

Mr Fran Logan; Mr Bill Marmion; Mr Bill Johnston; Ms Eleni Evangel; Mr Peter Tinley; Mr Sean L'Estrange;
Chairman

Division 57: Housing Authority, \$134 760 000 —

Mr I.C. Blayney, Chairman.

Mr W.R. Marmion, Minister for Housing.

Mr G.J. Searle, Director General.

Ms T. Loosley-Smith, General Manager, Strategy and Policy.

Mr S. Parry, General Manager, Service Delivery.

Mr P. Whyte, General Manager, Commercial and Business Operations.

Ms L.M. Brooks, Chief Financial Officer.

Mr N. van Drunen, Policy Adviser.

[Witnesses introduced.]

The CHAIRMAN: The member for Cockburn.

Mr F.M. LOGAN: I refer to page 674, the heading “Delivery of Services” and the subheading “Appropriations, Expenses and Cash Assets”. The appropriation for delivery of services has dropped from \$95 million in the actual for 2011-12, to \$32 million in the estimated actual for 2012-13, and it has dropped to \$23 million for the forthcoming financial year. Can the minister explain these quite significant drops?

Mr W.R. MARMION: To put it fairly simply, the appropriation from the government to the Department of Housing is a very small proportion of what actually happens. A program that the state government might fund for a period can come in and out and will show up under this table as a big fluctuation. If the member refers to page 675, which outlines the total cost of services, that will give him a better feel for the actual cost of delivering services across the four programs of the Department of Housing. The member will see from that page that the 2013-14 budget estimate has gone up considerably from the previous year. That is probably a better indicator of what the total program is. In terms of the specific minor programs and why the numbers have decreased, does the member want me to pick up any particular differential in any of the columns?

Mr F.M. LOGAN: Well, there is a \$70 million difference between 2011-12 and the forthcoming financial year. I accept that it is a proportion of the entire budget for the Department of Housing, but it is still a significant amount of money. I am asking why that has dropped.

Mr W.R. MARMION: Without going through the many, many figures, the highlight figures are a \$40 million drop across the board from the state community housing investment program, or SCHIP, which ceased in 2011-12. That is a fairly significant component. Another component that is changing is the remote area essential services program funding, which in 2011-12 was around the \$25 million mark. They are the two highlight figures.

[8.30 pm]

Mr F.M. LOGAN: On the same table the minister indicated the expenses, which have jumped by a quarter of a billion dollars. That is highlighted again on page 675. That is only partially explained by the increase in rental housing costs.

Mr W.R. MARMION: Are we looking at the table on page 674 on the total expenses?

Mr F.M. LOGAN: Yes, the total cost of services—the appropriation expenses and cash assets on page 674, then, as the minister indicated in the previous answer, it comes under “Service Summary” on page 675. It is still a \$300 million increase over two years from 2011-12 to the forthcoming financial year, which is only partially explained by the increase in rental housing costs. Why is there a significant increase in expenses?

Mr W.R. MARMION: The main highlight figure there is the re-flow of \$113 million of assets being transferred to the community housing organisation. That is the main component. There is also the additional cost of land sold; there have been more land sales—around \$60 million. They are probably the main ones. Of course, the \$60 million extra cost of developing land is offset by revenue.

Mr F.M. LOGAN: Income.

Mr W.R. MARMION: On that particular one, yes.

Mr F.M. LOGAN: I will come back to that issue later with another question.

Mr W.J. JOHNSTON: I refer to page 675 of the *Budget Statements* and the first dot point under “Significant Issues Impacting the Agency”. It refers to the shared equity home loan initiative and 643 low-income households

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et cetera. Why was there a \$230 million budget saving in this program during the 2012–13 financial year, which is detailed on page 206 of budget paper No 3?

Mr W.R. MARMION: On another page?

Mr W.J. JOHNSTON: It is in a different volume; it is in budget paper No 3.

Mr W.R. MARMION: I will have to refer to my financial advisers anything to do with numbers that are not in here.

Mr G.J. Searle: I think we better take that as supplementary information, because I do not have that budget paper in front of me.

Mr W.J. JOHNSTON: I am happy to take it by way of supplementary information. It is just interesting that nobody in the agency knows why there is a \$230 million budget saving in the department.

Mr W.R. MARMION: I do not know that there is.

Mr G.J. Searle: I am happy to give the member information about the SharedStart program and I am happy to talk about items that are in these budget papers. The item the member has referred to is not in these budget papers.

Mr F.M. LOGAN: Further to that, page 206 of budget paper No 3 just deals with the other changes that go through that component. It is still part of the department's budget; it is just listed in a different part of the *Budget Statements*. The affordable housing strategy was reduced by \$230 million, according to that part of the budget. On the one hand the dot point in budget paper No 2 talks about how well SharedStart has done since 2011 and that it has assisted 643 lower income households, but on the other hand there has been \$230 million taken out of that program.

Mr W.R. MARMION: I will see whether anyone has a bit of clarity on that, now that the member has explained it further.

Mr P. Whyte: The reason we had the adjustment throughout the year for that program was that the timing of the cash flows to produce the houses flowed into the next financial year. When we commenced the program, we needed to establish contracts and acquire land and such, so it is not that the program has been cut, it is just that it has been deferred and is going out an extra 12 months.

Mr W.J. JOHNSTON: To clarify that, I draw attention to the fact that the table in budget paper No 3 that we are reading from —

Mr W.R. MARMION: Which I have not got.

Mr W.J. JOHNSTON: It was the minister's decision to not bring the budget papers with him; he cannot blame me for that. The heading of the table is "Policy Decisions and Other Major Changes Since 2012–13 Pre-Election Financial Projections Statement". The table lists the \$230 million as a saving in 2012–13 and does not show —

Mr W.R. MARMION: It is a cash flow saving.

Mr W.J. JOHNSTON: A saving? It says beneath that table —

Due to lower than expected property development activity and associated sales revenues in the Housing Authority's Affordable Housing program in 2012–13, spending on property development under the SharedStart scheme was reduced accordingly.

That sounds like a cut to me.

Mr W.R. MARMION: Now that the member has read it out so that we know what it says, I think the director general might be able to answer the question.

Mr G.J. Searle: As part of the broader land development program, members may remember that there was a period last year during which the land sales market was very subdued, so we actually stopped developing land or cut back our developments so that we did not have stock that we could not sell. I assume that is the majority of what that number is about. The SharedStart program to date has been fundamentally funded from within the department's cash flows. That program has been going full speed ahead and is still continuing as quickly as we can build houses.

Mr W.J. JOHNSTON: What is the target number of SharedStart equity properties in the 2013–14 financial year and, if the information is available, for the three out years?

