

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

**INQUIRY INTO IRONBRIDGE HOLDINGS PTY LTD AND OTHER
MATTERS REGARDING RESIDENTIAL LAND AND PROPERTY
DEVELOPMENTS**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 26 OCTOBER 2011**

Members

**Dr M.D. Nahan (Chairman)
Mr W.J. Johnston (Deputy Chairman)
Mr I.C. Blayney
Ms A.R. Mitchell
Mr M.P. Murray**

Hearing commenced at 10.17 am**WALLACE, MR IAN****Developer, Ironbridge Holdings Pty Ltd, examined:****O'ROURKE, MR THOMAS WATERS****Assistant Project Manager, Ironbridge Holdings Pty Ltd, examined:****WALLACE, MR NICHOLAS****Land Salesman, Ironbridge Holdings Pty Ltd, examined:**

The CHAIRMAN: Welcome. I will read an opening statement; it is a standard one. Thanks for your appearance before the committee today. This committee hearing is a proceeding of Parliament and warrants the same respect that proceedings of the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as contempt of Parliament.

Before we commence, there are a number of procedural questions we need you to answer. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the "Information for Witnesses" briefing sheet regarding giving evidence before elementary committees?

The Witnesses: Yes.

The CHAIRMAN: Do you have any questions relating to your appearance before the committee today?

The Witnesses: No.

The CHAIRMAN: The committee has provided you with a series of questions in advance. Before we ask any further questions, do you wish to make a brief opening statement that addresses these questions and the terms of reference?

Mr Ian Wallace: No, I am quite happy for you to just follow through on all of those questions.

The CHAIRMAN: I will go through those in order.

Mr Ian Wallace: Sure.

The CHAIRMAN: What is the current status of Ironbridge Holdings Pty Ltd?

Mr Ian Wallace: I presume you mean: what is its financial status?

The CHAIRMAN: Yes.

Mr Ian Wallace: It is solvent and it continues to trade.

The CHAIRMAN: Can you list the court proceedings that your company is currently subject to?

Mr Ian Wallace: The only one that we are subject to is one with the ATO—the Deputy Commissioner of Taxation. The most recent hearing on that was on 18 October and it was

adjourned until 8 November. We expect by that time the action to be dismissed, because the debt has been reduced to almost nil at the moment.

The CHAIRMAN: Just to follow on, when you meet on 8 November, you are confident that you will get an adjournment and operate Ironbridge Holdings into the future?

Mr Ian Wallace: Yes absolutely

The CHAIRMAN: Good. Going to The Tuarts estate, did all these lots that you sold include a fencing and landscaping incentive package?

Mr Ian Wallace: Absolutely.

The CHAIRMAN: What conditions did the buyers have to meet to receive the fencing and landscaping package?

Mr Ian Wallace: Initially, they had to complete the construction within 12 months. It started off in the boom, so we extended that to 20 months. They were the only conditions.

The CHAIRMAN: Did most of them meet those conditions?

Mr Ian Wallace: Most of them. I am not saying all of them.

The CHAIRMAN: It was hard to get a house, if I remember correctly, during that time. What happens if it was not a fault of their own, but the builder could not deliver?

Mr Ian Wallace: Firstly, we address that in extending them from the 12 to 20. That is largely how it came about. But if there was a particular case that needed addressing, we would extend the time.

The CHAIRMAN: Did the contracts for sale stipulate the time frame in which your company was obliged to provide fencing and landscaping?

Mr Ian Wallace: No. I can assure you that that was not deliberate, because at the time we anticipated that we would have no trouble delivering them.

The CHAIRMAN: That is not something that you have argued about.

Mr Ian Wallace: No; never.

The CHAIRMAN: Did the contracts stipulate any redress to customers in the event that Ironbridge Holdings Pty Ltd failed to deliver its fencing and landscaping package within a reasonable time?

Mr Ian Wallace: No, it did not.

The CHAIRMAN: Of the lots you sold, how many have received their fencing and landscaping packages in full from your company?

Mr Ian Wallace: We have created some 249 lots, of which 190-odd, give or take one of two, have been installed. The rest are still vacant blocks. All but two have received their fencing package.

The CHAIRMAN: Let us go through that again. You sold about 190 blocks?

Mr Ian Wallace: No; 249.

The CHAIRMAN: You have sold 249?

Mr Ian Wallace: Yes.

The CHAIRMAN: 190-odd?

Mr Ian Wallace: I will just get that exact figure for you. Very close to somewhere between 190 and 200 have been installed.

The CHAIRMAN: How many blocks have had houses built on them, of the 240?

Mr Ian Wallace: Roughly between 190 and 200.

The CHAIRMAN: So what you are saying is that of those sold and meet the criteria of having a house, all of them now have fencing on them?

Mr Ian Wallace: All of them bar two and there are 11 cottage lots that still have not had their front fencing done. They have had their side fencing done, but we have not done their front fencing.

The CHAIRMAN: Has the fencing completed included painting?

Mr Ian Wallace: No. Can I just go back a little bit on this? When things changed financially, we elected to say to ourselves, "Let's get the fencing finished first. Then let's do the landscaping. Then let's do the painting as the final thing." So, no painting has been done. We think there are roughly about 140 that still need to be painted.

The CHAIRMAN: What type of material is the fencing? Is it that super 8 stuff—corrugated?

Mr Ian Wallace: Yes, it is corrugated. They do not call it —

Mr Nicholas Wallace: Super 6 fibro cement.

The CHAIRMAN: I thought you painted that before you put it on?

Mr Ian Wallace: No. You used to be able to, but it all comes out of Queensland.

The CHAIRMAN: Okay. That is beside the point. How many customers have had the work done independently or were fully reimbursed by your company?

Mr Ian Wallace: We think it is pretty close to 20-odd. It could be 20 to 25. There are still 11 left to be reimbursed.

The CHAIRMAN: What about landscaping?

Mr Ian Wallace: We have 90 landscaping packages still to do.

The CHAIRMAN: Let us go back. So there are about 100 finished?

Mr Ian Wallace: Yes.

The CHAIRMAN: Could you provide the specific numbers as of some closing date that you specify as to—you know, you said about 190-odd to 200 —

Mr Ian Wallace: I have them here. I will just go back to the office and send them in.

The CHAIRMAN: Okay. That is good. So the landscaping—about 90 have been finished and 100-odd to go?

Mr Ian Wallace: No, the other way around—100 finished, 90-odd to go.

The CHAIRMAN: Just to confirm this, how many lots are yet to be sold?

Mr Ian Wallace: Well, there was a total of pretty close to 800 and we have developed 249 of them.

Mr W.J. JOHNSTON: How many of those 249 are not sold?

Mr Ian Wallace: None.

Mr W.J. JOHNSTON: There is no land pending sale in The Tuarts estate?

Mr Ian Wallace: We have lots that we have developed but we do not yet have titles to them.

Mr W.J. JOHNSTON: All the ones that have titles have been sold?

Mr Ian Wallace: Yes.

The CHAIRMAN: Are you continuing with your expansion program, with this landscaping and fencing incentive?

Mr Ian Wallace: Yes. I would not mind making a statement in relation to that at the moment. I have been in this game 30 years, if not a bit longer. Landscaping, fencing, and painting the fencing

was introduced in state government–owned developments. The state government provides around about 40 to 45 per cent of the land supply in Perth. It was introduced in the last 10 years.

The CHAIRMAN: The state provides land. It also builds properties for housing.

Mr Ian Wallace: I am saying that it is the state's joint ventures with various development agencies. For example, surrounding us at Dalyellup, Satterley runs a syndicate that manages the land on behalf of the state government. That happens all around the state. It does not happen in any other state in Australia, to my knowledge. It certainly does not happen in Victoria, where we operate. It does not happen in New South Wales. The only place where there is a variation to it is in New South Wales where landscaping is installed. If I had an option, I would not have included any of it in what we sell. But because we sell adjoining a state government development, our purchasers expect it as part of their package.

