

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2014–15 BUDGET ESTIMATES HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 23 JULY 2014**

**SESSION ONE  
DEPARTMENT OF HOUSING**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

---

**Hearing commenced at 9.35 am**

**Mr GRAHAME SEARLE**

**Director General, examined:**

**Ms TANIA LOOSLEY-SMITH**

**Deputy Director General, examined:**

**Mr STEVEN PARRY**

**General Manager, Service Delivery, examined:**

**Mr PAUL WHYTE**

**General Manager, Commercial and Business Operations, examined:**

**Ms GREER KUIPERS**

**Manager, Budget and Financial Information Management, examined:**

**Mr GREG CASH**

**Acting General Manager, Strategy and Policy, examined:**

**Ms KAY HAMMER**

**Policy Adviser, Office of Minister for Housing, examined:**

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

**The Witnesses:** Yes.

**The CHAIR:** I note that all witnesses responded in the affirmative.

Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at a witness's request. 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 before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values your assistance with this.

[Witnesses introduced.]

**The CHAIR:** The first question goes to Hon Stephen Dawson.

**Hon STEPHEN DAWSON:** I refer to the fifth dot point on page 522 of the budget papers. In relation to the Housing for Workers program, I have a number of questions about Pelago East in Karratha. Recent media reports and a piece on *Today Tonight* last month referred to tumbling property prices in Karratha and the vacant properties and rentals—so there are lots of vacant properties but the rents are still extremely high. In that context I want to step through some questions in relation to Pelago East. On that *Today Tonight* piece it mentioned that of the

188 apartments in the Pelago East complex, only 15 have been sold. However, from questions in this place or the other place previously we know that the government has purchased 50 units. Is that correct?

**Mr Whyte:** Yes, that is correct.

**Hon STEPHEN DAWSON:** Is it 50 units plus 15 units? Do we know if 65 have been sold?

**Mr Whyte:** The government has purchased 50 units through the Department of Housing.

**Hon STEPHEN DAWSON:** But you are not aware of what has been sold?

**Mr Whyte:** I am not aware of the other sales.

[9.40 am]

**Hon STEPHEN DAWSON:** With those 50 apartments that were purchased by the government, have we got figures on what they cost?

**Mr Whyte:** In terms of the acquisition cost?

**Hon STEPHEN DAWSON:** Yes, please.

**Mr Whyte:** The purchase price for the one-bedroom units was \$500 416, and for the two-bedroom units it was \$722 091.

**Hon STEPHEN DAWSON:** Was the total spend \$29 million?

**Mr Whyte:** It was \$29 675 605.

**Hon STEPHEN DAWSON:** Of the 50 apartments purchased, can you give me some indication of what the government intends to do with those? I understand that some of them will be used for GROH housing, and some were perhaps going to be onsold. Do you have a breakdown of those?

**Mr Searle:** While Mr Whyte is finding the exact number, the percentage for GROH has taken a while to settle down. We have been in a process of negotiating with departments as to who has a need in Karratha and what their need is. Some agencies have had a preference not to be in an apartment complex but rather as freestanding houses, and that has taken a while to negotiate out. So it has taken some while to finally determine the GROH position.

**Mr Whyte:** Currently, 21 of the 50 units are to be used by the department's GROH program, and 29 will be offered for sale to owner-occupiers.

**Hon STEPHEN DAWSON:** Previously, I think there was some talk of a shared equity scheme with some of those apartments. How many of the 29 will be used for that?

**Mr Whyte:** At this stage we are targeting 19 of the units to be offered through the government's shared equity scheme.

**Hon STEPHEN DAWSON:** And will 10 be sold at the market rate?

**Mr Whyte:** Correct.

**Hon STEPHEN DAWSON:** Has the department done any recent valuations? Obviously when you bought them, the market was higher and prices were high in Karratha. Have you done any recent valuations to see what the drop has been and what the apartments are worth now?

**Mr Whyte:** All of the units are sold at market and we get regular updates on prices and valuations. None are sold below market or below valuation.

**Hon STEPHEN DAWSON:** Sure, but some may well be sold at a lesser rate than at which they were purchased.

**Mr Whyte:** That is not the case at present. Under the shared equity scheme, they will be sold perhaps for less than we actually contributed because we will be retaining some equity in the

---

properties. The issue is actually finding relevant market evidence. We are selling and marketing the properties at the moment under the most recent sale price.

**Hon STEPHEN DAWSON:** But it could well be that when the 10 that are going at market rate eventually sell, they will be sold for less than what it cost for you to purchase them initially.

**Mr Searle:** It is possible.

**Hon STEPHEN DAWSON:** It is possible, but there is no indication and certainly no valuation at this stage to say anything less. Have any of the 19 to be sold under the shared equity arrangement been sold as of now?

**Mr Whyte:** None have been sold to date under the shared equity scheme. We are working through a marketing program for those and an education program for local residents working in with Keystart and with the real estate agent for eligibility criteria and to get approvals.

**Hon STEPHEN DAWSON:** Sure. You said that you are working with the local community; are you broadening that work and advertising in Hedland or other places in the Pilbara to let people know that the houses are there and that the program exists?

**Mr Whyte:** This is the first of our moves in the north west to offer shared equity. We are certainly marketing the units as broadly as we can, and that, again, is through the local real estate agent.

**Hon STEPHEN DAWSON:** Are you using Finbar for that marketing?

**Mr Whyte:** No. The marketing is being done by a local real estate agent who has been engaged by us to sell the units.

**Hon STEPHEN DAWSON:** When these purchases were made initially, there was a plan on the table to rebuild Karratha hospital or to build a new hospital, but obviously that has been delayed. Has that impacted your ability to sell?

**Mr Searle:** Karratha and Hedland have been very interesting markets for about five years now. They have been hugely overheated; indeed, the rental prices in those towns got to what we from a Perth perspective would regard as a ridiculous level. From the department's point of view, it was important that we stimulated as much construction and building activity as we could in those two towns to mitigate rental prices. Things like our investment in Pelago and a range of projects in Port Hedland and South Hedland were around making sure there was sufficient supply to mitigate the prices. That mitigation is now starting to have effect; house prices and rental prices are starting to come back. To that extent, the investments have produced the result we wanted. Let us not mince words; BHP's decision to change its expansion plans and a range of other things have contributed to that as well, but you can only respond to the market as you find it at a point in time. The investments in Pelago and a range of projects in Hedland were all about changing the supply in the marketplace to take some of the heat out of it. We think that investment is now starting to return a result in terms of changing rental prices and house prices in those two towns.

**Hon STEPHEN DAWSON:** I am glad you did not take all the praise for the price drop in Karratha. Obviously, as you said, BHP and a number of other companies have—well, I guess the construction boom has finished and that would obviously be an issue, too. When was the \$29 million paid for the 50 units? In what financial year was the money spent? When was the money handed over to Finbar?

**Mr Whyte:** It is my understanding that a deposit of the \$29 million was paid in either the 2010-11 or 2011-12 financial year. I will confirm that.

**Mr Searle:** We will look for it, but it might pay for us to take that question on notice. We do not have an exact date but we might have the financial year.

**Mr Whyte:** I actually do have the figures. For Pelago East stage 2 in Karratha, \$23 741 000 was paid in 2012-13 and \$5 931 000 was paid in 2013-14.

**The CHAIR:** It is always good to exceed the director general's expectations!

---

**Mr Searle:** Always!

**Hon STEPHEN DAWSON:** I refer to Pelago West. How many units were purchased in that building? Are you able to give me a sense of how many of those purchases remain vacant?

**Mr Whyte:** It is my understanding that 15 units were purchased in Pelago West. They were all occupied and continue to be occupied under the Government Regional Officers' Housing program.

**Hon STEPHEN DAWSON:** Is it fair to say that without your purchases in Pelago East, Finbar would not have gone ahead with the development? Is it right that the department has really underwritten the building?

**Mr Searle:** I am not in a position to understand the commercial priorities of Finbar and at what point it made its decision. I would have thought that our purchase of units would have been a factor in it making a decision to go ahead, but I cannot speak for its commercial decision-making process.

**Mr Whyte:** In stage 1, the department purchased 12 units.

[9.50 am]

**The CHAIR:** I might just follow-up on a couple of those issues. Mr Searle, I understand you cannot be in a position to understand their commercial decisions, but my reading of those sums that you have just read out in terms of the payment that you actually prepaid in advance for the construction, as opposed to the normal commercial practice where you pay a deposit and then the full cost at the end of it, I would assume that part of the reason that you would have prepaid it was because you were having negotiations with them about whether or not this development was going to occur or not without your purchase. Otherwise could you explain to me why you would have entered into what seems to be an unusual commercial arrangement?

**Mr Searle:** Yes, Mr Chair, I would concur that we certainly played a role in them proceeding with the development, but at the end of the day they would have made a commercial decision based on their overall output from the project, their overall financial outcome, rather than just singularly on the department's investment. It may have been an important factor but I cannot talk about their particular commercial decision-making.

**The CHAIR:** So, how did you make the decision to take the investment then in what I would imagine is not your normal practice? I mean, in terms of commercial developments is it normal for you to be prepaying for the construction of a development; or would you be like everybody else, paying a deposit and then making the final payment on completion and letting them manage their own internal financial arrangements?

**Mr Searle:** It would be fair to say that we have a vast array of investments in developments, the majority of which will certainly be purchasing off the plan and paying a deposit. But there are a number of different proposals and positions we have taken, from equity positions in projects through to making payments at a different schedule. These are all dependent on the commercial nature of the project, how important the project is to us in terms of developments in particular locations, and where the pressure points are for accommodation in the state. At the time of that investment, rental prices in Karratha and Hedland were \$2 500 to \$3 000 a week for a house. In those circumstances clearly there was need for something to happen to change those parameters; it is not sustainable.

**The CHAIR:** But surely in those circumstances, if you are negotiating to making an up-front payment, which I imagine would add increased risk to the state, and also if the developer falls over halfway through and all the rest of it and it requires you to put money up-front earlier, part of the negotiations that you would have with the developer, I would have thought, would be, "If we make this development we want a commitment that you are definitely going to go ahead and we're not going to fund it." So, you would have been involved in discussions with them, I would have thought, about, "At what point is the development commercially viable for them to proceed and

what do we need to put into it to make it commercially viable for it to proceed?" Surely that would be part of your business-case analysis and negotiations with the developers, would it not?

**Mr Searle:** Absolutely. There is no question about that being part of how we do business all across the state. My understanding in the Finbar development is we actually negotiated a discount to the list price as part of that, and I think the money was paid into a trust fund, not directly to Finbar. The fact that the money was in a trust fund would have helped them with their finances, but the money was not paid directly to Finbar. So the state's position was protected by the nature of how we made that investment but it did still help facilitate the investment by Finbar in getting the development to happen.

**Hon STEPHEN DAWSON:** Chair, by way of supplementary, can we find out the exact date that that money was paid into the trust fund, if that is possible?

**Mr Searle:** We will find out.

*[Supplementary Information No A1.]*

**The CHAIR:** Did Hon Stephen Dawson have some more questions?

**Hon STEPHEN DAWSON:** On the same issue.

**The CHAIR:** I will have some more on this one but if you want to go.

**Hon STEPHEN DAWSON:** No, Mr Chair, you go first and I will slot in at the end.

**The CHAIR:** The terms of the equity conditions for shared equity, are they the standard shared equity provisions that will apply or are they specific to this project?

**Mr Searle:** We have developed alternative conditions for the north west in general and my understanding is that they will be standard to the north west. Clearly, prices up there are different; income levels up there are different. It is a very different marketplace.

