

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2012–13 AGENCY ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 18 NOVEMBER 2013**

**DEPARTMENT OF HOUSING**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

---

**Hearing commenced at 2.48 pm**

**Mr GRAHAME SEARLE**

**Director General, examined:**

**Mr PAUL WHYTE**

**General Manager, Commercial and Business Operations, examined:**

**Mr LORNE O'MARA**

**Chief Finance Officer, examined:**

**Mr DUNCAN MACKAY**

**General Manager, Organisational Transformation, examined:**

**Mr STEVE PARRY**

**General Manager, Service Delivery, examined:**

**Mr PETER LONSDALE**

**Director, Housing Programs, examined:**

**The CHAIR:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can you confirm that you have read, understood and signed a document headed "Information for Witnesses"?

**The Witnesses:** Yes.

**The CHAIR:** Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public although there is discretion available to the committee to hear evidence in private either of its own motion or at the witness's request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia. The committee values your assistance with this. For the benefit of members and Hansard, could each witness state their full name and the capacity in which they appear before the committee, starting from my left.

[Witnesses introduced.]

**The CHAIR:** Unless any witnesses wish to make an opening statement, we might move straight to questions.

**Hon ALANNA CLOHESY:** I start off at page 55 with social housing or, broadly, the social housing profile of the authority. What is the current waiting list for public housing in Western Australia?

**Mr Searle:** I thank the member for the question. The waiting list as of the end of June was 21 121.

**Hon ALANNA CLOHESY:** Compared to the last 12 months, what is the percentage increase on the waiting list?

---

**Mr Searle:** In fact the waiting list has gone down. The waiting list peaked in 2009–10 at 24 136 applications. It is now down to 21 121, as I have said. In fact since the end of this financial period, the number has decreased slightly again.

**Hon ALANNA CLOHESY:** And the main cause for that attrition—exit into?

**Mr Searle:** The department has done a number of things to try to better utilise the housing stock we have available, particularly a program looking at those tenants who are no longer eligible and working with them. We set up a compliance unit to follow through and then a housing pathways unit to help those people find alternative accommodation. Those changes have facilitated some movement through our stock. That is at least in part responsible for the reduction in the waiting list.

**Hon ALANNA CLOHESY:** People who were Department of Housing tenants, helping them move out of Department of Housing accommodation?

**Mr Searle:** Correct.

**Hon ALANNA CLOHESY:** Those people who are on the waiting list, helping them find alternative accommodation?

**Mr Searle:** There has been both. It is basically helping those people who are no longer eligible move on so that we free those houses for people off the waiting list. We have also done a bit of work with people on the waiting list, helping them be better informed about their options and alternatives. As always, you never find the number you want when you want it. The housing pathways unit has been really successful at placing people into, in some cases, community housing, in some cases homeownership, in some cases the private rental market, in some cases into NRAS. The national rental affordability scheme provides affordable rental as well.

**Hon ALANNA CLOHESY:** That was going to be my next question: what impact or what level has NRAS had in terms of the public housing waitlist?

**Mr Searle:** Relatively small, to be fair. By and large NRAS has targeted just a little bit above that space. It is 80 per cent of market rental. For people who are currently in public housing, by and large they are paying a lot less than that. That gap has been a bit difficult to —

**Hon ALANNA CLOHESY:** In part because of the current housing market rentals?

**Mr Searle:** Yes. Private rentals have increased dramatically in Western Australia in the last 10 years. That has created a significant increase in demand. My colleague has just managed to find the number for me. In terms of people we have managed to move on: since 2009, about 1 700 properties have been freed up through the tenancy compliance unit, so it is significant.

**Hon ALANNA CLOHESY:** In terms of the priority housing waiting list?

**Mr Searle:** The priority waiting list is currently at 2 961.

**Hon ALANNA CLOHESY:** What is the longest time someone is on the priority housing waiting list?

**Mr Searle:** I do not have the longest. The average wait time is 63 weeks.

**Hon ALANNA CLOHESY:** Can I have that as supplementary information?

*[Supplementary Information No A1.]*

**Hon PETER KATSAMBANIS:** Sorry, I did not hear that last answer for the average wait time.

**Mr Searle:** The average wait time is 63 weeks.

**Hon ALANNA CLOHESY:** Sixty-three weeks would suggest that someone who applied for priority housing in 2011 would by now have received an offer for tenancy.

**Mr Searle:** A raft of things affect the average. Whilst the average is 63 weeks, the median is 43, which is significantly different, and there are some extreme outliers. Usually that is around people

with very specific requirements; that is, they can only be in a particular location or they want six or seven bedrooms. At that level, those houses are pretty hard to find. There are some extreme outliers within the numbers.

**Hon ALANNA CLOHESY:** You would not expect that prospective tenants who have been on the waiting list from 2009 would be told by housing officers that they are just clearing the 2009 priority waiting list now.

**Mr Searle:** It would very much depend on the region and the type of accommodation required.

**Hon ALANNA CLOHESY:** Which region has the lowest level of clearances from the priority waiting list?

**Mr Searle:** Mr Parry is responsible for the service delivery in this area, so he is the right person to answer.

**Mr Parry:** The north metropolitan region would have the highest demand with the lowest turnover. We have issues around the largest stock, which is the five to six bedrooms, which Graham referred to, or singles units. The longest for the outlier is between three to four years on the priority list, but in areas where we have lots of three-bedroom stock, or singles in the south east metropolitan region, for instance, or in the wheatbelt, the turnover is quicker and we house people faster.

**Hon ALANNA CLOHESY:** I will move on to community housing and the transfer of public housing stock to community housing stock. How has that occurred this year?

**Mr Searle:** We have taken a much broader view of the role of the Department of Housing than has been taken in the past when we were just Homeswest. We have focussed on the fact that there are many components to the housing market in trying to make each as viable and as effective as we can. As part of that, there have been significant stock transfers to the community housing sector. Over the last few years, it has been happening in two significant ways. The first was the housing stimulus package that happened as part of the commonwealth's response to the GFC. There was a requirement that 75 per cent of those houses get transferred to the community housing sector, so they got a significant increase in stock through us out of that process. On top of that, we have agreed to transfer 300 dwelling equivalents to each of the major community housing providers—all of the tier 1 housing providers at the time. That process is virtually complete to two of them. With the other two we are still working through the process of transferring stock at the moment.

[3.00 pm]

**Hon ALANNA CLOHESY:** When do you expect that to be completed by?

**Mr Searle:** The two housing providers that are likely to take the longest to achieve this are both fundamentally aged-care providers, so they have a different mix historically. It is not just a matter of transferring anything to them that works for them as well. I would hope that within about 18 months we will have those transfers completed to both of those providers.

**Hon ALANNA CLOHESY:** And that includes the titles; that is everything—total ownership.

**Mr Searle:** Absolutely.

**Hon ALANNA CLOHESY:** How do you expect that to impact on the community housing waiting list?

**Mr Searle:** What we are hoping is that the transfer of those assets will significantly increase the financial viability of those entities, give them a much bigger asset base against which to borrow so that they can construct more in their own right and continue to grow the sector. We have had a history of headleasing properties to them so that they get the income stream. This is actually to give them more balance. It appears that banks lend to community housing providers on a balance of asset base and income stream—their ability to service the debt. What we think we have now done is

---

topped up their asset base to the extent that they will be able to be viable, independent businesses in their own right.

**Hon ALANNA CLOHESY:** Are you aware of any community housing providers that are finding it difficult to manage, particularly the new intake of stock but also generally?

**Mr Searle:** We have worked really hard with the community housing providers to help them absorb because the growth has been rapid; I mean, some of them have almost trebled in size. We have helped them with their tenancies, we have helped them with allocation of tenancies. Yes, a couple of them have struggled but my view is that at the moment, all the big ones are viable and functioning quite well. The national regulatory system for community housing comes into force, or the first bit of it, as of 1 January. So, hopefully, then we will have a more comprehensive management regime in order to assure us that they are viable entities in their own right.

**Hon ALANNA CLOHESY:** Is it possible to get some figures on how much housing stock is now public housing stock and how much is now community housing stock?

