

**REPORT ON PROCEEDINGS BEFORE**

**JOINT STANDING COMMITTEE ON THE OFFICE OF THE**

**VALUER GENERAL**

**TENTH GENERAL MEETING WITH THE VALUER GENERAL**

**At Macquarie Room, Parliament House, Sydney on Friday, 13 May 2016**

**The Committee met at 10:00 am**

**PRESENT**

Ms M. R. Gibbons (Chair)  
Mr S. Kamper  
The Hon. G. S. Pearce  
Mr G. K. Provest (Deputy Chair)  
The Hon. E. Wong



## **WITNESSES**

ANGELA SHAW, Director, Valuation Services, Land and Property Information, affirmed and examined ..... 1  
SIMON GILKES, Valuer General, Office of the Valuer General, affirmed and examined ..... 1



**SIMON GILKES**, Valuer General, Office of the Valuer General, affirmed and examined

**ANGELA SHAW**, Director, Valuation Services, Land and Property Information, affirmed and examined

**The CHAIR:** Thank you for attending the public hearing of the Joint Committee on the Office of the Valuer General. The public hearing today is examining and will take evidence based on the Valuer General's annual reports of 2013-14 and 2014-15. This will enable the committee to remain apprised of the valuable work done by the Valuer General to ensure that the New South Wales valuation system provides consistent outcomes in a transparent, efficient and equitable manner for all stakeholders including landholders. I now declare open the committee's tenth general meeting with the Valuer General. Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr GILKES:** The only question from me is to confirm that it is fine for me to refer to my notes.

**The CHAIR:** It is. Would you like to make a short opening statement before the commencement of questions?

**Mr GILKES:** Yes. Thank you for the opportunity to provide information to the Committee about the valuation system and the work being done to make improvements. In October last year I was appointed as Valuer General for a period of seven years. Prior to this I was temporarily appointed to the role from 1 September 2014, while recruitment action was undertaken.

As Valuer General, I am committed to delivering a world-class valuation system that inspires public confidence and trust. I want to lead a valuation system that is both transparent and fair, that is focused on service to customers through open engagement, and where staff and contractors are recognised for their professionalism. Valuations need to be accurate, consistent and clearly supported, to provide a sound and equitable base for rates and taxes. Their quality is independently monitored using internationally recognised measures and the results of these tests are published annually.

Since I took up the role of Valuer General a major focus for me has been to implement the Committee's recommendations within my responsibility, and this morning I would like to tender, for the Committee's consideration, a report showing progress. I have some copies, here, to hand to you.

**The CHAIR:** Thank you.

**Mr GILKES:** I am pleased to say that substantial progress has been made and many improvements have been implemented across the valuation system as a result of the recommendations. Published policies, setting requirements for valuers and describing valuation methods, provide transparency and accountability to the valuation process. New processes are providing landholders with more opportunities to share information, ask questions and raise and resolve their concerns.

We now make more information about land values and valuation data available than ever before, including: land values for all properties for the past five years and property sales information available free of charge through the NSW Globe; annual valuation reports for all local government areas, providing information about the property market and how land values have been determined; and land value data showing typical and median values.

I am committed to open engagement with the community, industry and stakeholders. I value their feedback, which helps us to ensure the valuation system is responsive to their needs and continues to improve. I recently engaged with our stakeholders for feedback during the first review of the valuation policies and through in-house surveys to measure landholder satisfaction in two areas: conferencing and the objection process.

As Valuer General I am also responsible for ensuring owners are fairly compensated when their land is compulsorily acquired. This is a serious obligation, often having a substantial impact on the landholders we are dealing with. Naturally, determinations of compensation must be independent, transparent and of the highest quality, but they must also be made with proper regard for the affected owners. The compulsory acquisition of their land is often an emotional and unfamiliar experience for landholders. I recognise that making the process as easy as possible for them is an important area for ongoing improvement.

Since becoming Valuer General I have made it a key focus to improve the determination process for owners and ensure they understand the independent role of the Valuer General. New processes and procedures have been implemented to increase opportunities for customer engagement, support and transparency. These



include: sharing the information that will be considered in the determination with both the owner and the acquiring authority; enabling owners and acquiring authorities to make submissions and have conferences at any time during the determination process; providing the full valuation report with the Certificate of Determination to the former owner; and providing information in plain English about the role of the Valuer General and opportunities for engagement, to all owners, at the beginning of the compulsory acquisition process. This information is also available on the Valuer General's website.

For the future, I am committed to further improving services to the community, informed by world's best practice and ongoing engagement with our stakeholders. I plan to increase digital service provision to better meet our customers' needs for access to information and services relevant to them, at the time of their choosing. Technology and data will also be leveraged to improve the quality and efficiency of valuation processes. I look forward to working with the Committee to continue to improve the New South Wales valuation system. Thank you for the opportunity to make these remarks.

**Mr GEOFF PROVEST:** I am going to try to drill down here, and ask questions about the complex land value improvement program that includes coal seam gas. I note that the 2013-14 annual report referred to improved data gathering, and quality and consistency of land valuations of various complex types of property. The report also mentioned that there would be a study to investigate the impact of the coal seam gas industry on land valuations in affected areas. What is the current status of the coal seam gas project and does the lack of clear evidence about the impact of coal seam gas activities on valuation compromise the quality of valuations in those affected areas? As you would be aware, this is a topical subject in areas of my electorate.

**Mr GILKES:** Indeed, and thank you for the question. The coal seam gas industry is relatively new in New South Wales. While there has been some extraction going on in the Camden area for quite some time, there have been a number of areas over recent years that have become the focus of those activities. The review that was undertaken in 2012 focused on a number of different localities, including Gloucester and Camden. At that time the valuers involved were asked to gather the evidence that was available in the market—that is, sales and transactions in areas where coal seam gas extraction was occurring or was planned to occur—and to analyse that evidence to identify whether the coal seam gas industry appeared to be having any impact on the market.

The conclusion of that study was that there was insufficient evidence to draw a firm conclusion as to whether the coal seam gas industry was impacting market value. However, it was recognised that negative perceptions of coal seam gas may have reduced the number of potential purchases and possibly increased the time for transaction of some properties. The situation since then has not changed markedly, it is fair to say. The evidence still does not point to any clear effect of the industry. The instruction at the moment is for the contract valuers to continue to monitor those areas very closely and to be aware of what is going on so that if the evidence does point to any change in the market that is brought to account.

**Mr GEOFF PROVEST:** In a valuation are you taking into account the current government policy?

**Mr GILKES:** Yes, when valuations are made they reflect all of the legal and policy environment that surrounds that class of properties. Yes, the government policy around coal seam gas is regarded in making valuations.

**Mr GEOFF PROVEST:** If the policy said there was to be no extraction in certain areas, would there not be a technical negative impact on a valuation?

**Mr GILKES:** That is a difficult question to answer given the evidence. I suspect there are two sides to this coin. One is that some people contend that there could be a negative impact on the market for surrounding lands. On the other side, some people suggest that the potential for coal seam gas extraction is actually a potential revenue stream for landholders. There are possible impacts either way. The point of the study, and the findings of the study, has been that the evidence at this point does not point to either of those.

**The Hon. ERNEST WONG:** Basically, do you have any benchmark or any models to do benchmarking, since this is a new industry? Is there any international benchmarking or modelling that we could rely on?