Mr W.J. JOHNSTON: You had staff here the other day when the UDIA were giving evidence.

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: The UDIA's evidence was different to the evidence that you have just given. Do you have any commentary about why there might be a difference between what the UDIA said and your position?

Mr Ian Wallace: I cannot recall what you are referring to specifically.

Mr W.J. JOHNSTON: The UDIA said that the reason this was done was to maintain the value of the land as it is being sold in stages and that it was an incentive to the developer to do it to ensure that the future stages of the project obtain maximum price.

Mr Ian Wallace: I actually think that is false for a couple of reasons. Within the land sale price is built the landscaping and the fencing. So to me that artificially inflates the value of the land because it is not really what you are buying. If a sale is recorded at \$140 000, the land is valued at \$140 000, but the actual land component of that sale is about \$130 000 or \$131 000, \$132 000. It is certainly not the experience in Victoria and New South Wales that it is necessary.

The CHAIRMAN: Their argument was that, as the Deputy Chair said, when you build an estate, particularly the first stages of it, for sale purposes of the subsequent developments you want a fully lived in–appearing suburb.

Mr Ian Wallace: I think it is important in relation to streetscape. If you go through a lot of these state government subdivisions—perhaps I am wrong in referring to state government ones—the large development subdivisions, when landscaping and fencing is installed for them, they do not look after it. The ones in New South Wales, the purchasers have to install their own landscaping and then are refunded.

[10.30 am]

The CHAIRMAN: Another reason UDIA said that is that they can do it at a cheaper rate because they bulk buy the facilities and staff them, so they can do it at a cheaper rate than the individuals could do.

Mr Ian Wallace: We have looked at that very closely, because obviously we are watching our costs as closely as we can. The rate that it varies would be no more than two per cent to three per cent. It is tiny in relation to the total value.

The CHAIRMAN: Just to be accurate, we know the state government, through various means, controls a large share of the development, particularly planned developments, which is next year, and they have a ruling that the developer has to provide fencing and landscaping, and that has set the trend in the marketplace.

Mr Ian Wallace: Yes.

The CHAIRMAN: Could you provide a list of your current outstanding fencing and landscaping obligations at The Tuarts estate, and the proposed timetable for their completion?

Mr Ian Wallace: Sure. I want to couch what I am saying in relation to a problem we have had with the Water Board, which has now been fixed. Well, it will be fixed within the next week. For the last 18 months we have been trying to complete a pump station, and part of the problem with that pump station has been a lack of funding. If I go back one step, the Water Corporation approved the type of pump station that we were to construct, and we provided the Water Corporation with some extra geotechnical information, so the way that the pump station was going to be constructed had to be changed, and that lost us a year in the process. That mucked up our cash flow completely.

The CHAIRMAN: When did this process start? What year?

Mr Ian Wallace: Over 18 months ago, and it has taken a long time to sort out. The pump station reached practical completion two weeks ago; we are in the process of getting it commissioned now, and we hope that that will happen within the next week and a half to two weeks. Coming back to your question, we have 90 outstanding landscaping packages to do, we have 15 reimbursement plans and the two fencing ones. Providing this pump station gets fixed, which we hope it will be within the next week or two, we anticipate that it will take us another six months to finish all the outstanding work.

The CHAIRMAN: The pump station is for what?

Mr Ian Wallace: It is for the sewerage of the whole estate, plus part of the state government's stake adjoining. It has just been constructed in a high water table area, and —

The CHAIRMAN: Why would that slow down your process?

Mr Ian Wallace: We have had to pour a lot of cash into doing that.

The CHAIRMAN: It is an allocation of cash.

Mr Ian Wallace: Yes, and the Water Corporation is very different here from the way the Water Corporation operates in Victoria or New South Wales. It is very heavy-handed in the way you have to fund these things before they are commissioned.

The CHAIRMAN: So you have to put all the money up yourself?

Mr Ian Wallace: In other words, this pump station has cost about \$1.2 million. We have to provide bank guarantees in excess of that figure, and we have to construct it, so we actually have \$2.5 million outstanding until the Water Corporation ticks off the commission of the station. The Water Corporation will refund those moneys in 12 months' time.

Mr W.J. JOHNSTON: So what you are saying is that if things had gone the way you had expected, the money that you would have used for those 90 landscaping packages, reimbursing the 15 people who did their own works, and the two uncompleted fences, and I think there were 11 cottage lots with back fences as well, that you would have used that money that you have spent on the Water Corp works to do that work?

Mr Ian Wallace: It has really held up the production of the next 50 titles, and we have cash flow coming from that, so the whole thing is compounded, the further release of land.

Mr W.J. JOHNSTON: Sorry; that confuses me. What are the 50 lots that you refer to?

Mr Ian Wallace: As I mentioned at the beginning, we have developed another 50 lots that we do not yet have title to, and the titles for those are being held up pending the completion of the pump station.

Mr W.J. JOHNSTON: I am sorry; I am not quite understanding, and I apologise for that, but how does 50 future lots have anything to do with the 90 landscaping packages, the 15 reimbursements, the two side fences and the 11 cottage lots?

Mr Ian Wallace: There is just a lot more capital tied up in production.

The CHAIRMAN: You are saying that you would have had more free cash flow if you had those 50 lots, which are held up because of the work for the Water Corp?

Mr Ian Wallace: That is right.

Mr W.J. JOHNSTON: You are saying that you do not have the cash available to you to do the works for the 90 people where you have not done the landscaping packages, the 15 people who have sought reimbursement, having done the work themselves, the two side fences packages and the 11 cottage lots?

Mr Ian Wallace: We will have, but what I am saying —

Mr W.J. JOHNSTON: They paid you for that, did they not, when they bought their blocks? That is, 118 people bought a block from you and paid you for the works that included the 118 things that we talked about?

Mr Ian Wallace: Yes, that is right.

Mr W.J. JOHNSTON: And they have not had that delivered because you do not have cash available, because you are waiting for 50 blocks to get title?

Mr Ian Wallace: Combined with the pump station, and combined with dealing with lenders who do not like dealing in regional areas.

The CHAIRMAN: When you went out and sold the blocks in question, the ones that were pending, when did you sell those? Did you sell them in 2005–06, 2006–07, or after the decline in prices? Did you have to discount heavily to sell these things?

Mr Ian Wallace: We certainly sold the first. Nick can probably remember better than I can.

Mr Nicholas Wallace: When we first started, during the boom, our prices were up in the 170s; then the GFC came and we ended up around 139. When we first started, there were a lot that were sold to investors and speculators. Some of those people built, and some of them did not, and as time progressed we sold a lot more to occupiers as well.

The CHAIRMAN: If you sold to a speculator, that person got a package also?

Mr Nicholas Wallace: No, we just sell land. What happens with some of the purchasers is they go along and deal with the builder. They walk through the display village and they find the house they like. There are two things that happen: there are people who buy from us direct, and there are people who go to a builder and say that they want to build a house and the builder will help them to find a parcel of land. Then they buy the block off us and the house off the builder, but it is financed in one package.

The CHAIRMAN: But your obligation to build and provide landscaping and fencing goes with the block of land?

Mr Nicholas Wallace: That is correct.

The CHAIRMAN: So if a builder gets a client a year or so down the track, and builds a house, your obligation is to follow that block of land through, right? Those other transactions.

Mr Ian Wallace: As long as it is within that time frame.

