

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO DEVELOPER CONTRIBUTIONS FOR INFRASTRUCTURE COSTS ASSOCIATED WITH LAND DEVELOPMENT

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
ON MONDAY, 5 APRIL 2004**

SESSION 1

Members

Mr J.B. D'Orazio (Chairman)
Mr M.G. House (Deputy Chairman)
Mr J.L. Bradshaw
Mr A.J. Dean
Ms J.A. Radisich

Committee met at 9. 10 am

MURPHY, MR DANNY,
Managing Director, LWP Property Group Pty Ltd,
1/60 Coolamon Boulevard,
Ellenbrook, examined:

PERRY, DR RUSSEL JOHN,
General Manager, LWP Property Group Pty Ltd, examined:

The CHAIRMAN: The committee hearing is a proceeding of the Parliament and warrants the same respect that proceedings of 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 Parliament. Have you completed the "Details of Witness" forms?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes attached to it?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the "Information for Witness" briefing sheet regarding the giving of evidence before a parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: Have you made a written submission?

Dr Perry: We have not.

The CHAIRMAN: Do you intend to make a written submission?

Dr Perry: No, unless it is necessary or helpful to the committee.

The CHAIRMAN: No; I needed to ask you whether you wanted it incorporated.

Welcome to our hearing. As you know, this hearing is about developer contributions. Would you like to start by telling the committee a bit about your involvement and how you see this issue being pursued?

Dr Perry: Mr Chairman, Danny and I thought we would do two things. First, we will talk in particular about the Ellenbrook development, with which we have been involved for a number of years. Ellenbrook is a fringe development for which there have been infrastructure issues. If we can give some evidence to the committee, it might be helpful in its deliberations. In another status, Danny was previously involved with UDIA and I am the immediate past president of UDIA, so I have been involved in this issue on behalf of the industry as well. We thought we might be able to help the committee by talking generally about issues but also by giving specific examples about Ellenbrook.

Perhaps I will start with the general first, Mr Chairman. I do not need to emphasise the importance of infrastructure in terms of the land development industry. Some of our comments this morning will deal with two forms of infrastructure that I call hard infrastructure and soft infrastructure. I am not quite sure whether the committee is looking at both.

The CHAIRMAN: Yes, absolutely.

Dr Perry: We have comments to offer in that regard. One point that we like to make and illustrate by way of example is that there is a danger in addressing what I call problems by coming up with a solution that does not fix the fundamental problem. It is the bandaid approach. If you have a problem - I will use the medical analogy - and you put a bandage on it to try and fix it, there is a tendency to put another bandaid on top of that bandage because the bandage is not working properly and then another bandaid on top of that instead of addressing the original wound and its treatment. I have a view based on my experience working in government as well as in the private sector that there are a number of very good tools available to government to deal with infrastructure coordination and planning, and I do not believe that they are being properly utilised. Probably the best example of that is the metropolitan development program. It is a very powerful infrastructure coordination tool that is planning based and it is a vehicle that the development industry certainly contributes to actively and views as being a valuable tool in terms of coordinated planning. Its weakness is that it is not really paid more than lip-service by a lot of government agencies who are in fact the infrastructure providers. Perhaps the Water Corporation, which tends to be an easy target when we talk about infrastructure, probably does more than most government agencies in taking into account the metropolitan development program. However, I suspect that many other government agencies do not know it exists. Together, the metropolitan region scheme, which is the statutory planning process, and the metropolitan development program provide a suite of vehicles for Governments to properly plan the orderly expansion and growth of Perth. The danger is that we come up with solutions that do not fix the fundamental problem. If the fundamental problem of coordination is not addressed and fixed, issues that I understand the committee has before it, such as developer and infrastructure levies, will not fix the fundamental problem.

The CHAIRMAN: What happens when we get people like you in places like Ellenbrook? You have developed something that is in the middle of nowhere. If it were done as a coordinated government approach, there is no way in the world you would have ever developed Ellenbrook in its current location. It still does not have proper transport access and will not have for X, Y, Z days. By your argument, that development would never have happened.

