidentally I was on a panel last Thursday at an Urban Development Institute luncheon, which was attended by approximately 700 people, at which the Minister for Housing, Troy Buswell, presented the state government's strategy on housing affordability. That is an appropriate sort of entry into this discussion, because among the things that he spoke about, he offered the policy of a shared equity concept, whereby government through its own funding mechanisms would attempt to lower the threshold or entry cost into the housing market by taking up a shared equity position. I think the government has in mind a split of approximately 80:20, where 20 per cent of the cost would be borne by government on an ongoing basis if you like as a passive shareholder in the property, and the owner would therefore have to front up with only 80 per cent of the purchase price. The reason I mention that is because it really does focus on what seems to me is the key issue in terms of affordability, and that is the entry point. The Urban Development Institute is the development industry's industry body, and it has been around for a long time. I had the privilege of being the president of that body for two or three years in 2001-02. The Urban Development Institute is currently working on its own policy position in terms of affordability, and it has given me access to a preliminary draft of that policy, which I want to refer to. What I would then like to share with you, because I think it is very important from my perspective, is the anecdotal evidence of what actually happens on the ground. I think that too often, when we look at major issues, the discussion tends to be bureaucratically pushed up into the higher atmosphere, which inevitably results in reports that sit on the shelf, and nothing ever changes. You might pick up from that that I am a bit cynical! So I want to share with you today, based on this approach that the UDIA is developing, some actual numbers and instances that affect me day to day in the development industry, and which in turn impact on the issue of affordability. So that is the approach that I would like to take, if that is okay with you.

Having said that, the private sector is, I know, concerned about that and is addressing it. For example, you may or may not be aware, but recently at Ellenbrook the developer has produced a housing product on five-metre frontage lots—that is pretty small; 30 metres deep; 150-square metre lots—with a two-bedroom, one-bathroom housing unit on it, and a single carport at the back lane. The developer has offered them to the market at \$268 000, which, depending on your definition of affordability, is affordable. They have sold very well, and more of those products are being pursued. Prior to that, going back maybe three or four years, at Brighton, the Satterley Group produced a 7.5-metre frontage product, which again is pretty small, and it worked with the building industry to produce house and land packages. The building industry found that very difficult, because of the narrowness of the lots at that stage, and they had to build party walls and shared walls, and there were issues of site access and servicing and so on, and that tended to push the housing prices up. I think they were at the time being sold for \$370 000.

Capricorn is at Yanchep, 50 kilometres from the CBD, and about 20 to 25 kilometres from Joondalup. I think that is an issue that people need to comprehend and understand. The further out you are, there is a sense of inaccessibility and difficulty and so on. But you have to look at the reality of those differences. Many people who live at Yanchep and Two Rocks do not worry about Perth. They probably never come to Perth; Joondalup has got everything for them. We are currently marketing on what has been a pretty standard cottage product—a 10-metre wide frontage product, 30 metres deep, 300-square metres—with a housing group. We are putting out product at \$340 000. I think the chances of us at Capricorn doing a five-metre frontage lot are pretty remote at this time in the maturity cycle of an outer metropolitan development. Ellenbrook is closer in, it has more infrastructure, it has more accessibility, and it is a bit more mature, so it can get away with it. It will be a while until Capricorn does that.

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Something that you will find interesting is that I am also working with another group conceptually and trying to come up with, on 500-square metre lots—that is, a 14 to 16-metre frontage, which is about the metropolitan average these days—a house and land package for under \$300 000. I am using that to illustrate the point that this is quite complex. It is not just the size of the lot and the location of the lot. There are other factors that come into play. In this particular instance, the reason we are targeting under \$300 000 is because we are working with the builder to come up with a product that is three bedrooms, one bathroom, not four bedrooms, two bathrooms. I am even sharing with the builder an agenda about whether we can market this product—because the lot will allow this to happen—as a two-stage product. In other words, what you do is you buy a plan that could ultimately lead to a four bedroom, two bathroom, but you only build three bedrooms, one bathroom in the first stage, and you either live there forever and not do anything about it, or you on-sell it, but the lot has been designed and the house has been designed to add on a second stage at a later period. This is all conceptual and very early days at the moment. But I am just sharing with you that the land development industry, in concert with the building industry, is also trying to address this issue in the private sector.

What I want to talk about now, at the risk of being negative for a while, is a number of issues that illustrate the problems with the system in terms of transferring and adding costs to that threshold entry point. This is almost a cultural thing that has happened within the housing industry, within the planning system, and within state government agencies, federal government agencies and local government agencies, as well as with the government infrastructure providers. Everything they do, albeit well meaning, ends up transferring costs to that entry point. I have broadened my targets there to include basically everyone in the entire universe.

**The CHAIRMAN:** Can we just ask you about that, because we have had some information given to us that previously, probably 20 or 25 years ago, the infrastructure costs were actually applied to the lot, but it was over the life of the lot, so people were paying it back in water rates and council rates and all those sorts of things. However, nowadays, as you were just saying, all those agencies that provide that infrastructure, and private operators, are putting that cost right at the front, and people are paying for it as they go in.