The CHAIRMAN: The specified period. How did you get into the issue, as the deputy chair said? You had this land, you gave this landscaping; whether you wanted to do it or not, it is what the market demands. As you said, it is built into the price of the property or the land. There were delays, but everyone was delayed at that time, everyone around the place. It looks like for part of the sales you got a decent 170, I think you said; something like that. What happened? Why did you not just put the money in escrow and provide the incentives when they came through?

Mr Ian Wallace: Good question. I guess we never anticipated not having access. The financiers changed the terms under which they lent us the money and decided to take a lot more than they had previously agreed. In other words, as much as they could.

The CHAIRMAN: Did other people get into similar strife?

Mr Ian Wallace: I do not really know the answer to that. I do not know.

[10.40 am]

Mr M.P. MURRAY: Further on that, in your opinion, should there be a bonded system? The advertising blurb for the house includes fencing and landscaping. Do you think in the future there should be a bonded system so that money is set aside? Because the person who buys the block has paid for that fencing and landscaping, why should that money—you can correct me any time—not be bonded so that when it is finished, it is available, despite your financial position?

Mr Ian Wallace: Look, they are unsecured creditors really—purchasers. That was forefront in my mind. As far as I was concerned, it is much better keeping Ironbridge afloat.

Mr M.P. MURRAY: I understand that.

Mr Ian Wallace: That is why we have worked very hard to ensure that we have. Setting the sum aside is a good way of doing it. We have actually spoken to the board about whether we could put it in our trust account, because we run a trust account in relation to purchasers' deposits. It is not as easy, now that the board has changed to whatever it is called now—the department of consumer protection.

The CHAIRMAN: You do not mean your company board?

Mr Ian Wallace: No. The Real Estate and Business Agents Supervisory Board is now part of Consumer Protection. We run a trust account on behalf of the purchasers as far as the purchasing deposits are concerned. Look, I think it is a good idea, but how it is put into practice, practically, I am not too sure. It has certainly made me aware, with my financiers, that I have to stipulate very clearly that at each settlement I am able to access those sums in any agreement that I have got with them.

The CHAIRMAN: What happens if you have a firm that is having severe cash flow problems and is on the verge of going into bankruptcy, which Ironbridge has been —

Mr Ian Wallace: Just on that point; it has never been on the verge of being bankrupt.

The CHAIRMAN: You have had court cases with the ATO; you have cash flow problems. Then, as the member has suggested, if you took those deposits and stuck them in a trust fund, that would reduce your fungibility of cash and it might push you over the brink. Would those moneys be garnished to provide the fences and landscaping if the firm went bankrupt or would it just get washed up into the ATO and the banks?

Mr Ian Wallace: I am no accountant, but I suspect the answer to your question is it would be. The answer would be yes.

The CHAIRMAN: That would be one of the issues. I do not know, but you would be locked into an isolated trust fund to provide those services, and if that indeed pushed the firm over they might not get anything.

Mr Ian Wallace: To me, I do not think fencing should be provided. I would rather reduce the price of the block to that extent. Perhaps I will give you a little bit of benefit of experience. Where we operate in Victoria, and it is not in a dissimilar price range —

The CHAIRMAN: Where in Victoria?

Mr Ian Wallace: Both in Geelong and Torquay, but we know how the whole of the western side of the bay works through there. Your purchasers turn up with 10 per cent deposits. They have saved;

they have a savings history. Western Australians, when they come to see you, have taken \$500 out of a till on the way to sign the contract and there is no history of savings with them. It has been the same since 1969 when I started working with building societies.

The CHAIRMAN: We are an optimistic lot.

Mr Ian Wallace: It is obvious. What I am trying to say in all that is that I think our land is very overvalued. The state government did not get hold of the fact that supply and price are related during this last boom, and still really have not got hold of the fact yet, although they are doing a lot more about it than previous governments of both persuasions. You know, it is all about supply. Victorians woke up to it, and you can house yourself a hell of a lot cheaper in Victoria than you can in Western Australia.

The CHAIRMAN: From a firm's perspective, the larger firms who are represented by UDIA, basically, went through this boom suffering—I am sure they are competing with you, across the road, for the same client—they had some troubles, as everyone did, but they never missed a beat in terms of providing services to their clients.

Mr Ian Wallace: I would say 45 per cent of them. A lot of them are public companies. The rest are state government developments. They are.

Mr W.J. JOHNSTON: That is just not true.

Mr Ian Wallace: It is.

Mr W.J. JOHNSTON: Objectively, it is not true. To suggest that the state government stands behind the developments and that the private partners are somehow being funded by the state government is not right.

Mr Ian Wallace: They are the land holders.

Mr W.J. JOHNSTON: They are joint venture partners. This is irrelevant! Let us get back to the thing: why did you not pay your bills on time? That is a good question. Can you answer it?

Mr Ian Wallace: Well, a lack of cash flow.

Mr W.J. JOHNSTON: Yes, so what! You paid all these other bills. Did you draw directors' fees —

Mr Ian Wallace: No.

Mr W.J. JOHNSTON: — pay your sales staff in wages?

Mr Ian Wallace: No.

Mr W.J. JOHNSTON: Why is it that you were not able to pay some bills? What is it that says that you have got operations in other states, which apparently do not have the same problems, but you are not able to pay the bills, on your account, for 118 home buyers?

Mr Ian Wallace: Because of the financiers, and the lack of funds coming through. In the other states you do not provide landscaping and fences.

Mr W.J. JOHNSTON: You contracted to do this—nobody made you do it! These were decisions that you and you alone made.

Mr Ian Wallace: Of course, and the terms of financing have changed.

Mr W.J. JOHNSTON: So when will these 118 people get their —

Mr Ian Wallace: As I said, in the next six months.

Mr W.J. JOHNSTON: Is that an undertaking that you are prepared to give? For example, would you be prepared to given enforceable undertakings to these purchasers?

Mr Ian Wallace: I have not walked away from any of them.

Mr W.J. JOHNSTON: With respect, as I understand it a bailiff is trying to enforce a court order against you in respect of one set of reimbursements. What do you say you have not walked away from?

Mr Ian Wallace: We have tried to deal with everyone fairly, and we have dealt with them in the order in which they have completed their houses.

Mr W.J. JOHNSTON: Have you been in conversation with paying the bailiff for the order that has been made against you?

Mr Ian Wallace: Absolutely.

Mr W.J. JOHNSTON: What time line have you told the bailiff for this order that you have failed to pay?

Mr Ian Wallace: I will have to go back and look at our records.

Mr W.J. JOHNSTON: And when you talked about court cases that you have got outstanding, the only court case you mentioned was the proceedings of the Australian Tax Office. You did not include the bailiff's actions.

Mr Ian Wallace: I think the question —

Mr W.J. JOHNSTON: The question was, "Can you list the court proceedings that your company is currently subject to?"

Mr Ian Wallace: No, I took the —

Mr W.J. JOHNSTON: So the court proceedings—the bailiffs—that you failed to pay a judgement debt is not one of those?

Mr Ian Wallace: I took that to mean court hearings within —

Mr W.J. JOHNSTON: So uncompleted court matters?

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: So this is an uncompleted court matter; there is an outstanding court order against you and you have not complied with it, and you did not think that was worthwhile mentioning. How many uncompleted-with court orders are there? How many other court judgements have you failed to comply with?

Mr Ian Wallace: There are 11, which are listed.

Mr W.J. JOHNSTON: Eleven court orders?

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: You never said that.

Mr Ian Wallace: Yes, I did.

Mr W.J. JOHNSTON: Not once!

Mr Ian Wallace: Yes, I did.

Mr W.J. JOHNSTON: When?

Mr Ian Wallace: In relation to —

Mr W.J. JOHNSTON: What are those 11 court orders?

Mr Ian Wallace: Fencing and landscaping packages.

Mr W.J. JOHNSTON: So you have had judgements against you, which is quite serious. What action are you taking to comply with those judgements?

