

# **ECONOMICS AND INDUSTRY STANDING COMMITTEE**

## **INQUIRY INTO THE WESTERN AUSTRALIAN STRATA MANAGEMENT INDUSTRY**

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
ON WEDNESDAY, 27 NOVEMBER 2002**

### **SESSION TWO**

#### **Members**

**Mr A.D. McRae (Chairman)**  
**Mr J.H.D. Day (Deputy Chairman)**  
**Mr J.J.M. Bowler**  
**Mr B.K. Masters**  
**Mr M.P. Murray**

**LOGIUDICE, MS ELEANOR CLARE**

**Real Estate Agent and Licensee, Logiudice Property Group,  
examined:**

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

**Ms Logiudice:** Yes, I have.

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

**Ms Logiudice:** Yes, I have.

**The CHAIRMAN:** Please state your full name, business address and the capacity in which you appear before the committee.

**Ms Logiudice:** My name is Eleanor Logiudice. I am the licensee of the Logiudice Property Group and we are specialist strata managers. I am one of the 11 licensed real estate agents who specialise in strata titles and I am accredited with the Real Estate Institute of WA.

**The CHAIRMAN:** You are a real estate agent who specialises in strata management.

**Ms Logiudice:** I do not do sales.

**The CHAIRMAN:** That would be quite an unusual business profile in Western Australia.

**Ms Logiudice:** Yes. There are a couple of us in Perth. I got out of sales because I was sick of it. I got into strata management many years ago and we specialise in it.

**The CHAIRMAN:** How many strata title companies are you involved with?

**Ms Logiudice:** We handle nearly 2 000 lots.

**The CHAIRMAN:** Is that the total number of unit holders?

**Ms Logiudice:** That is right; yes.

**Mr J.J.M. BOWLER:** How many companies is that?

**Ms Logiudice:** It is about 80. It is a very average business. We are not the biggest and the best in Perth, but we are about average.

**The CHAIRMAN:** That suggests that, on average, there are about 30 units per company.

**Ms Logiudice:** Yes. We do quite a few high-rise buildings, which we specialise in.

**The CHAIRMAN:** Do you also deal with smaller strata companies?

**Ms Logiudice:** We do, but we are getting out of those. We now specialise in larger groups and we do not have the time to do the small ones. They are easier to run but are totally different.

**The CHAIRMAN:** We will concentrate our questions on the big end of the market, which you are involved in. One of the issues that is emerging within strata titles generally - I think it is Australia-wide and we are beginning to see it in Western Australia - is the multiplicity of the types of strata holdings. There might be a series of commercial strata holders in the same building as a number of residential strata holders, together with some common property such as a car park and maybe a hotel that operates as a single interest.

**Ms Logiudice:** I manage all those.

**The CHAIRMAN:** Do you have that level of complexity?

**Ms Logiudice:** Our company probably has the biggest variety of stratas. We manage about eight to 10 resorts in Dunsborough and they are all lease-back arrangements with the owner. People buy a unit at one of the resorts and the managers are on site. They manage the day-to-day operations for us. We do the strata side of it from Perth. They do a letting group-type thing with the investor-owner who goes down there when he feels like it or when he lets it out. We have also been involved with a hotel in Fremantle and we do some resorts in the city and at Scarborough. We have unit developments that are half residential and half commercial.

**The CHAIRMAN:** They are the ones to which I was alluding.

**Ms Logiudice:** They have shops at the bottom and the units are above them.

**The CHAIRMAN:** For example, shops with residential units above them and maybe a hotel or serviced apartments above those units.

**Ms Logiudice:** Yes. We have done that in the past. It depends on how the hotel people come into it. People buy a unit and they lease it back to the hotel that is operating there, and the shops are at the bottom. That is becoming more common now.

**The CHAIRMAN:** What are the major issues that you see emerging from that type of strata management company?

**Ms Logiudice:** We need to be more in tune, more experienced and more educated. When I started 10 years ago, I could not have managed one of those. However, I could manage a two to five lot scheme in Scarborough quite easily. I started off in real estate as a salesperson, but I went into commercial property management; that is, shopping centres. It is exactly the same as running a strata company, except that a shopping centre has one owner instead of five. We do a lot of shopping centres. My background made it easy for me to go into strata management. It is exactly the same; I still have to do the budgets and work it all out.

**The CHAIRMAN:** Given that you are a fairly significant player in the industry, are you concerned that there may be some unscrupulous skimming or mismanagement of accounts?

**Ms Logiudice:** I do not believe that happens as much as has been made out. It probably happens in any industry, but I have not seen it. I pick up a lot of stratas on a weekly basis. They are all badly managed. They have no idea what they are doing. However, I could never say that there was any misappropriation of funds, and I would find it. It would be very easy to find.

**The CHAIRMAN:** Is that partly because there does not seem to be evidence of a standard pattern of sinking funds or long-term investment or maintenance funds? They are a larger pot and might have bees swarming around them.