**Dr Perry:** That is exactly right.

**The CHAIRMAN:** What has changed during that period of time to make that happen?

**Dr Perry:** That is a really difficult question to answer, and I can only give you my observations. I think the changes that have evolved are a consequence of us being a democratic first-world country. We do the things we do because we can—because we are wealthy enough to be able to do them. So we are wealthy enough to be able to be concerned about a whole lot of issues that people in poorer countries or in poorer sets of circumstances would not even bother with, simply because they are trying to survive. I can rattle off some examples for you to start to illustrate that point, and these are personal examples. We have a quite complex planning system that is two-tiered, state and local government; and along the way it drags in just about every government agency that is around to be involved in the planning approval process. I was at a City of Joondalup business breakfast function about a month ago, at which there was a presentation by a consultancy called Pracsys, which has been employed by the City of Joondalup, the City of Wanneroo and the Planning Commission to do some initial research into what they are now calling employment-driven planning as opposed to land-use planning. I think the planning industry, if I can call it that, has suddenly thought that planning for land use is not solving our problems; it is not creating communities in which the infrastructure is self-contained and where employment is self-sufficient, so we therefore need to do it differently and we need to somehow base our planning around employment. This is what the Pracsys initial report said—these numbers are not correct—but they did the numbers, and they say if you do not have self-sufficient employment in the outer metropolitan area, then you have to build 23-lane freeways. That is the consequence of that action.

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**Mr A.P. JACOB:** I was not at the business breakfast, but how does that differ from the type of new urbanist model that Joondalup by and large has been designed on, and Clarkson and other developments as well?

**Dr Perry:** The point I am trying to make is illustrated by this. At the end of that presentation, a gentleman in the audience stood up and said, “Look, recently there has been announcement of an \$80 million training centre being built by GE”—the multinational corporation—“in Jandakot that is going to train people to work in the resources sector.” The question was a provocative one, I guess, to Garry Hunt of the City of Joondalup, who was on the panel. He was asked, “Why didn’t that happen in Joondalup?”, and I guess Garry sort of muttered a bit about how it could not compete and so on and so forth. What was interesting was that the senior planner—I will not mention his name, because that is not important, but it illustrates this point very well—in response to that question, said, “Yes. The reason that happened in Jandakot was because it occurred on Jandakot Airport land, which is controlled by the federal government.” These are my words, not his, but he effectively said, “That’s terrible, isn’t it, because that meant that we could not control it with our planning system. This happened without our control and our overarching planning.” Now for a senior bureaucrat in a government agency to complain that an \$80 million training facility was being built, and being built quickly, in Perth, is mind boggling, because what he wanted to happen—this is a cultural thing that somehow we have to overcome—is for nobody to do anything unless the planning agency, those cultural imperialists, as they have become, can have it happen their way. The reason it happened is because they avoided that! That is the point I am trying to make. I do not know whether that answers your question. I can give you other examples.

**Mr A.P. JACOB:** That is a fantastic perspective from the controlling side of it. It is interesting that it came up at a Joondalup meeting, because Joondalup was very much designed with that local employment focus, but I think on any measure it has not achieved that, so here we are, 30 years later, and Joondalup is still talking about having a local employment focus. So what were they putting up that was different and that might actually achieve that local employment?

[10.20 am]

**Dr Perry:** They were not putting up anything different. They were raising this as an agenda that they wished to explore, and they were open and honest about it, and I think that is fair enough. They did not know the answers. They were continuing to identify the problem.

Now, of course, this is related to affordability, because it is descriptive of a system that I think impacts on affordability by way of these cost impositions and cost transfers. Let me give you another couple of examples about the planning system. We are now in the fourth year of the approval phase for our Two Rocks landholding for a local structure plan. A local structure plan has to be approved by the local authority and “endorsed”—in inverted commas—by the WA Planning Commission; it is a two-tiered approval system. We have been going for four years now to get that approved; I think we are there, but there is the dotting of the i’s and the crossing of the t’s situation, and of course that means that when you dot a few more i’s and cross a few more t’s you have to go to the City to get that finalised, and then that document needs to go to the Planning Commission, and that is where we are at, at the moment. That process of a local structure plan for approximately 5 500 to 6 000 lots has cost our company about \$1.5 million in consultants’ fees. If I do a rough bit of arithmetic, that is about \$300 a lot; I am not doing discounted cash flows or anything like that, I am just doing a bit of arithmetic. Now, \$300 a lot is not that much, I guess, but that is one \$300 a lot, so just park that for a moment. What comes out of the structure plan now, for good and valid reasons coming out of the government’s water agency, is the requirement that at each stage of a development you have to have an urban water management strategy to deal with drainage. Water is a very important issue. The cost of that urban water management strategy is about \$250 a lot. Planning approval is about \$300 a lot and an urban water management strategy is \$250 a lot. As

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developers we do not absorb those costs; we seek to retain our profit margin and so those costs get passed on to the end purchaser.

I have another illustration of the planning system. In our current development, which is a separate landholding at Yanchep which we have been developing for five or six years—we have done 850 lots and we are about one-third of the way through—we had to do a detailed structure plan of a neighbourhood centre. That was not very complicated; supermarket, specialty stores, a little village square, some mixed-use buildings, medical centre, childcare and so on and so forth. There was no critical time for it, so I let it unfold and I was not pushing hard—that sometimes has the reverse effect, I must say—but we did get that detailed structure plan approved after two years. Now this is not rocket science; this is a neighbourhood centre, and there are hundreds of them around. That took two years, and at the end of that two-year period—this is really notable—the plan we put in came out the other end absolutely unaltered. The two-year process added no value whatsoever. It was just about process, not about outcomes.

**The CHAIRMAN:** What was the cost of that per lot?

**Dr Perry:** I do not know.

**The CHAIRMAN:** It is a different one, so you cannot say?

**Dr Perry:** A similar order of magnitude, I guess. It was a smaller project so it did not take as long, but that is the system we worked through.

**Mr A.P. JACOB:** Then if you start to factor in holding costs as well, you are a developer who is significantly debt laden and has to service that for five years as you work through the process.

