

**SUBCOMMITTEE OF THE STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO PUBLIC SECTOR EXPENDITURE**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 8 APRIL 2009**

**SESSION THREE**

**Members**

**Hon Sue Ellery (Chair)  
Hon Brian Ellis  
Hon Jon Ford**

**Hon Ken Travers (Participating Member)**

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**Hearing commenced at 11.02 am****SEARLE, MR GRAHAME****Director General, Department of Housing,  
sworn and examined:**

**The CHAIR:** On behalf of the committee, I welcome you to the meeting. Before we begin, I ask you to take either the oath or the affirmation.

[Witness took the oath.]

**The CHAIR:** You will have signed a document titled "Information for Witnesses." Have you read and understood that document?

**Mr Searle:** Yes, I have.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record, and please be aware of the microphones and try to talk into them. Ensure that you do not cover them with papers or make noise near them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute contempt of Parliament, and may mean that the material published or disclosed is not subject to parliamentary privilege. I will introduce fellow members of the committee to you: Ken Travers, Jon Ford, I am Sue Ellery, and Brian Ellis. We have some questions for you, but you might like to make an opening statement.

**Mr Searle:** No, I am happy to take questions.

**The CHAIR:** We have some questions, so we can both understand the extent of the three per cent efficiency dividend on your agency. The information provided to us by the Treasurer indicates that for Housing and Works the 2008-09 component is \$500 000; 2009-10 is \$1 million; 2010-11 is \$1.1 million; and 2011-12 is \$1.1 million. Is that confirmed by your figures?

**Mr Searle:** Yes. There have been some difficulties because the department has been split.

**The CHAIR:** Do you want to talk to the committee about the effect of the machinery in government changes on that allocation, and which component sits where now?

**Mr Searle:** The machinery in government changes were the splitting of the old Public Works Department and the Housing Department, and it is now just the Department of Housing. Consequently, some of the savings will be made in the works part that has gone to Treasury, and some will be made within housing itself.

**The CHAIR:** Do you know what the actual allocations are?

**Mr Searle:** My numbers are actually bigger than that for housing.

**The CHAIR:** Can you tell the committee what they are?

**Mr Searle:** It is \$1.9 million in 2008-09; \$3.4 million in 2009-10; and \$2.8 million in 2010-11.

**The CHAIR:** Will you meet the \$1.9 million efficiency dividend by 30 June this year?

**Mr Searle:** Yes.

**The CHAIR:** Can you identify how you have operationalised those savings, and if you are able to tell us which initiative made up what portion of the \$1.9 million?

**Mr Searle:** Sure. There are three particular initiatives this year. The department runs a number of quite similar programs; for instance, with the home mortgage programs we have Keystart and the program under the Country Housing Authority. In the home ownership area we have the First Start and Good Start programs and the Aboriginal housing program, which are all home ownership and shared equity schemes. Then we have a number of rental schemes: The Aboriginal housing group, a group that administers social or public housing; and then a group that administers the government regional officer housing. We have a cluster of programs that are really similar but with separate administration arrangements. One of the things we are doing is amalgamating those administration arrangements, centralising them into three areas rather than nine or 10. We believe there will be significant savings through that. In this financial year we expect those savings to be \$875 000, with additional money coming in the next couple of years as we continue to roll it out—or in, depending on how you look at it.

**The CHAIR:** That is \$875 000 out of \$1.9 million. Is that what you said?

**Mr Searle:** Another \$550 000 is achieved around changes in the way we backfill vacancies. We currently have higher duties arrangements and contract employees. We believe that by better managing, and managing those things differently, we can get half a million dollars from there this year, and we have already started to do that.

**The CHAIR:** Where are those vacancies? What sort of positions are you talking about?

**Mr Searle:** They are not specific. It is things like higher duties, and backfilling in some administrative positions that are not as important to backfill every day. We are taking a more pragmatic approach in order to do that. The services relating to customer interaction will not be changed, so we will continue to fill those positions.

The third area that we are going to achieve savings in this year is around office fit-out and minor asset purchases. We will be extending the life of some of the equipment that we would otherwise replace; and there is about \$570 000 in that. Between the three groups, we get to our \$1.9 million.

**The CHAIR:** Can you identify for the committee—and we will talk about FTE first—what is your current FTE?

**Mr Searle:** To the best of my knowledge, the current number is 1 038. That number is not necessarily static, but it is something of the order of 1 038.

