

REPORT OF PROCEEDINGS BEFORE

**COMMITTEE ON THE OFFICE OF THE VALUER
GENERAL**

SIXTH GENERAL MEETING WITH THE VALUER GENERAL

At Sydney on Friday 12 March 2010

The Committee met at 10.00 a.m.

PRESENT

Ms M. T. Andrews (Chair)

Legislative Council

The Hon. M. R. Mason-Cox

Legislative Assembly

Ms A. P. Megarity

Mr M. J. Richardson

COLLIN JENNINGS, Government Liaison Officer, Royal Institution of Chartered Surveyors, Suite 2, Level 16, 1 Castlereagh Street, Sydney, and

MICHAEL JAMES STEUR, Regional Representative, Global Valuation Professional Board, Royal Institution of Chartered Surveyors, Suite 2, Level 16, 1 Castlereagh Street, Sydney, sworn and examined:

CHAIR: Welcome to this public hearing of the Sixth General Meeting with the Valuer General. We have an apology from the Hon. Kayee Griffin. We will start today by hearing from Mr Jennings from the Royal Institution of Chartered Surveyors regarding some concerns it raised with the Committee following the last general meeting with the Valuer General, then from the Valuer General himself. I ask everyone to turn off their mobile phones. Gentlemen, I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I point out also that any deliberate misleading of the Committee may constitute a contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. Mr Jennings, would you like to make a brief opening statement?

Mr JENNINGS: I will, thank you. Firstly and formally, the Royal Institution of Chartered Surveyors [RICS] thanks the Joint Standing Committee on the Office of the Valuer General for the opportunity to appear today to put forward our information. I will try to make this as quick as possible, as I realise that time is short. The Committee members have in front of them a folder that provides some information on the RICS, our operations in Australia, and some further information on the valuation profession and where the RICS stands within Australia and New South Wales. I draw attention to that folder, which has at the back of it a mustard-coloured booklet that has also been tabbed.

If members draw their attention to that tabbed page it will give them an outline of the breadth of the RICS. The Royal Institution of Chartered Surveyors is an international membership and standards organisation, and one of the world's largest membership and standards organisations for property professionals. Globally we have more than 145,000 members in over 100 countries. We have offices in Sydney, London, New York, Dubai, Hong Kong, Brussels and recently opened an office in Mumbai. We have 400-plus staff in over 50 countries. We are a multi-disciplinary organisation that covers all aspects of property, land and construction. We have been established globally for nearly 150 years and have had an office in Australia for just over 10 years.

The RICS has a supplementary charter, which was passed by the Privy Council in the United Kingdom, that states that the RICS and its members must act in the public good at all times. The RICS monitors and regulates global standards across our remit. We are one of the largest producers of property-related research in the world. We produce, circa, 500 research documents annually. We assist government and statutory authorities in policy and we assist those governments and authorities under our charter and acting in the public good.

Membership of the RICS is not a sign-and-go membership, it is an achieved membership. Members of the RICS must have an accredited degree. We accredit over 400 degrees globally as well as degrees here in Australia. They then complete two years as a standard under what we call the assessment of professional competence [APC], which is two years of structured assessed employment with defined competencies. Candidates complete diaries, logbooks and records of ongoing training and they are overseen by a counsellor and a supervisor. After that two-year period they present a written critical analysis of 3,000 words length, plus an updated progress report of 2,000 words, and they sit an hour-long interview in front of three trained RICS assessors. Should they pass, and not all people pass the APC in their first go—globally it is around 75 per cent and it is 75 per cent in Australia—they become a chartered member of the RICS and can practice in those hundred-plus countries where we exist.

With regard to valuation standards, we have been involved in writing of valuation standards for over 40 years. The RICS valuation professional group is one of the largest in the RICS with over 35,000 members globally. The RICS valuation practice standards, or the "red book" as it is known, is used globally by our members and is compulsory for our members to use. The red book is currently translated into seven languages and soon to be translated into an eighth. The RICS has also been involved with the International Valuation Standards Committee [IVSC]. The historical context is that essentially the genesis of the IVSC came about after discussions between American appraisers and the RICS in the late '70s. The RICS red book standards came out in approximately 1980. The IVSC standards, which were essentially based on the RICS red book, came out in 1981. RICS members are very involved with the IVSC. There are about six RICS members on the two boards of the IVSC. The chair of the standards board of the IVSC is a fellow of the Royal Institution of Chartered

Surveyors. By way of background, the IVSC is a United Nations-sanctioned non-government organisation, which provides international standards to all countries that are involved in the valuation profession, including Australia.

RICS also has one of the strongest regulatory boards of its type in the world. The RICS regulation board is an arms length board of the RICS. It is not answerable to management; it is only answerable to the governing council of the RICS. The RICS regulations board consists of members and lay people, but the majority of them are lay people and the chair must be a layperson. RICS regulations maintain vigilance over things such as continuing professional development [CPD] and complaints. All complaints to the RICS are transparent and any member who is in serious breach of RICS rules, codes of conduct or codes of ethics may initially be asked to undergo re-education, but in extreme situations they can be expelled from the RICS and that is a global expulsion. Those hearing and panel decisions are made public both on the RICS website and in certain instances through media publications as well.

As to why the RICS is here, we are primarily seeking a balance with tender documentation for the valuation of lands. Currently those are prescriptive to members of the Australian Property Institute [API]. We are seeking in the short term, for the purposes of this, inclusion of RICS professional standards within those tender documentations to open up the workforce for valuation professions within New South Wales. Thank you very much.

CHAIR: Thank you very much. That was a very comprehensive opening statement. Do you have any concerns regarding the need to comply with the API practice guide for rating, taxation and valuation services?