Dr Perry: There is a logic that denies your statement. It might be appropriate if Danny talks about the history of Ellenbrook and the reason it came together. We would argue that the genesis of Ellenbrook would have happened with a well-coordinated planning approach anyway.

Mr Murphy: If you look at the way Perth has grown over the past 30 years, it went from quite a radial growth pattern up until the early 1970s and then there was a massive expansion along the coast. If we look at the north east corridor and in a straight line, Ellenbrook is only 20 to 25 kilometres from the central business district. It would have been a waste of Perth's broader infrastructure if the north eastern corridor were not developed in the way that happened via Ellenbrook. If we look at the airports and work places, the north east corridor ought to be developed in terms of maximising Perth's infrastructure. We have to address the particular issues of its isolation from the existing urban front, which I will move to now; but certainly to have not developed Ellenbrook would have been a significant waste of Perth's infrastructure.

The CHAIRMAN: No-one is saying that, particularly not me, because I was on the planning authority when Ellenbrook was approved. However, when the discussions occurred, it was on the basis that it would be non-frontal, because it would create a massive in the provision of infrastructure. Again, going back to your comment, if it were done logically, I do not think Ellenbrook would have happened at the time it happened. There is no question that the north eastern corridor has to be developed and will be developed. However, I doubt that sticking a development in the middle of nowhere and leaving everybody else to provide for the infrastructure would have happened under your well-coordinated plan. It is not that it should not happen; however, who pays is the question we need to address.

Mr Murphy: Ellenbrook brought specific challenges because it was 10 kilometres from the urban front and because of Whiteman Park, amongst other things and the Gnangara water mound. At that stage, the Water Authority was the main instrumentality directing growth through its funding policies. Particularly with Ellenbrook, it took the view that it was non-frontal and therefore the developer should pay for the capital cost of water and sewerage. It was about \$20 million up-front to take the services across Gnangara Road to Ellenbrook. There were no guidelines for community infrastructure, which, again, created problems because you could not tack onto existing services within the neighbouring suburbs. When we set about planning Ellenbrook, particularly planning the funding of infrastructure, we had to form a view of what type of community we wanted. It was determined that it should develop reasonably quickly and be directed at the lower to middle-income brackets.

[9.20 am]

But not only that, it should appeal to a broad cross-section from a demographic viewpoint. That is important in terms of the infrastructure development, because too often in those locations it is all first home buyers. They all age at the same time, so then all the primary schools become obsolete, and then the high schools as you go through the various age cycles. Therefore, up front, we were keen on developing a development model that would attract a broad cross-section of the community. That is important in whatever growth corridor you are working in.

When it came specifically to water and sewerage, as I mentioned, we started at the point that was non-frontal and that we should pay everything. Obviously, the development would not have started if we had had to go through that; the \$20 million could not have been paid by the developer. However, it was wrong that the arrangement with headworks applied everywhere else in the State but did not apply to that particular sector of Perth. From Kununurra to Albany you have headworks, but for some reason they were resisting it in the north east corridor of Perth, 20 to 25 kilometres from the CBD. There seemed to us to be a lack of logic in that. However, we worked through, and we arrived at a headworks figure that was about 1.6 times the normal figure, which again was the rate that was being applied to the north west corridor. To this day, I still think it is a lack of logic in the headworks equity argument. I think it should be one headworks or a different rate for each area. The fact that, again, Kununurra and Albany pay a certain figure that is the same as the rest of Perth, but two sectors do not, is -

Mr J.L. BRADSHAW: You talked about the \$20 million to start with. Is the 1.6 times headworks charge on top of that, or is that part of the \$20 million?

Mr Murphy: No, the Government paid for the up-front capital.

Mr J.L. BRADSHAW: The Government did?

Mr Murphy: Yes, it paid for the water and sewerage, and we are paying that back over the life of the project.

Mr M.G. HOUSE: At 1.6 times the normal rate?

Mr Murphy: Yes.

Mr M.G. HOUSE: Does that include an interest component?

Mr Murphy: No. It is about \$7 000 per lot, so we will pay it back \$70 million over the development time frame for Ellenbrook - 10 000 lots - including a premium of about \$25 million to \$30 million.