**The CHAIR:** Yes. Mr Whyte?

**Mr Whyte:** They will be offered under the shared equity scheme and they will be consistent with people's individual borrowing capacity and consistent with Keystart's lending criteria. The arrangement is that people will be required to borrow the maximum that they can. Most of the shared equity that we have in the metropolitan area in Perth tend to be 70–30, 80–20. These will probably go down to 60–40.

**The CHAIR:** And will they borrow through Keystart or through private lenders?

**Mr Searle:** They can borrow through any lender but the majority of people through our shared equity scheme borrow through Keystart.

**The CHAIR:** Then, if it is a 60–40 split, who picks up the body corporate fees for the development?

**Mr Searle:** The body corporate fees are paid by the owner, not by the department. In all of our shared equity deals, the department is totally a passive investor in those properties, so the owner is responsible for rates, body corporate fees—the other shared equity parts.

**The CHAIR:** No, no, that was the normal case. But when you are starting to get to a 60–40 split it is still —

**Mr Searle:** It will still be the situation.

**The CHAIR:** You mentioned earlier that you were still negotiating how many are GROH and how many are owner-occupied. If you do not need as many GROH, will the remainder be put out for owner-occupied?

---

**Mr Searle:** The likelihood is that that is what will happen. There is some potential for us to actually just act as a landlord and rent them out, but I think that is an unlikely area. Our preference would be to sell them.

**The CHAIR:** So how did you arrive at the 50 figure if you did not know how many you needed for GROH?

**Mr Searle:** Mr Whyte was involved in the negotiations.

**Mr Whyte:** GROH is a moving feast at any one point in time for the requirements of government agencies to deliver their programs. The demand for housing from agencies such as police, health and other agencies varies. Our initial thoughts were that 21 of the 50 units would be required out of the 50, and that still remains the case.

**The CHAIR:** Sorry, 51?

**Mr Whyte:** Twenty-one out of 50.

**The CHAIR:** So that was just an estimate taken at the time obviously.

**Mr Whyte:** Yes. The circumstances of any particular individual who is eligible for GROH can change. If you are in a family circumstance and you require a three-bedroom house, then that is what needs to be provided, or if it is a one-bedroom unit and you are a single person; it depends on the mix of people who are successful in getting government positions in those areas. We have been running a GROH program for a long time and it is something you need to make an estimate on at the start of the year and at the start of any project, but the mix of people who are eligible for GROH and the department's demands for GROH vary on a weekly basis.

**Mr Searle:** If I can, Chair, there are a couple of other bits of information that were relevant at the time. Whilst we provide housing for most government agencies, WA Country Health we do not. And at the time there were some negotiations with WA Country Health as to whether they were interested in some of the apartments. There are probably 300 GROH dwellings in Karratha; it is not insignificant. One of the options that was debated at the time was whether we could encourage people to move into these apartments and thereby free up houses in the town. Again there has been some reluctance for that to happen, which we did not anticipate given the quality and finish of the apartments and the facilities that are available. But people make choices for all sorts of reasons.

**The CHAIR:** You cannot take a boat to an apartment, can you?

**Mr Searle:** No, you cannot, but there are not too many houses that have pools and gyms and those things provided.

**The CHAIR:** One thing I have always noticed about driving through Karratha and Dampier is it seems an essential part of the lifestyle that you own a boat!

**Mr Searle:** At least!

**The CHAIR:** Yes.

**Mr Searle:** And a four-wheel drive to pull it!

**The CHAIR:** And is the swimming pool chilled? That is the other problem. Pools do not have the same attraction as they do down here.

**Mr Searle:** Correct.

**The CHAIR:** So in terms of the GROH properties, are you going to own and manage those yourselves? My understanding is that with a lot of your GROH housing you have now gone to leasing it from the private sector, so these will be owned and operated as your own properties.

**Mr Searle:** At this point in time, absolutely. Even the properties we lease from the private sector we effectively manage on behalf of the state. So we lease them and then GROH leases them to the agencies.

---

[10.00 am]

**The CHAIR:** If they are no longer required for GROH, what happens to them? If you only need 15 of them next year for GROH housing, what will happen to those six?

**Mr Searle:** We usually make some judgement as to what we think the likelihood of demand changing is. There are a number of GROH houses around Western Australia at the moment that are tenanted to the private sector because there is not the demand at the moment. But there is a position that the education department thinks they are going to fill, so rather than sell the house and have to get back into the market, we tend to lease them out if we think the chances are the government will be required to occupy them.

In terms of scope, Chair, in my previous answer: there are about 1 500 GROH houses across the Pilbara. There is a significant —

**The CHAIR:** I imagine it is one of your bigger areas. Is that the case?

**Mr Searle:** It is. It is the biggest. There is a significant investment base in it.

**The CHAIR:** My final question on this: the 10 that you expect to put out to the market, are you now in competition with the developers? How many have they still got to sell in the market? How many are out there competing with you for the sale of those 10? I would imagine that potentially people could have negotiated with them and then come to you with a proposition of shared equity as well. In respect really the 19 are also potentially in competition as well.

**Mr Searle:** The reality is we market our properties at what valuers determine is market value. I do not know how many units Finbar have to sell and whether they are actively marketing them or leasing them out. I think they are doing a combination of both at the moment.

**The CHAIR:** Does that mean we have underpinned the cost of the development and now they are getting the actual? You do not know how many are left in the development?

**Mr Searle:** No, I do not. I have no reason to know, sorry.

**The CHAIR:** I would have thought from a marketing point of view you would need to know how many they had and how many they are potentially marketing in competition.

**Mr Searle:** I think the issue, Chair, is not how many they own but how many they are trying to sell at the moment. It is a bit hard to determine that from what is currently available in the marketplace.

**The CHAIR:** But they are currently marketing them for sale?

**Mr Whyte:** They are marketing the properties. As the market has changed they have looked to work out a number of different arrangements where they have tenanted the properties and then sold those properties to investors. That seems to have been a big push in that area. Our focus is on homeowners. Our units are being marketed, at least in the first instance, to homeowners and owner-occupiers.

**The CHAIR:** A private investor could offer to buy one off you and you would sell it?

**Mr Whyte:** Certainly, and then provide a unit available for rental at market.

**Mr Searle:** But that is only for the full sale to market.

**The CHAIR:** Yes; for the 10.

**Mr Searle:** The option is the shared equity for homeowners—unoccupied.

**Hon STEPHEN DAWSON:** Back to Pelago East: Who made the first approach? Did Finbar approach the department and offer a deal or did the department approach Finbar? Did Finbar approach the minister's office and then the minister's office encouraged you to get involved? Can you give me a bit of background on that?

---



**Mr Whyte:** In terms of the first development, we were aware that there was something mooted of that size and scale in Karratha. In terms of our criteria of affordable, available and appropriate, it did provide a different product to the market and a product that we thought the market needed. In our first investment in the first stage it was for Government Regional Officers' Housing and to offer, especially to singles—people working in government—the opportunity to live in an apartment. The second stage we were aware of, in the process of working with Finbar in the first stage—I cannot actually recall whether or not we made the approach to Finbar or if Finbar made an approach to us—and a discussion was held in relation to working through to the next stage of that development.

**Hon STEPHEN DAWSON:** Was there ever any, not direction but encouragement, from the minister's office to get the then minister's office involved in this project?

**Mr Searle:** None that I am aware of. The minister's office was aware that we were talking to Finbar about Pelago, but I do not recall any direction from our minister's office to proceed with the project.

**The CHAIR:** Or any other minister, for that matter?

**Hon STEPHEN DAWSON:** Exactly; or any other minister?

**Mr Searle:** No.

**The CHAIR:** Is that something that you would keep a record of if there had been any discussions with the minister or any other ministers that you could go and check records of and take on notice?

**Mr Searle:** There were certainly discussions. With an investment of this size we would always have discussions with ministers, but there was certainly no direction from my minister that these things should proceed, because those things I do take note of and minute.

**The CHAIR:** I think the member's question was whether there was not just formal direction but encouragement to involve yourselves in the development. There is a subtle but slight difference.

**Hon STEPHEN DAWSON:** Obviously if it was a direction, Chair, it would have to be in the annual report. It is not there, but certainly encouragement?

**Mr Searle:** I think all ministers are keen to see development happen.

**The CHAIR:** Is that saying that your expectation is there would have been encouragement?

**Mr Searle:** I think "encouragement" is a strong word for what would have occurred. I think at the end of the day we got ministerial support for the proposal but it was something that we worked on with Finbar and a range of other agencies as part of the process.

**Mr Whyte:** The investment in Pelago stage 2 was approved by cabinet. It was presented to cabinet. The business case was presented to cabinet and, in accordance with the cabinet requirements, it was approved by cabinet. The funding for stage 2 came through the royalties for regions Housing for Workers program and a requirement of that is that investments over \$5 million are required to be approved by cabinet. That is in fact what happened here.

**Hon STEPHEN DAWSON:** This is supplementary, Chair: can I get a date from the department as to when cabinet approved this decision?

**Mr Whyte:** It was approved by cabinet on 18 June 2012.

**Hon STEPHEN DAWSON:** I want to get a sense of how many people are on the public housing waiting list in Karratha at the moment. Is anyone able to give me that information?

**Mr Searle:** That is a very specific question.

**Hon STEPHEN DAWSON:** It is. I am happy to take it by way of supplementary. I will ask about waiting lists later on this morning. If you have that information now, that would be great.

**The CHAIR:** And their names and addresses!

---

**Hon STEPHEN DAWSON:** Not their names and addresses, no. My constituents—I do not need their names and addresses.

**Mr Searle:** At the moment I cannot give you a specific number for Karratha, but across the Pilbara we currently have 527 applications on the waiting list.

**Hon STEPHEN DAWSON:** By way of supplementary, if I can ask how many people are on the waiting list in Karratha, let us say as at 30 June, not today's date. As at 30 June, how many were on the waiting list and also how many were on the priority waiting list?

**The CHAIR:** What I was going to suggest to the member and the agency is I do not know if you have formal times where you cut off the list and do a cut of how many are on the list at particular times or whether it is just a matter of going into your system and taking it as of today's date or as of 30 June.

**Mr Searle:** We certainly store the 30 June date over time, so we can give you that. We can give you as at today's date but 30 June is a date we certainly keep numbers for.

**The CHAIR:** Obviously with these things we do not want to create work. If you already have a date that is near to when the member wanted, I would encourage discussion to get a date we are happy with. But you are happy with 30 June, you know you will have 30 June, so we will —

**Hon STEPHEN DAWSON:** I am happy for the department to provide that.

*[Supplementary Information No A2.]*

**The CHAIR:** At the time you were negotiating the deal, were there other potential developers of apartment blocks in Karratha at the same time and were you negotiating with them or were you singularly negotiating with Finbar over this development?

**Mr Searle:** There was no other proponent of that scale in Karratha at the time.

**The CHAIR:** They were already in the market looking at putting that project together well before you negotiated with them?

**Mr Searle:** Yes.

**The CHAIR:** You are going to come back to us with the precise nature of who approached who about the original development?

[10.10 am]

**Mr Searle:** I do not think we were specifically asked that as a supplementary question. Whether we can actually determine that I am not sure, because there may have been a phone call that is not on file from one side to the other. I cannot commit to giving you an answer to that because I do not know that I actually can.

**The CHAIR:** Maybe if we can make it A3 if you can provide us with any information you can about the point at which your records show it having commenced discussions. If there is a file of a phone call or a letter, a formal letter from—I know in my office if someone rang up, they would be told to put it in writing and send a letter. I suspect you would have the same approach. There may have been a phone call and then a formal written —

**Mr Searle:** We are happy to look at our records.

*[Supplementary Information No A3.]*

**Hon RICK MAZZA:** I just refer to page 520 of budget paper No 2, under "Spending Changes". There is the electrical safety device program that you have there at \$5 million in 2014–15 and \$7 million to \$8 million through the forward estimates. How many of the department's properties would be without the safety device?

