

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**ONGOING BUDGET ESTIMATES HEARINGS 2010–11**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 20 SEPTEMBER 2010**

**DEPARTMENT OF HOUSING**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 2.45 pm****SEARLE, MR GRAHAME****Director General, Department of Housing, sworn and examined:****WHYTE, MR PAUL****General Manager, Commercial and Business Operations, Department of Housing, sworn and examined:****BROOKS, MS LYNETTE****Manager, Performance Reporting, Department of Housing, sworn and examined:**

**The CHAIRMAN:** Thank you very much. I welcome you to this hearing this afternoon. Before we commence, I am required to administer the oath or affirmation.

[Witnesses took the oath.]

**The CHAIRMAN:** Please state the capacity in which you appear before the committee.

**Mr Searle:** I am the Director General of the Department of Housing.

**Ms Brooks:** I am Manager of Performance Reporting, Department of Housing.

**Mr Whyte:** I am General Manager, Commercial and Business Operations, Department of Housing.

**The CHAIRMAN:** Thank you. You will have signed a document entitled "Information for Witnesses". Have you read and understood this document?

**The Witnesses:** Yes.

**The CHAIRMAN:** The proceedings this afternoon are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document that you might refer to during the meeting. Please be aware of the microphones and try to speak directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence in general terms once you leave the hearing.

Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and we value your assistance this afternoon.

Members, it would be very helpful if you could please preface your questions with the budget statement volumes, page number, item, program et cetera.

**Hon LIZ BEHJAT:** I refer to the first dot point under "Significant Issues Impacting the Agency" on page 905, which reads —

As of April 2010, a total of 13 properties have been sold and settled under the initiative, at a total value of \$13.3 million. Ten properties have been spot purchased so far with proceeds from the initiative, at a total cost of \$4.3 million.

Can you give me an update for the five months since April to now on those figures as to whether any more properties have been sold and spot purchased?

**Mr Whyte:** We have now sold a total value of \$17 268 500. We have also sold vacant land. We have another seven properties on the market at the moment and one property is awaiting settlement to the value of \$740 000.

**Hon LIZ BEHJAT:** Did you give us a dollar value on the vacant land that was sold?

**Mr Whyte:** No. That is within the total.

**Hon LIZ BEHJAT:** Is that within the \$17 million total? So it is 18 properties and vacant land to a total of \$17 268 600?

**Mr Whyte:** Correct.

**Hon KEN TRAVERS:** How much vacant land was involved?

**Mr Whyte:** I do not have those figures, but I can get them to you.

*[Supplementary Information No A1]*

**Hon LIZ BEHJAT:** Can we have a bit more information on where the properties that were sold are and the vacant land? Can you also update us on how many have been spot purchased since?

**Mr Whyte:** I can give you the spot purchases. Twenty-five properties have been spot purchased to the total value of \$10 461 500.

**The CHAIRMAN:** The rest of that information is also part of supplementary information A1.

**Hon LIZ BEHJAT:** You will have just under \$7 million kicking around to go and buy a few more properties?

**Mr Whyte:** Correct.

**Hon PHILIP GARDINER:** It is interesting that you are arbitraging something. I just do not quite know what it is, whether you are changing from good areas. Are you now buying into more remote areas? I am trying to get a measure of what the inhabitants of these houses are having to deal with in the change—not the same inhabitants, but in general.

**Mr Searle:** The general rule of thumb is that if a property is worth twice the median house price in Perth, we view it as a potential high-value sale. Two properties in the list are being sold for other reasons, but the vast majority are sold on whether it is double the value. If it is double the median value, we then look at the property and ask whether there are particular reasons we should keep it. If not, we then put it on the market. It might be that it is close to a hospital and it has a lot of bedrooms or something like that, so we decide to keep it anyway because it serves a particular purpose. But by and large that is the process we go through.

[2.50 pm]

**Hon LIZ BEHJAT:** They are only sold when they become vacant, are they?

**Mr Searle:** Yes. When every property becomes vacant we do this assessment.

**Hon PHILIP GARDINER:** In the purchases, what kind of properties are you buying? You are buying many more properties, which looks good, but is that in the very down-market areas? What is the criteria for that?

**Mr Searle:** Availability and match to our waitlist. We have a significant waitlist at the moment which is segmented by area—metro north, metro south et cetera. We try to buy properties in areas where we have unmet demand. We are also watching our dollar amount. We are tending to sell things at close to \$1 million and buy them at around \$400 000. It tends to be the way it works out.

**Hon KEN TRAVERS:** The number of bedrooms in the houses you have sold versus the number of beds in the properties you have purchased, do you have those figures?

**Mr Searle:** Not at hand. I have individual addresses here but I do not have bedrooms in that list. I am happy to provide that information.

**Hon KEN TRAVERS:** Do you have a global figure of how many additional bedrooms are being purchased as a result of that?

**Mr Searle:** No; but again I am happy to provide that information. A lot of the houses we have sold have been relatively modest houses on very expensive parcels of land, to be honest. It is just not worth us redeveloping the sites.

*[Supplementary Information No A2.]*

**Hon KEN TRAVERS:** We are getting the locations of where you have sold properties and also where you have spot purchased properties. Following on from Hon Philip Gardiner, an average of \$418 000, are they all houses or are some of those unit developments that you have purchased?

**Mr Searle:** On the look of this, there are about four units. There might be more. There might be six or seven because there are a couple of As and Bs. There are probably seven or eight units amongst that list. The rest are houses.

**Hon KEN TRAVERS:** Have we got any idea where the locations of those are?

**Mr Searle:** Absolutely. They are in places like Atwell, Success, Rockingham, St James, Southern River, Lansdale, Seville Grove, Gosnells, Midvale, Midland, Palmyra, Cannington, Beechboro, Ballajura and Southern River, those sorts of suburbs. I am actually reading from the list.

**Hon LJILJANNA RAVLICH:** I want to make sure we have captured everything in terms of on notice. I understand properties that have been sold have been asked for and vacant land sold has been asked for. I am wondering whether you could also provide information in relation to those properties that are now awaiting sale; also where the properties so far have been spot purchased. That should give us a fairly big picture of what is going on.

**Mr Searle:** If we make that part of A1, we can provide that as one consolidated list.

**The CHAIRMAN:** I think that would make sense. Thank you.

**Hon LJILJANNA RAVLICH:** You have been with the department, Mr Searle, for two years?

**Mr Searle:** Yes.

**Hon LJILJANNA RAVLICH:** Clearly this is a policy shift and this is a policy decision that has been made by government. I would imagine that a part of it may be driven by the desire for cost recovery or, I guess, better efficiencies or a combination of those things. Has a target been set for you by either ERC or the Economic Audit Committee in respect to how much you must find yourself as part of your operational costs?

**Mr Searle:** No. I stress this is a property-by-property decision. Whenever a property becomes vacant we look at it and make an economic decision.

**Hon LJILJANNA RAVLICH:** Can I take you to page 904 of the budget papers. First of all, the capital appropriation, we see that after the 2010–11 budget, in fact for 2011–12 it goes from \$374.5 million down to \$25 million. Then there is no appropriation after that. Can you explain what is going on there?

**Mr Searle:** Absolutely. The vast majority of that \$375 million this year comes from the commonwealth government.

**Hon LJILJANNA RAVLICH:** As per (b).

**Mr Searle:** Absolutely. There is no actual progression of that beyond this year.

**Ms Brooks:** The NAHA continues.

**Mr Searle:** It continues, which is some of the money, but the bulk of the money stops. Some of it was economic stimulus money. That is why most of the drop-off happens. There is no

commonwealth agreement at the broader level going forward. That has to be renegotiated. The state government brought forward—here we go again, we had this discussion last year —

**Hon KEN TRAVERS:** Did you meet your targets?

**Mr Searle:** Did we meet our targets?

**Hon KEN TRAVERS:** You were going to have it all spent by the end of the 2008–09 financial year.

**Mr Searle:** We were spectacularly successful in some areas and not quite so successful in others, but I am sure we will get to them! We brought forward capital from the out years, which is why there is none in the out years at the moment.

**Hon LJILJANNA RAVLICH:** At point (b) it says —

2009–10 Estimated Actual through to 2011–12 Forward Estimate includes the \$563.9 million overall total for Commonwealth Stimulus — Social Housing — Capital.

Could you provide us with a breakdown of that? How much of those allocations from 2009–10 through to 2011–12 that have been appropriated in total was commonwealth moneys and how much was state moneys?

[3.00 pm]

**Mr Whyte:** In 2009–10 the state equity contribution received was \$15 million. The commonwealth stimulus package was \$282 131 000.

**Hon KEN TRAVERS:** And the state?

**Mr Whyte:** The state was \$15 million.

**Hon LJILJANNA RAVLICH:** That is 2009–10.

**Mr Whyte:** The state equity contribution was \$15 million. The equity for stock growth for the waitlist was an additional \$16 720 000—I can give you the total at the end. The state matching contribution for a place called home was \$7 893 000. The brought forward equity contribution from the subsequent year was \$27 857 000. There was an additional amount from the commonwealth for the East Kimberley development program, which I did not mention, of \$10 million as well, making the total commonwealth contribution \$292 131 000.

**Hon LJILJANNA RAVLICH:** Is it possible to get a copy of that —

**Mr Whyte:** Yes.

**Hon LJILJANNA RAVLICH:** — because we do not want to be misleading. Some members have had the opportunity to write some of it down, and others have not. Madam Chair, can I ask for a copy of that document, because that would make sure we do not go off uninformed.

**Mr Whyte:** Yes.

**The CHAIRMAN:** Is there any problem with that information being made public?

**Mr Whyte:** No. It is the amounts that form the public contribution figures, but there is not that level of disaggregation.

**The CHAIRMAN:** You have no problem tabling that detail.

**Mr Searle:** The table, yes—no problem.

**The CHAIRMAN:** Thank you very much.

**Mr Searle:** Given these are briefing notes, I am happy to give you the table that is imbedded in there, which has the numbers you want. The other is commentary on a range of other things.

**Hon LJILJANNA RAVLICH:** Thank you, Mr Searle.

**Mr Whyte:** You will have those figures going from 2008–09 actual against each of those headings; the 2009–10 original budget; the 2009–10 budget estimate; 2010–11 budget estimates; the 2011–12 budget estimate, and so on. We have the figures to 2011–12.

**The CHAIRMAN:** Great.

**Hon LJILJANNA RAVLICH:** I do not want to read that again, but under (b) what was the requirement under the commonwealth agreement in relation to the targets set for the stimulus—the social housing capital package, so to speak?

**Mr Searle:** The commonwealth package was broken up into two stages. There were a couple of different reporting requirements under those stages. The prime requirement under stage 1 was completion by June 2010. The second stage is to be finished by December 2010; and the whole program is to be finished by June 2012.

**Mr Whyte:** June 2012.

**Hon LJILJANNA RAVLICH:** What were the targets when you talk about “completed”. I am assuming that the commonwealth would have been fairly specific in the number of houses built, and perhaps types of housing, perhaps remote and metropolitan locations, and a quantum for both; Indigenous and non-Indigenous and so on and so forth. Could you give us a comprehensive overview of those commonwealth targets that were set?

**Mr Searle:** The commonwealth targets had a number of factors. There were certainly absolute numbers of dwellings to be done by each of those deadline periods. There were also requirements for universal design principles and the percentages. Of our total, we needed 749 houses to have uniform design principles. We needed 1 067 to have Australian adaptability standard class C requirements. We had heat confining ventilation requirements in 749 of them; energy efficient lighting requirements in 1 749 of them; energy efficient rating six star or greater in 1 516—I am prepared to give the committee all these numbers in a table.

**Hon LJILJANNA RAVLICH:** Very good.

**Hon KEN TRAVERS:** It saves me asking; thank you.

**Mr Searle:** There were soundproofing requirements; and hot water systems were either solar or had heat pump requirements. There was a requirement for a percentage of them—1 153 were to be within a kilometre of the nearest business district, and for 358 of them to be within 0.2 of a kilometre of transport. There was a comprehensive list of commonwealth requirements.

**Hon LJILJANNA RAVLICH:** How many actual dwellings were required to be built or purchased in each of the financial years over the life of the agreement?

**Mr Searle:** The target for stage 1, which is completion by December 2009, was 233 dwellings. The target for completion by December 2010 was 1 141. So the total to be completed by December 2010 is 1 374.

**Hon LJILJANNA RAVLICH:** In terms of those targets, 233 and 11 041, how many have we completed in each of those target years against the target?

**Mr Searle:** Against the first target, which is 233, we completed 314, which meant we safely exceeded that target. Of the target to be completed by December 2010, of 1 141, we have currently completed 50 of those. We are currently on target to deliver 1 396 by that date. We think there is some risk to 250 of those, but we are confident of meeting the 1 141 by the end of the year.

**Hon LJILJANNA RAVLICH:** So you have completed 50, which means you will have 10 900 and whatever it is?

**Mr Searle:** It is 1 200 and something to go. I have a spreadsheet here with each individual property that we are building and where they are up to with construction. We are relatively confident that we will meet that target, in fact, with a few to spare.

**Hon LJILJANNA RAVLICH:** What about 13 074 by 2013?

**Mr Searle:** Again, we are confident that we are on track. My understanding from the commonwealth is we are one of only two jurisdictions to meet the first stage targets.

