

2017

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**QUARTERLY REPORT: IMPLEMENTATION OF THE
LOOSE FILL ASBESTOS INSULATION ERADICATION SCHEME**

1 OCTOBER 2016 – 31 DECEMBER 2016

**Presented by
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Minister for Planning and Land Management**

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1. Overview

This is the ninth in a series of regular reports to the Legislative Assembly on implementation of the ACT Government's Loose Fill Asbestos Insulation Eradication Scheme (the Scheme) by the Asbestos Response Taskforce (the Taskforce). Quarterly reporting to the Legislative Assembly, instituted in 2014, provides the Assembly, Canberrans and other interested parties with information about Scheme progress as the Taskforce works to eradicate loose fill asbestos from residential properties in the Canberra community.

This report describes the activities of the Taskforce in the three months to 31 December 2016, which saw:

- The release of the fourth update of the indicative demolition schedule, incorporating programming for 388 demolitions through to late 2017;
- completion of 160 demolitions during the Quarter, bringing the total to 518 demolitions at December 2016;
- removal of 160 blocks from the Affected Residential Premises Register (the Register), bringing the total of deregistered blocks to 429;
- continuation of the First Right of Refusal (FROR) and public sales processes with a total of 24 blocks sold (exchanged) to former owners through FROR and 120 blocks sold (exchanged) through the public sales process; and
- the addition of a newly identified 'Mr Fluffy' house in Downer to the Register.

During the reporting period the Taskforce focused on working with former owners in relation to the FROR offer and acceptance process and rolling out the public sales program. Additionally, the Taskforce continued to engage with neighbours to ensure they were informed about Taskforce activity with over 3000 pieces of correspondence mailed during the Quarter.

Recognising the Scheme is constantly progressing and the body of this report presents statistics to 31 December 2016, some key statistics as at 7 February 2017 are provided below:

- the owners of 996 affected houses (including 12 assisted private demolitions and five Housing ACT properties) had agreed to participate in the Scheme;
- the owners of all 11 Eligible Impacted Properties had agreed to participate in the Scheme;
- 911 affected houses and seven impacted dwellings had been acquired by the Government;
- 577 affected properties had been demolished (561 by the Taskforce, 12 through assisted private demolition and four privately), and
- 468 blocks had been removed from the Register and were ready for reoccupation and rebuilding;
- 327 FROR offers had been sent to former owners;
- 153 blocks were offered for public sale;
- Contracts for sale had been exchanged on 152 remediated blocks (26 FROR and 126 public sale); and
- Sales processes had been completed on 113 blocks (19 FROR and 94 public sales).

2. Implementing the Scheme – Governance Arrangements

Under the *Administrative Arrangements 2016 (No 4)*¹ dated 1 November 2016, the Taskforce, originally a division of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), was transferred to the Environment, Planning and Sustainable Development Directorate (EPSDD).

Ministerial responsibility for the Scheme was assigned to the Minister for Planning and Land Management, Mr Mick Gentleman MLA on 1 November 2016. Minister Gentleman (originally as Minister for Workplace Safety and Industrial Relations) has been the Minister responsible for the Scheme since January 2016. The Taskforce Head continues to report directly to the Minister.

In November 2016, Taskforce Head Mr Andrew Kefford was seconded to assist in developing governance arrangements for the ACT Government's new urban renewal and greenfields authorities. As a result, Ms Karen Doran was appointed as Taskforce Head.

Under the Taskforce's governance framework, the Scheme is divided into four phases:

- Assistance;
- Buyback;
- Demolition; and
- Sales.

Progress and activity in the December Quarter 2016 is reported sequentially against each phase in the sections that follow.

After the Sales Phase section, whole of Scheme progress, activity, and achievements are canvassed in relation to communications, financial implications, and governance.