**Mr Searle:** We do not believe any.

---

**Hon RICK MAZZA:** You do not believe there are any houses without the safety device. How can you have nearly \$20 million budgeted for the safety devices?

**Mr Searle:** We have done a sample check of a small number of properties and it has indicated that whilst there may be RCDs fitted to properties, the earthing attached to those RCDs may over time become unattached, so whilst the device is there the earthing is not properly in place. The plan is to go through and check all the devices to make sure they are fully functional; to use electricians to make sure they are fully compliant. There have also been some changes in legislation around smoke detectors and a 10-year replacement cycle for smoke detectors. We do not have a record of the dates of the smoke detectors in our systems necessarily, so the idea is to go through and make sure we are totally compliant with legislation; we send in electricians to make sure everything is not only there but fully functional. Whilst they may work without the earthing devices, they should be there, so we are checking that and getting all the dates so the future replacement cycles are appropriately set up for the future.

**Hon RICK MAZZA:** How do you identify which properties require their RCDs and earthing to be checked?

**Mr Searle:** We are sending electricians into every single property. That is the only way we can be sure that we are right.

**Hon RICK MAZZA:** Private landlords are required now to have their smoke alarms checked every year. Is the department also going to be checking their smoke alarms in every property every year?

**Mr Searle:** The department currently does an inspection of every property within a 365-day cycle to ensure that both the RCDs and smoke detectors are there. The smoke detectors are tested by our staff to make sure they are functioning.

**Hon ALANNA CLOHESY:** How is it that RCDs are not properly earthed? If they have been fitted, how is it that they are not properly earthed?

**Mr Searle:** They may well have been properly earthed but in the normal operations of the house and the garden and people doing things around the house they can become disconnected—the wire into the earth—and we have found some cases where that has happened. There also have been some changes around the number of RCDs that are required in houses and which circuits are attached to which RCDs and those sorts of things. We are going in to check all that stuff as one program so that we can confidently come back and say that everything we have got as at the date of the inspection is compliant with the changes in legislation. This is the only way we could think of doing it. When you have got 42 000 houses you are responsible for, it is a major task; it is a major project to go through and do them.

**Hon ALANNA CLOHESY:** What proportion of the properties made you think that this was a problem and how was the problem identified?

**Mr Searle:** Mr Parry was involved in the pilot study.

**Mr Parry:** This is about base-lining all our properties and the honourable member is correct that the legislation changed and you have to have a compliance certificate now to sell a house. This is, in effect, going to provide a compliance certificate to all our properties. When we went out to do the pilot, we looked at 100 properties of varying ages to try and gauge where the actual issues arose. Surprisingly, the earthed wires—and we are talking about 30, 40-year-old, 25-year-old houses—had become disconnected over time, as the director general mentioned. There are also issues that you may have a particular power point in your house that is not covered by the residual current device. Over time it may have been added and it has not been picked up and it is not safe. The safety of our tenants is paramount to us. As things evolve we wanted to ensure—our staff can go and test; they can press the buttons, they can check the smoke detector, but to ensure they are legislatively compliant, we need an electrician.

---

**Hon RICK MAZZA:** Just on the RCDs, it is my understanding that private landlords need them checked each year as well. Is the department going to check every RCD device every year at the time of the smoke alarms?

**Mr Parry:** Yes. We do. Legislation says that you have to have a functioning smoke detector under the age of 10 years, as the director general mentioned. It says that you have to have functioning residual current devices. It does not say you have to check them.

**Hon RICK MAZZA:** This \$5 million or \$7 million a year is actually going to be an ongoing cost, a new cost, to the department to maintain those now that the new legislation is in?

**Mr Searle:** Not quite. This investment is to get the electrician in there to make sure that we are totally compliant at a point in time. The ongoing testing of the smoke detectors and the RCDs will be done by our staff as part of their annual inspection program. We would not expect it to be an ongoing cost. We —

**Hon RICK MAZZA:** Sorry to interrupt you there. The ongoing testing of the smoke alarms and the RCDs will be done by staff?

**Mr Searle:** Yes.

**Hon RICK MAZZA:** Because I know in the private sector it has to have an electrician's certificate each year.

**Mr Searle:** That is not my understanding.

**Hon RICK MAZZA:** It is certainly mine.

**Mr Parry:** If I may, the different landlords, your mums and dads, investors, may not have an electrician go in there. It is not legislation to have an electrician test it each year. The legislation is to ensure it is working. Private landlords choose to use electricians. There are some states and territories that use electricians every year and obviously many that do not. It is sufficient and we have gone through the appropriate sources to ensure that our staff pressing the buttons and testing the functionality is sufficient in an ongoing basis.

**Hon RICK MAZZA:** I am very surprised at that, because I know that real estate managing agents require each year that an electrician goes in and provides a certificate for each and every property and they are saying it is legislation; so someone has it wrong—either the real estate industry or the department. Maybe that is something that we could get some more information on if that is possible, please.

**Mr Searle:** I suggest we take that as a supplementary and we will come back with the legislative position.

*[Supplementary Information No A4.]*

**Hon PETER KATSAMBANIS:** Just on this RCD issue, I would like to clarify whether this RCD earthing issue that has been uncovered is unique and specific to the properties that you own and manage or whether it is an issue more generally for properties across the state.

**Mr Searle:** Whilst I cannot comment on private properties, our expectation, given the numbers we have found, is that it would be more generally across the state.

**Hon PETER KATSAMBANIS:** Have you communicated this issue to the Department of Commerce and perhaps they could undertake an information campaign to inform private property owners of this potential risk that you seem to have uncovered?

**Mr Searle:** Not at this point in time, but I am happy to undertake to do that for the member.

**Hon PETER KATSAMBANIS:** Thank you.

**The CHAIR:** Just before I come back to you, Hon Rick Mazza, I just wanted to clarify something here. What is the nature of the inspection that your staff will be doing? We are quite limited in

Western Australia about what you can do with electrical devices if you are not an electrician. What will be the actual tests that they will be undertaking both in terms of the smoke detector and the RCD?

**Mr Parry:** From our staff's perspective?

**The CHAIR:** Yes; what your staff will be doing. You are saying they will be checking it on an annual basis. What will that actually involve, their annual checks?

**Mr Parry:** That is a process that we have been undertaking for a number of years now. The process is that they push the buttons on the residual current device, which trips it.

**The CHAIR:** In the meter box.

**Mr Parry:** In the meter box, which is manufacturers' recommendations because they can become dusty. Obviously, they have to have a good relationship with the tenant because that resets all the power. They have a process where there is a test button on the smoke detector and they use a stick or a cane and they press the button to ensure that works. They do that with the power off and the power on to ensure the battery backup works.

[10.20 am]

**The CHAIR:** You talked earlier about issues such as additional circuits being added over time; this will not pick up any of those issues—that every socket is connected to a residual current device or the like. I assume these must be people putting in their own additions in terms of electrical fittings, not your own contractors doing it.

**Mr Searle:** Given the change in RCD legislation over time, there have been some variants that we now intend to catch up. It is my understanding that it is now a requirement for electricians, when they are installing new power points and sockets, to ensure they are connected to an RCD. Again, the standards and expectations have changed over time, but we are confident that the legislation now requires electricians to make sure that they are compliant with the current state of legislation. What we are trying to do now is to fix the sins of the past.

**The CHAIR:** I know in the past you have had difficulties accessing some of your properties. Are you now confident that you are accessing every property on an annual basis?

**Mr Searle:** Yes we are. We have put in a whole new regime around this, given some issues that occurred a few years ago. The inspection process is now iPad based, so we are very confident about the fact that people have been where they have said they have been when they have done the inspection. They take photos of the devices while they are there so we have some evidentiary chain about that process. In fact, we have taken action against a couple of tenants recently who have refused us access, in order to make sure that we comply with our requirements.

**Hon RICK MAZZA:** You said that you use a cane or a stick to check the alarms and to turn them off to make sure that the backup battery is working. How does the department monitor that the backup battery is replaced regularly?

**Mr Parry:** They are hardwired, so when the power fails there are lithium batteries that do not need replacing. The product that we use lasts for 10 years; it is not one of those ordinary little batteries.

**Hon RICK MAZZA:** So every 10 years there is a cycle of changing them?

**Mr Parry:** Yes.

**The CHAIR:** They would be connected to the mains, would they not, with a battery backup?

**Mr Parry:** Correct.

**Hon RICK MAZZA:** The minister in the Assembly mentioned that there had been a big drop in the three-strikes situation; it had dropped down to 387 from 1 108. I am wondering what the main

---

reason is for the reduction in those three strikes, and what the department is doing to actually minimise problems within the department.

**Mr Searle:** I am not aware exactly of the numbers that the member is talking about; I do not have those numbers in front of me. There has been a huge drop between the first and third strikes; there have been about 100 first strikes and about 300 third strikes. We think that actually reflects, to some extent, the success of the program—that people, having got one or two strikes, recognise the nature of the process and hopefully modify their behaviour in order to maintain their tenancy.

**Hon ALANNA CLOHESY:** Or hopefully get the support they need to prevent them being evicted.

**Mr Searle:** Hopefully both.

**Hon RICK MAZZA:** Just for my own benefit, what is the main nature of the program that you are having success with?

**Mr Searle:** To be honest there are a number of things in play. We have a program called STEP, the Support and Tenant Education Program, which we think is having some effect in terms of providing the supports the other member was talking about. But we also think there is now an understanding that we are serious about this process and that we will follow through, whereas in the past there have been cases in which the department has not been quite so rigorous in its follow-through.

**Hon RICK MAZZA:** Has there been a corresponding reduction in the cost of repairs to damage to houses since this program has been in place?

**Mr Searle:** It is very hard to identify any changes on that basis because most of the things we are talking about are not about damage to property; they are about disruption within the neighbourhood and upsetting and disturbing neighbours and those sorts of things. There are very few third strikes issued on the basis of property damage.

**Hon PETER KATSAMBANIS:** Just on the issue of third strikes and the whole issue of behaviour management of tenants more generally, do you keep a record of strikes by suburb or region?

**Mr Searle:** We do by region.

**Hon PETER KATSAMBANIS:** Do you break them down by suburb?

**Mr Searle:** We do not as part of our normal recording; we probably could if we had to, but it would take some effort.

**Hon PETER KATSAMBANIS:** Would you be able to take that on notice and provide the first strikes, second strikes and third strikes in the last 12 months by suburb?

**Mr Searle:** By all suburbs? It is a significant body of work at that level; we are talking about —

**Hon PETER KATSAMBANIS:** Or some figure other than regions, because the regions are gigantic and do not really —

**Mr Searle:** Local government authorities?

**Hon PETER KATSAMBANIS:** LGAs would be good; that would be helpful for me.

**The CHAIR:** Some are big and some are small!

**Hon PETER KATSAMBANIS:** At least it would break it down into smaller grouping than the regions.

**The CHAIR:** That is something you would be reasonably comfortable providing on an LGA basis?

**Mr Searle:** There is still work to be done to do that, but yes, I am much more comfortable on an LGA basis than a suburb basis.

[*Supplementary Information No A5.*]

---

**The CHAIR:** If the member is happy, if it cannot be done on an LGA basis, if there is some other way it can be broken down on a more detailed basis than by agency regions.

**Hon PETER KATSAMBANIS:** Yes, the smaller the grouping you can give me, the better. If it has to be by region, then I guess that has to be it, but hopefully it can be by some lower breakdown than just region.

**Mr Searle:** I am happy to undertake to look at that.

**Hon PETER KATSAMBANIS:** On the same issue, when there are these behaviour management issues, I know there are a series of supports provided to the tenants to hopefully avoid getting to the third-strike situation. In that period from the first strike onwards, what sort of support is provided to the people in the immediate vicinity of these disruptive tenants so that their lives can go on without any great detriment or impact?