Mr JENNINGS: Where there is a provision within our red book, our valuation standards, that that applies, that would be precedent. However, our red book does have a provision whereby valuation members may comply with national standards if they are given under instruction. So, if there was a compliance with the API standards, because the API standards are not below the RICS standards, then the valuer may use that as a departure from the red book. Mike might be able to fill out more on the actual procedures.

Mr STEUR: Where there are standards peculiar to local markets these are adhered to by the valuer in practice as a member of the RICS.

Mr MICHAEL RICHARDSON: You represent a very diverse group of people. What sorts of qualifications would your members have?

Mr JENNINGS: As I mentioned briefly in my opening statement, to become a member of the RICS—MRICS as they are called—the candidate must have an undergraduate degree.

Mr MICHAEL RICHARDSON: In what discipline?

Mr JENNINGS: In the discipline they undertake.

Mr MICHAEL RICHARDSON: Any discipline?

Mr JENNINGS: If we take valuation for the purposes of the question and we were talking about someone in New South Wales, to become an MRICS within the valuation professional group—to be a chartered valuation surveyor—a person would have to have an undergraduate degree from the University of Technology Sydney under the property stream. Members cannot have a degree in, let us say, quantity surveying, and then become a chartered valuation surveyor. It does not work that way. Part of that is because that is the beginning of it and part of it is that they do not have the competency to perform those tasks. I draw your attention to the blue folder again. Under the third or fourth tab you will find a very large document that is called "The pathway to qualifying in valuation". This is the pathway guide that a chartered valuation surveyor must undertake. They must have competence in and knowledge of the competencies within that.

So in answer to your question, they must have an undergraduate degree as a minimum. Then they undertake two years of structured training under this pathway. They must adhere to our mandatory competencies. You will find a copy of those mandatory competencies and the levels to which they undertake them at the back of the folder. They then have core competencies within that pathway, so in valuation it is the understanding and knowledge of valuation. Then they have optional competencies that they undertake as well.

When they go through the structured training they do it under the supervision of a supervisor who is usually someone they work with. They do not have to be a member of the RICS to be a supervisor. I make that point. It is usually a line manager or supervisor within the workplace. They meet with that supervisor every three months and the supervisor checks off their competencies with regard to their workplace and guides them through the other competencies. If they have not met a competency after the initial meeting the supervisor will send them back and say, "You need to have better understanding of ratings", say, "and undertakings of that nature". Every six months they meet with a counsellor who must be an RICS member. The counsellor double-checks the standards and the competencies, discusses those matters with the supervisor and the candidate and then signs off the competencies after six months.

If they are going through the two-year assessment of professional competence after one year, candidates provide a progress report to the RICS, so there are checks and balances. At the end of their two-year period, when they come to providing their final submissions, candidates must provide us with a 3,000 word critical analysis of a project that answers the competencies. The curriculum vitae that they submit must also answer the competencies. In addition, they sign off their diaries and their logbooks, which have been checked by their supervisors and counsellors. Once that has been received by the RICS it is sent to three trained RICS assessors who then read through that documentation and bring in the candidates for an hour-long interview.

The assessors are professionals within that stream. For example, if we are talking about valuation, three practising valuers will be sitting at that table and they will ask the candidates questions relating to the practice of competency of valuation. If the candidates do not meet the mark at that interview they are referred back for more study. They do not simply sit the interview and come through as a chartered valuer. If the assessors are not satisfied that they have the knowledge in codes of conduct, code of ethics, the practice of valuation, understanding of the red book, and understanding of international valuation standards, they are sent back to re-learn that and they can then come back for another interview.

Mr MICHAEL RICHARDSON: Would many of the people who went through that process who have been working in that field for some years not be members of the Australian Property Institute [API] anyway?

Mr JENNINGS: Many of them are, yes.

Ms ALISON MEGARRITY: Focusing on your main reason for presenting to the Committee today, I understand that you have had some discussions with the Valuer General regarding access to standards and making tender processes more accessible to your members. Could you advise the Committee on the outcome of those discussions?

Mr JENNINGS: I have had a very brief discussion with the Valuer General's department about the process of putting through a comparison on tender documents. I make the point now that I have not spoken to the Valuer General himself. At the time it was going to be quite a long process—we are quite happy to undertake that process to show those standards—but on the initial phone calls there did not seem to be a proviso to expand the knowledge. As I mentioned before, on reading the report of the previous general meeting of the Valuer General, one of the concerns that the Valuer General had related to workplace capacity and the availability of valuers to undertake ratings work. We can offer fully qualified, internationally recognised valuers to be able to expand the scope of the valuers that are capable of undertaking ratings work within New South Wales.

However, this is the prescription: We find that a valuer has to be licensed not only within New South Wales. There is a prescription simply on a membership basis where the qualifications, the understanding and the work ethic of valuers may not necessarily reflect on their membership choice. The situation comes down to this: When we can present a situation where we have qualifications, codes of ethics, codes of standards, training mechanisms and continuing professional development [CPD], we are acknowledged by the Office of Fair Trading as providing CPD for valuers in New South Wales. Our members can be licensed within New South Wales as well as in Queensland and Western Australia. That provision in the tender documents, for example, is prescriptive to the API. We are looking at a situation where it is API or RICS. That would expand the scope of available valuers to be able to assist the Valuer General in his work.

CHAIR: Mr Jennings, do you find that a requirement to comply with API standards in a tender causes any disadvantage to RICS members?

Mr JENNINGS: Yes, it does. At the end of the valuation process is the signing off of the valuation. If RICS members are not members of the Australian Property Institute, they cannot sign off on the tender documents. Therefore, they need to do one thing, that is, essentially join the Australian Property Institute to undertake that. We have no problem with people having to make a choice one way or the other. We do not mind if people are members of the API; we have no problem with that. However, if someone has gone through a long and extraneous process to become a member of the RICS and to have those standards, it is slightly prescriptive for sole valuers to tender, as it requires them to sign off as a member of the API.