Mr M.G. HOUSE: How did you arrive at 1.6? It must have included an interest factor over the period of time, I presume.

Mr Murphy: We were given that figure at the end of the day by the Water Corporation.

Mr M.G. HOUSE: Was there any justification for it?

Mr Murphy: No. We had difficulty getting the background to it.

Mr M.G. HOUSE: It was not able to give you a base cost factor for it to provide the service and an interest rate factor over the period of time? It could not provide you with all that?

Mr Murphy: No. It indicated that it had a formula, but we were not given access to its workings.

Mr M.G. HOUSE: It has a formula?

Mr Murphy: Yes, it had a formula for coming to the 1.6, but we were not given access to that.

Mr M.G. HOUSE: We will ask the corporation about it. I want to go back to your point about Kununurra and Albany. Are you saying that that formula is the same, whether you do a development in Kununurra, Ellenbrook or Albany?

Mr Murphy: No, I am saying that there is a standard headworks figure that applies throughout Western Australia, except for two areas: the north west corridor of Perth – say above Joondalup - and the north east corridor of Perth above Whiteman Park.

Mr M.G. HOUSE: So everywhere else in the State is the same, except those two areas?

Mr Murphy: Yes.

Mr J.L. BRADSHAW: With regard to your development, though, because you had gone further out, did the lower cost of the land help offset some of that; or was the cost of the land lower because you had moved out from the front?

Mr Murphy: It was purchased by the two owners in the Government and Sanwa Vines, as it was then - the Japanese company that developed The Vines - as rural land in the 1980s, and then a rezoning process went through. When it comes to the issue of who pays for the infrastructure, I come back to the developer's and the Government's broader view of the purpose of that land in terms of meeting housing needs. If you say it is to service a certain sector of the community from a price point, you have got to start there and work down; and that is what we did. We shared quite openly with government the objectives for the project, and said, "That's where we want to pitch it: one in 12 public housing, 40 to 50 per cent first home buyers, but not too focused on first home buyers so that we don't fall into the trap of not servicing the ageing population in terms of the efficient use of infrastructure."

Mr M.G. HOUSE: In percentage terms, what was your profit margin range, or what do you reckon it will be?

Mr Murphy: The industry works on about a 20 per cent internal rate of return.

Mr M.G. HOUSE: Sorry; I am aware of that, Danny, but I just wonder what you reckon your return on this project will be.

Mr Murphy: We are going to come in a little under that. We are going to be in the range of 15 to 20 per cent. Sanwa has moved out. However, we track it every year, and if you start with those that were there in the early 1990s, that is going to be the rate of return.

Mr M.G. HOUSE: Do you think the Water Corporation could have given you the service that it did at a lesser price?

Mr Murphy: I do not know why we are paying 1.6 times and everyone else is not. If there is a recovery that the Water Corporation needs to get from its investment in capital, either it should be shared across the State equally by everyone or you have a different arrangement for each area, based on the capital cost.

Mr M.G. HOUSE: What worries me is that it works out these things backwards. It has given you a target that it wants to achieve this, this and this. It wants to achieve a certain number of first home buyers, a certain amount of public housing etc. Then it does a sort of calculation and says, "Okay, we can sell those blocks for X, so we'll go back and take off all the minuses." Then the Water

Corporation says that it can therefore afford to charge whatever, without looking at the cost of the provision of that service. That is the bit that concerns me.

The CHAIRMAN: The problem with this is that Ellenbrook is a very special case, because without the Water Corporation committing \$20 million, it is not going to happen. It has actually become the funding organisation for a private development, which I have a problem with. In any other State, whenever you skip the frontal development, the developer must put up the money. Here, you guys have got a nice holiday, because the water authority has paid the up-front capital, and you are paying it back over a period of time. It would be nice if every developer could have someone funding its development with no guarantee, and then you just pay it back when you develop the lots.

Mr M.G. HOUSE: There is also a principle implied here of a government agency providing the finance for a development, surely.