**The CHAIR:** The Treasurer announced at the beginning of February a ceiling on the public service workforce with a global figure of 99 155. Each agency's component of that ceiling was the FTE figure set in the 2008-09 budget. Are you able to tell us what that figure was? Is there a difference between that figure and your 1 038 estimate; and if there is a difference how are you going to manage that?

**Mr Searle:** I do not have that figure in front of me but I will get it.

**The CHAIR:** Are you conscious though that as a result of the government's announcement on the ceiling that you have to do something to meet that target, whatever the number is?

**Mr Searle:** Absolutely. One of the things we are currently doing is restructuring the whole department. We have a proposal with the public service commissioner that is being evaluated right now. We think there are opportunities to rationalise the way that the department is structured and run, and we are in the process of doing that. There will be significant changes over the next two or three years within the department.

[11.10 am]

**The CHAIR:** Can you identify for us what the demand pressures are on your agency going forward?

**Mr Searle:** Certainly. There are significant demand pressures as measured by the housing waiting list, which is a measure of demand, and it has been growing rapidly over the past couple of years. In the current economic climate, where you have historically very high house prices, housing affordability, though it has just started to come down, is still at historically very high levels in terms of the multiplying factor. At the same time, we are now seeing rent prices increase to reflect the increased capital cost of houses, which is driving more and more people out of the private rental market. As the impact of the global economic crisis hits and more people become unemployed, that pressure to drive people into social housing will become greater and greater. So there are significant demand pressures going forward, to the stage where the waiting was 15 000 in 2007; 16 000, nearly 17 000, in 2008, and it has just gone through 20 000, so that is a reflection of the rapidly increasing demand for social and public housing.

**The CHAIR:** The waiting list is a pretty good measure of demand. Are there other numbers that you track to give you an indication of what the demand is likely to be? For example, in the Western Australian economy, we really started to see unemployment numbers go up at the beginning of this calendar year, and there have been flow-on effects. Closures in the mining industry have flow-on effects in local communities et cetera. What sort of numbers are you tracking that give you an indication of what your demand is going to be?

**Mr Searle:** Really, the ones we concentrate on at the moment are housing affordability—because, at the end of the day, the more people who are in their own homes, the fewer people will be in social housing—and median rental prices.

**The CHAIR:** What are those numbers looking like?

**Mr Searle:** Median rental prices in Perth have gone up by \$50 a week for each of the past four years, so something that was about \$160 a week four years ago is now \$360 a week. They are round numbers from memory, but that is the magnitude of the change.

**The CHAIR:** And housing affordability?

**Mr Searle:** Housing affordability about six or seven years ago was about four times average annual income. It got to nearly nine. It has now come back to about seven. So housing is nowhere near as affordable as it was four years ago. They are broad-stroke measures. They are average income and median house prices, but they are the best measures we have.

**The CHAIR:** Okay. I have some other specific questions, but do members have other ones?

**Hon KEN TRAVERS:** Can you outline some of the pressures on your department's capital works program in terms of whether or not you are generating the income to generate the houses that you want to build?

**Mr Searle:** One of the really good things that has happened to this agency is that both the federal and state governments have announced economic stimulus packages that have direct benefit to our department. In terms of the state government, there was about \$300 million in total brought forward—\$110 million roughly for social housing and \$200 million for government regional officer housing. At a federal level over the next couple of years, there is nearly \$600 million in stimulus for capital. Forty million dollars of that is for maintenance and about \$560 million to \$600 million is for construction. So, in terms of actual construction, this will be the busiest 18 months the department has probably ever seen. Therefore, there is adequate money for the next 18 months in terms of construction.

**Hon KEN TRAVERS:** I am just a bit confused. Maybe you can help explain it to me. There is this issue about the stimulus package bringing forward money—the \$300 million-odd that you talked

about. Can you explain to me how that has been brought forward, where in the budget it was, and where it has been brought forward to?

**Mr Searle:** The money out of the forward estimates period for capital construction has been brought forward into this year.

**Hon KEN TRAVERS:** My understanding is that \$200 million of that is coming out of royalties for regions.

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** So you are saying you will spend it by 30 June this year?

**Mr Searle:** No. We will spend it over the balance of this financial year and next financial year.

**Hon KEN TRAVERS:** Right. My understanding of accrual accounting is that you decide you are going to build a house. We will just use a single house as an example. It is going to cost you \$200 000 to build it. This year you are going to make the first lot of payments. We will call it —

**Mr Searle:** We will make progress payments.

**Hon KEN TRAVERS:** For a nice round figure, we will call it \$200 000 for the house. This year you are going to spend \$60 000 on that house in terms of progress payments, and the following year you are going to finish the house, and you are going to spend \$140 000 to pay out the builder. Under accrual accounting, would you not just have in this year's budget \$60 000, and in next year's you would have \$140 000?