The Hon. MATTHEW MASON-COX: Mr Jennings, how many RICS members are also API members?

Mr JENNINGS: In our valuation area within Australia I would say a little more than half.

The Hon. MATTHEW MASON-COX: There is no barrier to becoming an API member, is there? What do you need to do in order to become an API member?

Mr JENNINGS: I cannot answer that question fully as I do not have all the understanding. But it is the basic premise of the API relating to study. From my understanding of the API process, it is two years of work experience with valuations attached to it, and then an interview for membership. But I could not give you the full details.

The Hon. MATTHEW MASON-COX: In the process is any recognition given to becoming a RICS member and is any recognition given to becoming an API member? Is there an acknowledgement of skills that clearly have been acquired through the RICS process?

Mr JENNINGS: RICS members can become members of the Australian Property Institute after undertaking a year's worth of on-the-job experience.

Mr MICHAEL RICHARDSON: It shortens the time that is required to become a member of the API. Is that right?

Mr JENNINGS: It does. However, in saying that, it would prolong the process for someone to be a practising valuer—from two years to be RICS to three years to be RICS and API. The situation comes down to a matter of choice. If you talk about New South Wales no provision is made under the Act to have a membership, simply a licensing regime, it comes down to a matter of choice. Some people wish to be a member of the API and some people wish to be a member of the RICS. However, there are small exclusionary areas within that where there is a balance of the two. We are not here to say anything other than good things about the API, as it does very good work within Australia.

However, if students who are at the University of Technology, Sydney [UTS] at the moment are looking at a professional association to take up their study after they have graduated, there is a clear choice. However, that choice can be minimised when there are barriers in signing off the valuations. So a graduate who might be coming out of the UTS might be looking to go home to rural New South Wales and might want access to the RICS. However, if graduates are going to be doing council valuations, which is a prescription under the API, that choice is taken away from them.

Mr MICHAEL RICHARDSON: Would you say that the training and the core competencies to become a member of the RICS or the API are similar?

Mr JENNINGS: Yes. There are vast similarities between the two. But, again, in relation to the competencies, it is not a competitive thing to be valuers in this forum. There are great similarities between the two. Some might be a bit more expensive under the RICS. There are differences within standards and within competencies, but there are also many similarities between the two.

CHAIR: Mr Jennings, have you had any discussions with the Valuer General about a graduate and training program?

Mr JENNINGS: Not at this stage, no. It would be something we would like to have a conversation with him. It is said to me something about which we would like to have a conversation with the Valuer General.

If there was something we could do for training or providing continual professional development for valuers, or a graduate training situation with the And a General, we are always happy to have those conversations.

The Hon. MATTHEW MASON-COX: I wanted to clear up something. You have submitted to us that under the current tender documents RICS members are excluded from tendering for the Valuer General's work, is that correct?

Mr JENNINGS: The tender documents provided by Lands state:

1.2 Contract Standards

1.2.2 Professional Standards

... Explanation and guidance to the level of professional standards expected can be found in the Australian Property Institute's (API) Professional Practice Guide 2004.

- when conducting valuations, Valuers are to comply with the API Practice Standards, 'PS1—Valuations Procedures' and Guidance Notes '(GN) 5.1—Valuation for Rating and Taxing.

The Hon. MATTHEW MASON-COX: Are we splitting hairs because the Valuer General has said to us that membership of the API is not a mandatory requirement but compliance with the standards of the API is mandatory? Is that really what we are talking about here or are you suggesting that being a member of the API is mandatory?

Mr JENNINGS: No, I am not saying that. It is not a mandatory thing in New South Wales to be a member of the API or the RICS to practice as a valuer, under the Act.

The Hon. MATTHEW MASON-COX: To actually tender for work from the Valuer General though, you are submitting that you need to be a member of the API?

Mr JENNINGS: Under the provisions, the way we see it and the way our members have explained it to us, that would be the case. Perhaps that is not the case. But the case that is presented in these tender documents says that if you are going to tender for work with the Valuer General, you need to comply with these standards. Therefore, that would make it more restrictive for RICS members.

The Hon. MATTHEW MASON-COX: But could not your RICS members comply with those standards or is this an issue that it is not in your red book?

Mr JENNINGS: Some of it is not within our red book. However, as mentioned previously, there are instructions to follow national standards. If we take this particular section of this tender document that they comply with the guidance note within the API of GN 5.1 under valuing taxation, that is not specifically within our red book. Therefore, the valuer has a provision under our instructions, under our standards, to be able to use that as a separation from the RICS professional standards, and that needs to be noted in the valuation's general comments.

The Hon. MATTHEW MASON-COX: So RICS members can comply with the API standard, but you would prefer that it not be listed as just the API standard but either your standard all the API standard?

Mr JENNINGS: That is right.

The Hon. MATTHEW MASON-COX: That really is the essence of this?

Mr JENNINGS: That is the essence of it. We are simply seeking an either/or.

The Hon. MATTHEW MASON-COX: To a degree this is a sort of standards turf war, is that right?

Mr JENNINGS: No.

The Hon. MATTHEW MASON-COX: You would not characterise it like that?

Mr JENNINGS: No, not at all. It is important to make it clear that both the API and RICS comply with IVSC standards.

The Hon. MATTHEW MASON-COX: Both are qualified valuers and recognise?

Mr JENNINGS: Both are qualified valuers. Both are recognised.

The Hon. MATTHEW MASON-COX: I understand that.

Mr JENNINGS: It needs to be understood that the API practice standards, within the context, are extremely good.

The Hon. MATTHEW MASON-COX: I am sure they are and I am sure yours are equally as good?

Mr JENNINGS: We do not have a war.