**Mr Searle:** I am happy to get you the exact figures but—while someone is looking—roughly there are about 42 000 houses in the social housing sector. It is about 36 000 to 6 000; that is, 36 000 public houses and 6 000 community houses. In fact the right numbers are 36 714 public houses and 6 311 community houses.

**The CHAIR:** Do public houses include Aboriginal Lands Trust properties that you manage, or are they in community housing?

**Mr Searle:** They are under the national partnerships for remote and Indigenous housing. I would expect them to be in the 36 714 —

**Mr Parry:** No, they are not.

**Mr Searle:** The advice is that there are about 3 000 of those that are not included in those numbers. There are also a small number of houses, about 30-odd, that are managed by Indigenous community housing providers.

**Hon ALANNA CLOHESY:** I would not mind coming back to that because it is a quite separate program, is it not?

**The CHAIR:** Do we have an exact figure on the Aboriginal Lands Trust housing?

**Mr Searle:** Can we take that on notice, please, as I cannot find that.

*[Supplementary Information No A2.]*

**Hon PETER KATSAMBANIS:** And can you distinguish between those that are under the national partnership and those that are not in ALT lands?

**Mr Searle:** Yes.

**The CHAIR:** Are those properties both metro and regionalised?

**Mr Searle:** There are some houses that are on ALT land that are not in the north west but the vast majority of them are in the north west. Some of them are remote, some of them are actually within town-based communities.

**Mr Parry:** If I may, just to clarify, there are some under the public housing number, the 36 000, some of the former state-owned and managed Indigenous housing—which is SOMI. They were brought together under the mainstream. We used to have the commonwealth-funded houses from the 1970s and 1980s brought together, but the properties on ALT land in the communities are separate and we can identify those.

**The CHAIR:** Right, but the Aboriginal housing you have in the metro area is now merged into one.

**Mr Parry:** Correct, yes.

---

**The CHAIR:** You do not treat them separately anymore; so they are in the 36 714?

**Mr Parry:** Yes.

**Hon ALANNA CLOHESY:** Can I, as part of this, come back to affordable housing and the affordable housing strategy? I found the language a bit confusing around “affordable housing”, “affordable housing dwellings” and “affordable housing outcomes”. Both with the strategy and in the annual report, I was not clear about what was being reported on. Can you give me a definition of “affordable housing opportunities” and how that is different from “affordable housing dwellings”?

**Mr Searle:** Yes.

**Hon ALANNA CLOHESY:** What I would really like to know is the actual progress over the last 12 months.

**Mr Searle:** Okay. The fundamental change that the affordable housing strategy brought about was the view of the housing market’s continuum; whereas in the past we have focused very strongly on the public housing component of that, we thought there was a need to take a broader view of the housing market and our role in the market. When we talk about housing opportunities, things like our bonds program come into play. We are not the housing provider, but we provide the bond loan to enable people to get in, so we give them the opportunity to get into a house. That is the tone of opportunities. Dwellings are clearly things we have already built or we are building. One of the real problems we have had in the department is how you actually define “affordability”, because affordability is always a function of income and relativity. The best example I can give of that is in Port Hedland. As part of this government’s strategy, we have provided 125 houses for small to medium-sized enterprises so that they could continue to house their staff in somewhere like Port Hedland. The first draft of houses we provided was at \$900 a week. In Perth that would be regarded as extremely expensive. In a market where the average rental price was \$2 000 a week, it was extremely affordable. So the definitional problem becomes really quite problematic for us and it is something we have really struggled with: how you define it. Broadly under the public housing regime it is 30 per cent of income that is regarded as affordable. That is the benchmark we use. So what we have tried to do is attack a whole range of places on the continuum in terms of how we provide it. So we have tried to build up the broader social housing program through trying to grow the community housing sector. We have used NRAS to try to build the private rental market and make that more affordable. We have used our bond schemes to help those people who cannot save the bonds to get into rentals to give them access to it. So there have been a raft of interventions across the marketplace: through our land development program trying to make sure there is more affordable land available within the marketplace, particularly in Perth; through our SharedStart program building very affordable houses across the metropolitan area often with a shared equity component built into them; we are providing houses that are around \$300 000 for a three-bedroom house in Perth right now when you have a median market price of \$500 000. I would argue that is very affordable. So there have been a range of interventions intent on trying to change the overall outcome by increasing supply and availability.

**Hon ALANNA CLOHESY:** Okay, that then gives me an understanding of what you mean by an “outcome”. Specifically what I am looking for is the number of people that were likely to be at risk of being homeless that have got a roof over their heads, a comparative figure in the last 12 months compared with the previous 12 months.

[3.10 pm]

**Mr Searle:** The key issue in this space, of course, is that this department is not the one responsible for homelessness. Homelessness is the responsibility of —

**Hon ALANNA CLOHESY:** I am aware of that, but I think the strategy says 20 000 by 2020. Was that the number of houses?

---

**Mr Searle:** That is the number of houses. That is number of dwellings by 2020 and we can give you a breakdown of that. Somewhere in here there is the number of homeless people housed, but do not think I can find it in a hurry.

**Hon ALANNA CLOHESY:** So 10 000 affordable housing opportunities in the last three years.

**Mr Searle:** Correct.

**Hon ALANNA CLOHESY:** But I am looking for the number of people.

**Mr Searle:** We cannot give you a direct number because we do not know how big the households have been that have moved into a lot of the sold properties. A lot of those properties we have made available have been sales properties. We do not know how many people actually dwell in those properties, so I cannot give you an exact number.

**Hon RICK MAZZA:** On page 119 of the report I see that in 2011–12 a total of 231 properties were demolished. Can you tell me the reason for their being demolished; was it tenant damage or end of life?

**Mr Searle:** There is a range of reasons houses get demolished. In some cases it is end of life. In some cases it is around trying to do a new living program where we are trying to refurbish and smarten an area up; we have done a number of those. In a lot of cases it is actually fire. The house has been damaged by fire to the extent that the economic decision is to demolish the house.

**Hon RICK MAZZA:** How many would you estimate were due to tenant damage?

**Mr Searle:** I am not aware of any demolitions that are solely due to tenant damage.

**Hon RICK MAZZA:** We also see there has been a re-evaluation. There was an error that overstated the retained earnings. How was that error picked up?

**Mr O'Mara:** Under the Financial Management Act 2006 there is a difference between inventory assets, which is particularly vacant land and goods for sale, compared to property, which is property plant and equipment. We were looking at the process of transferring the properties around within our systems and we picked up that the land under the buildings we demolish should stay as rental properties and not be transferred back to inventory because there is a different accounting treatment under inventory. We discovered that there were so we moved them all back to the property plant and equipment area, and they are all sitting there ready to get properties built on those particular blocks of land. That is what the error was.

**The CHAIR:** Can I just clarify something? You demolished 126 houses in 2012 and a large number of those were due to fires. How many of them were due to fire?

**Mr Searle:** We do not have that exact number with us, but on average we would lose a house a week, so somewhere between 50 and 60 houses a year would get demolished due to fire. That is 60 out of 36 000; it sounds a lot, but in reality it is a very small percentage.

**The CHAIR:** How does that compare to the general housing market? Maybe the ex-firefighters on the committee can tell us many house fires there are across the whole of the metropolitan area each week.

**Mr Searle:** Sorry, I have no idea.

**The CHAIR:** Have you looked at the issue of whether your houses are burning more rapidly than the general public's?

**Mr Searle:** The vast majority of our attention is on making sure that all those houses have smoke detectors and RCDs for safety purposes, which we are very rigorous about. I am happy that we can go away and do some research about how many houses burn down each year, but it is not something that is unexpected.

**The CHAIR:** Do you investigate what the causes of the fires were?

---

**Mr Parry:** There are a couple that are due to candles and clothing too close to the heaters, so they are not deliberate. Very, very few that I can recall have been attributed to arson. They are accidental as best as the fire department can tell us.

**The CHAIR:** Are we talking predominantly brick and tile properties or some of the older 1950s weatherboard or weatherboard-asbestos?

**Mr Parry:** A whole range, from almost new—we lost a property that is less than a year old in one of the remote communities, which was literally brand spanking new—through to 1950s and 1960s properties.

