

**COMMUNITY DEVELOPMENT AND JUSTICE  
STANDING COMMITTEE**

**INQUIRY INTO THE ADEQUACY AND FUTURE DIRECTIONS OF  
SOCIAL HOUSING IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 23 MARCH 2011**

**Members**

**Mr A.P. O’Gorman (Chairman)  
Mr A.P. Jacob (Deputy Chairman)  
Ms M.M. Quirk  
Mr I.M. Britza  
Mr T.G. Stephens**

---

**Hearing commenced at 9.57 am****HOLT, MR ROSS****Chief Executive Officer, LandCorp, examined:****FIJAC, MRS KERRY****General Manager Business Development and Marketing, LandCorp, examined:**

**The CHAIRMAN:** Thank you for coming in. I will introduce the committee and then read what I am required to read before getting straight into the questions. You know most of us, Ross. Tom Stephens is the member for Pilbara. The vacant seat next to him is for Ian Britza, the member for Morley. Ian will be here shortly. He has just called to say that he is running a bit late. Margaret Quirk is the member for Girrawheen, Albert Jacob is the member for Ocean Reef and the Deputy Chair of the committee, and I am Tony O’Gorman, the Chair of the committee. Dr Brian Gordon is our principal research officer and Jovita Hogan is our research officer. Hansard is here as well. Thank you for coming in this morning. This committee hearing is a proceeding of Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed a “Details of Witness” form?

**The Witnesses:** Yes.

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

**The Witnesses:** Yes.

**The CHAIRMAN:** Did you receive an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

**The Witnesses:** Yes.

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

**The Witnesses:** No.

**The CHAIRMAN:** Before we start, you have got our terms of reference. Would you like to make an opening statement before we get into things?

**Mr Holt:** I am happy to respond to your questions.

**The CHAIRMAN:** LandCorp’s commitment to affordability, as described by Garry Fisher, who is LandCorp’s sustainability manager, is that LandCorp is to be an integral part of intergovernmental efforts to deliver affordable communities to meet the current and future needs of Western Australians in respect of affordable housing and affordable living. Can you tell us what your definition of “affordable housing” and “affordable living” is that LandCorp uses?

**Mr Holt:** In terms of affordable housing, we pick up on the same definition that applies to the Department of Housing and the draft affordability strategy relating to a proportion of median property values and income. In terms of LandCorp’s role, if we move into that area, LandCorp very much sees itself as part of the apparatus of government. As the primary government development agency, we have a very substantial role to play in contributing to affordable housing outcomes. In terms of affordable living, we think that is probably a more important consideration because it has regard to the total cost of where people live, as opposed to just putting people in cheap houses on

---

the fringe but without access to services and amenities and maybe requiring prohibitive transport costs. We are trying to future-proof to a degree in thinking about the broader affordable living opportunities.

**The CHAIRMAN:** Previously the committee has heard evidence and been given briefings regarding one of the biggest issues around affordability of housing being the cost of the land; that is, the cost of land has consistently gone up in the past few years and that the actual cost of building on that land has not necessarily gone up in the same proportion. Could you give us an estimate or ballpark figure of how much it costs to develop a block of land in the metropolitan area and regional areas?

**Mrs Fijac:** That definitely varies depending on what is required for each development. There are a lot of variables, including the cost of the build and those sorts of things. It generally costs more to develop in regional areas, although the acquisition price of the en globo land might be smaller, there is a higher mobilisation cost for contractors, which is obviously an element. In terms of the cost of housing not changing, there is probably a converse argument in regional areas. The cost of land is relatively low compared with the cost of construction. It could cost \$500 000 or \$600 000 to construct a fairly average dwelling in the north west of the state. That is a generalisation. In the metropolitan area, there definitely has been an enormous increase in the cost of land over time. It is difficult as a government agency for LandCorp to have a great influence over that as we have only two or three per cent of the market in the metropolitan area, whereas the Department of Housing probably has 10 or 15 per cent and can have more of an influence on the cost and supply of land. Our influence on that is limited. Where we choose to position ourselves in the metropolitan area is in areas of demonstration. For example, for our Revolution Road development in Seville Grove we tried to demonstrate alternative types of construction and materials that may be more cost effective for consumers and we hope to lead the market in terms of what can be done to achieve a cheaper price for construction.

**The CHAIRMAN:** Do you have a ballpark figure? What is an affordable block to sell? What would you term as an affordable amount of money to pay for a block that you are selling to the community? I know that the regional areas are quite different. If we could have a bit of an idea about price.

**Mrs Fijac:** The median price in the Perth metropolitan area in 2009–10 was \$178 000. We consider that reasonably affordable. The REIWA published median price was \$275 000, so we are well below the median. The UDIA published average price was \$245 000 and our average price was \$238 000, so it is also below that. We think we are hitting the price point quite well. As I said, our influence is limited given our share of the market in the metropolitan area.

**Mr A.P. JACOB:** It is \$178 000?

**Mrs Fijac:** Yes, that was our median price in 2009–10 in the metropolitan area.

**The CHAIRMAN:** And in the regional areas?

**Mr Holt:** It varies quite dramatically. It can be \$10 000 in a lot of smaller country locations. We have about 500 or 600 lots available in a multiplicity of small regional centres. In Broome and Broome North we have land from \$130 000 per lot. Equally, you have to look at the combined cost for a house and land package. For Evermore, which is a joint venture with the Satterley Property Group, we are looking at a number of dwellings that fall into the price range of —

**The CHAIRMAN:** Can you tell us where Evermore is?

**Mr Holt:** That is in Baldivis.

**Mrs Fijac:** They range between \$254 000 and \$356 000, depending on the size of the property.

**The CHAIRMAN:** Is that a house and land package?

---

**Mr Holt:** We have a commitment to provide a certain percentage of affordable housing at Evermore, and that falls within the element of the overall product offering.

**Ms M.M. QUIRK:** When you say you have a commitment, is that just a general policy setting?

**Mr Holt:** Yes.

**Ms M.M. QUIRK:** The government has not set you a quota?

**Mr Holt:** No. It varies from development to development. If you look at Minim Cove in Mosman Park, there is nothing. You go for the jugular there, financially. Basically, you take from the rich, if you like, whereas at Evermore we would say that we should look at providing 20 per cent affordable housing. We set that target ourselves at the outset. That informs the way we undertake our development, and our partner understands that. In Broome North it is informed through discussions with local government. They wanted Broome North to be more affordable. Their concern was that Broome is generally unaffordable. That was geared in the order of 20 or 30 per cent on the affordable side.

**Ms M.M. QUIRK:** Is it your experience that local governments are increasingly putting in the context of the approvals something in terms of a percentage of affordable housing, or is it more informal at this stage?

**Mr Holt:** It is more the case that they would like a certain amount, but it is not mandated.

**Mrs Fijac:** I think our experience varies. It is certainly strong in the Broome North development.

**Ms M.M. QUIRK:** You mentioned earlier to the Chair that your definition of affordable housing was what is in the draft affordable housing strategy. Have you had any indication of when that is likely to be released, and what are the key elements of the affordable housing strategy that you rely on?

**Mrs Fijac:** We have met with the Department of Housing several times on it. It was imminent, as of the last meeting, I think.

