

**ECONOMICS AND INDUSTRY STANDING COMMITTEE**

*Inquiry into the Western Australian Strata Management Industry: Proceedings of a Public Forum 8 November 2002 - Report No 4*

**MR A.D. McRAE** (Riverton) [10.36 am]: I present for tabling Report No 4 of the Economics and Industry Standing Committee, in the thirty-sixth Parliament, entitled "Inquiry into the Western Australian Strata Management Industry: Proceedings of a Public Forum 8 November 2002."

[See paper No 798.]

Mr A.D. McRAE: The committee's inquiry into Western Australia's strata management came about in response to matters put before the committee by the Minister for Consumer and Employment Protection, Hon John Kobelke. Minister Kobelke had been dealing with approaches from members of the industry and matters arising across government that revealed the emergence of potential management and capital risk issues. The committee is satisfied that there is no evidence of crisis in the industry, while it also recognises the need for review and reform of governance arrangements. The committee also believes that, in the absence of targeted reform, there is a likelihood of capital loss to individuals, and potentially to the State. There is a sense of timeliness in taking a precautionary approach to this industry. In the course of the committee's inquiry to date, people have raised legitimate concerns about the need for reform, targeted regulation, and a degree of better coordination of property management.

This inquiry has received widespread community and industry support. It is providing property owners and strata managers with an opportunity to comment on the most appropriate reforms for strata property management in Western Australia. This first report provides an edited version of papers presented to a public forum held on 8 November 2002. This forum was held to allow the committee to canvas a range of views in an environment conducive to the exchange of ideas. It may be the first time a parliamentary committee has commenced an inquiry task in this fashion, and our committee will use this approach in the future, where appropriate. The forum consolidated the preliminary assessment made by the committee on some issues governing the industry, such as the number of strata properties, the limitations of regulation in the State, the amount of money held by strata managers, and the potential financial risks posed, in particular to property owners.

Some people have suggested that strata management would be too dry a subject to engage people in enthusiastic and direct discussion on different perspectives and ideas. However, the presentation of papers at the forum, and the ensuing discussion, which is included in the appendix to the report, demonstrates that this is clearly not the case. The first group of papers in this volume addresses the regulatory aspects of the strata management industry and provides an overview of the relevant legislation and the views of policy makers, administrators and enforcers of the law. The second group of papers delivers the perspectives of strata managers. During the time this volume was being put together, the committee also held a number of hearings at regional centres. Kalgoorlie was chosen for its mining and central administration base, and Busselton as a regional centre with a tourism industry base. The committee used these meetings as an opportunity to examine how the issues varied between the metropolitan and regional strata title market.

The second and final report on the committee's inquiry into the strata management industry in Western Australia will look at issues being discussed throughout the industry, such as the licensing of strata property managers, better reporting requirements to owners, and other administrative steps that may make strata property management more transparent and effective. I commend the submissions and ideas emerging from this forum to the Parliament, industry and the community.

**MR M.P. MURRAY** (Collie) [10.40 am]: I will speak to Mr McRae's tabling of the report.

Mr R.F. Johnson: He is the member for Riverton.

Mr M.P. MURRAY: I am sorry; the member for Riverton.

Several members interjected.

The DEPUTY SPEAKER: Order!

Mr M.P. MURRAY: I concur with the statement of the member for Riverton. I thank the members of the industry who have contributed to the report and have said quite willingly that although there are not a great many problems in the industry, some work needs to be done on the current legislation. It has been refreshing to witness the honesty and integrity with which those comments have been put forward.

I must bring to the attention of the House a couple of concerns, one of which is to do with older strata title properties and people's lack of reserve funds. Many retirees who invest in such properties do not realise that major works may be necessary in the future, and they do not have a reserve fund. That must be highlighted in

any future report, because it would be very difficult to eject people from strata title properties and put them onto the streets because they do not have the tens of thousands of dollars that may be needed for structural repairs to such properties. I am concerned about that and I am sure it will concern potential investors.

The committee found that the difference between city and country strata title issues is not great; the same sorts of issues apply to the Kalgoorlie and Busselton areas as apply to the city areas. Spits and spats will always occur between neighbours, but the basic issues are similar. Legislation and regulations must be tidied up to regulate the industry and ensure that there is no opportunity for fly-by-nights to charge a lot of money for smaller units and then move on without delivering services.

The papers tabled today will give members an opportunity to consider the position and carry the discussion forward. I recommend to members that they read the tabled papers so that the committee can obtain some feedback and produce a worthwhile report.