Mr A.J. DEAN: Is the \$7 000 per block locked into a contract, or is that a movable feast?

Mr Murphy: It goes up in accordance with the general movement in headworks charges.

Dr Perry: As standard headworks charges go up, so the 1.6 of whatever the standard headworks charge is goes up.

Mr A.J. DEAN: You arrived at a figure of \$70 million for the 10 000 blocks. That \$70 million could be \$140 million or \$200 million by the time it is paid out. Is that what you are saying?

Mr Murphy: Yes. It will probably be closer to \$90 million to \$100 million with escalation.

Mr A.J. DEAN: It is currently \$7 000 per block.

Mr Murphy: No, it is more than that.

Dr Perry: \$7 500.

Mr Murphy: It started off at \$6 600, and it is currently \$7 500.

Dr Perry: The project is just 10 years old.

Mr A.J. DEAN: What are your blocks selling for these days? How many of the 10 000 have you sold, and what are they selling for?

Mr Murphy: We have sold just over 4 000, and the average price for a 600-square metre lot is now about \$100 000.

Mr A.J. DEAN: Over the past three years, has that doubled?

Mr Murphy: No.

Mr A.J. DEAN: So it was \$100 000 three years ago as well.

Mr Murphy: About \$70 000. Therefore, we have seen significant escalation in the past two years.

Mr A.J. DEAN: That is nearly a 50 per cent increase, but your infrastructure costs surely have not increased by 50 per cent, have they?

Mr Murphy: No, but with a project like this, you have got to take a longer term view. For the two previous years, the prices did not move at all, but our costs kept going up, so you will have that movement in prices.

The CHAIRMAN: We talked about water. What about the actual transport infrastructure that the State had to fork out for?

Mr Murphy: Let us look at the transport infrastructure, because I think water and sewerage are best handled on a statewide basis, because the infrastructure is planned on a Perth or regional basis. When you look at transport and the particular issues about corridors, we took a view in conjunction

with the City of Swan. Our requirements were related to the roads within Ellenbrook under the normal developer arrangements.

[9.30 am]

We took the view that if we were to put 30 000 people on our land - and there are some adjoining developments that take it up to 45 000 with the Multiplex project next door - we needed to access Perth's ring-road system, so we put forward a proposition to government whereby we would contribute \$3 million, of which \$1 million would be to upgrade Lord Street, which goes down the eastern side of Whiteman Park, and \$2 million would go into the next leg of Reid Highway connecting Tonkin Highway to West Swan Road, if the Government came forward with its contribution on that. That effectively meant \$3 million to bring forward those roadworks.

The CHAIRMAN: What is the total cost of the upgrade of Lord Street?

Mr Murphy: Lord Street upgrade was not any more than about \$3 million. The most significant cost was Reid Highway between Tonkin Highway and West Swan Road, which had a total budget, I think, of around \$11 million or \$12 million.

The CHAIRMAN: My argument to you would be again that the front is being expanded beyond the current front. The State and the council have put up \$20 million to basically subsidise your development.

Mr Murphy: The Government has to take the view, does it want to provide housing or not. You can freeze out most corridor developments on the basis that we are not ready for it yet, but where do people live? There are some broader issues than the issues you are raising.

The CHAIRMAN: I understand that. Ellenbrook is the perfect example. It was out there 10 kilometres from the front. It obviously created the problems that exist everywhere else in Australia when people propose to do things that are not at the front. That is a specific case, which is great because it highlights all the issues, such as who provides for transport corridors. If someone wants to put a railway line up there, who pays for that?

Dr Perry: Seven or eight kilometres out of the 10 kilometres is Whiteman Park, which is a conservation reserve and the water mound, so it is a non-developable area. Whatever the timeframe that Perth would be expanding in the north east corridor, there would be a non-frontal development at some stage because there was a bit of land that you cannot develop. You must leapfrog over it and make the services available.

The CHAIRMAN: There is a helluva lot of land around Henley Brook that can still be developed.

Dr Perry: Not according to government policy, Mr Chairman, in terms of priority protection of the water mound.