**Mr Holt:** It would be something for the Minister for Housing and cabinet —

**Ms M.M. QUIRK:** But given that you have given evidence that you are currently acting on the intent of it, I need to find out what that is to understand how you are currently operating.

**Mr Holt:** It is more about the overall sentiment that we need to be addressing affordability and fronting it. That is something that LandCorp sees as part of its mandate, but it is not prescriptive. There is an intention that there should be a minimum affordable component built into all government developments. Our view would be to question why we should restrict it to government only because government is less than 20 per cent of the overall market in the metropolitan area. If only government is bound by affordability requirements, it will not be anything other than probably tokenistic.

**Mrs Fijac:** I think that the main plank of that is a 15 per cent affordable housing target within the state housing strategy. LandCorp believes that it has hit that target already.

**Ms M.M. QUIRK:** Is it your experience that when you have a mixture of developments—public housing, affordable housing and some more up-market housing—that that in any way deters people from going into more expensive properties in the development?

**Mr Holt:** Yes.

**Ms M.M. QUIRK:** What do you think needs to be done in that regard?

**Mr Holt:** Part of it is educative. Most of us grew up in communities that were like that and somehow we survived. I think that is what a community is about rather than having enclaves of the well-off and less well-off. It is about providing diversity, and that can be done through different

---

forms of product. Not all the houses need to look the same but some are affordable and some are not. There are different ways of achieving social affordable outcomes.

**Ms M.M. QUIRK:** I have two more questions that have arisen from the evidence that you have given so far. You have talked a bit about building costs. No-one seems to be able to tell us why it is more expensive to build multistorey developments. The reason has been proffered that you get into occupational health and safety and those sorts of requirements. What is your experience of why that is occurring?

**Mr Holt:** I think partly it reflects the skill mix in Western Australia. The fact is that we have skills that are very suited to building detached housing and we do that probably more competitively than any other part of Australia. When it comes to higher density and high rise buildings, we do not have the skills in the same abundance. The resources sector I think competes for a lot of that skills base. You get additional things like the fire regulations et cetera that add cost overloads.

**Ms M.M. QUIRK:** Presumably there are those sorts of regulations in other jurisdictions. This is why we are floundering a bit when trying to find out what the differential is.

**Mr Holt:** We have too. It is a real conundrum. How do we fix it? Do we bring in eastern states' developers with their teams? That is one of the strategies that we are looking at because, increasingly, LandCorp and the government will be doing activity centre development around rail stations and other areas where you want much higher densities. We need to make it affordable: why would you pay two or three times as much for something that is half the size?

**Ms M.M. QUIRK:** Are there any areas of demographic information that you are missing that you think you would like for your planning? Have you found that if you had more complete information in certain areas you might be able to better plan developments or determine what the demand would be in five or 10 years, for example?

**Mrs Fijac:** I do not think there is anything more we need on that.

**Ms M.M. QUIRK:** Would you rely on the ABS figures and the UDIA for information?

**Mrs Fijac:** In terms of local developments, we conduct our own research. When planning a development in a particular area, we do our own research on the demographics of that area as to what sort of development is desirable and needed by the community. We do that on top of the more generally available ABS information.

**Ms M.M. QUIRK:** The fact that you have to do your own research suggests there is information missing. What does that research tend to be focused on?

**Mrs Fijac:** It is more localised about the product that is required in the area. It is pretty hard to have that available universally, so that is why we focus our own research on that area.

**Mr T.G. STEPHENS:** In reference to Broome North—we will be in Broome next week—that land that you are developing, as part of the native title settlements, are there TO blocks inside Broome North, or is that entirely a LandCorp development?

**Mr Holt:** About 700 hectares has been cleared of native title; it is all crown land. As part of the native title settlement, the Yawuru also gained access to other land. They have extensive landholdings. I think it is in the order of 1 600 hectares.

**Mr T.G. STEPHENS:** But nothing inside your development?

**Mr Holt:** No. But in terms of the social affordable —

**Mrs Fijac:** There is at least 20 per cent in the first stage.

**Mr Holt:** Presumably the Yawuru and others would be amongst the demographic that would be looking at being housed there.

---

**Mr T.G. STEPHENS:** I want to now try to summarise two accusations that are regularly raised about LandCorp's role in land development and land that is released to the community. I think it goes this way, as best as I can say it: you use your role as the land developer for government to go slow with land development in order to keep the market price of land elevated because of your view of your obligation to get a good hurdle of return on your engagement and land development. Is it ever the case that LandCorp goes slow on land developments, or does not advance land developments, because you do not see a sufficient achievement of your investment hurdles?

[10.13 am]

**Mr Holt:** The only examples would be Minim Cove or Perry Lakes, where it is not all about land supply. If you put more land out, all you will potentially do is either have land sitting there unsold or you will depress the price. For those premium developments, you are trying to get maximum return. They are a rarity. We never take that approach of restricting supply in order to maximise or maintain prices. It is part of the mythology.

**Mrs Fijac:** As a relative newcomer to LandCorp, I would not mind making a comment on that basis because my background is in housing. There is a pretty wide perception out there in the community that LandCorp is about maximising profit. There is a big difference between maximising profit and achieving a hurdle rate of return as prescribed by our act. I think people get confused about the two. I am surprised, based on my experience with LandCorp. It is definitely not about profit maximisation, particularly in the areas in which we are active and have the only source of land supply, such as in Karratha. My experience is that we are pushing ahead as quickly and as much as possible to get the land out. I have not seen any evidence of that trickle, which is what you are referring to.

**Mr T.G. STEPHENS:** The other accusation is that if the community could get LandCorp out of the way and government would release land to private developers, the land release would flow more rapidly, more freely and more economically and affordably. What is the reply to that?

**Mr Holt:** I think life is more complex than that. As a minimum, there is an expectation from the private development industry, or those who would make the claim, that government should undertake all the de-risking. Government should not just release crown land and leave private developers to sort out native title, Aboriginal heritage and all the environmental and planning process approvals. They would like government to do all that, get it development ready and then super lot it out to the private development industry.

**Mr T.G. STEPHENS:** We often say "socialise the losses and capitalise the profits".

**Mr Holt:** That might be a legitimate role for government. Maybe the LandCorps of the future should be much more about de-risking and then handing over to private developers. That is the intent in places such as Karratha and Hedland—to normalise the market and bring in private developers. In Karratha, about half a dozen private developers have been brought in on that basis. In Port Hedland, we put some land out that required resolution of Aboriginal heritage. Through a competitive process, the Satterley–Leighton consortium picked it up and found that it could not progress it, so it handed it back. The argument is that in handing it over to a private developer—maybe, with the benefit of hindsight, too early—it has stymied land development in Port Hedland. If government had got on and done it, there would now be an improved land supply in Port Hedland. There is no right and wrong; it is a judgement call.

**Ms M.M. QUIRK:** You made the point earlier about affordable living as opposed to affordable housing. Is that not always the risk? If you are looking at that broader issue of transport, being close to schools et cetera, the developers are less concerned with that aspect.

**Mr Holt:** Although you could argue that the planning system should take care of that. If developers are developers—that is what they should be focusing on—another part of government should be saying, "This is where we develop and this is why we will develop there, because there are jobs,

transport and amenities.” It should not be open slather and you can develop wherever you like. That is another part of government.