The Hon. MATTHEW MASON-COX: You both recognise that standards are appropriate and there may be some divergences, but that is naturally something you both can live with, so to speak?

Mr JENNINGS: Yes.

The Hon. MATTHEW MASON-COX: The next panel tender contracts expire in 2010. When in 2010? Are you aware when the tender comes up?

Mr JENNINGS: I am sorry, I misunderstood the question.

The Hon. MATTHEW MASON-COX: When does the tender come up in 2010 for Valuer General's work?

Mr JENNINGS: At this point I could not answer that.

The Hon. MATTHEW MASON-COX: I will ask the Valuer General shortly.

Mr JENNINGS: You can ask the Valuer General.

The Hon. MATTHEW MASON-COX: The Valuer General has submitted to us that the requirements of the current tender documents is that you be a member of the API but it is being reviewed for the next tender documents. You have said that you had had no substantive discussions with the Valuer General?

Mr JENNINGS: No substantive discussions with the Valuer General.

The Hon. MATTHEW MASON-COX: You have not been contacted about an impending review at all by the Valuer General

Mr JENNINGS: I have not had any discussion.

CHAIR: You have probably partly answered this question, but do you have any further suggestions to offer to the Committee on how to improve the number of people who can provide rating and taxation valuation services?

Mr JENNINGS: I agree with what was said by the Valuer General at the last General meeting about the expansion of study and information sessions within universities. We think where the genesis of understanding and expansion grows is within those graduate courses. All so within the scope of being able to provide wider CPD events for valuers and information sessions for valuers on ratings. That would certainly opened that up. I have had a look at the Valuer General's comments from the last meeting and we agree with him on that. It is being able to show that this is worthwhile work for people to undertake in the valuation field. They would be some of the things. One of the things we can certainly bring into that sphere as well is that we can bring in the international things to give more practice notes and understanding guidance from a global perspective. If that helps to make it more attractive for people to undertake that work, that is one of the strengths of the RICS.

CHAIR: Do you have any final remarks?

Mr JENNINGS: No.

CHAIR: Thank you for the information you have provided to the Committee.

Mr JENNINGS: Again, thank you very much for your time.

(The witness withdrew)

PHILIP JOHN WESTERN, Valuer General, Office of the New South Wales Valuer General, GPO Box 15, Sydney 2001, sworn and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege. You are protected from legal or administrative action which might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. Mr Western, thank you very much for the written answers to questions with which you provided the Committee last year. Before we proceed to questions, would like to make an opening statement?

Mr WESTERN: I might, in summary, just bring you up to date with what is happening with the valuation system. We have just released the 1 July 2009 valuations to the public. That occurred from about mid-January to the beginning of early February. There were some 790,000 assessments that were put out. I understand from the Office of State Revenue that approximately 140,000 land tax assessments were also issued.

I am pleased to report to the Committee at this stage that the number of objections we are receiving to valuations has fallen in comparison with previous years. Our best benchmark would be in regard to the 1 July 2008 valuations, and they are down substantively on that year. Our call centre numbers are reasonably consistent with what they had been in previous years. Our resolution rate at the call centre is comparative with other years at around 85-86 per cent.

Things are tracking extremely well. As I have pointed out to the Committee before, I strongly believe that a lot of the communication work and a lot of the processes that we put in place now are paying real dividends in terms of the general acceptance of the valuations throughout the community.

Ms ALISON MEGARRITY: Just on the very point you mentioned about the number of objections being relatively less than last year, I suppose that one of the things people always talk to us about is the global financial crisis and the way that that might impact upon property and fluctuations that can occur as the economy begins to recover. I am wondering whether your system has a way of responding to extreme fluctuations and, if there are variations, how you bring those back into step?

Mr WESTERN: The system itself, in terms of the procedures that are in place, obviously is quite complex. We have experienced valuers on the ground, as you aware, who are private contractors. They undertake all of our rating and taxing work as far as preparing the valuations themselves is concerned. They are very, very experienced in terms of being able to interpret what is happening with the market at any particular time. In fact, my belief is that having external contractors actually provides greater benefits through consistency and accuracy of valuations by doing it that way as opposed to having an in-house team.

The global financial crisis did in fact to some extent impact upon the 1 July 2008 valuations, although, as you will be aware, the full impact of that had not really occurred. It was not until we undertook the 1 July 2009 valuations that we really began to see the full impact of that, particularly in relationship to be City of Sydney CBD. For the 2008 valuations, we had an increase of approximately just over 25 per cent for the city, which was a massive increase. However, as I said, we did not have the full impact of the global financial crisis coming into that.

For the latest CBD valuations we have done, we have reduced the valuations from the 1 July 2008 levels overall by around about 12.5 per cent. However, that is widely variable. Some of the southern sectors of the city, particularly around Chinatown, have either remained pretty static or have increased. At this end of town, particularly in terms of the financial district, we have had some decreases of 20 to 25 per cent.

Mr MICHAEL RICHARDSON: That is commercial properties you are talking about?

Mr WESTERN: Commercial properties alone. It is widely variable, but I am personally very confident that the valuations that we have got there at the moment are pretty close to being reflective of what is happening in the market. Certainly the discussions that I have had with various stakeholders, including the Australian Property Council, the Real Estate Institute of New South Wales, the Australian Property Institute and the Local Government and Shires Associations are all indicating that the general feeling is that we have pretty much got it on the mark, so that is a good result.

CHAIR: It is very good.

Ms ALISON MEGARRITY: If you did not quite have it on the mark, how would you go about adjusting that?

Mr WESTERN: Obviously, we are continually monitoring the valuations. I guess what you are alluding to is that if we discovered there was an error in them, there are a number of ways that we could resolve that. One would be either through one of our valuers picking up that there was an issue: there has been no objection to it; it is just there. We can do that through what we call a reascertainment. One of the philosophies I have been pushing in the system is that where there is an error, it needs to be fixed straightaway rather than waiting to the next year valuation. That has paid dividends. The other way that we would pick out an error is through an objection coming through from an individual. We are continually monitoring the system to ensure that we have an accurate system for rating and faring valuations.

