

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into the proposed long-term lease of land titles and registry functions of Land Use Victoria

Melbourne — 26 June 2018

Members

Mr David Davis — Chair

Mr Cesar Melhem — Deputy Chair

Ms Melina Bath

Mr Richard Dalla-Riva

Mr Nazih Elasmr

Mr Daniel Mulino

Ms Huong Truong

Mr Daniel Young

Participating Members

Mr Jeff Bourman

Ms Samantha Dunn

Mr James Purcell

Mr Simon Ramsay

Dr Samantha Ratnam

Ms Jaclyn Symes

Witnesses

Ms Danni Addison (affirmed), CEO, and

Ms Hyatt Nidam (affirmed), Advocacy and Communications Manager, Urban Development Institute of Australia (Victoria).

The CHAIR — If I can declare open the Standing Committee on the Environment and Planning and its inquiry into the commercialisation of the land titles and registry functions of Land Use Victoria and welcome to the stand Danni Addison, the CEO of the Urban Development Institute of Victoria and —

Ms NIDAM — Hyatt Nidam, policy adviser to Danni Addison.

The CHAIR — Hyatt, that is exactly right. If I can indicate that evidence given here is protected by parliamentary privilege, but outside it is not. Can I thank the UDIA for fitting in with our times and ensuring that we can move swiftly on this short, sharp reference. If I can ask Danni Addison to briefly present on these matters and then we will follow with some questions.

Ms ADDISON — Wonderful, thank you. I do acknowledge the brief time line that the UDIA and other stakeholders were given to respond to this. I would just like to preface my statements with an acknowledgement of the fact that the property industry is incredibly busy at this time of year, being the week before the end of financial year, settling lots, and I can understand that this is the busiest time of year for Land Use Victoria as well. We would have liked to have been able to bring you quantitative evidence, but we would need to wait until the new financial year in the coming weeks to do that. If there is an opportunity to come back with any more information on any of the points we raise or issues that the industry feels it would like to communicate, then we would be very happy to do that. It is just very difficult to get evidence and information out of people at the busiest time of their year, being this week.

Firstly, I would like to cover off a number of macro policy issues that are really important to the context within which the partial privatisation of Land Use Victoria will be undertaken. I also acknowledge on a parallel time frame that the PEXA system is being introduced in Victoria, so the industry and particularly our legal practitioners and representatives are incredibly busy trying to understand and accommodate for the introduction of that system as well as considering the implications of the privatised Land Use Victoria.

The UDIA, the Urban Development Institute of Australia, of which I am the Victorian chief executive, is the peak industry body for the urban development sector. In Victoria we represent the collective views of over 320 member companies, from developers, planning consultants, financial institutions, suppliers, engineers, government authorities, utility companies — pretty much companies who are involved in the delivery, planning and establishment of new housing in communities here in Victoria. Together we drive industry discussion and debate, but we do not advocate for individual interests or projects; we talk about issues from an industry-wide perspective.

We have a very strong voice on housing affordability and in particular the implications of population growth. We understand and live and breathe the implications of Australia's population growth in Victoria, which was at 2.3 per cent in 2017, which equated to more than 140 000 new people in the last year in our state. Our industry is very busy servicing that growth and there is a great demand for new housing as a result of that growth. We welcome population growth — it underpins our economy — but we recognise it also poses a critical risk when population growth is not adequately planned for and serviced. Our land use system plays a really big role in the way that property in particular is transacted and dealt with in terms of meeting that demand.

We broadly support the partial privatisation of Land Use Victoria, with the profits of the long-term lease intended to go towards major infrastructure. We have initial concerns around the commercialisation arrangements being undertaken, if they were to be undertaken at the expense of policy considerations. We believe that Land Use Victoria plays an integral role in our property system as an essential service and that there are a number of policy considerations, such as access and charges and the availability of Land Use Victoria's staff and services to the public, which should not be at all compromised. We are not suggesting that they would be compromised, but we are of the view that they should not be.