**Mr A.P. JACOB:** I go back to Tony’s original question in which he referred to Garry Fisher’s comments that LandCorp is an integral part of intergovernmental efforts. In what way do you liaise with other departments and other agencies? In what way do you leverage off being a government organisation to that advantage of not just yourselves but the whole of government as opposed to a private developer trying to leverage off that?

**Mr Holt:** We are a developer but we do not say that unless the land is there and it is all de-constrained, we will not be able to develop. We think up and downstream, if you like. It is easier to think in a regional context because they are quite self-contained. If there is an ambition to grow Karratha, in the absence of any planning, we stepped in and said, “How do we get planning in place that will support the growth of Karratha?” We took a lead but we brought the council and the Department of Planning with us. Even though we led that process, it was not LandCorp telling everyone how to do it. It was LandCorp facilitating—bringing all the players together and getting that planning in place. Similarly, we are working with the infrastructure agencies and the Pilbara Cities office about trying to move them into the primary space of looking at how we get greater economic diversity and how we deepen and broaden the economic base in the Pilbara. LandCorp is a land developer; we are not expert in that but we can act as a prompt to other parts of government. We are also part of the Infrastructure Coordinating Committee, which is a subcommittee of the Western Australian Planning Commission. Its role is to coordinate infrastructure—hard infrastructure, such as pipes, wires and roads et cetera, and soft infrastructure, such as health, education and the like. Under the Planning Commission, it should be the funnel and making sure that there is a joined up approach across all the government agencies to achieve the outcomes that have been identified. We are only a part of that overall machine, even though people might think that at times we are all of the machine.

**The CHAIRMAN:** Ross, you made a submission to the national broadband network and referred to the cost recovery model. In your submission you said that the cost recovery model that should be adopted is one that sees the user pay over the useable life of the infrastructure. Should this principle be extended to other forms of infrastructure? We have had information from a home builder that previously when homes were built and land was released, the cost of that infrastructure was amortised over a long period. Nowadays we seem to pay all that infrastructure cost up-front. You said that should be amortised over a long period. Should other infrastructure be done the same way?

**Mr Holt:** It raises all sorts of intergenerational equity issues. Currently with infrastructure, it is a mix and it is a question of whether the balance is right in the upfront costs compared with the amount that is collected through charging over the life of the asset. Arguably, that is why you have an ERA and treasuries to adjudicate on that sort of question. It also gets back to what is affordable. Again, can the state afford to fund things up-front and then look to recover the costs over 20, 30 or 40 years? The state probably has a limited capacity in that regard as well.

**Mrs Fijac:** The argument with the NBN has moved on a bit. When we made our original submission, I think the contention was that developers would pay the full cost of the communications infrastructure, and that was heading up to about \$5 000 per lot. Since then the government has decided that developers only have to pay for pit and pipe, which is about \$900 per lot. The argument is not as difficult as it once was. Nonetheless, I guess the issue with the NBN is that it is a new cost as opposed to other infrastructure costs that are part of the system. It is always an easier argument that the user pays over the life. This would be a new and additional cost that would be absolutely passed on to consumers. Our argument was that we needed a model for amortising that cost if we are not to keep increasing the price of the land.

**Mr Holt:** The other thing is that there seems to be a tendency that everyone wants everything day one. If you develop a new subdivision, the community infrastructure needs to be there day one.

---

There is not really a recognition of who pays for that. Going back to when I grew up, I grew up in an area that did not have much of a road and then gradually things came. But now the expectations are far different; it should all be there day one or people feel really aggrieved. That comes at a cost. In Broome North, for example, the local government community infrastructure is in the order of \$11 000 per lot. That is what the Shire of Broome is saying. That \$11 000 has to have an impact on development costs, on what you can sell land for and affordability. Whereas if you said, "We'll settle for \$2 000 and accept that some things will not be there day one but they might be there in year five or year 10", yes, there is a drop in amenity but there is a benefit to affordability in the absence of some form of other subsidy.

**Ms M.M. QUIRK:** Does that make the development of infill sites more attractive than greenfields sites in terms of developing affordable housing?

**Mr Holt:** Not really because the argument back from local government—Broome is an example—is that the \$50 million or \$11 000 a lot for Broome North all relates to external infrastructure. The expansion of Broome will have all these impacts on existing Broome, whether it is roads and intersections or community facilities. There will be more traffic and more demand, and that is before you even look at the internal community infrastructure. I think infill can be exactly the same. For example, if a library caters for 5 000 people and suddenly there are 10 000 people, the library will not be adequate and therefore the expectation is that the library will be enhanced.

**The CHAIRMAN:** Now that we have talked about infill, I think we asked you yesterday about creating a high school site. We would like to get it on the record. Can you tell us the process from when you took it over? Prior to you taking it over, the education department was involved. We will probably have to ask the education department why it takes so long for it to hand over a piece of land to LandCorp. That is valuable land. It is an area with lots of infrastructure and an area that lots of people want to live. Can you just take us through the Carine high school site?

**Mr Holt:** We have a chronology that we can hand over. I will do a quick walkthrough. Craigie High School closed in December 2003. In 2004–05 there was a demolition of the facilities in a couple of stages. In 2007 LandCorp was brought into it. We then went out through a partnering proposition. As I said yesterday, LandCorp does not see a need to apply its scarce resources—people resources—to the Craigies necessarily. We would like to access the capacity of a private development partner so they can use their arms and legs and smarts to undertake all of the planning and development. We are there as an influencer and we are part of a joint venture committee, but we are maybe putting 20 per cent of the resources in—people resources—that we would otherwise have to if we were doing it alone. We went out for a partner and that partner was Stockland. It was appointed in 2008. In 2009 that triggered the MRS and TPS amendment process, taking it from public purpose to urban. In 2010 the community consultation process commenced. The structure plan was lodged in August last year.

**Ms M.M. QUIRK:** What does the community consultation process involve?

**Mr Holt:** It is an on-site engagement. It is trying to get from the community their expectations of the site.

**Ms M.M. QUIRK:** I understand what you want the outcomes to be. I want to know the mechanics of the process.

**Mrs Fijac:** What form the consultation took? The approach varies with each project, and I do not have the details.

**Mr Holt:** We have the standard model of what our consultation process should be but, if you like, we can come back with specifics about what happened at Craigie.

**Ms M.M. QUIRK:** I am interested in other sites. I might ask about that later.

---



**The CHAIRMAN:** My recollection of Craigie is that it was one or two days on site. It was very quick. We are into the structure plan now. I think the structure plan consultation finished on 3 March. We are waiting for the next stage now.

**Mr Holt:** That is right. There are lots of public input opportunities, particularly through the statutory planning process with local government and then with the WA Planning Commission. The upfront consultation is meant to inform that. Hopefully, you do not get too many surprises. When you lodge a structure plan, hopefully, you do not get a barrage of submissions from people saying, “What are you doing?” We seem to be having that experience in Carine with the Carine TAFE. You might have observed that.

**The CHAIRMAN:** I refer to the cost of the sites—the blocks that will come up in Craigie. Do they fall into your terms of affordability? Craigie is one of those very affordable areas. It has been there for 30 to 35 years now and the expectation is that it should still be an affordable area. It is ideally situated. It is close to the coast, it has public transport, it has a public swimming pool and the local government has a large facility there. Are those blocks going to be super expensive? Are they termed affordable?