**Mr GILKES:** Part of the study considered what happens in other jurisdictions. Once again, the evidence was not conclusive, to my understanding. I preface my remarks by saying that I am speaking from memory, so I will double-check this after the hearing and if there is any issue I will correspond back. My recollection is that in Queensland there was a decision made to make an across-the-board allowance from valuations. In New South Wales we took the view that the Act requires us to determine market values and so we thought the best approach was to be guided by what we can find occurring in the market.



**The Hon. ERNEST WONG:** What then would be the ultimate solution? Is there an ultimate solution on the way?

**Mr GILKES:** In a sense, the making of valuations in an area where there is coal seam gas is not particularly different to the making of valuations in areas where there are any other ranges of influences; for an example, in making valuations of property around a sewage treatment works. One of the factors to consider—and a key factor to consider—is what happens in the sales of property around those kinds of installations. Similarly, fronting a main road can have an impact on values, or backing onto a rail line. The principle of making valuations is not particularly different to the principle of making valuations anywhere else: You collect all the market evidence you can and analyse that market evidence to determine what is actually happening.

**The Hon. ERNEST WONG:** Thank you.

**The Hon. GREG PEARCE:** My question is about the compulsory acquisition process. There were quite a lot of recommendations from previous inquiries, I believe, and you have indicated you have completed various changes. I would be interested to have you run through what has occurred.

**Mr GILKES:** Yes, we have undertaken a lot of work in the compulsory acquisition area, particularly over the last couple of years. As I suspect the Committee may be aware, the Lands Acquisition (Just Terms Compensation) Act in New South Wales promotes acquisition by negotiation, firstly. The vast bulk of acquisitions by government in New South Wales are completed through the negotiation process. It is only where negotiations do not succeed that the Valuer General has a role. In those cases, the acquiring authority will publish in the *Government Gazette* an acquisition notice declaring that the land has been acquired. At that point, I have a role to determine compensation.

We have put in place a number of improvements. First, generally speaking, 90 days prior to the acquisition being formalised in the *Government Gazette* the acquiring authority will issue a proposed acquisition notice to the landholder. There are provisions where that period can be shortened, but the vast majority happen in the 90 days before. At that point we have commenced a process whereby we write to the landholder advising that we are aware that there has been a proposed acquisition notice, confirming that they still can continue their negotiations with the acquiring authority but also providing them some information about the Valuer General's role if the matter does ultimately proceed to compulsory acquisition.

We provide them with a brochure in plain English explaining that and at that point we identify a coordinator for that acquisition and advise them of the details of that person. That person is there to be a case manager for the landholder through the acquisition process. I have issued a public policy on compulsory acquisition, which sets out my requirements for contract valuers and for Land and Property Information in administering the area. It sets down requirements around making contact with the owner. The valuer is required to speak to the landholder to make sure that they understand their issues.

Importantly, it also sets out the requirements for the exchange of information within the process. This is a significant change from past practice. What my policy requires is that we make very clear to both parties to the acquisition that any information they provide us for consideration in determining compensation will be provided to the other party. We are conscious that the two parties are in negotiation, or may well be in negotiation, at least up until the actual formal notification of the acquisition. So we do not do any of that exchange prior to the matter being published in the *Government Gazette*, also because until that point I do not really have a role and I may not have a role in the matter anyway.

Once the matter has been published in the *Government Gazette* we exchange the information we have with both parties. The intent of that is to meet one of the objectives that the previous Committee raised about ensuring that people are not surprised by the decision that is made in determining compensation. We try to provide as much information as possible about what the valuer is considering before they make the determination. We have changed the way we issue the determination for compensation. The valuation report undertaken by the valuer acting on my behalf is now annexed to the determination of compensation. There had been concerns raised by some landholders in the past that the acquiring authority may not have passed the valuation report on.

The way that the chain of information flow is required to work under the Act is that when I determine compensation the acquiring authority is required to issue the compensation notice to the landholder. I issue my determination of compensation to the acquiring authority and they then issue the compensation notice. As I said, some owners were concerned that they were not receiving my valuation report at the same time. We have annexed that to make it clear that it forms part of the determination and landholders get all of the information that the valuation has been based on.



The valuation reports have been improved significantly. We require the contract valuers producing those to fully detail the assumptions and conclusions they have reached in arriving at their valuation, to specifically address the claims of the owner and any issues they have raised during the process, and importantly to show how the amount of compensation has been determined. I mentioned previously that the valuers acting for me are required to contact the landholder to discuss their issues and I mentioned we send a letter at the proposed acquisition notice stage but there is another letter which goes at the point where the acquisition is published in the Government gazette informing the owner this has now become a formal compulsory acquisition and I have a role and this is the process that will occur from that point.

**The Hon. GREG PEARCE:** Expanding on that, that is the process for the valuation with transparency. The other issue of considerable concern was appeal rights and the process of dispute; what changes have you made there?

**Mr GILKES:** The right of appeal to the Land and Environment Court is unchanged. We have put in place a conferencing process where at any point during the lead-up to issuing the determination of compensation the landholder or acquiring authority can request a conference and that will be attended by the valuer, naturally enough, and quite often someone from Land and Property Information who is coordinating the process. That is to ensure that there is a free and open exchange of information. The focus we have pursued is to get as much of that work done up-front before the determination of compensation is issued so that at the point where that determination is issued there should not be surprises in it.

The Lands Acquisition Act does allow me to withdraw a determination of compensation and to reissue. However, that is a very serious decision to make. For that to happen regularly would only serve to diminish the standing of the system. We make every effort to make sure that everything is understood prior to the determination having been made. After the determination of compensation has issued the owner is still offered the opportunity for further conferences and consultation. If through that process an error of fact arises or some substantive new evidence comes to light that will be considered and if it proves that is of such magnitude that it makes the determination of compensation issued unsound we will withdraw it and issue a new determination.

**The Hon. GREG PEARCE:** Have you withdrawn any determinations in the two years you have been acting Valuer-General?

**Mr GILKES:** There are some I have considered seriously. I do not know whether I have withdrawn and reissued, I will take that on notice.

**The Hon. GREG PEARCE:** There was considerable concern about compulsory acquisitions at Leppington. I know you have corresponded with the Committee. Could you outline what happened there and the issues?

**Mr GILKES:** There was concern over a range of issues with determinations of compensation for the south-west rail link at Leppington. A number of owners were concerned that the valuations being made were not high enough to adequately compensate them. The view of the then Valuer-General was that the valuations were appropriate and well supported by evidence. I should make clear that at that time the consultation processes were certainly not as well developed as they are today. There was a concern that the acquisition happened in a strange way in that there was a plan to acquire the land some few years earlier which proceeded to the point of some valuations being commenced but the acquisitions did not proceed. The valuations were not ultimately issued.

Then when the acquisitions were ultimately made, which was two years subsequent, or thereabouts, the same valuer who had worked on the valuations previously was engaged to make valuation recommendations for the determination of compensation and in a number of instances used the former report as the base for drafting the new report. There was some concern in the Committee that it was simply a cut and paste exercise. I do not share that concern. I think that it is a reasonably sensible way to go about it. The land was in the same location as previously and many of the legal constraints around the land was similar. The market issues had changed.

**The CHAIR:** What was the timeframe?

**Mr GILKES:** I think it was two years, but I am speaking from memory. There was some concern around that. Subsequent to the hearings in the Committee the Valuer-General lodged a complaint to the Australian Property Institute regarding one of the valuers acting for some of the former owners in that area and the Australian Property Institute considered that complaint and made their finding in October last year. They found that the complaint that the Valuer-General made was sustained; the valuer had acted more in the manner of an advocate than an expert and made valuations that were not supported by the evidence.