The CHAIRMAN: That is currently being negotiated. We will not get into this argument. That decision will be made in the near future, I believe. It is deferred under the regional scheme.

Ms J.A. RADISICH: I think it might be helpful for our information if the witnesses outlined the joint funding model between them and the City of Swan for some of the community infrastructure, if they have not done so already.

The CHAIRMAN: They are actually going to give us a bit of background on what the funding arrangements were from the state point of view and then they were going to go on to the soft infrastructure.

Mr Murphy: Prior to coming to Perth to commence the Ellenbrook project, I worked for a national development organisation called Delfin, which undertook major projects in all the other States. I am familiar with the infrastructure arrangements in Brisbane, Sydney, Melbourne and Adelaide. In the previous five years, I examined a whole range of options that are out there: the issue of who funds, where it ends up at the price point and the markets people can service because of those

arrangements. As you have said, in other States developers are required to fund a lot more than they are here. Perth developers fund more than they do in Adelaide. That is going back 10 years. The situation may have changed now. I think the final arrangements for Ellenbrook were not a bad outcome in terms of where we wanted to pitch the market and service.

I have moved through water, sewerage and transport. With drainage we had a significant problem, because no-one wants drainage. The state people do not want it and the City of Swan people do not want it, so the drainage arrangements continue to be an ongoing issue for Ellenbrook and also the industry. What is required is someone to say that they will take long-term responsibility for drainage, and then we can organise a funding arrangement to suit. We then get into community infrastructure. As I mentioned, one of the challenges when we started was that there were really no guidelines for community infrastructure for opening up major areas, so we had to do something to get there. It was known as the community plan. It brought together all the relevant public and private service providers. We sat around a table for a couple of years and thought our way through, given the distance from existing services. Out of that came an arrangement for the first primary school, which was the school in houses, which has now been used as a model in other areas. The primary school was very important, not only from an educational point of view but also as a meeting place for the early residents. We then set up a trust fund with the council. We contributed \$300 per lot each. Again, it was a model that we had taken from a development in Adelaide. That provides \$7 million over the life of the project. It is important as seed capital for attracting other capital money; it is important for providing a community development officer and a whole range of services and facilities that slip through the crack. That has been a very important model, which you can play with for other areas. It commits the local council and the developer to a very important outcome.

Mr J.L. BRADSHAW: You talk about schools in houses. I assume that eventually a school will be built by the Government and you will get the houses back. What other infrastructure facilities have you provided with the council? I do not think they have been specified; I have not picked up any.

Dr Perry: There are a number of examples of how the fund works. The fund does not apply to the school in houses or the subsequent school in offices, which we built as well with the Department of Education; they are separately negotiated. Perhaps the best way of describing the fund is that the first community centre in Ellenbrook was the result of a \$350 000 budget out of the fund. That in turn acted as seed capital to attract a matching grant from the Lotteries Commission. The Department of Health wanted an infant health nurse. It put in \$150 000 to expand the building. The Department for Community Development put in a similar amount to have some facilities. We ended up with a \$1 million community centre, which opened when the population of Ellenbrook was only 1 000 people. Since then, there has been another partnership by using the fund with the Salvation Army, which has resulted in a creation of a recreation centre. The Salvation Army has put in two-thirds of the capital cost and the fund has put in one-third. The City of Swan owns the facility. The Salvation Army manages it on a long-term peppercorn rental basis. It is just a win-win situation. The church has a facility; the community has a facility; the City of Swan has a facility.

Mr M.G. HOUSE: This is clearly not a normal development.

Dr Perry: We are proud of some of the benchmarking that we have been able to do for these sorts of partnerships that we are able to create. The partnerships that are created out of willing parties sitting around a table, I would argue, produce much better results than legislated funding outcomes.

Mr M.G. HOUSE: I accept that and I accept that it is unique in many ways, but it is not a normal development.