**The CHAIR:** Could you give us more detail exactly about the number of properties damaged by fire and also, as part of that, could you provide us with the breakdown where you know what the cause of the fire was?

**Mr Searle:** If I can, Mr Chairman. Just by way of example, you will all have heard in the press about a fortnight ago about a gas explosion and a number of units that were destroyed. That was one of our premises. There was a gas explosion and there was a big fire. We look like losing about 16 units that we are going to have to demolish because of that explosion. That is just by way of example.

**The CHAIR:** Can we get the details of the number of fires and the causes of the fires as supplementary information?

*[Supplementary Information No A3.]*

**Hon PETER KATSAMBANIS:** First of all, in relation to your waiting-list management, when a person goes into either prison or as an involuntary patient into a mental health facility, do they lose their place on your waiting list?

**Mr Parry:** No, they do not. Providing they stay in contact with us, they can accrue time whilst in prison or in any mental health facilities. We ask our applicants to respond to a survey once year and, obviously, as long as we stay in contact with them, they remain on the list.

**Hon PETER KATSAMBANIS:** If they do not stay in contact, is there a procedure for reinstating their place on the list?

**Mr Parry:** There most certainly is. We have worked very hard with the Equal Opportunity Commission to ensure that we take every step we can to find them in the first instance. We look for contacts and make three attempts to contact them. We will go through all the documents we have to contact next of kin. Should they be withdrawn from the list because we could not contact them and they come back within a period of one year, we will automatically reinstate them. If it is anything longer than that, we take it on a management decision to make a judgement on that.

**Hon PETER KATSAMBANIS:** Very recently I have had two similar issues in relation to people who are imprisoned for a period of time. It is a common matter and the last thing you want is for people to end up in the homeless queue and then reoffending as a result of that, when they could have avoided it. I am glad you have some procedures in place. With the management of your difficult tenants, in particular those who are disruptive and end up down the pathway to the three strikes area of being dismissed from public housing, do you have an average length-of-time measurement between the first strike and the final strike?

**Mr Searle:** The issue in that space is that three strikes have to be incurred within 12 months.

**Hon PETER KATSAMBANIS:** Once a destructive tenant has been reported to your department, what steps are taken to support the other residents in the vicinity, be they tenants of the department or the authority, or private tenants?

**Mr Searle:** One of the things that has been established or funded under this government is the disruptive behaviour management unit. It is their job to investigate all of the allegations of

---



disruptive behaviour. As part of their brief, they are asked to keep in contact with the complainants and to advise them of progress on where things are up to. Whilst we do a record number of strikes against people, it is not a huge percentage of the actual number of complaints. Some 20 per cent of complaints result in strikes. There is a process whereby the complainants are spoken to and the tenants are given a chance to respond in terms of the rules of natural justice, but that is about the sum of the contact—there is no counselling.

[3.20 pm]

**Hon PETER KATSAMBANIS:** There is no actual engagement with the complainants or the other residents in the vicinity to assist them in dealing with a group of problem tenants?

**Mr Searle:** There is certainly engagement with the complainants, where they are identified.

**Hon PETER KATSAMBANIS:** What sort of engagement? What support do they get?

**Mr Parry:** No direct support, member, if I have got the question right. We do not provide support to the complainants. We discuss and educate about the process that they need to undertake. So it is, “This is the process you would need to do; you need to make phone calls; you need to put in a complaint to this particular area.” We have a support program in place for the tenants, which is called the social tenancy education program. We fund that in the tune of about \$5.5 million per year to support all of our tenants. It might be for non-payment of rental, disruptive behaviour or for a variety of different reasons, but no direct support for people that make the complaints.

**Hon PETER KATSAMBANIS:** These people could be enduring extremely disruptive behaviour for a long period of time, be they tenants, as I said, or outside of the tenancy of the authority, but they are neighbours of disruptive tenants, yet there is nothing in place to assist them?

**Mr Searle:** What we have done, member, is actually given them somewhere where they can go to complain. They now have a phone number they can ring in terms of complaint; we have a process in following through on those complaints, which was not in place before.

**Hon PETER KATSAMBANIS:** I will get to that in a minute because that is actually one of the places that I want to get to in this area.

**Mr Searle:** Sure, but no, we do not run a program in support.

**Hon PETER KATSAMBANIS:** Before we go to that, I have a report. I have one, hopefully, resolved and one still live report of people attempting to sell their property and, as soon as the board goes up, “Open for Inspection at one o’clock”, they have disruptive housing authority tenants acting in an intimidatory and disruptive manner during the inspection. They are live reports that I fed into the regional office. In that circumstance of that unfortunate homeowner, what support could they expect from the authority?

**Mr Searle:** The same support they would get from any other adjoining landowner. At the end of the day, member, we are a landlord—that is all we are. We just happen to be the biggest landlord in the state. What we have taken a very strong view of is that our tenants should be responsible in terms of the way they act. We only have three rules around our tenants. There are only three: You pay your rent, you take care of the property and you get on with your neighbours. But I do not believe there is any other landlord in the state that would be expected to take action against tenants on the sorts of issues you are talking about. If they are being truly disruptive in the neighbourhood, it becomes a criminal matter, an issue for the police.

**Hon PETER KATSAMBANIS:** Which is a hazy area between criminality and what the police decide to pursue; I understand that is not your issue, but they are your tenants. I will move on. What I am getting reports of constantly—I would get at least a report a week—is that as soon as an issue of conduct is reported to the authority in good faith by people in the neighbourhood, the direct intimidatory behaviour escalates to the extent that they are fearful of making further reports. They may not necessarily be targeted. A problem tenant may not necessarily say, “It was you over there”.

They sort of tar the whole street or the whole immediate neighbourhood with the same brush. If that is happening, what processes do you have in place to speed up the process so that a disruptive tenant can stop intimidating their neighbours?

**Mr Searle:** Yes, I thank the member for the question. It is a really important question. We do have a very strong regional network. When you look at government departments and their actual bodies on the ground, we probably have one of the strongest networks in the state. Our regional managers and their team leaders are very close to what is happening on the ground. If there is a particular issue in this matter, he is probably not in the right place to pursue it, but Mr Parry and his regional network of managers would be more than keen to follow up if there are particular issues that the member wants to follow up, because it is not something we would like to tolerate.

**Hon PETER KATSAMBANIS:** Believe me, the ones that come to my office, we follow them up through the regional office, who I think do a great job, mind you. My concern is that, from what I am hearing in my office, there is a group of people out there who are not even bothering to come to my office or another member's office to report that behaviour. They have been cowered in their homes because of that direct intimidatory behaviour towards them once a report is made.

**Mr Searle:** I am not denying there may well be instances of that, member, but from our understanding, they are tiny. When you look at the 36 000 tenancies we have got, 99 per cent of our tenants are great people trying to do the right thing. It is only a very small group of tenants we get complaints about. We have become very diligent in following that up—far more so than we have been in past. We do not want to evict tenants. We absolutely do not, and we only do it where we believe there are no alternatives. What we want to see is our tenants behave appropriately, and we are working very hard towards that. Again, we are more than happy to follow up on any particular claims of victimisation of people reporting it. We have a reasonable working relationship with the police on these matters and are working on these things all the time. So we are happy to follow it up if the member could, in another forum, give us the information.

**Hon PETER KATSAMBANIS:** Yes, we do. As I said, the ones I become aware of, we work very closely with the regional office —

**Mr Searle:** Yes, and I hope they give you the response —

**Hon PETER KATSAMBANIS:** And as I said, I think they do a good job under sometimes very trying conditions.

**Mr Searle:** Absolutely.

**Hon PETER KATSAMBANIS:** Now just in this area of tenants, you have a one-strike and a three-strike group of tenants; is that right? Are there any figures available that would provide the cost of repairs to damage and properties vacated by one and three-strike tenants as opposed to the cost of repairs for damage to properties that are vacated by people in other circumstances, when they are leaving on their own or they are moving from one property to the other?