**Dr Perry:** Absolutely.

**The CHAIRMAN:** What is the way of getting around that?

**Dr Perry:** Can I give you some more examples first?

**Mr I.M. BRITZA:** Yes; absolutely.

**Dr Perry:** I might try to unburden myself; it makes me feel better, I do not know about you!

We have a similar detailed structure plan for what is called a “coastal node” near our neighbourhood centre at a place called Club Capricorn, which some of you may or may not know—you may have even stayed there once upon a time. It is a very ancient, creaking resort sort of thing—“Rottnest on the mainland”, they used to call it. It is certainly old enough that it does not warrant any more money spent on it, so we are in the process of replanning it. We worked very closely with the City of Wanneroo to come up with a detailed structure plan that was a bit innovative and tried to give us flexibility, because when you are talking about planning for the development of a resort, there is a lot of uncertainty, so you have to try to plan to allow for things to unfold over time—it is very difficult. We worked with the City of Wanneroo and it took our agenda. I am not going to go into details here, I am just trying to make a point, but we got a detailed structure plan that they approved and then submitted it to the Planning Commission for their endorsement. They looked at it and said, “No, no, we don’t like this format or structure; you can’t have it this way. You have to change it all.” So basically we were the piggy in the middle between the local authority and the state government, who had different views on what a structure plan would look like. Because of timing, I am not pushing that, but I am still the piggy in the middle and I am not quite sure what to do. I think I will ignore the local authority, because in the end the Planning Commission holds the whip hand and they approve the subdivisions, and I will do what they want just so I can get the approval, just so I can start the process.

I need to give you another example, and it relates directly to affordability. We have an existing structure plan for our Capricorn landholding at Yanchep. That structure plan is at a relatively high level; it lays out the major roads and land uses and talks about the densities that you would try to

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achieve in the different sectors within the total landholding. The wording of the structure plan specifically states words to this effect; that the roads and laneways are indicative only and will be finalised when you get down to the subdivision stage. About two years ago we looked at a 50-lot cell that we were going to put up for subdivision approval, and it had a number of laneways in it. When you have smaller lots with laneway access—which are quite fashionable, they are the go in liveable neighbourhoods; that is what everyone is trying to achieve—people often do not understand and accept that you have a double road frontage per lot, and depending on how you calculate it, it really adds about \$20 000 per lot, because you have a road out the front, the cost of which is amortised in the lot, and a laneway at the back, the cost of which is amortised in the lot, so the laneway model adds \$20 000. We were predicting—accurately, as it turned out—that there was going to be an affordability issue post-GFC, and we needed to get some product out onto the market that was really as affordable as we possibly could; it was the one I mentioned earlier, the \$340 000 house and land package. So we submitted a subdivision that took the laneways out—same number of lots, same densities, no laneways. The response from the Planning Commission was, “We do not accept this because it is not consistent with the structure plan”, even though the structure plan said that roads and laneways are indicative only, so I arced up and I took them to the State Administrative Tribunal and appealed. We went into mediation, and after about three months, we finally won that exercise and got approval to have—with a few little bells and whistles attached that were not necessarily problematical—our subdivisions approved without the laneways, which is what we are now marketing.

**The CHAIRMAN:** The laneways are normally where the garages and carports are, so where will they now be located?

**Dr Perry:** They will now be at the front of the lots, and this is where, I guess, my culturally imperialistic friends are worried about the streetscape and the appearance of the streetscape. They did not like the concept of 10-metre frontage lots with a six metre-wide carport or garage. We have in fact designed it with what are called “detailed area plans”, which is another planning instrument, to have a proportion of those lots having single car ports so that the streetscape amenity is not dominated row upon row. We also designed it so that the houses are in front of the carports, rather than the other way around and things like that, so it will not be too bad. But the planning culture was that it would be terrible to have small lots that were front-loaded as opposed rear laneway models. During the mediation discussions, a senior planning officer—whose name I do not remember, and it is not important—was present, and I said, “Look, the reason we are doing this is to tackle affordability and to try to produce a lower cost house and land package unit.” This person—who is an individual, admittedly—said, “Look, we can’t take affordability into account because we do not know how to measure it and we don’t know how to quantify it, and we don’t know how”, these are my words, “to put it into our process of approvals and control.” So while we are in the middle of a statewide discussion about affordability and the issue, there are these planners in the planning department who said, “Oh, we can’t take that into account.” If you look at all these cost shifts—the ones I have mentioned and a few more that I will mention—they all create a greater problem in regard to affordability, but the people who instigate them and promulgate them simply are not held accountable in terms of the effect of their new policies.

**Mr A.P. JACOB:** I think that one is quite significant: what would you see as a way to tackle that? Would you see a requirement for an affordability consideration going through into the planning schemes, or would that add another level of delay and bureaucracy and actually be counterintuitive?

**Dr Perry:** Look, one of the discussions that came out of the UDA luncheon that Minister Buswell addressed, for example, was this idea of a concept of a regulatory impact statement. All of these new regulations policies are absolutely justifiable if you just look at the narrowness of what they are about, but nobody is considering the flow-on effect, and it is cumulative. You have the environmental portfolio doing their little bit, which is all good stuff on the environment; the Water Corporation is doing its stuff, which all good stuff as far as the Water Corporation is concerned;

Western Power is doing its stuff, all good stuff as far as Western Power is concerned; and the local authorities are worried about kerbing and maintenance—all valid stuff. The net result of all of that is its cost transfer, which impacts on the entry and the threshold price. I am describing a problem here, and I will put my hand up and say that I do not necessarily have the solutions, but I have a couple of suggestions, which are not necessarily original, to come to at the end.