**Mr Searle:** The problem we have is that we are doing this over a huge number of houses. It is not certain when contracts will actually be entered into for these houses to be built, so I am not in a position to give a commitment in terms of when exactly that money will be spent, because it depends on tender processes and contract processes and, for things in the north of the state, wet seasons. There are a whole range of issues that we cannot control. One of the other issues is when the commitment is actually entered into in terms of reporting in budgetary cycles. Money is usually accounted for when it is committed in terms of the budget rather than when it is actually spent, so it is when contracts are actually entered into. Therefore, whilst the last payments might be made next year, they will be accounted for out of this year's budget.

**Hon KEN TRAVERS:** Even in capital works?

**Mr Searle:** Sometimes. It basically depends on the cash flow.

**Hon KEN TRAVERS:** This is my problem. You have \$64 million under royalties for regions allocated for this year; you have \$140 million for next year.

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** I would be surprised if you even enter into \$60 million worth of contracts this year, knowing the processes that you need to go through to get to a point of actually purchasing a house. I am failing to understand how you have brought forward anything.

**Mr Searle:** We have. We have fundamentally changed our tender processes. I do not know if you had noticed. We went out to tender for a select and construct contract early this year. We have fundamentally changed the nature of those contracts in terms of what we are asking people to build. We have also changed our approval processes. It was going to take nine weeks to do the approvals processes. We think that the first of those contracts will be signed within a month of the tender closing, and that is a dramatic change.

**Hon KEN TRAVERS:** When does the tender close?

**Mr Searle:** The tender closed on the eleventh of last month.

**Hon KEN TRAVERS:** And you expect to sign the first contracts when?

**Mr Searle:** This week—the first week after Easter. That is half the time that it would have taken us historically to do those sorts of things. So there are significant changes.

**Hon KEN TRAVERS:** That is good. I do not have a problem with that. But about how many houses will that be?

**Mr Searle:** I am not across the detail of where those contracts are up to, but those contracts will be for 40 or 50 houses in a single contract. So, when you are talking about those sorts of numbers, it is not hard to sign a contract for \$20 million fairly quickly. Whilst I accept that those things will not be completed by the end of June, the contracts will certainly be signed for that sort of money.

[11.20 am]

**Hon KEN TRAVERS:** How many contracts do you expect to issue before 30 June? Of the 1 009 houses you hope to build out of that money, how many of those will be contract signed by 30 June?

**Mr Searle:** I would have expected over 300 or 400, but I do not know. I do not have an exact number because I am not involved in the tender process. I am not on the evaluation committee, so —

**Hon KEN TRAVERS:** Can you take that on notice and get back to us as to how many you actually expect to have completed by 30 June?

**Mr Searle:** Given that that tender committee is still meeting currently, it is a difficult question to give you an exact answer to right now.

**Hon KEN TRAVERS:** I guess I am not looking for an exact answer, but you must have a rough idea of how many you think are in train to have built. You were able to identify that you expected to build 1 009 over the next 18 months —

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** — so you should be able to give us some indication.

**Mr Searle:** To that level, my expectation would be between 200 and 300 would be signed in the next month.

**Hon KEN TRAVERS:** So 200 or 300 out of 1 000?

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** Which would be about \$60 million worth, so nothing has been brought forward. We are back to nothing really being brought forward, in terms of budget expenditure, into this year?

**Mr Searle:** No, I disagree; I think it has been brought forward.

**Hon KEN TRAVERS:** Can you explain it?

**Mr Searle:** Sorry, when I say that is the number I expect to sign, if the tenders come out that there is 600 we can sign up, and the builders have the capacity to do it, we will do it. But I cannot guarantee that will happen because I am not part of the tender process and I am not part of the evaluation committee. It really depends on the responses we get out of the tender process.

**Hon KEN TRAVERS:** I will leave that for now. Just going back to the issue about your revenue side and the pressures there.

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** I accept that there is money being put in by federal and state governments, but in terms of the revenue side, are there pressures on you in terms of your ability to fund housing?

**Mr Searle:** Absolutely.

**Hon KEN TRAVERS:** Can you outline that to us at all?

**Mr Searle:** Sure. The land market, as you will all be aware, has been restricted dramatically over the last 12 months for a whole range of reasons. The department raises significant revenue out of its land development process, and clearly our revenues in that area are down significantly on our budgets and on our estimates. That impacts on the department's ability to spend money because we are not raising the revenue that we had expected to raise.