**Hon LJILJANNA RAVLICH:** Do you also have a breakdown of where these dwellings are going to be located?

**Mr Searle:** Absolutely. I can give that to the committee by region, if you like—or by suburb.

**Hon LJILJANNA RAVLICH:** Why not just give us your lever arch file!

**Mr Searle:** Trust me, you do not want it! You would never get through it all.

**Hon KEN TRAVERS:** Trust us, we will!

**Mr Searle:** This has seriously been a major program to try to deliver these houses in the time frames required. Just broad-ranging over the total number of houses, there will be 560 in the north metro region, 732 in the south metro region, 143 in the southeast metro region, 164 in the south west of the state, 31 in our southern region, 57 in the Midwest, 20 in the Wheatbelt and nine in the Goldfields.

[3.10 pm]

**Hon LJILJANNA RAVLICH:** It is quite an impressive achievement really, most of which, without putting too fine a point on it, has been funded by the commonwealth funding program.

**Mr Searle:** Yes.

**Hon LJILJANNA RAVLICH:** What does this do to the waiting lists, where are they now and where is this going to take the waiting lists to by the end of 2010, 2011, 2012 and 2013, if you have got those sorts of projections?

**Mr Searle:** I can give you some figures around what the wait list currently is. The wait list as at 31 August is totalling 24 548.

**Hon LJILJANNA RAVLICH:** Hang on. Is that people or applicants?

**Mr Searle:** Applicants.

**Hon LJILJANNA RAVLICH:** How many people? I understand it is about 50 000.

**Mr Searle:** It is 54 800.

**Hon LJILJANNA RAVLICH:** Okay.

**Mr Searle:** The department is not in the business of predicting waitlist levels, because so many things other than departmental performance affect the waitlist—house prices, for instance; rental prices; unemployment. There are a whole range of things that we do not control, so we are not in the business of predicting waitlists.

**Hon LJILJANNA RAVLICH:** Can I ask you something about waiting lists. Are you looking at introducing new measures to cull waitlists; and, if so, what are those measures?

**Mr Searle:** No, we are not. We always have to monitor the waitlist to make sure that people remain entitled with the effluxion of time, because there is a bit of time at the moment in some parts of the waitlists. We will do the standard checks that we have always done.

**Hon LJILJANNA RAVLICH:** So you are not going to be cutting people off who do not answer their correspondence, for example?

**Mr Searle:** Not as a matter of routine for the first time they fail to answer their correspondence, which I understand was previous practice. We now try and follow up, but if we cannot get in touch with people after repeated attempts, we will then look at their status on the waitlist.

**Hon LJILJANNA RAVLICH:** Just an add-on to the earlier question, where we sought information in relation to the properties, where they were sold et cetera: I am just wondering whether you could also include for us information on—you are going to tell us where they were sold—how much they went for, the price at which they were sold and the price at which new properties were purchased

**Mr Searle:** Yes.

**Hon LJILJANNA RAVLICH:** Thank you.

**Hon KEN TRAVERS:** I just want to go to pages 908, 909 and 910. I am trying to reconcile what you have just told us with what the figures are showing there and in last year's budget. Last year you estimated that you would spend \$387 million of the commonwealth stimulus package on social housing in the 2009–10 financial year.

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** On page 908 it shows that you spent \$283 million. Last year's budget showed that you expected to spend \$181 million this year. This year's budget shows that you are going to spend \$262 million, so there is a carryover of \$80 million. What happened to the other \$20 million?

**Ms Brooks:** I am not sure if that was the stimulus money. I am sorry; can you just point out —

**Hon KEN TRAVERS:** Last year your budget showed that you had spent \$387 million in the 2009–10 financial year. The budget papers this year show you have spent \$283 million or \$284 million in the 2009–10 financial year, so you have spent \$103 million less than you had predicted last year. In the same time in last year's budget you estimated it would be \$181 million for this financial year. Now you have increased that to \$262 million, which is only \$80 million more. So you spent \$100 million less last year than you were going to, and this year you are spending only \$80 million more. So that says to me that there is approximately \$20 million that has gone missing and that should be spent as commonwealth housing stimulus money somewhere, and I am trying to find where.

**Mr Searle:** Some of that money will actually carry over into the next financial year. There are a couple of major projects within the stimulus package, and their construction time is such that they will not be delivered until 2012; particularly, for instance, the Salvation Army is rebuilding Lentara. They are just about to sign the project agreements now. We expected them to be signed earlier, so there will be a carryover into the out years.

**Hon KEN TRAVERS:** According to this, then, there is \$8 million in the 2011–12 financial year. That still leaves \$12 million to be found. Where is the \$12 million then?

**Ms Brooks:** Some of the funding was reduced from the commonwealth. Initially we were going to get \$606 million, and we are only getting \$550 million now.

**Mr Searle:** The commonwealth went back and had another go at the numbers. They took money off us.

**Hon KEN TRAVERS:** Is that because we were not meeting our targets?

**Mr Searle:** No, not at all. They took the money to fund something else. It might have been that the schools program got into funding trouble and they took money off social housing to spend on that program.

**Mr Whyte:** If I may, Chair. The average cost per house was coming in better than what was expected, and it applied across the housing program, not just —

**Hon KEN TRAVERS:** So you delivered the number of housing stock that they wanted.

**Mr Whyte:** Yes. They reduced the funding to housing across the board and reallocated that to another federal program, which we believed at the time was the schools program.



**Hon KEN TRAVERS:** Now having said all of that, when we go down to “Funded by” and the line item “Commonwealth Grants and Funds”, there seems to be money rolling out over every year. Does that not include the stimulus money? Is that separate commonwealth money?

**Mr Whyte:** Which line?

**Hon KEN TRAVERS:** It is “Funded by” at the bottom of page 910 of the budget papers.

**Ms Brooks:** That is made up of the commonwealth NAHA money.

**Hon KEN TRAVERS:** Sorry?

**Ms Brooks:** The National Affordable Housing Agreement. That money comes straight to us from the commonwealth, so that is separate.

**Hon KEN TRAVERS:** So what is the money that is shown as commonwealth grants and funds—\$128 million, \$110 million, \$112 million, \$117 million and \$110 million?

**Ms Brooks:** As I said, it is made up of the NAHA money, which comes to us every year, and on top of that we were given in 2009–10, \$20.244 million for social housing and \$2.806 million for “A Place to Call Home”.

**Hon KEN TRAVERS:** So where is the commonwealth stimulus money shown in the “Funded by” column in the budget papers?

**Ms Brooks:** Under capital appropriation.

**Hon KEN TRAVERS:** So why is it shown as a capital appropriation rather than a commonwealth fund?

**Mr Whyte:** I will have a go at this!

**The CHAIRMAN:** Yes, Mr Whyte.

**Mr Whyte:** In the past, commonwealth grants have come directly to the department. However, for the stimulus, the funding was provided to the state and was receipted by Treasury, and then was granted on to the department, so there was a different process that was adopted for accounting for the federal stimulus money. It appears in our budget as a capital appropriation.

**Hon KEN TRAVERS:** So somewhere in the budget papers of Treasury it will occur as a —

**Mr Searle:** An income from the commonwealth, yes.

**Mr Whyte:** Correct; it is provided to us as an equity contribution by way of capital.

**Hon KEN TRAVERS:** How much of that \$110 million for this financial year is the national affordable housing money?

**Ms Brooks:** \$107.267 million for 2010–11.

**Mr Whyte:** For social housing.

**Hon KEN TRAVERS:** It is going back a while, but my knowledge of the housing agreements was that that needs to be matched by state money.

**Ms Brooks:** It does not need to be matched any more. It is a different agreement. The CSHA agreement is the one you are talking of, and that does not exist any more, and these funds do not need to be matched.

**Hon KEN TRAVERS:** So there is no matching requirement at all?

**Ms Brooks:** No.

**Hon KEN TRAVERS:** Do we match it? We used to match it. Is that right?

**Ms Brooks:** We used to match it mostly out of internal funds—the land sales—and we still do contribute. We still have a fair bit of land sales.

**Hon KEN TRAVERS:** Right. But do we match, in terms of our own contribution, the commonwealth contribution for housing?

**Ms Brooks:** No.

**Hon KEN TRAVERS:** In the past we did but now we do not.

**Ms Brooks:** We do not have to.

**Hon LIZ BEHJAT:** Can you just clarify for me: that \$20 million that Hon Ken Travers is talking about was taken out of the social housing program to meet a shortfall in the education program. That was a decision taken totally by the commonwealth government to do that, to redirect those funds?

[3.20 pm]

**Ms Brooks:** Yes, it was \$56 million over all the years.

**Hon LIZ BEHJAT:** Was that taken away from the state to go to Building the Education Revolution shortfalls?

**Mr Whyte:** It was for other federal matters.

**Mr Searle:** We are talking from memory, not from information that we have in front of us, but it was taken away to go to other federal —

**Hon LIZ BEHJAT:** Are you talking from memory?

**Mr Searle:** We could be wrong.

**Hon LIZ BEHJAT:** Could we get the detail of what reason was given as to why the \$56 million had to go back?

**Mr Searle:** They just took it. It was reported in the press at the time but the commonwealth just told us that that is what was happening and that is what happened.

**Hon KEN TRAVERS:** That still does not reconcile your accounts of funding from the commonwealth over the past two years.

**Mr Searle:** We spent more than they give us. We have a broader housing program than just the commonwealth stimulus package.

**Hon KEN TRAVERS:** I understand that. You are saying that you had \$50 million for the items headed “Commonwealth Stimulus Package for Social Housing” in your budget papers. We got it down to only a \$12 million shortfall over the past two years of funding, and you are saying that \$50 million was taken away, which still does not reconcile the figures.

**Mr Searle:** There is a range of things involved in that, some of which includes the treatment of GST. When we first started the program, we thought we would have to pay GST on all the money. It turns out that because some of the houses are going to the community housing sector, those purchases are GST exempt. Effectively, there was money that we thought we would have to give back to the commonwealth as a GST repayment that we did not have to give back. That certainly is part of it. I do not know whether it accounts for all of it, but it is a significant amount of money.

**Mr Whyte:** We can provide a reconciliation of the commonwealth funding that is required.

**Hon KEN TRAVERS:** I would love that, but I would also like to have it in the budget papers each year. In most other projects, you have a total cost of service. That remains constant and then you have what happens in the following years. Here, because of the nature of the beast you are dealing with, each year you start a new program, which I understand. However, you then change the estimated total cost of that program. I would have thought the answer would have been to have the \$387 000 that you were going to spend last year shown as the total cost of the service and, instead of completed works, you would have a component of it completed and another component of it as

works in progress to clearly indicate that it was rolled out in future years. You could then start your next program for this year and if you did not get it all done this year, it could be rolled out over the following years.

**Mr Whyte:** That certainly is how we report it in our annual report. We have a work in progress figure and a funding figure. As far as the budget statements are concerned, we are compliant with the Treasury's format for presenting the *Budget Statements*. That does not mean that we cannot ask to have a note to the accounts put in to that effect.

**Hon KEN TRAVERS:** Other agencies do not change the total cost of their program each year. If you start with a program for this year, you would continue it out over the following years.

**Mr Searle:** Broadly speaking, the problem we have is that the commonwealth programs are not funded for any particular length of time. Most of them are funded on an annual basis, which makes it quite difficult.

**Mr Whyte:** They can be de-funded and quite often can have deadlines that are not financial year deadlines. The stimulus had December deadlines all the way through, except for the last deadline, which was June 2012. There were carryovers and adjustments required at the end of each financial year, and adjustments required at budget time to make sure that the figures balanced.

**The CHAIRMAN:** Is Hon Ken Travers requesting supplementary information?

**Hon KEN TRAVERS:** Not at this stage.

**Hon LIZ BEHJAT:** If there is nothing they can tell us about the \$56 million, then, no, I do not have any questions.

**Hon KEN TRAVERS:** Did you say that you would provide us with the details of the number of houses that you have actually built?

**Hon LJILJANNA RAVLICH:** Can we get a copy of that?

**Hon KEN TRAVERS:** Can we have those figures since 2008–09?

**Mr Searle:** In terms of the commonwealth stimulus package?

**Hon KEN TRAVERS:** No, the total amount of social housing that you have either built or funded. I do not know how to break it up. Again, I would have thought that an outcome and key effectiveness indicator was the actual number of social housing properties that you developed, but I do not seem to see that reported anywhere in the —

**Mr Searle:** Dwelling units by completions for the years up to —

**Hon KEN TRAVERS:** Can I be clear about whether that is for social housing or whether it is the total housing program?

**Ms Brooks:** It is for everything except the remote communities.

**Hon KEN TRAVERS:** Does that include the government offices program—the royalties for regions fund?

**Mr Searle:** No, because that is not regarded as social housing.

**Hon KEN TRAVERS:** So is this for social housing?

**Mr Searle:** This is for social housing. In 2008–09, we completed 986 dwellings; in 2009–10, we completed 910; in 2010–11, we are forecasting to complete 2 842.

**Hon KEN TRAVERS:** What are the budget estimates for 2011–12?

**Mr Searle:** Our estimates are 440.

**Hon KEN TRAVERS:** And for 2012–13?

**Mr Searle:** I do not think those numbers are in the forward estimates at this time.

**Hon KEN TRAVERS:** There are figures in the budget for the construction purchase of houses in 2012, 2013 and 2014.

**Mr Searle:** I do not have those figures at the moment.

**Hon KEN TRAVERS:** Next year you are expecting to complete 440 properties?

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** You mentioned earlier that there had been some spectacular successes and some spectacular non-successes.

**Mr Searle:** Some were not quite so successful.

**Hon KEN TRAVERS:** Can you tell us the areas where you were successful and where you were not? I am particularly going back to the press release of February 2009 where you indicated that you had brought forward a whole range of expenditure that would be completed by the end of that financial year, which I think you got some done but you did not complete anywhere near the volumes that were expected.