Mr W.R. MARMION: The director general seems to have that information.

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Mr G.J. Searle: The nature of the SharedStart program is that it is totally dependent on the nature of the market. Being serious here, the SharedStart program has been basically funded by the department's ability to produce houses at below their market value. That is the fundamental principle. As long as we can make savings by purchasing land at a discount and getting builders to build at a discount, we can provide low-price houses to low-income people. That is the whole basis of the scheme. As we get to a stage when builders are busy and they have busy books, our ability to extract significant discounts from them will disappear. Whilst this scheme can work at a certain point in time of the market—we have driven it very hard over the last 18 months—there will be a point in time when it will not work; when we cannot get those discounts and cannot create the value. I am not prepared to commit to an outcome, and I have not done so to the government, because if the market continues to firm, our ability to deliver this program will disappear. So far we have managed to deliver the program at virtually no cost.

Ms E. EVANGEL: I refer the minister to page 675 of the *Budget Statements* and to the second line item under "Service Summary" relating to home loans. Can the minister outline how many loans have been provided by Keystart this year? There was a bit of good news on the news tonight about the Keystart program, which is proving to be very successful. That was very pleasant to hear.

[8.40 pm]

Mr W.J. JOHNSTON: That is not in this division; it is a separate division.

Mr W.R. MARMION: It comes under "Home Loans". That is how home loans are provided. A total of 4 444 loan applications were received in 2012–13 and 2 720 loans were approved in 2012–13. A total of 564 loans were approved in 2011–12 and 526 were approved in 2010–11. There has been a very large increase in the number of loans approved in the past financial year. There are 16 417 loans on the books. Eighty-four per cent of these applicants were able to receive the first home owner grant. As everyone knows, it was announced in the budget that the first home owner grant will increase from \$7 000 to \$10 000 for first-time buyers of newly constructed homes.

Mr M.J. COWPER: There is reference to expenses and income under the financial statements on page 681. I particularly refer to the income and the fact that total income is forecast to increase by \$211 million compared with the estimated actual of the previous year. That is primarily due to a number of factors. I note that there is income from land sales, state grants and other revenue relating to the GST. There has been a \$115.6 million increase in commonwealth grants and subsidies to the Housing Authority, mostly under the National Partnership Agreement on Remote Indigenous Housing. This is very important to a company in my area—Murray River North—that is involved in providing housing in remote Indigenous areas. I am very interested to see where the income will come from to provide much-needed housing in remote areas.

Mr W.R. MARMION: This commonwealth program is a very important program for the department. It has delivered a lot of new houses and has also refurbished a lot of houses right across the state. We have not been able to sign up to this program because we have not reached an agreement with the commonwealth on the extension of this current program.

Mr M.J. COWPER: Why not?

Mr W.R. MARMION: The commonwealth wants us to build new houses. An agreement has to be signed to continue the flow of funds for this program. We are at a stalemate at the moment because I have not signed off on an agreement that we were given two days' notice to sign off on because the state government is not happy with the requirements that the commonwealth is putting on the department for the best delivery of this money. One of the big problems in delivering a remote Indigenous housing program relates to servicing new houses that are built. The commonwealth program puts constraints on delivering by a certain date. It asks states to deliver a certain number by a certain date and we have to have them completed and connected to services such as power and water. We need funds to deliver those services. We are trying to negotiate. It is quite a large program in terms of dollars. It is no use putting all that money into brand-new houses if we do not have the infrastructure to connect water and power. Rather than the funds just going into new houses, we want a bit of flexibility in the funding so that we can balance the needs for that remote community. The commonwealth has been quite pedantic in saying that it wants X number of houses in that community. If we could have X minus two or three, we might be able to provide services to those two or three, to put it in simplistic terms.

Mr M.J. COWPER: Is the minister saying that he wants to redirect those funds into providing those services?

Mr W.R. MARMION: We would like a bit of flexibility in the agreement so that the funds are not all for new houses. The commonwealth is also being a bit pedantic over refurbishments. We can get better value for money by putting less money into refurbishments and getting up to speed with a new house. We are best placed to assess a community and say that we can build three or four new homes, for example, but not 10 because there are 10 others that we could refurbish, thereby getting better value for money. If there are any savings, we could go to

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another remote Indigenous community or provide power and water to houses that require it. Even if a house does have power and water, we might need to extend the amount of power and water through extra infrastructure. It is a very good question.

Mr M.J. COWPER: Given that we are in caretaker mode with the federal government, where does that leave us from a programs perspective? Are we falling behind? Is this putting us behind the eight ball a bit?

Mr W.R. MARMION: That is a very good question. We expected some \$76 million by now, which we do not have yet. We are continuing the program from internal sources at the moment but we hope that when the caretaker mode is completed, we will get the promised \$76 million very quickly to continue this very good program.

Mr S.K. L'ESTRANGE: I refer to the second line item, "Home Loans", under the service summary on page 675. Can the minister please explain why the Keystart interest rate is the average of the four major banks?

Mr W.R. MARMION: The interest rate is basically the average of the four banks. Members might ask why.

Mr S.K. L'ESTRANGE: That is my question, minister.

Mr W.R. MARMION: Someone can access a Keystart loan with a smaller deposit and less savings. In fact, savings can be as little as one per cent and there is no mortgage insurance. Someone can get a Keystart loan easier than they can get a bank loan. People have to meet income limits of course. We do not see the Keystart loan as a loan for life. By having some flexibility in the interest rates, once someone's situation improves and they have some equity, after some years they might transfer to a normal bank loan. That frees up the capital to go back into Keystart so it can be lent to someone else.

For the information of the member—I was quite interested in this—there are two interest rates. The interest rate for clients who applied before 2009 is 5.08 per cent. The interest rate for clients who applied after 2009 is 5.86 per cent. People who had a loan prior to 2009 have benefited. I think they are getting a lower interest rate than me.

Mr F.M. LOGAN: That was a good question from the member for Churchlands, one that I was going to ask myself. Why are the savings from the lower interest rate that someone is charged from the borrowings from the Western Australian Treasury Corporation not passed on? Money is being borrowed at a lower rate than what it is being lent from Treasury Corp. Would it not make sense to lend at a lower rate, given the market the government is lending to, and then seek separate mortgage insurance through another provider, part of which cost should be passed onto the borrower anyway?

[8.50 pm]

Mr W.R. MARMION: I can see two reasons. First, it is operating well, people are transitioning, and it is making a profit, which can be fed back into the sector. The other reason is that if interest rates were lower than banks, people would never get out.