**Mr Searle:** Those numbers are certainly not kept separately or readily available. Whether we could find them out, I do not know. If I could just say, member, just for your information for those who might not know, the difference between a one and a three strikes is that there are some things that are so severe that one strike is enough. I mean, if you get found with a drug lab on your premises, you will be evicted—full stop. No strikes; just out.

**Hon PETER KATSAMBANIS:** I would hope so.

**Mr Searle:** Yes, that is the policy. That is why there are some where one strike is regarded as the benchmark; others that are less severe, the three-strike policy exists.

**Hon PETER KATSAMBANIS:** I would appreciate if you could see if you could get some of those figures on notice, because I think they would be of interest to the public of Western Australia.

---

**Mr Searle:** Whilst I am happy to take the question on notice, I cannot commit to giving an answer because I do not know if we can actually extract the data.

**Hon PETER KATSAMBANIS:** If that is an information gap, we would be interested to know that, too, I think.

**The CHAIR:** I will note that as A4. In doing so, I make the point that obviously, if you provide whatever information you can provide, and if you can advise or indicate to the committee what you cannot provide at a given point.

*[Supplementary information No. A4.]*

**Mr Searle:** I will.

**Hon PETER KATSAMBANIS:** I want to ask about One on Aberdeen, which is on page 29.

**Hon ALANNA CLOHESY:** Are you moving away from disruptive behaviours?

**Hon PETER KATSAMBANIS:** Yes, I am moving from disruptive behaviours. Yes, you can ask a question.

**Hon ALANNA CLOHESY:** Do you mind if I jump in with a few questions on that one?

**Hon PETER KATSAMBANIS:** Yes, go for it.

**Hon ALANNA CLOHESY:** Thank you. I understand the department has a formal agreement with the Mental Health Commission about liaison around people who display disruptive behaviour?

**Mr Searle:** We have MOUs with a number of agencies, particularly the Department for Child Protection and the Mental Health Commission.

**Hon ALANNA CLOHESY:** Could briefly explain how the Mental Health Commission's relationship works?

**Mr Parry:** The issue around mental health and the information flow, the difficulty we have is the information we receive. We can pass information through to a triage system is the way it practically works. When we are aware of somebody with a mental health issue or we suspect somebody has a mental health issue, and we have issued either a strike one, strike two—three strikes, we will refer through. They undertake a triage process. They will look at it and then they will intervene. We do not get involved directly after that. A perennial issue for us is about people sharing the information back—sadly, and there are some sensitive issues around this. But where we are aware, we will work with them, and we do, as Graham mentioned, we have a couple of very, very close relationships with police and child protection. But mental health is one of those ones where the information flows mainly one way.

[3.30 pm]

**Hon ALANNA CLOHESY:** In terms of informing decision-making around whether a strike will be recorded, is the information flow between agencies one of those considerations?

**Mr Parry:** No, member, the decision around whether a strike is issued is around the behaviour.

**Hon ALANNA CLOHESY:** Irrespective of the way that that behaviour has been —

**Mr Parry:** Correct.

**Hon ALANNA CLOHESY:** So irrespective of whether someone might be in the middle of a psychosis, they still have a strike?

**Mr Searle:** If I may—sorry, member—the issue is that the Mental Health Commission, along with other health agencies, is not inclined to share information about people's health status with us as an authority or a department. Consequently, we rarely are aware of the exact nature of anyone's medical condition. As such, it is very hard to take that into account when you are making a decision about behaviour.

---

**Hon ALANNA CLOHESY:** So in terms of advocating for someone where a decision has been made to place a strike or even two or even three, that information is not being taken into account when those decisions are being made?

**Mr Searle:** Where the information is provided, it is taken into account. Where the information is not provided, it is very difficult to take it into account. If we have reason to believe there is a mental health issue, we will refer it to the Mental Health Commission, but they do not tell us whether somebody has a mental health condition or not.

**Hon ALANNA CLOHESY:** So in the context of the disruptive behaviour management strategy, how many referrals have been made to the Mental Health Commission in the past 12 months?

**Mr Searle:** We need that on notice, sorry.

**Hon ALANNA CLOHESY:** So that is not recorded?

**Mr Searle:** Sorry; you can have it on notice, I just do not happen to have it with me.

*[Supplementary Information No A5.]*

**Hon ALANNA CLOHESY:** So you have formal agreements with other agencies including Child Protection. What about other agencies, particularly I am thinking in regard to people with brain injury, where similar behaviours are displayed in regard to what might be considered disruptive behaviour? So your agency has referrals with the Mental Health Commission?

**Mr Searle:** Yes.

**Hon ALANNA CLOHESY:** And by far and away that would be your most regular source. Are there any other referrals your agency uses in relation to disruptive behaviour, where that person does not have a mental illness?

**Mr Parry:** We work with Headwest and we work with a number of agencies. We do not have a formal agreement in place with them, but many of the advocacy agencies will work with us. We have long-term historic relationships with these appropriate bodies.

**Hon ALANNA CLOHESY:** So you work with them in a policy sense or in a referral sense?

**Mr Parry:** In a practical sense, on a case management basis as Grahame talked about. We are not in the business of evicting people, but in terms of our process we undertake to investigate, we have to look at what actually occurred, we will then talk to the appropriate people and the appropriate bodies and make a judgement.

**Hon ALANNA CLOHESY:** Under the tenancy support programs, I am particularly interested in what sort of relationship you have with the tenancy support programs and this strategy. How does that relationship work?

**Mr Parry:** As the director general touched on, we have disruptive behaviour unit that is charged with the investigation and ensuring due process, and investigating to ensure that we can, as we issue a strike—strike one, strike two, strike three—go in front of court and a magistrate. We still have to go to the local court to effect an eviction. The referral process we have is that we mandatorily refer to Child Protection where children are involved with every strike. That rolls in other agencies and other brings people in to assist us. There is a voluntary process in place when we do this, and we talk to our tenants and say, “Are you prepared to go onto STEP?” If they engage with STEP, in the metropolitan area for instance, we just engaged Ruah Community Services and we bring them on board, and then they look at each case literally case by case, so what is it? There is spider web, as I am sure you are aware, of mitigating circumstances and the complexities in and around these people’s lives. Then we refer to the appropriate agencies. I do not expect our staff to be social workers, but they are referred to the appropriate people.

**Hon ALANNA CLOHESY:** So they have ongoing referral skills and resources available to them?

---

**Mr Parry:** Absolutely, yes.

**Hon ALANNA CLOHESY:** Including to other outside agencies.

**Mr Parry:** Yes.

**Hon ALANNA CLOHESY:** I want to come back and talk about tenant support services separately, so I am kind of finished on that.

**Hon PETER KATSAMBANIS:** Page 29 of the annual report refers to One on Aberdeen. I just want to clarify, because the wording is a little unclear: there was a \$6 million piece of land owned by the authority?

**Mr Searle:** Yes.

**Hon PETER KATSAMBANIS:** Did the authority sell that land to the developer?

**Mr Searle:** No.

**Hon PETER KATSAMBANIS:** Or it contributed it as part of the project?

**Mr Searle:** We put out an expression of interest and went through a process to evaluate how we could get the best return in an affordable housing sense from this particular parcel of land. The outcome that has been achieved is actually quite significant. No government cash has gone into the deal; it has been funded entirely by the developer. We have ended up with about 43 per cent, I think it is, of the units having some form of affordability built into them in what is a very central location in Perth. There are NRAS units within this apartment block, there will be social housing units and there will be shared equity units. You will almost be able to see it from here; it is coming out of the ground right now behind the Telstra building in Northbridge. We are really pleased; it shows a different way of working for government. We have used our asset base, but utilised the private sector—its expertise, its access to capital markets—in order to produce the outcome.

**Hon PETER KATSAMBANIS:** So the authority has contributed a \$6 million piece of land and no other contribution to this project. At the end of the project, how many units will be under the ownership or control of the authority?

**Mr Lonsdale:** From memory, if I may, I think they have 20 social housing units.

**Mr Searle:** It is of that order. We have calculated that the return to the department between shared equity—the equity we will hold in those units that are sold and the house social housing units—is about \$10 million. So we think we have actually made a \$4 million capital gain on the deal.

