

REPORT OF PROCEEDINGS BEFORE

JOINT STANDING COMMITTEE ON THE OFFICE OF THE
VALUER GENERAL

FIFTH GENERAL MEETING WITH THE VALUER GENERAL

At Sydney on Friday 5 June 2009

The Committee met at 9.00 a.m.

PRESENT

Ms M. T. Andrews (Chair)

Legislative Council

The Hon. K. F. Griffin
The Hon. M. R. Mason-Cox

Legislative Assembly

Ms A. P. Megarrity
Mr M. J. Richardson

CORRECTED VERSION

PHILIP JOHN WESTERN, Valuer General, Office of the New South Wales Valuer General, Queens Square, Macquarie Street, Sydney, sworn and examined:

CHAIR: Thank you for attending the fifth general meeting with the Valuer General. I particularly welcome Mr Michael Richardson, the member for The Hills. I hope he is making a good recovery from his accident. Before proceedings commence, I remind everyone to turn off their mobile phones, even if they are in silent mode, as they interfere with the recording equipment. Mr Western, thank you for appearing before the Committee today. I am advised that you have been issued with a copy of the Committee's terms of reference and also a copy of Legislative Assembly Standing Orders 291, 292 and 293 relating to the examination of witnesses, is that correct?

Mr WESTERN: I am aware of them.

CHAIR: The Committee has received your written answers to questions on notice. Is it your desire that they form part of your formal evidence?

Mr WESTERN: Yes, it is.

CHAIR: If you consider at any stage during your evidence that certain evidence or documents you wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Assembly subsequently may publish the evidence if they desire. Do you wish to table the service level agreement between yourself and Land and Property Information, which was attached to your answers, or do you wish for it to be treated as a confidential document?

Mr WESTERN: I am happy for that to be tabled.

Document tabled.

CHAIR: Would you like to make an opening statement?

Mr WESTERN: No, I do not.

CHAIR: From the answers you have provided to the Committee—they were very detailed and informative—I noticed that the number of objections to valuations certainly has decreased substantially, but the response time to objections is just a little over what we were targeting. One reason you gave is the shortage of valuers. Could you advise the Committee of any ideas on how the shortage may be overcome?

Mr WESTERN: When I say there is a shortage of valuers in the State, it reflects more that the amount of work involved in undertaking objection work for the Valuer General is quite considerable. Also, we have a number of valuers who undertake contract work. Once they undertake contract work they are unable to do objections in that particular area. So, we have to farm out those objections to other contractors. The nature of the work is that currently we are receiving round about 5,500 objections every year. It was 12,000 when I first started, so it has come down considerably. The fact is that it will still take time to be able to do that. In the past, because of the nature of the property market, valuers tended to have been involved in doing other work, such as mortgage work or work for funds management, trusts or things like that, and have not been necessarily interested in doing work for the Value General because it tends to be on a piecemeal basis, sort of once a year.

However, with the market downturn and, to some extent, the impact of the global economic crisis, we have actually found now that we have more valuers willing to assist, particularly looking to diversify their portfolio in respect of the business. So, this year, we have approximately 75 firms or sole practitioners involved in doing objection work. We are expecting at this stage that we will be able to meet most of the targets that I have set Land and Property Information in respect of meeting that. However, no doubt that situation will change when the upswing comes. That means that we have to try to find other ways of ensuring that we meet the targets we have set. There are two ways we can do that. One is through implementation of improved technology. We are working on that and various other aspects at the moment. The other one is to look at our processes in respect of what we expect the contractors to do and what we do to try to ensure it is being undertaken efficiently.

There is a third aspect—that is, to look at getting more valuers qualified. One of the issues that I have had, and I have noted it in the answers to your questions on notice, is that here in New South Wales there are three degree courses available for valuers and two diploma courses—one through the Sydney Institute of Technology and the other through the Open Training and Education Network. All those courses—other than possibly the Open Training and Education Network courses—do not have a huge content in respect of rating and taxing valuation. One of the aspects that I am currently looking at is how we can enhance those courses to start introducing students to rating and taxing valuation and ensuring that we are meeting required standards and educational qualifications in respect of doing the rating and taxing work. I am heading a working group of Australasian Valuer's Generals at the moment that is looking at that whole aspect of qualification and course content to ensure that we can improve the number of resources and the skill of the resources involved in rating and taxing work.