**The Hon. GREG PEARCE:** One of the other issues that those residents were concerned about was the fact that the land was being valued for current use whereas it would be rezoned commercial and so on. How is that issue dealt with?

**Mr GILKES:** That issue was dealt with. The requirement is that the land has to be valued as it stands on the date of acquisition. All of the circumstances, as I was saying before, pertaining to the land at that point are taken into account. That includes what the land is currently zoned. One of the principles of compensation is to consider whether that zoning of the land is actually a step in the acquisition process. For example, if land is zoned reserved road and acquired for the purpose of a road clearly that zone is a step in the acquisition process and the requirement is that zone be set aside and consideration be given to if it hadn't been zoned reserved road what would it have been zoned and be valued on that basis. I was not involved with these matters so I am not entirely sure but I do not believe that was an issue in this case. The land at Leppington is in the release area south-west of Liverpool and had potential for further development and rezoning into the future. I think at around the time the determinations of compensation were being made was about the time that the planning of the land was changing.

All of those circumstances were taken into account. Naturally enough, there are a number of issues with the development of land and its impact on its value. Zoning is clearly one, but feasibility of developing the land for that purpose at the time is a key consideration. An assessment must be made of how soon that development is likely to be feasible and, taking into account the time value of money, that must be reflected in the valuation. If the likelihood is that the land cannot be developed economically, perhaps for 10, 15 or 20 years, the valuation must reflect that it has that future potential but that the potential does not exist today. It has long been held and accepted by courts that the best evidence of that is sales of land in comparable circumstances. The values made for the Valuer General were based on sales of land subject to those same influences.

**The Hon. ERNEST WONG:** I am sure that your compulsory acquisition process is transparent and fair in dealing with land value. However, we must also consider willingness to move. That is one area of dispute. I am sure you have come across cases where you are dealing with a home rather than simply a property. Do you factor in the property owner's willingness to move into the compensation? If so, how do you quantify it?

**Mr GILKES:** Market value of land is just one of the elements of compensation. There is a range of other items, including disturbance costs, the cost of legal services, valuation fees and the like. In the case you mentioned where we are dealing with someone's principal place of residence, there is provision for solatium; that is, the non-financial aspects of the acquisition. That is a recognition of the pain and suffering involved in having their home compulsorily acquired. The maximum amount of solatium is set each year and adjusted generally speaking according to the CPI. It is about \$26,000 at the moment. As I said, that is designed to compensate for non-financial loss.

**The Hon. ERNEST WONG:** Who sets the guidelines or conditions for determining whether a case falls into that category? Will they have to qualify to receive compensation, or will they have to justify their right to receive compensation?

**Mr GILKES:** Generally speaking if it is a principal place of residence they would qualify for that kind of compensation. There could be circumstances where that may not apply. An example could be that, while a person may live there, the land is prime for redevelopment and is in fact valued on that basis, and moving from the home is one of the requirements to achieve that much higher value. There can be limiting factors, but generally speaking if it is someone's principal place of residence they will qualify.

**The Hon. ERNEST WONG:** Have there been many disputes as a result of the compulsory acquisition of properties at South Strathfield for the WestConnex project? Can you provide the figures? You can take that question on notice.

**Mr GILKES:** A number of compulsory acquisitions have been undertaken for the WestConnex project during this financial year. I do not know the exact number, so I will take that question on notice. The question asked whether there were many disputes. If you are asking whether many are referred to court, I am not sure of the number because my statutory role sits just in the determination of compensation space. Once the determination of compensation is issued, the landholder has 90 days in which to make a decision about whether or not to accept it. They can choose to object to it and have the matter referred to the Land and Environment Court. However, at that point the matter reverts to being between the landholder and the acquiring authority. Generally speaking, I am not a party to those court cases. There are circumstances where the Valuer General may be joined as a third party, but that is relatively rare.



**The CHAIR:** You mentioned at the start of your answer to the Hon. Greg Pearce about Leppington that there have been many changes to the consultation process—that is, in what happened at the beginning of the Leppington situation and what would happen now. Can you outline some of those changes?

**Mr GILKES:** As I said, we provide the owners with a range of consultation processes and information services. It might be best if I talk about the historic practice first. Obviously it has always been our practice that valuers making valuations for compensation purposes inspect the land. They would generally speak to the landholder at that time and gain a good appreciation of their views. We have formalised that much more and made it very clear to the valuers that they must make every effort to do that. For example, if they are dealing with a piece of vacant land and there was no-one there on the day of inspection, that is not a good enough reason not to make the effort to find the owner and to understand their issues. In that sense, that particular process has not changed dramatically, although it has been made more formal and there are better processes.

The real changes are in terms of our communication with the owner before the acquisition becomes compulsory. There is correspondence early in the piece and at that point we provide a plain-English brochure explaining the process and the Valuer-General's role in it. We also correspond with the owner when the acquisition is formalised. In many cases, there will be a quite a bit of engagement between those periods. The WestConnex situation is a good example. Because there was a volume of acquisition valuations to be made, the valuers acting for me commenced work before the compulsory acquisitions were formalised. During that time, the acquiring authority, Roads and Maritime Services, continued to negotiate with the landholders. However, the people working for me engaged directly with the landholders along the lines of, "We don't want to interrupt your negotiations with Roads and Maritime Services." The objective is to try to reach an agreed settlement if possible. However, we say that the Valuer General may have a role here and we start work. The valuers spoke with the owners to try to understand their issues and investigated the market. They do those kinds of things to ensure that the valuation process is progressing.

The other key thing is the more formalised conferences. In the language of the previous committee, the term "conference" covered a wide range of engagements from telephone conversations to the kind of meetings that valuers would typically have on site with landholders. We do all of those things. However, there is also a more formalised conference that an owner can request, and it may be independently facilitated if the landholder would like that. They will often be facilitated by a customer service manager at Land and Property Information.

They are a trained mediator. Their role in those conferences is to facilitate the conversation between the landholder and the valuer to make sure that the valuer is not speaking in valuers' code. As a valuer I know I can be guilty of it at times. The role of the facilitator there is to feed back to both parties to make sure that the owner understands what is being said and what the implications of that are and likewise to make sure that the valuer can articulate what the owner's concerns are to try, to the best extent possible, to get a clear understanding of both sides of the stories for all parties.

**The CHAIR:** You mentioned 90 days—is that from when they get their final valuation?

**Mr GILKES:** The proposed acquisition notice issues 90 days before the acquisition is published in the *Government Gazette*. The requirement then is that the acquiring authority issue a compensation notice within 30 days. We do whatever we can to issue a valuation to enable the acquiring authority to do that. Naturally the objective is to do that as early as possible. There are a number of cases in which we do not meet that time frame. We are trying very hard to try to improve that performance. But in some cases the complexity of the matter will work against that to a significant degree.