Our planning system is incredibly important in facilitating the timely and cost-effective delivery of new homes, and then at the point at which Land Use Victoria plays a role in the transaction it is equally important. The Urban Development Institute has worked collectively with industry as a partner with Land Use Victoria across a number of production blockages that our industry has faced with respect to the role Land Use Victoria plays. This was most recently evident when UDIA proposed to Land Use Victoria that they needed to change their subdivision time lines for issuing subdivision permits. This is particularly important in our outer suburban growth areas, and the work that Land Use Victoria did to understand the quantum of new lots that would be accessed by purchasers and then speeding up their larger lot subdivision processes was phenomenal. We did a

piece of work with them that showed that of their large lot subdivision applications 70 per cent of lots were released from 15 per cent of applications. We negotiated, and they were very forthcoming with a proposal to establish a priority access pathway for large lot subdivision permits because of the opening up of new housing that resulted from those permits. We have now congratulated them over the last year as they have stuck to a five-day turnaround time for large lot subdivisions. That was an example, really, of the economic benefit that a production challenge being addressed by Land Use Victoria very proactively in partnership with industry was able to realise, and that was a really good one that we were able to demonstrate.

There are other blockages that exist which we are currently working with Land Use Victoria on to alleviate. There are just a small number of them now because LUV have definitely taken a proactive approach in recent times. One of them is the issuing of Growth Area Infrastructure Contribution certificates, which is a partnership process between the State Revenue Office and LUV and the development industry. In many instances LUV only take paper copies, which have to be posted from Bendigo, where the State Revenue Office is, and that can take upwards of two weeks. It might not sound like a long time, but at this time of year and at other times of the production cycle of new housing, it can be very dead time. We are talking about a current situation in our outer growth suburbs where a purchaser might buy a lot and it would in good circumstances take them 12 months to get access to that. It is now up to 18 months and 24 months, so that is not a situation which the industry wants to be in; it wants people to get access to the housing and the lots they are buying so they can build housing on it in around 12 months. Our work is to compress and to address those blockages where we can and to bring that time line down. LUV have been a good part in that. That is an example of where industry and LUV have worked together to address some of the time and production blockages that we have faced.

In addition we also have concerns around the PEXA system. We are working with PEXA to address some of these concerns. We do have an overall concern about the 1 October 2018 milestone at which the PEXA system must be used if possible. The PEXA system currently does not do some really functional things that will allow the development process to continue the way it does. It sounds a bit technical, but I will try and explain this. The PEXA system does not currently allow for legal practitioners to bulk sign. That means that where a legal firm — and many firms do settle many lots on one day, say 500 lots; this is not an unusual occurrence — partners and lawyers would physically have to sign 500 times for things to happen, where currently the way the system works is they can electronically sign and then the system continues and goes through. That is one example. PEXA is working on a solution for that, but they will not have it there by 1 October.

Another issue with the PEXA system is that up until the settlement time, being the exact time on the clock, changes can be made in the PEXA system to a settlement scenario. Information can be updated. There is no 'cut off, drop dead, this is the information we're proceeding with' point in time, and this is leading —

The CHAIR — Until the actual settlement point?

Ms ADDISON — Until the actual settlement point in time. This is leading to confusion for the users in terms of what information goes forward. These are just two examples of the practical implications that the PEXA system has not quite worked out how to deal with. Both the legal industry and the developers have to work their systems through so that they are ready for PEXA, and that is an important piece of their responsibility. As I said, we are working with PEXA to address some of these concerns.

The reason I highlight both is that they are parallel processes and they will have a wide ranging impact on the settlement of property and, in our industry's area of concern, the bulk settlement of property, and we would not want to see any of that delayed or any of that falling over, essentially. They are issues for this committee to be aware of, but we are, as I said, working with the organisations to find solutions before that time.

In terms of the overall policy, the UDIA does support the partial privatisation. We have some concerns around fees, but those concerns would be alleviated if responsibility under the legislation remained with the state to set fees. I understand that there is some discussion around that. I also would be supportive — we would be supportive — of a capped CPI increase to fees over time. We would want some assurance within the enabling legislation that that would remain the case indefinitely — that the setting of fees would not at a later point in time be moved over to the private operator.