Let me give you another example, because I think these examples are really important. We have just had a new precinct released in our project at Yanchep. It is 270 lots, and we are trying to dumb it down, as it were, to meet the market by taking the bells and whistles away to make a basic product to get our price down. It is the area I mentioned before, where we are looking at trying to target an under \$300 000 house and land package. This area of subdivision is adjacent to a future priority road; it is, in fact, the extension of Marmion Avenue further north than Yanchep as it goes up, and that is probably 20 or 30 years away from being built. My friends at the Planning Commission last year promulgated a new state planning policy about the acoustic effect of having houses next to major roads and the need to ameliorate traffic noise. I will use the numbers to suit my argument here, and I am going to talk about “up to”, all right: the requirement under the conditions of subdivision was for us to introduce acoustic amelioration measures both in terms of the house with double-glazing and the fencing, which would be part of our land development because the land developer provides the fencing. That would add up to—it varied—\$15 000 per lot against a future road that will not be built in a time frame before this house is knocked down and built again probably. That is another example of a well-meaning policy that has substantial impacts, particularly—which is my other theme, in case you had not guessed—because the system is so concerned with process that it ignores outcomes totally. It is all about process.

**The CHAIRMAN:** Is the proposal you are talking about one whereby the developer and the builder actually build a house and sell it, or is it one that you sell off the plan; or is it the case that somebody else can buy that piece of land and get their own builder to come in?

**Dr Perry:** Look, the answer to that is, yes to everything. It does vary, but, generally speaking—particularly in the current soft market—you will work with the building industry in any form of combination that works for them and the land developer. Traditionally, the Western Australian market has been characterised by separation between the land development industry and the building industry; it is much less so down the east coast of Australia, where there are often companies that are vertically integrated and they do the land development and the built form. I think our system produces a pretty good result compared with the sameness that you often see in east coast developments, but that is a subjective judgement. At the moment I am selling land off the plan, I am selling land that is titled and constructed, I am selling land in conjunction with builders with a plan that will go on the lot, so what is offered there is a house and land package marketed by both the builder and ourselves, and I am looking at partnerships with builders where we do 50 lots together and where they come up with plans for a whole precinct and we market that as a total package. I am doing everything I possibly can to be able to sell land and to try to meet where the markets are.

**The CHAIRMAN:** The issue that I am trying to ferret out a bit here is, you said about the double-glazing for the noise amelioration and all that; surely that is up to the house purchaser?

**Dr Perry:** No; you see, it becomes a condition of the approval.

**The CHAIRMAN:** Yes.

**Dr Perry:** The condition has to be guaranteed in some legal form before the planning agency will clear the condition to allow you to get the title to transact the land. So part of this culture of control really focuses on the creation of the title, and it is the opportunity for all these government agencies to exert and influence what they want to achieve at that point; it is the legal mechanism, under our current planning system, that allows them to make you do things. We would have to show, in contractual form, to the Planning Commission the mechanism by which those acoustic requirements

would be met. We have found a way around it, sort of thing—I can say with a smile on my face—but our proposal was to look at including in our contract of sale a rebate of up to \$15 000 to the person who bought the land, so that they would have the cost met of building their house or having the fencing introduced, to meet that state planning policy requirement. If we could not show that, then we would not get the title. If we did not offer the rebate, we would add that to the cost of the land, we would be competing like-for-like with another developer down the road who does not have the acoustic condition, and our identical product would be costing \$15 000 more; we are not going to sell it in those circumstances. That is the way the market works.

**The CHAIRMAN:** We want to ask about the approximate cost of developing a block of land—probably if you give us a size level—in an area like Capricorn Village compared with what it was, say, five, 10 or 15 years ago, because these are all the impacts that have increased the costs. Are you selling at about \$160 000 to \$200 000?

**Dr Perry:** It depends on the lot, and there are not really averages. Because we are a master planned community, we sell a range of product—I think I may have said this to you in other circumstances before—and our product ranges from 300-square metre lots up to 2 000-square metre lots, with everything in between. That is part of a genuine master planning agenda to provide a diversity of product and to provide a diverse and healthy community, so you have the start-ups, you have the trade-ups and you have the retirees, and you have that cycle and you end up with a much richer, healthier community as a consequence, as opposed to churning out 550-square metre lots in an endless chequerboard array. I think that is good planning and it is what you need to do, and it is what you want to do as a good developer. Particularly with long-term master planned communities, if you build a crappy development in the early stages, guess what? You are going to struggle to sell the later stages. Your best salespeople are not the ones you employ; they are the residents who live in your community who want to buy again because they have a new product or because they have gotten rid of the kids finally and they want to downsize, or because they are starting to have kids and they want to upsize, or because they have told their friends and relations, “This is a terrific place to live and you should come up here.” That is how you grow a development. That is what happened in my time at Ellenbrook; we always monitored the suburbs from where our buyers came because you need to focus your marketing. As a friend of mine says, “You’ve got to fish where the fish are; not much point in fishing where there are no fish.” We measured those suburbs. When I left Ellenbrook after a 10-year period, the suburb where most of our buyers came from was Ellenbrook, because they bought again. Those comments do not apply to somebody who might have a 200-lot subdivision, where you just want to get in and out, and I think it is important then you have an overarching planning system about developer contributions and things like that. But in the master planned communities, which generally occur in the larger landholdings in that outer metropolitan area, there are these opportunities that I think are good opportunities that you can take good advantage of and create genuinely healthy communities.

**The CHAIRMAN:** You also mentioned about employment-orientated planning, rather than just land use. My impression of Capricorn Village is that there is little, if no, employment out there, so how are those people self-sustaining? They are 50 kilometres out and 25 kays from, I suppose, the nearest employment opportunity.

**Dr Perry:** It gets back to Albert’s observation about Joondalup, I guess. Joondalup has been around for 30 years, and it has not reached its target. It has a railway and it has fantastic parks, and it has all the facilities—the retail, the government—and it still has not got it. It has the white goods and the mixed-use areas, and it still does not have that employment. I wonder a bit whether we fool ourselves in terms of the achievability of those things. I was sharing this discussion with Sue Slavin from the West Coast Institute of Training this morning at an earlier meeting.