**The CHAIR:** It is a big generalisation, but how long would the process generally take to get to that point?

**Mr GILKES:** From the start of the proposed acquisition?

**The CHAIR:** From the start of the proposed acquisition.

**Mr GILKES:** In general it is about 120 days if the compensation notice can be issued on time. I am not sure—

**The CHAIR:** Does the 90 days start then or is that inclusive of the 90 days?

**Mr GILKES:** Do you mean for the owner to accept or reject the compensation?

**The CHAIR:** No. I mean before it is even given to them—when you and the valuers start to work on it.

**Mr GILKES:** Okay. The proposed acquisition notice issues and it says that in 90 days the acquiring authority, whichever it is, plans to acquire the land by publication in the *Government Gazette*. With Roads and



Maritime Services [RMS] particularly, Land and Property Information [LPI] have an agreement that they will start work at that point and RMS agrees to meet any abortive costs, if you like, if it settles the matter. Not all acquiring authorities agree with that. Indeed, some ask that LPI does not do that because they are actively engaged in negotiation with the owner and they do not want to disrupt that process.

Ms Shaw has just advised me that the current average is 83 days to issue the determination of compensation from the date of gazettal. As you can see, there is a significant gap between that and the 30 day requirement. That would be significantly inflated by a small number of cases that go on for very long periods of time in which there is major complexity. There is certainly an issue with timing at the moment. Land and Property Information has put a number of things in place to try to address that. It has put a new senior manager in charge of the compensation process to try to improve the processes around that. It has also added some resources to that team. The senior manager is working with various players in industry to see if they can find new contract valuers who may be able to engage in this to assist.

One of the common issues is that because the Valuer General, if you like, is third in the chain in these matters and quite often they form part of a program of works it is quite often difficult to find valuers who have both the knowledge and the skill in compulsory acquisition valuations, because there are certain particular complexities, but are not conflicted by the project that is in question because all of the landholders have sought valuation advice and the acquiring authority likewise has sought valuation advice. Quite often a large number of valuers are excluded from the process on the basis of a conflict of interest.

**The CHAIR:** Thank you.

**Mr STEPHEN KAMPER:** I return to the issue of WestConnex, RMS and the situation over at St Peters where there were over a dozen industrial and some commercial properties acquired. You mentioned disturbance items earlier. When there are 15 or 20 small businesses that have unique benefits from where they are located and so on, what is the extent of your involvement in the valuation? Who establishes a value in relation to that pain and suffering? I will give you a typical example: a joinery operation that is located close to the CBD and has a unique benefit. It will not find premises like that unless it goes out west and that interferes with its business model. How do you establish a value for that pain and suffering?

**Mr GILKES:** I will not talk about specific instances. I will talk in principle.

**Mr STEPHEN KAMPER:** That was just an example.

**Mr GILKES:** Firstly, I delegate the making of determinations of compensation to Land and Property Information within the Department of Finance, Services and Innovation. In the majority of cases LPI will determine compensation on my behalf. I do, however, personally determine compensation in certain matters that are particularly complex or of very high value—those kinds of things I do not necessarily delegate. In carrying out that function LPI will engage appropriate experts to provide valuation advice to inform the determination of compensation. In the matter of business properties they would typically engage a specialist business valuer to look at that. Broadly there are two ways of looking at a business: one is its value for relocation to an alternative site and the other, if that is not feasible or practical, is the value of extinguishing the business. Generally both of those things will be considered as options in arriving at the valuation.

**Mr STEPHEN KAMPER:** In terms of compulsory acquisitions—obviously with all the infrastructure work going on at the moment you would be being kept quite busy with them—are there any numbers or is there any data that tell us how many valuations have been performed for the purpose of compulsory acquisitions for the 2014-15 year or the year to date?

**Mr GILKES:** I have some year to date numbers. The figures I have here are that to this point there have been 303 determinations for compensation issued this financial year with a total value of about \$412 million.

**Mr STEPHEN KAMPER:** How many was that?

**Mr GILKES:** Excuse me for a moment—I am having something drawn to my attention.

**Ms SHAW:** That includes Treasury directions.

**Mr GILKES:** Sorry. There are two classes of compulsory valuations we make. One is under the Lands Acquisition Act which would generally be for the acquisition of private land. There is also the transfer of land between government agencies under the Treasurer's directions. Those numbers I quoted to you included the latter as well. For those made under the Lands Acquisition Act there had been 279 determinations of compensation issued from 1 July 2015 to 11 May this year with a total value of just under \$365 million.

**Mr STEPHEN KAMPER:** Thank you.



**Mr GEOFF PROVEST:** I want to change tack and focus a little on rural areas. A rural sales report has been piloted I believe in certain local government areas.

**Mr GILKES:** Yes.

**Mr GEOFF PROVEST:** That is in your 2013-14 annual report and a new fact sheet. How many more rural sales reports have now been produced? Will they be compiled in the future following the 2013 pilot?

**Mr GILKES:** Yes, we undertook a pilot in 2013 in two local government areas, Walcha and Mid-Western Regional Council. Where this came from is that landholders are able to obtain a valuation sales report from either our call centre or the website. That is a system-generated report and it compiles the sales that the contract valuers have analysed in the area where the property resides. That is an automated process. For the bulk of properties on the register, which are residential properties, it provides useful information. What we found over the years was that that was not particularly helpful in rural areas because of the variability between properties and the like.

You often have to look at a much broader range of evidence. You may have to look further afield or further back in time to be able to get a full enough range of evidence. We were finding that with the automated report we were getting a lot of inquiries from rural owners saying, "I have this report, but the information is not helping me." The idea was to have the contract valuers produce a specific report for the rural land in those two areas to see whether that was useful. That included more of a narrative around how the valuation process was done as well as a range of sales. For owners in those areas who requested the report, rather than using the automated process, it produced this precast report, if you like, that covered the whole local government area. That seemed to work quite successfully.

The problem was that the process was quite expensive, getting those special reports written, and that was a cost on top of the existing contract cost in the area. Because of that, we concluded that we had to find a somewhat different way to achieve that objective. Following those reports, we reviewed—there was an existing requirement for contract valuers to provide a final contract report for each year, describing the valuation process and the like in each local government area, and that report was broadly defined in the procedures manual about content, but not particularly tightly, if you like. We undertook a review of those requirements and developed a new set of requirements, having regard to the lessons we had learnt through the rural valuation report trial, and they were built into the procedures manual that was used in the tender process in 2014.

The final report requirements were amended in the documents for contracts that went to the market in 2014 or where options were being exercised to extend existing contracts. Those new requirements came into place from 1 March 2015, so last year the valuer's final reports from a large number of local government areas were based on these new requirements. On my website we now publish the final report of the contract valuer for every local government area in the State. It is a somewhat different process to how we started with the rural sales report trial. The end result is quite comparable in respect of the information available for rural properties, but it has expanded that to being a report about the valuation process in the whole local government area.

**Mr GEOFF PROVEST:** Was there any significant impact?

**Mr GILKES:** In respect of—

**Mr GEOFF PROVEST:** In relation to rural land valuations by publishing the fact sheets?

**Mr GILKES:** The trial of the report found that the owners in those areas seemed to gain a much better appreciation of how the valuation had worked than they had from the previous report. It was a positive outcome. As I said, the cost benefit analysis did not really stack up to do it that way, so I believe we have achieved pretty close to the same result through—in fact, in many ways it is arguable it is a better result because there is also information about business valuations, industrial valuations and the like, so there is more information available to the public now than there was previously.