[10.30 am]

**Mr Holt:** The market will be the market; but a 20 per cent social housing component has been determined to go in there. I go back to Alannah MacTiernan’s comments when we were doing Champion Lakes in Armadale. She said Armadale needed some unaffordable land, that there was plenty of affordable land in Armadale, but as people moved through their lives and wanted something better, they had to move out of Armadale. She wanted diversity of opportunity so Champion Lakes was meant to provide some of that opportunity—to stay within the region; to have a better, less affordable outcome, if you like, but addressing that diversity issue. In Craigie we see diversity as the key—different sorts of housing product that will accommodate different ambitions. People in the area generally are the people who would buy into these sorts of infill opportunities. They might, in fact, want something better than what they are moving from. It will not be a walled enclave for the better-off. It needs to be a seamless part of the Craigie community. But it will obviously be a new development; new housing product; different housing product, so you would expect there to be a bit of an uplift. Probably no-one will say to LandCorp, “You’ve done a great job; you’ve gone and sold land at less than market value, so the people who are lucky enough to buy it have got a windfall gain at the cost to the taxpayer.” The final land prices will be determined through the real estate agents and valuation process. What that will be I cannot say at the moment.

**The CHAIRMAN:** I have high expectations for Craigie.

**Mr A.P. JACOB:** Before we move on from Craigie, because some more of those will be coming up in the area, one of the big community frustrations—moving away from the affordable housing issue a little bit—is the amount of time a block sits vacant. I do not know how familiar you are with the area, but Padbury Senior High School is to be vacated at the end of this year. My electorate has a range of vacant lots that the Department of Education has never used, and they are coming up to the end of their life. Have you done things within LandCorp to highlight ways you can streamline that process a bit for future lots when they become available from the Department of Education specifically?

**Mr Holt:** We have no interest in delaying things. We are a development agency; we want to get on and do things. Generally, the longer things take, the more resources and time they eat up, without necessarily getting a better outcome. Our interest is in expediting processes, running things in parallel to the extent we can. As I keep saying, we are only one cog in the overall machine. We have an influence, but we do not have control. The sites are, in effect, owned by Education, even though they are government sites. They are not owned by LandCorp. We are trying to continue to build the relationship with Education officers so that we can get a more streamlined outcome.

---

**Ms M.M. QUIRK:** This seems to be generally the situation with school sites. Transfer needs to be done in a much quicker time I think because then you get an issue about who is responsible for that block in the meantime.

**Mr Holt:** At the same time I think Education wants to take the benefit of any uplift in value, because they use the proceeds from those sites to fund their capital works programs.

**Ms M.M. QUIRK:** But you can offset that with the opportunity costs of them hanging onto an asset that is not doing anything for five or six years.

**Mr Holt:** Or in recent years it may be appreciating.

**Mrs Fijac:** From a whole-of-government aspect, you are absolutely right, but from an individual agency perspective who use those funds to fund their ongoing capital works, I guess it is in their interest to retain that asset to maximise the value.

**Ms M.M. QUIRK:** I think probably, with the market, it would have been better if they had managed to get rid of them two years ago.

**Mr A.P. JACOB:** Two years ago, you probably would have got it at a premium.

**Mr Holt:** But in the years before that the lesson probably was to hang on to it as long as you could.

**The CHAIRMAN:** The eight to 10 hectare sites within the metro region that are coming up for redevelopment—I know it is private developers and private individuals who have held their blocks vacant for many years—are old education department assets; government assets. Should it be the case that government takes control and says to the department, “That’s not your asset; it’s a government asset and part of the government’s job is to provide affordable housing.” Kerry is laughing.

**Ms M.M. QUIRK:** Does that mean you agree, Kerry?

**Mr Holt:** We would be in fierce agreement. If it is owned by government; it is owned by government, not Education, PTA, LandCorp or whoever. That is an asset that needs to be used by government to achieve government outcomes. We would be all for that sort of proposition.

**Ms M.M. QUIRK:** That is a segue from what we were talking about. I hate to be parochial but I am puzzled by this example. I have two former school sites in my electorate. One is apparently—I say “apparently” because I have no formal advice about this—being developed by the Department of Housing and another, which is a kilometre away, is being developed as I understand it by LandCorp. I cannot understand why one is going to Housing and one is going to LandCorp. You presumably looked at both sites and decided on one and not the other. You must be offered more land than not. I am trying to work out under what criteria you say, “We’ll take that block or we won’t take that block.”

**Mr Holt:** There is a thing called the property asset clearing house—PACH—and agencies are meant to, essentially, throw any surplus property assets into that, and PACH works out where they should go: should they be sold or go to LandCorp or Housing? We live in a democracy, so while we have multiple development agencies, they each want a share of the action.

**Mrs Fijac:** We would be notified that they were coming to PACH, so we would put up a business case or an expression of interest—in this particular case, we expressed interest in both the sites—and PACH would make a decision based on the business case as to who the sites are allocated to.

**Ms M.M. QUIRK:** Where is PACH based?

**Mr Holt:** Treasury.

**Ms M.M. QUIRK:** You have probably answered all our questions one way or another! It is not your choice to cherry pick that site. You may well have bid for both and only got one. What criteria does Treasury use, do you know, or is that the \$64 000 question?

---

**Mr Holt:** It should be on the basis of a business case. If we put up a business case that says that these are the outcomes that we seek to deliver there and this is maybe what we would indicatively be prepared to pay for the site, maybe Housing put up a better proposition and that is why it picked up one. I do not know.

**Mrs Fijac:** It may be that they were both reasonable business cases and PACH decided to give us one each. That may well be the basis of the decision as well.

**Mr A.P. JACOB:** Is affordability on the radar of PACH or does it have other considerations entirely?

**Mrs Fijac:** I do not know what they discuss.

**Mr Holt:** I do not think PACH is about going for the maximum dollar. It is about using surplus government assets to achieve government objectives.

**Mrs Fijac:** It would certainly form part of our business case.

**Ms M.M. QUIRK:** Affordability is only one objective I take it; there must be other objectives?

**Mr Holt:** For any site?

**Ms M.M. QUIRK:** Yes.

**Mr Holt:** It would be the broadest sustainability agenda. In some places affordability might be the key need. In Armadale affordability may not feature. It may be other objectives such as housing diversity, a different product, the demonstration of environmental or green technology. It is whatever is appropriate to that context.

**Ms M.M. QUIRK:** Who is on this committee, do we know?

**Mrs Fijac:** We are represented on the committee with the Department of Regional Development and Lands and the Department of Housing and it is chaired by the Department of Treasury and Finance. There are other members but I do not have the full membership.

**Ms M.M. QUIRK:** Presumably there will be tied votes on things. Does Treasury have the casting vote or does it tend to be consensus; or what tends to happen?

**Mr Holt:** I think you are plumbing the depths of our knowledge.

**Ms M.M. QUIRK:** You have representation on there.

**Mr Holt:** We can come back if that is appropriate.

**Ms M.M. QUIRK:** I am curious to know what level these officers are at as well.

**Mrs Fijac:** Ours is the general manager finance and strategy. We have the terms of reference for PACH, so they do exist. It is probably worthwhile you seeing them.