**Mr Searle:** In terms of actual support to the neighbours, other than talking to them to understand the nature of the problem and the issues involved, and perhaps giving them advice as to other people they might be able to talk to who can help them, I do not believe we do anything other than that.

**Hon PETER KATSAMBANIS:** Do you at least provide them with some documentation or information via email of someone they can talk to?

**Mr Searle:** If they are the complainants, we certainly go and talk to them as part of the process to understand the nature of the issue. Given the training that that disruptive behaviour unit has had, I would expect that they would point them in the direction of people who might support them. In some cases it may well be a matter that is more appropriately addressed by the police, for instance, rather than us.

**Hon PETER KATSAMBANIS:** Apart from the complainants themselves, do you initiate any direct contact with other immediate neighbours?

**Mr Searle:** No.

**Hon PETER KATSAMBANIS:** One of the biggest workloads in my office is dealing with people who wish to report these patterns of behaviour and want to seek some solution or solace from the problem. I understand that the department cannot be everything to all people.

**Mr Searle:** I understand the scope of the member's problem. So far this year the department has had 13 000 phone calls to our disruptive behaviour unit, so it is a significant workload at the level we do it. We were given some resources in the last budget to actually address that, so I think we are being much more rigorous in terms of how we address it, but in terms of providing support across the neighbourhood, it is not something we are equipped to do.

**Hon PETER KATSAMBANIS:** Is that 13 000 an increase on previous years?

[10.30 am]

**Mr Searle:** I suggest we move on to the next question, if the member has one, while we find the answer. It might take us a little while, but we are confident we will find it today.

**Hon PETER KATSAMBANIS:** My next question would have been prefaced by the answer I received, that is all.

**The CHAIR:** Shall we come back to you?

**Mr Searle:** We have the answer; it was going to take a while to look it up. In 2011–12, we had 12 988 complaints; in 2012–13, we had 13 333; and in 2013–14, we had 13 324. It is a remarkably consistent set of numbers.

---

**Hon PETER KATSAMBANIS:** It is relatively consistent, okay. People have been aware of what they can do about destructive behaviour for quite a while, so I would have expected it to be relatively consistent.

**Mr Searle:** I think, to some extent, because people have been starting to see some results in terms of what we have been doing with tenancies, it has actually increased the number, because people say that if they ring this number they might actually get a result.

**Hon PETER KATSAMBANIS:** From the feedback that I have had, and it might be useful for you, people are seeing some results, so they are relatively happy with the way in which the department deals with these issues.

**Mr Searle:** I thank the member for the feedback.

**Hon ALANNA CLOHESY:** I note that there are 35 additional specialised staff members in regional and country areas. Where are they located? When do they start and/or how long have they been employed?

**Mr Searle:** I thank the member for the question. These people report to Mr Parry, so I will let him answer.

**Mr Parry:** I may have to provide the details on notice. They are based in all regions other than the great southern, and they started in 2012–13.

**Hon ALANNA CLOHESY:** Other than the great southern?

**Mr Parry:** Yes; we did not have enough demonstrated evidence to support a staff member to be there. The great southern is covered from the south west region.

*[Supplementary Information No A6.]*

**Hon STEPHEN DAWSON:** Can I just check that that list will provide a breakdown of where exactly those staff are located.

**The CHAIR:** That is my understanding of what the member has asked for.

**Hon ALANNA CLOHESY:** That is my understanding as well.

Other than a decrease in the number of third strikes comparable with last year, what other indicators of success do you have of that program?

**Mr Searle:** I suppose the most direct evidence of success to us is the feedback that we get from local members. Local members historically have had offices where these complaints have tended to go in the past. When they could not get satisfaction from the department, they tended to go to the local member's office, and we have had significant feedback from members across the board that the level of complaints to their offices has reduced over the period of the program.

**Hon ALANNA CLOHESY:** What indicators, then, do you use in relation to what tenants think about the program and whether they have had a successful engagement with the department or whether in some way they may have had some concerns about the way in which they have been treated through this process?

**Mr Searle:** No tenant who gets evicted is happy. To be honest, we are not happy evicting them. For me, one of the downsides of this program and a concentration on it is that it ignores the fact that 85 per cent of our tenants are great people who do the right thing every time, and who we never see from one inspection to the next, and everything goes swimmingly with them. There are 10 per cent who from time to time have some issues, and there are five per cent whose lives, to be honest, are sometimes in chaos, and that is reflected in their behaviour. Although we do our best to help these people, there are a range of other government agencies that usually need to be involved, because the behaviour does not usually just happen because they want to play up.

---



**Hon ALANNA CLOHESY:** Are any plans in place to critically evaluate the success of the program, other than how many people have been evicted? Are there any plans to monitor the relationships with other departments and agencies, that I am aware the program uses to refer people who, as you say, are in chaos to other services?

**Mr Searle:** Yes there are. One of the things we have done as part of this program is to develop MOUs with both the Department for Child Protection and Family Support, I think it is called these days —

**Hon ALANNA CLOHESY:** I think you talked about those last time we met, so the question is about the evaluation.

**Mr Searle:** — and with mental health and with police. We have gone back recently and renegotiated part of the MOU with child protection, because we thought there were some shortcomings in that, in terms of the number of times we advise them and when we advise them of issues, to enable them to get involved earlier. We have now done that, so we now advise child protection at every strike where there are children involved, so they are given the maximum opportunity to intervene and support them. We have now also placed a staff member, whom we are paying for, within police, to try to improve the liaison and the communication. Although it is not a formal evaluation of the process, there has been an awareness of shortcomings that we are trying to deal with, and we are implementing that one step at a time.

If I can, Mr Chair, I can provide the answer region by region, of the numbers of disruptive behaviour staff we have, which was the question that was asked before.

**Hon ALANNA CLOHESY:** Actually, I wanted to drill down further than just regions, so what towns are they located in? There are only 35 them. Where are they located?

**Mr Parry:** They will be located in the regional offices and some are in branch offices. I think it would probably be more relevant for me to take that question on notice if I could, because they have moved around a little bit depending on where the issues are. To answer your question, yes, a review is underway.

**The CHAIR:** We have already taken that on notice, so I will not do that again. Have you completed your questions on this issue?

**Hon ALANNA CLOHESY:** Yes.

**The CHAIR:** I think we now have the answer for Hon Peter Katsambanis, so you can give that answer, and I think he has follow-up.

**Hon PETER KATSAMBANIS:** We will see what the answer brings.

**Mr Searle:** As to the number of complaints, I thought I gave that answer to a different question. It was 12 988 in 2011–12, 13 333 in 2012–13 and 13 324 in 2013–14.

**Hon PETER KATSAMBANIS:** We have canvassed that; we do not need to go down the same path.

**The CHAIR:** I am just looking at the time, and I am thinking that now would be a good time to take a five or 10-minute break. With the longer hearings, we tend to take a short break in the middle, and it seems like we have finished a round of questions. I think everyone has had a round of questions in this session, so we will come back and go through everyone again when we return.

#### **Proceedings suspended from 10.39 to 10.54 am**

**Hon STEPHEN DAWSON:** I refer to the same dot point on page 522, and the Housing for Workers program. This time I want to ask some questions about the Osprey key worker village. Can the department advise me what the state government's financial contribution to that facility has been so far? Obviously, Fleetwood Corporation built the village and is managing the village, but I want to get a sense of how much it is costing the department on an ongoing basis. I think the last

time I asked a question there were about 50-odd of those houses lived in, and there were 180-odd that were not. In fact, can the department advise me again how many houses there are in the village, how many are vacant at the moment, and what it is costing the department while those other properties are vacant?

**Mr Whyte:** There are 293 units in the village over the 12 hectares. The capital contribution through royalties for regions was \$20 million, the contribution by Fleetwood Corporation was \$42 million, and the department has also spent \$33 million on the preparation of the land and providing services to the site that will be there for the duration of the village and beyond.

**Hon STEPHEN DAWSON:** Are you in a position to give me an updated figure on how many of the properties are vacant as at 30 June, say?

**Mr Whyte:** My understanding is that it is almost 50 per cent occupied at present, and we are picking up progressively another five to 10 per cent a month.

**Hon STEPHEN DAWSON:** By way of supplementary, if you do not mind, can I have the exact figure as of 30 June? I am presuming that would be easy to do.

*[Supplementary Information No A7.]*

**Hon STEPHEN DAWSON:** What is the deal with Fleetwood? Are Fleetwood getting paid a fee on an ongoing basis for all the properties in the village or do they simply get money when a property is rented out or lived in?

**Mr Whyte:** There is an interim commercial agreement with Fleetwood that is on the basis of a fixed fee per month, and the department receives all the revenue that is generated from the village.

**Hon STEPHEN DAWSON:** So that fee is paid to Fleetwood regardless of how many properties are vacant or lived in?

**Mr Whyte:** Yes; the fee recognises the capital contribution that Fleetwood has made and the operational management of the village by Fleetwood.

**Hon STEPHEN DAWSON:** Is that contribution public? Can I be advised what that figure is? I am not looking for the contract, but just the amount.

**Mr Searle:** Can we take that question on notice, please?

**The CHAIR:** Yes.

*[Supplementary Information No A8.]*

**Hon STEPHEN DAWSON:** I will leave Osprey now. Look, I am supporter of it, it is in my electorate, and I just want to make the point that I do appreciate the work the department is doing in the Pilbara certainly with the key worker accommodation; I do have an issue, obviously, with people on waiting lists and stuff.

Page 520 under "Expenses": I know earlier this year that the department awarded a tender for \$1.7 million for the provision of creative advertising marketing-related services. Obviously it is a significant amount of money, so can the department advise me where in the budget papers I would find that amount of money? Is there a specific communications budget, for example? And, what specific activities or services will be advertised or marketed by this amount of money?

**Mr Searle:** There is a range of activities that the department is involved in that are truly commercial in nature, rather than normal government advertising. For instance, the subdivisional development at Golden Bay is a development that is done by the department in its own right, so consequently the advertising et cetera for that particular land development comes from the department. There is a range of commercial activities we are involved in where the advertising is done by the department, so we have to get advice; things like the shared equity program itself, and the Opening Doors program. There have been some cinema ads to promote that and signs on the

---

back of buses to promote that. But those activities are fundamentally about the commercial realities of making sure the products we have developed we can sell, because a significant amount of the department's revenue—I think this year it is virtually 50 per cent of it—comes from our commercial land development and property development activities. Unless we can sell those products, we cannot actually fund the department. So the bulk of that number will be around that sort of advertising to deliver on our commercial activities.

[11.00 am]

**Hon STEPHEN DAWSON:** Is this the whole of the department's advertising for a period of time? What is the \$1.7 million for; is it over four years or over a year?

**Mr Searle:** I do not have that on me at the moment; I am happy to take that on notice. I might add that that is not the only money we spend, because we are involved in a whole lot of land development joint ventures; the expenditure and the advertising for that is done by the joint venture so it will not show up directly in the department's accounts. So, for instance, for Ellenbrook and those sorts of developments—Banksia Grove—the joint venture actually does the advertising in those developments so that will not show up, even though the department is involved in the activity.

**Hon STEPHEN DAWSON:** By way of supplementary, can I have a breakdown of that \$1.7 million, what period of time it is for, and what it is used for, essentially?

[*Supplementary Information No A9.*]

**Hon STEPHEN DAWSON:** Moving on to a different point in the budget papers then, please. On page 523 the second dot point talks about \$10 million over two years to be spent on the Jigalong community for the construction of a power station. Can the department give me a status update on that matter, how much has been spent so far and what projects have been delivered in Jigalong?

