

Deputy Chairman; Mr Tom Stephens; Hon Barry House; Hon Giz Watson; Hon George Cash; Hon Ed Dermer;
Hon Simon O'Brien; Hon Graham Giffard; Hon Derrick Tomlinson

Division 19: Housing and Works, \$13 526 000 -

Hon Jon Ford, Deputy Chairman.

Hon Tom Stephens, Minister for Housing and Works.

Mr G. Joyce, Director General.

Mr J. Coles, Executive Director, Financial Services.

Ms J. Broun, Executive Director, Aboriginal Housing and Infrastructure.

Mr R. Thomas, General Manager, Homeswest.

Dr F. Pitman, Director, Asset Management Services.

Mr I. Johnston, Executive Director, Landstart and Government Projects.

The DEPUTY CHAIRMAN: On behalf of the Legislative Council Estimates Committee, I welcome you to today's 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. The Committee values that assistance.

Members are asked to sit towards the front of the Chamber where practicable so that witnesses will not have to turn their heads when answering questions. It will greatly assist Hansard if when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount, and so on in preface to their questions. If supplementary information is to be provided, I ask for your cooperation in ensuring that it is delivered to the Committee's clerk within five working days of receipt of the questions. I have been advised that some members have forgotten to put their names on those requests for information. An example of the required Hansard style for the documents has been provided to the advisers.

May I remind those members of the public in attendance that only accredited media representatives may take notes. However, full Hansard transcripts will be available to the public within a week of the close of these hearings.

The Committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. At this time, I ask each of the witnesses whether they have read, understood and completed the Information for Witnesses form.

Hon TOM STEPHENS: Regrettably, the process has not worked as smoothly as one might have liked. The Committee officers need to be alert to the presence of departmental staff. Ms Broun is yet to receive a form. I think the Committee should take a moment and give the witnesses an opportunity to read everything. They were not supplied with this information outside the Chamber. While the officers are filling out the witness forms, would it be convenient if I begin my opening remarks before we come back to the question?

[2.40 pm]

The DEPUTY CHAIRMAN: Yes.

Hon TOM STEPHENS: This department is the amalgamation of the housing and works sectors, and it covers the built-environment portfolio for the State Government. It also comprises a special projects office that is represented by Mr Ian Johnston, who was previously in the office of the Premier and Cabinet. Members will be aware from the budget papers that this portfolio not only includes the previous Ministry of Housing and the works section of the former Department of Contract and Managements Services, but also has responsibility for special projects such as the convention centre and other special projects that from time to time have been within Mr Johnston's area of responsibility. The items in the budget papers present both challenges and opportunities for this department. The department is faced with a couple of challenges in its housing responsibilities, one of which is the need to put in place a commonwealth-state housing agreement that will grow and respond to the housing needs of our community. This agreement must be positioned in such a way as to meet the expectation of access to affordable housing. The federal Government has not given an indication of its preparedness to do that.

Today I signed off on yet another request to both the federal Government and its opposition counterparts for a pre-election commitment to renew the Commonwealth-State Housing Agreement in a way that meets the public housing needs of this State. I look forward with great interest to the response from both the coalition Government and our Labor colleagues at the national level.

I place on record the challenges that the goods and services tax has presented, and its negative and direct impact upon the capacity of this State to respond to the public housing needs of Western Australia. I have regularly

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called for additional commonwealth funds to offset that negative impact. To date, the allocation of funds to counter the impact now being felt has not been adequate, and after 12 months of the GST, an assessment has shown that the Department of Housing and Works building program has incurred a shortfall of some \$5.6 million. This equates to the construction of between 50 and 60 housing units each year. As the Minister for Housing and Works, the negative impact of the GST on this portfolio fills me with enormous concern. The Estimates Committee should take note of my concerns and the difficulties that the tax is causing in this portfolio. I have raised my concerns about the impact of the GST on the building industry with the Government. The building industry shares my concerns, and it notes that the lack of fully indexed funding levels under the Commonwealth-State Housing Agreement compounds the problems it is experiencing. It is important that the Committee note the effect of the implementation of the efficiency dividend on the ability of the housing authority to meet the demands of those in need. I hope that all members of this House from both sides of politics will come to the realisation that we cannot withstand the negative impact of the GST without some offsets or respite.