**Mr Holt:** Our key interest with PACH is to make sure all the stuff that is surplus is being identified by agencies and put through that process rather than being held onto by agencies. Even if it is underutilised as opposed to surplus, how do you get agencies to think in those terms of freeing up sites so they can be put to another government purpose? Another government agency, such as Health might need the land, so they would get first go at it and it is only disposed of if it is truly surplus to overall government need.

**Ms M.M. QUIRK:** In the case of Education, does the committee, say, go back to Education and say, "Pull your head in and free up this land," or does the Department of Education go to that committee and say, "We have a school closing at the end of the year, this land will become available."? What is the process at that level?

**Mr Holt:** It is more the latter. Agencies are required to identify as part of the annual budget process. Is anyone looking over their shoulder to say, "You need to try harder"? There is always the proposition that if people know of land that is surplus, they can be asked: what is the story?

---

**Ms M.M. QUIRK:** Can I get some information please on the Blackmore Primary School site in Girrawheen. I have had no information on that for over a year. I understand by hearsay only that LandCorp is developing that.

**Mrs Fijac:** That is right, although it is still in Education's ownership. The site, as you know, has been demolished; the town planning scheme amendment to change the area to a development zone was commenced in May 2010, and is still with the City of Wanneroo, so that is still in progress.

**Ms M.M. QUIRK:** It has been with the City of Wanneroo for a year?

**Mrs Fijac:** As far as I am aware, yes.

**Mr Holt:** We can offer a briefing if that would be useful.

**Ms M.M. QUIRK:** That would be fantastic.

**Mrs Fijac:** The local structure plan is something we can do concurrently. We will be shortly starting the local structure planning process, so there is still a huge opportunity for some input into how the site is designed and what it is for. We have had some discussions internally along the lines of what Ross was talking about before: do we want it to become more of an aspirational type of development in Girrawheen? Since Girrawheen is already characterised by a lot of affordable-type product, is there a need for aged-care in Girrawheen? I think that has been suggested by a number of people. We are trying to do a little bit of demographic work on that. There have also been suggestions in early days that it has been characterised as an NRAS site. That is also a possibility. There is quite a lot in the mix to be determined in respect of that site. We are happy to arrange a full briefing if you like.

**Ms M.M. QUIRK:** Yes, thank you.

**Mr T.G. STEPHENS:** In its 2010 annual report LandCorp is said to have a land inventory totalling \$647 million, with \$312 million MPV of land property and planned additional to that land inventory. The land component of this line item appears to be \$378 million at current market value. Do you agree with the observation that that seems to be very high? What is the nature and purposes of these properties, and could LandCorp apply these resources more effectively to other areas of its operation? Basically, I suppose, you have said that through the PACH process people keep an eye on government agencies holding onto assets. You have a lot of assets. Are you putting them to good use? Why are you hanging on to so much stuff?

**Mr Holt:** I think, of all the agencies, LandCorp has an imperative to make sure the assets and land assets are working well for us. A lot of that is the Australian marine complex—the investment in the ship building, fabrication, oil and gas sector—which is held by LandCorp. A lot of that land is leased. Similarly, a lot of industrial land is leased. We own it, so it would be in there as well. I can get a breakdown of that so that we can see how much of that is land that is available for development that is not being developed, if that would be useful.

**Mr T.G. STEPHENS:** That is the gist of it, yes.

**Mr Holt:** I think we have a balance sheet in market terms around \$3 billion. On that, we generate a profit of probably around \$100 million a year on average over a period, which is an incredibly low rate of return. If you were a private developer, you would be out of business, which, again, causes you to question whether LandCorp is all about profit and the money, so that, for me, is a pretty telling story. That \$3 billion figure I quoted does not mean you could fire sale it and get \$3 billion. But, in market-value terms, it would probably be worth in that order if you could do an orderly sale.

**Mr T.G. STEPHENS:** The other stuff we hear, in the normal course of our work but perhaps a little as committee members, is the complaints from unsuccessful applicants in ballots for land. Bateman West is one of those. It is suggested that people successful in winning the ballots have not met the criteria. I wonder what you can tell the committee about how carefully applicants are vetted

---

in that process and how rigorous are your processes to ensure that successful applicants are not in fact rorting the system of land allocated by ballot.

[10.45 am]

**Mr Holt:** The reason we run ballots is really as part of that affordability agenda. If we were about maximising return, we would run options. For example, there was an option recently in Tom Price, run by the local government, where they developed land and flogged it off through an auction process, which maximised their financial return. Equally, somewhere like Onslow, where we are looking at undertaking development, I am sure they would be very unhappy with us if we went and auctioned land in Onslow because that is a great way to do things if you wanted to ramp up prices; whereas a ballot is all aimed at modifying prices. We determine the prices upfront and then, through a ballot process, try to give a fair opportunity for everyone to participate. People register. Sometimes we require people to put down, if you like, a deposit—it might be \$5 000 to register—other times we do not. It varies depending on the circumstances. There is a requirement for people not to buy land, say, in Baynton West, if they have bought land previously in the development. We do not want people getting more than one block. We are all about making sure people have got housing. We also have a requirement that they have to build. They cannot buy a block and speculate and sell. They have to build before they sell. We also have people signing stat decs, so that has a legal connotation to it. Notwithstanding that, you get all sorts of people—their kids put in applications, companies, or partners. The pricing of land, say, in Karratha, you could argue is at the low end. For some people they see it as a bit like winning Lotto. If they pick up a LandCorp lot and build a house and sell it, they can make somewhat of a windfall gain on the way through. That is partly why there is such an interest in the ballots. Not always, but that is part of it. Kerry might be able to talk about the process.

**Mrs Fijac:** For the last release of 100 lots at Baynton West, we had levels of priority. We had first home buyers who got first preference, the second priority were owner-occupiers, and third priority were investors. People registered their interest and then were randomly assigned a number. In any event all of the lots were taken up by first home owners. As Ross said, they had to sign a stat dec to prove their bona fides. We have had issues with people maybe not taking that as seriously as one would expect or hope. I believe in that case we did some random title searches to ensure that people were not in ownership of housing as well, but that is not foolproof either. As Ross said, there are ways around it—you can get kids to buy the house and stuff like that. We do, I guess, as much as we can to ensure that the first home buyers who have first access to the lots are bona fide.

**Mr Holt:** They have to qualify for federal first home buyer assistance, so that is, if you like, another check and balance.

**Mr T.G. STEPHENS:** If there are people with complaints, can they come to LandCorp with confidence that those complaints will automatically be investigated?

**Mr Holt:** Certainly. We have had some great complaints in the past where people complain that they have missed out and missed out and missed out; then you find they have never actually put in an application! That does not stop them having a go at it.

**Mr T.G. STEPHENS:** The complaint that people have rorted or have lots that are not in compliance with the conditions —

**Mr Holt:** All we can do then is report it to the police. If they have signed a stat dec, and it is false, then it is an offence.