**Hon KEN TRAVERS:** What do you estimate the loss of revenue this year will be?

**Mr Searle:** We think it is down about 30 per cent—36 per cent, roughly.

**Hon KEN TRAVERS:** In terms of a profit figure, the amount out of that you are able to reinvest back into other housing, what does that represent in that dollar term?

**Mr Searle:** In that dollar terms it is over \$1 million—well and truly over \$1 million.

**Hon KEN TRAVERS:** My understanding is that under the Treasurer's advance you are seeking somewhere up around \$20 million as a capital injection.

**Mr Searle:** yes.

**Hon KEN TRAVERS:** Is it \$1 million, or is it closer to \$20 million?

**Mr Searle:** Sorry, I was reading from the wrong table. We are 1 000 lots down at the moment. We were expecting to sell 3 000 lots this year; we look like now selling under 2 000. That is the 30 per cent decrease.

**Hon KEN TRAVERS:** Has the value of those lots you are selling decreased as well?

**Mr Searle:** Yes. Both the volume and the prices have come down.

**Hon KEN TRAVERS:** What have the prices come down by, on an average?

**Mr Searle:** Look, I do not have that number in front of me but I can get that number for you. The net result is that there is about—no, look, I would not like to talk off the top of my head, but \$20 million, on those numbers, sounds about right.

**Hon KEN TRAVERS:** That is the additional funding you need just to keep your existing programs in place?

**Mr Searle:** Yes. The department, historically, has self-funded lots of—most of the capital investment has happened out of departmental activity. For the last couple of years, because of the property market and one thing and another, the state government has actually contributed capital to the department for the first time in a long time. Over the last two to three years it happened. I think the last financial year it happened for the first time, there was a significant capital injection, and there was another one this year.

**Hon KEN TRAVERS:** My reading of it—and I might be wrong—was that it was about \$20 million last year as well; is that right?

**Mr Searle:** I think it was a bit bigger than that last year, because there was also an allocation for land acquisition last year to actually buy some land going forward. If you add the two together, it was a bigger number. It might have been about \$60 million.

**Hon KEN TRAVERS:** About \$60 million last year. When you say "last year", are you talking about the 2008-09 budget, or —

**Mr Searle:** No, the 2007-08 budget.

**Hon KEN TRAVERS:** Then in 2008-09 there was originally how much?

**Mr Searle:** I do not have those numbers on me, I am sorry. I will get you those numbers if you require them.

**Hon KEN TRAVERS:** That would be good if you could. Someone else might have some questions to ask.

**Hon JON FORD:** I have got a quote here that is attributed to you from *The West Australian* on 3 March. The article states —

Mr Searle said it was not economically justifiable to provide power and water to five houses in the middle of nowhere.

Does that sound like you?

**Mr Searle:** It does.

**Hon JON FORD:** The article further states —

“The department’s position is that we will provide the same infrastructure for indigenous communities in remote locations as we would to white communities in remote locations,” he said. “However, if people choose to live in areas that are virtually impossible to service, we will not support that on an ongoing basis. The responsibility will become theirs for making sure services are delivered to those locations.

What would be your basis for deciding that a community was too remote to be serviced? What would be the criteria?

**Mr Searle:** I understand that the government is in the process of putting together a set of criteria that will be announced later in the year. I will take direction from those criteria when they are developed.

**The CHAIR:** You must have had some input, though, into the development of the criteria; lots of agencies have.

**Mr Searle:** I hope to have some input into the development of those criteria as they go forward.

**The CHAIR:** You have not yet?

**Mr Searle:** It is a work in progress. I have had some, but it is a work in progress.

**Hon JON FORD:** Out of the allocation for housing, is there any allocation currently made for Indigenous housing?

**Mr Searle:** There is significant allocation made for Indigenous housing.

**Hon JON FORD:** How much is that?

**Mr Searle:** Again, I do not have that number in front of me.

**Hon JON FORD:** Can I get those numbers? On average what would be the percentage allocated, let us say since January? It is a bit hard to ask because I suppose there is Indigenous housing in a centre like Kalgoorlie, which you would not regard as remote. Do you regard Halls Creek as remote?

**Mr Searle:** I do whenever I have to travel there. We deal with Indigenous communities at a couple of levels. One is the town-based communities—places like Yardgee would be regarded as a town-based community; Mardiwah Loop. Then there are the remote communities. They are accounted for differently in our books. Of course there are lots of Indigenous people in social housing, as distinct from housing regarded as Aboriginal housing. There is quite a mix and match in there. In terms of the question, it would be useful to know which bits of that you are actually interested in. Remote service provision is one thing; town-based communities are another; Indigenous people in normal social housing are a different group again.