We also acknowledge the great power and intellectual property that the data around Victoria's property system will have and the value of that. We of course would not be supportive of any monopolistic approach to that,

particularly where that data might be vertically integrated for other commercial outcomes. This data is data of the state of Victoria and should be absolutely protected in that way.

In terms of progress and moving forward, we are also very supportive of a digitalisation agenda of the system. We believe that this is the way that our system should and can operate to the benefit of its users, but like all good IT projects, there are always teething processes and it is important to make sure that our system does not at any point in time fall over or become compromised as a result of either the parallel systems coming into place or future development of the digitalisation.

Again, I am very happy to come back with further evidence or information in the weeks to follow if the committee would like that. Thank you very much.

The CHAIR — Danni, can I thank you for that evidence. I think to summarise what you have said, you support in principle the commercialisation so long as there are sufficient rules around it to guarantee the information, that the information is available as a public resource but also that the fees are capped in such a way that they will not go up beyond the CPI.

Ms ADDISON — The CPI, yes. And that the emphasis on this being an essential service for all Victorians is maintained.

The CHAIR — I have a couple of questions, one around PEXA. We have got the commercialisation proceeding on one side and the PEXA arrangements, which are actually separate items, proceeding in parallel, but clearly there is an interplay between them.

Ms ADDISON — That is correct. And there is also an interplay in terms of ownership. Land Use Victoria and the state government of Victoria is an owner of PEXA. I believe that three or four of the state treasuries are owners of PEXA. So there is also a concern around the regulatory environment in which PEXA will operate — that LUV is a part of the regulatory framework and that ARNECC is the regulatory body —

The CHAIR — What is ARNECC?

Ms NIDAM — ARNECC is made up of Land Use Victoria and their various counterparts across the country. So there is one representative that sits on the —

The CHAIR — What does it stand for?

Ms ADDISON — It is the Australian Registrars' National Electronic Conveyancing Council. The concern that we are working through at this point in time is that the regulators are regulating the system, the system is in fact going to be partially privatised and PEXA, at some point in time it looks like from media reports, will be listed on the stock exchange. We are concerned that there might be some monopoly environment there having an impact on this. It is a concern we have not worked through to articulate today, but we would be happy to put forward a submission on that in coming weeks.

The CHAIR — It seems to me the security of our land titles system is paramount, particularly where large settlements are occurring. You have got the mum-and-dad settlements on one hand and houses, and that is absolutely critical, but you have also got these large commercial settlements where you may have a subdivision of a large number of lots.

Ms ADDISON — Correct.

The CHAIR — So that needs to be secure.

Ms ADDISON — Yes.

The CHAIR — Are you confident that that can be done securely within a commercialised environment?

Ms ADDISON — Yes, but not by 1 October. So we are looking outside of this room to seek for that date to be pushed back. We think that it can be done within the six months following, but we think that PEXA's ability to address the shortcomings of their system is not deep enough for them to be able to confirm and absolutely guarantee it will work from 1 October.

The CHAIR — What would happen if one of these large settlements was not transacted properly?

Ms ADDISON — You would have a lot of angry developers and banks, and some very upset purchasers, of course.

The CHAIR — So there could be hundreds of people impacted?

Ms ADDISON — Hundreds of people and hundreds of millions of dollars. The way the development process works means it is not just that first group of people that are impacted, but the subsequent stages and the subsequent —

Mr MELHEM — Through the Chair, just to follow up on that, would that process happen regardless of whether the commercialisations occur or not? We would still have the same issue. It does not matter which model. Is that a fair statement?

Ms ADDISON — No. The settlement of large lot subdivisions would still happen, but not on the PEXA platform. So the mandated impact is that all settlements have to be done on the PEXA platform, transitioning from 1 October. So they would still happen, but manually. If the PEXA platform could not guarantee that they would be done, our concern is that Land Use Victoria will mandate the industry and the legal practitioners to use the PEXA platform from 1 October and that the PEXA platform cannot guarantee us that they can function the way the industry already functions by that date.