**Mr T.G. STEPHENS:** Do you investigate the complaint or do you refer the complaint to police?

**Mr Holt:** We investigate it to start with.

**Mrs Fijac:** To see if there is any basis, and then we refer it to police.

**Ms M.M. QUIRK:** Are you aware whether anyone has been prosecuted?

---

**Mr Holt:** No, no-one, as far as I know. But there are a lot of rumours in places like Karratha.

**Ms M.M. QUIRK:** There are conditions usually that they have to build within a certain time. Given the focus now on sustainability, environment and everything else, I think the last time I went to Karratha I was horrified to see a whole lot of new houses that were virtually painted black. I could not understand, from a sustainability perspective, how that would be a good thing. Is there any consideration of putting some conditions on about the types of dwellings that can be put on those land sites in terms of sustainability?

**Mr Holt:** There are design guidelines which are administered by council that are basically aimed at ensuring people build things which are climate responsive.

**Ms M.M. QUIRK:** Next time you go up there, have a look, just as you come in from the airport.

**Mr Holt:** There might not be anything that says you are not allowed to build a house and paint it black, for example.

**Mrs Fijac:** With a dark zincalume roof, or something.

**Mr T.G. STEPHENS:** Just because we will be in Hedland and the issue is likely to be raised with us, we might as well get your side of it: the allocation of the large group housing development that people were looking forward to as a way of tackling affordability in the community, allocated to a company called 20/20, that company has, according to the financial press, gone into administration. The financial press reports that the asset allocated to it has passed to another party without any development of that land; parties associated with FMG or the Forrest family. For the record, where is that lot up to; the lot that was previously allocated to 20/20?

**Mr Holt:** 20/20 gained access to that land through a competitive process. They had previously performed particularly well at Revolution Road, where they built, if you like, new product in record time addressing the affordability criteria that Kerry spoke about earlier. They maintain they had a capacity to do this development. They were then involved through Minderoo, which is an Andrew Forrest company. We understand there has been a change of directorship of the development entity. We have commenced a legal process to find out what that is all about. They had a requirement to commence development substantially by 17 March on the site. They have not, so we have also commenced another legal process on that score. What we will be looking to do, if the complaints are confirmed about lack of activity on the site, lack of compliance with the contract, we will be taking the site back and reoffering it to the market. That legal process, as you would appreciate, has to run its course.

**Mr T.G. STEPHENS:** It is possible for people or an entity that is allocated land to engage in legal transactions that thwart the intent of the allocation?

**Mr Holt:** No. There is that potential that they will endeavour to do that, but then what we will quickly do is initiate the legal action to challenge their ability to do that. We believe we are on very strong legal grounds.

**Mr T.G. STEPHENS:** Thanks for that.

**Mr A.P. JACOB:** Going back to affordable living, it is a very broad term but I guess it is where we are heading with the affordable housing inquiry—you guys also have substantial industrial land holdings and commercial land holdings. What sort of internal structures do you have where you work with your housing side also to plan around your industrial and commercial sites? Certainly in the northern suburbs, there is huge employment opportunity. LandCorp holds a lot of land there that could be moving forward to be in that affordable living theme, getting employment right next to where people are. Banksia Grove and the Neerabup industrial estate are prime examples.

**Mr Holt:** We treat it as one joined-up business. Even though we have an industrial division, if you like, and a metropolitan division, one bit might be responsible, say, for Alkimos, another bit for Meridian Park at Neerabup. But we say that Neerabup supports Alkimos in terms of generating

employment so that we are not just throwing people up there without job opportunities. We are also looking at the infrastructure connections, and a real concern about Neerabup being somewhat stranded in the absence of good transport infrastructure. Through the local member and through other parties —

**Mr A.P. JACOB:** Are you talking to transport as well?

**Mr Holt:** Yes; and with the minister.

**Mr A.P. JACOB:** How is that going?

**Mr Holt:** I think at the end of the day it gets back to WA being a small population state with a certain tax base, unlimited demands for infrastructure everywhere, how do you prioritise? Is it the squeakiest wheel that will attract the investment dollars?

**The CHAIRMAN:** Neerabup is certainly an issue in the northern suburbs. I understand the transport issues and the other infrastructure issues there. That is being worked along. There are other parcels of land on the market that seem to be taking an extraordinary long time to sell and be developed. One of them is The Quadrangle in Joondalup. Some of that has sold. [inaudible] they are built but nothing else has happened in that quadrangle. Is there any reason why that is still hanging around?

**Mr Holt:** That has been subject to an agonisingly slow planning process with the local authority. We thought we had agreement, then they decided no, they wanted to see a different form of development there. This is along Joondalup Drive?

**The CHAIRMAN:** Yes.

**Mr Holt:** Now they have agreed that the former development we originally proposed, or substantially the same thing, should apply. Now it will move forward. We are not the planning authority. We are stymied until the planning authority, if you like, ticks the box.

**Ms M.M. QUIRK:** As a general thing, Ross, since you have brought up planning and local government issues: is there anything that can be improved in terms of planning to expedite these matters?

**Mr Holt:** It would be nice to think that elements of the planning process had a definite time dimension to them. I suppose the comeback by the planning entity always is maybe it is an evolving thing. It takes time; it is iterative. There are different elements in terms of community input. Maybe circumstances change. I do not know if it is possible —

**Ms M.M. QUIRK:** It is probably too early to tell whether the changes made to the planning legislation —

**Mr Holt:** The planning reforms?

**Ms M.M. QUIRK:** Yes.

**Mr Holt:** Yes.

**Ms M.M. QUIRK:** Have you had any experience under the new system?

**Mr Holt:** No, I think it is still early. Anecdotally, we are apparently streets ahead of, say, New South Wales. That does not help if you get frustrated by the time it takes for planning decisions here. That said, in Broome and in the Pilbara, the planning decisions seem to be very timely. As you move south, it seems that things get harder and harder.

**Mr A.P. JACOB:** Going back to The Quadrangle: I am trying to recall, because I was on council prior to this role, and I remember approving that in 2006–07. That went through a council meeting then.

**Mr Holt:** Then there was a proposition, I think, that it should be substantially high rise and office. The Joondalup Business Association got heavily involved as well.

---

**Ms M.M. QUIRK:** There you go.

**Mr A.P. JACOB:** You had existing approval on that site, did you not?

**Mr Holt:** If you like, I can provide information by way of a bit of a chronology on The Quadrangle, if you would find that useful.

**The CHAIRMAN:** Yes. We would love to know.

**Ms M.M. QUIRK:** Would you agree with the proposition that the operations of LandCorp are hampered by the planning process?

**Mr Holt:** As a developer, we look enviously, I suppose, at redevelopment authorities because they can sit at a meeting like this of their board and put their planning hat on and then put their developer hat on and do it all in one hit. The argument is we live in a democracy; there are checks and balances. No-one said it is meant to be cheap, I think is what someone once said. Those checks and balances come at a cost, but equally there are probably some benefits. We like the approach where you have to work with other people in collaboration. Yes, it might frustrate your times in terms of timeliness, but at the end of the day it seems to work. WA seems a pretty good place. We have good development outcomes, but I do not think we would have terrible outcomes if we did things a lot speedier.