Mr F.M. LOGAN: I am not suggesting that the interest be lower than the average interest of the four big banks; I am saying Keystart can compete with the other lenders that are not banks and have lower interest rates than those provided by Keystart. There are plenty of lenders other than the four major banks that all have lower interest rates.

Mr W.R. MARMION: Lower than the banks?

Mr F.M. LOGAN: Absolutely. Keystart is not even competing with them.

Mr W.R. MARMION: The director general believes he has a good answer.

Mr G.J. Searle: The bottom line is that Keystart is there for a couple of purposes. The first is to assist people who cannot access loans from other institutions. The people we are talking about cannot go to other institutions. Keystart works very hard at making sure it does not put people into financial difficulty. Keystart's 30-day arrears is less than half a per cent, which is phenomenal compared to what the banks do. The profit that comes out of Keystart gets fed back into the public housing system. People who can afford to pay are paying what they can afford to pay, and are delighted that they have a mortgage because they cannot get it from other sources, and the money that is being made is going towards helping those people who are even worse off than the people in the public housing system. I think it is a really good way of helping low-income earners get into homeownership and at the same time it helps to increase funding for public housing.

Mr W.J. JOHNSTON: I refer to "Significant Issues Impacting the Agency" on page 675, which reads —

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The Authority, through the Government's 'Affordable Housing Strategy 2010–2020: Opening Doors to Affordable Housing', is working with the private and not-for-profit sectors to increase the diversity and supply of affordable housing options and to take pressure off the social housing system.

I draw attention to the minister's comments recorded in *The Sunday Times* of 5 May 2013, which reads —

Housing Minister Bill Marmion said that since 2010 the department had delivered 7600 affordable housing opportunities for low and moderate income West Australians as part of the Affordable Housing Strategy.

That is not a direct quote, but it is a quote out of the newspaper. Can the minister tell us what he now says is the number of affordable housing opportunities he has delivered? Secondly, can he let me know how many of those are public housing, how many are community housing, how many are shared-equity houses and how many are what he describes as affordable houses?

Mr W.R. MARMION: I can give some overarching global figures, but we are going down to a matrix of all the different programs and I do not have that information in my head.

Mr W.J. JOHNSTON: Can we do it by supplementary?

Mr W.R. MARMION: I have not finished talking. I can give the member some information. I have not given it to the member yet.

Mr W.J. JOHNSTON: Only if the minister is answering my question. If he is not answering my question, I do not want the information.

Mr W.R. MARMION: I am answering the question, but there are a lot of parts to it in terms of detail. I have not finished speaking yet. I am giving a bit of context before I give an answer. I am being interjected on while I talk.

I can give some figures. Between 1 January 2010 and 30 June 2013, approximately 10 000 affordable housing opportunities have been created. Obviously, we have to rule a line and pick a date to add them all up. Information I have is that 3 864 of those 10 000 are additional social houses, and 1 427 new national rental affordability scheme properties have come online. As the member knows, 7 000 will come on eventually. The figure I have is 1 427, which have come on as at 30 June, and there are 4 655 new Keystart loans. Those three figures are a sizeable part of the 10 000, but if the member wants to go into the breakdown of the NRAS and Keystart —

Mr W.J. JOHNSTON: That is fine. Of the 3 864 additional social houses, how many are public houses and how many are community houses?

Mr G.J. Searle: We will have to take that as supplementary information.

Mr W.R. MARMION: In relation to page 675, under "Significant Issues Impacting the Agency", how many of the 3 864 additional social houses have we delivered from 1 January 2010 to 30 June 2013, and what number of those is Department of Housing homes and what number is community homes?

[Supplementary Information No A59.]

Mr F.M. LOGAN: I refer to the fourth dot point on page 675 under "Significant Issues Impacting the Agency". I asked this question and note the previous statement by the director general about the cost of building homes, and I note that \$65 million is allocated in the forthcoming year to fund 433 public housing units of accommodation. Is that figure correct, and does the minister honestly believe that he can build 433 homes at an estimated cost of \$150 000 each, given the market conditions Mr Searle was talking about? Are those homes in addition to the 500 listed in the third dot point above?

Mr W.R. MARMION: For clarification, the \$65 million is in 2013–14 and there is \$65 million in the other year, so there is \$130 million, and 433 homes will be delivered over two years, not in one year—that is, \$130 million to deliver 433 houses.

Mr F.M. LOGAN: That will take it to about \$300 000. I suppose that is possible. If the 433 homes are public housing units, how many of the 500 new homes in the third dot point will be public housing stock? I ask the question in light of the massive waiting list and how far the government will be able to cut into it with these housing numbers.

[9.00 pm]

Mr W.R. MARMION: Just to clarify, is the member asking a question on the third dot point?

[Ms W.M. Duncan took the chair.]

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Mr F.M. LOGAN: We know from the fourth dot point that 433 homes are going onto the Housing Authority books, which is laudable. The public housing stock redevelopment strategy, which is 500 new affordable homes from 200 sites redeveloped by the authority, uses \$55 million, I assume, start-up money and the rest of the money will come from the development of the land. Given that this is the public housing stock redevelopment strategy, how many of those 500 new homes will be added to the Housing Authority stock alongside the 433 homes mentioned in the fourth dot point?

Mr W.R. MARMION: That is another good program. There will be no net loss in social housing. Some sites are vacant and some sites might have a social house. If a new house is built, that social house will be replaced. Let us say for argument's sake —

Mr F.M. LOGAN: There will be 200.

Mr W.R. MARMION: But there might not be a house on all those 200 sites. Let us say that there are 100 social house sites and 100 vacant sites, hypothetically. Of the 500 new homes, 100 would have to be public housing because —

Mr P.C. TINLEY: Is that straight public housing?

Mr W.R. MARMION: Yes, because there would be 100 already. Does the member get what I mean? If a social house is on a block that we can get three houses on—so we are taking an economic opportunity to get three out of one—we will have lost the social house, so one of those three houses, or one of the 500, would have to be a social house. There will be no net loss of current social houses through that program. There will be no new social houses in that program.

Mr F.M. LOGAN: We can assume from what the minister is saying that there are 200 sites at the moment—they may be empty but I doubt it—with homes, so there should be 200.

Mr W.R. MARMION: No, there could be some vacant sites.

Mr F.M. LOGAN: I accept that.

Mr W.R. MARMION: Let us assume hypothetically that all 200 sites were full.

Mr F.M. LOGAN: Then there will be 200 extra homes.

Mr W.R. MARMION: Correct.

Mr F.M. LOGAN: Can the minister, by way of supplementary information—I do not need it now and the minister may not have it—give an indication of where those 200 sites will be?