Dr Perry: A lot of what flows into Ellenbrook is the result of its size; the fact it is 1 200 hectares, 10 000 lots and 30 000 people. You cannot do the things that you can do at Ellenbrook if you have

100 hectares and 1 000 lots or fewer. However, I would argue, without having thought it through in detail, that via some structures that pick up multiple land ownership, similar structures should be able to be put in place. Again, that will spring from coordinated good planning. To take your lead, Mr Chairman, if you say that here is a frontal, coordinated development that involves four or five different land owners that adds up to a critical mass, let us put in place the systems and structures that we have been able to do at Ellenbrook simply because it is under one joint venture ownership.

The CHAIRMAN: If your maths are right, you are saying \$300 a lot.

Dr Perry: It is again based on the CPI, so it will probably average \$350 per lot and the city contributes dollar for dollar, so if the developer puts in \$350 and the city puts in \$350 and it is a shared fund, there will be \$700 per lot, and at 10 000 lots, it is \$7 million.

The CHAIRMAN: If the developers were to charge \$1 000, the council would not have to put in \$3 million.

Mr Murphy: That is right.

The CHAIRMAN: It would make absolutely no difference to the price of the development. Councils have argued to me - not just the City of Swan but also the others - that developers need to put more in because the councils cannot keep up with providing \$3 million or whatever to provide soft infrastructure that developers expect the day they arrive.

Mr M.G. HOUSE: It is only the first year's rates.

The CHAIRMAN: Not quite.

Mr Murphy: We did instigate very early on an economic impact study of Ellenbrook on the City of Swan. We need to take the long-term view, which says that they will get 10 000 new rateable properties. We must take a 20-year outlook; not just a one-year outlook. We obviously hear all the time that the developer should put in more and more. The reality is that because we have pioneered, together with the State Government and the City of Swan, the rate of return will be in the range of 15 to 20 per cent over the life of the Ellenbrook project. The Government is a half owner. Those figures are available. It is a long-term investment undertaken by the three parties.

Mr J.L. BRADSHAW: Do you put in the parks, playing fields etc?

Mr Murphy: We put in the parks. The council puts in the major recreational ovals.

Mr M.G. HOUSE: What percentage of the Ellenbrook development has sold now?

Mr Murphy: Forty per cent.

Mr M.G. HOUSE: Over what period of time do you reckon that the other sixty per cent will sell?

Mr Murphy: Over about another twelve years; we do about 500 a year on average.

The CHAIRMAN: From a developer's point of view, what is the most critical thing - certainty of process, certainty of costs or negotiated settlements that could be open-ended for ever and a day?

Mr Murphy: What we want is certainty in respect of financial arrangements. The planning process is another thing, not for this forum. What a major player needs to do, whether it be Ellenbrook or any new growth area, is to know that the work has been done. Russell mentioned a cooperative arrangement involving industry, the local council and the State Government to set up arrangements that meet the Government's objectives. I notice in your briefing paper that densities are very important. I think that the industry has not played its role in density development in the period in which I have been in Perth. We try for at least 40 per cent of our product to be under 500 square metres. That has been a key objective that has been set up, so that we maximise the infrastructure investment. I still think that Perth produces too many 650 square metre lots, which is not right for the future and does not maximise the investment. There are some obligations on the developer, but they will come out of those cooperative discussions, which must occur up front as we

open up new areas and we get an arrangement that looks at the infrastructure, both hard and soft, and we come to financial arrangements that suit everyone.

Dr Perry: Just talking about soft infrastructure for a moment and taking cognisance of your comments about frontal development versus non-frontal development, of course, soft infrastructure is nothing to do with the front. Soft infrastructure can be provided wherever, because there is no cost of bringing the pipes and the roads across previously undeveloped land. What I think is disappointing at the moment with infrastructure provision - I go back to my earlier comment about the metropolitan development program - is the lack of a coordinated approach to that soft infrastructure provision. Probably the best or the worst example I can give you is that at Ellenbrook; with a population of 10 500 people currently, the 40 per cent first home buyer population means lots of young couples and lots of young families. We already have four primary schools there, after the project has been going eight years, two of which are government primary schools. The first government primary school was an interim school put in houses and was created by the developer. The second government primary school was the school put into offices, and again was a project initiated by the developer. Whatever the history of Ellenbrook, with a project that is growing at the rate of Ellenbrook, you would think that the Department of Education's planning system would be doing better than two interim primary schools and no time line for a high school. That is the reality at the moment. One of the real issues out at Ellenbrook as well is that Ellenbrook looks terrific, but if you scratch below the surface, there are a number of families under great financial, social and economic stress and strain.

