

**Division 20: Pilbara Development Commission, \$3 087 000—**

Ms A.R. Mitchell, Chairman.

Mr B.J. Grylls, Minister for Regional Development.

Mr S. Webster, Chief Executive Officer.

Mr K. Walsh, Assistant Director, Corporate.

Ms A. Dann, Principal Policy Adviser, Office of the Minister for Regional Development.

[Witnesses introduced.]

**The CHAIRMAN:** I give the call to the member for West Swan.

**Ms R. SAFFIOTI:** I refer to the significant issues impacting the agency listed on page 260 and the social and economic development of towns in the Pilbara, in particular, Karratha. Can I have some information on last week's announcement that \$57 million of additional funding will go towards the new hospital? When will that project commence and when will it finish?

[3.00 pm]

**Mr B.J. GRYLLS:** I am not quite sure that it applies to a line item in the *Budget Statements*. The new hospital in Karratha had a \$150 million budget allocation in the 2010–11 budget. It was essentially based on costs escalation of a proposal similar to the Hedland Health Campus. It was a rebuild of the hospital on the existing site where the Nickol Bay Hospital is now. The government, in starting to master plan that decision, considered the option of shifting the hospital to a new greenfields site, I suppose, in the central business district of Karratha. Once we made that decision, we had it included as an option for consideration. That option required \$57 million of extra funding to enable a two-storey health campus with allied health and, hopefully, some opportunity for the private delivery of allied and community health on the same footprint or the same health campus. Cabinet decided to accept the relocation of the health campus to the new site. That led to a push out in the delivery time frame to essentially allow for a new project to be facilitated. That has meant that the completion date moves from 2015 to 2017; it adds two years onto the time frame for delivery of the health campus. Ian Smith, the boss of WA Country Health Service, was in Karratha last Friday. This is the biggest ever single expenditure on a health campus in regional WA. It also involves quite substantial remodelling of the CBD streetscape and street works and of fill levels to make sure that we get the site to build the hospital at the right flood level. Because of that extra work, essentially it would have been pushed back anyway. The government decided that the best outcome for delivering a modern health campus to Karratha was to add two years to the time frame, but to get a much better outcome in the end.

**Ms R. SAFFIOTI:** I want to clarify that of the \$207 million, about \$60 million is in this forward estimates and the remainder is outside the existing forward estimates —

**Mr B.J. GRYLLS:** That is correct.

**Ms R. SAFFIOTI:** — and that it will be finished in 2017, with \$140 million being spent in the financial year 2016–17.

**Mr B.J. GRYLLS:** Again, we have an indicative cash flow for the start of construction—\$15 million in 2014–15 and \$40 million in 2015–16. The commitment from cabinet is for a \$207.2 million campus. The balance of that would be outside the forward estimates. I do not have before me the exact cash flows after that.

**Ms R. SAFFIOTI:** Are public–private partnerships considered a method of delivery?

**Mr B.J. GRYLLS:** The government has shown a willingness to consider PPPs in the delivery of health campuses. Again, because we essentially have two years of detailed planning, I do not think that final decision has been made. That being said, I know that in previous considerations we have thought that the model of hospital procurement and delivery in Perth is very different from the model of hospital procurement and delivery in the Pilbara. Therefore, I would not jump to any conclusions along those lines.

**Ms R. SAFFIOTI:** I refer to the dot point on the “Pilbara Cities vision” on page 260 of the *Budget Statements* and to issues of residential population. What is the average rent in Port Hedland and Karratha, and how does it compare with the average rent five years ago?

**Mr B.J. GRYLLS:** High; I do not have the exact figures at hand. I think the average in Karratha is about \$1 500. I will get Mr Webster to answer that question shortly. I think we have reached a peak of rents in Karratha. Certainly the anecdotal evidence from both house prices and rents is that the peak of the market has been reached. Real estate agents are complaining that it is taking longer to sell properties. Rents going up \$100 every three months in review has probably come to an end. I do not think it has reached that point in Port

Hedland. With the BHP outer harbour proposal and the expansion to the other Hancock project, the FMG–Atlas project, enormous pressures will remain on housing in Port Hedland. The government will make announcements in the coming months that will give a clear indication of where the supply will come from. As people see that, hopefully they will be encouraged to lock in a lower rent for longer periods rather than rolling over rents each couple of months. Does Mr Webster have at hand the average rents from the last time he did that?

