

Donations make deal murky

■ Daniel Emerson
Inside State



No matter how the Liberal-National State Government dices it, its taxpayer-funded foray into the Karratha property market has not gone according to plan.

Moreover, the unrealised returns on the public's \$30 million investment invite the type of questions which prompted the NSW Government to ban political donations from property developers in 2009.

When a joint venture between a government that received campaign funds and the developer donor goes south, the public will inevitably ask whether the reasons for them going into business together in the first place were sound.

Let's look at those reasons.

In June 2012, State Cabinet approved the spending of \$30.4 million of Royalties for Regions funds to pre-purchase 50 units in the 178-unit Pelago East tower in Karratha, built by developer Finbar.

The decision was made under a business case which earmarked 30 apartments for the WA Country Health Service through the Government Regional Officers Housing program.

Ten units were to provide a low-cost entry into the property market for "key workers" under a shared equity scheme similar to Keystart and 10 were to be on-sold at full market price.

The backdrop to the investment was sky-high rents and property prices in Karratha amid tight, mining-driven occupancy rates that peaked in September 2011 at \$1784 for average weekly rentals and \$1.1

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million for house sales.

The Government was understandably keen to make affordable accommodation available to not only Karratha locals but also to stationed public servants under the GROH scheme.

But there were also political imperatives in play.

Four months earlier in February 2012, then Nationals leader and regional development minister Brendon Grylls announced he would switch from his seat of Central Wheatbelt to the Pilbara.

The Government and in particular the Nationals had spruiked the Pilbara Cities program as transforming dusty mining towns into rejuvenated centres.

The Pelago towers (there is a West and an East), were to form the tiara on Karratha's new skyline.

But problems began to emerge.

First, the WACHS — made up of doctors and nurses to service Karratha Hospital — with families in tow, did not want the one and two-bedroom apartments, and the 30 units were never transferred to the service.

This lack of due diligence invites speculation that the investment decision came first and the justification for it came second.

Second, the heat came out of the market. On the face of it, this was a good thing for the buyers the Government intended to give relief to.

But with average house prices now 25 per cent lower at \$700,000, taxpayers will struggle to get a return on their investment made during the market's peak.

Instead of on-selling 10 apartments at market price (a

curious role for any Government in a private property development) and making 10 available under shared equity, the State is now struggling to sell 28 units under shared equity.

Premier Colin Barnett said during question time yesterday the Government might well hold on to the apartments until house prices increased — ironically betting on a return to the very market conditions the Government sought to combat.

It is of note that the Government was the only customer to pay up-front instead of putting down a deposit like every other buyer in the tower and paying the rest after construction.

Mr Barnett baulked yesterday at the suggestion the taxpayer "underwrote" the development, saying the term implied liability for losses should it fail.

But Nationals leader Terry Redman said point blank on Tuesday: "The Government used taxpayer funds to get a development off the ground.

"Now the Opposition is trying to criticise us for being able to

leverage up private sector investment to make a difference in the part of Western Australia that is significant to the National Party." Indeed.

Enter Robin Vandenberg, the local Nationals branch president and former Liberal candidate who was appointed in 2011 to the Pilbara Development Commission, which has carriage of the Pilbara Cities project.

Mr Vandenberg started walking both sides of the fence when, in August last year, he was appointed Karratha general manager of Finbar and took charge of selling Pelago apartments.

On Wednesday, the Opposition d li i il

used parliamentary privilege to ask whether Mr Vandenberg helped negotiate the State's involvement in Pelago before joining the developer.

It also aired details of \$75,000 in donations by Finbar and an associated entity to the Liberals and \$50,000 by the developer's preferred builder Hanssen to the Nationals in the 2012-13 financial year.

Hanssen is a long-time donor to the Liberals but not usually to the Nationals and the

Opposition could find no record of Finbar donating to the Liberals before 2012-13.

On ABC Radio yesterday, Mr Grylls admitted Mr Vandenberg had handed out how-to-vote cards for him at the last election, but pointed out his volunteer did not work for the developer at the time.

Mr Vandenberg also told *The West Australian* yesterday he played no role in Finbar's donations to the Liberals, which were made before he joined the company. He left Finbar three months ago.

Mr Barnett pointed out the Opposition led no evidence of anything "untoward" and he is right.

But it would be a different story in NSW, where swaths of Liberal politicians have come unstuck at its Independent Commission Against Corruption for accepting banned donations from property developers.

Such donations are not illegal in WA but any political party that accepts them runs the risks of their motives being examined when they get into bed with donor developers, especially when the taxpayer gets burnt.



Trouble: The Government helped a developer donor to the Liberal Party get the Pelago East complex in Karratha off the ground.