**Mr Searle:** Can I start with the successful ones, because we do not get to talk about them very often. Our number one success was meeting our remote Indigenous housing targets. Providing housing in remote Indigenous communities is challenging. We were the only state in the commonwealth to meet our targets under the commonwealth agreement. We, in fact, exceeded our targets. We had to have 75 houses built and 150 refurbished in remote communities, and we exceeded those targets, which was a significant achievement. We were the only jurisdiction to do that. As a result, the commonwealth redirected \$4 million of additional funding from Queensland and either South Australia or New South Wales to us for Aboriginal housing this year. That was a major achievement on the part of the department.

**Hon PHILIP GARDINER:** Well done.

**Hon LIZ BEHJAT:** That is great.

**Mr Searle:** With the stimulus packages, we met our stage 1 targets for both commencements and completions. I would have been happier if we had been earlier in that process. We went to the private sector for a significant percentage of those projects and we bought off the plan. We had expressions of interest and bought 150 off the plan. More than that, we got through EOI as completed projects. Rather than constructing them and making progress payments along the way, we made deposit payments and then made payments on completion. That caused us a fair bit of grief in terms of timing and when the cash flowed out, even though the constructions were going over deadlines. I understand that only two jurisdictions met those targets—ourselves and New South Wales. I think that we are on track to meet the stage 2 completion targets as well. I think that, again, only a couple of jurisdictions are looking like they will meet those targets. I think the department has done a pretty good job in a fairly demanding environment.

**Hon LJILJANNA RAVLICH:** When you bought off the plan, were they units?

**Mr Whyte:** They were right across the board. They were unit developments, single-dwelling houses, on-site builds and, in some cases, transportables for those locations that were suited for that type of design and construction.

[3.30 pm]

**Hon KEN TRAVERS:** When you announced that in February 2009, you were saying that that money would all be spent by 30 June 2009.

**Mr Searle:** And it was not, because of these differences in contractual arrangements.

**Hon KEN TRAVERS:** But some of the houses were not even completed until after June 2009.

**Mr Searle:** Correct.

**Mr Whyte:** The original cashflowing that was done on those properties was done on the basis that we would be making progress payments. The expenditure of the total amount of money—the figures that I had were based on how you do progress payments on a bill contract. Whilst we were 75 per cent to 80 per cent through the completion of a number of properties, we had only been committed to pay 10 per cent by the way the contract was designed, and the final 90 per cent was due once they were able to hand us the keys. That caused the cash flow issue, which on the surface appears as though we had both significantly underspent and under-delivered. However, we were on track to deliver and spend the total amount of money, which we since have.

**Hon KEN TRAVERS:** How many properties were built with the commonwealth money?

**Mr Searle:** In which period of time?

**Hon KEN TRAVERS:** In total. So 986, 910 and 2 842: maybe you could tell us how many of those were built with commonwealth money. And the 440 for next year. Or, if you do not have those figures just the total number of commonwealth-funded properties.

**Mr Searle:** Sorry, the problem I have is that the commonwealth fund us through a range of programs, so I have to go through each of the programs.

**Hon KEN TRAVERS:** Through the stimulus package.

**Mr Searle:** The latest figure that I have is 1 715 out of the total, funded through the stimulus package. We also went through the list of physical requirements. You asked me the question before about what commonwealth requirements were—I think Ms Ravlich did. There were a whole lot of requirements around the dwellings themselves, but there were also requirements around the people who are going to move into those houses. There were targets around older people, Indigenous people, people with disabilities and people escaping from family violence is part of that mix as well, so the commonwealth requirements are quite extensive.

**Hon KEN TRAVERS:** That 1 750 is spread out over a four-year period 2008-09 to 2011-12. Then we have the 600 that you brought forward. Over how many years were they brought forward?

**Ms Brooks:** That was brought forward from 2010-11, 2011-12 and 2012-13.

**Hon KEN TRAVERS:** That was for 600 new dwellings if I remember correctly; your target was there wasn't it?

**Ms Brooks:** I think it was, yes.

**Hon KEN TRAVERS:** That suggests to me that, on average, your current funding for new builds, if you take, over the forward estimates, the 1 750 off that 2 842, then you take the 600 that were brought forward off that, you are suddenly getting down to 500 dwellings per annum, is that approximately what you are getting funded to construct?

**Mr Searle:** The 2 842 was a single year number and the 1 750 is over a couple of years, so it is not a direct take off the top. Historically the department has funded something between 500 and 1 000 houses. Some of that has been funded by the states, most of it by the commonwealth and some from internal funds generated by the housing authority.

**Hon KEN TRAVERS:** At the moment, how many families have you been adding to wait list over the last six months?

**Mr Searle:** On 30 April 2010 there were 23 863 on the wait list; as of 31 of August—that is, over four months—we have gone to 24 548. It seems to be growing at about 200 a month, in round numbers.

**Hon KEN TRAVERS:** So, at the moment, on those figures are we going backwards?

**Mr Searle:** Yes; well the waiting list is growing.

**Hon KEN TRAVERS:** The reason I was asking you those questions earlier—in terms of being up to get back up to that thousand—you have got 440 next year, to be able to get the number of houses back up to 1 000 for next year, when do you need the money to be able to get them physically built within the next financial year, allowing for the lag time and all the rest of it?

**Mr Searle:** It depends if you know when it is coming. I do not mean to prevaricate, but a lot of the delivery of the stimulus package was done around planning—it was around understanding where you had land available, where you could get access to land. It also depends on the state of the market. One of the things that worked really well was going to the private sector and seeing people who had development approvals but could not fund the developments, and buying into the developments to see them happen. That was really successful for us. It also brought back the delivery time significantly. If there was a range of projects that could not get money, we could probably spend the money within 12 months. If there was not, it would take us longer, by the time we put together the deals to actually deliver the product. It is hard to tell where the property market is going just at the moment, although credit is clearly hard for project developers to get—the banks have changed their equity rules and that is flowing through quite strongly into our housing market at the moment.

**Hon KEN TRAVERS:** Are you saying that whilst we had certainly had that contraction of the market over the last 12 months you are able to get things under way in a fairly short space of time —

**Mr Searle:** Correct.

**Hon KEN TRAVERS:** — but if the market in any way starts to pick up, I suspect your waiting list will grow quicker, but your ability to match that of course will become harder?

**Mr Searle:** Yes and no, because hopefully the growth in supply, coming out of the market picking up, will take up some of the wait list. One of the things happening at the moment, is that because of the difference between the rent that we charge and current market rent is so large, a number of people make an economic decision to be on our wait list. We charge 25 per cent of income. If you are on a pension we charge probably \$100 a week; in a market where average rents in this town at the moment are \$350 or higher. Why wouldn't you put your name on our wait list if you were in any way eligible? That is what I believe has happened over the last three or four years as we have seen rents double in Perth.

**Hon KEN TRAVERS:** If there is not a supply of affordable housing coming out at the lower end of the market, that will not solve your problems.

**Mr Searle:** Correct. One of the things that is in our budget papers is that we are preparing a state affordable housing strategy to go to government this year, and we are hoping that that will help address some of those issues.

**Hon LJILJANNA RAVLICH:** Related to this, Mr Searle, have you done some modelling on the nexus between supply and demand, and at what point you might get to equilibrium? How many new houses would you have to build per annum to meet current growing demand?

[3.40 pm]

**Mr Searle:** Yes, we have done some modelling. There are also some numbers available from the National Housing Supply Council that indicate that their best guess is that there is, I think, a 30 000-house shortfall in Perth at the moment.

**Hon LJILJANNA RAVLICH:** Did you say 30 000?

**Mr Searle:** Yes; look, I am sorry, this is from memory because I did not expect to be questioned about this, but that is in the National Housing Supply Council report.

**Hon LJILJANNA RAVLICH:** Could we take that on notice and have that followed up, in terms of if you could provide the modelling that has been done at the state level and perhaps the modelling

that has been done at the national level? I imagine there would be some variances to that, depending on the assumptions that have been made in the model itself —

**Mr Searle:** Absolutely.

**Hon LJILJANNA RAVLICH:** — never mind anything else. If you could provide that to the committee, that would be great.

*[Supplementary Information No A3.]*

**Hon LJILJANNA RAVLICH:** But is it your guesstimate that we are about 30 000 short?

**Mr Searle:** I think 30 000 is what was in the national supply council report that came out earlier this year.

**Hon PHILIP GARDINER:** Your responses to some of the earlier questions were really interesting and actually reinforced my view of the significance of a stimulus package, especially the one where the land became available from the private sector because they could not do it so you filled the gap. When it comes to the number of houses, if I have the numbers right I think you said that in 2010-11—in this year, which is what worries me a little bit—you are building 2 842 houses and I think it was 910 in the previous year. That is a big lift. If that is still part of the stimulus package, I would be interested to know what you are achieving in terms of cost per square metre or whatever benchmark you use in terms of costs, or whether that number of houses is pricing yourselves higher.

**Mr Searle:** Okay. My recollection is that the target of the stimulus package was that we had to average somewhere between \$280 000 and \$300 000 per dwelling.

**Hon PHILIP GARDINER:** Was that \$280 000 to \$300 000 per dwelling?

**Hon KEN TRAVERS:** Does that include land?

**Mr Searle:** Yes. That was the target. I do not have in front of me how much per square metre; I do not even know that we record how much per square metre we pay. For instance, of the 1 748 that are in this stage of the stimulus package, in the program so far nearly 700 of those have been brought through the EOI process, whereby the private sector is bringing everything to the table and we have not had to provide land, so that is a significant percentage. Whilst the jump in numbers looks significant—to 2 800 and whatever that number was this year—the reality is that most of those were under construction at the end of the last financial year.

**Hon PHILIP GARDINER:** Okay.

**Mr Searle:** We are delivering just over 1 000 between now and Christmas, and the only way we could have done that is if those houses were already under construction. The jump is not actually as steep as it looks.

**Hon PHILIP GARDINER:** Nonetheless, there is still significant activity occurring at a time when our unemployment rate is falling.

**Mr Searle:** Yes.

**Hon PHILIP GARDINER:** I just wonder if there is any measure to get a gauge on whether we are forcing prices up because of the large amount of activity that we have going as a government.

**Mr Searle:** I see no indication of that at all. Significantly, the projects that people have come to us with are things they actually would not have been able to get off the ground; that is why they come to us. Lots of builders do not like building for social housing for a whole range of reasons. As part of this package we have had builders come to us who, in the past, have never built for us, so it has actually been a significant support to the industry in a time of trouble.

**Hon KEN TRAVERS:** Did you take the whole developments or just part of the developments?

**Mr Searle:** Mixed. In some cases we took all of the developments; in other places we took a percentage of the developments. We are trying to end up with our one-in-nine model that we try to

do everywhere. In those places where we have bought more than that of the development, we are either going to give it to the community housing sector as part of the process we are required to do by the commonwealth for the stimulus houses. We will put some of them into shared equity, in terms of helping transition some people out of the public housing market into a shared equity product, and we will put some of them back on the market and just sell, which we will then reinvest in further housing. If the problem is a supply side problem, this will help the supply side of that equation, particularly if we can then reinvest the money in additional housing again.

**Hon KEN TRAVERS:** Are there no commonwealth restrictions in terms of selling properties that are bought with commonwealth money?

**Mr Searle:** The commonwealth is aware of our plan and is supportive of it on the basis that we reinvest the money in further housing, because it, too, sees the shortage of supply as being an issue.

**Hon KEN TRAVERS:** What is the largest single development that you have bought into in terms of the total number of houses?

**Mr Searle:** In terms of the number of dwellings, it is probably Lentara, which is the Salvation Army's homeless men's product in Northbridge. We are going to rebuild that using commonwealth stimulus money. There is a big development at Success that we are buying into.

**Hon KEN TRAVERS:** What quantity?

**Mr Whyte:** Around 100?

**Mr Searle:** Around 100 units.

**Hon KEN TRAVERS:** How many of those are you buying?

**Mr Whyte:** The total development in Success is more than that because it is in a number of different stages.

**Mr Searle:** Yes, there are a number of stages. I think there are 140, and we bought 60 or 80—again, this is from memory. It is a significant percentage, but we have already started to trade down in that development.

**Mr Whyte:** And there is Fremantle, too.

**Mr Searle:** We just signed this week for the Dalgety Wool Store in Fremantle; \$22 million will go into that. A significant amount of money has gone into Lime Street for St Bart's for the new premises they are going to build in Lime Street in East Perth. There are probably half a dozen of them in the \$20 million-plus range.

**Hon KEN TRAVERS:** Are places like the Salvos and St Bart's boarding house accommodation, or are they actually individual units?

**Mr Searle:** The Salvation Army one is a mixed development; there is a bit of both. They are trying to help people get from being homeless to the marketplace.

**Hon KEN TRAVERS:** But in terms of what you have bought, are they individual, self-contained properties?

**Mr Searle:** They are units in that context, rather than a boarding house.

**Mr Whyte:** They have a refrigerator and kitchen and a living area, so they can be self-contained. They are independent living units but they are in a complex that probably also provides for communal facilities such as communal care and training, and, I guess, general communal facilities.

**Hon LJILJANNA RAVLICH:** I have a follow-on question.

**The CHAIRMAN:** I just want to check if Phil has exhausted his line of questioning.

**Hon PHILIP GARDINER:** I have not finished, but I can pick it up later.



**Hon LJILJANNA RAVLICH:** I am just wondering, for all these developments you have bought into, whether you could provide the committee with information on where you bought in each case; what you bought in each case; the total value of what was purchased in each case; the developer, and the name of the developer in each case?

