

**INQUIRY INTO THE DEPARTMENT OF
HOUSING**

**REPORT
OF
COMMISSIONER JOHN MANT**

20 November 1992

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1. WHAT IS THE COMMISSION OF INQUIRY INTO THE DEPARTMENT OF HOUSING?

1.1 Terms of Reference

On 8 July 1992, the Premier, The Hon. Mr John Fahey M.P., announced the Governor's approval of my appointment as Commissioner to conduct the Inquiry into Aspects of the Department of Housing.

The terms of reference were:

"The Commissioner is to investigate and provide recommendations to the Government in relation to:

1. *the findings of the Building Industry Royal Commission which deal with policies, operations and management of the Department of Housing having regard to the recommendations and observations about the Construction and Procurement Divisions of that Department and any other aspects of the Department which may impact upon them;*
2. *the impact of the Commonwealth/State Housing Agreement on the Department of Housing and the policies and operations of the Department, and*
3. *meeting the Government's public housing objectives and the major recommendations of the Royal Commission in relation to changing the 'culture' in the NSW building and construction industry with particular reference to the policies, structure and management of operations of the Department of Housing."*

1.2 Scope of the Inquiry

The wide-ranging terms of reference were tempered by the Government's desire to carry out the Inquiry recommended by the Royal Commission as quickly and as efficiently as possible. The Department had been under the cloud of the Royal Commission investigations for some time and, as it turned out, was severely criticised in the Royal Commissioner's Report. A lengthy review following the Royal Commission would have caused considerable uncertainty inside and outside the Department. In a conversation with

me early in the Inquiry, both the Premier and the Minister for Housing made it clear that they wanted a report which primarily looked to the future and which gave the Government guidance as to the changes it should consider making in policy, structure and operations.

At about the time of this Inquiry, the Government initiated a separate investigation into the operations of Homefund. The Homefund Inquiry is being conducted by Mr John McMurtie, Managing Director, Union Bank of Switzerland Australia Limited, and is to report at the same time as this Report is due. I have excluded from my Inquiry any detailed consideration of the Home Finance/Homefund area of the Department. Mr McMurtie and I met several times during the past three months so that we were both aware of major issues emerging from the two Inquiries and to ensure that recommendations in the Reports were compatible.

The Building Services Corporation was also excluded from my Inquiry as the Royal Commission into the Building Industry had recommended a separate investigation. This commenced under Commissioner Dr Peter Dodd on 30 September 1992 and is to report by 30 December 1992.

During the course of my Inquiry, the operations of the Real Estate Services Council and the Strata Titles Commission came under consideration as a result of media comment on the practices of a strata title management firm. The Minister for Housing wanted a detailed investigation to be conducted of this area, and I have proposed to him that this should be done separately, outside of this Inquiry. Such an investigation would entail considerable work and would have substantially delayed the completion of my Report.

1.3 Approach

This Inquiry is being conducted by a person independent of the Government and the public sector. It is not a public service inquiry or a formal management review. It is an inquiry by an independent Commissioner.

In conducting the Inquiry, I consulted with a range of individuals and groups. These are listed in Appendix 1. Also listed are the written submissions I have received (see Appendix 2).

I am very grateful for the assistance I have received from Graham Mostyn, Doug Keech, Frances Howat, Bill Healy, Graham Hall and Angela Bester, but, in the end, what I have to say in this Report represents my own conclusions and views.

The submissions and the work done by members of the team have provided a range of views and analyses. Much of the material has not been included in this necessarily focused report. Where appropriate, the material will be made available to the Department.

The independence I have been given allows me considerable freedom in framing my approach and gives me an opportunity to discuss some fundamental issues and to challenge some assumptions. The outcome, I hope, will be a substantial change to the Department's mode of operating. The risk is that my recommendations will be rejected because they challenge the status quo, which has strong support in some quarters. I think that risk is worth taking.

I have had to tread a course between investigating the detail of what is there (observing the constraints of the time available to make investigations of any kind) and the Government's desire for the Inquiry to produce a blueprint for the future.

First and foremost, this Inquiry has tried to capture the broad picture.

The scope of the policy and organisational issues is considerable and the time available for investigating them has been short. As far as I was able, I have avoided raking over the details of the past, unless they have clear lessons for the future. A number of issues about the Department's policies and operations have also been raised with me that I have been unable to pursue.

This course has had implications for the way in which I have addressed the specific terms of reference. I should like to comment specifically on the terms now.

1.4 Term of Reference 1

The Building Industry Royal Commission was highly critical of the Department's performance, particularly of the way in which it had procured various properties and of its failure to respond to criticism by the Auditor General and the Independent Commission Against Corruption.

Firstly, I have, from my own observations and investigations, formed a view about the Department's general performance and this is reported on. Secondly, I have looked closely at the procurement process, particularly the house and land and design and construct package methods, as these now constitute the main forms of acquisition by the Department, are worth several hundred million dollars each year and were areas criticised by the Auditor General.