**Mr Searle:** Thank you, member. Jigalong has been an interesting community to deal with over the last couple of years. Having said that, we are now in a position to make these investments in Jigalong. My understanding is we have gone to tender to have that work done. I am not sure whether the tender has been awarded yet, but we have actually gone to tender for the work. It has been difficult to get agreement from the community and there are still some debates within the community itself at the moment around the direction of the community and the provision of ongoing services. We have had discussions with Horizon Power around the power issues and the way forward, but we are pretty confident that that expenditure will happen appropriately.

**Hon STEPHEN DAWSON:** So what I am hearing is that nothing has been rolled out on the ground at this stage. Can I get a sense from the department—this might be by way of supplementary, because obviously this money became available in the 2013–14 financial year—if no projects have been rolled out at this stage, how much money has been spent so far out of this money?

**Mr Searle:** Can I take that on notice please, Chair?

[*Supplementary Information No A10.*]

**Mr Searle:** But as I said before, the reason for the delay is there has been some debate within the community itself as to appropriate processes and they have taken a while to work their way through.

**Hon STEPHEN DAWSON:** In looking for a dot point, rental housing is on page 524. Can I get from the department a breakdown by region of the waiting lists of people waiting to access public housing? Can I have it by region for the state? But separately I am looking for a breakdown specifically for a number of towns in the Pilbara and Kimberley. I can give you those towns. Would you have that information with you today?

**Mr Searle:** We can certainly give you the current waitlist as at 30 June by region for both priority lists and wait turn applications.

---

**Hon STEPHEN DAWSON:** Great; I will take that. I think that might be available now.

**The CHAIR:** Have you got that now that you can table it?

**Mr Searle:** I do. Yes, I can table it, Chair.

**Hon STEPHEN DAWSON:** So that is by region. Specifically, I am looking for the waiting lists for these towns: in the Pilbara, I am looking for Onslow, Port and South Hedland, Karratha, Tom Price and Roebourne; in the Kimberley, I am looking for Broome, Derby, Fitzroy Crossing, Halls Creek and Kununurra; and separately I am also looking for Kalgoorlie–Boulder, Esperance, Carnarvon and Geraldton.

**Mr Searle:** I am happy to take that on notice. Given the member's particular interest, the total applications for the Pilbara are 527, for the West Kimberley it is 725, and for the East Kimberley it is 389.

*[Supplementary Information No A11.]*

**Hon STEPHEN DAWSON:** Just to be clear, Chair, that was the overall housing waiting list but also the priority lists separately.

On page 523, the last dot point talks about the short-stay accommodation facility for Derby. I must say I was in Derby on Friday and the shire and everybody else are very excited about it. Has the department made a decision on what it will cost people to stay at that facility; and, if not, who will make that decision?

**Mr Searle:** I thank the member for the question. I am also very excited about the facility we have just built in Derby; I think it is actually a great facility. That facility is actually going to be run by Child Protection and Family Support, not ourselves, so those operational decisions will be made by that department.

**Hon STEPHEN DAWSON:** Thank you; I will talk to that department. On the same point, obviously there have been discussions previously about such a facility in Broome, and Derby has got the facility because Broome has not. Is the department still having conversations, or are you aware whether the government is still having conversations, about a facility in Broome? Are you talking to the shire about possible locations for such a facility?

**Mr Searle:** We are having ongoing discussions with the Shire of Broome. I cannot be optimistic that those will be resolved successfully in the short term.

**Hon STEPHEN DAWSON:** So, is the short term we are talking about next year? Are they really that difficult? Let me ask it in this way: when does the department think we might have such a facility in Broome?

**Mr Searle:** I think it is on the public record that it was our preference to open a facility in Broome rather than Derby, and when negotiations with the local shire could not be satisfactorily resolved, we went to Derby. We now have two of these facilities—one in Kalgoorlie that has been running for a while and Derby is about to open. At some point, that program will have to be evaluated as to whether it is worthwhile and whether we get sufficient usage and whether we are happy that it is actually delivering the outcomes we required. That evaluation process will probably happen before we make another decision to invest in these sorts of facilities.

**Hon STEPHEN DAWSON:** So is there any money still on the table for a Broome facility or has it been expended for Derby? If an agreement was reached with the Shire of Broome, you would look for money from government to fund a facility in Broome?

**Mr Searle:** Yes.

**Hon STEPHEN DAWSON:** So that is a yes. There is no money. The money has been spent.

---

**Mr Searle:** The money that was originally allocated for Broome has been spent in Derby. If we get a successful conclusion with the discussions with the Shire of Broome and we think the program is worth expanding, we will go back and request additional money from government to fund it.

**The CHAIR:** Before we move off that issue, has there been any look at a similar facility for Perth? I know that there are specific issues in regional WA, but there is also a real issue in parts of Perth, where you get particularly Aboriginal people coming down for medical appointments and the like. I could probably take you to not necessarily parts of my electorate, but probably parts of Hon Alanna Clohesy's, and I suspect there may even be parts of my electorate, where Aboriginals are basically camping whilst getting medical treatment in Perth. Is there any look at a similar facility for Perth?

**Mr Searle:** There have been some preliminary discussions about what is an appropriate equivalent facility in Perth. I cannot say that they are close to seeing a tangible outcome at this point in time. The facilities that are provided not so much in Derby but at Kalgoorlie are fundamentally camping-type facilities. They are perfectly appropriate for the location and what they are. Whether it is appropriate to build an equivalent facility in Perth and would be acceptable to the broader community to build an equivalent facility in Perth is another matter. So those discussions have started, but I do not see an imminent response to that, although it is something we are talking at some levels with the whole of the department about.

**The CHAIR:** My understanding is it is happening here and probably is causing angst within local communities because those people do not have access to running water; they do not have access to toilets, ablutions and showers, particularly when they are getting medical treatment. It just strikes me that there is a need for some sort of facility.

[11.10 am]

**Mr Searle:** It is certainly something we are aware of and looking at, but I cannot say it is imminent. We are quite pleased with the success of the one in Kalgoorlie. We think that has worked quite well given what the Boulder camp was like and the alternatives that were in place. We think that is working well.

**Hon STEPHEN DAWSON:** While I was looking at that dot point, I noticed that under "Outcomes and Key Effectiveness Indicators" on that same page, page 523, the waiting times for accommodation applicants housed has grown substantially. In the 2013–14 budget, the wait was 130 weeks; the budget target is 139 weeks. Is the department kind of putting its hands up and saying, "This is all too hard and it's going to take an extra nine weeks to house everybody"? Why this blowout?

**The CHAIR:** Whilst you are looking for that, I will ask committee members if you are happy for that document to be made public. I have had what each column is written across the top.

**Hon ALANNA CLOHESY:** The title of the table.

**Hon PETER KATSAMBANIS:** Yes, the title to start with.

**The CHAIR:** It is the waiting list; the first column is priority, the second is the wait turn and then the total and the total people. This is the waiting list by region at 30 June. I will get that redistributed. Are members happy, with those titles across the top, for it to be public?

**Hon PETER KATSAMBANIS:** Certainly.

**The CHAIR:** That is now public with this version here?

**Mr Searle:** I thank the member for the question. One of the issues in terms of the waitlist is that a number of years ago a decision was made to change the mix of people taken off the priority waitlist versus the wait turn list. As that cocktail, if you like, of percentages has changed, it has meant that the people on the normal waitlist are waiting longer. Currently, of the houses we re-tenant, 60 per

cent are off the waitlist, 20 per cent are off the priority list and 20 per cent are off the—sorry, 60 are off the priority list, 20 are off the wait turn list and 20 per cent are transfers.

**Hon STEPHEN DAWSON:** The last 20 was?

**Mr Searle:** Transfers—people who wish to relocate from one location to another. The effect of that is for those people who are on the wait turn list, the times will go out as we deal with more priority clients. So, it is this issue about: to what extent is the length of time you have waited versus your priority in terms of need? The decision was made a number of years ago to make the priority list the priority. As a consequence of that, the wait-turn people have had to wait longer and that is what is reflected in these numbers.

**The CHAIR:** Prior to this it was only six to eight weeks?

**Mr Searle:** It is a very relevant point, Chair. At the time we changed the categorisation of priority, the category was actually expanded significantly, so the effect of that has been to have this flow-on effect. One of the things the department is in fact sitting down to review is the definition of “priority” and how we classify people.

**Hon ALANNA CLOHESY:** The department is reviewing the classification of priority?

**Mr Searle:** One of the tasks this year that the department will undertake is to review the classification of priority.

**Hon ALANNA CLOHESY:** With a view to?

**Mr Searle:** Reviewing it. The purpose of the review is to see: are these things still the reasons we should go at priority? A number of things in the policy’s base are changing such as the rollout of the NDIS that will affect how people are accommodated. We need to look at our policies to see whether these sorts of things will impact on those issues.

**Hon ALANNA CLOHESY:** Will that review include the shortfall of dwellings in Western Australia and the pressure on low-income families in relation to that? What kind of effects will be included in the review of priority housing?

**Mr Parry:** The review is about how we ration a finite resource so that the review is a rationing system of how we allocate our properties. It is not to look into any shortfalls; it is about a fair and equitable system. Our system is antiquated, to be honest; it is a date-order system. The first person on the list is the next person off it. We are reviewing that to make some value judgements. We have run a couple of trials to ensure those people in greatest need are housed earlier. Rather than everybody being lumped together in one priority list for whatever reason it might be, we need to accept that there are some people who demonstrate urgent need of housing and they will get a house a lot quicker.

**Hon ALANNA CLOHESY:** With those trials, did you prepare any documentation in relation to the outcomes?

**Mr Parry:** Yes. We have a housing advisory round table, which takes a number of groups and advocacy agencies who we discussed the matter with. It is an evolution for us. We want to get this right from all perspectives.

**Hon ALANNA CLOHESY:** I wonder if it is possible to look at the documentation in relation to the trials—the concluding reports that then led you to take the next step.

**Mr Searle:** We are happy to provide some broader information about the trials. The reality is the policy process is only just starting. The pilots were an attempt to gather some information. We will now go through a broader policy process that we will eventually take to government.

**Hon ALANNA CLOHESY:** You must have written up how you will collect that data, how you will use that data and how you will analyse that data and what the outcomes of that analysis were.

---

**Mr Searle:** Yes.

**Hon ALANNA CLOHESY:** Thank you. That is what I would like.

*[Supplementary Information No A12.]*

**The CHAIR:** In terms of this waitlist, is this simply the Housing Authority waitlist or does it also include community and social housing providers?

**Mr Searle:** We have gone to a combined waitlist so this should be all the community housing providers as well.

**The CHAIR:** So there is now a single waitlist?

**Mr Searle:** Yes.

**Hon STEPHEN DAWSON:** Does the department have a list that constitutes what a priority is, and can you provide that list to the committee?

**Mr Searle:** Yes, again I am happy to provide that on notice.

*[Supplementary Information No A13.]*

**The CHAIR:** If it is a combined waitlist, are you getting dealt with in the same order—this may be part of your review—if you are on a community housing provider list? I suspect a lot of people are on all three, or on a couple of community housing providers and the department's list. Is there some equity in that you get a provider quicker through Foundation or Access Housing, or are they required to take some of your tenants who might have been on the list longer than some of their direct applicants? How does that work?

**Mr Searle:** There is a standard list.

**The CHAIR:** So everyone, whether it is you or a community housing provider, the next person on the list, whether it is priority or wait turn, is the next person that is housed in a house in that area?