**Ms Logiudice:** My trust account is \$1.2 million on a daily basis.

**The CHAIRMAN:** Is that a high turnover account?

**Ms Logiudice:** No; it is always around that figure. It goes from \$1.2 million down to \$1.1 million. When we do our creditor payouts to our contractors, the account goes down by \$100 000 and then it is topped up again the next week.

**Mr J.J.M. BOWLER:** The chairman is saying that a lot of money is coming and going all the time.

**Ms Logiudice:** All the time. My trust fund never goes under \$1 million. Today it was about \$1.2 million. Then we have our outside accounts, which are the reserve fund accounts. I manage my funds extremely well. That is why there is money in them. My buildings are very well looked after, and we have to have money to do that. We are forever raising funds to make the buildings run

well. It makes my life easy. If we had no money and no work was being done, my job would be very hard.

**The CHAIRMAN:** The trust account and sinking fund?

**Ms Logiudice:** We call the sinking funds reserve accounts. If I have a \$200 000 budget for the year, I need \$50 000 in the trust account all the time to pay wages and whatever. We have a separate levy. People pay a quarterly strata levy. There may be a reserve fund, which is paid four times a year. As that money comes in quarterly, we bank it in an outside interest-bearing account. Ours is a trust account. The money goes to the Government and pays for the Real Estate and Business Agents Supervisory Board.

**Mr M.P. MURRAY:** If the sinking fund were made compulsory, what sort of percentage would you pay for that?

**Ms Logiudice:** I am in favour of the percentage used in New South Wales. I think about 25 per cent of the budget goes into the fund. There are a lot of buildings in Perth that will fall down if they are not looked after. There are some really old buildings.

**The CHAIRMAN:** There is also a low awareness of the exposure of unit holders.

**Ms Logiudice:** Absolutely. Strata managers do not know what is involved.

**Mr M.P. MURRAY:** What would be the biggest single strata unit?

**Ms Logiudice:** Some around Mt Lawley have 150 units and some in Mosman Park have 150 units. Two hundred units would be our maximum. You know what it is like in New South Wales. I attend conferences there a couple of times a year.

**The CHAIRMAN:** We have just been to New South Wales, Queensland and South Australia.

**Ms Logiudice:** When I first went to New South Wales a couple of years ago to learn and try to get ahead, I was sitting with some people at a cocktail party and I asked one person how many strata managers he employed. He said 35, and I nearly fell under the table. Our biggest company in Perth employs three. I asked him how many lots he had, and he said that he had 18 000 lots. I sat there thinking that I had only 1 800. It is totally different here, but we are heading in that direction very quickly. They are very experienced and professional and they have their act together. There is no doubt that they still have problems, but they know what they are doing. I go over there every year to learn from them. I bring back all the information and I learn from it. That is why my business is successful; I keep learning.

**The CHAIRMAN:** I am looking for the hot spots in this inquiry. We heard Miss Edwards say this morning that one of them is the registration of strata title managers. Another relates to the sinking or reserve funds, to which we have just referred. I was interested to hear the submissions that have been made in the Western Australian forum so far, and to follow that up particularly in New South Wales and also in Queensland. The New South Wales experience, which you have just talked about, is a bit more advanced than that in Western Australia and is in part influenced by the Californian experience. We are talking about grades of litigious society. The Californian experience is highly litigious. One of the participants in New South Wales spoke about the failure of a strata management company to develop a reserve fund in a building that collapsed, had a partial collapse or a failure of some sort. That caused a couple of smart strata title unit holders to file a class action against every unit holder who had been in the building for the previous 30 years. They were tracked down and an action was filed against all of them for failing to contribute during their use and enjoyment of the -

**Mr J.J.M. BOWLER:** Sinking funds, which are used to replace the building.

**The CHAIRMAN:** Or reserve funds.

**Ms Logiudice:** Yes; it depends what you call them. We need one here.

**Mr J.J.M. BOWLER:** Are you saying that it should be 25 per cent?

**Ms Logiudice:** I believe that is the figure used in New South Wales.

**Mr J.J.M. BOWLER:** That is 25 per cent of the maintenance.

**Ms Logiudice:** Yearly. It will kill a lot of people here because they will not be able to afford it. A lot of elderly people live in strata units. They worry more than anybody.

**Mr J.J.M. BOWLER:** Does it depend on the age of the building?

**The CHAIRMAN:** The first 20 years does not pose a serious problem for most buildings.

**Mr J.J.M. BOWLER:** With low maintenance, 25 per cent would not matter.

**The CHAIRMAN:** That time frame is getting smaller and smaller.

[11.15 am]

**Ms Logiudice:** Most new buildings need work because of the poor standard of workmanship.

**The CHAIRMAN:** Most of that should be covered by indemnity insurance.

**Mr B.K. MASTERS:** I live in a fairly new strata unit, so I know that you are right.

**The CHAIRMAN:** That should be covered by builders indemnity insurance.

**Ms Logiudice:** I have been involved in taking three brand new strata companies to court. The developers do not have to do what they should do.

**The CHAIRMAN:** Without naming names, is it possible to discuss the detail of what is failing? There is a chain of events, is there not? There is the builder and the developer.