**Hon PETER KATSAMBANIS:** I am trying to find that out, but from the information I get at the moment I cannot calculate any of that.

**Mr Searle:** I am happy to provide the numbers.

**Hon PETER KATSAMBANIS:** I would like to get the numbers on that, because of course when we throw NRAS into the equation, that is not anything we are doing; NRAS can stand on its own.

**Mr Searle:** Sorry, but NRAS is something we are doing. The state government is providing some of the NRAS funding.

**Hon PETER KATSAMBANIS:** Sure, I understand, but not through the Housing Authority?

**Mr Searle:** Yes, sorry, the funding for NRAS does come through the Housing Authority.

**Hon PETER KATSAMBANIS:** It does?

**Mr Searle:** Yes.

**Hon ALANNA CLOHESY:** Administered by the authority?

**Mr Searle:** We apply for the money out of the state budget.

---

**The CHAIR:** What proportion of NRAS is your money versus commonwealth, or state money I should say rather than —

**Hon ALANNA CLOHESY:** Your money.

**Mr Searle:** The overall payments are \$10 000 a year—an indexed \$10 000 a year; the state government component is \$2 000.

**The CHAIR:** Is that indexed?

**Mr Searle:** Yes, the whole sum is indexed.

**The CHAIR:** And the state's \$2 000 is indexed?

**Mr Searle:** Yes. If I can, Chairman, in terms of the state government's outcomes from One on Aberdeen, there are 17 social units being provided; there are 18 shared equity units being provided; and 17 NRAS units being provided. There is also a cash return to the department.

**Hon PETER KATSAMBANIS:** What is that?

**Mr Searle:** Again, I do not have the detail of the number in front of me, but I am happy to get it and provide it for the member.

**Hon PETER KATSAMBANIS:** Yes, I would appreciate that, please.

*[Supplementary Information No A6.]*

**Hon ALANNA CLOHESY:** So about 52 units out of 161?

**Mr Searle:** There are also 14 units that are described as essential worker units.

**Hon PETER KATSAMBANIS:** Yes.

**Hon ALANNA CLOHESY:** So 66 out of 161?

**Hon PETER KATSAMBANIS:** But there are 17 social housing units that will be added to the Housing Authority's housing stock at the end of this process?

**Mr Searle:** Yes.

**Hon PETER KATSAMBANIS:** And all the rest are in some other program that has contributions here and there?

**Mr Searle:** Yes.

**Hon PETER KATSAMBANIS:** Do we have a breakdown as to how many of those units will be one-bedroom and how many will be two-bedroom?

[3.40 pm]

**Mr Searle:** There are 50 one-bedroom, one bathroom units; 47 two-bedroom, one-bathroom units; 24 two-bedroom, two bathroom units; and 40 studio apartments.

**Hon PETER KATSAMBANIS:** Of the 17 social housing units, can we get the breakdown of those?

**Mr Searle:** Again, we will take that on notice. That is the overall headcount.

**The CHAIR:** I will include that as part of A6.

**Hon PETER KATSAMBANIS:** All this is in the aid of affordable housing. It is not just the Housing Authority that is in this space of affordable housing. From a government point of view, there is LandCorp, which is on about affordable housing, and the MRA, which is partly on about affordable housing, and many other groups. How do you interact and interrelate with those groups in aiming to get more affordable housing?

**Mr Searle:** It is a very good question, member. What we tend to do is have MOUs with both MRA and LandCorp and, to a large degree, we become the vehicle by which they deliver their affordable

housing. That will be particularly true of MRA. For instance, we are in the process of buying a block in the Springs, which is a LandCorp development. They are giving us favourable purchase terms to enable us to provide affordable housing within that subdivision. Similarly, we get a discount from them in places like Broome North, as part of their subdivision processes in order to enable us to provide more affordable housing within those components. Similarly, we have an agreement with MRA to utilise some land within some of their developments, or, in some cases—in the old East Perth redevelopment, they have the same body effectively—they will give planning advantages to people who are going to provide affordable housing within their developments. It is basically a planning incentive in order to provide affordable housing.

**Hon PETER KATSAMBANIS:** Are you undertaking any either ad hoc asset sales or more organised asset sales with a view to selling higher value property so that you can acquire a larger stock of property with the same capital value, which I would imagine would be one of —

**The CHAIR:** Are you moving off the One on Aberdeen?

**Hon PETER KATSAMBANIS:** Yes; my previous question moved off One on Aberdeen.

**The CHAIR:** Can I just go back to something about One on Aberdeen? At the conclusion of the deal, you will have titles for 17 units that will be held by the department.

**Mr Searle:** Yes.

**The CHAIR:** Of the 18 shared equity, do you get your equity in 18 and then the tenant has to buy their equity off the developer? Is that how it will work?

**Mr Searle:** Effectively, yes. There will be units for sale, but we will hold some of the equity in those. There will be income limits to the people who can buy them and those sorts of things. They will have to be eligible for our SharedStart program.

**The CHAIR:** What percentage of equity will you have in those units?

**Mr Searle:** Anything between 20 and 40 per cent depending on the income of the person buying into the unit.

**Mr Whyte:** The shared equity program is part of the broader shared equity program. It is not just specific to this development. The loans are provided through Keystart, so the people who apply for the loans have to be eligible under Keystart requirements. The department holds its equity on the title and the owners have the right to purchase the department's share of that equity at market value at any point in time.

**The CHAIR:** I understand that. What I am asking, though, is in terms of the deal, what do you get? In terms of those 18 shared equity, they will eventually be owned by somebody, with you owning a percentage of it.

**Mr Searle:** Correct.

**The CHAIR:** When they purchase that, who do they pay that money to—you or the developer?

**Mr Searle:** That money will eventually get channelled back through to the developer. Whether it comes through us, I am not aware, Mr Chairman.

**The CHAIR:** But, at best, the development would be providing you with somewhere between 20 and 40 per cent of the value of that unit.

**Mr Searle:** Yes, and the cash component that we will get out of the end of the deal is dependent on how much of the equity we hold in those properties. That is one of the variable trade-offs in the deal.

**The CHAIR:** If you take 40 per cent equity, your cash return will be reduced.

**Mr Searle:** Correct.

---

**The CHAIR:** Instead of 20 per cent equity in every one of them, your cash return will be significantly reduced.

**Mr Searle:** Correct, but our overall return will end up at about \$10.45 million, which is the way the deal is structured. Whether we take it in equity in units or cash will depend on the deals as they are struck.

**The CHAIR:** So the NRAS units will still receive the \$10 000 indexed payment for 20 years or whatever length —

**Mr Searle:** Ten years, yes.

**The CHAIR:** It is no different from any other NRAS development in the state.

**Mr Searle:** None at all.

**The CHAIR:** What are the criteria for the essential worker housing?

**Mr Searle:** Again, I do not have that —

**The CHAIR:** Do you own any equity in it or is it more about the developers having to rent them to certain groups?

**Mr Whyte:** That is a requirement with the local government. Because of the planning benefits that were received for height, they will need to make available a number of units for essential workers or local workers.

**The CHAIR:** But who monitors that? How is that tested? What does that mean?

**Mr Whyte:** It means that a person who purchases that property—whether it is in that location or it is similar to projects developed through the East Perth Redevelopment Authority or any other—needs to qualify and demonstrate that they qualify for that.

**Mr Searle:** Mr Chairman, I am happy to take that on notice and give you the detail rather than have us talk off the top of our heads so that you get the right facts.

**The CHAIR:** I am interested in the exact criteria, but from the sounds of it, you do not maintain any equity in there. What are the criteria and who is the ongoing “policer”, for want of a better term?

**Mr Searle:** I am happy to provide that on notice.

**The CHAIR:** And how long does that last for if it is for a property that is bought?

**Mr Searle:** Again, I am happy to provide it on notice so that you get the right details, Mr Chairman.

**The CHAIR:** If we then look at the \$6 million that you referred to as the value of the land, when was that valuation undertaken? What was it valued at?

**Mr Searle:** I am sorry; I cannot give you an answer to that off the top of my head.

*[Supplementary Information No A7.]*

**The CHAIR:** Are you able, as part of supplementary, to also provide us with a breakdown of what makes up that \$10.45 million and how you arrived at that?