Mr MICHAEL RICHARDSON: What would you say is an acceptable margin of error for a valuation?

Mr WESTERN: Or an acceptable margin of accuracy. We operate within a mass valuation system. The quality standards that we apply are benchmarked worldwide. The hurdle, if you want to call it that, for the accuracy of the valuations is for the valuations to be within plus or minus 15 per cent of the market value. That is a worldwide benchmark. We are talking about a mass valuation system here where we are valuing 2.4 million properties.

Even if a valuer went out and undertook a single valuation for mortgage purposes, there is an acceptable margin of error, which has been shown by court precedents as well. As you well know, if you put 10 valuers, 10 real estate agents and 10 members of the public out there, you can guarantee there would be some divergences of what the individual believed the property was worth.

Mr MICHAEL RICHARDSON: Of course, in uncertain times, it is more difficult for you to make sure that you are within that 15 per cent. We have the potential for very significant fluctuations.

Mr WESTERN: Absolutely. That is absolutely correct. There are a number of things that often happen when you go through a crisis such as the one we have just had. One is that the number of sales that you get can fall off. Secondly, when you have a reduced number of sales, you have to interrogate them a lot more closely simply because some of those might be forced sales that may not be truly reflective of where the market is. You need to understand the circumstances behind them. That is what our independent contractors go through and do in respect of analysing the sales, to ensure that we are getting accurate and consistent valuations.

Mr MICHAEL RICHARDSON: You would exclude those forced sales?

Mr WESTERN: Any forced sales, yes. You certainly have a look at them and recognise them. Some of those will often be analysed just to check whether they are actually forced and what are the circumstances behind them. Generally if it is found that it was a forced sale and it was not representative of the market, it would be put aside and we would be looking at other evidence.

Mr MICHAEL RICHARDSON: The only circumstances in which you would identify it as being a forced sale would be mortgagee in possession. Is that right?

Mr WESTERN: No. We even have a situation where someone had to sell a particular property for some particular reason. That may not be evident in terms of when you get the contract of sale through, and it may just look like a normal transaction. However, when the valuer makes further inquiries in relation to that, they can often find out that in fact there was an element of a forced sale.

Mr MICHAEL RICHARDSON: I am wondering how you would identify that. I use the particular example of a lady across the road from me whose husband died. It was a second marriage and there was a mortgage on the property. She did not have any income. She was panicking. I spent quite a bit of time with her. I even went to the bank on her behalf to try to help her. She sold the house at a knockdown drag out price—probably a couple of hundred thousand dollars below what it was worth.

Mr WESTERN: Right.

Mr MICHAEL RICHARDSON: How would your system pick that up?

Mr WESTERN: In relationship to a residential sale, often it is a little bit easier in that you generally have a lot more sales to work with. Therefore, as I said, if you are looking at the general market and it was showing a particular level, and then you have your neighbour's property for sale—

Mr MICHAEL RICHARDSON: Which is way below.

Mr WESTERN: Yes, which is way below, you would be going, "Hello, what's wrong with this?" You would actually do a bit more work on that just to check what had happened.

The Hon. MATTHEW MASON-COX: In relation to some of the comments made by RICS, if I could just get your thoughts. First, by way of background, when the contracts expire in 2010 when do the new tenders start from?

Mr WESTERN: There are two lots of tenders that we put out. One is for rating and taxing valuation work. That is our general contractors undertaking our general revaluations on a year-to-year basis. Those tenders generally go out about September, October of each year so that we can evaluate the tenders and they can be appointed so that they are ready to run from 1 May in the following year. We have just been through that process, and we have a new tenderer in that particular work. So that is that one. The other one is in regard to what we call real estate valuation services. That is our generalist panel, you might call it, rather than being specific to rating to taxing.

They would undertake work as far as objection work, which once again we do on an independent basis, someone completely different from the original firm or individual who did it, does that work. They might be also undertaking Just Terms compensation work, which I am required to deal with if there is a dispute. They might also be doing valuations for financial statements or for insurance work. That is a separate tender. We have just in the last few months appointed 16 new contractors to that panel. We are due for the next one on that to be in place by 1 January 2011 so we will be commencing work on that probably about August, September of this year as well.

The Hon. MATTHEW MASON-COX: And that is the contract which RICS was referring to, the general tender?

Mr WESTERN: I was a little bit confused as to why—as I said, they had not actually had a conversation with me so I am just not too certain exactly where they were coming from. The question on notice and the answers that we provided, in the rating and taxing contracts—that is the general one I talked about before—there is no requirement for the people undertaking that work to be an Australian Property Institute [API] member as such. However, as you rightly pointed out, there is a requirement to comply with the API standards. The second comment that he made was in reference to having to sign off the report. That is not correct either. We require the contractors who undertake the work first to comply with the contractual requirements obviously, and secondly to comply with the API standards. Not being able to talk to him about this, I think what he was referring to was a general valuation report which would be required under the Act and those standards to be signed off by an API member. That is where I think he is having difficulty. The work that is undertaken for rating and taxing work is not required to be signed off by an API member. Indeed, we have a number of people working for us, who I am currently aware are RICS members.

Mr MICHAEL RICHARDSON: So there is no barrier.

Mr WESTERN: There is no barrier in terms of that. There is currently a barrier in terms of doing the general work but that is something that we are reviewing and we will do that for the tender coming up on 1 January 2011.

The Hon. MATTHEW MASON-COX: Which work will start on in August, you were saying.