Mr MICHAEL RICHARDSON: How have these courses been allowed to develop without including this rating and taxing content? Do they not view that as being important?

Mr WESTERN: Universities and educational facilities today are governed by the dollar and they target where they can get students and where they are able to fund those students. So, rating and taxing has not been seen in the past as a big part of that. The other major issue is that most students do not see rating and taxing work as being—and I do not mean this in derogatory terms—a sexy profession. Therefore, they have tended to move into funds management and those sorts of things as opposed to rating and taxing work. As I said, that shift has definitely started to change. For example, Land and Property Information interviewed a number of graduates to come on board as part of our succession plan and 12 months ago when we interviewed we had just on 40 applicants for the five or six roles that were up for grabs. This year there was the same number of roles involved and we had about 150 or 160 applicants, and they were all of a very high calibre. That shows how the field has shifted over that 12 months in respect of graduates with vastly different expectations.

Mr MICHAEL RICHARDSON: It is an ill wind in other words.

The Hon. KAYEE GRIFFIN: In terms of the Ombudsman's investigation question—question No. 2—the objections received by the call centre for 1 July 2008 valuations were 3,501. Can you explain the reason for that high number and also tell us the number processed and decisions issued?

Mr WESTERN: There was a substantive increase. For 2006 and 2007 they were reasonably constant, at about 25,000 calls. I am putting it down to a number of reasons. One would be that the media focus at the time we put the valuations out was on the falling market, the global financial crisis and a whole lot of things happening around that. Our call centre is saying that a huge number of calls are related to that. People are ringing and saying, "My valuation has gone up." It will happen because most of them are on a three-year revaluation cycle. In addition, we increased the valuations for 1 July 2008 throughout New South Wales. That is part of the drive I have spoken to the committee about before to ensure that we have more accurate and consistent land values. Land was undervalued. We are nearly there in respect of that. There have also been inquiries about increases in land tax and the new thresholds in respect of properties above \$2.5 million.

It is not necessarily a bad thing to get those calls. First, it tells me that people thought they were able to communicate with us to find out what is going on. Secondly, when they do call, we are getting a high resolution rate. That rate is about 85 per cent, which is very good for a call centre. That means that we do not have to pass them on to valuers. Trained customer service people have been able to answer the queries. That has been really good. We have about 3,500 objections so far this year, and I am expecting that to rise to about 5,000. So it will be equivalent to where it was last year, which I actually think is very good result in respect where the market is at, what the general perception is out there in terms of the media, and what the market is doing, et cetera. That is a very good outcome.

At the moment, most of our objections are out there with contractors. They are starting to process them and we are starting to get those coming back in. But I guess one point that I would make, if I may, is that one of the concerns I have had has been driving towards this 90-day turnaround. It is an extremely optimistic target, but it is one I have had in my sights ever since I came into this role. We have been doing a lot of work around resources, processes and technology to get that down. At this stage for the year to date, our processing time for issuing a decision on average is about 111 days. That compares with the 2007-08 year when it was 145 days. It is coming down. We are getting there. We are not there yet, but we have made significant improvements in the four years that I have been in the role.

The Hon. KAYEE GRIFFIN: I have another question that relates to parallel valuations. Are you looking at examining the way in which parallel valuations are carried out in the future?

Mr WESTERN: We are looking at that. The parallel valuations in the past have been carried out by the Land Value Advisory Group, which is a group of industry representatives who advise me in respect of valuation methodologies, et cetera. They have undertaken the parallel valuations on an independent basis for me for the last four years. One of the reasons that we were keen to do that is because there was not a clear separation between the role of the Valuer General, the role of the contractors, and the role of Land and Property and Information in terms of overseeing the contracts. However, with the restructuring work we have done over the last two years, there is now a clear separation of roles.

Part of the work done by Land and Property Information is an audit quality control process. They are continually looking at contractors' valuations, comparing those against statistics, and looking at sales just to ensure that the contractors are on the ball in terms of where they are at as far as preparing valuations and final outcomes are concerned. I am of the view that one of the ways that we can improve that parallel valuation process is for Land and Property Information to undertake that on my behalf. That will have a number of benefits. First, it will mean that we can look at a shift to a higher number of audit valuations. By doing that through private contractors, the cost is actually quite considerable. We are obviously limited by the amount of money that we can invest in that as far as doing that is concerned.