**Mr Searle:** Yes.

**The CHAIR:** It was not always easy to obtain but it is something that I think was essential. Congratulations.

**Mr Searle:** Thank you, Chair, it has taken a long time.

I go back to the question about the priority waitlist because I think it is important for people to understand. Primarily, we run a rationing system. Originally, there was just wait turn and a very small priority list, so that you really had to be urgently in need of housing for a whole range of safety and other issues to get on that priority list. When we changed that and expanded the categories, the effect was that we could not respond in the five to six weeks that we had been. It has gone out to months. The project Mr Parry was talking about is about maybe we need to differentiate within that priority list so that the need of people—usually women fleeing domestic violence with children—is very different from someone else who is on the priority waitlist. What we are trying to do now is actually work out a hierarchy within that list so that those people where the need is urgent and there is a real health and safety issue can be responded to more appropriately than they have been under the current circumstances. It is that rationing process we are actually working our way through and it is quite complex at a policy level to actually do that, so it is not something we will do in five minutes. There will not be any immediate change, but it is something we will have to address to make sure we satisfy the demand in the community.

[11.20 am]

**Hon PETER KATSAMBANIS:** I wanted to ask about the NRAS scheme. It is mentioned on page 522 that there is a round 5 due from the commonwealth government. How are the negotiations going on that; and did the recent federal budget change any of that?

---

**Mr Searle:** I thank the member for the question. In the recent federal budget, which postdates the document that you have tabled, the federal government has decided not to proceed with round 5.

**Hon PETER KATSAMBANIS:** Here it is stated that it is estimated that by 30 June 2014 that the scheme will have approximately 2 000 NRAS affordable dwellings. I assume that is in WA? I see the nods, so there are 2 000 in WA.

**Mr Searle:** Yes.

**Hon PETER KATSAMBANIS:** Have we achieved that figure? Are the 2 000 dwellings available?

**Mr Searle:** There were 2 432 as of 30 June.

**Hon PETER KATSAMBANIS:** Does the department have any oversight on the rate that these properties are rented out and who is renting them?

**Mr Cash:** The commonwealth regulates and approves the payments, and monitors compliance with all of the scheme requirements, so they provide advice to the states that the property is being occupied on an annual basis and is being rented consistent with the requirements of the scheme.

**Hon PETER KATSAMBANIS:** What has been the state government's involvement in the program on an ongoing basis other than providing the state's share of the subsidy or grant to the homeowner?

**Mr Cash:** We provide advice and guidance on the assessment process, so the state is highly involved in the assessment of applications and identification of key locations where we would like the NRAS incentives to be available and provided. We provide advice and approval for change requests in moving locations, both initially in the approval process and then should the proponents wish to alter the locations at a future point in time; we support the commonwealth in endorsing or changing those requests.

**Hon PETER KATSAMBANIS:** These grants are transferable, are they, in the sense that if you have got a grant in one area—let us take for instance that you have grant in Merriwa, you can then move it to Banksia Grove?

**Mr Cash:** The way the scheme works is that there are quite long time frames for delivery, so they are scheduled to be delivered over a period of time. The proponents make submissions on proposed projects. Given the nature of property development and the approval processes associated with land development and investment money that comes with it—these are all funded by the private sector, essentially—those processes may mean that individual projects do not proceed within that location or within that time frame, so there is flexibility within the scheme at a commonwealth level to move the location. The state then gets the opportunity to guide that decision-making process to ensure that the affordable outcomes are achieved in the right locations, so we are actively involved in working with individual applicants who are approved in WA to make sure that they deliver projects on time in locations that achieve the affordable housing outcomes that the state will benefit from.

**Hon PETER KATSAMBANIS:** Has there been any assessment of the program and whether it has achieved its aims, either at a state level or through any of your partners?

**Mr Cash:** There have been a couple of reviews. There were some internal reviews that the commonwealth had undertaken—they did not release some of those—and there is also a proposed review that the commonwealth was to proceed with, but then they cut the program, so we are still uncertain whether that will be proceeding or not.

**Hon PETER KATSAMBANIS:** From a state government perspective, have we done any review as to whether the funds and resources we committed to the project have been beneficial and achieved the outcomes?

**Mr Cash:** Certainly, we would have preferred to play a role in supporting the commonwealth in a broader review across the country to make sure that the broader policy outcomes that were intended



from the scheme have been achieved. We were hoping to be part of the bigger picture, because it was actually about attracting private sector investment in delivering affordable housing, as well as achieving the social outcomes for the individual clients. So on the basis of getting a total picture of what the scheme was able to achieve on the total 50 000 incentives that were to be provided, our view was to play a part in the bigger picture of the total review.

**Hon PETER KATSAMBANIS:** You mentioned an internal review that the commonwealth conducted and chose not to release. Did the state have any input into that internal review process? Were you asked for any input?

**Mr Cash:** There were various considerations of the scheme and what was to be achieved.

**Mr Searle:** It would be fair to say, member, that we have been actively encouraging the commonwealth to do a detailed evaluation of this scheme for probably 18 months to two years. They were reluctant to undertake such a review. We as a state are in no position to do a review of the program across the whole of the country, so we could actually facilitate that. Now that the commonwealth have made their decision not to proceed with the scheme, we will have to reassess what we are doing in this particular space, because it has changed the game dramatically.

**Hon PETER KATSAMBANIS:** I understand that and I think almost everyone with an interest in housing affordability was seeking some form of review of this scheme, given that it was the headline and principal scheme of commonwealth government to seek to achieve affordable housing. I think everyone shares the frustrations around a lack of review and the way forward. Has there been any discussion with the commonwealth about a way forward, either at a ministerial level or some sort of whole-of-government level?

**Mr Searle:** Not that I am aware of.

**Hon PETER KATSAMBANIS:** I guess I will leave it at that; there is probably not much more we can explore at that level.

**The CHAIR:** I just had a couple of quick questions on the NRAS whilst we are on it. If round 5 has been dropped, where are we up to in terms of negotiating a new commonwealth–state housing agreement then? Are we expecting that with NRAS being dropped we will go back to a more traditional role of the commonwealth putting money into social housing in Western Australia or are we expecting that they are walking out of that environment completely? Normally you are an optimistic person; I heard you being a bit pessimistic about Broome earlier. Do you expect the commonwealth to still play a role or is it something where the signals are that they are moving away from involving themselves in the provision of housing?

**Mr Searle:** Thank you for that question; I am thinking rapidly!

**The CHAIR:** Give them a whack!

**Mr Searle:** I am not usually in the business of giving people a whack if I can avoid it.

**The CHAIR:** It is a serious issue.

[11.30 am]

**Mr Searle:** It is; it is a really serious issue and it is a really important issue. I know our minister has written to the commonwealth minister a couple of times about NRAS and what is going on, and I am not aware of any responses being received to date. The commonwealth government, I think, are doing a broader review of federalism at all sorts of levels and there are certainly some areas that we are aware of where the commonwealth is trying to withdraw funding, particularly around services to remote communities. I think there is some uncertainty at the commonwealth level at the moment about what their role in housing will be. There has certainly been some discussion in the media about the commonwealth walking away from housing altogether and saying it is just a state responsibility. It has been a shared responsibility over a long period of time dating back to the

---

CSHA—the Commonwealth–State Housing Agreement—and then the NAHA. There have been a range of agreements over time. It is my personal belief that the commonwealth does not know what its position is at this point in time, and there is certainly no clear policy position apparent to our department as to where the commonwealth is heading in this area.

**The CHAIR:** Is there a current Commonwealth–State Housing Agreement in some form, whether it is called a CSHA anymore or whatever the name is?

**Mr Searle:** It is the National Affordable Housing Agreement.

**The CHAIR:** And when does that run out?

**Mr Searle:** Ms Tania Loosley-Smith is responsible for a lot of these discussions with the commonwealth.

**Ms Loosley-Smith:** Yes there is an ongoing National Affordable Housing Agreement. It is a perpetual agreement at this stage, so it is not renegotiated. It is one of the five SPPs—specific purpose payments—the state has got. The thing that we are watching most closely and engaging with the Department of the Premier and Cabinet on is the review of federalism the director general mentioned. Three areas have been identified within the review of federalism to focus on education, health, and housing and homelessness. We believe that will be a pivotal way in which the commonwealth will define its ongoing role, funding and policy responsibilities with the state in relation to homelessness, but at this stage we have an ongoing NAHA—National Affordable Housing Agreement—and we have got those national partnership agreements around homelessness just for one year, and around the remote indigenous housing, which is from 2014 to 2018.

**The CHAIR:** So will the one-year agreement finish at the end of the 2014–15 financial year?

**Ms Loosley-Smith:** The homelessness one will, yes.

**The CHAIR:** That was the one where it finished and it was then given a one-year extension. So at this stage there will be a debate about whether it gets an extension at the end of that time?

**Ms Loosley-Smith:** Indeed.

**The CHAIR:** Do we know if there is any money in the commonwealth budget at this stage for it to be extended, or is there money in the commonwealth budget for only one year?

**Ms Loosley-Smith:** Only one year.

**The CHAIR:** So it requires a budget allocation at the commonwealth level. In terms of the three-year Aboriginal one I think you said 2018?

**Ms Loosley-Smith:** Yes.

**The CHAIR:** So that is now fully funded at a commonwealth and state level through to 2018?

**Ms Loosley-Smith:** I might defer to Mr Parry and Mr Whyte but, yes, I believe so.

**The CHAIR:** Right, and then there are the specific purpose payments. How much do we receive on an annual basis for housing as part of the SPP?

**Ms Loosley-Smith:** Mr Whyte can correct me if I am wrong but about \$122 million comes from the NAHA to the department. A small proportion also goes off to the Department for Child Protection and Family Support for the homelessness element and the crisis accommodation element.

**The CHAIR:** At this stage, have they budgeted at a state and commonwealth level for that \$122 million to continue over the forward estimates?

**Ms Loosley-Smith:** It is factored into our internal budget.

**The CHAIR:** And the commonwealth has a similar amount factored into its budget to continue to fund that. You say it is an ongoing issue, and I assume it goes back to the GST agreement in terms of the SPPs, but is there a legal obligation on the commonwealth or can it basically cancel that

agreement at any time? Can it basically just say, “Thanks but we are now walking away”, or is it legally obligated under the agreement and subsequent agreements arising out of the 1999 commonwealth–state agreement on the GST?

**Ms Loosley-Smith:** It is a good question, Mr Chair. The bit I am confident responding to is that it is all part of the agreements around federal–financial relations and that agreement is endorsed at a COAG level. My understanding is that any changes to those SPPs, NAHA being one of them, would need to be agreed to at a COAG level.

**The CHAIR:** Is it indexed?

**Ms Loosley-Smith:** Mr Whyte?

**The CHAIR:** Sorry to ask financial questions at an estimates hearing! If you do not have that information, I would be interested to know if you could look at that. I do not know how easy it is to go back over the records, but I would be interested in that information from the time of the commonwealth–state financial agreement arising out of the GST; what it was then and how it has changed over that time. Has it basically stayed the same in real dollar terms or has it declined in real dollar terms? Has there been an indexation and what is that indexation? It may be that it has been picked up because of the agreements and it has stayed fairly constant but other agreements have come in—NRAS—and other ways of delivering housing. As you are probably aware, every member of the state Parliament is very sensitive to the decline in revenue, and it is not just through the GST but other specific purpose payments that that were locked in at the time. It may be that agreements have been reached and that the commonwealth will not give it to you as a specific purpose payment, but put more money into housing through NRAS or something else. Anything you can give me on the history of that issue over that timeframe would be —

**Hon ALANNA CLOHESY:** I want to add to that. The state has 63 national partnership agreements due to expire at the end of this year. I would be interested to know how many and which of those does the Housing Authority administer in addition to the SPPs? Over this year and into the next budget, what are we losing, what are the agreements that are due to expire and are unlikely to be renegotiated, and what is the dollar value or the loss to the state in that?