**Hon KEN TRAVERS:** And whether you are going to sell down.

**Hon LJILJANNA RAVLICH:** And whether you are going to sell down.

**Mr Whyte:** The only area is the name of developer: in a number of contracts the contract is with a party, and then there is a developer to one side, so a number of entities are involved.

**Hon LJILJANNA RAVLICH:** I am assuming that some of these that you have bought into are owned by some sort of a company structure, if you like; that is normal business practice.

**Mr Searle:** Yes.

**Hon LJILJANNA RAVLICH:** Clearly, if you are buying from a company that has a company structure, then you would be able to provide information in relation to who the company is and who the directors of that company are, because that would all be on the public record.

[3.50 pm]

**Mr Whyte:** Yes.

**Hon LJILJANNA RAVLICH:** In any event, that is just prudent good practice really.

**Mr Whyte:** My point was probably not develop with this builder; for instance, the Match development expansion in Fremantle has an agreement with the owner of the property and then we have a tripartite arrangement with the builder.

**Hon LJILJANNA RAVLICH:** That is okay, if you could just outline the sort of arrangements that you have and with whom.

**Hon KEN TRAVERS:** And if you are aware of a third party that is involved.

**Mr Searle:** If I can, some of the bigger ones—I have some of the numbers in front of me—there are 104 one-bedroom units in the Salvation Army construction in Northbridge, there are 78 units at Success and 130 in a complex at Cockburn Central. They are three of the bigger ones.

**Hon LJILJANNA RAVLICH:** I think that it makes perfectly good sense to buy off the plan because you get the benefits, you probably get a cut rate on the cost of the property, and the developers like to get the money so that they can progress either that development or the next development.

**Hon KEN TRAVERS:** It will probably save the developer ringing the administrator that way.

**Hon LJILJANNA RAVLICH:** That is right.

**Mr Searle:** There are a couple where we have bought in at under \$300 000 and the current market price of the units is more than \$400 000.

**Mr Whyte:** That presents a rather unique opportunity for people who may want to come in on shared equity with us, to come off our list or come out of our houses and join in shared equity potentially at the 280, and then they already have equity in the property. Again, Grahame mentioned lessons learned; this is a really good lesson for us about getting in and enabling development, especially where there are one and two-bedroom units involved et cetera and the banks are not quite used to lending for those sorts of developments that are not in the higher-priced range. So far, the market has actually at least covered that and more.

**Hon LJILJANNA RAVLICH:** What due diligence do you do to ensure that there are no conflicts of interest in terms of the developers that you do business with and potential connections to the political sphere or indeed anywhere else?

**Mr Searle:** The expression of interest process we do is a public expression of interest process; we went to tender, we advertised in the newspapers and we held briefings for all the builders who were interested. We then ran a formal process of evaluating those tenders, complete with a probity auditor and valuers as part of that process, so we are very confident that we were comprehensive in the evaluation of the process we went through.

**Hon LIZ BEHJAT:** I have a question about the Salvation Army. The 104 units that you purchased, is that Lentara? Did you say that you are demolishing Lentara and are doing a complete rebuild?

**Mr Searle:** The Salvation Army is going to rebuild Lentara, but we are funding it.

**Hon LIZ BEHJAT:** What is happening to the people who live at Lentara now whilst that is happening? Are they going to Tanderra?

**Mr Searle:** We have been in discussions with the Salvation Army and it has a range of properties where they are going to house those people in the interim.

**Hon LIZ BEHJAT:** So no-one is going to be without housing whilst this goes on.

**Mr Searle:** That is our advice from the Salvation Army.

**Hon LIZ BEHJAT:** Lovely, thanks.

**Hon PHILIP GARDINER:** My question is slightly different, but still in the same area. Page 906 under “Outcomes and Key Effectiveness Indicators” has the waiting time, which has gone from 91 weeks to 103 weeks estimated actual and the budget target is 103 weeks in the current financial year. Is that 103 weeks for the current financial year still the waiting list at the current time?

**Mr Searle:** It varies fairly dramatically from region to region and depending on the number of bedrooms required, but that is still the statewide average.

**Hon PHILIP GARDINER:** With our reducing unemployment, do you see this waiting list reflecting economic activity broadly? In other words, if we have declining economic activity that would rise, but with improved economic activity, would you expect this waiting list to fall as people went away from the social housing to their own private sector housing, because they had jobs?

**Mr Searle:** It is a very complex function; it is not just about unemployment. As I mentioned before, the fact that rental prices doubled in Perth in a four-year period had a really dramatic effect on our waitlist; it was really significant. Sometimes the unemployment or employment does not match where our houses are. If I can just give an example, which I am fond of quoting, Halls Creek has 1 300 people and there are six private rental properties in Halls Creek. So if you get a job at the hospital or the DCP hostel, you become income-ineligible for us: where do you go? Because there are only six houses potentially available and, needless to say, they are all occupied. So we actually at one level generate an employment trap, if you like. So you get a job, you put your house at risk, so you quit your job to keep the house. We are dealing with that at the current point of time in the north west by allowing people a two-year moratorium; so we have said, “If you get a job, we’re not going to throw you out for two years.” The real reason for the two years is so that we can actually look at the policy problem that is embedded in this. How do you provide encouragement for people to actually work, get a job, get employment and get on with their lives, without making a penalty in terms of their social house so significant that it is not worthwhile doing? That is a fairly complex problem.

**Hon KEN TRAVERS:** What is the rental of a house in Halls Creek?

**Mr Searle:** If you can get one.

**Hon KEN TRAVERS:** If you can get one, what is the rental?

**Mr Searle:** Offhand I do not know, but the reality is that there is not one at the moment that is available.

**Hon KEN TRAVERS:** I suspect that even if you could get one, you are still going to have that question mark about whether can you afford to go to —

**Mr Searle:** Yes.

**Hon PHILIP GARDINER:** The challenge really is to get more people to build in Halls Creek, so you have the houses there available for those who can then get jobs, but maybe have the risk of having them unoccupied for a short time. I presume this is part of your policy review that you referred to earlier that you are looking at.

**Mr Searle:** The state affordable housing strategy looks at it in very broad terms, but not at that level of specificity.

**Hon PHILIP GARDINER:** So does this come back to accommodation? I notice that there are royalties for regions for construction of, I think, different segments of housing up there. Is that the micro level that needs to be looked at with royalties for regions and yourselves to ensure that you do not have the Halls Creek situation that you described occurring frequently?

**Mr Searle:** I think it would be fair to say that that situation occurs across a fair bit of the north west at the moment, and that is about the cost of building houses up there and the risk. Builders are comfortable building in Perth; they know their market, they know their profit margin. If they go into the north west of the state, it is a very different market. Because of the boom and bust cycle history, there are some builders who do not want to go into that part of the world ever again. We are trying to work with people to get them back into that part of the state to try to deal with some of the issues that are there.

**Hon PHILIP GARDINER:** Are you working with royalties for regions people in regional development in trying to get buy-in from them?

**Mr Searle:** Absolutely! They have already funded GROH for government employees and we are in discussions with them about other opportunities to help certain groups of the broader workforce.

**Hon PHILIP GARDINER:** The thing with getting the builders in to do it, what worried me about the stimulus package was whether it all just went to big builders, because big government likes to deal with big business in a way. Do you have a different approach to that? Are you committed to trying to deal with the small builders in these regional areas so that you can get the houses done, rather than getting the big builders to come out of Perth or Geraldton or wherever they might be, so you can use local skills?

**Mr Searle:** There has been a range of different approaches in different places. With some of the multi-storey things in Perth, the big builders are the only people who are going to be able to do that, and we have dealt with them. A lot of the proposals that happened out of the EOI process were for small builders. I do not have those exact numbers in front of me, but a lot of them were quite small builders; in fact, family company-type small builders who had a block in the town and they could build their house, and that worked well, particularly in the regional areas. In some of the other regional areas, particularly with the remote Indigenous housing, we have actually built transportables and brought them in because it was the only practical way to do it and meet the timelines. Some of those houses were built in Darwin, some were built in Alice Springs and some were built in Perth.

**Hon PHILIP GARDINER:** Back to Hon Ljiljanna Ravlich's question, I know that there are building programs in Carnarvon that are different from yours, but an architect went from Perth to establish an office up there with local skills. But then for an inexplicable reason he was almost ignored to even be requested to quote for jobs up there and went back to the city people, even when his firm had done similar kinds of projects successfully. So I would urge that if you are going to do this kind of building in those remote areas, to support those skills that actually make a commitment to try to make the building occur in those areas. I presume that is part of your policy, is it?

[4.00 pm]

**Mr Searle:** Absolutely.

**Hon PHILIP GARDINER:** In actual implementation, are you doing that?

**Mr Searle:** Absolutely. One of the things that we are particularly interested in in that space is not only Indigenous employment, but skilled Indigenous employment.

**Hon PHILIP GARDINER:** That is a bigger program still, is it not?

**Mr Searle:** Absolutely, but there was a requirement under the remote Indigenous housing agreement for 20 per cent Indigenous employment, and we exceeded that target.

**Hon PHILIP GARDINER:** That is good.

**Mr Searle:** Last year our first Indigenous trades apprentice completed an apprenticeship in Halls Creek.

**Hon LIZ BEHJAT:** Is the two-year moratorium for all of regional Western Australia, or just Halls Creek?

**Mr Searle:** It is for all of the North West.

**Hon LIZ BEHJAT:** North of the twenty-sixth parallel?

**Mr Searle:** We actually come down a bit further than that, but yes.

**Hon LIZ BEHJAT:** What moratorium do you have in the metropolitan region? I would imagine that there is going to be a certain level of that in the metropolitan area, given what average rents are. People get into this sort of cycle and trap that it is not worth getting a job because they will lose their house. Is there a moratorium in there at all?

**Mr Searle:** What we do in the metropolitan area is we adjust people's rents to market rent, or something very nearly market rent, and give them a period in which to transition out. There is no hard and fast period, but I think 12 months is about the period we try to give people.

**Mr Whyte:** There are a number of initiatives that we are looking to bring out when the state affordable housing strategy is announced. There are ideas such as, when people move up to market rent, maybe keeping the difference between social rent and market rent to one side for a period of time to help them save for a deposit on a house, in a shared equity sense. The history of the organisation, going back, is that it was originally the Workers Homes Board and it transitioned over time to be a non-workers housing authority. It is now back to dealing with people who are progressing along, have got a job and can no longer stay in the house. We are certainly looking for as many initiatives as we can to get people who find their circumstances changed for the better, so their home lives do not change for the worse, in terms of housing. That includes royalties for regions and other initiatives where we can help people transition from employment into another house or dwelling. Those are the sorts of things we are going to look for, not just simply saying they are no longer eligible, because as Grahame said, the market reaction to that is that they will leave the job to keep the house.

**Hon LIZ BEHJAT:** On a similar subject, do you have a program in place in relation to someone who may have had a three-bedroom or four-bedroom home when they had a few children, but the children have grown up and left for uni or whatever, and these people do not want to give up their three-bedroom or four-bedroom house, when realistically they should perhaps be moving to a two-bedroom place?

**Mr Searle:** Yes, we do. It is a very difficult part of the portfolio, especially when people have been in a house for 30 years, the dentist is across the road, the doctor is next door and the pharmacist knows them by name; they are not all that eager to move, and I can understand that. We try to be sensitive about that, but again, it is about doing it in the context of optimising the asset that we are

responsible for managing. I do not think that there are too many people we have actually thrown out of a house at that level, but we do encourage them to move.

**Hon LIZ BEHJAT:** Do you have figures for the percentage or number of people who might currently be occupying houses beyond their requirements?

**Mr Whyte:** We refer to it as under-occupation of a house. It is probably in the vicinity of 10 per cent to 20 per cent of the portfolio, people falling into that category. The other issue is actually finding one-bedroom and two-bedroom dwellings; they have pretty much dried up since the 1970s and 1980s; people have stopped building them, so we have to get back into the market ourselves. Again, the stimulus has helped us with that, because developers are now building one-bedroom and two-bedroom dwellings. It is not just a matter of saying that if a single person is in a four-bedroom house, we will find something, when there is nothing to give them, especially in the same area. We are looking to provide the product and show the people that it is part of a lifestyle move for them, especially aged people, and that they are better off in that sort of community environment. We are just about to go out to an expression of interest for a large parcel of around six hectares of land. We are looking to build the first of the public housing retirement village concept. It is a bit of “build it and hope that they will come”, because we are sort of sticking our necks out to build a 200-dwelling unit. It will take people off the waiting list—our waiting list for the one-bedroom and two-bedroom requirements is growing—but the aim is to get seniors, who are under-occupying houses, to see it as a viable alternative and somewhere they actually want to live to progress through the next stage of their lives.

**Mr Searle:** I will give an example of how complex this gets. There was a little old lady—most of them are, by definition, little old ladies—who lived on her own in a five-bedroom house. We asked her whether she would mind moving, and she said she did not want to move. After a detailed discussion with the local regional manager, it turned out that she had raised 11 kids in that house and she was the matriarch, so for birthdays, Christmas and Easter, they came to her place, and she needed the bedrooms et cetera, so a unit was not going to suffice. The regional manager negotiated with her, and she has now moved into a three-bedroom house. She is still technically an under-occupier, but she can still be the matriarch of the family and have the family around for Christmas, Easter and all those sorts of things, and we have freed up the five-bedroom house, so from our perspective we are better off. We took into account her particular requirements and the things that were important to her in her life. I actually thought that the regional manager did a great job for everybody in that particular case. It was a really good outcome for everybody.