¹ <http://www.legislation.act.gov.au/ni/2016-608/current/pdf/2016-608.pdf>

3. Assistance Phase

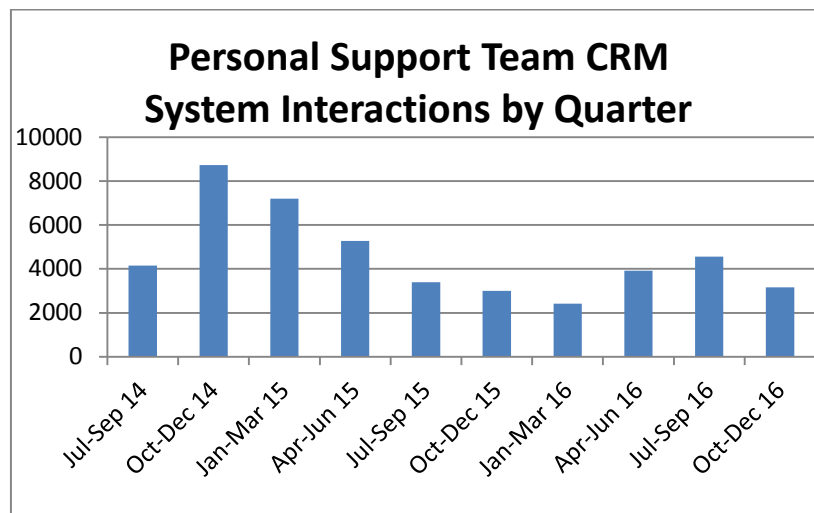
The Taskforce's Personal Support Team (PST) have continued the important work of supporting affected homeowners as they move through the various stages of the Scheme. This includes a small number of owners who are still in the Buyback phase, the many former owners who wish to be kept informed about the demolition of their surrendered property, and those who are working through the decision of whether to repurchase their block through the First Right of Refusal process.

The number of interactions captured in the Client Relationship Management (CRM) system is one simple measure of the work being undertaken by the PST. As homeowners finalise their involvement with the Taskforce, it is expected that the number of interactions will continue to decline.

Table 1: Client Relationship Management (CRM) System Interactions

	As at 30 September 2016	As at 31 December 2016	Interactions in Quarter
CRM Interactions	42,657	45,812	3,155

Figure 1: Client Relationship Management System Interactions



Relocation Assistance Grants, paid when homeowners permanently vacate the affected property, continues to decline steadily, reflecting the minimal activity remaining in the Buyback Phase of the program. The number of Stamp Duty Concessions paid shows a small increase from 16 finalised during the September Quarter to 22 paid in the December Quarter. As the FROR sales process continues to roll out, homeowners are able to finalise their decision relating to their living arrangements, either returning to the former block or purchasing a new property, and so it is expected that the Stamp Duty Concessions will continue to be accessed steadily over the coming year.

Table 2: Relocation Grants and Stamp Duty Concessions

	As at 30 September 2016		As at 31 December 2016		Paid in Quarter	
	Number	Value	Number	Value	Number	Value
Relocation Assistance Grants	949	\$11.06m	969	\$11.25m	20	\$0.19m
Stamp Duty Concessions	603	\$14.38m	625	\$14.95m	22	\$0.57m

Land Rent

The December Quarter saw no increase on the three applications received to date for land rent by former owners exercising their FROR on the repurchase of their former block. The Government extended the Land Rent Scheme in February 2016 to permit former owners, who otherwise qualify for that Scheme, to utilise that option to assist them to return to their former block and neighbourhood.

Table 3: Land Rent applications and leases

	As at 30 September 2016	As at 31 December 2016	Number in Quarter
Land Rent Applications Lodged	3	3	0
Land Rent Applications Approved	3	3	0
Land Rent Leases Issued	0	0	0

Homeowner Support

A focus of the Taskforce's work since its establishment has been the development of close relationships with community service organisations across Canberra. The importance of providing continuity of support for affected homeowners with deferred settlement arrangements, as well as those who are rebuilding their lives in a new home and new community is clearly recognised, by both the Taskforce and the community partners. To ensure this ongoing support, the PST continues to meet with community partners to provide them with a sound understanding of the ongoing needs of affected homeowners.

Further support is also being arranged to assist affected homeowners to put the 'Mr Fluffy' issue behind them. During the December Quarter, the PST made arrangements for internationally recognised clinical psychologist and expert in Community Recovery, Dr Rob Gordon, to return to Canberra to facilitate three small interactive 'Moving Forward' workshops for affected homeowners. Additionally, Dr Gordon will meet with the community partners and the Taskforce to provide his expert advice on community recovery models. These workshops will take place on 21 February 2017.

4. Buyback Phase

During the Quarter an additional homeowner was invited to participate in the Scheme following the discovery of loose fill asbestos insulation in their house in Downer. The property was added to the Affected Residential Premises Register on 2 December 2016, bringing the total affected residential properties to 1023.