Second, through doing it internally it will be a continuous process throughout the year so we can monitor it and keep a very close eye on it. What it will also allow us to do is to pick up very early trends that are happening, talk to the contractor about them, and get them resolved before valuations are issued. We will end up with fewer errors in the valuation process. There are a whole lot of benefits in terms of doing that. That proposal has been put to the Land Value Advisory Group whose members are going away to have a think about that. We have another meeting in July. The expectation is that they will come back and say yes or no in regard to that.

CHAIR: Ms Megarrity, do you have any questions?

Ms ALISON MEGARRITY: I had two questions that Hon. Kayee Griffin has asked, albeit not in identical terms, but the answers to those questions have provided the information I needed.

The Hon. MATTHEW MASON-COX: Mr Western, I have a couple of questions. I noticed that the objections received have fallen dramatically since 2004 to around about a quarter in 2008. That is a terrific turnaround. I wondered why that is the case. Can you give us an explanation as to why the objections have reduced so dramatically?

Mr WESTERN: I think there are a number of reasons for that. One was the introduction of the three-year average in respect of land tax. Rather than having one single valuation, it was able to be averaged over time so that you do not get the same spikes and troughs that you tend to get just with issuing a single valuation. There is no doubt that that has assisted. However, I think we need to take some kudos in terms of why that has fallen so greatly.

The Hon. MATTHEW MASON-COX: Why not?

Mr WESTERN: When I first came into the role, we were averaging about 12,500 objections a year, and that was pretty consistent. That spiked when the land tax threshold was removed and it went up to about 18,000 a year for that one year when the land tax threshold was removed. As you rightly point out, since then it has come down to 5,000 or 5,500. I think a lot of that has to do with the transparency of the valuation system. We now provide a large amount of information to the public in respect of their valuations. They are able to access their valuations directly through the website. Even if it has not been issued for rating purposes, they can see it in between. We have been putting a lot of publicity out there about that. One of the mystics of the valuation also has been taken away in that we now make available sales information directly to the public. They can either ring our call centre or access it via the web, put in their property reference number, and it will automatically bring up for them all the sales and the locations that we have used to arrive at valuations in that area.

Rather than people perceiving that this was just simply a computer-generated value with no basis, they can now actually see that there is some substance behind it. The other thing that it also provides them, if they

want, is the ammunition to object in terms of saying, "You have compared it with these properties. However, I actually don't think they are directly comparable for X, X and X." It has assisted them in terms of being able to put their objections in as well. You would expect that that would end up increasing the number of objections but, as I say, it has not. We can put that down to a lot of the communication that has been going on and information that has been made available. As I said within the answers to questions on notice, we are now regarded through most western valuation jurisdictions as being a leader in rating and taxing valuations, which is fantastic. It is a big step up from where we were three to four years ago.

The Hon. MATTHEW MASON-COX: I notice in the general update that local government areas have experienced the highest total median land value increases in excess of 10 per cent for inland localities such as Urana, Broken Hill, Kyogle and Guyra. I wondered why that is the case. I found that interesting, particularly because you would expect the trend to go the other way, perhaps.

Mr WESTERN: That trend has been there in respect of inland and regional centres for the last two valuations that we have undertaken. Prior to that, as most of you will be aware, the focus was more on the coast where there were some massive increases. What we have tended to find now is that those land value increases from the coast have started to drift westwards as people found that they were more expensive on the coast. We also had the tree change where people started moving inland.

Mr MICHAEL RICHARDSON: Broken Hill?

The Hon. MATTHEW MASON-COX: To Urana? They are all heading to Urana?

Mr MICHAEL RICHARDSON: The fastest-growing town in New South Wales.

Ms ALISON MEGARRITY: It is all from the redistribution: You realise this.

Mr WESTERN: Broken Hill, in particular, is a very good example because over the last two years it has been among the top of the land value increases that we have had. That has been principally because, as I guess most of you know, Broken Hill effectively was subdivided into two parts, southern Broken Hill and northern Broken Hill, with the railway effectively dividing the two areas. What we have had is a massive surge in southern Broken Hill where land values were a lot lower compared to the other area. So there was actually quite a distance between the median values in those respective areas. They have actually started to come together. The other thing you need to be quite clear on is that, yes, have been some massive increases, but they have been coming off some extremely low bases.