Mr Ian Wallace: We liaise with the bailiff in relation to a payment.

Mr W.J. JOHNSTON: Have you offered up a surety against the future?

Mr Ian Wallace: Of course.

Mr W.J. JOHNSTON: So you have entered into undertakings in respect of land that you currently have in your portfolio?

Mr Ian Wallace: No. We have entered into undertakings in relation to private property that we own in relation to those court actions.

Mr W.J. JOHNSTON: All of them?

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: That is not evidence that we have had. We have had people here tell us that you have had the bailiff chasing you for over six months.

Mr Ian Wallace: All you need to do is read the bailiff notice in relation to that.

Mr W.J. JOHNSTON: We have had the people who have had the judgements come and give evidence to us in open hearings.

Mr Ian Wallace: If you read a judgement, it sets out in detail the security that is offered in relation to that.

Mr W.J. JOHNSTON: Can you provide a copy of those judgements, please?

Mr Ian Wallace: If that is what you want.

Mr W.J. JOHNSTON: That is certainly what I would like.

Mr Ian Wallace: Sure.

[10.50 am]

The CHAIRMAN: To clarify it, you have 11 bailiff judgements.

Mr Ian Wallace: I am not sure that it is that much; I would have to go back and have a look.

The CHAIRMAN: Whatever it is, please confirm it. You have offered private asset backing to provide those.

Mr Ian Wallace: Yes.

The CHAIRMAN: Is the private asset related to the wider estate or something else?

Mr Ian Wallace: No, just a personal asset.

The CHAIRMAN: As part of that agreement, you have said that you will meet the obligations within six months' time. Is that what you said?

Mr Ian Wallace: The obligations of the —

The CHAIRMAN: To meet the landscaping and fencing.

Mr Ian Wallace: For the people —

Mr W.J. JOHNSTON: Who have taken the judgement.

Mr Ian Wallace: No; there is no time put on it.

The CHAIRMAN: There is no time on those judgements. But your intention is to meet the entirety of this liability with landscaping and fencing in this estate in six months' time.

Mr Ian Wallace: Absolutely.

The CHAIRMAN: Have you communicated that to all the people on the ground?

Mr Ian Wallace: We will be, but we have had to wait until this pump station is commissioned.

The CHAIRMAN: When is that supposed to be commissioned?

Mr Ian Wallace: It reached practical completion, I think I said, about the sixteenth of this month.

The CHAIRMAN: So you will be having a meeting with The Tuarts estate people who have outstanding —

Mr Ian Wallace: We will write to all of them.

The CHAIRMAN: You will write to them?

Mr Ian Wallace: As we have done along the way.

Mr W.J. JOHNSTON: A solvent company means a company that is able to pay its debts as they fall due. Are you able to pay all your debts as they fall due?

Mr Ian Wallace: As far as we are concerned, we are solvent.

Mr W.J. JOHNSTON: No; that is not the question I asked. I asked: are you able to pay your debts as they fall due?

Mr Ian Wallace: In the order in which they are due, yes.

Mr W.J. JOHNSTON: I do not understand the qualification. It is a very simple question. I am sorry if you are not able to understand it.

Mr Ian Wallace: No. I pay those debts to the best of my ability, thank you.

Mr W.J. JOHNSTON: So why is it that there are 11 outstanding judgements? If you say that you are able to pay your debts when they fall due, how can there be any outstanding judgements?

Mr Ian Wallace: I will leave that up to you. I think I have answered it.

Mr W.J. JOHNSTON: Do you understand what a judgement is?

Mr Ian Wallace: Of course.

Mr W.J. JOHNSTON: So you understand that that is the court's decision saying that you owe a certain person —

Mr Ian Wallace: Yes, and I have never denied owing them the money.

Mr W.J. JOHNSTON: And you agree that those 11 judgements exist today?

Mr Ian Wallace: Or whatever number it is, yes.

Mr W.J. JOHNSTON: But you were the one who said 11; I did not say that.

Mr Ian Wallace: I said that is probably the worst-case scenario.

Mr W.J. JOHNSTON: I do not know whether it is a good case or a bad case; I am just trying to get it clear. There are 11 judgements that you say exist and none of them has been complied with. How can you then say you are paying your debts when they fall due? How do you say that? There are 11 outstanding debts—11 judgements by a court that today are unpaid. They are statements of the court that you owe the money. You have not paid the money. The debts are due. How can you say you are able to pay your debts when they fall due?

Mr Ian Wallace: Sorry. We will be able to pay the debts. I did not say “when they are due”.

Mr W.J. JOHNSTON: No, but they are due. They are due today. The judgements have already been granted. They have been issued.

Mr Ian Wallace: I will just have to leave it at that.

Mr W.J. JOHNSTON: But that means if you are not paying those debts, you are not paying them when they are due.

Mr Ian Wallace: What is better—to keep the company running or to make it insolvent? What you are suggesting is that it would be better to do an insolvent and leave everybody as an unsecured creditor.

Mr W.J. JOHNSTON: What I am saying is you should not come to us and say that you are able to pay your debts when they fall due if you are not able to do that. You should just be truthful. That is all I am asking for.

Mr Ian Wallace: Everything is paid and everything has been kept up to date, other than those judgements that you are referring to.

The CHAIRMAN: Is your firm Ironbridge in administration?

Mr Ian Wallace: No, not at all.

The CHAIRMAN: You are having cash flow problems and you are renegotiating, I assume, your payment of debts across a range of creditors.

Mr Ian Wallace: The only creditors that are left are these 11—or whatever the number of judgements there are.

The CHAIRMAN: Have you, with those 11, or whatever number there is, entered into a rescheduling of provision of service?

Mr Ian Wallace: No, and I will not until I know that I have got this pump station commissioned.

The CHAIRMAN: The pump station was commissioned two weeks ago.

Mr Ian Wallace: No; it reached practical completion two weeks ago. There is a difference as far as the Water Corporation is concerned.

The CHAIRMAN: So once you do that, then you will sit down with them —

Mr Ian Wallace: They will be paid within a couple of weeks.

The CHAIRMAN: You will pay the contractors to do the work.

Mr Ian Wallace: No. They relate to reimbursements and that money will be funded to those people.

The CHAIRMAN: Have you indicated this to them?

Mr Ian Wallace: No, because I want to get this damn thing finished first. It has been a good 18 months.

Mr M.P. MURRAY: The communication issue, to me, is one of the bigger problems you have had. The nature in which you communicate has also been a major problem—false promises, threats of legal action against people who make some claims against you and those sorts of things. The issue that I see that you have failed badly on is that communication—saying that you were in trouble, please be patient and the whole lot. I have had people on my phone saying that they have been abused, threatened with legal action and those sorts of things. I think that is unbecoming of any company.

Mr Ian Wallace: First of all —

Mr M.P. MURRAY: And you have done it to me as well.

Mr Ian Wallace: I have never, ever, and I am sure my staff would never have, made a threat in relation to legal action. We have always acknowledged to every person we have a liability to that we have that liability, and we have been trying to deal with it.

Mr M.P. MURRAY: What about the statements in emails that “Your fence will be put up Monday”, “Your fence will be put up Tuesday”, “The fencer has gone on holidays and will be back afterwards”, instead of saying, “Look; we are having a bit of a problem. The fencing contractor has not been paid and refuses to do any further work”? Those sorts of things are what cause a lot of mistrust and distrust in here. Certainly, you are not allaying that in here about where we go to in the future. As Mr Johnston has said, you are not being open and honest about something that we are

trying to get to the bottom of so it does not happen to people like yourself and buyers into the future.

Mr Ian Wallace: I resent your statement. As far as I am concerned, we are being open and honest.