**Mr J.J.M. BOWLER:** There is planning in the first case, is there not?

**Ms Logiudice:** The developer puts the money together with whoever he wants to. A cost limit is imposed and the developer goes through the process with the council to sort out the best and quickest way to build. He has loans and interest payments. If all goes well, the developer sells everything off the plan before he starts so that occupiers will be assured that their building will be exactly how it was supposed to be. If the developer does not sell off the plan, with half of the units left to sell, he will have interest payments to make.

**The CHAIRMAN:** Like a bridging finance problem?

**Ms Logiudice:** Yes, and you can imagine what the interest is like on finance for a large complex. By the time it reaches the building stage, the builder puts in his quote and it is accepted. It is usually on the cheap side and they take shortcuts. That is when water damage occurs and membranes are not included. I manage a complex in Crawley, which has huge problems. It will be dealt with in court. I also have problems with the building I own.

**Mr J.J.M. BOWLER:** It starts with the planning does it not? Councils allow buildings to proceed. Can you think of any cases that are a recipe for a disaster in the future?

**Ms Logiudice:** The bottom line is simply a matter of people wanting to make money. Things go wrong so builders cut things out.

**The CHAIRMAN:** This happens in private developments of single-occupancy homes. I have had quotes from builders for renovations or extensions for approximately \$100 000 and when you say I want windows and doors they say, "Oh well, if you want windows and doors."

**Ms Logiudice:** That is so far away from this issue that we should not even consider it at this stage; it is a different problem.

**The CHAIRMAN:** It is, but I am interested in how it could impact 20 years later on new owners and what are the manager's responsibilities. To what extent could a reserve or sinking fund be drawn on?

**Ms Logiudice:** Charles Noble, who is working for the Department of Land Administration, is looking into it. I hope that a sinking fund will be included in the amendments to the Act. It must be included in the Act. I am not sure whether it is being considered, because Charles Noble is spending a lot of time looking into it. Surely the best place for coverage of a sinking fund is in the Strata Titles Act.

**The CHAIRMAN:** I do not imagine that those reforms will be completed until we have finished this inquiry. Some people are working with DOLA and the Department of Employment and Consumer Protection. This inquiry was triggered by some of the preliminary examinations a number of people have done in the overlaps and gaps between consumer protection and land management.

**Ms Logiudice:** I have written out notes that I will share with the committee so that you can understand our objectives. I am not like other people in this business, as you will probably hear.

**Mr J.J.M. BOWLER:** I noticed you shaking your head before.

**Ms Logiudice:** I hope - I cannot say it. I want to cut the bullshit out with the facts and get this right because it is very important. That person had a lot of -

**The CHAIRMAN:** Heartfelt views?

**Ms Logiudice:** That is right. As a salesperson, most of them are there, but there was a lot there that was not quite right. The strata titles industry must be licensed and fairly strictly regulated. I have a couple of ideas, but I am not sure about them. Settlement agents have their own identity; they operate on their own. I could not set up in settlements without doing two years in the industry and studying. The same applies to a real estate agent. I am a real estate agent and proud of the study I did when my kids were babies and I was going through a divorce. I am proud of the fact that I had to study law, accounting and business. That helped me get where I am now. Without that study, I would not be doing the work I am doing as well as I am doing it. It is wrong that strata managers who do not have proper training or education can work for a company for a year, apart from being scary. If a licence were required, it should be available on a graduated basis because managing a Scarborough two-to-five-lot scheme with five little villas and a common driveway and making sure their gardens are watered, and their common lights are on everyday, is different from running a 21-storey place in South Perth. In a large complex people complain, for example, about the dirty water and on investigation, the strata manager will find that it is coming from a water tank on the roof, which has not been cleaned for 30 years. As a result the water is undrinkable so the building faces closure by the City of South Perth, and the previous strata manager did not know there was a water tank there.

**The CHAIRMAN:** With regard to the scale -

**Ms Logiudice:** The depth of education.

**The CHAIRMAN:** Yes, and the level of regulation that you are suggesting. You heard my proposition earlier that there is a question mark over duplex strata titles. What do you think of that?

**Ms Logiudice:** Make them a green title. It may be easiest to get rid of them from the Strata Titles Act. They do not involve anything that is hurting anyone. Even if they have a common drive, so be it. If it falls apart, they must fix it eventually.

**The CHAIRMAN:** Would an easement on green titles or freehold titles give sufficient security?

**Ms Logiudice:** I think so. Homes are built on battle-axe blocks now. Something would have to be written on the title. It would eliminate a lot of unnecessary regulation. The sad thing about even the three-to-five-lot schemes is that I will not touch them because there is not enough money in it. There is no money in running a five-lot scheme. The old rate was \$100 or \$500. It is not feasible. No-one will look after them, but if they do it costs the owners a lot of money. Some people are happy to look after them but the money side will be difficult for those owners.

**The CHAIRMAN:** The level of service by necessity will be small.

**Ms Logiudice:** Many of those residents will eventually look after their own place.

**The CHAIRMAN:** That might be right, but the distinction I make between those and the duplexes is that, as with all things, there can be a one-on-one relationship and the need to deal with those issues. However, once a third person is introduced and there is a triangle or four-legged beast, the complexities are much greater.