Mr W.R. MARMION: I think there is a privacy issue around identifying some of these sites, but I will let my director answer that. Also, there is a commercial —

Mr P.C. TINLEY: By suburb.

Mr F.M. LOGAN: Not by street, by suburb. I am not asking where the houses are, but in which suburbs. My colleague on the left here would definitely like to know. Given that I got the infill sewerage for you in Hamilton Hill and all the areas, which you opposed, you are now taking advantage of it by subdividing. See the DG—it is just as well I ran that campaign —

The CHAIRMAN: Member for Cockburn! That is finished. Minister, are you going to refer to Mr Whyte?

Mr W.R. MARMION: Mr Whyte might like to provide some supplementary information on this.

Mr P. Whyte: As it stands now, we have not identified all the sites but we can provide the information as we work through the program. As the minister advised, we expect that 100 of the 200 sites will be vacant. Some of those sites never had a house on them; they are simply out of our joint venture land developments. Some sites have a house that is fit for demolition and some of them have houses with a sitting tenant in them. Those tenants will initially be people who have put their hand up and are on the transfer list and we will be looking to source them a new house. Therefore, as the minister advised, there will not be any loss of public housing in this program.

The CHAIRMAN: Minister, are we in the process of defining a supplementary question or not?

Mr W.R. MARMION: I will just check with the member. We are trying to define where those —

Mr F.M. LOGAN: If the minister cannot provide it now, certainly members of Parliament who are affected—it might not just be us, it might be members on the minister's side—would like to know where those 200 lots will be.

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The CHAIRMAN: The requirement with supplementary information is that the advice is provided by 30 August. Mr Whyte indicated that he will provide it as it comes to hand, so that probably does not fit the criteria for supplementary information.

Mr W.R. MARMION: Madam Chair, I make an undertaking that once we have identified the full 200, I will provide that information to the house by way of a brief ministerial statement. I undertake that within a very short while, a week or two, we will prepare a brief ministerial statement to the Assembly.

Mr F.M. LOGAN: That is fine.

Mr P.C. TINLEY: Of the 500 new homes, as Mr Whyte said, how many will be houses and how many will be units?

Mr W.R. MARMION: I refer to the director general.

Mr G.J. Searle: They will basically all be units. The idea is to capitalise on the investment we already have in the land. By and large, we will get three to one across the program. The intention is to replace an old public house with a new public unit and then preferably a shared equity unit and a unit to market for sale.

Mr P.C. TINLEY: Is it a policy setting that of these 500 new homes, one-third will go to the market, one-third will go to shared equity—call that the market as well—and one-third will go to the list?

Mr W.R. MARMION: We cannot be that specific because it depends on —

Mr P.C. TINLEY: I am happy with generalisations.

Mr W.R. MARMION: There is a rough policy. Of the new homes, 50 per cent will be shared equity and 50 per cent will go to the open market. That was in the announcement.

Mr P.C. TINLEY: So is there none for the list from the three to one of the existing homes? Out of the 200 lots, how many are tenanted to public housing clients?

Mr G.J. Searle: The estimation is that about 100 will have houses on them already. The policy position as outlined to us is no loss of public housing, so if a public house is on the site, it will be replaced with a new unit.

Mr W.R. MARMION: Just to clarify that, let us assume that there are 100 public houses and we end up with 500 houses, so there will be 100 public houses, 200 shared equity houses and 200 houses sold on the open market.

Mr P.C. TINLEY: We are not actually getting a net increase to the list.

Mr W.R. MARMION: Not as social housing, but the profit made from the houses for the market means that we will have money that can be reinjected into social housing. Also, the shared equity housing may take someone off the list, so the whole continuum of affordable housing is being looked at.

Mr P.C. TINLEY: I get the continuum and I get the intention, but the government is getting a diminishing return, surely, in terms of getting people off the 20 000-odd waiting list.

Mr W.R. MARMION: No. The next dot point states that the government is injecting \$65 million, which over two years ends up being \$130 million, to deliver 433 new public houses.

Mr P.C. TINLEY: Directly to the list?

Mr W.R. MARMION: Correct—directly to the list.

Mr M.J. COWPER: On page 675, under “Significant Issues Impacting the Agency”, the lead-in states —

The Authority, through the Government’s ‘Affordable Housing Strategy 2010–2020: Opening Doors to Affordable Housing’, is working with the private and not-for-profit sectors to increase the diversity and supply of affordable housing options and to take pressure off the social housing system.

I am very interested to know what encouragement the government might have for the private sector to come on board and deal with some of the issues that we have in trying to provide for the numbers that have been stated.

[9.10 pm]

Mr W.R. MARMION: We have probably addressed this already to some extent in our state affordability strategy working with the private sector. One is the national rental affordability scheme, which is basically the private sector delivering NRAS with the support of the commonwealth and the state government. It basically means that those deliverables, of which there are now 7 000, will go on the market at a cost of at least 20 per cent below the market rate. That is part of our affordable housing strategy; therefore, 7 000 cheaper affordable homes will come on through that program itself. We are using the SharedStart program using shared equity. We

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are working with private developers building houses of the right scale for affordable houses; that is, smaller and cheaper but still very nice houses that people can get into with a shared equity loan. We are therefore working with builders and the building industry. As the director general said in a more detailed answer to that question, when the housing industry was in a bit of a lull a couple of years ago, developers were quite happy to build at a discounted rate to keep the workforces going. We took advantage of that obviously and managed to deliver a number of houses under shared equity loans to the market.

The CHAIRMAN: Can the minister bring his answer to a conclusion?

Mr W.R. MARMION: Yes, I certainly will, Madam Chair. We are also working with the private sector on land development. We have always done joint ventures on land. So we are delivering land, we are delivering houses and we are delivering cheaper rental houses through NRAS. They are, I guess, our three pillars.

Mr P.C. TINLEY: Perhaps the minister will give me some guidance. It appears that all other departments have to have some public sector reform medicine. I cannot seem to see any in these budget papers for the housing authority. Perhaps the minister's advisers can give me some guidance. If it is not there, why not?

Mr F.M. LOGAN: How could it have escaped?

The CHAIRMAN: Can we have a reference?

Mr W.R. MARMION: There is a reference and I will find it.

The CHAIRMAN: Is the minister going to do the work for the member?

Mr W.R. MARMION: Unfortunately it is in there.

The CHAIRMAN: Can we have a page and reference, please?

Mr W.R. MARMION: I hoped to get it from the other side, Madam Chair!

The CHAIRMAN: I know. It is up to the minister whether he provides it.

Mr P.C. TINLEY: I thought the minister would have an intimate knowledge of his budget. There are employee benefits and expenses in it and there are efficiencies.