Mr WESTERN: Yes. There used to be a provision within the tender documentation some years ago—and it was some years ago—where you did have to be an API member. You had to be a registered valuer and an API member. That disappeared about five years ago.

Mr MICHAEL RICHARDSON: That should resolve that problem.

The Hon. MATTHEW MASON-COX: Do you have any sort of professional view in relation to the API standards versus the RICS standards? Is there an issue about levels of competency or standard differences that would cause any concerns for the work being done by the Valuer General? Is there an issue there at all?

Mr WESTERN: No. I mean, I have not read the red book. However, as Mr Jennings pointed out, both the API and RICS are a member of the International Valuation Standards Committee [IVSC] so I would be very surprised if the standards that were in the red book were much different from the ones in here. However, I guess the important thing from our point of view is that they comply with what is in the API rating and taxing guidance notes. From what I heard from Mr Jennings, there is the ability within their membership and practising in another country to be able to comply with that as long as I think he said it was not of lesser standard than the RICS, and I doubt very much that that is the case.

Mr MICHAEL RICHARDSON: But it takes a RICS member another year to become an API member, which actually takes the time to become a member of both organisations to three years. Is that not a disincentive?

Mr WESTERN: That is a separate issue to what we are dealing with here. However, I would understand that if we went to England or whatever there would be a similar requirement on us in terms of undertaking that as well.

CHAIR: Can you see that there would be a problem with conforming to either API or RICS standards?

Mr WESTERN: Yes, I would have a problem with that, simply because the API standards themselves and particularly the rating and taxing guidance note are structured such that they are representative of the New South Wales statutory and regulatory environment as to what the requirements are here. So what we need here could be different to what is overseas. It would be just like me going into England saying, "Okay, we want you to put in API standards and match it up with RICS". I will guarantee that they would not be a party to that. So I think we need to be cognisant of that. This is the local environment. We need to be able to structure the valuation system to ensure that we are complying with what is required on a statutory and a regulatory basis here in New South Wales, not what is in England, Dubai, the United States of America or anything like that.

Mr MICHAEL RICHARDSON: So that international component is not relevant to New South Wales. Is that what you are saying?

Mr WESTERN: But I think the other thing is that it is heavily geared towards different types of valuation as opposed to the land values that we are required to put here, which are under a completely different statutory definition to what is elsewhere.

The Hon. MATTHEW MASON-COX: Just to close the loop on that, the current panel contracts for statewide real estate valuation services require API membership. You have put to us that that will be reviewed prior to the issue of the next panel tender—

Mr WESTERN: That is correct.

The Hon. MATTHEW MASON-COX: —which will probably be August, September of this year.

Mr WESTERN: That is correct.

The Hon. MATTHEW MASON-COX: Will you be speaking to RICS to seek its views in that regard?

Mr WESTERN: My door is always open in terms of talking to anyone who wants to have that discussion. As I said, I am surprised that they have not come to see me at a different level to what they have. But I am certainly open to talking with them. I have no problem with that at all.

The Hon. MATTHEW MASON-COX: When you say "review", what actually occurs when you review?

Mr WESTERN: Prior to putting any tender out, we will go through and review all the documentation because it is important that it is up-to-date in terms of what our requirements are with regard to guidance notes. We might even fix up or make changes to our procedures and policies and things like that. That needs to be reflected in the documentation. So we are all the time looking to see how we can enhance what we are providing out there to provide a more valid, if you want to call it that, valuation system.

CHAIR: How many panel contractors do you have currently?

Mr WESTERN: For the general real estate valuation work we have approximately 90 contractors. Some of those are individuals and some of those are companies. For rating and taxing work, I think currently we have 14 contractors across the State. A lot of those hold multiple contracts.

CHAIR: Do you feel that you have enough contractors to do the work?

Mr WESTERN: In terms of the rating and taxing contract work, the answer to that is yes now. Obviously all the contracts are fulfilled. But I think the important thing also is that there is good healthy competition out there, and we have a number of contractors applying for one contract. That can range up from four to five to six contractors all going for the one contract, so it is very healthy in terms of that. In relation to real estate valuation work—and I am thinking particularly of the objection work—I have pointed out to this committee before that the big thing I am pushing is the turnaround time in terms of objections to finalise them and get them back out to the public as quickly as we can.

I guess we can always have more contractors available to assist with that. As I said, we have just had an extra 16 appointed on to the panel to assist with that through the latest one we have undertaken. We have also been able to improve the turnaround time through the electronic exchange of data. So previously we used to put out paper information to the objection contractors but now it is completely electronic. Just with postage alone we have cut down probably in the region of five to six days. They get it instantaneously so there have been a whole lot of changes made there.

Mr MICHAEL RICHARDSON: What is the ideal number? You have got 90 people looking at objections. Do you need 120 or 150?

Mr WESTERN: No, it is very difficult to say exactly how many we would need. At the moment 90 is probably sufficient in terms of the number of objections we are receiving. As I said, they have steadily decreased over time from 12,500 when I first started to in the vicinity of 5,700 last year so we are under half the number we previously had. It is enough to cope now. However, situations could occur when it peaks again, for whatever reason, and for those times it is good to have ample contractors on hand to be able to deal with them. As I said it is very difficult to say exactly how many would be suitable.

CHAIR: Will you come close to the target of 90 days average this year to answer objections?

Mr WESTERN: I think this year we will get within a very close proximity to it. At the moment we are sitting around about 92 days. However, I need to be quite clear to point out to the committee that we have changed the way that we count the objections to make it fair for both the public and the way that we count them. Previously what happened was as soon as an objection came through the door the clock started ticking, which seemed fair and reasonable. However, not the majority but certainly a lot of objections that come in do not meet the criteria, for example, something had been left off the objection and information was missing. So the clock is already ticking and we return the objection to the member of the public who has put it in and then they may or may not resubmit it. They might leave it sitting at home for five, 10 or 15 days before they return it. That is why the average was quite high.