The Hon. MATTHEW MASON-COX: When was the last time you did Broken Hill?

Mr WESTERN: They are revalued every year, although they are not issued for rating purposes every year.

The Hon. MATTHEW MASON-COX: When are they issued for rating purposes—every three years?

Mr WESTERN: Every three years or every four years. Most are on the three-year cycle, although some local government areas are, still on a four year cycle.

The Hon. MATTHEW MASON-COX: We all feel that pain when that comes through.

Mr WESTERN: Yes. Part of the whole idea in terms of our communication policy and as far as putting more information out is concerned is to address that. I will give you an example. At Urana, it surged by 92 per cent, but the reason for that was that the median land value in 2007 was \$2,500 and the median land value in 2008 is now \$4,800. Most of those big increases you are seeing are coming off an extremely low base. It is a big increase percentage-wise, but not a huge increase in terms of dollars. Of course, that does not necessarily mean that people's rates change dramatically either. All there is generally is a redistribution, particularly for there. Various sectors, commercial, business, rural and lifestyle have roughly increased the same. So, we would not expect there would be huge fluctuations as far as rates are concerned between those properties.

Ms ALISON MEGARRITY: Your answers so far have highlighted the importance of good communication, particularly from your call centre staff handling inquiries, and that has an effect on statistics.

These days, many people tend to share call centres and have multipurpose call centres, but I assume yours is a dedicated facility. Would you know off the top of your head how many people are employed in your call centre?

Mr WESTERN: Off the top of my head I would not know exactly. During the peak season, which is effectively from the start of January through to the beginning of June, we have an outsourced call centre—it is here in the city—but it is solely devoted to meeting our needs, so that takes the peak off. We have just finished that and we have now moved back to an in-house call centre, which is situated at Bathurst. It is also part of our objection processing; these people are experienced in understanding valuation work. To my knowledge, there are around about five or six people associated with that. Current call rates have dropped off substantively. We are currently getting, I think, in the region of 90 calls a day, which is well down from the peak where we were getting 350 or 400 a day

Ms ALISON MEGARRITY: Both with the outsourced in peak times and the in-house, the sort of training they are provided with, not only in technical expertise but in customer service, where do you obtain that sort of training to bring them up to the skills that are required?

Mr WESTERN: That is a good question. With the outsourced call centre, that expertise is there, other than getting them up to speed with the valuation process.

Ms ALISON MEGARRITY: Which is, I assume, not an easy thing?

Mr WESTERN: No, it is not easy, but the great thing about it is we have retained that same contract for the past three years so they become very proficient. One of the encouraging things was last year they had a lot of temporary staff and a lot of that temporary staff asked could they be involved in the valuation side again.

Ms ALISON MEGARRITY: We see that as a trend with the valuation, but the pendulum is swinging.

Mr WESTERN: That was certainly pleasing. As far as our in-house call centre goes, we get external consultancy in to assist in our customer service training

Ms ALISON MEGARRITY: They must be very good, that is what I am saying, perhaps other call centres could use the same people?

Mr WESTERN: It is located here in New South Wales

CHAIR: I notice the call centres and website, but I am also aware that a lot of people are not computer literate—and I put myself in that category as well. I find those two brochures you gave to the Committee members when we had the unofficial meeting quite invaluable for my electorate. Would it be asking too much if a small supply could be provided to members of Parliament for their offices?

Mr WESTERN: Absolutely.

CHAIR: I think I am speaking on behalf of all of us, we get inquiries on land valuations from time to time. I have a small supply of those brochures in my electorate office, and I find them invaluable.

Ms ALISON MEGARRITY: That is why I asked about communication. In our work, we recognise how important it is that our staff can provide information that will save unnecessary ministerial inquiries, and so on.

Mr WESTERN: When we issue the valuations each year we put a letter out to all MPs which explains that these valuations have been issued and we issue a sample of those. However, I think your idea of putting some more out there is an excellent one.

Mr MICHAEL RICHARDSON: Your answer to question 4, workforce capability, to go back to that issue, and the supply of valuers, "... the previous Committee recommended the NSW Government examine the workforce capability and qualification requirements for valuers with the aim of ensuring a diversity and breadth of professionals available to provide a contestable service to the Valuer General". You answered, "To date the Government has not carried this out." If I look at what you listed there to see what the LPIVs are doing to remedy this situation and at what you already said about looking at improving courses available to valuers, you seem to be doing all this work. Mind you, you are the Government, but there is a dichotomy, a differentiation,

between the Government and the Valuer General. Are you looking for more assistance from the Government? Do you think it could speed up the process?