**Mr STEPHEN KAMPER:** I have another question about the complex land value improvement program and particular valuation methodologies on properties for which it is difficult to find genuinely direct comparisons. This is a case study of the situation at Sydney airport. Valuations have been certified but all parties are now disputing the valuations, including Rockdale City Council, Marrickville Council and the Sydney Airport Corporate Limited [SACL]. Rockdale and Marrickville councils hold a view that the valuations are too low and SACL is presumably arguing they are too high. This case therefore poses some interesting broad questions about valuation methodologies which, of course, the joint committee is going to consider.

The councils hold a view that the valuations have not involved valid comparisons. For instance, the Valuer General's contractor has used residential properties as benchmarks in the case of Marrickville, and industrial properties in the case of Rockdale. Given that Sydney airport has obviously transitioned from a



Government-owned property and not-for-profit community service to a fully privatised profit-making enterprise, should valuations not be undertaken based on the airport's obvious use as a commercial business, not as a light industrial or residential property?

**Mr GILKES:** Indeed. If I can address the point about the residential benchmarks first, my understanding is that when that was brought to the Land and Property Information's [LPI] attention, that they went back to the contract valuer in that case—I will have to confirm this afterwards, if you do not mind, because I do not have that detail with me because I am speaking from memory. My understanding is that LPI went back to the contract valuer at that point and they had made a mistake in compiling the report and included the wrong set of sales in the report. There are some interesting features about making valuations within the airport in that the land being Commonwealth land is not subject to the planning controls of the local councils and so it does not fit within the normal scheme of the zoning of the area. There is, however, a master plan over the airport area, which identifies sites or areas that can be used for certain uses and the like, and the land is in fact developed along that line.

It is reasonably possible, I would argue, to draw sensible comparisons from market activity outside the airport. For example, there is an area of fast food sites in the airport area and sales of those kinds of properties can be found elsewhere. One of the complicating issues is that many of the lands outside the airport, commercial lands or business lands, allow mixed use development, which is not permissible within the airport area. I will take it back and say I do not believe it is generally permissible; I do not know if there are particular sites that may allow it. I am not that close with the specifics of every valuation. One of the features of the market we have seen over the last couple of years particularly is that the mixed use sites is one of the areas where the values have increased most rapidly, but that has been driven by the residential component more so than the business component.

In the 2015 land values—once again, I am speaking from memory, but the figures are broadly right—the average increase in commercial values was around about 18 per cent or 19 per cent, whereas the average increase in residential values in the metropolitan area was closer to 25 per cent or 26 per cent. That is one of the things that has to be borne in mind in comparing sales of land outside the airport to the land within as to the genuine comparability in respect of what is permissible on the site. The other is around the density of development permitted in respect of floor space ratio that can be developed on individual sites and that is also taken into when making those comparisons.

**Mr STEPHEN KAMPER:** The LPI Rating and Taxing Valuation Procedures Manual provides a principle that land should be valued on the basis of highest and best use, that is the use which is both permissible and would provide the highest and best returns for a prospective purchaser.

**Mr GILKES:** Correct.

**Mr STEPHEN KAMPER:** How is it possible to argue that a capital city airport should be valued as other than an airport? How would it be argued that its use as a light industrial or residential site—you have already clarified the residential site—would yield higher returns than its use as an airport?

**Mr GILKES:** Its use as an airport contains elements of industrial use, business use and so on. The sites' values are based on their particular occupancies, which reflects those kinds of uses.

**Mr STEPHEN KAMPER:** If we accept that a capital city's airport's highest and best use is as an airport, doesn't that mean that if a direct comparison method is invoked the comparisons should be made between each of the different sorts of commercial businesses on the site, and sales of similar businesses elsewhere?

**Mr GILKES:** In principle, I agree. That is what I have been trying to say. The uses within the airport are thought about. I used the example of a fast-food site. We think, "Here is a site where you can build a fast-food restaurant. The important thing in considering the comparability of that with other sales outside the airport area is whether the zoning of those other sites might permit other, additional, higher uses as part of the average."

**Mr STEPHEN KAMPER:** I understand Sydney Airport Corporation Limited [SACL] has been asked to release earnings as part of the process to try to establish the valuation of land. Have they been requested to release what they are earning from the leases on the site?

**Mr GILKES:** Quite a lot of information has been requested from the Sydney Airport Corporation. They have not always been willing to provide that information, particularly where there is commercial-in-confidence with respect to it.

**The Hon. ERNEST WONG:** We are very happy to see the positive relationship that has been established between your office and the local councils. With the council amalgamations that are going to happen



within the next 12 months, what would you expect to be the impacts on the Land and Property Information [LPI] service provision and its relationships with local councils or the operation of information systems. There will be 19 huge councils which will have mixtures of very different suburbs, where the land value in the market will become quite difficult, I think.

**Mr GILKES:** If the Committee agrees, I will answer the first part of this question and then refer it to Ms Shaw because she will have some more detailed information she can provide you.

**The Hon. ERNEST WONG:** Absolutely. Thank you.

**Mr GILKES:** In terms of making valuations, the amalgamation of the councils does not make too much difference. Land values are made for all land in New South Wales every year. Indeed, we have valuations as at each valuing year for all the properties in all of those councils. It sounds very easy from my end, but obviously there will be some complexities in it. We have a set of values, which can be compiled for each of those merged councils at the same valuing year, sitting on the register now.

As I said, there certainly will be some complexities in doing that. However, the process has been gone through before. There were a number of local government amalgamations quite some years ago. We managed that by working closely with those councils that were impacted to provide them with the information they needed to be able to make the appropriate adjustments to their rating structure and to adjust those bases at the point they needed to be adjusted. For example, I seem to recall—I was involved in the valuation area at that time—that a number of councils received a consolidated set of values for existing valuing years so that they could get an idea of how the valuation parities sat across the newly-merged local government area before the time that they were due to get a single consolidated valuation list. So, the short answer is that we would work with the councils to understand their needs and to do what we can to address that. Ms Shaw might like to add to that.

**Ms SHAW:** We put together a working group to determine exactly what the impact will be on our operations. It is not going to be a simple matter. As Mr Gilkes has mentioned, we did it before, but that was in 2004—quite some time ago. The types of things that the working group will be looking at include looking at the way our contracts are organised. We currently do those on a local government area basis, so we will be looking at how the contracts are impacted and how the management of those contracts will be impacted. There will obviously be some system changes that are required and changes to the way we receive files and the like from contractors. There will also be changes to the way we deliver land values to councils and the Office of State Revenue [OSR].

There will potentially be some strategic procurement decisions that we will need to make about whether this year we let new contracts or extend options, depending on the amalgamation. We also need to make sure that we are able to report on what has happened with land values. Having a history of where a property is located is important to making sure that that reporting is accurate. One of the main considerations will be in liaising with councils and other stakeholders so that they are aware of all of the impacts and how we are taking it into account.

**The Hon. ERNEST WONG:** Will this progress of your team schedule be reported to this Committee or is that something that is not within the guidelines of our Committee? You are saying that you are going to have a new division to look into the impact of the changes. Would that be reported back to our Committee or is that too much to ask for?

**The CHAIR:** It would go in the next annual report, would it not?

**Mr GILKES:** Yes, it will certainly go in the next annual report. If the Committee would like additional, specific advice I am more than happy to provide that.

**The Hon. ERNEST WONG:** Sure. That will be quite important with regard to how we look at the operation, particularly when we are going to have super councils. If it is possible I would like to request a bit of additional information about that.