**Mr J.J.M. BOWLER:** Three of us here are country MPs. You are right about licensing and regulations. However, what would happen in a small town like Coolgardie, which might have a small strata title block, but a licensed operator is never going to bother taking on that work. If we impose regulations no-one will bother taking it on. In Kambalda, for example, there are, I think, about a dozen units in a couple of blocks. A licensed strata title manager will not operate in that area.

**Ms Logiudice:** Is there a real estate agent in town?

**Mr J.J.M. BOWLER:** Yes.

**Ms Logiudice:** Give real estate agents the authority to manage those places. Real estate agents are probably the best option.

**The CHAIRMAN:** Would it be dual licensing?

**Mr J.J.M. BOWLER:** Real estate agents can handle smaller complexes.

**Ms Logiudice:** No. Much thought must be put into it. If you simply created the need to have a licence everybody would be able to run a building that is 20-storeys high, but there is a big difference between that and a two-to-five-lot scheme. I did a lot of training for my triennial all of which I need for strata management. I do not sell properties any more, so my triennial is wasted because I work in strata titles. I also work in property management. The degree of education I required for my licence is necessary for strata managers. I call myself a building manager, not a strata manager. Strata management is only a small part of the Act. Other people say that we must know the Act. Do members know all the Acts they represent? It is a matter of knowing where to find the information.

**The CHAIRMAN:** The world is too complex for us to carry everything in our heads. Would you characterise yourself as an asset manager?

**Ms Logiudice:** Is that not a new yuppie term?

**The CHAIRMAN:** It comes out of Sydney.

**Ms Logiudice:** We have them here too. I like the old name of building manager. Asset managers is what the boys on the Terrace call themselves.

**The CHAIRMAN:** The old Building Owners and Managers Association.

**Ms Logiudice:** It is about running a building. If you put me in charge of this building, what would I do? I would not worry about the strata unless there was an issue with it; I would make sure the fire services were up to date, the windows were locked, the security was in place, the concrete outside was not cracked and that the balconies would not fall off. People in the strata industry do not understand that it is about building management, which involves maintaining the common property, maintaining body corporate assets and administering a scheme, which includes a supervisory role in relation to common property and to a lesser extent the lots. We need experience in financial management, administration and property management. The property management involves property maintenance and management of the property, which does not involve letting units. Financial management is the major issues these days. You would see if you came to one of my strata company meetings that owners want me to be an accountant. I am not a qualified accountant. We provide an income and expenditure report and an end-of-year balance sheet. The

questions we are asked are becoming more and more difficult. People expect us to know as much as an accountant. The average strata manager cannot do that. They are lacking accounting package skills and the knowledge of what a balance sheet looks like. They cannot even manage their own cheque accounts, let alone a building management fund.

The biggest problem with a strata company of, say, 20 owners is that one owner will ring every day asking for something to be fixed. Some managers say okay and the money goes out everywhere. But they must budget and they cannot go over that budget. It is like any organisation. If the budget provides for window cleaning only five times a year, it cannot be done six times a year. Unless emergency maintenance is required, money cannot be spent willy-nilly. That involvement is the experience we need to be strata managers. We need to be building and financial managers to start with and then to have knowledge of strata titles. If we do not know it, we need to know where to find it. It is a very specialised field.

**The CHAIRMAN:** You referred to the increased demands for more complex services from strata title companies. What prospect do you have of reaching a certain size at which you can either access those specialist services and incorporate them within the services of your company? In other words, what would you do if your company reached a critical mass?

**Ms Logiudice:** How would I know where to stop? That is a good question.

**The CHAIRMAN:** There is an argument about the economies of scale. You might have your 2 000 lots now, but if that grew to 5 000 lots across 100 strata title companies, would that give you a revenue stream that would allow you to provide some of the key services that you might have to outsource now?

**Ms Logiudice:** I do not outsource anything; we do it all ourselves.

**The CHAIRMAN:** Auditing and accounting?

**Ms Logiudice:** Only for strata companies. Many of our large strata companies are audited because we recommend that. Our company is audited as per the Real Estate and Business Agents Act. We manage it all ourselves. We deal with accountants daily. I know how to get the information to run our business and we pay for that information. My partner does the GST and the BAS and he works in with the accountants. Our operation is somewhat different. We do not outsource.

**Mr M.P. MURRAY:** Do you chair the meetings?

**Ms Logiudice:** Absolutely, if they will let me - only because of the time constraint. We allow an hour for a meeting and if we let someone else chair it, it can take three hours.

**Mr B.K. MASTERS:** Are any problems associated with holiday units in Dunsborough?

**Ms Logiudice:** They are classed as holiday units and are allowed to be lived in for only three months a year. Most of them are of that calibre. They do not present any real problems.

[11.30 am]

**Mr B.K. MASTERS:** The committee will visit Busselton to look at strata caravan parks because there have been problems with them in the past. Would there be any benefit in our having a quick visit to one of your units in Dunsborough?