[10.40 am]

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What faces us as a society now is that we try to structure an unstructured set of arrangements that are happening. I think that is where government agencies really struggle. They want a structure to control things that in my view are not controllable. I think they need to step back from control to facilitation and allow things to happen. For example, I do not think that it is realistic to expect high levels of employment in our Capricorn development—though we have targets to meet, which we are genuinely working towards—because we are essentially a residential cell. We are a residential cell that is happening primarily now. In future, there is going to be a major town centre at Yanchep, where the rail, hopefully, will end by 2018. I am seeing Troy Buswell at the rugby on Saturday night, so I might mention that to him. That town centre will take 20 or 30 years, and that is what will generate the employment. You will not get the town centre unless you get the residential development to provide the population to provide the viability of all the retail and commercial content in the town centre.

**The CHAIRMAN:** Isn't employment much bigger than a town centre, much bigger than a retail centre? I do not know when it started, but Kwinana was built as an industrial centre and the suburbs have built up around it to provide the workforce for that. In Joondalup, we have the housing; we have the retail, the education, the training and the hospitals, but we still have 40 per cent as employment sustainability. Sixty is our target, but we are on 40 per cent. The issue is that there is no large employment hub. All those other things employ a few thousand people, but not the numbers that we need. We need some other industry in an area like that. Lots of our residents—probably yours as well—fly in, fly out to Karratha, the Pilbara and those areas up north. How do we make that employment hub? From a developer's point of view, you are selling residential land. From a local government and a state government point of view, there is residential land, there is employment and there is access.

**Dr Perry:** Again, the best way to respond to that is by sharing a few anecdotes. We have set up in a former sales office as a so-called enterprise centre. We were not using the sales office. I am employing a couple of local people who use a community intranet as the basis; we liaise with the small business centres, the West Coast Institute of Training and ECU to try and promote training in the area. We network with the schools and with other training providers, the business growth centre and so and so forth. We try to liaise with Bethany, which has a retirement village, because there is some training and employment related to aged care. One of the first developments we did six years ago was to create a six hectare site for an aged care building. That is being done by Bethany, which is the Churches of Christ aged care provider. It has a 160-bed nursing home, now built; it was built within the first two years of our project. Over time, when the market turns around, it will have about 90 to 100 independent living units and apartments around the clubhouse and all those sorts of things. That facility will provide 200 jobs. At the moment, it is employing 100 to 120 people. Club Capricorn, until then, was the biggest employer in the area. It employed about 50 people—not full time, but casuals and part-time housekeepers, waiters and waitresses and so on and so forth. When we get to redevelop that—or somebody else redevelops it when we get that detailed structure plan approved and there is a market for it—that will hopefully be bigger and better and will employ more people. So you keep working at that sort of thing. You will have heard this before: some of the great employment places in Perth, which we have all experienced, where there are high levels of employment—I do not have the stats, this is my observation—Beaufort Street, Mt Lawley; Rokeby Road, Subiaco; Bayview Terrace, Claremont; South Terrace, Fremantle and areas like that were not planned. They started off being residential streets and they evolved over time. I think our planning system has lost sight of that opportunity to evolve, because they want to control things. They want to build Rokeby Road now, and they cannot build Rokeby Road; it has got to evolve over time.

**Ms M.M. QUIRK:** Russell, that sounds like you cannot impose vibrancy on parts of Perth.

**Dr Perry:** Funny about that. You have to have a creative process and a facilitation process that allows vibrancy to happen. Do you know how you know that you are in a vibrant place? It is because there are other places around that are not vibrant. That is another factor. If somebody wants

to buy a house in my development up at Capricorn and pay less for it and live next to a noisy road without double glazing and a soundproof fence, why shouldn't they be allowed to? We are not allowing them to make those choices. We are forcing our control mechanism onto them. This is the cynic in me coming out. Do you know the reason that the bureaucrats push in that direction? It is because what will happen is when that person lives there and gets sick of the noise, they are going to complain to those bureaucrats. Their motivation and agenda is to stop getting complaints. Sorry for being so cynical.

**The CHAIRMAN:** That comes back to a person's choice or circumstances. They are forced to make that choice because they can only afford the sub-\$300 000 house. But over time, with home ownership, everybody gets richer, so they have the opportunity to double glaze and put the fence up.

**Dr Perry:** Absolutely. I will go back to Tony's earlier point about what we are doing for employment in Capricorn. We will get more employment over time when the town centre starts to happen with its health campus, its education campus and major retail outlets and with the train being there as a computer facility or piece of infrastructure; and there will be the schools and the playing fields and so on and so forth. The lawnmower people will be there and the gardeners, and the cafes will be full of chefs and waitpersons. You have got to allow those things to happen. The problem at the moment is that we are trying to make them happen now. What you hear from the planning bureaucrats all the time is, "We have to make sure this happens now."

**The CHAIRMAN:** We want to play in a community and say, "There you go; you've got everything."

**Dr Perry:** That is right; and we have to control the fine grain now, because if we do not control it now it is going to be a lost opportunity; we are going to have that terrible thing called urban sprawl and it will be awful and the future will be disastrous and the world will come to an end. Guess what? At one stage, Mt Lawley was once urban sprawl. I grew up as a kid in Scarborough. My parents bought the third house in the block in Abbett Street, Scarborough. That was urban sprawl. It is not bad now! It's all right. The world has not come to an end!

**The CHAIRMAN:** Isn't that what creates community for us? Out in Joondalup 25 or 30 years ago, I bought the furthest block out, and over time the community wanted a school, a shopping centre and that is where the community came together. People got to know me and I got know my neighbours, and that is where we have our community built up now. Is that not a necessary part of building our affordable spaces?