**Hon KEN TRAVERS:** How many units did you say you are going out to market for?

**Mr Whyte:** It is a six-hectare site and we are going to the market to ask what could be built on this site that would support seniors’ accommodation. I think we could accommodate a significant number of people on that site; the exact number, I do not know.

**Hon KEN TRAVERS:** Does that fit within the 440 units you are expecting to build next year, or is this over and above that?

**Mr Whyte:** This is over and above that.

**Hon KEN TRAVERS:** Where do we get the funding for that?

**Mr Searle:** If I can give an example, we have just signed an agreement for a block of land that we have on the corner of Pier and Aberdeen Streets. Again, we went to the market and said that we own this block of land and asked what could be done with it, given its current configuration. The builder is now about to build somewhere between 150 and 160 units on that site, depending upon planning permissions and the like. Of that, we are going to get one in nine back as social housing. We will also have some equity in the outcome. All the funding is coming from the private sector; there will be no government funding going into that construction at all, other than the land that we are putting into it. That is the way that we are trying to use the assets we have to maximise the

housing outcome. Also, as part of that agreement, we have managed to moderate some of the prices that will be paid for some of those units.

**Hon LJILJANNA RAVLICH:** Could you also provide details in relation to the developer? We asked a very similar question about how many units you were expecting to get from this, and who the developer is in the case of the Aberdeen Street proposal.

*[Supplementary Information No A5.]*

**Hon LIZ BEHJAT:** Where is the six-hectare property?

**Mr Whyte:** It is north; I think it is in Brighton. We have identified a number of sites around the four-hectare to six-hectare mark at varying stages of being developable in terms of the approvals. This is the one that actually came up as being the site and we would look to replicate that, if we could, around other areas. In answer to your question: what Grahame said, plus the community housing sector, which we have not talked about a lot today.

[4.10 pm]

If someone comes out of one of our houses and goes into a property owned or managed by the community housing sector, they become eligible for commonwealth rental assistance, so that can create an income stream for the owner or the operator. Also, with these sorts of developments, they support a level of retail and other services, so doctors and ancillary services, physios, chemists, that sort of thing. What was happening was that people were coming to us on an ad hoc basis and saying, "Would you look at this style of development" or "Would you look at that style of development?" The only true way to really test the market is to put it out there to the market and have it come to us with proposals. But our view is that we would like to try a multiunit seniors dwelling complex and see how that operates, because with the ageing population, as you mentioned before, is it about economics? The unemployment rate is going down, but why is our waiting list going up? There are actually now quite a lot of elderly poor, especially since the global financial crisis, when a lot of people who would have been self-funded retirees lost a lot of money, and they are now finding themselves, for the first time in their lives, some of them, coming onto our list, and we cannot ignore that.

**The CHAIRMAN:** And having to wait a long time?

**Mr Whyte:** Yes, absolutely. If this provides an opportunity and an option for those people, then we want them to take advantage of it.

**Hon LJILJANNA RAVLICH:** I want to ask some questions about Government Regional Officers' Housing. A proposal was in play in relation to a discount of GROH rental charges. You might remember that there was to be a reduction of 50 per cent after the first year of service, and a further 25 per cent after the second year of service; and, after the third year of service, the proposal was that they would not have to pay any rent at all. Did you ever cost that proposal?

**Mr Searle:** I do not think that was a departmental proposal. The department collects rent from the departments, not the tenants. The tenants pay rent to their departments, on a range of processes and a range of approaches, which vary significantly, and we collect the rents from the departments.

**Hon LJILJANNA RAVLICH:** So you are saying your department was not ever asked to do a costing of that particular proposal?

**Mr Searle:** I am not aware of the department having done that.

**Mr Whyte:** There was an independent review of GROH, and it may have come up in that. But we were not asked directly.

**Mr Searle:** My advice is that we did prepare a briefing note, but it was not very detailed, and it was not the proposal of our department. We were responding to another proposal.

**Hon LJILJANNA RAVLICH:** Yes. I understand where the proposal came from. Can you provide the committee with that briefing note that your department prepared?

**Mr Searle:** I would have to seek advice, because I do not know whether it was cabinet in confidence in its preparation, but I will find that out.

**The CHAIRMAN:** Okay. So you can take that on notice and let us know.

*[Supplementary Information No A6]*

**Hon LJILJANNA RAVLICH:** I am trying to get my head around this, because you are the Department of Housing, and GROH is really the responsibility of your agency, and this was an election commitment, yet you are basically saying that you were not asked for advice on what this might cost.

**Mr Searle:** Well, I have got some advice that we prepared a briefing note, but I do not know what was in it offhand. Also, the impact on our budget would have been negligible, because our rents come from the departments, not from the tenants.

**Hon LJILJANNA RAVLICH:** Okay. I see what you mean. The reason I ask this is that I know that there is still a great deal of concern, for example from the police union, because they say they would find it much easier to get police officers in remote regional towns if this policy was implemented; and I am sure the teachers feel the same way and possibly the nurses and so on. Well, if that is the best you can do for us, that is good. Having said that, you give an undertaking earlier on that you provide the committee with information in relation to how you are tracking in respect of meeting the commonwealth targets. I am just giving you a gentle reminder about whether we can have access to that documentation. That may also be helpful in informing the work that we are currently doing. So could we perhaps get a photocopy of that?

**Mr Searle:** These commonwealth studies?

**Hon LJILJANNA RAVLICH:** Yes.

**Mr Searle:** Sure.

**Hon LJILJANNA RAVLICH:** Thank you.

#### **Proceedings suspended from 4.15 to 4.25 pm**

**Hon KEN TRAVERS:** I turn to your balance sheet and cash flow statement for a while. On page 914, can you tell us what the "Other" under "Current Assets" is? What is incorporated in there because there seems to be a fairly significant fluctuation between the budget and the actuals?

**Mr Searle:** In terms of the other current assets, the increase is primarily due to Keystart loans. Keystart is effectively a subsidiary of the Department of Housing. Keystart borrowings have been processed from the Western Australian Treasury Corporation through the department to Keystart. Whilst Keystart's loans and interest payments have nil effect on the bottom line, the change in the value of Keystart itself is significant.

**Hon KEN TRAVERS:** Is that \$2 billion basically the money —

**Mr Searle:** The growth is predominantly because of Keystart.

**Hon KEN TRAVERS:** Why is that listed as a current asset? I am still not sure I follow that. Is that \$2 billion that has come in or \$2 billion in total held on the books?

**Mr Searle:** Keystart has \$200 million in cash as a cash asset within the business.

**Mr Whyte:** It is required to keep cash as part of its prudential requirements. As the loan book grew so significantly, it also had to keep significant current asset balances to cover any defaults or anything of that nature.

**Hon KEN TRAVERS:** Where does it get that cash from?

**Mr Whyte:** It is the difference between the interest that it charges the customer and the interest that it pays on its debt.

**Hon KEN TRAVERS:** Every year it accumulates around \$2 billion that is retained.

**Mr Searle:** No, the growth in those numbers this year is \$100 million. Most of that has come from Keystart. The growth between the 2008–09 actuals and the 2009–10 number was the extra \$200 million. Half of it was extra money that Keystart put aside. Keystart's loan book over the past two years has grown from \$1.9 billion to \$4.1 billion, so it is a significant growth. In order to meet its APRA requirements, it has had to put aside extra capital against the size of that debt. That is what the growth in that number is.

**Hon PHILIP GARDINER:** Can you remind me what Keystart is?

**Mr Searle:** Keystart is a home loan business that is owned by the housing authority.

**Hon PHILIP GARDINER:** So the housing authority borrows on the government's balance sheet.

**Mr Searle:** Yes, through WA Treasury Corporation.

**Hon PHILIP GARDINER:** And then can probably lend at a lower margin than the commercial market.

**Mr Searle:** Keystart lends at the commercial rate. It lends at the average of the four banks. It does not require mortgage insurance from its clients and it has lower deposit requirements than the banks do, both in terms of real savings and deposits overall. It also has upper income limits on its borrowers rather than lower income limits. It is unusual. It is trying to help and encourage lower income people into home ownership, but it pays a commercial rate of interest.

**Hon PHILIP GARDINER:** Are there many loans to Indigenous borrowers in that loan book?

**Mr Searle:** A percentage of the book is loans to Indigenous borrowers. There are currently 19 000 loans in the Keystart loan book, which is interesting, because it is about half the number of public social houses. That has been hugely successful. Historically, it has had a very quick turnover rate. The average length of loan is three years. People get established and all of a sudden they are attractive to banks because they have a record of repayments. They want to get a credit card or something like that that Keystart does not provide so there is a reason for the transition to the banks. Keystart's poorly performing loans are very, very small. It is about 0.38 per cent, which is way better than a lot of the banks, which is really interesting.

**Hon KEN TRAVERS:** It beats Fannie Mae.

**Mr Searle:** Out of sight. Some of that is good management of the scheme. They do stress test the loans before they grant the loans and they have a great follow up. Sometimes these people are so grateful to find someone who is prepared to help them that they take their mortgage repayments very seriously. It is a great success story.

**Hon PHILIP GARDINER:** Just on the Keystart criteria, what equity level would be required to be held by the borrower?

**Mr Searle:** It has changed three or four times. I think it is currently a six per cent deposit, three per cent of which has to be real savings, so you can count the first home owner's grant and those sorts of things towards the rest. Whereas with the banks at the moment, it is five per cent and 10 per cent.

[4.30 pm]

**Mr Whyte:** As I mentioned before, if people become income ineligible for our houses, we can assist them through generating that deposit over a year or two. That can become part of their savings and we can transition those people into home ownership. The whole of life cost to us for someone staying in a public house has been calculated at over \$300 000. So to help someone transition into a private, albeit perhaps a shared equity arrangement, given what Grahame said, the



figure that we have is that only about one per cent of people ever regress backwards. Once they move up, the housing is continual. This also includes all the loans that we have under shared equity. Keystart does make a profit. It makes a profit from the difference between what the government is able to raise money at, as you referred, and what it lends the money at.

In the past 12 months there has been a policy change to the average of the four banks that has increased the margin and should provide for greater surpluses. As we said, it also follows the banks' prudential requirements to have cash and liquid assets available should there be a run. There might not be a run on the bank so to speak, but there might be a lot of forced sales. If the market drops 20 per cent and people are under stress and have to sell, it will not bring down the government or the Keystart scheme.

**Hon PHILIP GARDINER:** Given the lower cost of borrowing to start with, the total cost of borrowings for those who are borrowers will still be less than that of the commercial banks?

**Mr Whyte:** Correct.

**Hon KEN TRAVERS:** Why was it expected to drop from \$1.9 billion to \$886 million between 2008–09 and 2009–10, and then it has jumped back up to \$2.02 billion?

**Mr Whyte:** I do not have an answer; I can only follow that up.

[*Supplementary Information No A7.*]

**Hon KEN TRAVERS:** Double checking the borrowings listed under non-current liabilities: is it correct that they include the Keystart borrowings?

**Ms Brooks:** Yes.

**Hon KEN TRAVERS:** Where is the money you were saying was held by Keystart for the prudential requirement? Where is that listed in the balance sheet? Is that under reserves or accumulated surpluses or deficits?

**Mr Whyte:** It is part of the reserves because it is out of the accumulated profits.

**Hon KEN TRAVERS:** All right. Are we able to break up the reserves figure into what it consists of? Do you maintain any reserves for your asset depreciation—that is, the depreciation of your assets as in your physical properties?

**Ms Brooks:** Yes; we revalue our assets every year and we have revaluation reserve.

**Mr Whyte:** All the assets are revalued as part of the government property register. They are valued by the Valuer General and we bring those to account. I would expect that a large percentage of the reserves that we have are through asset revaluation and houses being revalued upwards.

**Hon KEN TRAVERS:** Right. Do you have an actual reserves cash component? Are you depreciating the cost of the asset or are you doing it on valuation?

**Ms Brooks:** We depreciate the asset, but when it is revalued the depreciation is written back and then the asset is depreciated on the new value.

**Hon KEN TRAVERS:** Is a pool of money put aside for future long-term maintenance on your existing properties?

**Mr Whyte:** Fundamentally, a good portion of the rent that we receive from our public housing tenants goes to the maintenance budget annually—that is how we fund internally. We get one-off grants from the federal government, like we did with the stimulus money that allowed us to refurbish and do significant maintenance on properties. By and large, our maintenance program is self-funded out of the rent that we receive.

**Hon KEN TRAVERS:** Turning to page 195, a dividend statutory contribution of \$53.4 million is received.

**Mr Searle:** Yes; that is the Keystart dividend.

**Hon KEN TRAVERS:** How come it has not been received in previous years according to these budget papers?

**Mr Searle:** Because over this period, Keystart has been accumulating its reserves to match the growth in the loan book. This year, it generated enough income to be able to declare a dividend as well as have sufficient accumulated reserves.

**Hon KEN TRAVERS:** Where does that \$53 million go?

**Mr Searle:** Technically, to the housing authority as the beneficiary under the trust.

**Hon KEN TRAVERS:** Technically?

**Hon PHILIP GARDINER:** And in reality?

**Mr Searle:** When you look at this year's budget papers you might notice that there was a reduction in the appropriation to the department that may well have reflected a number similar to the \$53 million dividend.

**Hon KEN TRAVERS:** When you think about it, you are getting in \$54 million. If you think about the equity injection, I would have thought that given that \$54 million dividend, you would see your equity increase by that amount; however, it does not seem to be.

**Mr Searle:** As I said, the appropriation was reduced by a matching amount this year. There are ongoing discussions about what will happen to future years' dividends.