**Hon JON FORD:** I suppose your department is responsible for supplying utilities like power and water?

**Mr Searle:** It is.



**Hon JON FORD:** I was talking about a place like Goonamah, which has an increasing need for housing because it is now guaranteed to be dry so there is a permanent police presence there who need housing. That is what I consider as a remote community.

**Mr Searle:** Yes.

[11.30 am]

**Hon JON FORD:** I was a little bit concerned by the statement because it states that you provide the same infrastructure for Indigenous communities in remote locations as white communities in remote locations. I cannot actually think of a white community that is comparable to Jigalong or Kija Jaru or Balgo; they certainly need servicing.

In the remote and regional areas — I suppose you will not be able to answer that. On a rule of thumb, what would be the percentage of public or social housing that you would provide as a percentage of the overall budget, as a split between metropolitan and regional?

**Mr Searle:** Again, I do not have that exact figure on me, but I am happy to take the question on notice and get that information for you. One tends to find that in some of the more regional communities, there is actually a greater percentage of social housing for a series of reasons, some to do with housing affordability and some to do with the nature of the communities. With regard to Aboriginal communities, most of the houses are provided by us.

**Hon JON FORD:** There is a quantum difference in the cost of building a house in Karratha compared with Perth, and there is even a difference between Broome and Karratha. What is the average price difference between houses in regional areas generally compared with the metropolitan area?

**Mr Searle:** About 30 per cent more expensive.

**Hon JON FORD:** So we get one third fewer houses in the regions for the same amount?

**Mr Searle:** Yes, and that is an issue for us when dealing with our commonwealth colleagues in terms of federal funding for housing. The commonwealth uses a straight population basis and divides it by the number of people. We think housing in Perth is basically 30 per cent dearer than housing in the eastern states, and 30 per cent more expensive in the north of WA than in the metropolitan area. It is probably 30 per cent higher again in remote areas. The federal funding arrangements do not make any allowances for that at all.

**Hon KEN TRAVERS:** Can you maybe provide us with a little more detail? Going back to the housing stimulus package, according to my sums you are paying on average \$435 000 for regional houses and \$210 000 for metropolitan houses, which suggests that the prices are more than double in the regions. You can take the question on notice, but could you provide the committee with more detail on those costings and why, particularly within the stimulus package, there is a big difference in prices?

**Mr Searle:** Some of that relates to housing and land. Some of it is about where we have land already. In the metropolitan area, the department has a lot of development lots already, so the \$200 000 takes into account the fact that we are providing the land component for a lot of those houses out of land stocks that the department already has, whereas in regional areas we do not have the same sort of land holdings.

**Hon KEN TRAVERS:** If you can maybe give the committee a bit of an explanation of how that breaks up, it would be good.

**Hon JON FORD:** Is it fair to say that another constraint on your ability to produce houses in the regions is land availability?

**Mr Searle:** Yes.

**Hon JON FORD:** Is that just straight availability, or the cost of the land?

**Mr Searle:** Again, it is very, very location specific. In places like Broome, cost is an issue more so than straight land availability. In lots of other regional and remote communities, land availability is an issue full stop. There are a range of issues involved in that, including infrastructure and our inability to negotiate Indigenous Land Use Agreements and the effect that native title has in that space, because public housing extinguishes native title. Successive governments have taken the position that they do not want to do that, and the process of negotiating Indigenous Land Use Agreements has proven to be long and complex. In some places we actually have money but cannot do the construction because we cannot get access to land.

**Hon JON FORD:** That brings me to the next question. That must affect prioritisation of your building program? If you have the money available and you want to build houses, but you cannot do so because of issues to do with land access or negotiating a better price, how does that affect your prioritisation? Do you go back to the bottom of the pile, for instance, if you have 10 houses allocated? Do you go to the bottom of the pile, or just hang on to the money and as soon as land becomes available, build? I am basically asking whether it forces you to use that money to build houses otherwise.

**Mr Searle:** To date we have resisted the temptation to go elsewhere. The current level of frustration at the inability to get access to land in some places is now forcing us to look at alternate places to spend the money. We have not done that yet, but we are very close to doing it in a couple of instances.

**Hon BRIAN ELLIS:** You said that you anticipated greater demand in the city due to the economic downturn. Is there any offset from the regions? Has the pressure come off the regions because of the mining layoffs? I suppose people have been coming back to the city, but has any demand pressure come off the regions as a result?