Mr W.R. MARMION: The reason the member was having difficulty in finding it is that it is embedded in the —

Mr F.M. LOGAN: Appropriation.

Mr W.R. MARMION: Appropriation, yes.

Mr F.M. LOGAN: I asked the minister what does it contain, and he never answered properly.

Mr W.R. MARMION: It is not a significant embedded figure.

Mr P.C. TINLEY: So where are we?

Mr W.R. MARMION: We are back to page 674, item 88, the amount appropriated to deliver services.

The CHAIRMAN: We have not really finished, have we? Has the minister completed his answer?

Mr W.R. MARMION: I have just referred to it. I am happy for members to ask a more detailed question.

The CHAIRMAN: Does the member for Willagee want to ask anything more now that the minister has helped him to find the page?

Mr P.C. TINLEY: How much is it? Even though it is embedded, how much is the allocation for public sector reform?

Mr W.R. MARMION: Is the member after the figure for just the budget estimate for 2013–14?

Mr P.C. TINLEY: Any information the minister cares to share with us.

Mr W.R. MARMION: I will give the member that answer.

Mr F.M. LOGAN: For the out years as well.

The CHAIRMAN: Order! Just the member for Willagee; it is his question at the moment.

Mr W.R. MARMION: It is about \$6.5 million.

Mr P.C. TINLEY: For this budget year?

Mr W.R. MARMION: And the out years as well.

Mr P.C. TINLEY: So, roughly a flat \$6 million.

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Mr W.R. MARMION: It is \$6.5 million.

Mr P.C. TINLEY: Is that for planned redundancies?

Mr W.R. MARMION: No, it is just savings through normal operations; therefore, efficiencies in terms of fleet, media marketing, basically being more efficient in our programs—and I might point out, before just finishing the answer, that there will be no staff cuts.

Mr F.M. LOGAN: I accept that the minister may well have forgotten that component of the appropriation when I asked him the deliberate question: what does it contain? The minister talked about everything else apart from the government savings, and we have had to go round the houses to find out exactly where the government savings are compared with every other budget paper, and it is embedded. I asked the question: is that all we are talking about? The minister will remember that there are a number of forms of government savings. Is it \$6.5 million? We do not want a sort of guesstimate. Is it \$6.5 million per annum for this financial year and the out years? Are there other proposed savings; and, if so, how much?

Mr W.R. MARMION: I am pretty sure, but I am just checking to see whether there is another one. It covers four programs. I am just confirming so that we do not mislead the member.

Mr F.M. LOGAN: The minister has done a fair good job so far!

Mr W.R. MARMION: They are the only ongoing recurrent savings.

Mr S.K. L'ESTRANGE: On page 675 under “Significant Issues Impacting the Agency”, the opening paragraph refers to “Affordable Housing Strategy 2010–2020”. What is the minimum target of new affordable housing the minister wants to achieve by 2020 and how is he progressing towards this target?

Mr F.M. LOGAN: I think the minister has answered this.

Mr W.R. MARMION: Madam Chair, I think I have answered this.

Mr S.K. L'ESTRANGE: I did not get the figure of the actual.

Mr W.R. MARMION: No, I did not give the actual figure. I did not give the target. The target is 20 000 by 2020. We have actually delivered, we believe, approximately 10 000 at the moment. I highlighted how that 10 000 was made up through 3 864 new social housing; 1 427 new NRAS rental properties—and as they come there will be another 7 000 in another two or three years; and, since January 2010, 4 655 new Keystart loans. That was a very good question from the member.

Mr W.J. JOHNSTON: I want to ask a further question on that answer. I note on the next page —

Mr W.R. MARMION: Which page number, please?

Mr W.J. JOHNSTON: The minister was asked about page 675, so obviously the next page is 676, because one is added.

Mr W.R. MARMION: It is very late, member!

Mr W.J. JOHNSTON: The second dot point there states —

Mr W.R. MARMION: Which dot point?

Mr W.J. JOHNSTON: It is the second dot point. The reason I raise this is that it relates to the answer the minister just gave. It states —

In 2013–14, the Authority, through its land development activities, intends to produce up to 2,460 affordable housing lots including 1,756 lots developed with joint venture partners. Significant land development will support affordable, public and community housing throughout metropolitan and regional areas. It is anticipated that 30% of the sales of these lots will be in the lower quartile of the market.

It seems to me that the minister is saying that 2 000-odd of the 2 460 affordable lots will be above the lowest quartile. Is that right? Exactly what is an affordable lot?

[9.20 pm]

Mr W.R. MARMION: To provide a slight clarification on those numbers, 80 per cent will be below the median price. The majority will be below the median price for lots.

Mr W.J. JOHNSTON: Is anything below the median price considered affordable?

Mr W.R. MARMION: I am not saying that necessarily, but we —

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Mr W.J. JOHNSTON: The minister is saying that because the budget refers to “2,460 affordable housing lots”. I am asking only about affordable housing lots; I am not asking about other lots. Is the minister saying that the 20 per cent of those affordable housing lots will be above the median price?

Mr W.R. MARMION: If we are developing an area such as Golden Bay, and we end up with some of the lots having good aspects—for instance, they are close to the ocean—it would be unwise and not prudent for the department to sell those lots below the median price. If the department can sell a lot at a premium, it can then reinvest that money into housing.

Mr W.J. JOHNSTON interjected.

The CHAIRMAN: Order, member for Cannington! Let the minister finish.

Mr W.J. JOHNSTON: It is just that he seems to have misunderstood my question.

Mr W.R. MARMION: I have not finished speaking and he can —

Mr W.J. JOHNSTON: If the minister has not understood my question, there is no point in him talking.

Mr W.R. MARMION: I think I do get the member’s question. That is the answer to why some lots may be sold above the median price; it would not be prudent to sell them below the median price in that situation. I think the member is saying that the wording of this paragraph is ambiguous because it refers to “2,460 affordable housing lots”. I take the member’s point that that is fairly ambiguous.

Mr W.J. JOHNSTON: These are the minister’s words.

The CHAIRMAN: Is this a further question, member for Cannington?

Mr W.J. JOHNSTON: Yes, absolutely, because I still have not had an answer to the question I asked. The minister says that the department is producing “2,460 affordable housing lots”. I have not created these words. I am asking for the price of those affordable housing lots. Is the minister telling me that 20 per cent of those affordable housing lots have a price above the Perth median price?

Mr W.R. MARMION: I concede that it is very ambiguous and could have been worded a lot better.