**Mr Searle:** Absolutely.

**The CHAIR:** It is not just the essential workers housing. How do you as an authority intend to continue to assess your engagement in that project? Is there an ongoing monitoring process?

**Mr Searle:** The deal has two components from my perspective. One is the fact that we are creating affordable housing in inner Perth at no cash cost to government. Just the fact that it is constructed, completed, tenanted and occupied is achieving one of the department’s goals. The second set of goals is working through with the social housing units we have got there to make sure that we have

---



an appropriate use of both the social units and the shared equity units in order to get the best outcomes we can for both our tenants and the community.

**The CHAIR:** From what I can work out, you will ultimately, on an ongoing basis, be responsible for body corporate fees over 17 of those.

**Mr Searle:** Correct.

**The CHAIR:** The rest will be someone else's responsibility; is that correct?

**Mr Searle:** Correct.

**The CHAIR:** Have you done any figures on what the estimated cost of body corporate fees will be? I would imagine that there is potential, because of the nature of that complex, that the body corporate fees will be higher than, say, some of your own developments where you manage the body corporate yourself. I assume there will be a private sector organisation doing the body corporate and they may be maintaining the building at a higher standard than you would in your own developments.

[3.50 pm]

**Mr Searle:** The department has for a long period of time now been buying units in developments that it does not own. We have a couple of people whose job it is basically to attend body corporate meetings on behalf of the department. So this is not a situation that is unusual for the department.

**The CHAIR:** Is there a differential between the cost if you run them yourself versus if they are in the private sector, if this is not unusual?

**Mr Searle:** I do not know that we have done that detailed analysis. I will just go back a step. Historically, the department would build a complex and then tenant the whole complex with social tenants. Our experience over a long period of time now is that that does not work. It is a failed model. The outcomes that we get both socially and economically do not work. So we have taken a conscious decision. We have a one-in-nine policy that we apply more generally across our housing. In these sorts of complexes, we are applying the same sort of rule. Whether we build it or not, the intention would be to sell the vast majority of the units, and then set up a body corporate, in the same way that any other builder would do as part of marketing these units. From then on, we would just be an owner within the complex, not running the complex.

**Hon PETER KATSAMBANIS:** That begs the question: how do we really know that we are getting value for money when you enter into a complex arrangement—which you have had some considerable difficulty clarifying to us today—as opposed to sticking that block of land that you happen to historically own on the market, with or without development approval, getting the cash, and spot buying in this same way across the magnitude of the developments that are happening through the inner City of Perth? How can we compare and contrast that? I am really asking that question as a devil's advocate.

**Mr Searle:** And I am going to give you a devil's advocate response, member. It is unreasonable to expect us to come here and have all the facts and figures about a single transaction by an agency that does thousands of transactions every year.

**The CHAIR:** But not many of them are listed separately in your annual report.

**Hon PETER KATSAMBANIS:** Yes—they get a whole page in the annual report.

**Mr Searle:** No, they are not. But this is a very different way for us to do business. That is why we have—in my view, quite correctly—drawn this to the public's attention. The fact that I cannot recite chapter and verse all of those numbers out of a file this big is unfortunate. But it is indicative of a different way of doing business. At the time we started this process, the GFC was on. You could not have given this block of land away, let alone sold it. What we did was provide a way that builders who were struggling to get work, because no-one else was building these sorts of things in Perth at

the time, could get access to a block of land, without us having to service a \$6 million or \$7 million debt to buy the land, and therefore use that asset to create value. We could then take our share of that value, as part of the deal, in order to get the best outcome that we could for the state, without the state having to borrow the money to develop it, but by having a finger in the pie to ensure that it was focused on affordable development and not the \$500 000 or \$1 million apartments that predominate in Perth. So it was a very conscious decision by the department to use its asset to get the best outcome that we could in the context of both affordability and the provision of that accommodation, and to ensure that there was social housing in there, because we could not afford to buy into any other development of this style within this close a vicinity to Perth, because we could not afford the commercial rates that those sorts of apartments bring. So, yes, I should have been able to provide a more comprehensive answer off the top of my head. But the reality is that this was a conscious decision to get the maximum value for the state from an asset that it held, not just in terms of cash, but in terms of providing affordable accommodation and social housing in an area in which it is greatly needed.

**Hon PETER KATSAMBANIS:** I am sorry, but, again, all this seems to do is blur the lines between whether we are getting affordable housing and whether we are getting best value out of a project like this, compared to spot buying. I am not sure what the right answer is. We need to have some way of comparing and contrasting the figures. As custodians of public funds, we ought to know that at end of the day, we have bought X number of units, which we believe are valued at so much, compared to what we could do at market; and we can do the “at market”—we can scan through the papers or ring developers to find that part out.

**Mr Searle:** For the local member’s benefit, we have all those numbers, and we will report on those numbers; and if the local member can find units of this quality in this location for this value, I would be delighted if he would advise me.

**Hon PETER KATSAMBANIS:** I would like to know what value you paid for them so that I can make that comparison. It may be that you have done the greatest deal ever, or a very good deal, or somewhere in between. That is all very well and good. But we are the elected representatives of the people of Western Australia, including the 21 000 people on the waiting list for public housing. We need the clarity of information to be able to make an assessment of whether we are getting the best value for the money that we are providing for social housing. I appreciate that you might not be able to provide all the information here today, but I would like to delve into this extremely complex financial arrangement to see whether we did get good value.

**Mr Searle:** I am absolutely happy to do that, member. Are there any other transactions that you would like me to table? I am happy to table them all if that is what you would like.

**Hon PETER KATSAMBANIS:** Yes, in time, probably, but let us stick to this one first and see what we get.

**The CHAIR:** What risk did you carry in this development?

**Mr Searle:** The reality is that at the end of the day, the only risk we had was the block of land. All the other risks were taken by the developer.

**The CHAIR:** If the developer had fallen over, would you then have held the land, or had the title been transferred to the developer?

**Mr Searle:** We held the land.

**The CHAIR:** So you would then have had to find another developer to come in and finish the development?

**Mr Searle:** Correct. But we had no risk capital in the development.

**The CHAIR:** Well, the land is your risk. If the development had not been completed, you would then have had some risk in having to potentially pick up the —

---

**Mr Searle:** Absolutely. We would have had to bear the cost of finishing the development. There is no doubt about that.

**The CHAIR:** One of the benefits to the bank is that you were standing behind the developer in the first instance.

**Mr Searle:** Yes. There is no question about that. This development would not have got up without our input.

**The CHAIR:** So you are effectively underwriting the development.

**Mr Searle:** No. That is not true. The guarantees that were given were given by the developer, not us. We gave no guarantees to the bank at all.

**The CHAIR:** No, but they know that your land value is sitting behind —

**Mr Searle:** The bank may have made some assumptions. But we gave no guarantees.

**The CHAIR:** Did the bank have a mortgage over the title; because, if it did, it could make the very reasonable assumption that it would get the land if the developer went bust?

**Mr Searle:** Again, I am happy to provide all the documentation as part of the answer to the previous question.

**The CHAIR:** All right. We will add that to A7. I have just done a quick calculation. If we assume that you have 40 per cent of the social units, that adds up to around 24 to 25 units, at an average price of about \$420 000 each. I would have thought that is about the going rate in that area north of Perth for one and two-bedroom units.

**Mr Searle:** I can give you the numbers that these units sold for, because all these units have been sold. The one-bedroom, one-bathroom units averaged \$408 000; the two-bedroom, one-bathroom units averaged \$466 000; and the two-bedroom, two-bathroom units averaged \$555 000.

**The CHAIR:** Are your units mainly at the lower end?

**Mr Searle:** I would assume so. But I do not have those numbers in front of me. That gives you some idea of the actual cost.

**The CHAIR:** It also depends on what floor they are on—there is a range of other factors if you are using averages.

**Mr Searle:** Yes; absolutely.

**The CHAIR:** Is there a business case on this that you can provide to us?

**Mr Searle:** Absolutely there is a business case.

**The CHAIR:** We will add the business case to A7 as supplementary information to be provided.

**Mr Searle:** I need to stress here, because it is important, that at the end of the day, this department, through its operations, funds most of its operations. This department does not get a large amount of money from the state government. So we have to do good commercial deals and good land developments to actually survive.