**Mr Searle:** Not that has been noticeable yet. In places like Karratha and Hedland and those sorts of places, we are still seeing demand well and truly exceeding supply.

**Hon BRIAN ELLIS:** On the matter of the 1 009 houses you were talking about, do you have a percentage breakdown of where they are going to be built and a comparison between the city and the regions?

**Mr Searle:** I can actually provide a map with that information on it.

**The CHAIR:** That would be great.

**Mr Searle:** I am happy to provide that.

**Hon KEN TRAVERS:** Would that break it up into the actual towns? Previously it was broken up by regions.

**Mr Searle:** It breaks it up by regions. The government regional officer housing we can possibly break up by town.

**Hon KEN TRAVERS:** It must be getting to the point where you know which specific towns they are going to.

**Mr Searle:** At a town-specific level, we know where we want to build them, but again there is the issue of getting access to land and builders who will build there, and other issues.

**Hon KEN TRAVERS:** You can break it up to the level of where you know which towns -

**Mr Searle:** As I said, that is what we intend to do. Whether we can deliver it is another matter.

**Hon KEN TRAVERS:** Yes, where you know.

**Hon BRIAN ELLIS:** Are you expecting that some of the contracts for these houses will be any cheaper than they were in the past, because there are a lot more builders in Perth looking for work?

Is there some offset there? You said you are expecting revenue to be down. Is there any chance that these houses will be cheaper?

**Mr Searle:** Hope springs eternal.

**Hon BRIAN ELLIS:** In some cases, I find that even in the country there are more builders looking for work.

**Mr Searle:** There certainly are, and we have run information centres for builders on the stimulus package and what we are trying to do. Again, I have not been directly involved with the tender evaluation process, but I am hopeful there will be some numbers in that space that will bring the pressure down, as tradesmen in particular become available. A lack of tradesmen has been a major issue. Trying to get builders to remote locations has been a really significant problem for us.

**Hon BRIAN ELLIS:** I am interested to hear your opinion on the impact of first home owner's grants on your ability to find public housing? Is there competing pressure there?

**Mr Searle:** The first home buyer's grant has been a significant stimulus to the lower end of the market. When we talk about median prices and how the median price is dropping in Perth—it is—the bottom of the market is not dropping. The top of the market has virtually disappeared, whereas the bottom of the market has been very strong. I think that is attributable to the first home owner's grants. I think anything that encourages people into a home ownership is a positive thing.

**Hon BRIAN ELLIS:** I have a quick question on the availability of land. I find it amazing that in a country as big as ours that land cannot be found on which to build houses. What is the problem? Who is holding it up? Why can you not get land?

**Mr Searle:** There are a range of problems and they differ from city to city and town to town. In some cases, remote towns are virtually landlocked as a result of native title agreements. Trying to negotiate agreements to build public housing is proving more difficult and time consuming than we had expected. In some cases the negotiations have been going on for 18 months, which is a surprise. That is causing some difficulty. To return to a question asked earlier, under our construction program within the stimulus package there are two parts: one is the tender process, which I have talked about, and the other is the expression of interest process, by which we have gone to the industry and said, "If you've got a project that you can't get up and can't get funding for"—funding for project builders is very tight at the moment—"we'll actually buy a percentage of your development off the plan, so that you can fund your development because you've got bankable security."

[11.40 am]

Again, trying to put a quantum on that at the moment is really difficult. I know of a couple of instances where people are going to build 120 units and they want us to buy 20 of them in order to help them fund the whole process. The negotiations for those sorts of things are going to be quite complex. That is another factor that makes it hard to give an exact number, but what we are trying to do is get a model out of the stimulus package, so that we can buy a percentage of units and, as a result of that, get a much bigger number of units built. That is a real plus. The National Housing Supply Council says there is an 8 500 dwelling shortage in Perth at the moment. That is a significant shortfall and they think it will only get bigger. The only thing we can do as a department, from my perspective, is to stimulate construction in the housing sector, which will be a real plus in terms of overall rental prices and social housing demand down the track.

**Hon KEN TRAVERS:** It could force up the prices of some of the other houses.

**Mr Searle:** If we can get enough construction happening, in my view we will actually —

**The CHAIR:** May I take you back to the initiatives to operationalise the three per cent efficiency dividend. If I may paraphrase you, you talked about collapsing the administration of different programs down to about three. You have a range of programs that sit under your home mortgage

programs; you have a range of programs that sit around home ownership; and you have a range of programs that sit around rental schemes, and I think social housing fits into rental schemes. Is that package of three programs what you would describe as your front-line service or do you describe rental schemes as your front-line service?