**Mr S. Webster:** I do not have them at hand, but I can determine those from the house and land survey very quickly.

**Ms R. SAFFIOTI:** By way of supplementary information, can I have average rents in those two towns?

**Mr S. Webster:** Yes, the most recent available.

**Mr B.J. GRYLLS:** I agree to provide by way of supplementary information the average rents in Karratha, Port Hedland—I will extend it out because the member will be interested—Newman, Tom Price and Onslow.

*[Supplementary Information No B10.]*

**Ms R. SAFFIOTI:** I will ask a further question in relation to the land and housing development activities of government. Are there any ways of monitoring to whom properties are being sold—that is, to Perth-based investors, mining companies or sandwich bar owners? Does the government have any idea of to whom it sells its properties?

**Mr B.J. GRYLLS:** In its land balance, LandCorp aims to hit target markets, so the small business sector and local residents as opposed to investors. I can safely say that when the work is done and statutory declarations are signed and the like, the ability to police it when someone has freehold title to the land is not something that I am overly comfortable with. A small business owner may win a lot off the back of being a small business owner in a ballot-type scenario. His business or family circumstances may change and he may have to make a decision about his lot. It is very difficult for government to manage the process at that point and say that he cannot sell. Where we have managed to get the best outcome is in the Warambi Service Workers Village in Karratha. We are charging \$300 a week for a one-bedroom unit and up to \$500 a week rent for a three-bedroom unit in that village in the Karratha central business district. The state owns the village. It makes it available to rent at a subsidised cost to the sorts of people the member is talking about—that is, the lunch bar owner, the hairdresser, the apprentice auto-electrician and the local Anglicare worker. Because we own it, if that person decides through a change of circumstance that he does not want it anymore, we get to keep it. That has been our most successful way of managing it. We are not too far away from being able to announce a similar facility in Hedland along the same eligibility criteria.

Rather than doing ballots into the future, I have asked LandCorp whether or not we can have similar criteria for access to housing; essentially working with the Department of Housing and shared equity and the like so that someone knows that in accessing the house, should their circumstances change and they no longer wish to have the house, the system is such that it goes to the next most eligible person on the list rather than having a freehold property that the person can sell or rent in the market. I am concerned at the moment that if a small business person wins a ballot and is able to build a house, there is essentially a very strong incentive for there to be a high rate of rent so they can exit their business and rent the property out, because it would probably be more valuable than their business. Although the best intentions were used by businesspeople and the government in having criteria around small business ownership and the like, I am still not satisfied that that is hitting the mark. There is a lot of dissatisfaction with the ballot process. As the member has said, there are a lot of allegations that people are getting their brothers and sisters in Perth to put their names in the ballot. I inherited the ballot system from the previous Labor government. It seemed to be the best way to manage demand for land far outstripping supply. I have asked LandCorp not to do ballots anymore. I am not comfortable with them. Until we can get to a point at which there is enough land supply for real estate agents to have available lots of land in the windows of their premises, we will need to have a more stringent process for who gets it.

[3.10 pm]

**Ms R. SAFFIOTI:** Does the minister have any estimates of how many of those developments are still owned and occupied by local residents?

**Mr B.J. GRYLLS:** They would always say that there is a local resident in them.

**Ms R. SAFFIOTI:** I am saying “owned and occupied”.

**Mr B.J. GRYLLS:** It is very difficult for the government to regulate that heavily after the fact.

**Ms R. SAFFIOTI:** Obviously, the minister has been monitoring it because he shares some concerns. Does he have any figures or any information to suggest that the development has not been as targeted as —

**Mr B.J. GRYLLS:** Again, it has been targeted because we have set criteria on local ownership, small business ownership and the like. The trouble is that there is quite a perverse incentive at the moment after winning a lot through a ballot, even though we constrict the ballots to small business owners in this ballot and local residents in that ballot. I am still not comfortable with the outcome after that. Again, they are freehold title; no-one can build a house unless they have freehold title to the property. Essentially, people who wish to either rent out or move on have to make that argument. I am not satisfied with that system and I have asked LandCorp to change the system to something more along the lines of the criteria that we used for the service workers village.

**Mr V.A. CATANIA:** I refer to the second dot point under “Significant Issues Impacting the Agency” on page 260. It refers to the Pilbara Cities vision and states that Karratha and Hedland will become cities of 50 000 people and Newman will become a subregional centre of 15 000 people. There are reports that average rents are peaking, and we can see a bit of a decline now, which is great. Can the minister elaborate on how many lots have been released, the type of housing provided in the Karratha market and the diversity that is being provided with projects such as the high-rise and Mulataga?