Mr M.P. MURRAY: The first time I put a letter out, one of the first things you did was threaten me with legal action.

Mr Ian Wallace: I am not aware of that; I am sorry.

Mr M.P. MURRAY: Sounds like Carmen Lawrence.

The CHAIRMAN: Can you provide copies of your original advertising material for The Tuarts estate?

Mr Ian Wallace: I am sure we can. Can we?

The CHAIRMAN: Especially in respect of the landscaping.

Mr Nicholas Wallace: Yes; I am sure there are some ads that I can dig up somewhere.

The CHAIRMAN: And provide it to the staff when you get it.

Mr Nicholas Wallace: Yes, sure.

The CHAIRMAN: Good. Have you or your representative, Ironbridge, made promises or given undertakings to Consumer Protection for affected residents at The Tuarts estate that have subsequently not been honoured? I think that relates to Mr Murray's comment.

Mr Ian Wallace: I suppose, regrettably, we have made statements that work would be done or reimbursements would be made by a certain date, and ultimately this was not honoured. However, every time a date was quoted to a resident, it was honestly made in the belief that it would be met, usually because Ironbridge was expecting a payment to come through in time for us to make the payment for the works done. For various reasons, either these payments were late or Ironbridge was subsequently required to redirect funds to other creditors in order to keep the company trading, creating lots in order to keep the cash flow going.

The CHAIRMAN: Ironbridge, you have developments elsewhere.

Mr Ian Wallace: Yes.

The CHAIRMAN: You mentioned Victoria.

Mr Ian Wallace: Yes.

The CHAIRMAN: Do you ring-fence your operations—that is, if you get in trouble with one delivering services for The Tuarts estate, for instance —

Mr Ian Wallace: No; I am not up to any of those sorts of tricks.

Mr W.J. JOHNSTON: Mr Nick Wallace, you are the sales manager.

Mr Nicholas Wallace: Yes. For most of them, yes.

Mr W.J. JOHNSTON: How many blocks were sold before you, Nick Wallace, became aware that Ironbridge Holdings was having trouble paying the costs of these services?

[11.00 am]

Mr Nicholas Wallace: Exact numbers I probably could not give you as to what stage. All I always operated on was what Ian told me. I was just going off what he had said. I did not necessarily believe that there was ever a problem because I knew that it would always be provided.

Mr W.J. JOHNSTON: So there was no time that you were selling a block when you knew there was already a difficulty with another block that had previously been sold?

Mr Ian Wallace: I —

Mr W.J. JOHNSTON: Sorry, I am asking Mr Nick Wallace.

Mr Nicholas Wallace: Sorry, I am not really understanding your question.

Mr W.J. JOHNSTON: There were 249 lots sold.

Mr Nicholas Wallace: Yes.

Mr W.J. JOHNSTON: They were not all sold on the same day, were they; they were all sold over a period of time?

Mr Nicholas Wallace: Yes.

Mr W.J. JOHNSTON: Over what period of time was that? Was it six months, 12 months or 18 months that those 249 lots were sold?

Mr Nicholas Wallace: No; three or four years.

Mr W.J. JOHNSTON: Three or four years. When was the last block of those 249 sold?

Mr Nicholas Wallace: I would have to go back and look at my records. I had someone else selling for me. He stepped down. I went back. Most of the stuff I have sold recently is stuff that is non-titled. It could even be 18 months ago.

Mr W.J. JOHNSTON: Eighteen months ago were you aware that there were failures to provide fences and landscaping packages on the estate?

Mr Nicholas Wallace: No, I was not aware that there was a failure. I was aware that there was a delay. If anyone asked me, I told them, "I am aware there is a delay, but you will definitely get your fencing and landscaping", because that is what I honestly believed.

Mr W.J. JOHNSTON: Do you still believe that now?

Mr Nicholas Wallace: Yes, absolutely.

Mr W.J. JOHNSTON: Subsequent to you selling the block, did people come back and talk to you about the failure to provide landscaping and fencing?

Mr Nicholas Wallace: People I had already sold blocks to?

Mr W.J. JOHNSTON: People you had already sold blocks to?

Mr Nicholas Wallace: Yes. A few people asked me, but there was little I could do because I was in a position of salesman. I am not a company director; I just sell the blocks. All I was able to say was information I was fed from —

Mr W.J. JOHNSTON: What sort of information were you being fed?

Mr Nicholas Wallace: Just that in terms of fencing and landscaping we should be able to bring it up to date in a certain time frame.

Mr W.J. JOHNSTON: What sort of time frames were you looking at?

Mr Nicholas Wallace: I could not—you would be going on a case-by-case basis. I could not get into that. I just would not be able to. The 220 sales that I have made, you cannot remember every single deal.

Mr W.J. JOHNSTON: But you were trying to give people reassurance that things would come out okay?

Mr Nicholas Wallace: That is what I was being told so I was just feeding that information on.

Mr M.P. MURRAY: How much influence do you think the packaging of those blocks has in the sales mechanism by saying that once it is sold, you will get your landscaping and your fencing? How much influence do you think that would have in the process of sales? Do people actually —

Mr Nicholas Wallace: Is that a question to me?

Mr M.P. MURRAY: Yes. You are the salesman.

Mr Nicholas Wallace: I have never advertised blocks as house and land packages. I have never advertised them. I have just sold blocks.

Mr M.P. MURRAY: With that package of fencing and —

Mr Nicholas Wallace: With fencing and landscaping —

Mr M.P. MURRAY: Let us narrow it down. Do people say, “I wouldn’t mind having that because that is in there”?

Mr Nicholas Wallace: As a general rule, what happens to the owner–occupiers is they go down to the display villages, pick a house that they like and the building sales rep tells them that there are blocks available in The Tuarts that come with fencing and landscaping. It only relates to them building a house. I have always said to building reps, “I’m only selling the blocks, you guys sell the houses.” I have always dealt with everyone independently of the builders. They have come down and seen me and I have told them what we will do for them, what our contracts provide—fencing and landscaping—if they complete the house in a certain time frame. I have always read through the contracts in their entirety and explained the whole conditions to them.

Mr M.P. MURRAY: What I am really asking is: with those sweeteners of a fencing and landscaping package, in your knowledge, talking to other groups and other salespeople, do they say to you, or do people actually buying the blocks say, “I’m buying that because of that package”?

Mr Nicholas Wallace: No. The package is the norm now. To my knowledge, most of the other estates in the Bunbury area—I am putting Australind and Eaton in those as well—offer fencing and landscaping. It has become the accepted norm.

Mr M.P. MURRAY: As a part of it?

Mr Nicholas Wallace: As a part of it. If you build a house, you get fencing and landscaping. Some of them might not even realise until they come to me that the fencing and landscaping comes from the developer, not the builder.

Mr M.P. MURRAY: If I was buying one of those blocks and said that I do not want the landscaping and the fencing, is there a discount that would come with that?

Mr Nicholas Wallace: The way it was structured in the beginning is it is an incentive to build. If you build within the time frame, you get fencing and landscaping. If you do not build, you do not get the advantage of it. If you said you did not want it in the first—there might have been one deal where we discounted. In the last, let us say 24 months, there might have been a couple of deals we discounted the price of the blocks because they did not want fencing and landscaping; they wanted to do it themselves. In the first place it was an incentive to build. There are a lot of people who invested during the boom who did not build and did not get the advantage of it.

Mr M.P. MURRAY: I have a question for Mr Wallace senior. Your decision to go further forward in Dalyellup and the influences on that decision, were they to try and help you trade out or was it a contractual obligation to do the second stage that is there now ?

Mr Ian Wallace: First of all, the decision was made on the basis that Water Corp had agreed to bond the water pump station—the sewer pump station. I am answering you in a roundabout way —

Mr M.P. MURRAY: With your money, that is?