Mr W.J. JOHNSTON: The first dot point on page 675 states —

The Royalties for Regions (RfR) Housing for Workers program will commit \$373.1 million over six years ... to provide affordable housing for key workers in regional Western Australia ... \$195.6 million has been approved for six projects located in Port Hedland, Karratha, Newman and the Avon Valley. These six projects are expected to provide 596 dwellings for up to 890 regional key workers, with most dwellings scheduled to be delivered by the end of 2013–14.

When are these six projects expected to be complete? Are all these houses new or will there be any spot purchasing of existing dwellings as part of this royalties for regions program?

Mr W.R. MARMION: They are all new. There will be 178 units in the Pelago East Karratha development. There is the Hamilton precinct at Port Hedland, which I think has to be re-looked at. We are involved with 50 units at Pelago. Hamilton precinct stage 1, which we will re-look at, was planned to produce 100 dwellings for key workers. The Osprey Key Worker Village will deliver 293 dwellings. Hedland 125 will provide 125 dwellings—hence the name. There will be 10 new dwellings for key workers in Newman and 18 in the Avon Valley key worker housing program. In total, 596 dwellings are to be completed by 2013–14.

Mr W.J. JOHNSTON: Will 596 be complete by the end of 2013–14?

Mr W.R. MARMION: That is the plan. That is the anticipated time frame for completion.

Mr W.J. JOHNSTON: Is there any reason that it has not been thought necessary to build key worker accommodation in the Kimberley?

Mr W.R. MARMION: What we are doing in the Kimberley is another question that does not relate to this dot point.

Mr W.J. JOHNSTON: It is related to this dot point. The government must have had a reason not to do so.

Mr W.R. MARMION: We are building other accommodation for Indigenous —

Mr F.M. LOGAN: No, for key workers.

Mr W.R. MARMION: The market is different. As members know, the market in Port Hedland, Karratha and Newman has been distorted. There has been a lot of construction activity in those areas. It is an add-on program to what is normally done. It is being funded by royalties for regions. It has been a cabinet decision to assist the marketplace in these areas.

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Mr W.J. JOHNSTON: The government has decided to build six key worker properties in the Avon Valley, which is very different from what he has said about Hedland, Karratha and Newman. The minister then said that the Kimberley was not necessary. I am wondering what it was about the Avon Valley that made key worker accommodation essential, whereas key worker accommodation in the Kimberley, such as in Broome, is not considered an essential issue.

Mr W.R. MARMION: The information is that the ones in the Avon Valley are specifically for not-for-profit organisations. Not-for-profit organisations have obviously come to government and said that there is pressure on them to find affordable housing. It is an important area in which to provide community services. That is my understanding of why we are building 18 key worker housing units in Avon.

Mr W.J. JOHNSTON: My final question is: what is a key worker?

Mr W.R. MARMION: I will get a definition from the director general, Mr Searle.

Mr G.J. Searle: The key worker definition here is based on both markets and the ability of certain industries to afford market rents. A number of these properties in both Hedland and the Avon Valley are targeted towards not-for-profit non-government organisations that, when rents were \$2 000 a week, could not afford to be in those towns. In Hedland, a number of small businesses are not related to the mining industry and they could not afford to live in the town. The panel beater was being flown in and out of Port Hedland. Under this scheme the panel beater has moved to Port Hedland and he and his family now live there. It is targeted at those industries that are not part of the mining sector and do not have those income streams, but are still necessary for the operation of the town.

[9.30 pm]

Mr F.M. LOGAN: Exactly the same thing could be said about Broome and the tourism sector, where exactly the same complaint is made; it is just that no money has been spent there, whereas it has been spent in Hedland and other places. My question goes the need for that expenditure. When there are 500 empty houses in Karratha at the moment, why would this program need to be continued?

Mr G.J. Searle: Most of the houses in this program are in Hedland and the demand in Hedland over this period has been significant. We think we have actually played a part in taking the heat out of the top end of that market. The fact that rents are starting to drop in those towns is in part a result of these programs providing alternative accommodation.

Mr F.M. LOGAN: I refer to “Services and Key Efficiency Indicators” on page 677 of the *Budget Statements*. The minister referred to this briefly earlier in his answer to my first question, but I want to go into the details of it. I am looking at the total cost of service for rental housing. The 2011–12 estimated actual for the total cost of service was \$965.7 million—although it is not in this document, I assure the minister my figure is correct—and the 2011–12 actual, as it is in the *Budget Statements*, came in at \$806 million. Similarly, the net cost of service estimated actual in 2011–12 was \$513.9 million, and the actual came in at \$280 million. Could the minister explain the discrepancy and also explain why the budget target in the same table for the total cost of service then jumps to \$1.7 billion in 2013–14? I know the minister will say, as he did in his partial answer to my first question about appropriation, that that has to do with the transfer of assets, as is stated in note 1 below, due to the expected transfer of assets to the community housing sector. Would that not end up in a reduction in costs rather than an increase, given that houses are being shifted out of the Department of Housing and into the community housing sector?

Mr W.R. MARMION: The member actually asked two questions. One relates to the estimated actual for 2011–12 and the other relates to the big jump in the current budget for the total costs of services.

Mr G.J. Searle: The total cost of operating a rental service is a really complex calculation, but it includes things like financing costs and the costs of the New Living Program. In other circumstances it could be a capital cost, but it is treated this way in our statements. It also includes rental expenses, administration costs, depreciation, amortisation, and community support costs for infrastructure, and power and water costs in Indigenous communities are sometimes included in this figure as well. There is really quite a complicated method of calculating this number and movements in any of those things can affect the outcome.

Mr F.M. LOGAN: There were two components to my question. How does that then explain the quite significant jump for this financial year to over \$1 billion for the total cost of service? As I said, note 1 refers to the transfer of assets to the community housing sector. Why would that increase the cost? Why would it not decrease the cost?

Mr P. Whyte: When we transfer one of our assets to the community housing sector, we are required under the accounting conventions to effectively write that asset off our books, so it hits our expenses—it hits our profit and

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loss. Although over time this will hopefully lead to a reduction in the ongoing costs—the rental management, maintenance and such—when we transfer the asset, we need to transfer it at its depreciated value and it hits our profit and loss. This year we have a large asset transfer program to the community housing sector and that will have a direct effect on our total cost of services.

Mr P.C. TINLEY: If value is lost and it is carried over on expenses—I suppose this is an accounting question more than anything—it is capital for an asset divestment. Why is an asset divestment showing up as an expense in an opex line when it is a capex line?

Mr W.R. MARMION: Mr Whyte will answer this question. I asked him this question as well in the briefing a week ago and now Mr Whyte will deliver the member the answer.