Mr WESTERN: I guess, as an independent statutory officer, all I am looking for from the New South Wales Government is support in relation to that. I think the point you make is an extremely valid one. We have done a lot of work ourselves in respect of that and we will continue to do so. From my point of view it is more about government support in the direction I am taking workforce capability that would be of assistance. The other thing that might be worthwhile noting is that as of last week I was appointed junior vice-president of the Australian Institute of Valuers. As part of that role will I am on the Australasian Institute of Valuers Educational Committee for valuers. So, through that avenue as well we will be able to look at doing some more work so far as educational qualifications and, as I talked about before, beefing up the amount of material that is in courses in respect of rating and taxation work.

Mr MICHAEL RICHARDSON: In practical terms, how could the Government assist the process?

Mr WESTERN: I think it would be just assisting as far as talking with universities, through that process, and ensuring we have access to the right people so we can get this off the line. The Government is not in the role of providing directly the courses themselves but that is a role it can assist with, in getting us access.

Mr MICHAEL RICHARDSON: So, it is not a high-cost process, it is a matter of the Government emphasising the need for these additional qualifications to be incorporated into the courses?

Mr WESTERN: Absolutely correct, yes.

The Hon. KAYEE GRIFFIN: The service level agreement for the next 12-month period—this relates to question 12—is being considered at the moment. Are any changes being proposed in the new agreement?

Mr WESTERN: Yes, there are. The service level agreement when I first came to this role was some 15 pages long and quite detailed in what the outcomes required. I persisted with that for at least 12 months until I began to get some confidence about what was happening with the valuation system and with the work that Land and Property Information was undertaking. You will now see in the appendix that is attached that it has been watered down somewhat in terms of the number of key performance indicators [KPIs] there. I am at the stage now where I am confident that Land and Property Information valuation services are doing the job I require of them, so this year we will be looking at a service level agreement which effectively will have one page of key KPIs and they effectively will be the ones we will report against in our annual report. That is as close as I am going to get from an operational point of view. However, the main body of the service level agreement will be looking at the strategic direction of the valuation system. That is looking at where we are going to move it to in respect of information technology and a whole lot of aspects around that, including communication, again, with the public. So, yes, it will definitely change this year.

The Hon. KAYEE GRIFFIN: Has the land value verification project resulted in improvements in the land values in New South Wales?

Mr WESTERN: Yes. There is no question in my mind that it has resulted in the improvement, accuracy and consistency of land values, as well as an improvement in the data associated with that. I guess, for me, we are now three years into the project. Just for members' benefit, I had an original pilot I was working on here close to Sydney, really looking at the accuracy of data and how we could improve it. Recognising that we were in a mass valuation situation, how could we actually improve the accuracy and consistency of the data? So we ran a pilot in Wingecarribee and Wollondilly with one of the contractors to see what impact it would have if we looked at each property individually more often than what we were. We carried the project out and that went extremely well.

The Ombudsman then had an investigation into the valuation system in 2005, and as part of that project he recommended that we actually use the basis of what we had done and put it right across the State for every local government area. The Ombudsman was of the view that this was going to be an extremely expensive project to do and therefore his view was that we should undertake it probably over a 15-year period. So effectively we would be reviewing each of the individual properties over that time. My view was that 15 years was far too long. It could be a bit like painting the Sydney Harbour Bridge; you will get to one end and it is time to start again. I went to the Government and produced a business case saying that if we looked at it over a five-year period, we could significantly enhance the valuation system itself, we could reduce the number of

projections and we could allow the public to have a greater confidence in the valuation system. That was endorsed by the Government and we embarked upon that.

We are now three years into that project, so we have reviewed effectively 60 per cent of the land values and the data. I think the proof is in the outcomes that we have achieved in the last, I guess, three years. Professor John Macfarlane from the University of Western Sydney undertakes some advice in respect to the valuation system for me independently, and he looks at a whole lot of statistics trying to see if we are getting better values and more accurate and consistent values. I am pleased to report that for 2008 three of our key indicators for quality of the valuations—what we call the co-efficient of dispersion, which looks at the accuracy of the land values, the PRD, which looks at the consistency of the valuations, and the MVP, which is the median value to price ratio—have improved significantly over the three years that we have been running this project. I will just give you a very quick example.