Mr Ian Wallace: With my financiers’ money, which we are responsible for. The Water Corp changed the terms and did not want to bond it. First of all we had got to the end of the number of blocks that we had sold. We thought, yes, it was a good idea to produce more lots to ensure that we could keep the cash flow running and keep the estate running. The simple answer is it was an attempt to keep cash flow running and it did not work because of Water Corp.

The CHAIRMAN: What happens if you did not go to that second stage? Would you have been able to deal with the cost of the first stage?

Mr Ian Wallace: We gained terms for the contractors in relation to it. Largely, it was funded away from our financiers. It was an attempt to ensure that we could keep cash flowing running.

Mr W.J. JOHNSTON: I will just ask a question about stage 2. There is a block that has a pad down —

Mr Nicholas Wallace: I can probably answer that one. I had a call—I think it was from one of the building company's managers—apparently somehow the site supervisor for the builder got the approval through council. No-one knows how it happened. It sits on our title. They got approval from council without—they have actually put a slab on land that they do not own.

Mr Ian Wallace: It is not a separate title. It is still part of the balance of the title.

Mr Nicholas Wallace: There is no individual title for it yet. I do not know how that happened.

Mr Ian Wallace: It has been down for about 12 months.

The CHAIRMAN: What are you going to do about it?

Mr Ian Wallace: We are creating the titles. The only clearance we have got left to get is from Water Corp.

Mr M.P. MURRAY: And what is the expected time frame?

Mr Ian Wallace: We are dealing with Water Corp! As I said, we have got practical completion. We have to get commissioning. Water Corp provides you with data after the event, which has meant the commissioning is delayed slightly. We hope that within the next two weeks it will be cleared up.

Mr M.P. MURRAY: It is a very important question because some of the questions I have had from my end of the stick are, "Do I walk away and forfeit my deposit?"

Mr Ian Wallace: Nobody would forfeit their deposit.

Mr M.P. MURRAY: But if they do not honour their contract to buy those untitled blocks—this is my understanding —

Mr Ian Wallace: We have to deliver the block. Nobody would forfeit their deposit. We have released half a dozen people from their contracts—people who are buying those blocks—if they have asked to. In fact, we did one this morning.

[11.10 am]

Mr Nicholas Wallace: We did two this morning.

Mr M.P. MURRAY: So, if someone wants to walk away from there, they can come and see you and you will deal them out.

Mr Ian Wallace: Yes.

Mr M.P. MURRAY: Is that what you are saying?

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: The piece of land that became The Tuarts estate, how did Ironbridge come to be involved in that development?

Mr Ian Wallace: It was owned by a bloke called Harris, wasn't it?

Mr Nicholas Wallace: Murray Harris and his son.

Mr Ian Wallace: Murray Harris and his son. It was put up for sale. We saw it for sale. He said he had to deal with the adjoining developer. He went and saw the adjoining developer. The adjoining developer did not want to buy it, so we bought it.

The CHAIRMAN: What year was that?

Mr Ian Wallace: It was certainly prior to all the zoning being finalised, so it probably goes back five, six and a half, seven years.

The CHAIRMAN: So, about 2005.

Mr Ian Wallace: Yes; probably 2004 really.

The CHAIRMAN: What was it used for prior to that?

Mr Ian Wallace: Farming.

The CHAIRMAN: The Murrays were farmers.

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: Can we ask who your financier is for the project?

Mr Ian Wallace: It is on the title. It is Suncorp.

Mr W.J. JOHNSTON: And they have got some security, they have got some arrangement with you—mortgaged, some floating charge, whatever over The Tuarts estate?

Mr Ian Wallace: Of course, yes.

Mr W.J. JOHNSTON: And you have always paid their bills whenever they are due? The interest payments and the capital repayments always get made?

Mr Ian Wallace: They are first in line.

Mr W.J. JOHNSTON: And you have always paid your ATO obligations on time.

Mr Ian Wallace: Just —

Mr W.J. JOHNSTON: I know you had an argument about what they are, which is why you ended up in court, but so far as you are concerned you have paid your ATO obligations.

Mr Ian Wallace: Subsequently; it depends a bit on how the ATO rules in relation to what I have just said.

Mr W.J. JOHNSTON: Sure.

Mr Ian Wallace: But we are confident that we are right in what we have put to them.

Mr W.J. JOHNSTON: And the council rates that you have to pay?

Mr Ian Wallace: No, they are not up to date yet, but that is part of it. The Water Corporation pump station has just mucked everything up.

Mr M.P. MURRAY: In your dealings with the shire from go to whoa is there any outstanding works debts with the shire as well? I am very surprised—I will make it as a statement—that the shire agreed the second stage without finishing the first, and that is their business.

Mr Ian Wallace: What do you mean “without finishing the first”?

Mr M.P. MURRAY: You know, with the contractual obligations that were there, they certainly were in the wind, and people were understanding there because some of those people live in that region; they knew that there were some problems. What I am saying is: In your first dealings with the shire have you met all your obligations to the shire like parks, gardens?

Mr Ian Wallace: Absolutely; every one of them. You do not get title unless you do, with local authority. They will not give you a clearance. That is their ultimate hammer.

Mr M.P. MURRAY: That is not quite the impression I got, that is what I am saying to you, about a pump and the parklands not being irrigated.

Mr Ian Wallace: The parklands are irrigated and they always have been.

Mr Nicholas Wallace: Probably referring to the next one.

Mr Ian Wallace: You are referring to the next stage. There is a proper written agreement in place with the local authority. I think you are probably referring to a set of parklands that adjoins future development, but also abuts land that we have developed already.

Mr M.P. MURRAY: And also the one that did not have the pump connected, I believe, and again allegedly, the shire —

Mr Ian Wallace: It is green, it has been reticulated and, again, the local authority would not have given us the clearance unless that was done. And you can see it operating; it still operates. The local authority took it over over 12 months ago and I can assure you local authorities do not take things over unless everything is complied with.

The CHAIRMAN: That relates to services provided in existing developments.

Mr Ian Wallace: Yes.

The CHAIRMAN: And what you are saying is that it is not a commitment to a local council; they will not sign over the blocks for development unless it is in the ground. Is that what you are saying?

Mr Ian Wallace: Or they have bank guarantees associated with a high loading: “We have given you a clearance.”

The CHAIRMAN: Who is now responsible for maintaining the median strips?

Mr Ian Wallace: First of all, we will be, coming into the next stages. The local authority has agreed to give us clearances associated with developing the median strips and providing a bond—the bank guarantee—through our financiers. So, I think you are referring to the road that runs through the middle of the subdivision.

Mr M.P. MURRAY: Yes.

Mr Ian Wallace: And the median strip we are responsible to the local authority for.

The CHAIRMAN: So, is it that you are responsible for building it and maintaining it until the estate is nearly complete and then generally the shire takes over?

Mr Ian Wallace: There is a maintenance period once you finish the subdivision where you are liable for another 12 months, I think it is, afterwards. And the local authorities usually protect themselves with bank guarantees.

The CHAIRMAN: Can I just explore a bit of history with Ironbridge? You say you have been in it 30-plus years.

Mr Ian Wallace: Yes.

The CHAIRMAN: You did not say you yourself, but I would like to get some background of what Ironbridge has done before or your other operations to show your history, whether you have had troubles before or the diversity, the size of the firm, for example.

Mr Ian Wallace: First of all, we have never had troubles before. We have never changed the name of the company that operates what we do, and so there is no hiding anything that we have done previously. A lot of it was special rural-type subdivisions on the outskirts of Perth, not necessarily urban subdivisions.

The CHAIRMAN: What do you mean by that? Is The Tuarts estate one of those?