**Dr Perry:** Absolutely

**Mr A.P. JACOB:** The example of that is a suburb in our area that has the most community, albeit that they do not always get on, is Mullaloo. It has been around for about 40 years now, and it is picking up a bit of a life of its own and it has a history.

**Dr Perry:** I am probably telling a story out of school. While I was in the waiting room this morning I have bumped into Andrea Mitchell, who was on her way out. I said why I was here, and she said that she had a school site in her electorate at the moment and the government was looking to redevelop it for residential, but all the local residents do not want anything to happen other than having large lots just like they have had. They do not want density and they certainly do not want social housing or Homeswest involved, and so on and so forth. There are real issues. I have a genuine concern about the direction that Perth is heading. If I can use Sydney as a sort of unfortunate benchmark, and I do not pretend to be the expert, but let me make some observations. Over the last two or three decades, Sydney has had a market imbalance continuously, where the demand for housing—because of the size of the city—has been at about 40 000 units a year and the supply has been at about 20 000. Now, you would expect that that gap would close over time. That is how a market works, isn't it? Supply and demand trying to get in balance. The obstacle in

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Sydney—you may have heard this before—is that due to their administration they now have a developer contribution scheme for new lots. I think the number is \$100 000 per lot. So, before you buy the land and before you start the development costs and marketing, there is a \$100 000 impost on developing a new lot in Sydney. What happens is that that market becomes unattainable, so people move in two directions. They either move back into the inner city and live in tiny little awful dog boxes, because that is all they can afford, or they go further out into the newer areas where they do not have these developer contribution arrangements in place yet, and they live without infrastructure and facilities and commute two hours a day to their jobs. The consequence of that is that Sydney is truly a city of haves and have nots. I am concerned that Perth is heading down that direction. I have spoken to people whose view I respect about this, and they share that view. I think we need to seriously address it in some way. There is no easy solution. I think Perth—this is a personal view—was at about its liveable peak five years ago and it has deteriorated since then, and it will continue to deteriorate.

**The CHAIRMAN:** You sound a bit like a socialist there, Russel.

**Dr Perry:** Scratch me—I was president of the Student Guild at UWA, Tony. I was a socialist—a socialist now working in the private sector. I think that these things need to be seriously addressed, and we are not structured to address them. If you go back to our earlier discussion about affordability in these issues and the way that government agencies act in their silos without any pressure on them to do anything other than to act in those silos, so they ignore things—they ignore the consequences of their albeit good intentions. Another hobby horse of mine is the federal EPBC act—the environmental act. I am not going to be a socialist here, Tony. The cockatoo and the golden sun moth are sterilising enormous amounts of land. If you want to do a quick bit of mathematics—these are real if not exact numbers or estimates—let us assume that 10 per cent of your land holding up in that north west corridor is going to be sterilised because of the moth. I am the first to say that the moth is important. On a \$200 000 lot, 10 per cent will add \$20 000. My arithmetic is probably a bit rough there, but if you can only develop 90 per cent of your land, and you have paid for 100 per cent, you transfer the cost onto the developer of the land and the cost flows on down. The Planning Commission—I have personal experience with this—issued a policy last year about coastal setbacks based on climate change issues. I will not go there, but they added 52 metres onto the minimum setback on the coast. In our case, that was about five per cent of our land holding, which added \$10 000 onto the remaining lots.

**Ms M.M. QUIRK:** That is an expensive bit of your landholding.

**Dr Perry:** Yes, right on the coast. Although the balance of the land will be on the coast; it will be just a bit further away from the water. There is this continuing agenda of well-meaning, soundly based actions with no thought of the consequences. It is about process, not outcomes.

**The CHAIRMAN:** Have you got a notion of how we best overcome that?

**Dr Perry:** Can I say a couple of things first and then I will come to that to illustrate the point? There is some good data that UDIA has given me, and I suggest to you if your inquiry is ongoing that you might get a formal UDIA industry-wide representation, rather than just one single developer. The UDIA has done an analysis of building costs looking at infill versus greenfields. They have done a little table, which says: “What does \$250 000 buy you for your construction?” If you were buying a single-storey development you would get a 313 square metre house. That is pretty big for \$250 000. If you go to a double-storey development, then you would get a 208 square metre house. If you go to a three-storey walk-up, which is pretty affordable, I guess, because you do not have the lifts and things like that, you get 96 square metres for your \$250 000. If you go to 10-storey apartments, you are down to 63 square metres, which is getting a bit cosy for that \$250 000. That, of course, does not take into account the cost of the land. Where those higher rise and higher density developments become viable is in the inner city; the land cost is higher there as well. The cost structures mitigate against decent density, unless you have got lots of money. The affordable

market is not being addressed, unless they are in over 10-storey apartments living in 42 square metres for \$250 000. On that, there is an interesting article in the *Weekend Australian* at the end of April which quoted the average new dwelling size per person living in it. So, they looked at the number of people per household on a dwelling site. Predictably, if you look at places like Japan, which is held up as a benchmark of high density, their houses allocate 33 square metres per person. That is the nature of their built form.

[11.00 am]

In the UK, surprisingly enough—or perhaps not so surprising—it is 32 square metres. It is still quite small, basically because they were all built in Elizabethan times when people were smaller. In Germany and middle Europe, which is quite wealthy, it is 50 square metres per person. In the US, the land of hope and glory, it is 78 square metres per person. In Australia, it is 83 square metres per person. I know I am on the public record here so I will choose my words carefully. I think the economic drivers in the housing industry in terms of the marketing, design and construction effort means that they get a better reward for the bigger units that they sell, because they put in the same amount of marketing and design for a four bedder as they do for a two or three bedder.

**Ms M.M. QUIRK:** And their marketing, presumably, has raised people's expectations. What sorts of things do people absolutely think are the bare minimum in terms of your development?

