

LANDGATE OFFICES — SALE

631. Dr D.J. HONEY to the Premier:

I refer to information from an FOI request as revealed by Hamish Hastie in WAtoday on 24 October. Several members interjected.

The SPEAKER: Order, please!

Dr D.J. HONEY: Thank you very much, Madam Speaker.

I refer to the information from an FOI request as revealed by Hamish Hastie in WAtoday on 24 October outlining how this government sold the Midland Landgate property on the lowest value sale scenario using the assumption of a vacant building.

- (1) Why did the government accept this scenario, considering the sale included a prime government tenant for the whole 15-year lease period, making this a prime rental property?
- (2) Can the Premier explain how selling the Landgate building to avoid \$12 million in overall expenses will result in a saving to taxpayers when they will be paying over \$68 million more in rent than the building sold for?
- (3) Why will the Premier not release the modelling used to justify the sale to the public of Western Australia?

Mr M. McGOWAN replied:

- (1)–(3) I am pleased to answer that question, but at the outset, I want to let the member know that the Auditor General has reviewed this issue as part of the Department of Finance’s 2021–22 financial audit. Finance has been told that the Auditor General has made no findings in relation to the lease negotiation process or financial modelling that supported the sale and lease-back transaction. The Auditor General has looked at it and that is the finding. As I said, there is no issue with the financial modelling or lease negotiations.

In terms of the broader issue, the Landgate building in Midland is 30 years old, or something of that nature. I have seen it over the years and it is a large building. Landgate itself is now using only a small proportion of a very large building. The building was old and it has had no major refurbishments or upgrades in the last 30 years, so a market-led proposal was received on this building. It was assessed as part of a rigorous three-stage assessment process by two independent panels and committees comprised of senior public servants. It was recommended to cabinet twice that we accept the proposal. The value of the land was tested on the market and determined by both Landgate and a leading national commercial property firm. We had assessments of this building carried out by two panels of senior public servants, the State Solicitor’s Office and a national commercial property firm, and the Auditor General has found no issues in relation to it.

Part of the building has been leased back. As part of that, two other offices from the Department of Communities will go into this building. It means that we will not pay the lease costs on the two Department of Communities buildings and the actual overall cost of this project is a \$12 million saving on the alternative of us having to refurbish the building. This is the commercial reality. We have to be a bit flexible and innovative with these things. It has been assessed by a whole bunch of people. It was not assessed by the political elements of government, if you like, but the public servants on advice, and that is what was found to be the appropriate way forward with this building. What happens next? The building will be upgraded. There will be a coalescence of existing tenancies into the building. There will be a fit-out. We will not have to pay the ongoing costs of the maintenance, the fit-out or the upgrades. We will not have responsibility for cost escalation or unexpected costs and, therefore, there will be an overall net saving on government having to do that compared with this model.