**Ms Logiudice:** I would be happy to set that up for the committee.

**The CHAIRMAN:** We will be down there in late January or early February.

**Ms Logiudice:** That is great. You will get to see the other side of things because quite a lot happens down there.

**The CHAIRMAN:** We want to go to a couple of regional centres to get an understanding of the different nature of things.



**Ms Logiudice:** Yes. In Dunsborough you will see the difference whereas Bunbury just has normal strata like Perth, except on a smaller scale; whereas Dunsborough has leased resorts and that sort of thing.

**Mr B.K. MASTERS:** Can you tell us the names of the resorts you manage?

**Ms Logiudice:** We manage Geographe Cove Resort in Gifford Road, Whalers Cove Resort in Lecaille Court and Bayshore Resort. We have a few others around town that are not leased out but are privately owned, such as Birds Nest. I also manage the Sanctuary Resort Bunbury golf course. We have only just taken on the Busselton Marine Centre, which is strata titled and has units, a fuel depot and a tavern. It is very different and very nice. I was there on Saturday and I could retire there.

**Mr B.K. MASTERS:** I was there on Saturday at the restaurant.

**Ms Logiudice:** We were there early on Saturday morning. We had to travel to work at Dunsborough for the day. It is a very hard life going to Dunsborough to work!

**The CHAIRMAN:** Particularly getting motivated to do the work. Are you continuing through your material?

**Ms Logiudice:** Yes, I would like to present all this material to the committee.

**The CHAIRMAN:** It is very useful, thank you.

**Ms Logiudice:** I think the committee is told many irrelevant things. In general, I believe there must be formal training in accounting, law, the Strata Titles Act, administration, building maintenance, business practices and probably meeting procedures. It sounds as though I am making this too hard but training is very important. I had to study business practice when I learnt to operate my own business and to get my licence. That was all at technical and further education level but I did a year each of law and accounting studies. It was very basic training, but it taught me about income, expenditure, balance sheets and the basics of common law. Why do I not need that sort of training now as a strata manager? Believe me, you really do. It taught me what I had to look for when I started my business agency; that was really good. There is no training in Perth for strata managers except for a four-day course run by the Real Estate Institute of WA, which does not tell people how to operate their business but is a very fast overview on the Strata Titles Act. It is run by REIWA, presented very well and is a very good course but once you do it, that is it. I did my course five years ago and I have never been back because REIWA has only the same course to offer.

**The CHAIRMAN:** What about the Strata Titles Institute of WA?

**Ms Logiudice:** STIWA is a different matter. I was a councillor with STIWA for 18 months and I resigned through frustration. It had had an accreditation officer for six years before I got there and nothing happened in the 18 months I was there. I am not sure what is happening now. I am still a member and I have not been told in writing through any newsletter that accreditation is happening. The people at STIWA talk about it. They have courses, one they conducted recently on the Privacy Act and one on the goods and services tax. Occasionally they have one or two quite good courses on common property, how to read a strata plan and things like that. They are about only the basics of keeping people in touch with what is going on. What I am saying is there is no proper formal training for strata managers apart from the four-day REIWA course. I was a councillor and I can say that.

**The CHAIRMAN:** Keep going with your list.

**Ms Logiudice:** With training I believe people need at least two years experience in the industry. I had to have at least two years as a real estate sales representative before I got my licence. Settlement agents need at least two years experience in the industry before they get their licence, not including their studies. The same licensing requirements should apply to strata managers.

**Mr J.J.M. BOWLER:** Do you mean a qualifying period.

**Ms Logiudice:** Yes. How can you not have a qualifying period? I have been looking for a strata manager for 12 months and I cannot get one. There is no-one in the industry who I want to pinch, which is very unusual because there is usually someone. The marketplace is usually very big for real estate agents but in the case of strata managers it is not very big. There are only about 60 strata managers in Perth anyway, apart from all the real estate agents who operate stratas as well. As I said, there are probably about 500 to 800 real estate agents in Perth who have 10-lot to 20-lot schemes. Strata title management is therefore spread around everywhere. I still now only have a personal assistant, not a strata manager, to take some of my workload. We are going to have to start training from scratch.

Strata managers should be licensed. Strata management is becoming a very big industry in WA with a large percentage of buildings now being strata titled. It is a most appropriate time to introduce licensing because of how fast the industry is growing. Strata title development is on the verge of a tremendous growth period. If we use the eastern States as a guide, we can only presume that we will follow them in their growth patterns - maybe not as fast but we are getting there. I saw in the paper recently an article about land being cleared for building at the back of the Burswood Casino. About 8 000 people will live in that area in 10 years and a lot of their properties will be strata titled. Ten years is not that far away.

**The CHAIRMAN:** Probably all of it will be strata titled.

**Ms Logiudice:** That is right. A lot of people will be living in a very small area with many different strata companies. Strata title management must be done properly. We need experienced professional and knowledgeable people to grow with it. The only way we can achieve that is by licensing and regulation. We should encourage accreditation to ensure strata managers keep up with their knowledge of the Strata Titles Act.

**The CHAIRMAN:** Do you believe that a demonstration of professional development should be a condition of continuing registration?