Mr Ian Wallace: What I meant was in a metropolitan—urban. Certainly this one is a lot bigger than we have ever done before. Most of them were under 50 lots. We have done them in and around the metro area, on the outskirts and out in the country areas.

The CHAIRMAN: How many would you have done over the years?

Mr Ian Wallace: Fifty, 60; I cannot remember. About 60 or 70.

The CHAIRMAN: One of the issues that we received from the UDIA is that a lot of these new mid-range developers, if you would like to call it, will be struggling going forward because of the cost of development, because of the potential delays, and increasingly the big boys will be even more so dominating the development market in Perth. Your views?

Mr Ian Wallace: Historically, let me think. The big boys generally have dominated the market under various different guises over a long period of time. The smaller guys—we almost call ourselves fringe dwellers—we are the operators adjoining the big subdivisions.

The CHAIRMAN: Is that how it usually happens?

Mr Ian Wallace: Yes, largely. I do not think that is the way it will be going forward, mainly because the likes of the big groups have a change of heart all of a sudden. I could give you one example. Taylor Woodrow operated here for 25 years. They sold out to Stockland. Plenty of the big property trusts have a change of heart and all of a sudden it is back in the hands of the smaller developers. I do not necessarily agree with that. Really what has happened is there is certainly a demand for a lot more capital—your lenders are requiring a lot more equity—and that means that you may have to take on more partners or bring more equity into whatever you are doing.

Mr W.J. JOHNSTON: Have you had trouble dealing with that increased demand for equity that the lenders are now asking for?

Mr Ian Wallace: Obviously, and that is slowing everything down.

The CHAIRMAN: How long would it generally take? When you were developing The Tuarts estate, it is not unique, but it was a very hot time to get anything done in Perth, let us face it. Building a house was difficult, if I remember correctly.

[11.20 am]

Mr Ian Wallace: Yes.

The CHAIRMAN: Is the time for developments, and therefore the risk associated with one of the key factors to get a development going, like Water Corp and others, getting stretched out in time and more risky in time?

Mr Ian Wallace: Absolutely. The DEC is a disaster on metropolitan Perth.

The CHAIRMAN: How did it impact The Tuarts estate?

Mr Ian Wallace: We certainly had to deal with Carnaby's black cockatoo that occasionally landed in a tuart tree. It was only spasmodically located throughout the subdivision. So we had to deal with the commonwealth in relation to that and our local authority. But we have just had an example where we are managing some land in one of the southern metropolitan corridors, and the DEC tend to just freeze sites until every known element—freeze sites that are zoned under the region scheme, zoned under the local authority schemes, have outline development plans approved, and they will come out with a letter that means that you almost have to reinvent the wheel again until you get your approvals. I cannot emphasise enough that supply and price are related, and we have got to get a hell of a lot more land zoned.

The CHAIRMAN: Did your block of land at The Tuarts get hit by any of these things, outside the Water Authority issue, which, as I understand it, related primarily to the next stage?

Mr Ian Wallace: Yes.

The CHAIRMAN: Were you hit with any? I mean, that is an old grazing property from way back.

Mr Ian Wallace: Oh, yes, we were.

The CHAIRMAN: And who did the zoning from rural to residential?

Mr Ian Wallace: It was a joint venture between the Harrises, who were the previous owner, and the state government, through Landstart, and its managers, Satterley. So they had progressed the mechanism of getting the zoning in place.

The CHAIRMAN: Over years.

Mr Ian Wallace: It was five years prior to us becoming involved, and another two or three years before we got it in place.

The CHAIRMAN: Do the Harrises still operate properties in that area?

Mr Ian Wallace: No, I do not think they do.

Mr I.C. BLAYNEY: When you were talking about DEC holding it up, how long would be the average, do you think, that that DEC process holds things up for?

Mr Ian Wallace: Well, you know, you could get a letter, for example, in December that they want another species to be identified. The only time you can survey it is in the spring, so you are left until September, October, November the following year, so everything freezes. Whereas previously they might have asked for a certain level of investigation, which you have done and submitted, then they change their mind.

The CHAIRMAN: There are a whole bunch of steps, and I am not sure I understand them all. Let us say a party has progressed the planning for a development on a block of land to the point that they are almost ready to send the bulldozers in.

Mr Ian Wallace: Yes.

The CHAIRMAN: And DEC can say, "Oh, wait a minute. Go and look for another species".

Mr Ian Wallace: Yes.

The CHAIRMAN: Even though DEC has ticked off on everything else.

Mr Ian Wallace: It is up to the point where you are applying for subdivision approvals. So you have got all your region scheme amendments, local authority amendments, and what local authorities require as far as structure plans are concerned, and it is at the point where you are applying for subdivision approval that DEC will come back for a second bite.

The CHAIRMAN: Is there any relationship between DEC's approval and the WAPC's approval? When you have a structure plan, does DEC not come over and give the imprimatur for an environmental tick for that?

Mr Ian Wallace: Yes, they do, but they will come back for a second bite.

The CHAIRMAN: I think this was brought up in a review that the previous government did of approval processes. I have forgotten her name, the woman who did it. She did a very fine job.

Mr Ian Wallace: If I could just go back to my experience in Victoria, there, local government actually issues subdivision approvals, but they must meet set time frames; and, if they do not, with the various departments within that local government, they are immediately reviewed, the work is tendered out to somebody else, and they get on with the process. Here, that just does not happen.

The CHAIRMAN: But in the case of Ironbridge with The Tuarts estate, whilst these issues that you are discussing are interesting, they are not germane to The Tuarts estate issue.

Mr Ian Wallace: The approvals have just been reissued for the following stages.

The CHAIRMAN: Consumer Protection has submitted that Ironbridge's conduct in the matter can be characterised by a failure to provide the contracted services in a reasonable time, poor handling of complaints and a lack of timely updates to residents and frequent unfulfilled promises to see work completed. Do you consider this a fair and accurate statement? I have it so you can read it; okay?

Mr Ian Wallace: Yes.

The CHAIRMAN: Now, just to be clear, Consumer Protection has given evidence before our committee and that is what they submitted in that process to us, so we ask for a response.

Mr Ian Wallace: Sure. Let me take the first part of their statement: Ironbridge's conduct in the matter can be characterised by a failure to provide the contracted services in a reasonable time. That is very true, and we have stated that. Poor handling of complaints: I would disagree with that. At times we have had over 100 fences outstanding. The people that have criticised us heavily are no more than 15 or 20 of that. So the majority of people that we have spoken to in the process accept the position that we are in, and they have been dealt with in the course of events. Certainly, there have been unfulfilled promises to see the work completed, but at the time we were not quite sure how we were going to get through it all, and we were just working to make sure that we did.

The CHAIRMAN: If you build a house and you do not have any fences and no landscaping, and it is very blowy out there and dusty —

Mr Ian Wallace: Yes.

The CHAIRMAN: — sand would blow in the house, and you cannot keep your dog fenced in— little liveable things like this. It is a significant inconvenience.

Mr Ian Wallace: I am very aware of it.

Mr W.J. JOHNSTON: Have you recently driven around and had a look at The Tuarts estate?

Mr Ian Wallace: Yes.

Mr W.J. JOHNSTON: The residents, when they gave evidence to the committee, talked extensively about this issue that the chairman has just raised, this question of the liveability of The Tuarts estate. Do you think there is any way of compensating people for the additional impact—not just the direct impact of “I don't have a fence”, but, “I can't let my kids play outside. I can't own a dog. I have to clean my carpets on a regular basis”? Do you think there is any opportunity for compensation for these additional impacts of Ironbridge's failure to provide contracted items?

Mr Ian Wallace: Certainly, we have been approached by a few people in relation to certain matters, and when we have looked into it, we have dealt with it, and we have compensated them.