Mr MELHEM — They are saying, though, that their expectation is full anticipation that the system should be ready, you said earlier, by 1 October. But we all have doubts about a software system. Things will always go wrong, so it is just that —

Ms ADDISON — We know they cannot currently settle that many lots now. They have committed to us to fixing it by November, but the system will be mandated from October. So they cannot give the industry a guarantee that the settlements of scale that our industry puts through will be able to be done on the PEXA platform.

The CHAIR — In that time cycle?

Ms ADDISON — In that time cycle.

The CHAIR — It may be possible, for example, next year sometime.

Ms ADDISON — That is right. And we have full faith that PEXA will address the concerns — they have committed to that — but our concern is this milestone mandated date of October. We are looking for that to be pushed back so that the system can very much be ready.

Mr MELHEM — Maybe they need time to focus on getting it delivered, so if you do not give them the time to focus on that, it could be October 2020 or October 2025. Is that a fair —

Ms ADDISON — The October date has been known for a number of years. It has been in the pipeline there. We are two months out. Our concern is that those major settlements will not go through, not that the industry will not be ready. We know PEXA will be ready, but tell me what happens on 2 October. That is my concern. I think we can get there. PEXA think they can get there. We are encouraging and fully along with them on the journey. We just do not think it will be October. We just hope it will be a couple of months later.

Mr MELHEM — That should not have any real material difference on the transaction on the privatisations or the lease really —

Ms ADDISON — No, it should not. I am sorry to interrupt you.

Mr MELHEM — It should not have any material difference, I am talking about. But it needs to be addressed one way or the other anyway, regardless.

Ms ADDISON — I agree. It just depends on whether or not any ownership transition matters will impact the way that people interact with Land Use Victoria's system. It is good to be aware that they are parallel systems. But, no, in terms of the commercialisation, I am not arguing it should have a material impact on them.

Mr MELHEM — We have got them here later on. Sorry, Chair.

The CHAIR — That is all right. The other thing I wanted to follow up is the slowness in some of the transactions with Land Use Victoria at the moment. You are saying 12 months is an acceptable and achievable time frame, but actually in fact it has blown out to between 18 and 24 months.

Ms ADDISON — No. That is not Land Use Victoria's time line; that is the production time line from when someone purchases a greenfield lot to when they are delivered that lot.

The CHAIR — And Land Use Victoria is only one wedge of that component, I think is what you are saying.

Ms ADDISON — That is right, yes. That is correct.

The CHAIR — But that would, I would have thought, generated holding charges for developers, which would feed straight into the costs of the land.

Ms ADDISON — Yes, if there is a blowout in time with Land Use Victoria, that would generate holding costs. I do not have a quantified number, but as I said before, the industry's work with Land Use Victoria to bring down those large lot subdivision time lines has been incredibly effective, and they have responded wonderfully on an understanding that there is a cost associated with blown out time frames.

The CHAIR — So beyond Land Use Victoria what are the other factors that are slowing down that time period?

Ms ADDISON — Utility approvals, which the government is addressing through the Essential Services Commission, and everything from planning — there are issues at the moment around getting raw materials and labour to greenfield lots. There are lots of production issues that the industry is working with across a number of different agencies and things.

Dr RATNAM — Thanks very much, Danni, for that really comprehensive submission. That was really, really useful. Picking up on that point you were talking about with production challenges and the example of a production challenge being progressed really well, do you have any concerns about the aspects that are about to be commercialised and whether that would impact your ability to look at production challenges like that in the future and be able to get the kind of progress you got through that example?

Ms ADDISON — A lot of it is, I guess, relationship driven in the sense that the industry currently has very good access to Land Use Victoria. They are good policy thinkers as well as process people, and they have been willing to engage with us on those issues. They also, I think, took very seriously the information, as they understood it, when it was made clear that the production challenges had an impact on such a number of people and the settlement of such a number of lots. My concern and our concern would be if a private operator were to charge a premium for, say, a prioritised pathway, especially when there is such an economic benefit to prioritising those pathways.

