

Second Reading Speech

Land Legislation Amendment Bill 2014

I move that the *Land Legislation Amendment Bill 2014* be read a second time.

I advise that this Bill is not a uniform legislation Bill. It does not ratify or give effect to an intergovernmental or multilateral agreement to which the Government of the State is a party. Nor does this Bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the Commonwealth.

Introduction

I am pleased to introduce this Bill which, together with *the Land Legislation Amendment (Taxing) Bill 2014*, will implement reforms to Landgate's pricing framework for regulated products and services.

Landgate provides the State with world-leading location information products and services and maintains a secure Land Titles Register for the State. In performing its functions, Landgate has a statutory obligation to act in a cost effective manner and on prudent commercial principles and in a way that supports the sustainable economic management and development of the State. The changes proposed by the Bill will ensure Landgate's ongoing financial sustainability, reduce Landgate's reliance on government appropriation and provide Landgate with an incentive to deliver greater efficiencies and cost savings whilst delivering fee certainty to consumers.

Background

Landgate currently generates 75% of its customer revenue from regulated products and services, predominantly from document lodgment fees and title searches. The fees for regulated products and services are calculated on a cost recovery basis and are prescribed in regulations made under the *Transfer of Land Act 1893*, *Strata Titles Act 1985*, *Registration of Deeds Act 1856* and *Valuation of Land Act 1978*.

Cost recovery requires Landgate to know its costs and to estimate property market activity and transaction volumes approximately 18 months in advance. This can be difficult. Activity levels can be subject to significant volatility which can be around 25% in any given year and which ultimately impacts on the total costs recovered.

Landgate has high fixed costs for maintaining the Land Titles Register and this is not suited to recovering costs on a transactional basis.

There is little incentive to reduce costs through efficiencies. Any reduction in cost must be passed to consumers as lower regulated fees. As the average consumer buys a property every seven years and Landgate fees are small part of total purchase costs and charges, any reduction in fees has a minimal benefit to individual consumers. If Landgate's Pricing Reform is not implemented, cost savings would have to be passed on to consumers as lower

fees. Given that consumers, on average, transact on a property once every seven years, Landgate has estimated that an individual consumer would save:

- \$7.20 based on an average lodgment fee of \$168; and
- 0.80c on an average search fee of \$25.00.

Proposal

Landgate's Pricing Reform will allow it to prescribe fees for regulated products and services greater than cost recovery and retain the surplus between the fees charged for regulated products and services and Landgate's costs of providing the products and services.

Giving Landgate the power to prescribe fees greater than cost recovery does not mean that Landgate's ability to set fees for its regulated products and services is unconstrained. Fees will still be reviewed annually as part of Landgate's usual budget approval process. Any fee increases will still need to be approved by the Minister, the Economic Expenditure Review Committee and endorsed by Cabinet. Fee regulations will be still be published in the Government Gazette and be laid before Parliament.

In addition, the Bill contains a 'sunset clause'. The power to prescribe fees greater than cost recovery will come to an end on 31 December 2019 unless extended by proclamation of the Governor on the recommendation of the Minister for Lands. Each extension can be for a period of up to five years. The Minister's recommendation will be made following each five yearly review of the *Land Information Authority Act 2006* and the tabling of that review before Parliament. The Minister, in reviewing the Act and Landgate's operations, will have to consider Landgate's pricing of regulated products and services and whether Landgate has achieved operating efficiencies that would enable the fees to be reduced or not increased.

The Governor's proclamation will be laid before Parliament to provide Parliamentary scrutiny of any renewal of the power to prescribe fees greater than cost recovery.

Impact on Customers

Since 2011 Landgate has made savings which have allowed Landgate to hold the majority of document lodgment and search fees steady. Increases in the Consumer Price Index and increased wage costs have been absorbed by Landgate.

Consumers of Landgate's regulated products and services include members of the public, business and the wider property industry. They will not be adversely affected by Landgate's Pricing Reform. The Pricing Reform will deliver fee certainty to all consumers of Landgate's regulated products and services. Landgate has committed to hold fees payable for regulated products and services at current levels until 30 June 2018, other than fee increases (if any) to reflect the annual change in the All Groups CPI, Perth or in response to factors outside Landgate's control, like changes to the law. By enabling Landgate to retain savings, Landgate will be able to reduce the real cost of services to customers by holding increases in existing regulated fees (if any) to the increase in the CPI, or to an amount less than the increase in the CPI.

Benefits

The *Land Legislation Amendment Bill 2014* in conjunction with the *Land Legislation Amendment (Taxing) Bill 2014*, will implement important reforms to Landgate's pricing of regulated products and services. The reforms will:

- deliver fee certainty to consumers;
- provide a more sustainable and less volatile funding source for Landgate by reducing the impact on Landgate of property market volatility;
- provide an incentive to deliver efficiencies by allowing savings to be retained and used to:
 - reduce the real cost of services to consumers by holding increases in existing regulated fees (if any) to the increase in the CPI, or to an amount less than the increase in the CPI;
 - improve Landgate's systems and deliver better services to customers;
 - pay an increased dividend and a higher national tax equivalent amount to the State to support government expenditure in other areas;
 - invest in capital works or other programs or strategies under Landgate's approved Strategic Development Plan.
- enable the self-funding of important capture, maintenance and dissemination of location information to Government and industry;
- reduce reliance on government appropriations and avoid a negative impact on the State's net debt position, estimated at \$21.4m over five years if the reforms are not implemented.

Conclusion

I commend the Bill to the house and table the Explanatory Memorandum.