**Dr Perry:** I have built a small investment property up there with three bedrooms and two bathrooms, which is probably not typical. Most of them are four bedrooms and two bathrooms on 500 square metre lots. But we also have the cottage product, which is the three-bedroom, one-bathroom model. Going back to one of your earlier questions, when we started six years ago, we sold cottage lots. It was virtually a loss leader because it was our first stage and we wanted to get some momentum. We sold them in our development in the first year for \$98 000. The equivalent lots now, with a rear lane, nice fencing package, front and rear landscaping and side fences, are \$195 000. So, it has roughly doubled in that five or six-year period. That is a common story. That is what has happened during this economic cycle. One of the contributors to that—you have probably heard this before—is that there is the old fairy story about the emperor's new clothes. We have an emperor wearing new clothes. Everyone involved in the planning industry says, "There is plenty of land. It's all approved. What's the problem?" I am prepared to say that the emperor is not wearing any clothes. I am the little boy or girl who called the emperor out. We have a problem with land supply, and it goes back to my earlier comments about the planning system. I think the record number of conditions attached to a final approval for subdivision is about 59 conditions. We had one about 18 months ago that had only about 51 or 52 conditions attached. I had a bit of time, so I thought I would write to my friends at the planning department. I had an ex-planning department fellow working for me. We went through those conditions and we reworded them. We took into account that, in addition to the conditions, there were existing deeds of infrastructure and other agreements in place that achieved the system. We came back to them with a proposal for 16 conditions instead of 52 or 53—the numbers are approximate. We said, "This would achieve exactly what you are trying to achieve with 52 or 53 conditions." They took a long time to come back to me, and their answer was in a couple of parts. One was: "We are about to review our conditions, so we don't want to make any radical changes now that might cause a precedent. But we are prepared to reduce your 53 conditions to 52." At that stage, I shrugged my shoulders. I know of examples whereby things have been approved with 50-odd conditions when the conditions are in direct conflict with each other, so it would be impossible to get the approvals. The Planning Commission, in its great wisdom, about 12 or 18 months ago decided, in response to this, to review the issue of subdivision conditions. They did it internally. They worked out that there were approximately 200 conditions on their books over the last decade or so that had been attached in various shapes and forms to different subdivisions. They then went further and identified that 50 of those conditions were rarely, if ever, used anymore. So they abolished those 50 conditions, announced to the world that they had reduced the number of conditions by 25 per cent and stopped,

leaving behind, untouched, the 150 conditions that are used, and they are the ones that are causing the problem. It is just dumb.

**The CHAIRMAN:** Russel, can you give us an example of just one or two of those conditions and maybe a couple that are contradictory to each other? If you cannot off the top of your head, could you send them to us?

**Dr Perry:** There is a development which is not mine but is near to where I am and which involves a shopping centre and a service station in competition to me, so I am quite pleased that they have had approval with 50-odd conditions, some of which are contradictory. But I can look at that and send you that information.

**The CHAIRMAN:** Now that you have mentioned that, does it happen sometimes that competing developers or competing agencies actually want those conditions on their opposition, or do you not have any input?

**Dr Perry:** I do not think so. Even if you did, you could not influence or control it. It happens. Quite frankly, you are better off doing nothing rather than wasting your time trying to achieve something that is going to happen anyway. The planners will do it anyway. One of my views, which I have expressed previously, is that there does need to be a serious review of the planning system. With the greatest of sincere respect to Gary Prattley and Eric Lumsden, who head up the Planning Commission and the Department of Planning respectively and who are genuine reformers but who struggle to achieve reform down into their system, the review and the reform of planning that have occurred to date have been done internally by planners. It is a bit like asking a mob of accountants to review the tax system. Why would they? It is their bread and butter. Somehow you have to undertake a genuine review of the planning system and start from scratch again and see whether there is a better way. It has to be done—I am not volunteering for it—by people who are outside the planning system, whether they are from overseas or the eastern states. Preferably, it should not be planners, but people who have some appropriate knowledge, and preferably not academics. I come from an academic background; they are not much use either. You need practitioners to do a serious review of the planning system. You can look at the time lines, and I have given you some examples. UDIA, in this paper, which it will make available at some stage further down the track, has a time line of circumstance starting from acquiring the land through to the end result. It has a table showing two scenarios. One is a short-term scenario, which means that within a six-year time frame, you can go from buying the land to employing consultants, getting an MRS zoning to get it zoned, and then getting the structure planning done and then getting the subdivision and getting the local authority approvals for landscaping and engineering design and so on. You can get lots on the market with titles in a six-year period. If you are starting from scratch without any approvals, that is all right. That is how long it takes under our current planning system. There might be a better and quicker way of doing it because we have MRS zoning, we have district structure plans, we have local structure plans, we have detailed structure plans, we have subdivision plans, and we have detailed area plans. If you talk to the planners in Western Australia, they will tell you sincerely that this is the best planning system in the country. It may be, but in my view it is still bloody awful.