**Mr A.P. JACOB:** Will DAPs help?

**The CHAIRMAN:** I think you answered that earlier by saying it is too early to tell.

**Mr Holt:** Maybe.

**Mr T.G. STEPHENS:** I guess this is to get you to guide the committee in the way we might make recommendations: in a situation where the community is agitated by the affordable housing issue, what would you think would be the magic bullets for getting affordable housing and land available to the community? What are the steps that you would think that a committee like ours could usefully recommend to government? There is always the risk, when a pressure point like affordable housing is seen by a community to be no longer there, that the community can be wanting to wipe away other values like planning considerations or anything else and certainly push everything else out of the way in order to get access to affordable housing.

[11.00 am]

I suspect we have to be guided as to what interim steps can be taken to make sure that affordability is achievable, and the guidance of LandCorp would be worthwhile for our committee.

**Mr Holt:** This would be purely supposition and opinion, but I think there is a major educative function to be undertaken in the community because there is quite a backlash against affordability. People see it as a negative rather than as part of what a community is; having that diversity of people. Just because they might be on different incomes does not mean they are in any way lesser people.

**Ms M.M. QUIRK:** In fact, the minister himself yesterday confused social housing with affordable housing. It even goes to that level, frankly.

**Mr Holt:** It is the same with social housing. Social and affordable housing blend, I think. Any community should try to have all elements of the community represented. There is not a lot of general support amongst a lot of the community for that. We had a meeting with one of the major resource companies about Broome. They had somewhat of a negative view of Broome North because it is going to have 30 per cent social-affordable and they were not sure whether it would be appropriate for their workforce to be in that environment. They might prefer to be in a place that has no social-affordable.

**Ms M.M. QUIRK:** I hope you told them that when their workers go to get a cup of coffee and complain about the service, it might have something to do with the fact that they cannot get staff.

---



**Mr Holt:** Or it might be their kids who are looking for housing down the track.

**Mr A.P. JACOB:** It is a nice idea to do it in the reverse as well, which is what you were saying before; having some unaffordable housing in very good areas.

**Mr Holt:** You cannot convince people as easily as that. That is why I think a major educative function is needed about what sort of society we want. It is not easy; it is a really long road. We also have to accept that social-affordable outcomes come at a cost. They have to be subsidised. How do you subsidise it? Is it done through the government providing cheap land or through the land developers forgoing a return on their land because a statute says they have to provide a certain percentage, or through the community housing providers and federal tax benefits? It will not work in a free market. You do not get social-affordable outcomes in a market situation; it has to involve an element of subsidy, and we should front that, as a society, as something that is totally reasonable.

**Ms M.M. QUIRK:** You mentioned NRAS earlier. Is LandCorp keen to get more involved? What are the possibilities in that context?

**Mrs Fijac:** I think we are open to approaches. We have already had pre-approval for Broome North as an NRAS site. We are working with the Department of Housing to try to identify areas in our developments that could be suitable NRAS-type projects, seeing as they control a lot of the NRAS allocations from the state's perspective.

**Ms M.M. QUIRK:** I hear that there has been a substantial uptake in WA for NRAS developments.

**Mrs Fijac:** Yes. We are very willing and welcoming of any approaches on NRAS. There is also the shared equity scheme. I do not know whether you have talked about that from the affordability perspective. That has been a very successful scheme in terms of allowing home ownership at a more affordable level for people who are on moderate incomes. I am not sure what the status of that scheme is at the moment, but that is always quite effective in this area. Another point I want to make is along the lines of what Ross said. If you push all the affordable housing to the greenfields estates, there are inevitable costs with that in terms of affordable living. If you discount certain lands within existing areas, you get all those negative equity arguments from the existing landowners, so that is always problematic. I agree with Ross that a subsidy is required by government and market interventions are required because the market will not provide.

**Mr Holt:** Another thing is Keystart. I do not know whether you have got across Keystart. That is unique in Australia. It is incredibly successful and fills the gap between social housing and people who can qualify for bank finance. New South Wales had an experience with FANMAC, which was a disaster. The Keystart model in WA is much different from that and it is a roaring success.

**Mr T.G. STEPHENS:** Because we are going to Port Hedland again next week another issue that is likely to be raised with us is the policy of the previous government in reference to Pretty Pool. Land was released to various parties to provide employee accommodation for the resources sector and some government organisations. The complaint from the community to me is that that process, through land LandCorp, has seen some of those blocks allocated to notionally resource companies instead of being deployed for the purpose of providing housing for resource company employees and the blocks have been developed and then sold in the market in ways that have exacerbated the price of housing in that area. Is it LandCorp's policy to allocate land in developments to resource companies, and what protections do you have to stop those companies from simply selling land as though the resource companies were land developers?

**Mr Holt:** Our primary objective is to generate additional accommodation at Port Hedland and Karratha, for example, where there is major housing stress. We put out land and we have a build requirement. We do not care whether it is first home buyers, owner-occupiers or investors, so long as they are building a house that can then be made available and occupied by someone who presumably lives in the town and needs to be there. We would normally give allocations to the resource companies. In fact, the resource company commitments might underpin the investment

decision to develop X number of units of land. We always try to balance that with offering to the general public. Normally you would not expect BHP, Rio Tinto and Woodside to be asking for an allocation and then building houses so that they can onsell them to make a profit. That is not their main game. I think they genuinely want it for employee housing. There might be other operators who are not of that ilk and who might be a bit more fringe. I do not think our contracts are well-guarded against the opportunity where they get hold of the land through the allocation process and then take a profit by building a house and onselling it. We have learnt from that experience in Pretty Pool. We now make sure that our contracts have an obligation that the property is to be used for employee housing. I am not sure whether that answers the question adequately.

**Mr T.G. STEPHENS:** It does. Thank you.

**The CHAIRMAN:** Do members have any other questions?

**Ms M.M. QUIRK:** Can you tell me about community service obligations and what the role of LandCorp is there?

**Mr Holt:** We access a lot of community service obligation payments from government. If the developments do not stack up in at least achieving our hurdle rate, as required under the act, we go to the government and the government can determine whether they want the development to proceed. If they do want it to proceed and it requires a community service obligation payment, that is the gate, if you like, to obtain agreement to that community service obligation payment.

**Ms M.M. QUIRK:** With the emphasis on some of the regional projects that LandCorp seems to be escalating, has there been an increase in the community service obligation payment for regional projects?

**Mr Holt:** There is a \$4 million annual CSO that applies for what we call “regional development applications”, which are generally for the smaller towns. We have been able to leverage that \$4 million subsidy into about \$100 million of investment. There might be 50 developments that we think of as one project. The profitable ones can offset the less profitable. At the end of the day, when you aggregate that, you are not allowed to make a loss of more than \$4 million a year. That \$4 million a year will be reimbursed as a CSO by Treasury. It has been a very effective tool to deliver outcomes.

**Ms M.M. QUIRK:** How much of the money is being contributed through royalties for regions, for example?

**Mr Holt:** Royalties for regions is a separate program. If you think of the Ord expansion, \$220 million of royalties for regions money is going into that expansion. We are project managing that. It is not a CSO, but royalties for regions funding. A lot of the Pilbara Cities project is funded through royalties for regions. Again, it is an appropriation of royalties for regions rather than a formally a CSO.

**Ms M.M. QUIRK:** You said “formally”. Is some of the money for royalties for regions effectively doing the CSO function in some marginal projects?