Mr P. Whyte: This is the correct accounting treatment, and the correct treatment in the government's accounts and our accounts are verified by the Auditor General. Whenever we transfer an asset, it is transferred out of the control of the housing authority and that is the treatment in the accounts. We separate land and buildings, so the building value will be at its depreciated cost and it will be written off against our profit and loss for the year. It will not be a loss to broader social housing, but in our books it gets written off and added to our total costs of services.

Mr P.C. TINLEY: I certainly understand that buildings, particularly older ones, depreciate in value and they are gone. But the appreciated value of the land is eternal.

Mr P. Whyte: If we bought a block of land for \$1 000 and it is now worth \$100 000, the \$1 000 will be written off against our profit and loss and the \$99 000 will be written off against our equity—it will just be written off against a balance sheet. If we have just bought an asset and it has been transferred and we paid \$100 000 for the land, effectively the \$100 000 worth of land will go off against our profit and loss—that is the accounting treatment.

Mr M.J. COWPER: The last dot point on page 675 of the *Budget Statements* relates to the disruptive behaviour management policy being implemented. I must say that when I first heard about it I had a few chuckles, in as much as I was not sure how it would hit the ground running. In my electorate we have had some of the most disruptive families anybody would want to come across and one in particular has become famous on the telly. I must say that things seem to have quietened down in my neck of the woods.

Mr P.C. TINLEY: The member has sent them to Willagee; it is like Beirut over there!

The CHAIRMAN: Order!

Mr M.J. COWPER: The problem family is still in my electorate, but they have gone quiet and I wonder whether that has been symptomatic of other places.

Mr W.R. MARMION: That is a good question from the member. I get at least one letter a week from most members of Parliament about disruptive behaviour in their electorates. Because of that, the government has implemented its disruptive behaviour management policy, one component of which is to have the strike system, and I will not go into that now, but a tenant gets a strike if a complaint is proven, and once there are three, they are given notice to leave. An important thing we have implemented is a disruptive behaviour unit with 35 people involved. If I do get a letter from a member saying there is a problem tenant, our disruptive behaviour unit will go to the residence and they might be able to have a meeting with the tenant and try to get them to change their behaviour—although it does not always work—and there are a number of programs we can put in place. We now have 35 people in that unit who are distributed throughout the different regions. The member for Murray–Wellington's region would be the south west and one person is allocated in the member's area who is a level 5 senior case manager. There is one person in the midwest, one in the goldfields, 14 in the north metropolitan area, nine in the south metropolitan area and nine in the south eastern metropolitan area. If there is an issue, that case manager can go in. The regions already have people working in this area as well, so these people support the other people in the region, as is the case in the member's electorate.

[9.40 pm]

We have found that after people get a first strike, there is an improvement in behaviour, and the disruptive behaviour drops off even more with the second and third strike. We believe this is acting as a deterrent. But it is not just the three strikes system. It is also having people who can go to the family and try to get them to change their behaviour. That often enables us to offset the problems that are raised in the letters that I am getting. So it seems to be working.

Mr M.J. COWPER: Does the disruptive behaviour unit also keep some sort of record of those families? As the minister would be aware, some families just do not get on with each other. So sometimes moving a family from

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one place to another is not dealing with the issue but is simply transferring the problem. Is anyone in the unit tracking whether the Campbells and the other clans are feuding, if the minister knows what I mean?

Mr F.M. LOGAN: Particularly in Pinjarra!

Mr M.J. COWPER: If the minister could send them to the member for Cockburn's area, that would be fantastic!

Mr F.M. LOGAN: He does!

The CHAIRMAN: We are nearly there, members, so let us have a question and answer and not banter around the house.

Mr W.R. MARMION: I think the member is referring to what happens if they are transferred. What actually happens is they are evicted, basically. The member is asking whether, if they eventually get back into the system, the system keeps any record of them. The one point I will make is that if they do come back into the system, they are given a short-term lease, and that basically means they are on notice. I think the member's question is more about whether there is some record of where that person is located. I will refer that question to the director general to talk about whether it goes to that level.

Mr G.J. Searle: Historically, the agency has had difficulty with some of the other government agencies in terms of our ability to locate people based on their relationships, et cetera, and the Equal Opportunity Commission and those sorts of agencies have frowned upon the department taking those things into account when locating tenants.

Mr M.J. COWPER: Really?

Ms E. EVANGEL: If people are evicted, does the department find them another place to reside? Secondly, are those people allowed to revisit the place that they have been evicted from? I ask that because I would imagine that they have been evicted in the first place for unruly behaviour of some sort. Does the department place any limitations on whether those people can visit friends or whoever might be residing in that family's former residence?

Mr W.R. MARMION: If people lose their tenancy, we work in conjunction with the Department for Child Protection and Family Support, because these people will need to go somewhere. The Department for Child Protection and Family Support works through the not-for-profits, and there are about 82 service providers in that area. Basically, that department moves in and manages that person or family. The second part of the question is what happens when these people come back into the system. This is related to the member for Murray-Wellington's question. If they get back onto the list and their name comes up again for housing, we know what their record is, and we put them on a short-term lease, with conditions, and if they do not meet those conditions in that six-month or 12-month period, or whatever they are lucky enough to get, their tenancy can be terminated.

Ms E. EVANGEL: I thank the minister for that. The other part of my question was: if people have been evicted from a specific residence, which would most likely be for unruly behaviour of some sort, are they permitted to visit friends, for example, who are residing in the residence that they have been evicted from? Can the department place any limitations on who they can visit?

Mr W.R. MARMION: No. This is not my area of expertise, but there are other legal mechanisms that we can implement to stop people from visiting. But we do get involved in that.

Mr P.C. TINLEY: Noting what the director general has said about the oversight by other agencies of what the department does, there is such a thing as a sensitive tenancy. Can the minister confirm whether that is a formal arrangement? It is certainly something that we know about as members. We know that when there has been an eviction and the neighbours have endured a sustained period of antisocial behaviour, the department has a sensitivity around who it would place in that residence. Has there been any guidance, advice or interpretation from people such as the Equal Opportunity Commission about that practice; and, if so, what is it?

Mr W.R. MARMION: I will ask the director general whether he can elaborate on that.

Mr F.M. Logan: Be careful, Grahame!

Mr G.J. Searle: The department is always mindful of its obligations to other agencies when it fills tenancies.

Mr F.M. LOGAN: Well answered!

Mr P.C. TINLEY: The minister can learn from that!

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I refer to page 677, program 1, “Rental Housing”, and the subheading “Total Cost of Service”. Can the minister provide a breakdown of the total cost of the asset management contract per annum for the last budget, this budget and the out years?