For all those three standards, if we look at them, three years ago only 33 per cent of local government areas were complying with all those three standards. So only a third of the State. For the July 2008 valuation we are now up to 75 per cent of them complying. To be realistic, we probably will not get much in excess of that, simply because those statistics rely on a good sample of properties of sales that have occurred, and as you will be aware in a lot of local government areas there are very few sales so you cannot get a good sample. So we would expect that, yes, it might improve a wee bit more than that but we are pretty close to having it right.

The Hon. MATTHEW MASON-COX: In relation to resources, how many staff are in your office?

Mr WESTERN: In my own office?

The Hon. MATTHEW MASON-COX: Yes.

Mr WESTERN: I have 4½ full-time employees.

The Hon. MATTHEW MASON-COX: What do they do?

Mr WESTERN: I have a valuer who provides me directly with policy and advice in regard to technical aspects of the valuation system, also working on quality and the set of standards that we want to set for Land and Property Information. There is one administrative assistant, who just looks after the day-to-day running of the office from an administration point of view. The others are effectively involved in assisting with answering correspondence from the public. One of the things we have done—and you will have seen it in the publications—is that we make the Office of the Valuer General extremely accessible. If people have concerns or issues they want to raise, they can feel free to do so. So they are mainly involved in answering those queries.

There are obviously a few ministerials that come through as well. However, they have dropped off substantively in the last two to three years. But they are also involved in assisting with things like developing a service level agreement with Land and Property Information, annual reporting, media inquiries. There is a whole raft of things in that particular area. The bulk of those staff actually do not work on valuation activity per se; that is more handled by Land and Property Information valuation services.

The Hon. MATTHEW MASON-COX: So essentially your functions, in terms of delivering outcomes, are performed by Land and Property Information?

Mr WESTERN: That is correct, yes.

The Hon. MATTHEW MASON-COX: That is the call centre work as well. The valuation work is basically done by independent contractors?

Mr WESTERN: Correct.

The Hon. MATTHEW MASON-COX: Do you think that is the best way of actually delivering the services that you are required to deliver as an independent statutory officer?

Mr WESTERN: When you say that do you mean in terms of the outsourcing of the valuations or the way we have it set up?

The Hon. MATTHEW MASON-COX: Just the whole delivery of your function.

Mr WESTERN: Yes I do. I have these arguments continually with my counterparts around the country, many who have in-house valuers. They perform all of the valuations in house; they undertake the objections in house. My belief is that the greater independence that you can give the valuation system as far as keeping it away from rating and taxing or outside government, the more confidence the public can have in respect of those valuations that they have been arrived at independently. The set up we have here in New South Wales is effectively that the Office of the Valuer General, my office, I see as being I guess in a governance role and really the guardian of the land valuation system. So we are impartial in respect of both the Government and the landowners so we are working for both parties, trying to get the best outcomes possible for everyone involved.

The role of Land and Property Information valuation services is more in an operational capacity, overseeing the actual operations of the valuation system rather than the governance. They are looking at aspects in terms of quality control, actual delivery of the services, contract management and all those other things to improve the timeliness and effectiveness of the valuation system. In respect of outsourcing of the valuation service itself, that is a drive that started back in 1998. However, when I came in I believed that the market was mature enough for the whole of the private sector to be able to take that out, and that is why we looked to take out the services from what was the State Valuation Office within Government. At that stage they had about, from memory, nearly 35 per cent of the contracts. We outsourced that to the private sector as well. I think that has worked extremely well. What it has allowed is that the public can see now that the people who are directly involved in preparing the valuations know the local area, know the real estate market in that particular locality and therefore they can relate to it—

The Hon. MATTHEW MASON-COX: Rather than being centralised in an office in Sydney.

Mr WESTERN: —rather than centralised. That is not to say that under a system if you had it in house you would not have those regional offices. It just provides that extra degree of independence in terms of the process and removes it one further step away from the rating and taxing authorities themselves.

The Hon. MATTHEW MASON-COX: Are you satisfied that the training programs you have in place ensure that the quality outcomes and accountability are there so that those processes are not compromised by that type of outsourcing arrangement?