Now we have instigated a count whereby if an objection comes in and meets the requirements in terms of what has been specified automatically the clock starts ticking. However, if more information is required when it comes in and it has to go back out to the public, the clock does not start ticking until it actually comes back in and complies. That will assist in terms of the improved turnaround time for the public.

CHAIR: When did you bring about those changes?

Mr WESTERN: We have just instigated that in the past six to eight weeks effectively. We will make that quite clear in our annual reporting that we have changed it, and why we have changed it, just so the whole

process is transparent and it does not look as if we are trying to do something with the numbers to make it look different.

CHAIR: Will you outline to the committee the reason why 7 per cent of objections are still outstanding after 180 days?

Mr WESTERN: A lot of the ones that are going beyond 180 days do not tend to be the run-of-the-mill type objections. They may have someone else involved in it. For example, there might be a valuer associated with that involved on the other side or a solicitor involved. Generally the nature of those properties is that they are more complex, the issues that are raised are a lot more difficult to look at or they might require some town planning advice. For those ones that are out there, there is generally a very good reason because of the complexity and nature of them. We still want to get the 7 per cent down, but we will always have some beyond the 180 days, however, I want to reduce that number.

Mr MICHAEL RICHARDSON: Last year you said we are heading a working group of Valuer Generals looking at the issue of qualifications and course content for the training of valuers. Have you made any advances in that area?

Mr WESTERN: We have continued to have discussions with various universities and also TAFEs in New South Wales. One of the good things, I believe, about our New South Wales registration system is that we not only use degree-qualified students but we also use students out of TAFE who undertake a diploma-based course. They are just as confident, and I would argue more competent than a lot of the people who come out of our degree courses. They have got a lot more of a practical application. They are the same in understanding the academic side of things but have a more practical application which employers can actually run with very quickly. We are working with a number of those institutions to look to enhance the rating and taxing side.

We have had some good discussions with the University of Western Sydney in relation to that and we work very closely with the TAFEs. I meet with them at least once a year to go through the course content and what is in that and they also work in closely with us. We run, in conjunction with the Australian Property Institute a four-day workshop for rating and taxing work, which is not done in any other State, as far as a specified workshop like that. And that has helped to assist in terms of further education of students, new graduates or, indeed, people who have been around for sometime. So we are on the right track. There is still more to be done but we are heading in the right direction, which is great.

Mr MICHAEL RICHARDSON: We recommended that the State Government provide some assistance to you in negotiating with those institutions. Has it done so?

Mr WESTERN: Not at this stage, no.

CHAIR: Do you intend to conduct a customer survey this year?

Mr WESTERN: We are undertaking a customer survey at the moment. We are hoping to have that completed in the next month or so, six weeks. I would hope the results from that will be available for the next committee meeting.

CHAIR: Your annual report refers to KPMG's analysis of the International Property Taxation Institute's international benchmarking study. Has your office learnt from that benchmarking study?

Mr WESTERN: Most definitely. You recall that KPMG were involved in preparing up a submission on behalf of the Valuer General to alter the pricing regime that local government was paying in respect of valuation services. As part of that process we did a large benchmarking survey to see what was happening worldwide. You recall that those results showed that the New South Wales valuations system sits very nicely in relationship to other institutions. It is seen as being a low cost provider of quality valuations which means that ratepayers, taxpayers and indeed the Government are getting good value for money out of the valuation system.

Subsequent to that we are currently working with the International Property Taxation Institute to undertake another benchmarking survey worldwide. The last data that KPMG used is some 2½ years old so we want to have a fresh look at that to see how we stand today. That is currently being undertaken and we expect the results from that to be available sometime towards the end of this year.

Mr MICHAEL RICHARDSON: Have you made any progress in persuading government agencies, particularly the Grants Commission, that NSW Maritime and Crown Lands should make some contribution towards the cost of you carrying out valuations for them?

Mr WESTERN: That is a very timely question. In the past month I have talked to various agencies that are using the valuation system for purposes outside of which it was previously intended it would be used. As I said, that has occurred for a number of reasons but the principal one is that it is seen now as being a reasonably reliable system as far as the accuracy of land values. Currently a consultant is putting together a proposal for me to do an independent analysis of what the benefits are that those particular government agencies are receiving. We will commence work on the project as far as looking at the pricing of those services, probably within the next six weeks. I expect that certainly within the next two to three months we will have an outcome in respect of what the value is of those services we are providing to those agencies.

Mr MICHAEL RICHARDSON: Hang on! You have actually set the parameters: You said, "This is what we want to charge you". Are the agencies likely to pay?

Mr WESTERN: No. There are probably two issues there. One is the rating taxing valuations themselves, and we provide them to the Office of State Revenue and local government, those two agencies. In terms of local government, that was decided through an IPART decision some 18 months ago. In respect of the Office of State Revenue, that is examined annually as to the cost of their contribution to the service. The other ones, as you rightly pointed out, are where they are used, for example, by NSW Maritime, Crown Lands in regard to wetland leases, NSW Fire Brigades, the Local Government Grants Commission and, indeed, the Commonwealth Grants Commission as well. A lot of those organisations do not contribute, other than the NSW Fire Brigades, to the cost of providing those. It is those organisations we are having a look at in respect of what they should be paying.

Mr MICHAEL RICHARDSON: You might determine what you think they should be paying. Will they continue as they have in the past, or are they likely to come to the party?

Mr WESTERN: I do not know at this stage. Certainly there is an indication from a couple of organisations that recognised that they need to pay something for it and are happy to do so. But as yet we have not, because we have not gone through the independent analysis of what that price might be. We are not in a position to be able to sit down with them and talk about what the likely charge for the service will be.