**The Hon. GREG PEARCE:** Presumably, the working group will have a limited life time.

**Ms SHAW:** Absolutely.

**The Hon. GREG PEARCE:** Changes will be made and you can forward those changes to us.

**The Hon. ERNEST WONG:** Absolutely. That is what I want.

**Ms SHAW:** The working group is just to make sure that we have all of our key functions covered. We are certainly not creating a new division. It is just a group of existing staff.



**The Hon. ERNEST WONG:** What is the usual period of time when you would be doing this valuation of land? Is it in July?

**Mr GILKES:** Land values are made as at 1 July each year. What that means is they are made having regard to the market conditions prevailing on that day. Naturally enough, there are 2½ million valuations and we cannot make them all on one day. It is a process that takes some little time, but the drop-dead date, if you like, for the end of the process is that we have an agreement that we will provide all of the new land values to the Office of State Revenue by 15 November.

There is a whole lot of preparatory work that goes on prior to 1 July. The contract valuers are preparing project plans detailing how they are going to go about doing their valuation program that year. They analyse market transactions during the course of the whole year to keep on top of the market and to identify where plans are occurring and those kinds of things. It is an ongoing process but the real peak load of making new land values happens between July, and the contractors are due to deliver their final valuations to Land and Property Information by 15 October, I think. Is that correct?

**Ms SHAW:** That is correct.

**Mr GILKES:** They have a staged process. They finish the valuations local government area by local government area. Naturally enough the LPI does not want them to deliver all 2½ million valuations on 15 October. Some, particularly the smaller regional local government areas are valued quite early in the process and then the process is staged to try to smooth the delivery of information across the period.

**The Hon. ERNEST WONG:** I am interested in the impact on your timetable of council amalgamations. I think we will be unable to look at a finalising stage of these amalgamations within the coming months. Will that impact on your timetable of valuation? How will you deal with the proposed council amalgamations and will amalgamations add to the cost of valuation?

**Mr GILKES:** I confess that I may not be fully across this, but I understand that councils will not be required to have a fully consolidated rating structure and valuation list for this coming financial year. There is a bit of breathing space to get the planning right. I go back to what I said at the beginning, that we already make a valuation of every piece of land at 1 July each year. The impact is really in how we deliver that to councils.

Obviously the preferred way to go about that is to have everything merged neatly in a database and be able to produce a file that looks like the file does every other year, just including all the properties. That is the preferred option, but whether that is achievable is another matter. It is just a case of working with the councils. In some cases the council may not be able to absorb the file in that form, for a start. It is a case of working with individual councils to understand their needs to enable them to get that consolidated rating structure at the point they need it.

**The Hon. ERNEST WONG:** How do you identify the individual council? Is it the council that has been proposed to be amalgamated or the existing councils? Example, if Strathfield, Burwood and Canada Bay are amalgamated, do you deal with the amalgamated council or the individual councils?

**Mr GILKES:** My understanding is that the legal entity would be the new merged council, and so obviously we would need to deal with it on that basis. Whether it looks that way neatly in the database from the beginning is another question, but I do not think that is a substantive issue. The core issue is, can the valuations be made? Yes, they certainly can using the normal process and that kind of thing.

The impact is really in how we put the data together to deliver to the councils as customers. It is really a matter for working through with each individual council. It is reasonably likely that that might depend on which system they are using. Councils use a range of different systems to manage the rate processes. Whether they are all adjusted and ready to go at the same time, I do not know. These are issues we will have to cross as we come to them.

**Mr STEPHEN KAMPER:** Those councils do not exist anymore.

**The Hon. ERNEST WONG:** That is what I am saying, but the Valuer General has to deal with an entity. What is the entity now?

**Mr STEPHEN KAMPER:** A new Australian Business Number [ABN] as of yesterday.

**(Short adjournment)**

**The CHAIR:** I have a final question on local government as a whole. While you find communicating with local government mostly positive occasionally when they are not are there ways or methods to resolve that?



**Mr GILKES:** Obviously local government is a key stakeholder of ours. We value those relationships very highly. They work on a whole range of levels. If we start at the top level: on an annual basis I have implemented a process that when a council is receiving new valuations I will write to the general manager and provide a letter detailing the quality assurance processes and providing a certification of the values supported by Land and Property Information [LPI] providing me with directors of the contract valuation firm certifying to LPI their performance. We have relationships at the top level and it goes through the organisations on a day-to-day basis with Land and Property Information staff dealing with staff in the rates and revenue areas. There is exchange about what is happening with land and that type of thing.

**Ms SHAW:** Mr Gilkes was saying that we do have relationships with councils at the local level and that's usually with rating clerks. Our staff are in 13 offices around the State so they are quite close to the councils and team leaders are responsible for dealing with groups of councils in their regional groups. It is difficult, as you have mentioned, to make sure that consistent messages are getting out. We are implementing a new position in our structure from 1 July which will be responsible for making sure that customers get consistent messages. That is a manager of customers and stakeholders. At the moment that is managed by me and my assistant director for customers. At the higher level we do have good relationships with the revenue professionals. They have representatives from all of the councils. If we do have a message to get out to councils that is a good place to go. There is representation on the Land Value Advisory Group for Local Government NSW. We do have relationships at the high and lower levels.

**The Hon. ERNEST WONG:** Has there been any scenario where for one particular land value the council disagrees and the State Government disagrees and how do you deal with that?

**Mr GILKES:** Local councils as a rating and taxing authority have a right of objection to land values on the register and councils from time to time object to valuations. Sometimes it is because they are aware of some fact about the land that is not known or they have a different view as to what it is worth and they are dealt with through the normal objection process. An objection is a genuine independent review of the land value and they are treated in that same way.

**Mr GEOFF PROVEST:** I note in your annual report of 2013-14 you mention a customer service benchmark completed by Morgan Research and in 2014-15 you undertook an independent benchmarking study by International Property Tax Institute [IPTI]. What were the findings of the independent benchmarking study that you funded in 2014-15 and will the office of Valuer General use those bench marks for ongoing continuing improvements?

**Mr GILKES:** The International Property Tax Institute is an international body based out of Canada. It looks at a whole range of issues to do with taxation across the world. In 2014 they undertook a benchmarking study jointly funded by all of the Valuers General in Australia. That survey, from memory, included about 50 jurisdictions that participated around the world. There was quite a wide range of questions to do with issues such as the cost of running a valuation system, what particular types of measures are used to measure quality and various other processes for engaging with the community and the like. My instant summary of it would be that I was pleased with the way that New South Wales performed in that study.

In most areas we were not necessarily at the top of the tree but certainly well within sight of it and well up in the rankings. In terms of the cost of the system, the average cost per valuation was about \$17.53, which was around about half the average cost of the jurisdictions around the world. I took some pleasure in those results but the important thing about IPTI is that they present opportunities to observe and understand what other jurisdictions are doing and identify the best practice. We are always looking to find where other people are doing things better and to take on as many of those ideas as we can.

**The Hon. ERNEST WONG:** In the Committee's report on the ninth general meeting with the Valuer General, it explored the opportunity of having an independent valuation commission to ensure adequate separation of the original valuation and some of the decision making and function. Has the Valuer General had any discussions with the Government regarding the Committee's proposal for the establishment of a valuation commission and what are your thoughts with regard to it? Would that become another arm that would interfere with the present operation or will it give independence in decision making?

**Mr GILKES:** If I could take your last point first. I do not particularly believe that would provide more independence in the decision making. The Committee's recommendation provided for a commissioner with essentially the same powers as I have as Valuer General. To this point the Government has not decided to pursue the commission option. The point that the powers are essentially the same as the Valuer General's was one of the points considered there.