Mr WESTERN: Absolutely. We have a number of checks and balances in the system, which other States are also looking at, even in terms of trying to put into their own internal systems as far as monitoring that. They believe it is effectively a trendsetter in respect of the services.

Mr MICHAEL RICHARDSON: You said in answer to question 11 on performance reporting that you did not think there was a need to publish an annual report separate to the Department of Lands annual report because of costs considerations. You say that the State provided a climate for costs savings generated across government departments. I am just wondering how much you would actually save from having the two reports, the Lands report and the Valuer General's report, integrated together. I do not know how much of the Lands report is actually the Valuer General's, but let us say that you have 40 or 50 pages, you are still going to have to publish those 40 or 50 pages and there is only a small additional cost in binding that is going to be the saving. How much do you actually think you would save?

Mr WESTERN: The simple answer is I do not know the exact dollar amount that that would be. The original intent of that was that the Department of Lands annual report is a very, very comprehensive document. It was extremely detailed and one of the big issues that I had—and I have talked about it here at this Committee—is that I wanted to have a more plain English-type document, one that the public could better understand. One of the ways of achieving that, I thought, was to look at providing our own independent performance report.

However, the ground has shifted considerably since I originally had that vision in that the Department of Lands' annual report has become far more of a plain English document. The issue for me was twofold: first, I could see that it was going to be a duplication of data coming in because we had gradually moved what I was expecting to get out of the performance report into the annual report, so there was that issue. Second, I was concerned about: What would the reader distribution be if I actually published my own report? We had a consultant to do some initial work for us, which indicated that it was not necessarily going to be widely read. It

may have been in the past where the performance of the valuation system was not up to expectations. However, that performance has enhanced considerably. You will note that even from the amount of media coverage we get now, yes, there is generally a bit less now, compared to what it was four years ago—

Mr MICHAEL RICHARDSON: It was huge then.

Mr WESTERN: It has virtually dropped off the radar to some extent.

Ms ALISON MEGARRITY: Touch wood.

Mr WESTERN: I always do.

Ms ALISON MEGARRITY: You do not know what *A Current Affair* has on tonight.

Mr MICHAEL RICHARDSON: I am conscious of these cost constraints that you have been talking about and you also say that the pricing regime for local government valuation services is going to change as of 1 July but that you do work for New South Wales Maritime, Crown Lands and the Commonwealth Grants Commission?

Mr WESTERN: Yes.

Mr MICHAEL RICHARDSON: And you do all of that for nothing. Do you think that is fair? Would it be beneficial if those agencies were to pay for services rendered?

Mr WESTERN: I think, in an organisation and an environment where we are talking about transparency, et cetera, the simple answer to that is yes.

Mr MICHAEL RICHARDSON: Particularly the Grants Commission?

Mr WESTERN: I guess one of the positive things, from my point of view—and it has two strings to it—is because the valuation system has become more accepted because of its accuracy and consistency, it is now being used for purposes for which it was never intended it would be used. It was simply there for straight rating and taxing. However, these other authorities have now seen some benefit in terms of being able to use it. Previously it was not used widely and it was pretty insignificant in respect to that wider use. However, as you rightly point out, that situation has changed now. So one of the things we will be looking at over the next 12 months is actually looking at these other organisations contributing something to the valuation system because simply, where it is used, whether it is directly or indirectly, there will be objections that we are getting in theory to rating and taxing valuations which in fact may be due to a rental that has been applied by another organisation. Now we cannot differentiate that at the moment but we do know anecdotally that they will be occurring.

Mr MICHAEL RICHARDSON: You have to deal with those and that is a cost?

Mr WESTERN: And that is the cost effectively back onto the major stakeholders, which is obviously the New South Wales Government and the Office of State Revenue or local government, which rightly they should not be paying.

Mr MICHAEL RICHARDSON: I am wondering also whether you are expecting land values to fall over the next two or three years because obviously that would have an impact on budget outcomes and, if so, by how much?

Mr WESTERN: I think the answer to that is if I had a crystal ball and knew that, I would be a millionaire by now.

The Hon. MATTHEW MASON-COX: A professional view?

Mr WESTERN: The simple answer is that when we prepared the valuations as at 1 July 2008 the full impact of the global economic downturn was not being felt.

Mr MICHAEL RICHARDSON: You had an increase at that point?