**Ms Logiudice:** Yes, because a real estate licence is renewed every three years as long as agents are operating and there is no problem. I have worked for licensees over the years and have known more than they did because I had studied and they had not; however, that is the same in any industry and is not unusual. I believe that all money of strata managers should be put into a trust account and audited.

**The CHAIRMAN:** A single trust?

**Ms Logiudice:** Yes, because we operate with single trusts in WA. The eastern States work with separate trust accounts. This is an area that the committee must examine carefully, depending on what it decides to do. The eastern States have single trust accounts for every strata company. We are currently buying an accounting package from New South Wales and hope to have it on line by January. We are choosing to go with one trust account again, like we have done in the past.

**The CHAIRMAN:** Is that for all the properties that you manage?

**Ms Logiudice:** Yes. It is worked out by putting all the money in one pot but split up into each strata company. It is a very good system that works now and has been doing very well. In the eastern States every trust account must be audited. That is fine except an audit there costs only \$400 to \$500. Every time I have an audit done it costs \$2 000. Strata companies are unable to afford that. That is one thing I would like the committee to keep an eye on.

**The CHAIRMAN:** Why is there that difference in price?

**Ms Logiudice:** Who knows? My colleagues in Sydney cannot believe what we pay over here for auditing. I have a lot of audits done, because we recommend them. I deal with a lot of commercial

people and they recognise that it is a way of life and they do it. However, the going rate is between \$1 500 and \$2 000.

**Mr J.J.M. BOWLER:** Just finding an auditor these days is difficult.

**Ms Logiudice:** Yes.

**Mr B.K. MASTERS:** On a slightly different issue, no interest is payable on money tied up in trust accounts.

**Ms Logiudice:** That is right.

**Mr B.K. MASTERS:** You said you had \$1.2 million in your trust account?

**Ms Logiudice:** Yes.

**Mr B.K. MASTERS:** That is an awful lot of forgone interest.

**Ms Logiudice:** But does that not pay for the Real Estate and Business Agents Supervisory Board? Part of it goes to the Government and part of it goes to the board.

**The CHAIRMAN:** No, only the tenancy rental bonds.

**Ms Logiudice:** No.

**Mr J.J.M. BOWLER:** Because you are a registered real estate agent, it goes to the board?

**Ms Logiudice:** I am a registered real estate agent. It therefore goes to REBA, which I am happy about; that does not worry me.

**The CHAIRMAN:** Would you be happy to see that system duplicated for the reserve funds?

**Ms Logiudice:** The reserve funds are a different matter. You have to be careful there because you are putting them away.

**Mr J.J.M. BOWLER:** Is that for the long term?

**Ms Logiudice:** Yes, and that money could sit in those reserve funds for 10 years.

**The CHAIRMAN:** I know; that is what is attractive about it. If the moneys were in there long term -

**Ms Logiudice:** But you will find that it is not a lot of money.

**The CHAIRMAN:** No, but it is cumulatively across the State.

**Ms Logiudice:** I probably have only half a million dollars sitting in reserve funds in the name of strata companies. They are not in our name, they are not in trust accounts, they are purely in the names of the owners or whatever. There is therefore another half a million dollars on top of the \$1 million that I have in the trusts.

**The CHAIRMAN:** It is a relatively small amount?

**Ms Logiudice:** Yes. We do not have a lot in those reserve funds.

**Mr J.J.M. BOWLER:** But we would if we introduced what you suggested.

**Ms Logiudice:** If you did bring it in.

**Mr B.K. MASTERS:** They are small amounts because they are working funds.

**The CHAIRMAN:** No, the reserve funds are not working funds.

**Ms Logiudice:** No, they are not working accounts.

**The CHAIRMAN:** They are long-term development funds for when the buildings have come to the end of their economic life and need major refurbishment. Typically, if a building is built properly, that should be around the 20-year mark.

**Ms Logiudice:** Yes, but you have to paint a building every five years.

**The CHAIRMAN:** Yes, and that should come from the reserve funds.

**Ms Logiudice:** That is right.

**The CHAIRMAN:** But that will not be a major structural refurbishment. It may be a roof replacement or a lift upgrade.

**Ms Logiudice:** That is right; we just had two lifts upgraded at one of my buildings which cost \$200 000.

**Mr J.J.M. BOWLER:** If we adopted your suggestion that 25 per cent of maintenance funds should go into reserve or sinking funds, in five years your reserve or sinking funds would be greater than your other funds.

**Ms Logiudice:** That is right. You would have to scale that down because of the two-lot to five-lot schemes. They do not need that much money. Their reserve fund needs only \$10 000 in the event that their paving collapses.

**The CHAIRMAN:** There is another issue. As a multi-party committee of the Parliament, one test we must apply is the extent of public risk. A private risk with people complying with the law and being informed of their risk and exposure over time does not, quite frankly, have much to do with government. However, if there is a greater risk of, firstly, people not being informed of their liability and, secondly, the cost of that risk being passed to the public, which is a potential issue, then that is a matter for government and Parliament to be concerned about.