**The CHAIR:** I understand that.

**Mr Searle:** I accept, Mr Travers, that you have a lot of experience in these matters. Some of the members of your committee may not be as experienced as yourself.

**The CHAIR:** Fair enough.

[4.00 pm]

**Hon PETER KATSAMBANIS:** I want to go back to the other question that I asked. Again, it goes to the ability to service the existing clientele and the waiting list. Are there any programs to roll over high-value housing stock owned by the authority in order to buy a broader range of units? If I

was one of the 21 000 people on the waiting list and happy to live in, say, Balga or Clarkson or Banksia Grove where the department is building new units in conjunction with developers, and I am looking at people living in high-cost housing in Subiaco, I would be more than a little envious that I am still stuck on the waiting list.

**The CHAIR:** This will be an easy one for you to answer, I am sure, Mr Searle.

**Mr Searle:** The department has had a program of high value property sales for a number of years now. Having said that, we are not in the process of throwing people out so that we can sell properties.

**Hon PETER KATSAMBANIS:** I appreciate that.

**Mr Searle:** As properties become vacant, we sell them. We tend to work on a basis of properties that are twice the median house volume. They are automatically on our list for sales when they become vacant. We have been going through this process to the extent that we have now set up a strategic asset management group within the department and whenever any property becomes vacant, they look at that property, they look at its capacity to be redeveloped, they look at its capacity to be used alternately and they look at its market value. That program has been going for two and a half years, maybe a little more. Again, I can get the details of the exact number of properties sold and the money that has been raised but I would need to take that on notice. The intention is to pump that money back into more affordable housing. Having said that, again, we want to make sure we get an appropriate mix. The most affordable way to provide social housing is to build housing and fill them with public housing tenants. It is not the best social outcome. It is not the best outcome for society. We need to balance the affordability aspect and the cost aspect with social outcomes. Everywhere in Australia that I know of is in the process of pulling apart the things they built in the 1960s and 1970s.

**Hon PETER KATSAMBANIS:** Believe me, I have had to deal with much larger towers than are under your control and I think they are an absolute social disaster. I do not disagree with you in any way possible.

**Mr Searle:** I thank the member for that comment. For us, it is about trying to get the balance right between good housing in a range of locations. For instance, a number of our tenants have physical disabilities and particular mental problems. Having houses around hospitals is a really useful thing in terms of their general health support and cost of transport et cetera. There is a perpetual balancing act between meeting the appropriate and valid needs of our tenants and managing cost. That is something these people do every day.

**The CHAIR:** At the beginning there, I think there was a supplementary question.

**Hon PETER KATSAMBANIS:** There was—that you will provide me that information. I would appreciate that.

**The CHAIR:** So I can just be clear; it is how many houses you have sold. If I can add on, how many of them were above \$1 million? Or would it be easier to give us the price of every house that you have sold?

**Mr Searle:** There are a considerable number of houses. I am happy to give you the ones over \$1 million, and, generally, the suburbs.

**The CHAIR:** Can you also give us the number of new stock you have created? Whilst I accept the argument that you need to sell housing stock above a value, often those are in key areas. How much new stock have you created in the suburbs that you have sold? It does not automatically correlate but within the general vicinity.

**Mr Searle:** I am happy to give you the list of what we have bought with the money. They are generally not in the same locations.

---

[*Supplementary Information No A8.*]

**The CHAIR:** The Subiaco issue would be a classic because it is centrally located and close to hospitals. I know you have a lot of one and two-bedroom units not far from here in two complexes that I can think of off the top of my head. Obviously where there are opportunities to provide affordable housing in those areas, it would strike me that reinvesting in those areas to maintain a reasonable presence would be useful. It gives us an idea of what is happening in that space.

**Mr Searle:** Again, I am happy to provide that.

**Hon PETER KATSAMBANIS:** Could I have it over a period of, say, three years? I do not know how far back your figures go. That would be helpful for me.

**Mr Searle:** I brought my budget estimates file. I am having a quick squiz through that. I know it is there because I did it for estimates.

**Hon PETER KATSAMBANIS:** My last question is on the national partnership on remote and regional housing. Does the authority have any involvement in any of the contractual arrangements, the procurement of contractors et cetera?

**Mr Searle:** The department does all of it.

**Hon PETER KATSAMBANIS:** Again, I do not know whether you keep that information. Do you keep any information around the number of Indigenous contractors or Indigenous employees who are engaged under those national partnerships?

**Mr Searle:** Absolutely, member.

**Hon PETER KATSAMBANIS:** Would you be able to provide those on notice?

**Mr Searle:** Absolutely. The department takes a very definite and positive view around our role in the National Partnership Agreement on Remote Indigenous Housing. That agreement has been in place for four and a half years. We are the only jurisdiction to meet all our targets under that agreement every year. It is something we take very seriously. In the Kimberley, in particular, we have set targets of 20 per cent Indigenous employment as part of those outcomes and we are currently sitting above 30 per cent Indigenous employment. We specifically sent people to Broome, Fitzroy and Kununurra about a fortnight ago to brief contractors up there about the forthcoming round that is coming up in terms of building employment. We have specific targets around preference for Indigenous-owned companies. We have a very strong commitment in this area.

**Hon PETER KATSAMBANIS:** Do you have any targets around the Indigenous contracting? You have them under employment.

**Mr Searle:** Under employment we have clear targets. We have preferential arrangements for companies that have at least 50 per cent Indigenous. They get advantages as part of the evaluation process. If the member is interested, under "Aboriginal employment outcomes" under NPARIH, over 200 people were employed as part of the NPARIH agreement last year, of which there were 21 Aboriginal apprentices, 14 trainees, 24 Aboriginal tradespeople, including electricians, plumbers, carpenters et cetera, and 150-odd unskilled workers. There was a significant amount of Indigenous employment and it is something that we believe is part of a broader solution to the challenges in the north west.

**Hon PETER KATSAMBANIS:** Do you have any details around the contracting, around the Indigenous employers or companies?

**Mr Searle:** We do and we can get it and are happy to provide it.

**Hon PETER KATSAMBANIS:** I am glad to hear that those sessions in the north west went ahead in relation to briefing Indigenous corporations about the ability to access the program. I think there was a little concern. They simply did not know where to start and they were missing out on

---

opportunities because they simply did not know. That is not your fault but I am glad you have made it available.

**Mr Searle:** There are a number of Indigenous companies and companies that have Indigenous ownership embedded within the program.

**The CHAIR:** Is there any supplementary information you want out of that?

**Hon PETER KATSAMBANIS:** Just the level of Indigenous employment and Indigenous contractors.

*[Supplementary Information No A9.]*

**Hon ALANNA CLOHESY:** I refer to the maintenance program. I was wondering if there are any subcontractors who are still waiting to be paid beyond the 30-day payment period.

**Mr Parry:** No, there is not. I had a conversation with one subcontractor last week who made some comment about not having a payment within the 30-day period. I spoke to the general manager of the head contractor involved and the payment was made almost immediately. It was a contractual dispute more than anything else. There are no complaints outstanding that I am aware of where subcontractors have not been paid.

[4.10 pm]

**Hon ALANNA CLOHESY:** And that has been since when?

**Mr Parry:** There was an issue around three months ago where there were claims that subcontractors had not been paid. It was immediately following lower house estimates. The director general wrote directly to one of the head contractors and payments were made immediately.

**Hon ALANNA CLOHESY:** Okay, and contractors are aware of the process that they could take up when they are in dispute with Transfield about —

**Mr Parry:** Yes.

**Hon ALANNA CLOHESY:** Have you got an idea of how many times Transfield have been in breach of their KPIs under the maintenance program over the last year?