**Hon KEN TRAVERS:** Is it right to then suggest that the stimulus expenditure included in this year's budget has been paid for by the Keystart dividend?

**Ms Brooks:** No; the reduced appropriations were for the recurrent grants—it was not equity. Those grants were for a specific number of properties and programs, such as some of the Aboriginal housing programs et cetera. That is where that money has gone.

**Mr Searle:** The normal state government funding was reduced by a matching amount.

**Hon KEN TRAVERS:** By a matching amount—whereas if it had maintained that and instead put it into an equity contribution, you could have built more houses.

**Mr Searle:** Yes.

**Mr Whyte:** If the appropriation had been \$70 million and not \$20 million, and we had kept the \$50 million, we would have had an additional \$50 million to spend on public housing.

**Hon KEN TRAVERS:** Which could then have been treated as a capital injection that would have allowed you to build more housing.

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** You have demonstrated to us that \$54 million could have built significantly more houses over the coming years. In terms of your ability to leverage off that \$54 million would probably end up being more—I mean, do you have any idea, if you had a capital injection tomorrow, how many additional houses you could get for \$50 million?

**Ms Brooks:** Probably 100 or so.

**Mr Searle:** It depends where and what, but somewhere between 100 and 150, because we tend to pay somewhere between \$300 000 and \$500 000, depending on where they are and what they are.

**Hon KEN TRAVERS:** Do you not ever borrow to extend that capital appropriation? Is that 25 per cent all picked up in recurrent expenditure in terms of maintenance and servicing the loans or do you have any left over that could be used to pay borrowings on a property?

[4.40 pm]

**Mr Searle:** There is some debt that sits within the housing authority itself. You will notice that there is a difference between the \$4.1 million, which is the Keystart debt, and the five point whatever the number is. That is actually a debt that the housing authority has to the commonwealth for previous construction activity, which we are still servicing.

**Hon KEN TRAVERS:** And that is paid out of the income you receive from tenants?

**Mr Whyte:** Correct.

**Hon KEN TRAVERS:** Maybe it is time to go on to the cash flows from financing activities. Again, I assume that most of this is Keystart. I have not looked at your annual report for a while, but does that break out and separately account the housing authority to Keystart, or is that something that is possible to be done—to have the cash flow statements separated out? Which parts of it are housing authority and which parts are Keystart? The repayment of borrowings and the proceeds from borrowings and other repayments—there looks like there is a circular bit of transaction going on there, which I suspect is Keystart —

**Mr Searle:** Yes, it is.

**Hon KEN TRAVERS:** I am just trying to understand the financing activities. What is actually housing authority and what is Keystart?

**Ms Brooks:** We should be able to separate that out. I do not have it with me.

**Mr Searle:** The vast majority of it would in fact be Keystart. But, again, we are happy to provide that as supplementary information.

*[Supplementary Information No A8.]*

**Hon KEN TRAVERS:** To help me understand it now for when you provide the break-out, the repayment of borrowings, other repayments, proceeds from borrowings and other proceeds, I am just trying to understand what each of those are, because they all seem to be fairly similar amounts that are just going in a big —

**Ms Brooks:** It is because the Keystart borrowings go through us. They come in to us and then they go out to Keystart, and when they are paid back, they come from Keystart to us and we repay it to WATC.

**Mr Whyte:** Maybe I can try and explain that relationship. The housing authority in fact is the organisation that borrows the funds through Treasury Corporation, so the housing authority owns that debt. It then issues units to Keystart. Keystart is a unit trust. Keystart issues units to the housing authority in exchange for the borrowings. That is how the technicalities of it work. Why do you do it that way? Keystart can go out to the market and issue bonds itself as its own entity because the Western Australian Treasury Corporation can get a slightly better rate, so the return to government is better.

**Mr Searle:** But they cannot lend directly to Keystart because Keystart is a private company.

**Mr Whyte:** They cannot go directly to Keystart.

**Hon KEN TRAVERS:** I am assuming the other repayments and the proceeds from borrowings is the money that has come in and then just gone straight out to Keystart, and then the repayments of borrowings and the other proceeds is the money going back the other way. Am I right in assuming that?

**Mr Whyte:** Correct. That is predominantly all churn—money in, money out, money back.

**Hon KEN TRAVERS:** It is showing here that you have got a net decrease in your cash held by \$67 million. Is that caused by Keystart or is that caused by your internal operations of the department?

**Mr Searle:** That is just us.

**Mr Whyte:** We carried a lot of the money over from the stimulus funding, and this year we had less of a balance. We have held a lot of money over the last three years from the commonwealth stimulus. You mentioned before about how come we had not expended the money, and we mentioned that we had those contracts that were 10 per cent down and 90 per cent when you finish. You rule off the line at the end of the financial year and you have got a large cash balance. We were quite happy to hold those cash balances because we were earning interest on that money. When we in fact had to spend the money and we actually paid out the last 90 per cent, that reduced our cash balance.

**Hon KEN TRAVERS:** Hence the \$98 million that you increased in 2008–09.

**Mr Whyte:** Correct.

**Hon KEN TRAVERS:** That was commonwealth money that came in that you did not expend at that time.

**Mr Whyte:** Correct.

**Hon KEN TRAVERS:** Just going back to 912, the income statement, are the finance costs included there your finance costs or are they Keystart finance costs?

**Ms Brooks:** They would include the Keystart finance costs as well—the interest.

**Hon KEN TRAVERS:** I note that that seemed to be increasing dramatically, so what is the driver of that?

**Mr Searle:** The doubling of the size of the loan? It has gone from \$1.9 billion to \$4.1 billion in the space of two years.

**Hon KEN TRAVERS:** Is the increase over the out years because your prediction is that the interest rates are going to go up? Is it because you are predicting that your financing costs are going to increase because you are going to have a further increase in the size of your loan book? What is driving that, because it has gone from \$153 million two years ago to \$240 million this year, but then you are going up by \$60 million, \$80 million and then again another \$40 million?

**Ms Brooks:** Part of it is the housing authority, because of the loans for the First Start program. Our borrowings have increased. And part of it is Keystart.

**Hon KEN TRAVERS:** Are we able to get that broken up as to how much of it is Keystart, how much of it is shared equity and how much of it is your own general housing authority borrowings?

[*Supplementary Information No A9.*]

**Hon KEN TRAVERS:** Is there any component of that about interest or are you expecting interest rates to climb? Is that what this is predicated on?

**Ms Brooks:** We do a long-term projection and we do look at the interest rates and the Treasury projections as well to see if interest rates might go up. We did build that in.

**Hon KEN TRAVERS:** Are these built on the standard Treasury projections for interest rates or have you got your own projections?

**Mr Whyte:** Treasury Corporation does the borrowing for us. We have a mix of how we get that money: some of it is on the short-term market; some of it is on the longer term market. They will give us a profile of that and they will give us an estimate of the financing cost of that over the life of each of the different components, and we slot that directly into our budget forecast.

**Hon KEN TRAVERS:** I would assume that the component that is on the longer term, you would actually know exactly what that is going to be now, would you not? You would actually have that factored into your —

**Mr Whyte:** The longer term will be fixed because it is at a fixed rate; it is the shorter term stuff —

**Hon KEN TRAVERS:** Are you able to give us a breakdown in percentage terms of how much you have gone long term —

**Mr Whyte:** We can give you the details of the breakdown of our portfolio.

[*Supplementary Information No A10.*]

**Hon KEN TRAVERS:** I had some questions about maintenance, but I might let Ljiljana ask hers and see if there is anything left after she has asked them.

**The CHAIRMAN:** Just before we move to that, Hon Liz Behjat has to leave shortly.

**Hon LIZ BEHJAT:** I have to leave the hearing early. I have one question that I would like to ask you about the “Significant Issues Impacting the Agency” on page 906 and the very last dot point. In light of comments that have been made today, I believe, by the coroner in relation to the findings of the two-year-old boy in Roebourne who died as a result of putting his hand into the wall and being electrocuted, could you just perhaps give us a quick update on where the project is with Roebourne and how is the housing program going there? Please assure us that we are not going to see a repeat of that sort of thing happening in Roebourne.

**Mr Searle:** There are two separate responses to that. One is the RCD program, which is the case in point. The particular incident happened in Roebourne, but the issue was around the RCD. We have now looked at virtually every house we own. We are confident that the houses we owned at the start of the year all have RCDs in them. We have just taken over responsibility for some Aboriginal houses that we were not responsible for, so we are in the process of checking those. We will have a legal requirement to have RCDs in houses by the end of 2011. I am confident that the department will meet that requirement. What happened to the little boy was tragic, but there was a range of factors, as I am sure the coroner will find, that contributed to that.

[4.50 pm]

**Hon LIZ BEHJAT:** One of the comments made by the coroner was that the house itself was not fit for human habitation. He has made that comment today. It would disturb me that there could still be houses out there that may not be fit for human habitation, and I hope that there is a program in place to ensure that on our watch we do not have that tragedy happening again.

**Mr Searle:** I have not seen the coroner’s comments from today. My understanding of that particular case is that the couple who were in that house had been in that house for a very long period of time, something of the order of 20 years. Getting access to that house for inspections was not easy. We do not have the right to force entry. There are a range of issues that we have to deal with with a number of our tenants. We have a lot of great tenants, tenants I would be proud to have as neighbours, but there is a small percentage who are difficult and have complex needs, dealing with them and getting access to houses. We inspected over 7 500 houses in the immediate aftermath of Roebourne to satisfy ourselves that we were confident that those devices were in houses. One of them I think we actually got to the doors of the court to get a court order to gain access to check that it was there because the tenant was being so problematic. It is not just a simple matter of going and looking at houses; it is finding people home and a whole range of things. But Roebourne is a particular focus. We are doing things in Roebourne as we speak. I am hopeful there will be announcements by this government within the next six or eight weeks that will be specific around additional expenditure in Roebourne in order to redress some of the many complex issues that address the Roebourne community.

**Hon LIZ BEHJAT:** I understand the issues are very complex. I know you guys do a fantastic job there. I think it is important, though, that we always have to remember that even if it is difficult to gain access to a house, if there are children that need to be protected we do everything we can to ensure that happens.

**Mr Searle:** Yes, and I think you will find the department has spent a lot of money on the particular house concerned over a period of time before the accident.

**Hon KEN TRAVERS:** You talked about the \$54 million coming off your appropriation this year, hence the drop from \$98 million to \$16 million. I suspect there are some other factors in there as well. It then goes back up to \$71 million, but in the two out years beyond that it goes back to \$20 million and \$16 million. What drives it? Are you expecting to get that \$54 million back as an appropriation for next year, and then what happens in the 2012–13 and 2013–14 financial years to see them drop down again? This is on page 904:

**Ms Brooks:** Some of the programs that were funded for, with the appropriations, actually finished. For instance, for the SCHIP program—the state community housing investment program, that finishes in 2011–12—there is no funding in the last two years.

**Hon KEN TRAVERS:** How much is that for the SCHIP program?

**Ms Brooks:** In 2011–12 it is \$39 million.

**Hon KEN TRAVERS:** I want to check that. The SCHIP program is the one for tenants that are having difficulties and that you do through the private sector —

**Mr Searle:** No.

**Hon KEN TRAVERS:** Which one is that?

**Mr Searle:** SCHIP is where we give money to the community housing sector so that they can directly provide housing. It is to aid the growth of the community housing sector. The SHAP program is the one —

**Hon KEN TRAVERS:** I am thinking of SHAP, am I, as opposed to SCHIP!

**Mr Searle:** There are a lot of acronyms.

**Hon KEN TRAVERS:** That is \$39 million—what else?

**Ms Brooks:** There is nearly \$12 million for NRAS funding. That finishes in 2011–12.

**Mr Whyte:** NRAS is the national rental affordability scheme; again a commonwealth scheme that is supplemented by the state. The commonwealth contributes \$6 000 per year and the state contributes \$2 000 per year for 10 years for owners of premises who are willing to charge the tenants 75 per cent or less than the market rent.

**Hon KEN TRAVERS:** The commonwealth program is ending so yours is also tailing out?

**Mr Searle:** No. I think what happened there is that we applied for funding for the period of the forward estimates. We have not updated that into the out years. The original funding that came for that program ends that year but we will be back seeking —

**Hon KEN TRAVERS:** But it will be continued?

**Mr Searle:** We hope the government would continue to fund that program.

**Hon KEN TRAVERS:** From the commonwealth point of view the program is continuing; you need the state to bring in the money?

**Mr Searle:** Yes. We have every expectation that that will happen.

**Hon KEN TRAVERS:** Anything else?

**Ms Brooks:** No. They are the main ones.

**Hon LJILJANNA RAVLICH:** As a follow-on from that: going back to “Delivery of Services”, “Item 116 Net amount appropriated to deliver services”—how do you run your department on \$16.9 million? Secondly, are you borrowing from your capital appropriation to fund some of your recurrent expenditure?

**Mr Searle:** No.

**Ms Brooks:** We have internal funds as well. We get some money from the commonwealth and from the state—state grants and equity—then we have internal funds from land sales, rent, sales of properties, sales of shared equity properties as well.

**Hon LJILJANNA RAVLICH:** Can you give us a full breakdown of where you are getting your recurrent appropriations to be able to deliver everything that you deliver?

**Mr Searle:** Appropriation has got a very particular context. We have a range of revenue streams that we use.

**Hon LJILJANNA RAVLICH:** You can give us the revenue streams. That is how much you have been appropriated but your actual cost for delivering the services in terms of the recurrent component would be significantly higher than \$16.9 million.