I guess the way Land Use Victoria looked at it was that they were not prioritising developers' applications over individual people; they are a different form of application and they have different pathways. But unlocking those large subdivision lots had such an economic benefit and, as I said, it allowed lots to be released to so many people, and unblocked, so there was a real benefit to doing that. This is one useful experience to be able to demonstrate the interaction between LUV and industry and government policy forces, and my only concern would be, if that was privatised, if there was a premium charged on that or if there was less willingness to engage to —

The CHAIR — Unresponsive in some way.

Ms ADDISON — unresponsive — realise those policy objectives. The state has a policy objective around land supply and around making sure that stock is accessible to people who have bought it and who want to buy it. They definitely understood and responded in that case, and I would like to see that continue.

Dr RATNAM — Thank you very much. I think that goes to the concern about what happens when you commercialise a monopolised service and what incentive there is to respond in a timely way — you know, what are the policy drivers that are driving that?

Ms ADDISON — That is correct.

Dr RATNAM — Connected to that question, you mentioned your broader support of the commercialisation, but your concerns are if it proceeds at the expense of policy drivers. Is that an example? Can you expand on that in terms of what you think could be the policy costs in a way if policy is overlooked?

Ms ADDISON — I think there will need to be some imperative for commercial drivers and policy drivers to be considered equally, or even of more value than the other. I do not think that the government has an intention to trade off policy drivers for commercial outcomes at all. I just believe there are inherently different drivers for government to consider policy than there are for a private operator to consider it for a commercial value. So we would expect that to be made very clear to government from the private operator's perspective — how it would address policy objectives and how it would make sure that it would facilitate the continued production of new housing and the continued economic benefits of our housing system.

The CHAIR — If there were some overarching consultative committee, would that help to achieve that?

Ms ADDISON — I guess there could be a role for a consultative committee. I think the Victorian government has demonstrated that it has a fairly in-depth tender process associated with this and other privatisation efforts, and so I do not have a great view that it would —

The CHAIR — I think I am meaning long haul. So the commercialisation is completed —

Ms ADDISON — Sure.

The CHAIR — and you have got a set of arrangements in place. How do we in future make sure that those things are —

Ms ADDISON — I would suggest there may be a role for the Essential Services Commission perhaps to review or to do five-year reviews on its pricing and operation, similar to the water pricing mechanism and regulatory framework. I do not know that there is a need for it to be too ongoing or in-depth. That can be counterintuitive to processes working and being developed to suit consumers and users over time, but we believe that this is an essential service, so there may be a role here for either a committee or the Essential Services Commission in reviewing this.

The CHAIR — Or both.

Ms ADDISON — Or both.

Mr MELHEM — Just on that, the private operator would remain under the oversight of a state-controlled registry of titles. They would still have that —

Ms ADDISON — That is correct —

Mr MELHEM — supervisory body looking after them anyway, so it is not that they basically go and make their own rules and stuff. It is not —

Ms ADDISON — No, I am not suggesting that, Mr Melhem. It seems that the three of you are much closer to the ongoing governance arrangements than I may have been privy to or have given some thought to. What I am suggesting is that there is a role for some kind of ongoing input from state government into the private operator's commercial and policy objectives.

Mr MELHEM — I am not disagreeing with you; I am supportive of what you are saying — that the private operator will still be subject to supervision by the registry of titles.

Ms ADDISON — Correct. And the UDIA supports that.

Mr MELHEM — Yes.

Dr RATNAM — Do the UDIA currently access aggregated data from Land Use Victoria in terms of your analysis that you conduct about what is happening in the industry?

Ms ADDISON — Yes, we access what is publicly available. We undertake a number of research projects with research partners such as EY, Charter Keck Cramer and RPM Real Estate Group. Our team in and of itself is not a research body, but we collaborate with research partners who, yes, do interact with the publicly available data. It is very important and very useful.

Dr RATNAM — Do you have concerns around the accessibility of that data if the price points around it become — it seems like in terms of the commercialisation that that is one of the most valuable aspects of this sale and there are other jurisdictions where we are starting to see examples and precedent around what happens to the price of that data. Do you have any concerns around that in terms of your ability to access it for that analysis?