**Mr Holt:** It is either bridging the gap or fully funding projects that otherwise would not happen. Very much.

**The CHAIRMAN:** Thank you once again for coming in this morning. I think we have exhausted all the questions we wanted to ask you. Is there anything that you think you should say that we have not asked and has been outside our view?

**Mr Holt:** One thing that was raised yesterday was the question of our hurdle rate, and I said that I would follow that up. That was in a separate briefing. Under section 19 of our act there is a requirement that LandCorp cannot undertake any development that does not have an expectation of meeting the minimum hurdle rate of return as specified in our strategic development plan each year. That strategic development plan is not a public document, but under the arrangement it is signed off

by our minister and the Treasurer. That is the process that determines what the minimum hurdle rate is, and it is reflected in our strategic development plan. As I said in the briefing yesterday, we do not let the fact that there is a minimum hurdle rate stop us from doing things. It just makes us more creative about other ways to structure things financially. It might be through a CSO, through royalties for regions, through partnering or a whole array of ways of looking at things that enable us to achieve the outcomes while being compliant with the act. That is the main point. It does not stop us from doing things and it definitely is not indicating that we need to be profit maximising.

**Mr T.G. STEPHENS:** Is it too late to ask another question?

**Ms M.M. QUIRK:** I just thought of something too.

**Mr T.G. STEPHENS:** Have you ever run any projects at a loss?

**Mr Holt:** Yes. You are not allowed to go into a project if you expect it to run at a loss, but once you go into it, inevitably some projects run at a loss.

**Mr T.G. STEPHENS:** Are any of those on the public record?

**Mr Holt:** I do not think we run around in our media stuff and advertise it! We accept that as a development agency there will be some projects that outperform expectation and others that underperform. We just wear that risk. That is part of the commercial risk that we wear.

**Mrs Fijac:** Within our regional programs some projects run at a known loss because they cross-subsidise each other in terms of the CSO we get from Department of Treasury and Finance of \$4 million. There are known projects that do run at a loss.

**Mr Holt:** Most things in the regions would run at a loss. Karratha and Port Hedland are probably the exceptions.

**Mrs Fijac:** Viewed as a total program, they have a \$4 million CSO that underpins them.

**Ms M.M. QUIRK:** Is the percentage of affordable housing in WA that LandCorp develops around four per cent?

**Mr Holt:** No. That would be, on average, the total percentage of the market in the metropolitan area.

**Ms M.M. QUIRK:** What percentage is the Department of Housing or Homeswest?

**Mr Holt:** Ten or 15.

**Ms M.M. QUIRK:** Between the two of you it is around 19 per cent and the rest is the private sector.

**Mr Holt:** Yes.

**Ms M.M. QUIRK:** This is a bit delicate —

**Mr Holt:** Even within that 19 per cent, a lot would be delivered in joint venture arrangements with the private sector.

**Ms M.M. QUIRK:** Okay. I discern that there is some level of tension between LandCorp and Department of Housing. Maybe Kerry is best placed to answer this; I do not know. What is the cause of that tension? Is there any way that we can make some recommendations to assist the two agencies to work in a somewhat more harmonious fashion?

**Mr Holt:** Do you want to answer this, or shall I?

**Mrs Fijac:** I will.

**Ms M.M. QUIRK:** I am trying to put this as delicately as I can.

[11.15 am]

---

**Mrs Fijac:** To be honest, I think that is a bit of an urban myth. Historically, there has definitely been a sense of rivalry, for whatever reasons there might be behind that. More recently, we have been working pretty hard with the department to improve our relationship with it, and we have been partnering with it as much as possible. We have some good examples of that. One example is that we have developed some land in the Coolibah estate in Kununurra and have made that available through an innovative stepping stone project, which is transitional housing from public housing, but not quite home ownership. We are partnering with the department to develop that estate. We have also been working well with the department on the development of a land-rent model, which is more of a shared equity-type scheme as well. I meet with my counterpart in the department at least monthly; and Ross meets with the director general probably at least monthly, and I go to that as well. So I think we are really opening up the channels of communication a lot. We have asked Department of Housing people to participate in some of our sponsorship-type arrangements with us, and in some arrangements that we have with the University of Western Australia—some projects that we have with the students there—so we are partnering in some of that sort of work. The department has also been very much a part of our Mandurah Junction development. We have accessed housing affordability funding there. We are also working with the department on NRAS-type projects. We are working with the department a lot earlier now on the allocation of lots within all our developments so that we get a better result, and so that there is no last minute jockeying for position, which sometimes did happen in the past, and some misunderstandings have occurred at the last minute, where the department would say that it needs this land, and we have other plans at that stage, or it does not meet the department's needs. So, to answer your question, yes, there probably was some tension in the past, but not necessarily as much as people might say; and we are working very hard on improving our relationship, and I think you would find that the department would say the same thing.

**Ms M.M. QUIRK:** Ross, you gave evidence earlier that, for example, in some of these mixed developments, the fact there is an element of public within them creates some problems for your bottom line in selling the remainder of the stock. Have you had discussions about the kind of tenants that Homeswest puts into those developments, or does Homeswest just say that it has to take the next one on the list?

**Mr Holt:** I think Homeswest takes a pretty mature approach. As I have mentioned in other places, at Hollywood, Homeswest has put tenants in there who presumably need to be in that area, perhaps to be close to health facilities. I think Housing is responsive to what are the neighbours and who are the neighbours. In going back to this thing about the rivalry, if anything, it comes back to, for a small state, how many development agencies do we need, and why would we have a housing agency that is also the major land development agency? It is not replicated anywhere else in Australia, and it is scarce skill base.

**Ms M.M. QUIRK:** Is LandCorp able to take over that role—or should it?

**Mr Holt:** Most of the land that Housing is currently developing is formerly LandCorp-owned land. It is not that difficult, particularly when most of the housing land development is greenfield, and it is undertaken through private partners. Housing needs to be running with its New Living program, which is a very legitimate refurbishment–revitalisation of its existing areas, to make sure that it keeps refurbishing the stock, a bit like a shopping centre. LandCorp needs to have a development role. But I do not think we have had strong political leadership about who does what in government, and that is a distraction for all of us.

**Mrs Fijac:** I think private developers—the joint venture partners—would put more pressure on the Department of Housing in terms of its lot allocations than we would.

**The CHAIRMAN:** Kerry, you mentioned something about land rent. That is something that we talked to the minister about when we were in Canberra. Do you have a proposal underway to rent land to people rather than have people purchase land?

---

**Mrs Fijac:** We developed a proposal based on the Canberra system, so it is still very early days, and that involves the rent of crown land. That proposal is currently being assessed by the Department of Regional Development and Lands, because it would put a fairly heavy impost on it in an administrative sense. But that proposal does exist, and the Department of Housing has been involved in that development as well.

**The CHAIRMAN:** Would it be possible for us to get a copy of that proposal?

**Mr Holt:** We are looking at trialling that in Broome North.

**Mrs Fijac:** We have approved that as a trial site.

**The CHAIRMAN:** Thank you very much for your evidence to the committee this morning. It has been very informative. A transcript of the hearing will be forwarded to you for correction of minor errors. Could you please make these corrections and return the transcript within 10 working days from the date of the covering letter. If the transcript is not returned within this period, we will deem it to be correct. New material cannot be introduced via these corrections, and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

**Hearing concluded at 11.19 am**

---