[9.45 am]

The amount of community infrastructure, including welfare assistance and all those types of community services, is severely lacking. It appears that the response from government agencies in this regard is to wait until there is a problem and then react to it rather do something about it in the beginning. I gave members an example of the Department for Community Development, which contributed to the cost of that project. Its offices have never been staffed by the department in the six years since it was developed. Joblink, which provides employment assistance, is the only agency to have used those offices in the past year. About 12 months ago, it used the offices for two afternoons a week. No human resources are available for these types of projects. That has nothing to do with frontal development, but with growth.

The CHAIRMAN: It does have something to do with frontal development. If those offices were located next to Midland or Ballajura, the facilities could have been used. Ballajura, which is my electorate, has the same problem. It has exactly the same argument. If the facilities had been built adjacent to each other, services could have been provided. In the case of Ballajura, it affects between 10 000 and 25 000 people who could have been serviced. The problem is that it is not. Basically, there will be two lots of facilities. That is the problem.

Dr Perry: One lot of human resources could spend three days a week in Ballajura and two days a week in Ellenbrook, but the resources have not been provided.

The CHAIRMAN: We could argue about that. This is a far bigger argument about how we can resolve all these issues. I agree that coordination is needed; however, some developers want to jump the frontal position, which has created problems.

Dr Perry: There is no doubt about that, but solutions are in place to overcome those problems. One of the comparative problems we have touched on today is that no density targets are set in existing frontal development. No demographic mixes are managed - which we have been able to do at Ellenbrook - to make sure there is a whole-of-lifecycle development in which there is a mixture of young and old people in the community. That mix is needed so that, when a high school is built, hopefully it will stay there forever rather than be demolished in 10 years because the population has aged. Some issues of soft and hard infrastructure relate to the fundamental planning principles of existing development rather than frontal development. There is a big focus on frontal development.

Each year frontal development produces about five per cent of the housing stock. I suspect - as the chairman just mentioned about Ballajura - that a lot of the problems relate to the 95 per cent and what we have created there. Let us see if that can be avoided in the future by putting in place realistic planning agendas and a coordinated approach to infrastructure development.

The CHAIRMAN: I asked you a question earlier about contributions per lot. With regard to the Department of Education, it has been suggested that there might be a better way to fund development by the department making a per lot contribution. That would be the same as its requirement to pay headworks costs. Would developers consider that option?

Dr Perry: My view is that transport, infrastructure, education and whatever other levies, will provide the funding source for these types of projects. There is a question of equity with regard to the growth of Perth and who should pay for that growth. The argument that UDIA logically uses is that those costs are then passed on to the new home buyers, who are the least able to afford those costs. New home buyers account for 40 per cent of the customers at Ellenbrook. Those costs trickle down to the bottom line without much change. I have no doubt that the committee is aware of the section 94 contributions in New South Wales in which an amount of money sits in banks and does not get spent on infrastructure. The second point I make, which I touched on a moment ago, is that if regulated outcomes are put in place, good outcomes are not necessarily achieved without having structures in place to implement them. It is all very well to solve the funding sources; however, once the funds are made available, how are they spent? Who develops the agendas and what is the coordinated approach to produce the best outcomes on the ground? The funding problem cannot be solved without solving the problem of implementation. That was the comment I made at the beginning about providing a bandaid solution rather than fixing the problem at its source.

Mr M.G. HOUSE: That is an interesting point. If such a fund were established, who would administer it? How would it be done?

Dr Perry: Logically, it would be administered by the local authority. Developers come and go, but local authorities stay forever. Fees would need to be provided to the local authority to administer and manage the fund. It could be argued that that would be its role anyway. However, I would have thought that a structure under the umbrella of local authorities involving developers and community participation could be set up. That would be very much along the lines of the model at Ellenbrook in which a committee, which is chaired by the City of Swan and has developer and community representation on it, oversees the system. That would be a way of making it happen. A genuine community based agenda would then be developed from the grassroots up. A funding source and a system would be in place that involved annual reviews, budgets and planning, to make sure that the needs of the community would be provided.