Mr WESTERN: The market was in decline. There were fewer sales being transacted. There were obviously less overseas funds available for development work.

Mr MICHAEL RICHARDSON: Before that year 2007-08 you actually had an increase?

Mr WESTERN: Yes. In fact, for the 12 months through to 1 July 2007, overall for the State we had about a 4.3 per cent increase. The city of Sydney, for example, increased in value over those 12 months by some 26 per cent. For 2008, as I said, early on we were still getting similar increases occurring in early 2008. When we got to July 2009 the heat had started to come out of the market. There were still sales occurring but they were certainly less frequent than what they were and there had been a slight increase in the vacancy rate in the city. So for that 12-month period we were only looking at a 12 per cent increase in the city.

The impact of that crisis will continue and is continuing at the moment. Certainly if we were looking to revalue the city today I would expect overall that the valuations would be below where they are at the moment. However, between now and 1 July, which is not all that far away—it is a wee bit unknown what will happen—but certainly the evidence at the moment is indicating clearly that if there is any increase in values, it will be very, very small overall, if any increase at all. We are expecting a slight fall in values in the eastern suburbs. A lot of those prestige houses, we have definitely seen a fall-off in the market in those particular areas.

The Hon. MATTHEW MASON-COX: A fall-off in Palm Beach?

Mr WESTERN: I do not know about Palm Beach. If I can hand this around, this newsletter is one that we are about to distribute to local government. It is only a draft at this stage and we are due to finalise it over the next week. This is going to go out with the first rates notices, which go out from local government councils right across New South Wales. There are two reasons I wanted to give you that. It is just to let you know that councils see some value in terms of doing this. It looks like we are going to have a distribution on this of about 1.5 million copies going out compared to about 1.2 million this time last year, so there has been a bigger take-up by councils. Particularly in respect of your question, I just wanted you to see that graph on the top where we are showing the trend in overall sale prices. You can see that top line is effectively metropolitan Sydney and the eastern suburbs. So you can see how that has started to fall off for 2007, a slight decline in 2008, through to the latest sales information is indicating that it has come down again. So we would be expecting that there will be a fall in values in the eastern suburbs for this coming revaluation.

Mr MICHAEL RICHARDSON: The greater impact on government revenues is not going to be from a fall in property prices impacting on land tax; it is probably going to be because there are fewer properties being sold, is that right?

Mr WESTERN: And certainly the transactions are indicating that the market has come off in terms of where those sales actually are.

CHAIR: Just looking at the valuations issue and the 42 districts, why is Gosford not there? I can see Wyong on the Central Coast but not Gosford.

Mr WESTERN: I would hope that the reason for that would be that we did not issue a valuation for Gosford this year. What happens is that there are 144 local government areas in New South Wales. We issue approximately one-third of them every year for rating purposes, so Gosford was not in this round that has been undertaken. I think it was actually last year we undertook Gosford.

CHAIR: Would you like that document to be included as part of your response to the Committee?

Mr WESTERN: I am happy for that to be included.

CHAIR: Many thanks, Mr Western, and good luck with all your endeavours.

Mr MICHAEL RICHARDSON: I must say that in 2005 my office was inundated with people complaining about land tax issues, and it does not get that now.

CHAIR: I have to say the same thing for the Gosford electorate too. The numbers have gone right down.

Mr MICHAEL RICHARDSON: Mind you, that has something to do also with the amount of media coverage of the issues that tends to stir people up.

CHAIR: Yes, and the action taken and certainly having Mr Western on board. Congratulations Mr Western on your—was it an election or an appointment?

Mr WESTERN: It was an election.

CHAIR: I thank you, Mr Western. You have been most generous with your time and your answers. I take this opportunity on behalf of the Committee to congratulate you on improving out of sight the performance of the valuation system in this State. Before the hearing concludes I ask members for a resolution to publish the transcript of the witness's evidence on the Committee's website, after making corrections for any inaccuracies, and the answers to any questions taken on notice in the course of today's meeting.

Motion by the Hon. Kayee Griffin, seconded by Mr Michael Richardson, agreed to:

That the transcript of today's evidence, together with answers to any questions taken on notice in the course of today's hearing, be put on the Committee's website after making corrections for any inaccuracies.

(The witness withdrew)

(The Committee adjourned at 10.03 a.m.)