**Ms Logiudice:** That is right.

**The CHAIRMAN:** I believe some buildings in Perth pose a serious public health hazard.

**Ms Logiudice:** Absolutely.

**The CHAIRMAN:** However, none of the owners has the capacity to pay for any refurbishment or repair that may be required. There would have to be either a bulldozing or a blowing up at public expense of these sorts of buildings and the Government would have to bear the cost of that in some way. In my view that would produce a good reason for thinking about how those reserve funds could be applied and whether they are legitimate tools for government to use as a way of guarding against both private and public risks.

**Ms Logiudice:** At a public forum we had the other week a couple of strata managers said they were very concerned that the interest on reserve funds was taken away from owners. That is something that must be examined closely because there is a working account from which the Government will get money. Will that not be enough to subsidise the licensing and running of strata managers? That matter must be considered and thought out very well.

**The CHAIRMAN:** Can you continue to go through your list of material? I am very interested in the way you have thought through a hierarchy of intervention or regulation. We might ask you to follow up that matter at some point because we have only another 10 minutes at most.

**Ms Logiudice:** You are asking me because of the difference in the size of the buildings and my knowledge of those buildings?

**The CHAIRMAN:** The duplexes, the three-to-fives and the sixes and above, which I think is probably not a bad way of breaking them down.

**Ms Logiudice:** Even a 20-lot scheme of single townhouses or 10 on the bottom and 10 on the first floor would be fine. All the strata plans are different. You sometimes need to be a rocket scientist to read strata plans because of the way surveyors put - or do not put - notations on them. They are very confusing and even I still have trouble knowing whether a roof is common property and things like that. There must be some line there for accreditation and for providing a licence that allows strata managers because of their experience to manage, say, two-lot to 20-lot schemes, or they are

not licensed to manage shopping centres because their strata plans are different again. They have vast car parks.

**The CHAIRMAN:** And public spaces.

**Ms Logiudice:** Yes. There are a lot of issues with different types of businesses. A lot of people do not realise that some businesses cause an increase in insurance. I have been through all those issues with different massage parlours and businesses like that. I have been to court and the whole lot over it.

[11.45 am]

**Mr J.J.M. BOWLER:** What do you mean?

**Ms Logiudice:** I have been through all that. The insurance went from \$15 000 to \$60 000, and I had to work out who pays the difference and goes to court to make people pay. There is a lot involved and you need to have that experience to direct the owners, because they come to us for advice and we have to give it. Some strata managers say you should not give advice or any service, but we do not operate that way. Ninety-five per cent of people run with their companies and look after them 100 per cent, and we refer them to lawyers or whatever. There must be some licensing procedure so that people who can only operate on a small scale do not deal with 21-storey buildings that have water tanks.

**The CHAIRMAN:** I am attracted to the notion of grading of registration.

**Ms Logiudice:** I do not think anybody has ever thought of it.

**The CHAIRMAN:** I had thought of the need for it to be treated differently for duplexes.

**Ms Logiudice:** I think that is a separate issue, too. A program should be set up to also educate owners in self-managed areas. When I was in New South Wales in August the strata group had its annual general meeting, and one owner stood up and asked about letting owners who manage their own stratas have one member from each strata company become a member of the New South Wales strata group. A lot of people did not like it. He asked me what I thought. I said I would have to think about it. I do not have an answer, but this is a way of getting people into the institute and it raises funds. Only one person should be allowed to come in and not the whole lot. It would boost funds, plus it would educate those people.

**The CHAIRMAN:** It might typically be that the strata title company or the chairperson or secretary would attend?

**Ms Logiudice:** One of them would be nominated to be a member. I have not broached this subject with STIWA, but I came back with this idea because someone threw it at me in New South Wales. They will push it even further over there. It was knocked back at the AGM.

**The CHAIRMAN:** But it is an interesting way of including more people.

**Ms Logiudice:** If we are to educate owners who are not self-managed, it is not a bad way - even giving them a separate membership.

**Mr J.J.M. BOWLER:** What about a different level of membership fee?

**Ms Logiudice:** Yes. We may find that they come and find out what they should be doing, realise they are not doing it, think it is too hard and then let someone else manage it. They may learn a lot and then get out of it.

**The CHAIRMAN:** But to learn a lot is the key?

**Ms Logiudice:** Yes. At the moment the strata title institute has no membership criteria. I was the membership coordinator and when anybody wanted to join I just had to ring them and welcome them. I rang one person and told him he needed to have a referee to nominate him. I rang that person and asked her who she worked for. She said she had not done it before and she had just

opened her door. She was automatically a member of STIWA. I could not believe it. They cannot join any other institute. REIWA is a fantastic organisation. You have to be a real estate licensee to be a member. It is very strict about who it lets in. The only courses it allows people into are the strata courses. I do not believe people are allowed to join for other courses. They are changing a little bit, so I could be wrong. We need a very strong institute and once we license strata managers, it will happen.

In conclusion, as a real estate agent and a specialist in the industry, I beg the committee to take the necessary time to investigate the industry and ensure that we end up with a properly licensed and regulated industry where the public can be assured of being looked after in the most professional manner. That is what we must do, and the only way to do that is by licensing and getting everything right as we go through the process.