**Ms M.M. QUIRK:** So that is the best-case scenario. What is the worst-case scenario?

**Dr Perry:** The worst-case scenario is 16 years. I cannot justify that. If we go back to one of your issues with cost, Tony, it depends when you buy the land. We have a price advantage with the land that I am on because our land was bought a long time ago at a relatively low price. There was an enormous holding cost, but I put that to one side. It is well known in the industry—I am not picking on them and I do not wish them ill—that Peet and Company bought some land along Marmion Avenue at a project called Shorehaven at the peak of the market. I think the day after they bought the land, the market went cactus. They paid the equivalent of about \$125 000 per lot. Our land cost is probably \$100 000 less than that, give or take, depending on how you want to do the numbers. Land costs vary enormously—how big the parcel is, where it is and when you bought it. Their task

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is to try to recoup that investment. I really wish them well, but I am glad it is not me. If you then look at development costs—this is where I go back to my friends in the building industry—over the past few decades there has been an enormous cost transference from the building industry to the land development industry. The builders now basically say that they will not promote their built form to any developer that does not provide them with a dead-flat fully serviced lot. Once upon a time that did not happen. I grew up in Scarborough, as I have said, where there are those lovely switchback streets with sloping lots. You are not allowed to do that anymore, because the slope of the road is too steep. It is against engineering standard 36B or whatever it is, so you have to get the bulldozers out. You also have to get the bulldozers out to flatten the block so that the builders can come in, lay their concrete slab and put their home up as quickly as possible, because that is what they are geared to do. We have done a bit of innovation at Yanchep in terms of lightweight construction. We even have some pole homes, but not many. They are the only pole homes that I know of in the metropolitan area. There are probably others, but we have consciously tried to do that. Gee, it is bloody hard, because the building industry is not geared to build that product. They employ their bricklayers, their tilers and their roof carpenters in the existing trades, and that is their most cost-efficient model. I do not blame them for that. To be fair, a number of them are prepared to experiment, but at the moment they will tell you—they are probably right—that it costs them more to build a lightweight construction home, which takes away some of the land development costs, than it does to build a brick and tile home on a concrete slab. I do not think you should succumb to the temptation to try to regulate all that. I think the market will push, as it is now pushing, into different products, as I have been talking about and giving you examples of. I think you have to somehow facilitate that, as opposed to putting obstacles in the way all the time.

**Ms M.M. QUIRK:** That is a lot of food for thought. If you were Minister for Planning for the day —

**Dr Perry:** Heaven forbid!

**Ms M.M. QUIRK:** — what is the absolute one thing you would do?

**Mr I.M. BRITZA:** And could you do it?

**Dr Perry:** That is a fair comment. This is really, really difficult. I think you have to change the culture of planning. It is wrong. The only way you will actually change the culture of planning is to give your senior public servants the ability to hire and fire and discipline and make people do things that need to be done. That creates a whole other set of problems, which you would know about better than I. That cultural change has to be to move away from controlled facilitation. It has to be a cultural change that encourages diversity, even if some of it is not good. Allow people to live in cheaper, substandard areas, if you like; let us not be social engineers and try to make the world a beautiful place for everyone. Allow people to struggle and start and then be aspirational, and if some people cannot get out of those initial areas, welcome to the real world. Get that external review into the planning system going to make it happen. Continually look at outcomes, not process. Look at the housing and land industries together, because they are inextricably interwoven. Do not try to change it, but do not look at land in isolation of housing, and, vice versa, do not look at housing in isolation of land. The two are the two components that add up to the end product. Introduce a regulatory impact statement somehow, so that before a new policy gets promulgated, it has to go through. I will have that job in the office of regulatory impact statements; I will do that for you.

I will finish with a little cute thing. Here is a quote —

The whole population, poor and rich, are bent on acquiring wealth ...

The number of large houses and other buildings just finished was truly surprising; nevertheless, every one complained of the high rents and difficulty in procuring a house.

That quote was from Charles Darwin when he visited Sydney in 1836.

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**Ms M.M. QUIRK:** I think that will go on our front page! Thanks for that. That is good.

**Dr Perry:** What do the French say? Plus ça change, plus c'est la même chose: the more things change, the more they stay the same.

**Ms M.M. QUIRK:** Or, in the case of housing, it is survival of the fittest.

**Dr Perry:** And you have to allow that to happen. Chill out and relax a bit, instead of trying to bloody control everything.

**The CHAIRMAN:** Russel, thank you for this morning. It has been not only very entertaining, but also very informative. It is probably one of the presentations to the committee about this particular issue that has answered a lot of questions, but also posed a lot of questions for the committee to try to come up with recommendations and findings. The aim of this committee is not just to put up a report that sits there, but to put up a report that gives the minister the leverage to make some changes and to make things happen better and faster and to make housing affordable again for those entry-point people. Once you get past the entry point—we have all done it at one point; my kids have done it—you can then take the next step and go to a bigger house in a better area, or whatever you would like to do. On behalf of the committee, I thank you for your input this morning. Does anybody have any other questions?

**Ms M.M. QUIRK:** I hope your team wins this week!

**Dr Perry:** So do I.

**The CHAIRMAN:** We are all hoping that.

**Mr I.M. BRITZA:** I would like to make a comment. This particular inquiry is a completely new ball game to me. As a new member in Parliament, first you get used to having a crack at the opposition and after a little while you start having a crack at your ministers, and then you suddenly realise that, hell, it is the bureaucrats. Of course, it is easy to make a broad statement like that because you brand everybody with the same brush, and that is not fair. In this particular case, it seems to me to be almost impossible to have the strength and courage to change a culture within such a large bureaucratic conglomerate that can get a bit overwhelming. I am looking forward to our deliberations to figure out whether not only our government, but also any government will have the courage to present the changes that we see need to be made. I am particularly delighted with that presentation. I am not too sure that I am thrilled that it confirms my own concerns. I agree with our chairman that we really want to make a difference with changes that can be implemented, not just to establish a board or a forum in which to belt whatever system it is. I very much appreciate it. Thank you very much.

**The CHAIRMAN:** Again, Russel, thanks very much. Thanks for your evidence before the committee this morning. A transcript of the hearing will be forwarded to you for correction of minor errors. Could you please make these corrections and return the transcript within 10 working days of the date of the covering letter? If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thanks again, Russel, for coming in. We will see what we can do with your evidence.

**Dr Perry:** And, sincerely, good luck.

**Hearing concluded at 11.18 am**

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