**Mr Searle:** Absolutely.

**Hon LJILJANNA RAVLICH:** What would it be in the order of?

**Hon KEN TRAVERS:** Can I just interject, too?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon KEN TRAVERS:** I note from your income statement you are estimating that you are going to run a deficit of about \$127 million this year. It will be interesting to know how you intend to fund that deficit as part of the answer to Hon Ljiljanna Ravlich.

**Mr Searle:** A lot of it comes out of cash. If you have a look at it we have actually carried a lot of cash over. That is how most of the deficit will be funded. The department is a very significant land developer. We generate a significant amount of income out of the commonwealth's functions.

**Ms Brooks:** Our total operating expenditure is around about \$600 million to \$650 million.

**Hon LJILJANNA RAVLICH:** That is a lot to make up.

**Mr Whyte:** Rental accounts for a goodly portion of that; the rent we receive from our tenants.

**Ms Brooks:** The commonwealth now have about \$100 million.

**Mr Whyte:** \$300-odd million from internal rents and \$100 million from the commonwealth. Our land development activity usually contributes around —

**Ms Brooks:** Net, about \$100 million.

**Mr Whyte:** In the past the department has been an off-budget agency. It has been brought into the state budget accounts. This is how we account for ourselves in a state budget sense. In terms of an operating sense, we have three or four significant sources of revenue. Our significant expenses, as you say, are in maintenance.

**Hon LJILJANNA RAVLICH:** But you are not doing a lot of maintenance from what I can see. But go on; keep going.

**Mr Whyte:** We are planning to maintain the properties on the same basis that we have in past years.

**Hon LJILJANNA RAVLICH:** Is there an intention you move to a cross-recovery model? That is what it looks like. You are saying, "We've got these revenue streams and therefore that's how we're funding the ongoing recurrent part of our business", but it seems to anyone looking at these figures that you are moving to some cost-recovery model.

**Mr Searle:** Up until about four or five years ago the housing authority was totally self-funding. It is only in recent years that we have taken money from the state.

**Hon KEN TRAVERS:** Other than capital injections?

**Mr Searle:** Other than capital injections.

**Ms Brooks:** Or even capital; we did not receive much.

**Mr Searle:** It has predominantly been self-funding. A lot of that is from the land development function, not from rents. The public rental side of the business is not and never will be self-funding because the rents are capped at 25 per cent of income. There is no indication at all from government that they want that to change.

**Hon LJILJANNA RAVLICH:** Can I just ask you a series of questions about the outstanding work orders. I understand that you have got about 7 000 outstanding work orders. The first question is: why?

**Mr Searle:** The number that is reported out of the systems is around 7 000. That number is not correct. We know that number is not correct.

[5.00 pm]

**Hon LJILJANNA RAVLICH:** What is the correct number?

**Mr Searle:** That is the problem; we do not know the correct number.

**Hon LJILJANNA RAVLICH:** So it could be higher?

**Mr Searle:** No. It could not possibly be higher, because that is the number of work orders we have issued so that is the maximum the number could be. If I can beg some indulgence, I will actually answer the question from start to finish because there are lots of embedded questions here. At the end of last year it became apparent that the way our maintenance model was operating was not working. In some regions, we had to go to safety-only maintenance in about September of last financial year because our budgets were being hugely overspent. So the management looked at alternative ways of delivering the same service. At the time, we had something like 800 individual contractors around the state contracting to the department on a range of models for fee for service, which could best be described as generous. What we did was go to the market to get head contractors to deal with the department and to deal with what would then become subcontractors. As a result, we have three new head contractors who effectively run our maintenance. One of those has had significant problems getting their information systems in place to take data from the department and feed things back to the department.

What we are finding, in particular with Transfield, is that they can get the work orders from us—hence the number of outstanding orders—but there is an inability to feed, system to system, the information back. Consequently, it is reporting the orders outstanding, even though the work in significant areas has, in fact, been done. The problem at the moment is that we cannot actually quantify those amounts. What we can say is that that situation is improving, and improving rapidly. Interestingly, it has got some coverage on talkback radio. Very few of those callers have been our tenants complaining that work is not done. By and large, they are subcontractors complaining about the rates they are being paid. But they are still prepared to do the work. There was one on the radio last week who complained about being paid 27 per cent less than what we had been paying him to do the same job. But he was still prepared to do the work for 27 per cent less, which tells you what was wrong with the previous process.

**Hon KEN TRAVERS:** It depends also on whether he is putting off apprentices and things like that.

**Mr Searle:** He would not be putting his hand up to still do the job, if he was not making money at 27 per cent less—business does not work that way.

**Hon KEN TRAVERS:** If you have overheads, you might keep doing it to cover overheads and look for other work.

**Mr Searle:** But it gives you some idea of the amount of, let us say, profit that was in the previous arrangements.



**Hon KEN TRAVERS:** I think you will find that people will operate on a marginal cost basis for a short period of time to manage it, if they suddenly hit the point where the alternative is that they cannot cover overheads. It may be on a long-term basis your argument is right, but on a short-term basis I am not sure it is.

**Mr Searle:** Yes. But the bottom line is the process was not working efficiently or effectively for us. Are there problems with the current implementation? There certainly is with Transfield at the moment, but they are working through it. Lake Maintenance, which is another one of the contractors, is going okay and Programmed Facility Maintenance is going really well.

**Hon LJILJANNA RAVLICH:** How do you prioritise the maintenance work? How many categories and what are they?

**Mr Searle:** There are three categories: emergency maintenance, which we will attempt to do within three hours —

**Hon LJILJANNA RAVLICH:** Is that safety driven?

**Mr Searle:** By and large, you know, plumbing, electrical and that sort of stuff. There is a middle level, which is a couple of days I think, and then there is a 10-day percentage. I should hasten to add that if anyone has tried to get a plumber or electrician in Perth —

**Hon LJILJANNA RAVLICH:** GA Perry!

**Mr Searle:** — let alone remote areas within three hours—good luck! It is not easy, but we do reasonably well. I understand that Transfield has delivered back 83 vacant properties this week, so things are starting to turn around.

**Hon LJILJANNA RAVLICH:** Mr Searle, can you provide the committee with a break-up of the outstanding work orders in those three categories?

**Mr Searle:** My only problem in doing that is I know the numbers I give you are not correct. I know the numbers are wrong, so I do not see the value of providing them.

**Hon KEN TRAVERS:** How are you as an organisation monitoring that you are actually getting the work done?

**Mr Searle:** There are two ways. The most obvious one is we have a housing direct number. One of the changes that happened in the department this year is we introduced a call centre, which we run out of Mirrabooka. I hasten to add it won awards this year, which I am delighted about. So we get the phone calls requesting the maintenance; and the complaints about the maintenance come back through that number. That number is not being rushed off its feet. If there were huge problems with maintenance being done, the phone calls to talkback radio would be from our tenants, not from contractors. There are very, very few phone calls from our tenants going to those numbers. Are there problems? Yes. Are we working really hard with the contractors to improve it? Absolutely.

**Hon LJILJANNA RAVLICH:** What sort of a time frame is there? This has been going on for a number of months. What is built into the contract with Transfield that says, “Look, you either comply with the contractual obligations otherwise we have to go somewhere else.” Because, as I understand it, if what I am told is true and I assume it is, there are people who have had their heating not working or their hot water system not working during a particularly cold winter. I am sure you still collect rent from these houses. There is no discount for not having the utilities not working.

**Mr Searle:** I would not be so sure about that.

**Hon LJILJANNA RAVLICH:** They do not pay?

**Mr Searle:** We do usually come to some accommodation with tenants who are disadvantaged because of our inability to do this.

**Hon LJILJANNA RAVLICH:** All right. It seems to me that this has gone on for quite a number of months.

**Mr Searle:** It has.

**Hon LJILJANNA RAVLICH:** This is not something that started 48 hours ago; therefore with your safety-only maintenance category of people, you have an obligation to meet their needs within three hours, and here you have a contractor who may not be getting around to do the work in a particularly timely way. And that is being really generous!

**Mr Searle:** Yes. I accept there are problems, but most of the problems are with reporting. The last time I specifically asked Transfield about emergency job orders, which was about three weeks ago—personally—they told me they had three work orders that had not been issued to contractors. Three! I think what is happening at the moment does not reflect the reality of what is happening on the ground. Do I want it to improve? Absolutely. I personally met with three senior staff members from Transfield on Friday to discuss this very issue, and the department does have a couple of fallback plans as to what we will do if things do not improve. If things do not improve, the department will take action. I mean, the department has already taken action. We are meeting with Transfield every other day, or near enough to it. We are talking to them every other day around what is happening. So there is a significant body of work going on at the moment, but we still believe if the system works—or when the system works, there will be significant advantages to us in terms of our maintenance spend and how much we get for the same amount of money, which is what it is all about. Our prime interest here is in taking care of our tenants.

**Hon LJILJANNA RAVLICH:** I know, but your savings could perhaps be short-sighted, because the aspirations for saving may come at an opportunity cost in terms of delivery of good service and work to the tenants who occupy the houses.

**Mr Searle:** No. Look, to be honest, I strongly disagree. I think we have paid over the odds for our maintenance for a considerable period of time. We have not been getting value for money in terms of what we have spent. We do not intend to cut the amount of money we spend on maintenance; that is not the intent. We are trying to stretch that dollar further and get more delivered for our tenants out of the money we are spending.

**Hon LJILJANNA RAVLICH:** Can I put this to you? How good is your modelling? If we were to see the sort of growth in wages, costs and prices and all the rest that we had in September 2008, for example, when we had some 13 per cent economic growth in the last quarter, how reasonable is your modelling in order to achieve the same sort of wage structure for subcontractors? That is what your model is really based on.

**Mr Searle:** Our modelling is based on information from other jurisdictions that have gone to this model, and the average is somewhere between 10 and 15 per cent benefits that they have received, which seemed to us to be reasonable. To be fair, let us not pretend that maintenance of public housing has always been brilliant.

**Hon LJILJANNA RAVLICH:** There is no doubt about it.

**Mr Searle:** It needed to be fixed.

**Hon LJILJANNA RAVLICH:** I remember in Indigenous communities, for example, it was so bad 15 or 20 years ago that people were not even taught how to change a tap washer; they were without running water for weeks because they did not have those skills because they were so dependent on subcontractors.

[5.10 pm]

**Mr Whyte:** I guess the modelling we did coming up to this was to look at the expenditure we were paying on maintenance and how many houses were being maintained. The cost relationship was going up disproportionately in particular in regional areas and within the metropolitan area to the

extent that some of the loadings were in the 200 to 300 per cent range for what would ordinarily be the cost. The ability for us to deal with 800-plus contractors and the diversion of our efforts and the diversion of our focus off provision of the housing and the amount of administrative costs with that did not represent value for money to us. In order to redress that situation and to get for the same amount of money, as Grahame said, we chose to go to a model by which we were dealing with fewer individuals.

**Hon KEN TRAVERS:** A central contractor. Is that central contractor on a fixed price or is it on a cost-plus basis?

**Mr Whyte:** The tender allows for certain amounts for certain services, and then a loading, depending on which particular zone or area the work is in.

**Hon KEN TRAVERS:** Is there any ability for them to vary those costs or are they locked in—they have to deliver the services? If they come back and say it is costing us more to deliver this service in this zone, we need an increase in the price.

**Mr Whyte:** We certainly have the ability to adjust the rate should there be evidence that it is costing more.

**Hon LJILJANNA RAVLICH:** Do they have the ability?

**Mr Whyte:** We are the people paying the bills so we have that ability.

**Hon KEN TRAVERS:** I assume under your old model a lot of the contractors that were employed were locally based.

**Mr Whyte:** And still are.

**Hon KEN TRAVERS:** What guarantee do you have of that now within the contract with Transfield or the lead-contractor model? You have a couple, I think, have you not?

**Mr Searle:** We have three. I understand there are some requirements in there. The key issue is that if you are employing a plumber or an electrician on an emergency basis, you cannot fly them up from Perth. It just does not work economically. Having said that, last year some regional-based contractors earned more than \$100 000 from the department in travel money—not for work, but for travel time. That is not a reflection of a healthy operation.

**Hon KEN TRAVERS:** It depends on how far and how often they are travelling. It is easy to throw out a figure like that. Maybe that is about the tender process in terms of the rates you set with them. I would have thought you would have to drill down and look at where they are going and the costs of travel. They could be spending days on the road to paint or fix buildings in remote locations. Is that for an individual or a number of people?

**Mr Searle:** Individuals.

**Hon KEN TRAVERS:** Do they have to take machinery with them?

**Mr Searle:** That one was particularly individual. There is a range of things embedded in it.

**Hon KEN TRAVERS:** A contractor could have to drive a truck with a bobcat on the back to do plumbing work.

**Mr Searle:** I agree that it is complex. The bottom line is that the previous process was not working. That is the point we were starting from.

**Hon LJILJANNA RAVLICH:** You were the director general under the previous process.

**Mr Searle:** Only just.

**Hon LJILJANNA RAVLICH:** I wonder why the previous process was in practice, if you moved to this new process.

**Mr Searle:** The previous process had been in place for a long time. It is my assessment that over that time a lot of relationships got to be comfortable. Last year was my first full year in the job. It became apparent in September that none of our maintenance budgets were going to work and a couple of them really badly not work.

**Hon KEN TRAVERS:** Do you know how many of the contractors you employed had apprentices working for them under the old system? Will you monitor to see how many there are under the new system?

**Mr Searle:** I do not think it was a requirement under the old system.

**Hon KEN TRAVERS:** Do you have any record of whether they did?

**Hon LJILJANNA RAVLICH:** There was a program called Priority Start where you had to have so many apprentices based on the —

**Mr Searle:** That was the construction program. I am happy to go back and look but I do not know whether there was a requirement.