Ms ADDISON — Yes. If it were to become prohibitively expensive, then yes. I am not sure if there is any suggested pricing around that at this point. There will obviously be a commercial value to that data that will be part of that sale. I fully accept that. But I think as we digitise the system and further digitise the system, we are not quite sure yet how useful that data can be. So yes, I agree that to a point that should remain publicly accessible. But just the way that that data does work, the need of the everyday person to interact with the system absolutely should remain free and accessible. With the ability to access the data for commercial use or research purposes, there could be charges attached to that because there is a cost to maintaining and collecting that data. I do accept that as well. But absolutely the data needed by the everyday person to transact their property should remain free and accessible.

Dr RATNAM — Thank you. I have one more question. Do you have counterparts, in terms of the nature of your organisation, in other states that you are in contact with? I am particularly thinking about New South Wales in terms of their experience of what impact this has had — the commercialisation of functions of a similar service — on the industry?

Ms ADDISON — Yes. I think it is probably too recent to have, as I say, any real data around the data. With the New South Wales experience, though, it is really clear that the price increases were not accepted by the industry, even though they have since been absorbed. That was a concern and a lens through which we looked at this. We were very pleased to see that the state will remain in charge and in control of setting prices.

Dr RATNAM — Thank you very much,

The CHAIR — Anything that you wanted to relay from the New South Wales experience from your counterparts there, we would welcome.

Ms ADDISON — All right. We can do that. Thank you.

Mr MELHEM — I think you have touched on some of these issues, but are there any ways that more of a commercialisation focus from the land titles office could be of benefit to the Property Council? Are you able to —

Ms ADDISON — Seeing as I am from the UDIA, I could ask the Property Council next week. I have worked for them before, so I understand your mistake. Yes, I think there would be benefit to the industry of investment in the data.

Mr MELHEM — I meant to say the property industry.

Ms ADDISON — That is all right. I will take that as a slip of the tongue. I feel that we feel that with a more commercialised approach to the running of Land Use Victoria there is likely going to be a further imperative to invest in the dataset. That could be very useful to the industry to have more and deeper data about the way property transactions work. Again it will come down to how that is used. As Dr Ratnam suggested, it will be important that that remains accessible to a point — freely available and accessible and not prohibitively priced.

Mr MELHEM — Any other sorts of services or products you would like to be provided by —

Ms ADDISON — Beyond what they do now?

Mr MELHEM — Yes.

Ms ADDISON — I have not given it any great thought. The industry has a very comprehensive legal fraternity that obviously plays a big role in the transaction of property. My only caution would be that Land Use Victoria does what it does well, and that in terms of expanding its services and operations, it should not look to completely go into the commercial market, where there already are very good operators, such as in the legal space.

Mr MELHEM — So looking at the experience in the other jurisdictions where they went a similar way and what has been proposed by the Victorian government, are you reasonably comfortable that we are picking a reasonable model? I know you mentioned something about the —

Ms ADDISON — In terms of the partial privatisation? Yes.

Mr MELHEM — Yes. You have raised the issue about the fees, which I think is taken care of by mandating the CPI, and the other one I think you talked about was the privacy issues and so forth.

Ms ADDISON — Yes.

Mr MELHEM — I know you have raised some concern about the electronic system, so hopefully that will be ticked off.

Ms ADDISON — Yes.

Mr MELHEM — In comparison do you think we have picked a good model?

Ms ADDISON — I think the proposal offers a good balance of safeguards, and I think that is very important. I think that the Victorian government has had the benefit of learning from New South Wales and South Australia on this matter and that it has struck a good balance for what has been proposed between what is being privatised and what is not.

Mr MELHEM — We just have to make sure that gets delivered.

Ms ADDISON — That is correct.

Mr MELHEM — And that is why you talked about the oversight and perhaps a consultative committee or some sort of oversight to make sure we monitor that?