**Mr Searle:** In terms of truly front-line services, the rental scheme is the one that matters. That is where the bulk of our actual face-to-face service delivery occurs. The others are more facilitation schemes or assistance schemes, if you like. The day-to-day hard core management happens in the rental space.

**The CHAIR:** You will save \$187 000 there. What will people actually see that is different?

**Mr Searle:** Very little, except probably some joint badging in a tangible sense; for instance, the administration of the Country Housing Authority, which is in fact a mortgage or loan business, we will wind into Keystart, so that when people walk into Keystart offices there will be two logos there, one for the Country Housing Authority and one for Keystart.

**The CHAIR:** Will there be any FTE changes?

**Mr Searle:** There will be some marginal FTE changes but none at the service delivery end. They will be in the administration that we streamline.

**The CHAIR:** May I ask some questions around your rental schemes? What can you tell us about what initiatives you have in place for tenancies at risk? Can you assure us that we will not see any reduction in effort in managing those tenancies at risk?

**Mr Searle:** Yes, I can assure you there will be no reduction in effort in managing tenancies at risk. Tenancies at risk are a major issue for us. It is not unrelated to the issue of perceived behaviour of tenants and trying to manage that balance between ensuring our tenants meet community expectations —

**The CHAIR:** Sometimes it is not perceived; sometimes it is real.

**Mr Searle:** Absolutely it is real. I think that sometimes the department has been uncertain about its role between being a housing provider effectively of last resort and to what extent it can try to manage tenant behaviour in that context. If people are evicted from a social housing house, there are not too many places to go. There are some real issues for us in making sure there is a policy alignment between tenancy management and sustaining tenancies. There is some work going on in that space at the moment, but our efforts to sustain tenancies will continue with the current funding level.

**The CHAIR:** Cullacabardee has received some attention in recent days. What is your plan for how you are going to deal with that community? How much interaction are you having with the range of issues that arise out of that community?

**Mr Searle:** Our Indigenous housing unit is working quite closely with the community, the DIA and the Department for Communities in that particular environment —

**The CHAIR:** Do you mean the Department for Communities or the Department for Child Protection?

**Mr Searle:** The Department for Child Protection; sorry. We have just demolished a number of houses in that community—I think 10.

**The CHAIR:** What is your plan for going forward? Are you confident that the demolition of 10 houses is not creating further problems with extra numbers of people now in the remaining stock? What is the plan to manage it?

**Mr Searle:** The department is continuing to offer people who live in that community alternative accommodation. As they accept that accommodation we will be assisting them to move out of that community.

**The CHAIR:** Where is the alternative accommodation?

**Mr Searle:** Most of the ones that I am aware of have been within the general area or the same part of the metropolitan region, but we have no ability to force people to move out of that community.

**The CHAIR:** There is talk from time to time—I heard it again recently—that you are moving people out of the metropolitan area into regional areas. There is talk—I am interested in your view on whether it is just talk or it is happening—that there is a greater emphasis on pursuing a policy that is trying to move people outside the metropolitan area from difficult tenancies.

**Mr Searle:** I am not aware of any policy within the department to move people out of the metropolitan area.

**The CHAIR:** Around difficult tenants?

**Mr Searle:** At all.

**The CHAIR:** May I ask you about Brownlie Towers as well?

**Mr Searle:** Yes.

**The CHAIR:** What is the status of the shops there given the demographic of Brownlie Towers relies on the fact that they can do their shopping very locally? There is some concern that shops shutting down will make it harder for that older demographic.

**Mr Searle:** I can say this because I am new to the department: I think the department has done a really good job with Brownlie Towers.

**The CHAIR:** I absolutely agree with you, but we have a problem now.

**Mr Searle:** It was hugely problematic. My view is that the problem is not Brownlie Towers now but the area surrounding it. I think that a body of work needs to be done in that greater area. The department is having discussions with the City of Canning right now about what we can do in that whole precinct, so that is actively under discussion between the council and us right now.

**The CHAIR:** Maybe this is dealt with in the machinery of government changes, but does your agency now have any engagement in the building education revolution work?

**Mr Searle:** No.

**The CHAIR:** That has gone to —

**Mr Searle:** Treasury, as part of the building works function.

**The CHAIR:** Is there any change to time lines or when you expect to deliver the further redevelopment of Brownlie Towers?

**Mr Searle:** I am not aware, but I will get the answer for you.

**Hon KEN TRAVERS:** You mentioned growth in the past four years of \$1.6 million to \$3.6 million in rental receipts. What impact is that having on your budget for bond assistance? Is it placing increased pressures on your budget?