The CHAIRMAN: Do you think the standards or expectation of the community has changed and that a higher standard is required today?

Mr Murphy: It certainly has. That is not necessarily a bad thing with regard to the environment in which people live. However, if the developer is loaded up with fees, the difference between the haves and have-nots is increased because a growing amount of the population can no longer afford housing because the point of entry is too high because the developer must fund all the development and oncosts. That is a dangerous route to go down. Very careful consideration must be given about introducing developer levies across all items of services, from schools through to water and sewerage. The Government must understand the importance of its role and balance out the funding requirements over the broader community and the various generations. I have difficulty with going down the path that just loads up the costs onto the developer all the time.

Dr Perry: I also argue that the development industry has a fair bit to contribute to creating communities. A more financially based economic rationalist approach to levies on a cost recovery

basis would perhaps remove that input. For example, we have a partnership with the City of Swan in the management of a community fund. If there were an out and out levy and a cheque had to be written for each lot that went through, why would any developer go above and beyond that? That is not a threat; I am just posing a scenario.

Mr A.J. DEAN: Is local government confident enough to administer such funds?

Dr Perry: Can I answer yes and no?

Mr A.J. DEAN: I understand.

The CHAIRMAN: That is okay for developers who want to do the right thing, but what about those that do not and who want to skim the bottom line? That will be a problem

Dr Perry: A horses for courses approach could be taken. I understand the need to put in place policies that are uniform, transparent and across the board. However, it would be a pity if an average target were set and those developers that had standards below average were brought up to the average but the scheme ran the risk of those developers that had standards above the average being brought down to the average.

Mr M.G. HOUSE: They would not have any incentive to change.

Dr Perry: That is right. Whatever proposal this committee formulates, I suggest that the committee give serious consideration to - not an exception - a special categorisation in which the developers who met the standards would get an exemption. That would address that point.

Mr M.G. HOUSE: In that vein, the solution might not come off the top of your head now, but you might like to tell the committee at another time how the incentive could be kept while also keeping some benchmarks in place. In other words, the system would have incentives for developers to improve, without any compulsory principle.

Mr Murphy: If the three parties involved understood the infrastructure needs of a new area, they would know that an arrangement would be required for that to happen. If people want to not apply themselves to the task, they must contribute financially. There is enough flexibility to ensure that developers can work within their own model to come up with solutions that work for everyone.

Dr Perry: I refer to my earlier comment about the metropolitan development program. That provides the vehicle to coordinate infrastructure, both soft and hard, in a way that is consistent with government decisions through the metropolitan region scheme, to allow for orderly frontal development. What needs to be done is that the three parties must sign off on the MDP. The problem with the current MDP is that it is descriptive, and is not necessarily implemented. It provides a wonderful agenda for implementation for the local authorities, the developers and the State Government. Those agencies could sign off on it and agree to set up particular agendas and agreements and to implement them for an area that is to be developed over the next five years.

Ms J.A. RADISICH: Given the difficulties that Ellenbrook has experienced in the past in its relationship - perhaps not relationship, rather a lack of willingness by the Department of Education to advance necessary educational facilities - have you thought of or identified any ways that could be implemented at earlier stages to try to engage the department earlier in the development so that the things that were needed could come on line sooner?

Dr Perry: There is nothing wrong with the schools in houses and offices. They address the member's very point.

Ms J.A. RADISICH: But you have had to do it.

Dr Perry: When we can get the Department of Education around the table and it is prepared to talk to us in a positive frame of mind, it works well with us and produces good outcomes. The difficulty is getting it around the table.

The CHAIRMAN: We are half an hour over time. Is there anything else you would like to tell the committee? If you want to stick around, the City of Swan is coming in shortly. I am sure it will have some interesting comments about Ellenbrook too.

Dr Perry: I know it off by heart, Mr Chairman.