**Hon KEN TRAVERS:** That is often one of the dangers. The Liberal government closed the Midland Workshops and wondered why we do not now have a range of apprentices in a lot of key engineering areas. You can trace it back to a decision of the 1990s to close the main training centre of Perth. On an individual agency it may seem like an effective cost saving measure, but on a whole-of-government cost saving basis it has the opposite effect. If the end result is that a lot of that maintenance work is done by people coming from other areas rather than local areas, that has another impact. You will have to provide more social housing in the Perth metropolitan area if those people relocate to Perth and operate from Perth rather than from regional centres.

**Mr Searle:** Whilst the department has the head contractor model, we are not limited to it. We can do things other ways if we want to. We have the ability to do that in a contract. We are doing a range of things to address the exact issue you are talking about. We have a contract with Outcare, I think it is called—the support group for prisoners.

**Hon LJILJANNA RAVLICH:** Yes.

**Mr Searle:** We have provided them with housing to house prisoners in transition out of prison. They are training those mainly Indigenous teenagers in trade skills, and providing us with maintenance from those Indigenous trainees in lieu of payment for rent for their houses. We are doing things to achieve exactly what you are saying: to try to encourage training and development as part of having a future workforce. We do not disagree with what you are saying at all.

**Hon PHILIP GARDINER:** I can see the difficulty with making sure you have an efficient structure to service it. Like Hon Ken Travers, I am very concerned to see the use of local tradespeople. I also know that when local tradespeople get comfortable, especially if an organisation is large and thinks it is wedded in, they can take you to the cleaners. My question is quite different. I understand that people who are eligible for rental housing have a rental that cannot exceed 25 per cent of their income. Is that the criteria?

**Mr Searle:** Yes.

**Hon KEN TRAVERS:** It is not a case of cannot exceed; it is fixed at 25 per cent, except for one group, which is to become 25 per cent in the not-too-distant future.

**Mr Searle:** It is 23.5 per cent.

**Hon KEN TRAVERS:** At the moment it is, but it will become 25 per cent.

**Hon PHILIP GARDINER:** Okay. The issue I would like an idea about is: how much are we contributing as a community service obligation to this sector of our community service?

**Mr Searle:** We call it a subsidy.

**Hon PHILIP GARDINER:** Okay. Why is it so distinctive to be a subsidy in your case, rather than a community service obligation? A community service obligation should have certain criteria that represent the obligation of government to provide a service?

**Mr Whyte:** We are looking towards our future funding model. As a community service obligation, the government would be committed to giving us the difference between the subsidised rent and the market rent of the property. That would be in the hundreds of millions of dollars. The organisation has not been funded like that in the past. It is one option for the future because it is a statutory housing authority. It has not been funded for the subsidies that it has provided to the community in that manner. We have calculated those figures. It is one option we can put forward.

**Hon PHILIP GARDINER:** Roughly how much is the subsidy, or whatever you want to call it, that we are contributing to the community?

**Mr Whyte:** I thought the actual subsidy was close to \$200 million.

**Hon PHILIP GARDINER:** Just for the rental housing?

**Mr Whyte:** Yes. It is in the vicinity of \$200 million. I will have to get that figure. The other issue is that rentals have been set for some time on the basis of market values as at 2005. We are now looking to update those to 2009 or 2010 values from the Valuer General so there is a shortfall in that. There is a subsidy upon a subsidy there, and that is where that figure varies.

**The CHAIRMAN:** Will you take it on notice to check that figure?

**Mr Whyte:** I can provide that figure.

*[Supplementary Information No A11.]*

[5.20 pm]

**Hon KEN TRAVERS:** Can we, as part of that, get some idea of the basis on which you calculate it? For instance, the capital growth in your assets, is that factored into determining the subsidy?

**Mr Whyte:** No.

**Hon KEN TRAVERS:** We went through that earlier. You are not actually making a depreciation, but when you do your subsidy do you do a depreciation of the properties? How do you arrive at what you determine to be your subsidy?

**Mr Searle:** Valuer General valuations and rental estimates minus actual rent paid equals the amount of the subsidy.

**Mr Whyte:** The rent that people pay varies from the 25 per cent. There are other rules in place that say that people's increases in their rent cannot go up in any six-month period by more than either \$40 or 15 per cent in the rent, so there are other factors that come into play. We have the calculation of the market rental if everyone were to pay the full market rent for the dwelling that they are in and the amount of rental that we actually receive from them.

**Hon PHILIP GARDINER:** While I have a chance, can I just ask: are you one of the departments that have signed up to the shared services facility?

**The CHAIRMAN:** There are a few wry smiles!

**Mr Searle:** We are not currently under shared services.

**Hon PHILIP GARDINER:** And you are envious of those who have, obviously.

**Mr Whyte:** Yes. We are scheduled to roll into shared services in 2011, and we are making preparations to do so.

**Hon PHILIP GARDINER:** Have you identified whether you will save costs by rolling into shared services at this stage?

**Mr Whyte:** We have the opportunity to save costs, most particularly by taking the time that we have between now and 2011 to upgrade our core computer systems. If we were to be rolling now, with our core computer systems the way they are, they are based on very old technology and there would be a significant cost to roll them into the shared services model. We are looking to do it concurrently with redeveloping our system, and minimising the cost to integrate with shared services on a system basis. In terms of day-to-day costs, in terms of running a HR function and running an administration and finance function, I understand that most organisations have gone through a bit of a hurdle to start off with, but over time they are finding there are benefits to move into shared services. We find it particularly difficult to attract permanent staff in what you would call administrative areas. We are even finding that we have to go to temp agencies, contracts and such. I think that is only going to increase in time. So our expectation is that it will provide us with efficiencies.

**Hon PHILIP GARDINER:** In terms of the businesses that you have got, one being the Keystart business, which is really a semi-banking business, you would have thought that would not be anywhere near the shared services.

**Mr Searle:** It will not.

**Hon PHILIP GARDINER:** So that is going to be yours, embedded in your own —

**Mr Searle:** It stands aside and operates independently as a private company. One of the pluses we might get out of shared services is that if we do our redevelopments in a particular way, shared services has some whole of government Oracle licences, and we might go to utilise those licences for some of the new systems rather than having to buy additional licences to run them. If we could make that work, they could be in fact a significant saving.

**Mr Whyte:** It is up to us to get ourselves up to Oracle. We are not there yet.

**Hon KEN TRAVERS:** I recently visited the site of one of your buildings in Glendalough, where you are building a three-storey development on what used to be two ordinary residential blocks. It is three stories high and has an elevator in it. You already have a number of other developments that you have done in the same street, where they were done at ground level, and it would appear to be the same number of units that are delivered. I would imagine that the cost of going into high-rise, in my understanding, is that it would normally cost more to develop it. I do not know what the maintenance cost of an elevator is, but my experience has been that they are not cheap. So what drives the decision to go high-rise rather than at-grade developments in an area like that? I am not suggesting that this was an inappropriate location. I could understand if you had to find storeys so that you could get any increased density, that it does not seem to be producing any more units for the land area being developed.

**Mr Searle:** I do not know the particular case in question, but if you give me the address, I am happy to go and examine the file and work out why.

**Hon KEN TRAVERS:** It is in Pollard Street in Glendalough. If we can take that as a question on notice, I will get the actual street number.

*[Supplementary Information No A12.]*

**Hon KEN TRAVERS:** If you can give me an explanation as to how it was chosen to be that sort of development and when you make those decisions why you make them, and also what the cost of the additional development would be.

**Mr Searle:** As a matter of principle what we have now done—again, this is a new change within the department—is that we have set up a strategic asset management group within the department. So whenever property becomes vacant, we go in and we have a look at it to see whether it meets the high value criteria and whether it is a property we need to keep for a particular reason or not, and then try to work out what is the best return we can get from a plot of land: is it bowling the house

over or is it just renting it? So that process is now formalised. Historically it has been done by regional managers by and large who have their own drivers. Paul, in his area, has now set up this strategic asset management group that actually does that assessment and makes those decisions. I might just hand over to Paul if he wants to expand on that.

**Mr Whyte:** In terms of why we go three-storey and not single-storey, it is a bit of a self-fulfilling prophecy in Perth and in Western Australia where it costs you more to build two or three storeys. There is not enough product out there at two or three storeys or above to warrant there to be greater innovation and efficiency in the design and in the build. We are very keen to see maximising of a lot of the potential we have; that is, get back to having some multiunit development where there is a multiunit development site. We do experience increases in costs but what we have also found is that over time, and this has occurred over the past 20 or 30 years in housing, if you lead the way in the building side of things, you will actually help the industry help itself, so being able to produce one and two-bedroom product or multistorey product at a cheaper rate. In Perth there are a lot of underutilised and underdeveloped sites just because it costs so much money to build two or three storeys.

**Mr Searle:** The difference seems to be going from three to four; that seems to be the real trigger point. If you look at the average costs in Melbourne and Sydney versus Perth, that three to four storey variation is a significant kick up. It seems to be Perth-centric, though; it is not true on the eastern coast. I cannot work out why.

**Hon KEN TRAVERS:** I know a lot of private developers talk about this.

**Mr Searle:** No-one knows why.

**Hon KEN TRAVERS:** There are some arguments about the limited market in cranes, scaffolding and other areas, but other than that, no-one can quite explain it. But having said that, looking at the site it does not seem to be producing more units than that you were able to do at grade. I can understand if you are getting significantly increased units. If you need the actual street address, I suspect it is probably the only multistorey in Pollard Street in Glendalough; you may need the physical number. How many additional units have you got as a result of going up rather than doing it at grade? You have done a number of developments in the street of a similar nature. What are the additional operating costs with the lift in the building estimated to be? Are there any other benefits that you perceive that you are achieving by having gone up? I can understand if you are getting a better density out of the same site, but it does not appear to be that in this case.

**Mr Searle:** I will undertake to get the answer for you.

**Hon KEN TRAVERS:** If we can take that as a question on notice.

**The CHAIRMAN:** I am just going to indicate that I think we will finish on time, as long as you leave time for Hon Ljiljana Ravlich to have a question as well.

**Hon KEN TRAVERS:** I am happy for you to take this on notice. I am interested in the land that you have becoming available. You mentioned you are land developers. I am happy to take on notice the land that you see over the period of the rest of this year at the forward estimates, land that will be becoming available and when it will become available—you are focused on the first home buyer market—so the land that you will have becoming available. I am also politically interested in where the McLarty Avenue site in Joondalup is up to in terms of when you expect to be on the market for development, and also a broader picture about your land that you expect, because I see over your land sales you see it dropping off, and I wanted to know whether that is because you are expecting a drop in price or that the amount of land you will be putting out on the market will be dropping over the next couple of years. I am happy for that to be taken notice.

**Mr Whyte:** The specifics we could take on notice and provide you with details. In a general sense, we represent nearly 17 per cent of the whole land development market, so the Department of

Housing's land. You know of it perhaps through developments like Ellenbrook or Brighton and so on, rather than through the Department of Housing.

[5.30 pm]

We have a number of major sites to come on board, still. We have Henley Brook this year and Golden Bay coming up. We have a large tract of land that you may know of as Amarillo and is now known as Keralup. That has the opportunity to house another 90 000 people in 30 000 dwellings. There are significant issues to deal with in terms of environmental impact, logistics and things such as having a train station nearby. We believe that those issues can be addressed and can be a positive, especially for Serpentine River.

**The CHAIRMAN:** Did you say that it will be positive for Serpentine River?

**Mr Whyte:** Yes, because of the state it is in now, what can be done by developing the land adjacent to it will help cleanse the water. At the moment the river is very full of nutrients. The land developments we are doing, and some of the land developments we have done, will continue to deliver that lower quintile of the market, of which we represent 40 per cent. The two major developments this year are Henley Brook and Golden Bay.

**Hon KEN TRAVERS:** I can take the rest as a question on notice.

[*Supplementary Information No A13.*]

**Hon LJILJANNA RAVLICH:** I want some clarification from the director general about the big document he has handed over. Do you also have the stage 1 data, which shows the trends in terms of the number of houses and everything else that goes with it?

**Mr Searle:** Yes, we do.

**Hon LJILJANNA RAVLICH:** Can you provide that to the committee? I assume there are only stages 1 and 2. That will bring us up to date for that. Secondly, in terms of Indigenous housing funded through the Nation Building — Economic Stimulus Plan, I do not know whether this document actually picks up on the Indigenous housing.

**Mr Searle:** There is some housing that Indigenous people will occupy as a result of that, but the remote Aboriginal housing is funded through a separate program.

**Hon LJILJANNA RAVLICH:** I wonder whether we can get similar information on the remote Indigenous housing through that separate program. Is that funded at all through the commonwealth?

**Mr Searle:** Yes, but not through the stimulus; it is the National Partnership Agreement on Remote Indigenous Housing. We can get the committee—relatively simply—the locations of the houses and where we built what. To get the same level of detail as is in the document that I provided would be somewhat more challenging.

**Hon LJILJANNA RAVLICH:** I want a sense of the total number that has been built.

**Mr Searle:** Those numbers are about new constructions, not repairs and maintenance, but with Indigenous housing we will try to give you both.

**Hon LJILJANNA RAVLICH:** Thank you very much.

**The CHAIRMAN:** We might finish on time. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions that you have taken on notice. If members have any unasked questions, I ask them to submit those questions to the committee clerk at the end of this hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should the agency be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met, if that is the case.



On behalf of the committee I thank you very much for your attendance this afternoon. We appreciate your assistance.

**Hearing concluded at 5.34 pm**