**The CHAIR:** Just to keep it simple, I might make my question supplementary information No A14; that is, the history of payments, the indexation and whether other agreements have been added to that in delivering money by other ways from the commonwealth.

*[Supplementary Information No A14.]*

**The CHAIR:** I will make the member’s question supplementary information No A15.

*[Supplementary Information No A15.]*

**The CHAIR:** Just on the NRAS matter, were you suggesting that round five would deliver 7 000 new rentals? The budget papers reads —

Subject to the ongoing commitment and finalisation of Round 5 by the Commonwealth Government, 7,000 new affordable rentals are planned to be delivered in Western Australia.

Are they NRAS?

**Mr Searle:** That is the overall total for NRAS, not just round 5. To be really clear, round 5 was going to mean 1 568 incentives for WA, so that comes off the 7 000, so we now expect to deliver 5 432 dwellings under the NRAS scheme in WA.

**The CHAIR:** So the difference between 2 432 at 30 June, and 5 432, which is 3 000, are NRAS projects currently in development?

**Mr Searle:** Currently approved, yes.

**The CHAIR:** So their funding is secure?

---

**Mr Searle:** Yes.

**The CHAIR:** For the whole of the 5 432 dwellings, is there is a public list of the different projects or can you take that question on notice? I imagine they range from some fairly small ones right up to things like the university college that is a —

**Mr Searle:** Correct.

**Mr Cash:** We can provide some supplementary information.

**The CHAIR:** Can we get a breakdown of those figures in terms of the location, the type of project and how many in each project?

[*Supplementary Information No A16.*]

[11.40 am]

**Hon PETER KATSAMBANIS:** I refer to item 2, “Home Loans”, under the heading “Service Summary” on page 521 of the *Budget Statements*. Can you clarify whether that is home loans through Keystart?

**Mr Searle:** Yes.

**Hon PETER KATSAMBANIS:** I note that there is a variance of around \$50 million between the budgeted for 2013–14 and the estimated actual. Around \$50 million less was spent on home loans than was budgeted. What was the reason for that?

**Mr Searle:** Fundamentally, demand and criteria. Keystart has been through a period where it has been a significant contributor in terms of funding, particularly first home loans in Western Australia. But at the end of the day it is a market-driven activity. It requires people to want the home loan and to be in a position in which they have confidence investing in their own home et cetera. Whilst we can set targets and budgets for that, at the end of the day it is about commercial reality and customers and whether people feel confident enough to invest in a first home. We do not control that.

**Hon PETER KATSAMBANIS:** So it is really a drop in demand based on people’s lack of confidence?

**Mr Searle:** It is a drop in demand that can come across from a range of reasons, one of which is that the commercial banks are moving into a space that they basically evacuated post the GFC —

**The CHAIR:** And your interest rate now matches them.

**Mr Searle:** Yes. We made a conscious decision a number of years ago that Keystart was not a low-interest loan provider; it targeted low-income people, but at market rates. One of the things we are hoping that will do is help people transition out of the scheme. What we found particularly pre-GFC—the world changed fairly fundamentally then—was that the average length of a Keystart loan was about three years. What was happening was that people were getting equity in the property and becoming financially more sophisticated. They wanted a credit card, but Keystart did not provide that so they went to the banks and asked for a credit card. The banks responded by asking what other financial commitments they had; “Oh, you’ve got a mortgage, you’ve got equity. Have we got a deal for you!” They offered a lower interest rate on their mortgage than they were currently paying and provided them with a credit card. So people have moved off the Keystart books. Keystart as a transitional scheme is where its real strength is.

**Hon PETER KATSAMBANIS:** That is its aim and its strength, I agree. It is a good scheme. Moving forward though, there are significant increases in the budgeted estimates. Can I clarify whether that is as a result of changing the criteria or the maximum amount of the loans or simply because you are expecting demand to ramp up over time—or a combination of both?

---

**Mr Searle:** It is primarily a combination of both. We think there is significant confidence in the market at the moment. More houses are likely to be built in Western Australia this year than have been built for a number of years—maybe the most ever depending on whose projections you believe. We see a significant increase in demand overall. There has been some minor movement in income levels upwards, which we are currently discussing and reviewing. We have also made significant changes in the north west, because it has been so different in terms of house prices and income levels. Keystart had almost become irrelevant in the north west because the levels just did not let anybody do anything. We are currently running a pilot in the north west to change those levels to see what the effect of that is. That has been running for about six months. We are trying to understand what that means from Keystart. Mr Whyte is actually on the Keystart board.

**Mr Whyte:** The growth in home loan figures that appear in the *Budget Statements* also reflects the affordable housing program, shared equity. A lot of the properties, especially our multi-unit and multi-residential properties, have taken two or three years to get through the planning and construction phase. They are now available for people to purchase under the shared equity program and will be over the budget forward estimates, especially the out years.

**Hon PETER KATSAMBANIS:** What percentage increase do you see in the shared equity component of the program?

**Mr Whyte:** It is really just the delivery of that program itself. Around \$250 million a year has been allocated to the program and, of that, at least 50 per cent of the properties are available through shared equity. The other properties that are sold to market are often people who go to Keystart to get the loan in any event. In terms of the shared equity component—is that the question?

**Hon PETER KATSAMBANIS:** Yes. How many properties are likely to come into the shared equity space over the budget estimate period?

**The CHAIR:** How many shared equity properties did you do in the last three years and how many do you expect to do over the forward estimates?

**Mr Searle:** The numbers done to date are about 800 over the space of the past 18 months to two years. We expect it to be around the 400 to 500 mark annually for the next couple of years.

**Hon PETER KATSAMBANIS:** You mentioned before that the planning processes have been an impediment to take-up. Do you feed in any of your learnings from the planning process to the Department of Planning to speed up the processes in the future?

**Mr Searle:** Absolutely.

**Hon PETER KATSAMBANIS:** What sort of mechanism or method is used for that?

**Mr Searle:** We have two or three ways of doing it. Mr Whyte is on the Infrastructure Coordinating Committee of the WA Planning Commission. I am on the WA Planning Commission in my role as director general of the department. We met as recently as a month ago with the Department of Commerce, which is responsible for the Building Commission, to talk about issues of regulation. We met again within the last month with DFES to talk about fire regulations and how they affect those developments. Because we are involved in the process intimately, we come face to face with some of the difficulties and, consequently, we feed those back to the agencies concerned at every opportunity to give them the opportunity to go through a continuous improvement program in terms of how they deliver their areas of responsibility.

**Hon PETER KATSAMBANIS:** You mentioned regulatory change. Do regulations need to be looked at or do we need specific legislative change to speed up this process? Obviously, this process mirrors what is happening in the private market and mirror the concerns I hear generally from people trying to get product to market.

---

**Mr Searle:** As I said, to some extent we are lucky given our commercial activities because we are in the midst of this. We quite consciously do not use our position as a department of state to avoid processes.

**Hon PETER KATSAMBANIS:** Obviously not.

**Mr Searle:** We have some ability to do that, but we choose not to. The Department of Finance is undergoing a regulatory review at the moment in this process. We have provided it with feedback and we are hopeful that one of those reviews will be quite tangible around some of the changes that are in place. One of the examples we have is trying to build modular apartments, which are currently going up in Cockburn as we speak, that are being built in Melbourne and trying to get them to satisfy the Western Australian regulatory environment. It has been a really interesting learning experience for us in terms of what it means. Whilst we have uniform building codes for Australia, the reality is that they are not uniform in their implementation.

**Hon PETER KATSAMBANIS:** Can you clarify that? There are uniform building codes, but they are not uniform in their implementation?

**Mr Searle:** Correct.

**Hon PETER KATSAMBANIS:** Why?

**Mr Searle:** Different jurisdictions choose to implement them in different ways. For instance, you can be twice as far from a fire-escape in Melbourne than you can be in Western Australia.

**Hon PETER KATSAMBANIS:** So they are not uniform.

**Mr Searle:** They are called uniform building codes.

**Hon PETER KATSAMBANIS:** There is a lot more work that needs to be done.

**Mr Searle:** There is and that is something that we are very interested in because, at the end of the day, it impacts on housing affordability.

**Hon PETER KATSAMBANIS:** On that modular space that you mentioned, is the department looking at using modular building beyond apartments into buildings as well?

**Mr Searle:** Absolutely. A number of the houses we have delivered as part of the National Partnership Agreement on Remote Indigenous Housing has been modular and has been transported to site. We have just, through our JV at Banksia Grove, committed to install a number of modular houses.

[11.50 am]

**Hon PETER KATSAMBANIS:** And will you be using Western Australian providers for those? I noticed you talk about using some Melbourne providers for the apartment stuff, but I understand that there are a number of Western Australian providers of modular product now. Will you be looking at using them?

**Mr Searle:** Certainly for the houses the product that will be used in the Banksia Grove development is a Western Australian product. I am not aware of a Western Australian multistorey apartment modular provider, though I would love to see one.

**Hon PETER KATSAMBANIS:** Sure, because sometimes it is encouraging them to do it.

**Mr Searle:** Absolutely, though in some cases in Halls Creek and those sorts of places we have actually tended to bring the modular product in from Darwin and Alice Springs simply because logistically it makes sense.

**Hon PETER KATSAMBANIS:** I understand. I have finished with that.

**The CHAIR:** I think I might move on to Hon Alanna Clohesy.

---

**Hon ALANNA CLOHESY:** I would like to move on to the transfers of public housing stock to the community sector. Of those titles, public housing stock, where it has been tenanted and there are tenants involved, how many of those types of transfers have occurred in the last 12 months and to whom?

**Mr Searle:** My understanding is that the number is tiny. I think we have got one or two complexes where we are negotiating the transfer to a community housing provider with existing tenants, but I think that is all.

**Hon ALANNA CLOHESY:** Could you tell me which ones they are and to which community housing provider they are being transferred and where they are located?

**Mr Searle:** Mr Whyte has been involved in the detail of that negotiation.

**Mr Whyte:** The transfer of existing public housing tenants has occurred when we rent, say, a block of units that is under a single title. The community housing sector might have, for instance, seven of the units already and there might be three public housing tenants. In order to transfer the asset to the community housing sector, we need to transfer the lot. We are undertaking a trial with Bethany and Southern Cross who are aged-care providers, and based on the success of that we will look to expanding that program.

**Hon ALANNA CLOHESY:** So at the moment you are only doing one and that is the one with Bethany?

**Mr Whyte:** There is one with Southern Cross, to my knowledge, and I believe there is also one with Bethany.

**Hon ALANNA CLOHESY:** I would like to know how many and where they are.

**Mr Searle:** Can I just add that the intention there has always been this program is owned to give the community housing sector additional strength and financial capacity.

**Hon ALANNA CLOHESY:** Sure.

**Mr Searle:** That is the whole intent. The intent has never been to force a tenant to go with the community housing provider. It has been very clear from the start that if a tenant, for whatever reason, does not want their tenancy transferred, they will not be forced to transfer; we will hold the ownership or the relationship with that tenant. We actually think there are some benefits, particularly in the ageing sector, for people to go with community housing providers because invariably they provide other services as well in the aged space.

**The CHAIR:** Can I just give A17, at least for your question about the nature and the details, as I think we are asking for further information?

*[Supplementary Information No A17.]*

**Hon ALANNA CLOHESY:** I understand what you are saying but if the property is transferred to a community housing provider who also provides other services like aged-care services, who owns the property? Is it the parent group or is it the community housing provider component of that?

**Mr Searle:** The community housing provider.

**Hon ALANNA CLOHESY:** So can the use of that property change?

**Mr Searle:** No. The agreements are all very clear around the requirements of the community housing provider to us. Quite often there will be covenants and caveats put on the properties just to make sure that we get advised but, no, there are clear outcomes put on the community housing providers. If they do wish to sell a property for a reason, they have to come back to us and invariably it will be a trade-off about, "Well, if you are going to sell that, what else are you going to provide?"