I am happy to leave my opening remarks at that point, but of course I could make additional comments about other aspects of my portfolio. I draw the Committee's attention to the fact that last Saturday a master plan for the restoration of the Fremantle Prison went out to tender. That is a welcome budgetary initiative, and I look forward to seeing how that unfolds with the assistance of the officers. I will be watching that very closely.

The DEPUTY CHAIRMAN: Again, I ask the witnesses whether they have read, understood, and completed the Information for Witnesses form?

WITNESSES: Yes.

The DEPUTY CHAIRMAN: Do all the witnesses fully understand the meaning and effect of the provisions of that document?

WITNESSES: Yes.

Hon BARRY HOUSE: My question relates to the State Housing Commission's capital works program. On pages 353 and 354 of the *Budget Statements* there are two tables: one is for completed works and the other is for new works. Why are the tables separate? Why are they not amalgamated into one table, so that easy comparisons can be drawn? Has it been done in this way to disguise a significant policy shift on the part of the Government; that is, a policy shift away from private home ownership and redevelopment towards the acquisition of more land and more public housing, which is actually reflected in the figures?

Hon TOM STEPHENS: My response to the second part of the question is most certainly not. The honourable member might take some delight in the information that I am happy to share with the Committee. Hon Barry House will be pleased to know that I saw the figures in this precise format at the same time that he saw them - on the day the budget papers were delivered. I hope that will be my last experience of that reality.

[2.50 pm]

Hon GEORGE CASH: No.

Hon TOM STEPHENS: Hon George Cash tells me it may be repeated. That situation is through no fault of the Department of Housing and Works. It is a process required by Treasury. I had no part in politically shaping the presentation of these budget figures to obfuscate or cause Hon Barry House any difficulties in their interpretation.

Mr COLES: As the minister said, Treasury has a computerised system and this is the format in which it requested the figures be presented. We keyed in the figures from the department's terminal.

Hon BARRY HOUSE: The most important part of the issue is the large decline in expenditure in the Right to Buy scheme, the estate improvement and land redevelopment section, redevelopment, the Goodstart scheme and the Keystart scheme, coupled with a large increase in land acquisition. With that background, I return to the central question. Do these significant shifts in funding represent a deliberate policy shift on the part of the State Government away from private home ownership and redevelopment towards acquisition of more land and more public housing?

Hon TOM STEPHENS: No.

Hon BARRY HOUSE: Can the minister explain the rather large declines in funding?

Hon TOM STEPHENS: The member has asked about a series of different and unrelated issues in one question. If he wants me to subsequently provide answers to each question by supplementary information, I can do so. I am happy to answer it any way he likes.

Deputy Chairman; Mr Tom Stephens; Hon Barry House; Hon Giz Watson; Hon George Cash; Hon Ed Dermer;
Hon Simon O'Brien; Hon Graham Giffard; Hon Derrick Tomlinson

Hon BARRY HOUSE: I have asked my quota of questions.

Hon TOM STEPHENS: Shall we start with the first question?

Hon BARRY HOUSE: I asked about the significant decline in funding from \$10 million to \$1.3 million for the Right to Buy scheme. A problem lies in the need to turn the pages to make comparisons.

Hon TOM STEPHENS: I have cancelled that program based on advice from both the Department of Housing and Works and its board. Under the Commonwealth-State Housing Agreement, Western Australia would not be well positioned if it continued with the previous Government's strategy of heavily discounting houses by up to 20 per cent of their value when they were sold to prospective buyers, who, in many if not all cases, were the tenants. That program was eroding -

Hon BARRY HOUSE: That is what I meant; the minister has changed the policy.

Hon TOM STEPHENS: Yes; that is right.

Hon BARRY HOUSE: The minister denied it a while ago.

Hon TOM STEPHENS: No, I did not; that was a different agency.

Mr JOYCE: The program was introduced in 1993-94, during which time we sold 2 257 dwellings. The discount payments cost the department \$37.3 million. It was felt that we could no longer continue to erode the balance sheet like that. The maximum discount was \$20 000. We have replaced it with a scheme - the changeover occurred on 1 July - with a maximum assistance grant of \$3 000, plus \$5 000 for capital improvements if the tenant has improved the house.

Hon TOM STEPHENS: The \$7 000 first home owners grant will continue to be available from the commonwealth contribution. For the most part, those purchases are by first home buyers.