**The CHAIRMAN:** Can you get to the point, member? You have taken about five minutes for the question.

**Mr V.A. CATANIA:** I have been waiting a long time!

**The CHAIRMAN:** It is all written down in front of you!

**Mr V.A. CATANIA:** No, it is not actually.

**Mr B.J. GRYLLS:** We are not that organised!

I thank the member for North West. Since coming to government, we have been aiming for the target that I set in both Karratha and Hedland, where the strongest demand was—Newman has quickly caught up—of 1 000 dwelling units a year being brought to the market. I think that we have basically hit that target in Karratha, except that we are reliant on private sector developers bringing their projects to the table in good time. For example, a piece of land in Hedland was made available to a developer and a similar piece of land in Karratha was made available to a developer. We are about to turn the sod on the Hedland project. We were drinking beers on the first storey of the Pelago apartments in Karratha last Friday. We are very determined to have the private sector interested and developing in the Pilbara. It was not sustainable for the government, through LandCorp and the Department of Housing, to be the only developer in that part of the world. That being said, as soon as the private sector is brought in, more variables are created, and there has been some degree of success with that. In places such as Port Hedland and South Hedland, we have more than 12 000 dwellings at various stages of planning in the development pipeline over the next five years to 2016. That being said, the demand is very high now and we are trying to meet the demands of the small business owner, as well as the major resource companies, which I think have embraced the idea of a greater residential component to their workforce. That has been good.

Major projects are underway. We are seeing more high-density living in apartments in and around the CBD of South Hedland and Karratha. We have high-density developments planned on the waterfront at Port Hedland, as well as a spoil-bank marina, which will be a very exciting proposal in Newman in the future. I need to congratulate the private sector there. The private sector has been very good in bringing lots to the market in Newman; it has probably been more successful than in Karratha and Hedland. Although we still have not caught up with demand, good plans are in place, the scheme amendments have been done, native title is being resolved, the private sector is engaged and Pilbara Cities is looking more like a reality today than it was a couple of years ago when we announced it as a strategy of government. It felt as though it was a strategy of government that was delivering when we stood in front of the nine-storey Pelago high-rise apartment tower in Karratha on Friday and we saw what happens when the private sector brings \$125 million of investment to town. People could have bought an apartment in that development on the day. That is a considerable improvement on where we have come from. I hope that we are 12 months behind in Port Hedland in delivering the same outcome.

**Mr M.P. MURRAY:** The minister is talking about the private sector. Something that has concerned me for many years—no government has been willing to take it on—is mining companies locating on mining leases so they do not have to pay rates to the local shires. I have heard people grizzle about the federal government’s mining tax. Why should we not have that tax when these people dodge the issue and do not pay local rates to local people?

**Mr B.J. GRYLLS:** I thank the member for Collie–Preston. I know that the Shire of Roebourne has been in close conversation with the Premier’s office about rate equivalents on projects such as Pluto, which would provide a substantial rate revenue for the community. That is probably a question best put to the Premier; it is in his portfolio of state development. I, like the member, am sympathetic to local governments. When these substantial developments come to town, they put pressure on local governments. I do not think a person needs to be a rocket

scientist to work out that the municipal infrastructure has fallen behind over many years. Pilbara Cities has been aimed at improving that infrastructure in the local communities, but local governments need to have the ability to manage and maintain that infrastructure in the future. That is why they will continue to argue for rate equivalents. I am a supporter of rate equivalents being paid to local governments, be that through projects in the member's part of the world in Collie or the like. I see a great opportunity in the regional development portfolio for local governments to partner with government to deliver projects when they have their own revenue stream from that. I think the best example of that at the moment is in Port Hedland. The Town of Port Hedland has negotiated with BHP Billiton, through that precinct 3 deal, for financial recompense for the council over the life of that deal—it totals nearly \$200 million—and that has enabled the Town of Port Hedland to come to government and talk about a partnership on the spoil-bank marina project. Essentially, it has allowed the town to elevate that project on the list of priorities because it has brought substantial funding to the table off the back of that. That was not a rate-equivalent deal, but I dare say that when the conversations were being held between the Town of Port Hedland and BHP Billiton that that was put forward in lieu of rate equivalents. I encourage all local governments dealing with resource companies to look at the structure and the outcome of that deal, and maybe use that deal as a guide to how they may work with their resource partners.

**The appropriation was recommended.**

[3.20 pm]