Mr MICHAEL RICHARDSON: Is there any way that the Committee might be able to assist you in that regard? All of us here think that particularly the Commonwealth Grants Commission should cough up. It should make a contribution to State revenue.

Mr WESTERN: Any assistance that the Committee could provide in that regard would be most welcome.

The Hon. MATTHEW MASON-COX: Does the Commonwealth Grants Commission simply use information that you would provide in the normal course? Or do you provide an extra value-added service to them?

Mr WESTERN: No, a lot of those would be general. For example, I understand that the Local Government Grants Commission uses it virtually on a local government basis to distribute grants as part of the formula that is used. It would use similar information that would be required or used by, for example, local government in general, or in term of the Office of State Revenue. There is some of that information that we aggregate, because it is required in terms of what they do. In terms of how the Commonwealth Grants run, I am not too certain how they use it specifically, once they get the information.

Mr MICHAEL RICHARDSON: Do you do any work on that information before you provide it?

Mr WESTERN: We do. In terms of the Commonwealth Grants Commission, we do quite a bit of work in pulling that information together and then there is generally some interrogation of that data, because they are obviously getting it from across Australia, from every State or Territory. There needs to be certainty. In that particular case, because everyone is on a different system, an adjustment is made to all the other valuations to replicate the New South Wales definition of "land value", so they are getting equity across Australia as to what is provided. So there is some work involved in undertaking that.

The Hon. MATTHEW MASON-COX: What do they use that information for?

Mr WESTERN: As I understand it, it just goes into the pot in terms of a number of things they look at in terms of how the Commonwealth Grants are put out to the States.

The Hon. MATTHEW MASON-COX: And who knows what comes out the other end? You mentioned that IPART made a determination in relation to local government paying a fee for the use of information provided by your department?

Mr WESTERN: That is correct.

The Hon. MATTHEW MASON-COX: How much do they have to provide? What level of funds do you get from local government?

Mr WESTERN: I cannot give the exact number of how much per assessment. They pay so much per residential assessment and so much per non-residential assessment. You might recall when I spoke to the Committee last I mentioned that the previous review in regard to pricing was back in 1996, so it has not been reviewed since then. So, a substantial increase has occurred. However, we spread the burden of that I guess, rather than implementing that in one year. We put it across a five-year step-up to where it should be, plus there is the inflation adjustment each year. Local government pays approximately 40 per cent of the cost of the valuation system, and at the moment the other 60 per cent is paid for by the Office of State Revenue through New South Wales Treasury.

The Hon. MATTHEW MASON-COX: How much is that 40 per cent?

Mr WESTERN: In dollar terms?

The Hon. MATTHEW MASON-COX: Yes.

Mr WESTERN: I cannot give you an exact number, but I will take that on notice and provide that number to you.

The Hon. MATTHEW MASON-COX: So it is done on the basis of a flat fee per assessment that a local council issues?

Mr WESTERN: Yes, it is split. What IPART did when it undertook the review, effectively it went through and saw what the cost of providing a residential valuation was and what the cost of providing a non-residential valuation was. There is obviously a difference. A lot more work is involved in doing a non-residential property than a residential one, obviously because of the number of sales you have to work with. Part of that whole process in terms of doing that was to go through and see how the cost was apportioned in relation to that and then that information is aggregated up. We also built into that an efficiency gain. We said that we would improve our productivity by 1 per cent, and also attached a 1 per cent efficiency gain to that. So effectively it was discounted by 2 per cent, saying that we would improve the efficiency of the valuation system through innovation and a lot of other things as well to ensure the cost was truly reflective.

The Hon. MATTHEW MASON-COX: You looked at the cost of producing the valuation?

Mr WESTERN: Correct.

The Hon. MATTHEW MASON-COX: And then tried to measure it and apportion it between the parties?

Mr WESTERN: Yes. IPART agreed that a 40/60 split was reasonable.

The Hon. MATTHEW MASON-COX: Was that 40/60 split done on the basis of the revenue that is generated for each level of government, viz a viz rates for local government and, if you like, land tax predominantly for the State Government?

Mr WESTERN: No, it was not revenue related. It was more work related. For example, for land tax we issue valuations to the Office of State Revenue every year, whereas for local government effectively a third of the State goes out every year. So, it is over three years.

The Hon. MATTHEW MASON-COX: But ostensibly that information, if you like, for both levels of government is produced every year across the board?

Mr WESTERN: That is correct.

The Hon. MATTHEW MASON-COX: And it is just simply used for a different purpose?

Mr WESTERN: Yes, and also in regard to issuing it every year. For example, for the Office of State Revenue, the people who get those land tax assessments have the opportunity to object whereas in actual fact for local government it is spread over a three-year period. I am happy to take the question on notice and provide a more detailed answer in respect of that, if that would assist.

The Hon. MATTHEW MASON-COX: That would. I am interested in the relative revenue flows that come from local government and State government level, so far as rating purposes and land tax purposes. Could you do that as well?

Mr WESTERN: Obviously that is a question that we would need to go to the Department of Local Government and the Office of State Revenue to find.

The Hon. MATTHEW MASON-COX: It is interesting to hear about the cost basis and the reward basis, it is an interesting way of looking at it. Do you have a view about information that you provide to local government or State government being, if you like, a public good?

Mr WESTERN: Most definitely. There is no question about that. We are here to provide a service to the ratepayers, the taxpayers and the government of New South Wales. So there definitely is a public good in terms of those. We are quite open about the information that we provide to anyone who requires it.

CHAIR: Thank you, Mr Western. On behalf of the Committee members I thank you for providing the kits, which all officers received. It has been most helpful. Also, I congratulate you on the improvements that you have made in land valuations and objections, et cetera.

Mr MICHAEL RICHARDSON: It does not happen in every State government agency.

(The witness withdrew)

(The Committee adjourned at 11.20 a.m.)