Mr JOYCE: A grant is also provided by the Real Estate and Business Agents Supervisory Board. Under the new policy, a good discount is available, but the discount has been significantly reduced. The reality is that we have raked over the tenants-in-occupation lists for the past 10 years. To be fair, most of the people who wanted to take advantage of that scheme have done so.

Hon GIZ WATSON: I refer to major initiatives for 2001-02 on page 342, where reference is made to a strategy for Sunset Hospital. When will that strategy be developed? What community consultation will occur? Is the sale of all or part of the site being considered?

Hon TOM STEPHENS: The task of developing a strategy for Sunset Hospital has been assigned to me and my colleague the Minister for Planning and Infrastructure, Hon Alannah MacTiernan. We want to include in the development of that strategy a mechanism for local consultations and the opportunity to discuss this issue with members who have an interest in this site, including parliamentarians from that area and others such as Hon Giz Watson and Hon Jim Scott, who have had a focus on issues of this nature. I understand Hon Allanah MacTiernan has started discussions with some members. I want to accelerate the handling of these issues. The officer with responsibility for this issue is Mr Ian Johnston. We are in the process of developing strategy and policy settings that we must take to Cabinet before we consult more widely in the community.

Mr JOHNSTON: All I can say about the timing is that it is imminent.

Hon TOM STEPHENS: That may mean that it is in one of my red boxes, and if I am allowed to leave here and deal with it, I will sign off on it!

Hon GIZ WATSON: Is the sale of all or part of the site being considered?

Hon TOM STEPHENS: Everything is being considered.

Hon GIZ WATSON: I will take that as a yes.

Hon TOM STEPHENS: Cabinet wants to see, from a combination of three sites - Sunset Hospital, Heathcote Hospital and the old Swanbourne Hospital - the harvesting back to the taxpayers of Western Australia a global amount of \$35 million. That is effectively the Government's policy setting for those three sites. We will ascertain how that is done in consultation with the local communities.

The CHAIRMAN: We ran slightly over time due to delays, so I will let the session go for five minutes longer. I hope the minister and his officers will bear that in mind when formulating their answers.

[3.00 pm]

Deputy Chairman; Mr Tom Stephens; Hon Barry House; Hon Giz Watson; Hon George Cash; Hon Ed Dermer;
Hon Simon O'Brien; Hon Graham Giffard; Hon Derrick Tomlinson

Hon GEORGE CASH: What other changes to previous policy have occurred since the Labor Party came to office in 2001? What is the current status of the redevelopment of the Heathcote site? If that question is taken on notice, can the minister provide information about how much land is to be made available for residential use and the zoning density, if it has been agreed with the local authority? I would like a plan of the proposed redevelopment. What is the current status of the development of the Observatory site opposite Parliament House? Can a plan be provided showing the proposed subdivision of that site, if that is the proposal?

Hon TOM STEPHENS: I should take all questions on notice so that I do not use up too much time.

The hallmark of the housing policy changes implemented by the incoming Government has been a desire to see the rollout of compassion and enlightenment in this portfolio area.

Hon GEORGE CASH: I ask the minister to be more specific. That is general and emotional. I would like some factual support.

Hon TOM STEPHENS: The answer provided will include a range of those policies. Often a single ministerial decision is described as a policy decision. As the member understands, it might not be possible to list all the decisions made in this job. I will provide the member with the main themes.

Hon E.R.J. DERMER: I note the minister's introductory comments about the commonwealth grants program. Page 355, under the line item "Commonwealth Grants", indicates a reduction in the budget projection. If I understand the minister's comments correctly, it appears that the Commonwealth Government has rationalised that as some sort of efficiency dividend.

Hon TOM STEPHENS: It is a misnamed efficiency dividend.

Hon E.R.J. DERMER: It seems extraordinary that a capital grant is subjected to an efficiency dividend. Reference is made to the estimated actual figure and the budgeted figure for 2000-01. The estimated actual figure is \$700 000 less than the budgeted figure. How can the Commonwealth rationalise that as an efficiency dividend? Why do we have \$700 000 less than was budgeted? What action can be taken to address that in future negotiations with the Commonwealth Government? I am particularly cross about this matter, and that may have affected the tone of my words.

Mr JOYCE: The \$700 000 reduction is a commonwealth-imposed one per cent efficiency dividend over the life of the agreement; that is, from 1999 to 2003. That, together with a lack of any consumer price index growth, will cost this State \$35 million over the life of the agreement. For three of the four years, we must also add the \$5.6 million GST loss mentioned by the minister. That gives us a total loss of \$51.8 million over the four-year life of the agreement. Annualised, that is a \$13 million-odd reduction in funding from the Commonwealth.