**Mr Searle:** Again, I do not have those numbers in front of me, but the demand for bond assistance is still significant. Again, I might take that on notice and get you the right numbers.

**Hon KEN TRAVERS:** I take it from your answers that it is not of a significant enough magnitude that it is putting pressure on the budget.

**The CHAIR:** Intuitively, you would think it would be an increased area of demand as people become unemployed.

**Mr Searle:** Yes, you would. I am not aware of any demand pressures in that area, but I will go away and get you the right answer. I just do not know.

**Hon KEN TRAVERS:** A combination of rents going up and waiting list numbers increasing means that until people get into your housing they will still be in the private rental market and in need of bond assistance. Are you having trouble getting access to funds for Keystart? Are there pressures there in the market for you?

[11.50 am]

**Mr Searle:** Keystart lending has increased significantly this year as banks have withdrawn from the home loan market. The government has authorised an increase in Keystart borrowings in order to fund growth in lending.

**Hon KEN TRAVERS:** Do you borrow that money, or is it from the government? How do you access the money that you lend through Keystart?

**Mr Searle:** Keystart borrows the money through the Treasury Corporation.

**Hon KEN TRAVERS:** Are there difficulties there?

**Mr Searle:** I understand that the Treasury Corporation has had some difficulties in the capital raising market, given the challenges of the commonwealth government guarantee of bank debt. Effectively, banks raising money were specifically government guaranteed, whereas the state government's debt was not. I understand that that has recently been resolved in terms of announcements in the past 10 days or so.

**Hon KEN TRAVERS:** My other question is about the cost of the source of those funds, with banks complaining that even though the Reserve Bank dropped the rate to three per cent yesterday, the cost of borrowing has not actually dropped and in some cases has gone up. Are you having that same problem with Keystart?

**Mr Searle:** There are some pressures on margins, but Keystart is still operating really efficiently, and I am really pleased with how it is working at the moment.

**Hon KEN TRAVERS:** I am not having a go at Keystart; I am actually trying to find out what the pressures on Keystart are. For instance, I think we have seen a drop of two per cent in the Reserve Bank lending rate in this year alone. Have you seen a commensurate drop in the cost of your funds of two per cent, or has it gone down by only one per cent? How much has the cost of accessing funds fallen in that time?

**Mr Searle:** I do not have an exact answer, but I have heard feedback from Keystart staff saying that they are worried about margins at this point in time. In terms of demand for Keystart, we have actually changed some of the eligibility limits downward in order to try to control the amount of lending that is happening out of Keystart.

**Hon KEN TRAVERS:** Could you take that on notice and provide the committee with some figures about the cost of your funds? You mentioned that you were down about 1 000 land sale lots. What was that prediction based on? My understanding from Treasury at the moment is that \$2 million a day is going out in first home owner's grants. I realise that the private sector is in competition with you, but a lot of your properties would be in the first home owner market.

**Mr Searle:** Absolutely. We have been changing our estimates of land sales almost every couple of months at the moment, both for this year and projections for next year, but they are still trending down. Our estimation is that land sales will continue to drop over the proceeding period. As I said, we are reviewing it bi-monthly at the moment, and we see no indication that sales will return to anything like the levels we have estimated.

**Hon KEN TRAVERS:** There must be a huge drop in the investor market.

**Mr Searle:** The investor market is almost non-existent at the moment.

**Hon KEN TRAVERS:** The other thing is something we touched on earlier. I am happy to give you the question and you can take it away on notice. We talked about you giving us some more

information about capital contributions in previous years. Could you just go over the past four years of capital contributions? I do not know whether you break the figures up for the construction of housing and the purchase of land. Which area's divisions did the money go to; whether it was GROW, Aboriginal housing or social housing? How many houses were built as a result of that additional capital injection? Also, can you provide the locations?

**Mr Searle:** I do not have a history in the department, so I cannot give you that sort of answer.

**Hon KEN TRAVERS:** I do not expect you to answer all of those now. I am happy to give them to you on notice.

**Mr Searle:** As long as you detail that for us, we will give you the best answer we can.

**The CHAIR:** Thank you very much for your assistance today. You will get a copy of the transcript, and you will be able to pick up from that where we have asked for additional information. In addition, if we think of anything we want to ask you once we have seen the transcript, we will put that request in writing. We would appreciate it if your response could come back to us within two weeks.

**Mr Searle:** Thank you very much.

**Hearing concluded at 11.54 am**