Mr W.J. JOHNSTON: Good question!

Mr W.R. MARMION: By “asset management”, does the member mean things such as maintenance?

Mr P.C. TINLEY: Yes, maintenance.

Mr W.R. MARMION: Is the member after a breakdown of what component of that figure is for maintenance?

Mr P.C. TINLEY: Yes.

Mr W.R. MARMION: I would refer the member to page 682, the heading “Cost of Services” and the subheading “Expenses”. The fourth line item under that heading is accommodation. That is where the cost of providing the accommodation comes in. That includes asset maintenance. Does the member want to ask a specific question about that?

Mr F.M. LOGAN: I have a further question on that issue. Does that line item that the minister has taken us to for accommodation include the contractual payments for the Transfield asset management program—or the head contractor model, not just Transfield, because there are others as well—and could the minister provide that as a supplementary?

[9.50 pm]

Mr W.R. MARMION: I can provide the building maintenance expense for our mainstream housing program for those years now, if the member would like me to. The actual for 2011–12 was \$101 million, the actual for 2012–13 was \$93 million and the budget estimate for this coming year is \$94.7 million.

Mr F.M. LOGAN: I thank the minister for that information. Further to that, can the minister explain, particularly with respect to the head contractor model for Transfield, how the principal contractor is paid? Is the principal contractor paid monthly, quarterly or fortnightly as part of its contract? Can the minister then explain, with particular reference to the head contractor model for Transfield, why that company continues to hold back its payments to its subcontractors for a significant period? Some have been waiting for outstanding payments since before Christmas. We are now in the next financial year. One example I had was of a large plumbing company, not a small company, that has worked with the housing commission for many, many years and has had to go to the bank to borrow \$200 000 to pay its employees’ wages because of outstanding money owed by Transfield.

Mr W.R. MARMION: I ask Mr Parry if he can provide a bit of detail on this, because it is getting towards the operational side of the department.

Mr S. Parry: We now pay head contractors weekly. Formerly, we paid them monthly, but it is now weekly. Despite a number of claims that Transfield is not paying, I have still seen little evidence of that. It is obligated to pay within 28 days. Where evidence is produced to us, we will pursue Transfield to ensure that it is paying its contractors. It has ongoing contractual disputes. We have a fairly rigorous quality assurance system in place under which we will chase a contractor and they will possibly seek to recoup funds, but I have not seen a lot of evidence to date. Despite there being quite a number of claims, there have not been many cases that I have been able to pursue.

Mr P.C. TINLEY: Noting Mr Parry’s commentary about the condition under the head contractor model for 28-day payments by Transfield, how many times in the last 12 months has it breached the 28-day covenant?

Mr W.R. MARMION: I am happy for Mr Parry to provide an answer. Just before he does, in terms of that specific incident with the plumbing company, I am happy to take that on notice. If the member gives me some details, I will follow it up.

Mr F.M. LOGAN: I will ask a further question on it.

Mr S. Parry: It is not a measure that we pursue. It is not something that we actually seek to gain advice from them on. Obviously, we deal with it on the basis that the subcontractors will approach us and say that they have not been paid and we will pursue that. We are working on a new contract at the moment. The existing three-year term has expired; we have extended it by a period of one year while we work on all the recommendations from the Office of the Auditor General and the KPMG reports. We will be seeking to tighten up the processes to ensure that we can measure when the head contractor pays its subcontractors.

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Mr P.C. TINLEY: This is one for the minister. If I recall correctly, I think it was under the minister's first go as Minister for Housing that he announced the head contractor model and identified a \$20 million saving over three years. Noting the Auditor General's report and those from KPMG as well, is there evidence that the \$20 million saving has been achieved through the three years?

Mr W.R. MARMION: Yes, there is some good evidence. The director general will be happy to outline those numbers.

Mr G.J. Searle: As noted in the minister's introduction, the 2011–12 actual to the 2012–13 actual reduced by \$8 million. Over a three-year period, that works out pretty close to \$20 million. More particularly, every year the department has historically stopped full maintenance and gone to emergency maintenance only—it varies from region to region, but it is often before Christmas. Last financial year we at no stage went to emergency maintenance only—we were able to extend the full maintenance program for the full year and reduce expenditure. That is some indication that we have reduced the cost in maintenance provision.

Mr F.M. LOGAN: In relation to the point raised by the minister, the member for Willagee and I have been approached by numerous contractors about Transfield's lax payments, which is causing significant financial difficulties for companies that have operated with Homeswest for 20 years. This is the first time this behaviour has ever happened to them. The reason the department does not get to hear about it is, I presume, that they are concerned it will get back to Transfield and the number of jobs issued to them will start to dry up. We really need a method whereby if there is a dispute, the department is able to intervene without alerting the principal contractor.

Mr W.R. MARMION: Mr Parry might like to add a comment.

Mr S. Parry: Just that that is exactly what we will pick up in the new contract.

Mr W.J. JOHNSTON: I again refer to the second dot point on page 676 of the *Budget Statements* regarding the 2 460 affordable housing lots that the department is endeavouring to create. I want to ask about the department's process of consultation with the neighbours to these projects. Obviously, I am particularly interested in lot 500 in Ferndale. There are a number of the department's projects in my area, as there are in other members' areas. I have no trouble with those projects per se, but the neighbours of those projects often say that the department is belligerent and will not react to their needs, and that the plan that is produced at the start of the process is the plan that is implemented at the end of the process. What is the minister's instruction to the department regarding consultation with neighbours of these projects?

Mr W.R. MARMION: Is the member referring to any particular project?

Mr W.J. JOHNSTON: Obviously, I am really interested in lot 500 Karri Way, Ferndale, but more generally what is the minister's instruction to the department about consultation?

Mr W.R. MARMION: I expect the normal subdivisional process to be undertaken. That is a Western Australian Planning Commission process. There needs to be community consultation on subdivision applications with the local authority and people who live in the area; that is the normal process, as the member would be aware. The WA Planning Commission gets involved in the structure plans et cetera and the development is finally given approval. That involves a whole range of consultation anyway. I guess I expect my department to follow that process. LandCorp is another land developer and it does the same thing; it follows a very detailed consultation process before it develops a property. Is the member asking whether there is flexibility once a plan has been approved?

Mr W.J. JOHNSTON: We have only a couple of seconds to go. LandCorp generally develops land away from established houses, while the minister's department tends to develop projects next to people who are already there. Take lot 500 Karri Way, Ferndale as an example, because it is one the minister and I have talked about on a number of occasions. The local community has a very strong view about what should go —

The CHAIRMAN: Unfortunately, member, we have to draw this session to a close.

The appropriation was recommended.