**The CHAIRMAN:** You make that plea for getting it right, but at the outset when I asked you about significant failures, you said you had no knowledge of major corrupt practices and nor did you believe that it was happening in the west. That is consistent with other comments that have been made to me in Western Australia, and interestingly in Sydney the observation by one of the major strata title management participants was that we can regulate and register against corrupt practices, but if we attempt to regulate and register to do away with the blundering fools, then we have really overstepped the mark in terms of where Governments and Parliaments need to intervene. That poses a bit of a dilemma for me.

**Ms Logiudice:** I have only seen bad management.

**The CHAIRMAN:** You have seen plenty of the blundering fools.

**Ms Logiudice:** Absolutely. A lot of what you are hearing is based on bad management.

**Mr J.J.M. BOWLER:** You overcome bad management by regulation or licensing.

**Ms Logiudice:** When licensing comes in, a lot of that will disappear. I do not believe there is any corruption. There are no kickbacks. If it is happening it is a very minor thing.

**The CHAIRMAN:** The evidence across Australia is that there is a low level of consistent skimming. There is no major theft of large pots of money, but there is evidence that the police and other regulatory agencies in Queensland, for example, know of one agent - a deregistered solicitor from another State - who is operating as a strata title manager and they have evidence of him consistently taking out sums of approximately \$200 to \$300 on each transaction.

**Ms Logiudice:** That is fraud, is it not?

**The CHAIRMAN:** It is straight fraud, but because the amounts are so small - they are skimming in the order of \$180 000 a year cumulatively, but in minuscule amounts - they are below the threshold at which anybody will take action. The police will not act on it because the amounts are too small; the insurance companies and other agencies who are being defrauded will not act on it because the amounts are too small.

**Ms Logiudice:** That exists across industry.

**The CHAIRMAN:** I just wanted to get your response to that.

**Ms Logiudice:** I honestly think a lot of it is bad management.

**Mr B.K. MASTERS:** An earlier witness said that one of the good things about having strata companies for small groups of units is that the by-laws could be written up in such a way to control bad behaviour by tenants, residents or whoever. Do you see that as a particularly useful attribute of by-laws?

**Ms Logiudice:** We already have the basic by-laws that state that people cannot be a nuisance to a neighbour and so forth. The Act needs to be changed and we need a lot more regulation in the industry, but it would be helpful.

**Mr J.J.M. BOWLER:** How do you manage problems where you have different types of living and usage in the same building - shops on one level, residential on the next, and maybe a hotel?

**Ms Logiudice:** That is increasing.

**Mr J.J.M. BOWLER:** Does that create problems down the track?

**Ms Logiudice:** No. I have some really older places like that and I do not have any problems.

**Mr J.J.M. BOWLER:** How do you allocate maintenance for the different usage?

**Ms Logiudice:** A lot of them have separate budgets which we have to draw up and work out whether some people do not use the pool at the back because they have shops, they do not use the lift and things like that. It is all worked out on unit entitlement and the budget. In a brand new building in the first year a few owners will say that they do not want to pay for the pool because they are shop owners; they do not have a key to access the pool, so we work out a separate budget for those people.

**Mr J.J.M. BOWLER:** You are all of a sudden talking about a fair bit of expertise to do that.

**Ms Logiudice:** Absolutely.

**Mr J.J.M. BOWLER:** Going back to the different levels of licensing, you are saying that with 10 or 20 units that is okay, but with a small group of six or seven units with that type of structure, you will need a degree of expertise to handle it.

**Ms Logiudice:** I know what you mean.

**Mr J.J.M. BOWLER:** Someone who has handled a group of duplexes or triplexes would not know how to handle that.

**Ms Logiudice:** Possibly not, no. By way of example, I have a biscuit factory in Fremantle with a row of shops underneath. There is a butcher shop. He has been there on his own for years because all the shops on the bottom level are vacant. The café reopened about 18 months ago down one end and the butcher shop is at the other end. The butcher shop has complained for years about the blocked grease traps. He has been cleaning them out for years and I have been fighting with him for years and saying he is the only shop there. The café has now opened up. The butcher has been saying that the sewage from the unit above must go into his grease trap. I got the plans from the Water Authority. He has a grease trap that runs from his end downhill to the café. He cannot complain ever again. I have shown it to him in writing. That is all you have to do; it is simple. The grease trap belongs only to the shops; it does not belong to the people above. It is the way the butcher operates; he has a lot of fat in his shop; he says he does not, but he does. He cannot blame the café because it is at the other end. You do come across those problems - he was blaming upstairs, and upstairs was saying he has to fix it himself. You have to know who pays for what. Why should a strata company pay for a grease trap?

**The CHAIRMAN:** This was a very useful presentation to our inquiry. On behalf of the committee, I thank you very much for taking the time. If you would like to rework your notes, you can forward a follow-up letter. We will send you a copy of the transcript in draft form and if there is anything in it that you think is erroneous you should mark it. However, if a check against the tape shows that you said something, it will remain in the transcript.

**Committee adjourned at 11.56 am**