The issue about the independence in decision-making is important. To the extent that we can, we have tried to implement a number of these things administratively. Within Land and Property Information, the structure of the valuation group includes three valuation managers. One is responsible for the initial creation of the annual valuation. That manager sets the processes and the quality assurance activities around that. Another manager is responsible for objections and appeals, and is separate from the creation of the valuations. The third manager is responsible for the compensation matters.

The Committee's recommendation was that there be a chief commissioner and two deputy commissioners, one of whom would be responsible for the making of the original valuations, and the other would be responsible for objections, appeals and compensation together. I hope I am not speaking out of turn or speaking for Land and Property Information, but I understand that one of the reasons they separated those two was that the volume of activities happening in the compensation space at the moment warrants strong focus. That intent behind the separation of those key decisions about the making of valuations and the review of valuations has been implemented administratively.

**The Hon. ERNEST WONG:** The concern was not about independence. I am sure I have confidence in your independence. I am interested in when you are exercising your power and your relationship with the Government. Will you have enough authority to exercise your power without influence from the Government?

**Mr GILKES:** I am appointed as an independent statutory officer directly by the Governor for seven years. I recognise that I have a unique and serious responsibility and obligation to act independently. I certainly have not experienced any case of someone in government trying to influence me on matters to do with valuation. Naturally enough, I need to work with government around administrative matters. I think the Committee recognised that that was a reasonable thing to do in an independent role. However, in terms of my decision-making around valuations, no-one has ever tried to influence me in that way. I would staunchly defend that territory. I also expect those operating in the system on my behalf to operate in that way.

A good demonstration of how we put that into place in the real world is what we are doing in the acquisition area. I have published a publicly available policy about how we will share information in those cases. It says that if you provide me with information to consider in the compulsory acquisition process, I will provide it to the other party. We have made that very clear to the acquiring authorities. We welcome submissions from anyone in those processes, but if they provide us with information I will provide it to the landholder. I believe it is critical not only to talk about independence but also to put in place proper processes that demonstrate it.

**The Hon. ERNEST WONG:** Have any conversations been held between you and the Government in regard to that proposal?

**Mr GILKES:** Not while I have been Valuer General. I am not aware of what conversations Philip Western might have had with the Government at the time the report was issued.

**The Hon. ERNEST WONG:** Can you confirm whether the former Valuer General had any conversations and the response from the Government?

**The CHAIR:** I am not sure that that is within the scope of our discussion today about the annual report.

**The Hon. ERNEST WONG:** It is a recommendation in a previous report.

**The CHAIR:** For discussion.

**The Hon. ERNEST WONG:** Yes, to discuss the possibility of appointing a commission. It does not mean that we will agree. I simply want to know whether any discussions have been held between the Valuer General's office and the Government.

**Mr GILKES:** I will take that question on notice.

**The Hon. GREG PEARCE:** For the record, the Government's response was given in November 2013. The member's question has been answered in the Government's response.

**The Hon. ERNEST WONG:** But that is not in the report.

**The Hon. GREG PEARCE:** The Government responded to the report, and the material that the Valuer General has given us today runs through each of the recommendations.

**The CHAIR:** That should be helpful.



**The Hon. GREG PEARCE:** Yes, there is the Government's response and the Valuer General's response. It has all been provided. Mr Gilkes, I see that you have published a policy on the valuation of land below the high-water mark. What is the essence of that approach, and it is a change from the previous practice?

**Mr GILKES:** Broadly speaking, the policy recognises previous practice and clarifies and codifies it. I will not speak to the very fine details, but there is a recognition that one element of the value is the capitalised rent of the side of the jetty or whatever it is, and that needs to be recognised in the value. In broad terms, the policy captures the approach as it has been for a long time.

**The Hon. GREG PEARCE:** Is it circular? Is the rent based on the valuation?

**Mr GILKES:** There is an element of that in that rents are set based not on the particular valuation but on a range of valuations in the area, and the rent is a proportion. There is a formula that the Independent Pricing and Regulatory Tribunal sets. Having said that, there is also an element in that it exists in the real world. That is one of the features confronting people participating in the market for waterfront land. Here is a waterfront site and it has a jetty, or the right to build a jetty, attached to it, and the rent for that jetty is calculated in a certain way. That is known in the market and people factor that into their decision-making when purchasing a property.

**The Hon. GREG PEARCE:** Ms Shaw, can you tell the Committee a good news story about NSW Globe?

**Ms SHAW:** I certainly can. NSW Globe is one of the best ways we have been able to open up valuation information to the public. It starts with land values from 1 July 2014. We were able to issue every land value for every property in the State—that is, 2.5 million land valuations are available on a map. It is Google-based technology, so it is easy for customers to use. They can see how their land value compares to surrounding land values. That was a concern expressed by the previous Committee. It also has a history of values for the past five years so that people can see how their land values have changed. In October last year, we also added sales information so that people can overlay land values with sales information. That allows the customer to look at their land value, surrounding land values, what the land value was in the past, and also the information we have used to make land values—that is, sales. It is a great tool for customers to be able to understand how valuations are made.

**The Hon. GREG PEARCE:** Do you charge a fee for using it?

**Mr GILKES:** It is free to use.

**The Hon. ERNEST WONG:** I tried it since the last meeting. It is very informative and I really enjoyed it. Correct me if I am wrong—I am not very technically minded—is it correct that each person will only be allowed to access the land value of their own property five times?

**Ms SHAW:** We do have a land value search facility which provides a bit more detail than what is available on the globe. At the moment that is limited to five searches. You could always register again and get another activation key if you wanted to, but the search is limited to five free searches at the moment for landholders.

**The Hon. ERNEST WONG:** I want to try to introduce it to some of the ethnic communities to make sure they know how to access to it and find their land value. That is very useful. I commend that. It is a bit complicated when you get all these details and try to get the information.

**Mr STEPHEN KAMPER:** That is because we are not technologically savvy.

**The Hon. ERNEST WONG:** Only because I am me, I think.

**Ms SHAW:** We did create a brochure which is available on the website which steps people through. We also did a video tutorial which is very detailed, so you do not have to be techs—

**The CHAIR:** Technologically—

**Ms SHAW:** Exactly. If you watch the video on *YouTube* it is very easy to step through and figure out what you are doing on the globe.

**The Hon. ERNEST WONG:** I am not suggesting it but I am just asking if there is any opportunity to look into presenting it in different languages. Do you think that would be helpful?

**Mr GILKES:** It is not something we have considered doing at this point.

**The Hon. ERNEST WONG:** Fair enough. I am just floating the idea.



**The CHAIR:** On the topic of different languages, earlier you mentioned that your notices are in plain English. Do you have brochures or information available in other languages?

**Mr GILKES:** I think we include on the notice of valuation details for people who have other languages and contact details for the interpretation service.

**The CHAIR:** So there is that ability if someone needs it.

**Mr GILKES:** Yes. We do not as a matter of course publish all our policies multiple times in different languages.

**The CHAIR:** They would be booklets.

**The Hon. ERNEST WONG:** There is the telephone interpreter service and they redirect you to their office. It is quite handy.

**The CHAIR:** Yes. You have mentioned recommendation 25 on page 6 of the information you gave us this morning. It is about the separate report to be attached with your annual report. I notice you are looking at the best ways to present that information in the separate report for the coming financial year. Can you comment at the moment on how it will look different? As I said, I know you are considering options, but can you comment on the variations in content, layer, structure and how it will look?