**Mr Parry:** In breach or not achieving? If not achieving KPIs —

**Hon ALANNA CLOHESY:** It depends on the way you look at it, I guess.

**Mr Parry:** I have a fairly detailed spreadsheet that I am prepared to provide on notice, if you like. I have it here, rather than read through them all —

**Hon ALANNA CLOHESY:** Yes, as supplementary would be fine. That would be absolutely fine.

**Hon MARTIN ALDRIDGE:** If you have got it here, you could table it.

**Mr Parry:** Table it? I will do that.

**Hon ALANNA CLOHESY:** Okay, so table that one.

**The CHAIR:** Take that.

**Hon ALANNA CLOHESY:** What sort of penalties have been applied in relation to those breaches?

**Mr Parry:** Give me a moment, I will get there.

**Mr Searle:** We might take that on notice.

**Mr Parry:** We will take it on notice—there is something on the back.

*[Supplementary Information No A10.]*

**Hon ALANNA CLOHESY:** Does this mysterious table that has information on it that we should not see —

---

**Mr Parry:** No, you can see it.

**Mr Searle:** You can see it, it is just that we are not sure what is on the back of it without looking at it!

**Hon ALANNA CLOHESY:** Does that include the penalties that have been applied in each of those breaches?

**Mr Parry:** It does not, but I have those numbers if I can just find them. In terms of breaches of KPI penalties, we have recovered \$645 362.

**Mr Searle:** Last financial year.

**Mr Parry:** In 2012–13.

**The CHAIR:** And you are giving us the number of actual penalties that relates to what is in that tabled document.

**Mr Parry:** We can do, yes.

**Hon ALANNA CLOHESY:** Actual breaches, yes.

**The CHAIR:** My final question is: from memory, you now retain earnings from the Keystart loan business and some of that is used to fund the operations of the department. How much did you receive in the 2012–13 financial year from that funding source? How much do you expect to receive in the 2013–14 financial year?

**Mr O'Mara:** I will just find that for you.

**The CHAIR:** Whilst you are looking it up, I am also keen to know how much of Keystart surpluses are retained for your prudential requirements. As a percentage of the total surplus, how much are you taking into income and how much are you retaining just for prudential requirements?

**Mr Searle:** In round numbers, while we are looking for the right numbers, there is about \$200 million in the prudential accounts kept by Keystart.

**The CHAIR:** On an annual basis —

**Mr Searle:** On an ongoing basis, they keep about —

**The CHAIR:** Yes, so on an annual basis, of the surplus funds that are generated out of Keystart, how much is retained for those prudential requirements and how much becomes income to the agency?

**Mr Searle:** If I can put this into context, the Keystart book in the immediate post–GFC period grew dramatically; it went from about \$1.5 billion to about \$3.5 billion very quickly. During that period —

**Hon ALANNA CLOHESY:** Because of the first home ownership?

**Mr Searle:** Basically, it was a policy decision based on the fact that no-one else was lending money, so it was deemed as appropriate to change the Keystart criteria to actually enable money to flow and the building industry to survive, quite literally, during that period. Because of that rapid growth, Keystart had to put aside a significant amount of its profits in order to create a prudential fund. So, we took very little money out of Keystart during that period because they basically put all of their profit into that framework. My understanding now is that last financial year, 2012–13, we took about \$56 million as a dividend out of Keystart and I think that is out of a profit of about \$80 million roughly.

**The CHAIR:** Did you have the exact figures, Mr O'Mara?

**Mr O'Mara:** We took \$56 million.

**The CHAIR:** Is that in the annual report somewhere?

---

**Mr O'Mara:** Yes; on page 123 in note 10 under "Other gains".

**The CHAIR:** So that is that dividend figure there?

**Mr O'Mara:** Yes.

**The CHAIR:** So what is the \$45 million?

**Mr O'Mara:** That was the previous year.

**The CHAIR:** And the total dividend, the total surplus generated by Keystart, where would I find that figure?

**Mr Searle:** I doubt that it is within there.

**Mr O'Mara:** This is a consolidated version of it, so you do not see Keystart in its fullness in these statements, because we eliminate all the transactions, so it is a little bit hard to give you the total Keystart by itself.

**The CHAIR:** But the total, was that \$80 million?

**Mr Searle:** My guess is it was around \$80 million, but it is in that vicinity anyway.

**The CHAIR:** Is that something you could take on notice for us?

**Mr Searle:** Happy to.

*[Supplementary Information No A11.]*

**The CHAIR:** So, effectively, is there a dividend policy of 65 per cent being retained?

**Mr Searle:** No.

**The CHAIR:** How does the figure of \$56 million —

**Mr Searle:** It is done by negotiation between the department and Keystart. The department agreed to forgo dividends for about two and a half years or three years in order to build that bank up. Now that it has got to a more appropriate level, we are now starting to make more of the historical level of dividends.

**The CHAIR:** But prior to the GFC there was not a dividend; you just kept your interest rates lower so you did not make as much profit, did you not?

**Mr Searle:** We have historically taken a dividend out of the company.

**The CHAIR:** How much?

**Mr Searle:** Not of this size, but the loan book is a lot bigger now, so the profit is a lot bigger now. Historically, the dividends —

**The CHAIR:** But also your interest rates are higher than they were in those days as well because you changed to the average of the big four.

**Mr Searle:** That is true.

**Mr Whyte:** If I could, there is still a large portion of the loan book that Keystart has that is under the old arrangement. All new loans, from about two years ago, are on the average of the four banks. There has always been a surplus generated through Keystart, whether that surplus has been applied for its prudential requirements as the book grew or whether it has been taken by the authority as a dividend. Where it is taken as a dividend or a surplus, it is reported in the annual report.

**The CHAIR:** How much of your Keystart loan book then is the old loans? My understanding is that you are expected to turn them over after two to three years, so they are not long-term loans. They generally —

---



**Mr Searle:** The Chairman is absolutely right; historically, that was the way it worked. Again, the GFC turned all of that on its head for a considerable period of time and we are only just now starting to see discharges of mortgages kick up as banks get back into residential mortgage lending.

**Mr Whyte:** There tends to be two or three reasons why people move on to a bank. The first is that, obviously, they have a good credit history, so after two or three years then the bank will want to pick them up. The second is that the banks themselves are interested in the people, so they are gradually beginning to be interested. The third is the value of the property. When property prices tend to stay flat or go down, especially for newer properties in newer areas, the banks are not that interested in taking them on. So, what we tend to find is that five to 10-year period where people have a really good credit history, their incomes tend to increase and the value of the property starts to increase, then the banks start to get interested in taking them.

**The CHAIR:** Can I just get you to then—I am happy for this to be on notice—in terms of the Keystart loan book, the different categories of loan? So, the old ones and the new ones. How many there are each in category and what the total value of those are and what the interest rate—I mean, if there are only two categories, that is fine, but if there is more, because there are more historical variations going back, so the different types of loans that you have and the interest rates and the number in each category and the value of them. Is that something you are able to take on notice?

**Mr Searle:** I am certainly happy to take it on notice. The actual interest rates, the current interest rates: if the loan was after 16 October, it is 5.86 per cent; if it was prior to 16 October, it is 5.08 per cent.

[4.20 pm]

**The CHAIR:** Sorry, can you do that again?

**Mr Searle:** Prior to 16 October 2009, it was 5.08 per cent. From that date subsequently it is 5.86 per cent. So, the loans made prior to the change have continued to be grandfathered.

**The CHAIR:** All right. And they change as the —

**Mr Searle:** As rates go up, their rate goes up, but it stays at the discount that they had at the time.

**The CHAIR:** 5.08 per cent is a healthy margin on a reasonable loan book. Most banks would be keen to get that too. I think most of them are these days.

**Mr Searle:** A few of them have made inquiries about potentially buying some of the book.

**The CHAIR:** If I could make the Keystart loan book A12.

[*Supplementary Information No A12.*].

**The CHAIR:** So A11 goes back to that earlier matter. I thought I gave A11 to the operating surpluses and services regarding Keystart. If there are no other questions from members I will bring the hearing to a conclusion.

The committee will forward any additional questions it has for you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit them to the committee clerk at the close of the hearing. I expect there will be a few of those. On behalf of the committee, thank you for your attendance today. You have been informative as always.

**Hearing concluded at 4.21 pm**

---