Mr W.J. JOHNSTON: So you are happy for the committee to make that as a recommendation.

Mr Ian Wallace: As long as it is well and truly justified.

The CHAIRMAN: Do you think your actions on The Tuarts estate you developed will impact your sales or the price of your second stage?

Mr Ian Wallace: Of course. That is something we have to live with.

Mr M.P. MURRAY: Mr Chair, can I just show that photo of the dump, I think, or whatever you like to call it, to them and just ask them—is that okay?

The CHAIRMAN: Yes, sure.

Mr M.P. MURRAY: This is the photo we took when we did our inspection, up by the —

Mr Ian Wallace: Where the builders dump their stuff, yes.

Mr M.P. MURRAY: I will go back to my seat so that Hansard can pick it up.

Mr Ian Wallace: Sure.

[11.30 am]

The CHAIRMAN: This is a vacant lot now being used as a dump site.

Mr Ian Wallace: It is not vacant; it is part of the balance title. It is very hard to control what individual builders do in any balance area.

Mr Nicholas Wallace: Me just looking at that photo, someone has gone and dumped their own furniture and their disused items there, which happens a lot in subdivisions, especially when you do not have houses built.

Mr M.P. MURRAY: Yes, sure, and we understand that what has happened is that all sorts of rubbish has been dumped there, but the point the residents were saying is that that is why some of the devaluation is coming there, because you are not taking the time to take that little extra step to go out there. You could just about throw it on the back of a trailer personally and tidy it up with a shovel. It is depressing to those people who are living there.

Mr Ian Wallace: Firstly, that statement is not true and I would say that is probably every second or third month right throughout the last two years that we send a team of guys right through the whole subdivision picking up everything and getting it taken away. Tom has been in charge of doing that.

Mr M.P. MURRAY: It is time for it to be done again. I will tell you that I have rung the shire about it and they said, "It is not really our responsibility, but it may have been cleaned up in the last week." But, that is where we talk about the people issue. That is the area that I have to deal with. They get despondent. They have been disappointed in flippant responses and delays without notification of delays. Certainly, they have got their own website. I am sure you probably have a look at it from time to time, "Dalyellup without a fence" I think it is called, on Facebook—those sorts of things. In my office, I have 70 people registered with complaints—70 different people. So, the problem is not insignificant. I think in some ways you have damped it down. The question I would like to ask in my finishing bit is: what would you say if all those people were in this back room here about the future of Ironbridge and their estate—like the painting and all of those sorts of things that go there? What confidence, if any, can they have or what would you say to them personally about the future if they were all in this room?

Mr Ian Wallace: I am as confident about the future as I can be. If you are a developer, you do not know, but we have dealt with 99 per cent of the major issues that we have had to deal with over the last 18 months. So, I am confident, going forward, that we will be able to deal with the remainder of them. And in being able to go forward, bear in mind again that they were unsecured, so primary to my mind was making sure that they were secured, and that meant that we had to deal with secured creditors.

Mr W.J. JOHNSTON: In respect to that photo that Mr Murray gave you of this sort of informal dump site, as you say, it is your land and you are not giving people approval to dump on that site. And you say that you regularly attempt to clean up. They are all very admirable things. I just want to clarify: there are two large mounds there; what are they?

Mr Ian Wallace: They are trees that have been knocked over that have been woodchipped.

Mr W.J. JOHNSTON: So, they are mulch?

Mr Ian Wallace: Yes, it is mulch.

Mr W.J. JOHNSTON: Do you think it is a professional approach for a developer to leave large mounds of mulch on the vacant land so close to the residents?

Mr Ian Wallace: Well, certainly we have noticed it done in other areas. I have not thought that it was offensive at all. In relation to the rubbish adjoining, it certainly is.

Mr Nicholas Wallace: Maybe I can make some statement regarding the mulch. We have used it in landscaping along the way. We have had people ask us whether they can fill their trailers up with mulch, which we have let them do. It is not right next door; my guess would be that it would be 200 metres-plus away. Certainly the rubbish that people have dumped near the mulch is an eyesore, but the mulch itself can still be used by people. To me, it seems silly to get rid of it, because you can use it as the project keeps on going.

Mr W.J. JOHNSTON: You would not think to dispose of it through any of the organisations that sell mulch—deal with mulch—across the state?

Mr Nicholas Wallace: Look, my memory is that quite a lot of it has been taken away. I think there was a group that shredded the trees and used a lot of mulch themselves, but it is just such a large amount of it. But it has been progressively used along the way.

Mr Ian Wallace: To answer your question, if somebody said to us that they felt it was offensive, then we would get it removed.

Mr W.J. JOHNSTON: So, you think it is an entirely professional approach to have those big piles of mulch sitting on the development?

Mr Ian Wallace: Well, it is not an unusual approach in any large subdivision, because it is re-used again.

Mr W.J. JOHNSTON: How many years has it been sitting there?

Mr Ian Wallace: It is only in the last 12 to 18 months.

The CHAIRMAN: Just a question: Are any undertakings you make today contingent upon the settlement of other lots on Ironbridge projects?

Mr Ian Wallace: No. They are contingent upon getting the commissioning of the pump station.

The CHAIRMAN: Yes. Just for my own sake, how did Ironbridge and The Tuarts estate get in trouble with meeting their obligations on landscaping and fencing? Did you have trouble selling the lots? What was the major factor of you not being able to deliver the agreed services?

Mr Ian Wallace: Suncorp is not only the lender to this subdivision, it is the lender to a couple of others that we operate, and they just demanded more equity.

The CHAIRMAN: So, basically they removed a substantial access to finance.

Mr Ian Wallace: There was always an arrangement that part of the settlement proceeds would be fed back to us to cover these sorts of matters, and they changed the terms of that.

The CHAIRMAN: They did that in, what, 2008?

Mr Ian Wallace: Look, I cannot remember the exact date.

The CHAIRMAN: During the global financial crisis?

Mr Ian Wallace: Yes.

The CHAIRMAN: Have they changed now that times are better?

Mr Ian Wallace: They have certainly renewed all our financing for the next 12 months. Yes, they have; they have eased up, I think is probably a better way to put it.

The CHAIRMAN: Is that helping you now to meet these obligations?

Mr Ian Wallace: Together with other factors we have put in place.

The CHAIRMAN: There are other financiers in this area. Suncorp does a lot with housing, I understand, but many others do too. Was that a common phenomenon across the industry?

Mr Ian Wallace: Very much so.

Mr I.C. BLAYNEY: Do you use the same financier on the east coast as well?

Mr Ian Wallace: Yes.

Mr I.C. BLAYNEY: So, all your businesses were —

Mr Ian Wallace: They were linked.

Mr W.J. JOHNSTON: Can I just ask a question there? As you say, you are not the only person to tell us that financing is a lot harder now than it was before the GFC, but so far as our research shows, there are only two developers in Western Australia that have had problems meeting their obligations for their fencing and landscaping packages. Why do you think that of all the dozens and dozens of developers, there are only two that have had this trouble in meeting obligations?

Mr Ian Wallace: I would be surprised if there are only two.

The CHAIRMAN: I think what we have evidence of is that there are only two medium-sized developers or developers that have had this specific difficulty meeting this specific package and are still solvent. Do you know of any other ones that have gone under?

Mr Ian Wallace: There are certainly a lot of the smaller ones around, but I do not run a list of them.

The CHAIRMAN: Yes. Are there any other questions? No? I will read a closing statement. Thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Please make these corrections and return the transcript within 10 working days of the date of the covering letter. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on a particular point beyond those recorded in the transcript, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. If you have any doubts, please contact the principal research officer who has agreed to provide a bit of information and will include the additional questions in the letter. Thank you very much for your evidence today.

Hearing concluded at 11.40 am