**Mr GILKES:** There are a couple of important decisions to be made here. Indeed, I would welcome the opportunity to engage with the Committee less formally on this issue to discuss the range of options. In thinking about this matter I started off by thinking, "Should I publish an annual report in the same way an annual report is published for most organisations through this process?" I concluded that I do not think that is the best way to go about this to provide the most utility for the community. There is a whole range of statutory reporting that has to occur in terms of finances and those kinds of things. As you would know, over recent years that has been done as part of the Department of Finance, Services and Innovation. I think for many of those things that is the most appropriate way to go about it. It is then a question of what else I publish to go along with that to provide assistance to the community.

I think where the interest of the community lies is much more in the outcomes in terms of the valuation system, how valuations are made and those kinds of things, rather than in the finance and administrative aspects of my office. I thought about the idea of publishing another report at the time the annual report is published. However, I do not think the timing of that is the most appropriate to provide the best use because, if you think of how the valuation cycle works compared to the administrative reporting cycle, the annual reports are generally published in October-November. The land values are actually not really completed and signed off until the middle of November so you would not be able to include that sort of information in a report published at that time.

My thinking at the moment is that the likely best solution that would meet the needs of the community would be to publish a separate report at the time that new valuations are issued, which is early in the new year, so that that report could deal with how the valuations were made and what the findings were about the market across the State—essentially a statewide valuation report. There is quite a good model for that in Queensland. The Valuer General there publishes a statewide valuation report at the time he is issuing valuations. At this point no decisions have been made about this. I am still mulling options. But as I said I would very much welcome the opportunity to discuss it with the Committee in a less formal way.

**The CHAIR:** I am sure the Committee would be more than happy to do that.

**Mr STEPHEN KAMPER:** If I could make one suggestion in terms of the valuations and the financial report, it would be good if it at least had comparative numbers next to it or some comparative analysis from one year to another.

**Mr GILKES:** As in year to year?

**Mr STEPHEN KAMPER:** Yes.

**Mr GILKES:** One of the reasons that is not there in the 2014-15 report is that that is a newly developed report. The historic information was not available in that. I would hope that that is something we can do in future years.

**The CHAIR:** We mentioned your website briefly earlier. Are you keeping analytics on where traffic is coming from on your new website?

**Mr GILKES:** I have to confess I am not an expert on this. There are certainly analytics on some parts. I understand that we have some technological limitations on how much of that we can do and at how granular a



level we can do that. Certainly, for example, I periodically get charts of usage on the NSW Globe which, for example, showed that at the time we issued new land values at the beginning of this year there was a massive spike in activity on the globe. Likewise, when the sales information was available through the globe there was a very significant spike in activity. Once again I stress that I am not an expert. I will double-check and if there is any issue about what I am saying I will advise the Committee. Certainly we know how many hits there are to the website. We do not have great analytics on how far down people drill.

**The CHAIR:** That is okay. Thank you. It would be interesting to know whether they are going to the website first or calling first now. That is obviously a hard one to determine.

**Mr GILKES:** Certainly there has been an ongoing and marked increase in the traffic through the website as we have promoted that and built up the amount of information that is available there. Over the past two years we have had a continuous program of finding new things that we can publish through the website and making those available. That seems to lead to increased traffic as that becomes more known.

**The CHAIR:** So it would be more user friendly then. If people are going there first, they are happy to use it.

**Mr GILKES:** Yes.

**The CHAIR:** You would assume that.

**Mr GILKES:** We have a range of communication strategies recognising that different people want to do things in different ways, but my vision for the future is that digital service delivery is very much an option we should be pursuing in that it gives us the opportunity to make a huge range of information available to the community and present it to them in a way so that they can get the information they want at the time they want it.

**Mr GEOFF PROVEST:** I was going to ask you about your vision for the future, but you have just answered my question—it is more digital, more online, more instantaneous and quicker.

**Mr GILKES:** I think there is a need to have a balance. Digital is a great way to provide customer service but it is not for everyone so you have to match that with a range of other ways to connect with the community.

**The Hon. ERNEST WONG:** The personal touch.

**Mr GILKES:** The conferencing process we are doing is one way of doing that, which is a direct form of engagement, and as I was talking about with the compulsory acquisition valuations, the valuer is required personally to speak to the owners. There is a degree of finessing required, if you like, to get the right balance of what things are most suited to provide it digitally. At the moment we are also talking with Service NSW, which, as you are probably aware, has many locations around the State. The focus of the conversation at the moment is about trying to find a way to deliver notices of valuation electronically because at the moment they are all printed and posted, and that has a range of problems. Pretty much anyone who moves house does not think of telling the Valuer General that their address has changed. I have to confess, I have moved house and did not tell the Valuer General.

**THE CHAIR:** You do find us.

**Mr GILKES:** Yes, but it takes a lot of work to do that, as you can imagine. We are working with them to find a way of delivering notices electronically, but that is just the start of the conversation. In the very early stages of that we have flagged that over time there are likely to be other ways that we can work with Service NSW for them to provide that more local service with the coverage they have in offices.

**THE CHAIR:** I think that has answered my next question, which was about the future challenges and the possible new directions for your office. I understand you had some discussions at the briefing last week about privatising some of the functions in the office. Can you elaborate a little bit on those?

**Mr GILKES:** Currently, Land and Property Information is going through a separation process. September 2015, Treasurer and the Minister for Finance, Services and Property launched a scoping study to consider the possibility of private sector involvement in the operational arm of Land and Property Information. As the Committee is probably aware, Land and Property Information provides the services that support my office, but also provides the Land Titles Office in support of the Registrar General and also is the State centre of spatial information, what was the Land Information Centre at Bathurst. That scoping study progressed for some time, and I think it was early this year it reached a point where the analysis concluded that the best options for the valuation and spatial functions were for those to be retained within Government, but that the Government would give further consideration to the potential future for the Land Titles Office.



At that point, it was decided to separate Land and Property Information from 1 July this year. As you can imagine, there is a whole raft of work going on to bring that into being. The valuation services within Land and Property Information will remain within the Department of Finance, Services and Innovation [DFSI] and become part of the Property and Housing Group as part of the separation. The spatial area will join another division within DFSI, but the Land Titles Office will stand alone within DFSI while whatever further studies are required are carried out. The Registrar General is being established as a separate regulatory office, separate from the operations of the Land Titles Office, and the existing office of the Valuer General will continue as a separate office, as it has been for some years.

**THE CHAIR:** We have no further questions. The Committee may wish to send you some additional questions in writing. The replies will form part of your evidence and become public. Would you be happy to provide a written reply to any further questions?

**Mr GILKES:** Certainly.

**THE CHAIR:** We have not set a time frame on that. We will go through how many questions we have for you and make sure it is a reasonable period of time for us all. It is usually within 14 to 21 days.

**Mr GILKES:** If we do perceive that there will be any problem in answering those questions in time, we will come back as quickly as we possibly can.

**THE CHAIR:** It is a two-way street. Let us know if we have given you anything that is onerous. Thank you both for appearing before the Committee. We will take you up on the less formal discussions as well to see how we can be of help to each other.

**Mr GILKES:** Thank you very much.

**THE CHAIR:** That concludes the public hearing.

**The Committee adjourned at 12:15 p.m.**