Ms ADDISON — Yes, and the final form of that I will leave to others to determine. But yes, I believe it will be important to make sure that any private operator appointed remains fully balanced between the commercial and policy objectives of the organisation, considering it is and will remain an essential service to Victorians and the property transaction system.

The CHAIR — Just two questions in conclusion. One is: have you been formally consulted and briefed about the exact model? Have you been formally consulted on the precise model, and has that been laid out to you, because not every other stakeholder — we are now aware — has been?

Ms ADDISON — No, we have not. We have had an informal briefing, and we have done the research that we have needed ourselves. But no, we have not had a formal briefing from the Treasurer's office or the Department of Treasury and Finance.

The CHAIR — The second question I had is: are you absolutely confident that title insurance will not be required in this case? We have already had with PEXA one case in recent time where there has been a loss of perhaps as much as \$250 000 in what is in the scheme of things a modest transaction. But it seems to me that there is a significant risk that that can lead to lending authorities demanding title insurance to guarantee the way forward?

Ms ADDISON — Yes. I have concerns about a number of different insurance issues, one largely being who is at fault in the particular case that you mentioned and the legal practitioners insurance that will be required even just to do the settlement jobs that they already do. I am talking about our major law firms. A lot of conveyancers, for example, are sole operators. They may require increased insurance, either for fault or for simple use of the PEXA system.

The CHAIR — Which should ultimately be passed to the consumers.

Ms ADDISON — That is correct, particularly where the system is mandated, which it will be from 1 October. These are issues that are very live and that are evolving right now and that do require consideration and require the immediate attention of PEXA and, if not, then the immediate attention of the state government.

The CHAIR — So beyond PEXA, the commercialisation — I think as we understand it currently — proposes that the surveyor and the Land Use Victoria people have determinative powers —

Ms ADDISON — Yes.

The CHAIR — and that those arrangements are such that errors will be borne by the state. Nonetheless, if there is uncertainty in title and transfer in some other jurisdictions, particularly Canadian ones, there have been cases where title insurance has become required.

Ms ADDISON — Our position on that would be that the operator — the state, the title system — should be robust and correct enough that ideally insurance would not be required. If it is not, then I believe it is a problem that should be addressed, but I would not suggest that it exists now, and I would not know if it is going to exist in the future under a private operator. I just would hope that it does not.

Mr MELHEM — But these sorts of mistakes — sometimes mistakes, some of them probably would be done by design — they could occur under the current system, the paper system, where titles are not corrected, not properly changed on time, such as titles which are still in someone else's name 50 years on. These sorts of things could actually happen today as human errors or fraud from time to time.

Ms ADDISON — Yes, Mr Melhem, I do agree with you. The difference with the digital system is that there will be very clear time stamping and you will be able to know when something has changed or if it has not or where that information has originated from. With the PEXA system, as I have mentioned, there is no sort of drop-dead information point before a settlement occurs, so up until the moment before a settlement occurs information can be changed. A settlement will still proceed, but it may fall over, and at that point whose fault is it? That is not clear. In terms of changing title documents and the rest, that is very important, because something might be changed by mistake because of the timing and the sequencing of a process or worse, and that is not clear. PEXA has been set up to deal with all of these issues, and it will deal with all of these issues hopefully in a way that requires minimal insurances only where it is essential. Our concern is that we are not confident it will happen by 1 October and that in parallel there is a part-privatisation process of LUV. We want to make sure that the system functions appropriately and the transition arrangements are streamlined enough that the development industry, the housing sector and property transactions do not suffer en masse.

The CHAIR — Can I thank the UDIA for your submission.

Ms ADDISON — Thank you.

The CHAIR — We may come back to you for some further details. If there is anything else that you think is relevant for us, please feel free to forward that.

Ms ADDISON — If we were to make a subsequent submission with information, when would you seek that by?

The CHAIR — Probably by the end of the month.

Ms ADDISON — By the end of this month?

The CHAIR — No, no. Next month. The second or third week of July. We are on a pretty tight time frame.

Ms ADDISON — I know you have to report in August, so we will absolutely seek to get that to you in the first two to three weeks of July.

Witnesses withdrew.