---

**Hon ALANNA CLOHESY:** So if a person wants to stay with the Department of Housing, they can; and if they want to stay in that property, they can?

**Mr Searle:** Yes.

**Hon ALANNA CLOHESY:** For the length of?

**Mr Searle:** However long they want.

**Hon ALANNA CLOHESY:** For however long they want; okay.

**Mr Searle:** That does not mean we will not try to encourage them to move somewhere else; we will certainly have those discussions. But to date I am aware there has only been one or two tenants who have been unhappy.

**Hon ALANNA CLOHESY:** So if they have to then negotiate with the department and, for whatever reason, might feel under pressure to actually leave that property but still want to stay as a Department of Housing tenant, what priorities do they have to, for example, stay in the same suburb, where are they on the wait list, and what choices are they given?

**Mr Searle:** To my knowledge, at the moment there has been only one tenant who has actually expressed some resistance. I do not even know that we have had discussions with them yet. Our intent would be to see no disadvantage to sitting tenants, and we will not force a tenant to move or force the tenant to go with an alternate provider.

**Hon ALANNA CLOHESY:** Are the tenants provided with advocates in the negotiation process with the department in this, particularly over their tenancy and their priorities or rights in terms of moving?

**Mr Searle:** At this point we have not forced anyone to move. There has been nothing to negotiate or no need for an advocate because they have been able to stay in the property.

**Hon ALANNA CLOHESY:** But you have just said that there are some tenants that do not want to move.

**Mr Searle:** What I think I have said—and if I have not, I will try to be clearer—is that if a tenant wanted to stay in the unit they are in, we will let them stay in the unit they are in, and we will let them stay there as a tenant of ours. We provide them with fact sheets, it is my understanding, about what is being proposed. If we get to the stage where there is a reason that we really want a tenant to move, we will go through a proper discussion process with those tenants, but to date we have never been in that situation.

**Hon ALANNA CLOHESY:** But they are made aware of advocates if they are having difficulty with the process?

**Mr Searle:** I would have thought so.

**Hon ALANNA CLOHESY:** Are there any proposals to do this in the future, where the property is tenanted, to transfer the tenant as well as the property? You have said you have only got a couple and you are going to give me a list of those. Are there any proposals to do that in the future?

**Mr Searle:** This is a pilot. We will reassess it once we have done the pilot and see to what extent there has been feedback from our tenants about the process, and then we will have an assessment as to whether we continue it. The whole issue of transfers to the community has and is being reassessed on the basis of the performance of the sector.

**Hon ALANNA CLOHESY:** I understand that community housing providers are being asked to leverage these extra properties to provide more community housing. What sort of KPIs have they been given in relation to that?

**Mr Searle:** Each of the major growth providers has been through a process with the department where we ask them to effectively bid for stock on the basis that they would provide growth based on



that stock. For most of the providers there was an issue around their lack of a significant capital base, and therefore the willingness of financial institutions to lend them money. So we went through this process. They actually offered undertakings as to what they could deliver. It is my understanding that in most of those discussions we thought they were being too ambitious and we doled back what we required them to deliver because we thought they were overly ambitious. That has been relatively successful and they have now entered into contracts to deliver against those KPIs. They differ from organisation to organisation based on the stock transferred and the value of the stock and those sorts of things. Embedded in those KPIs are how they actually use those additional dwellings.

[12 noon]

**Hon ALANNA CLOHESY:** How much extra public housing stock needs to be provided?

**Mr Searle:** Ms Loosley-Smith was involved in some of those negotiations, so it might be better if she answers the question.

**Ms Loosley-Smith:** Just really quickly, as you would be aware, a lot of not-for-profit organisations provide community housing. We are talking only about six or so here, so the ones that we are asking —

**Hon ALANNA CLOHESY:** Sorry, so there are six?

**Ms Loosley-Smith:** There are six growth providers. We are not trying to turn the whole sector into borrowers and property developers. There are six sophisticated providers with the capacity, where we have engaged in these kind of asset transfers. Off the back of the transfers to date, they have committed to providing over 500 extra dwellings through their borrowings and their ability to source money from elsewhere. They have delivered about 113 so far.

**Mr Searle:** If I can just give a bit more background to that: when we arrived there were, in round numbers, about 3 000 community houses in Western Australia and 300 community housing organisations. The average was 10 houses, which is clearly not effective.

**Hon ALANNA CLOHESY:** It depends which way you look at it really.

**The CHAIR:** This goes back to Tom Stephens' time as the minister in fact.

**Mr Searle:** It is very difficult. What the department has been doing for a number of years is encouraging the bigger ones to merge to make themselves commercially effective organisations. This is part of our support for those organisations to help them to grow.

**Hon ALANNA CLOHESY:** What other conditions are being placed on the housing providers to provide extra accommodation and those sorts of things?

**Mr Searle:** There were two things: there was the number of houses but there are also some restrictions as to what they could use those houses for. We talk about band A and band B tenants, so that a percentage of the growth has to be used for public housing tenants.

**Hon ALANNA CLOHESY:** What is the percentage?

**Mr Searle:** From recollection, 70 per cent had to be for public housing tenants.

**Hon ALANNA CLOHESY:** Is it possible to get a list of what was negotiated; what the total KPIs are? The other part of that would be: in terms of the number of properties or places, when do they need to be delivered by? It seems quite loose.

**Mr Searle:** It is not; it is contractually quite tight. I am happy to give the broad outline as to the summation of those. I would not be happy to release the actual detail without the consent of the other party. If you are talking about summary numbers, I am more than happy to commit to provide those.

---

**The CHAIR:** Let us do summary numbers and also seek the more detailed information; if you can seek permission to provide that.

*[Supplementary Information No A18.]*

**Mr Searle:** I am also happy to provide the member with a briefing separate to the process, if that would be useful.

**Hon ALANNA CLOHESY:** Yes. That would be great, thank you.

**The CHAIR:** I suspect the community housing providers would say your contractual obligations are too tight.

I want to ask a quick final question around your “Statement of Cashflows”. When you sell land, is that treated as an operating activity or an investing activity? I am trying to work out the difference between the proceeds from the sale of non-current assets and the sale of goods and services—where does land sales, shared equity and all of those fit?

**Mr Searle:** Given the chairman’s previous question, this will be right down the chairman’s area of interest: Treasury has actually changed the way we refer to various parts of our land development activity and property development activity within the nature of our budget. The change has been fundamentally to regard housing development and housing construction as stock in trade.

**The CHAIR:** It is now under “Cashflows from Operating Activities”?

**Mr Whyte:** The first reference you will note is on page 521 of the budget under output 3, “Land and Housing Supply”. It now recognises all of the expenditure and activities that occur in land and housing construction as stock in trade and under that program. In addition, you will note that under our “Statement of Cashflows” on page 531 that the income side now appears under “Sale of goods and services”. That is why it has risen from \$363 million to \$599 million, due to a change in the accounting treatment and the recognition of land and housing effectively being the stock in trade of the Department of Housing.

**The CHAIR:** Where is your purchase of the replacement land? Where does that get incorporated into the “Statement of Cashflows” on page 531?

**Mr Whyte:** It depends on the nature of that acquisition. If it is a long-term acquisition of broadacre land, it will appear as an asset and as a fixed asset purchase.

**The CHAIR:** So an investing activity?

**Mr Whyte:** An investing activity.

You will see there that in terms of day-to-day acquisition of land and any acquisition of land that we have through our joint ventures—because we purchase from our joint ventures and from the private sector—it appears in the “Statement of Cashflows” on page 531 under “Supplies and services”.

**The CHAIR:** The purchase?

**Mr Whyte:** “Supplies and services” as a purchase is a payment. Again you will note that it originally was \$544 million; it has now risen to \$831 million, recognising that it is now —

**The CHAIR:** Are we able to get as supplementary information a bit of a reconciliation? I am interested to know how much land you are selling and how much you are purchasing. Over the forward estimates, what is your planned purchasing? It seems that you do not seem to be buying much in terms of long-term investments until the last year of the forward estimates, which I would have thought is concerning at the very least; that we are not replacing what you are developing and selling. I would like to get a reconciliation of all of that, if that is possible. Your comment earlier about the fact that you are getting lower Keystart home loans, it concerns me that you seem to be expecting to get quite a significant dividend in growth over the forward estimates but your other figures do not necessarily correspond. Whilst you might be selling more land or you have got good

---

land sales going through, it is not converting into Keystart home loans. On what basis do you make an expectation that you will have significant resources coming from dividends?

**Mr Searle:** There are two major aspects to that. The first is that very few of our land development activities are actually funded by Keystart in terms of purchases. The vast majority of them are the normal purchasing process. You would not expect that to be reflected in Keystart. The other issue about the growth in the Keystart dividend is the Keystart book grew. Its prudential requirements and its requirement to set money aside for the appro-type requirements meant that our dividend was kept artificially low. Now that those prudential requirements have been established, there is no need to divert profit to that appro-type funding so those profits can now be returned as dividends to the beneficiary under those —

**The CHAIR:** You are not actually expecting your book to grow that significantly, just to hold the same book and gain a greater profit out of it?

**Mr Searle:** Absolutely; because the prudential requirements have already been satisfied

**The CHAIR:** Which is probably what encourages the ERA to say you are no different to a bank so why do we even have Keystart?

**Mr Searle:** Yes.

**The CHAIR:** How do you answer that question? How do you differentiate yourself now from a standard bank?

**Mr Searle:** Because the vast majority of the people who get Keystart loans are not eligible for bank loans. The banks will not look at them, and that is the reality.

**The CHAIR:** Deposits?

**Mr Searle:** Deposits are absolutely fundamentally. The median house, or even a bottom quartile house, in WA at the moment is \$400 000. To satisfy a bank, you need a \$40 000 deposit. Who, on a low income, can save a \$40 000 deposit?

**The CHAIR:** Are you happy to take that as supplementary A19 to try to give us a reconciliation of how much in terms of selling houses and land, and how much you have been purchasing for the budget period, say, from the 2012–13 actual through to the end of the forward estimates period?

*[Supplementary Information No A19.]*

**Mr Searle:** I am happy to report what is planned. The issue for us as the department is that we have to act commercially in almost everything we do. The timing of when we buy things is not so much driven by when we want to buy them but rather by when the market is at a point that it is intelligent for us to buy them. We never want to buy at the peak of the market.

**The CHAIR:** The “Statement of Cashflows” has assumptions in it. I am not asking you to change what you have in the budget papers, just a reconciliation of those budget papers or pulling out of that information so it is more legible because it has been shifted from where it sat.

**Mr Searle:** I am perfectly happy to report that. But my discussions within the department are very much based around that we should not regard our land development and purchasing, particularly our shared equity program, as a program that is going to do the same things every year. As markets change we have to respond and adapt to them, and if we do not we run a huge risk.

**The CHAIR:** Your budget is based on assumptions and that is what I am asking for.

**Mr Searle:** I am happy to talk about those. I keep saying to my troops that if we stick to those regardless of the market, we will be doing the state a disservice.

**The CHAIR:** Your purchase of the land will come back to what the government is prepared to fund you to do as well.

---

**Mr Searle:** Absolutely. Sometimes, whilst you might have the funds, it might not be wise to expend them at the top of the market.

**The CHAIR:** There might be times when you want to purchase but you do not have the money.

**Mr Searle:** I accept that totally.

**The CHAIR:** I will close the hearing at that point because we have run over time. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to email them to the committee as soon as possible after the hearing. On behalf of the committee, thank you for your attendance today.

**Hearing concluded at 12.12 pm**

---