Hon E.R.J. DERMER: We have a budgeted figure for 2000-01 and the figure delivered is also subject to the efficiency dividend.

Mr JOYCE: That is correct.

Hon E.R.J. DERMER: That is surprising. Surely, once the figure is budgeted, that is the commitment for the financial year.

Mr JOYCE: I am not sure about the accounting treatment and why that error occurs. It has been explained as an efficiency dividend of \$700 000.

Hon SIMON O'BRIEN: What did the minister mean when he used the term "harvesting back" in reference to Heathcote and a couple of other sites? I do not understand that piece of jargon the minister has just coined.

Hon TOM STEPHENS: It means to realise that return to the Treasury, and nothing more than that.

Hon SIMON O'BRIEN: Does that mean the Government intends to sell the lower land at Heathcote?

Hon TOM STEPHENS: It means the Government requires that amount to be realised. If another way of achieving that is discovered in the consultations about Heathcote - for instance, selling the top land or doing something else that the community wants - so be it. We must keep in mind that these policy settings for Heathcote were pursued by the previous Government until it got the jitters about the local member's position. He subsequently lost his seat. The previous Government did a quick policy shift, but only after investing a large amount of taxpayers' funds in that specific location. The original plans were that that would be done and offset by the sale of some part of that site. That could be Duncraig House or the cricket pitch. Perhaps the Government could find some way to sell the newly created South of Perth Yacht Club car park that has been built out into the Swan River - it appears to me illegally. The previous Government allowed that development to go ahead and, in the process, condoned the destruction of the environmental value of that location.

Hon SIMON O'BRIEN: I thank the minister for clarifying that and I look forward to the response.

Deputy Chairman; Mr Tom Stephens; Hon Barry House; Hon Giz Watson; Hon George Cash; Hon Ed Dermer;
Hon Simon O'Brien; Hon Graham Giffard; Hon Derrick Tomlinson

Hon GEORGE CASH: I want to know how much the car park will bring.

Hon SIMON O'BRIEN: I will await the answer to Hon George Cash's question about that site. There is obviously much more to the issue.

I refer to the capital contribution on page 355 and note the overall reduction of \$95 million in the estimated actual budget from last year to this year. That is a colossal amount in any terms. Most of that comes under the heading "Other". The provision has been reduced from \$458 million to \$363 million. I am not sure what "other" means - perhaps it is rent income. What does it mean and what is the reason for such a huge reduction?

Mr COLES: "Other" relates to the Keystart home loan program. The demand for Keystart funds has dropped off because the increased first home buyers grant means people can go to banks. That explains the \$80 million reduction. The other \$15 million relates to a reduction in income from land sales.

[3.10 pm]

Mr JOYCE: It is an opportunity budget and funds are raised in the capital markets. If there is an increase in demand for Keystart, it can be met. It is demand driven. There is no wait for Keystart.

Hon G.T. GIFFARD: My question relates to the key effectiveness indicator at page 358. What is Health Check, and will the Government continue to conduct health checks this financial year?

Hon TOM STEPHENS: That is a question for the next group of officers. It relates to the State Supply Commission.

Hon DERRICK TOMLINSON: I was interested in the minister's objective assessment of the impact of the goods and services tax. I have a copy of the 2001-02 budget paper No 3 from the Commonwealth Parliament. A table shows additional expenditure from the Commonwealth to the State of \$97.8 million for GST administration costs. In the budget negotiations, housing did not realise a fair return. Others harvested a better yield.

Hon TOM STEPHENS: That is not my concern. The housing portfolio has been allocated about \$10 million from the State and about \$26 million from the Commonwealth. On current experience, the commonwealth allocation is totally inadequate. The damaging impact of the tax is well and truly appreciated by the Australian community, as shown by the recent "turning of the worm" during the leaders' debate last Sunday night. It is fully and truly appreciated by all the operational agencies of the State. It is not just housing that has been disadvantaged. Members will hear chapter and verse from the Government over the next few weeks. Hopefully, during question time in the other place today, members will hear of the damage done to all portfolios by the GST.

Hon DERRICK TOMLINSON: On 11 November, the minister will go quiet.

The DEPUTY CHAIRMAN: I thank the minister and his officers for their attendance.