The house was identified after a tradesperson undertaking repairs notified authorities of the possible presence of asbestos. Subsequent testing confirmed the presence of loose fill asbestos insulation. A review of records held by the Taskforce determined the property had not previously been identified as containing loose fill asbestos insulation during the late 1980s/early 1990s survey and remediation program. It is the first home to be identified since the Scheme was announced and the seventh identified since the original remediation program was undertaken some 30 years ago.

Table 4: Participation in the Scheme as at 31 December 2016

	Affected Properties	Eligible Impacted Properties	Total
Number of Properties	1023	11	1034
Participating in the Scheme	997	11	1008
Not Participating in the Scheme	26	0	26

During the December Quarter, homeowners who had accepted their offer but had not yet exchanged contracts were contacted and asked whether they intended to proceed. Two homeowners advised they would not be proceeding with contract exchange and withdrew from the Scheme. The homeowner of the newly identified property in Downer confirmed participation in the Scheme, requesting valuations be undertaken. This resulted in participation in the Scheme decreasing by one from the previous Quarter.

Voluntary Buyback Program

Table 5 below reports the number of offers accepted and settlements concluded in the Buyback Program. The withdrawal of two participants from the Scheme and the acceptance of an offer by one homeowner are reflected in the total accepted offers showing 'negative progress' of one for the December Quarter.

Table 5: Voluntary Buyback Program Offers and Settlements

	As at 30 September 2016		As at 31 December 2016		Progress in Quarter	
	Affected	Eligible Impacted	Affected	Eligible Impacted	Affected	Eligible Impacted
Offers Accepted	978	11	977	11	-1	0
Settlements	896	7	909	7	13	0

Steady progress of settlements continued with 13 affected properties being surrendered to the Territory in the Quarter. It is expected that this slow but steady progress will continue as the complexities associated with individual cases are worked through and as deferred settlement dates are reached.

As at 31 December 2016, owners of 74 affected properties remained in the Buyback Phase of the Scheme:

- 68 contracts exchanged but not settled:
 - o 13 with planned settlement dates in 2017;
 - o 4 with planned settlement dates in 2018;
 - o 2 with planned settlement dates in 2019; and
 - o 49 with planned settlement dates in 2020.
- 3 having accepted offers but not yet exchanged; and
- 3 considering their offer (this includes the newly identified property in Downer).

As at 31 December 2016, seven of the 11 eligible impacted properties were owned by the Territory, leaving only four remaining in the Buyback phase of the Scheme:

- 3 with contracts exchanged but not settled
 - o 2 with planned settlement dates in 2017;
 - o 1 with a planned settlement date in 2020; and
- 1 having accepted the offer but not yet exchanged.

5. Demolition Phase

At the end of December 2016 a total of 518 properties had been demolished under the ACT Government's demolition program which had commenced with pilot activity in mid 2015. This significant progress, in addition to the 16 privately demolished properties, means that 534 of the 1023 (52%) loose fill affected residential properties were removed from the Canberra community by the end of 2016.

The Taskforce continues to reinforce with head contractors that the safety of workers, neighbours and the wider community is a key objective of the demolition program. The need for health and safety to be at the forefront of all activity associated with demolition and clean up was the focus at a forum for contractors and ACT Government agencies held in October 2016. The forum also provided an opportunity to discuss continuous improvement in relation to the demolition process.

Demolition Works Underway

During the Quarter 160 affected properties were safely demolished under the ACT Government's demolition program. This work was managed on site by eight head contractors with involvement from licensed asbestos assessors and removalists. WorkSafe ACT continues to regulate the works with inspectors monitoring adherence to approved practices at each site.

Table 6 reports the progress in demolitions and deregistrations for the Quarter. Steady progress in both of these measures is expected throughout 2017.

Table 6: Demolition and Deregistration Activity

	As at 30 September 2016		As at 31 December 2016		Progress in Quarter	
	Affected	Eligible Impacted	Affected	Eligible Impacted	Affected	Eligible Impacted
Demolished	374	0	534	0	160	0
- Taskforce	358	0	518	0	160	0
- Assisted Private	12	*	12	*	0	*
- Self Funded	4	*	4	*	0	*
Deregistered	269	n/a	429	n/a	160	n/a
- Taskforce	255		413		158	
- Assisted Private	10		12		2	
- Self Funded	4		4		0	

* not relevant for Eligible Impacted Properties

Demolition Scheduling

The Taskforce continued to keep the community informed about progress of the demolition program with the release of the fourth update to the Indicative Demolition Schedule on 7 December 2016 - the third update released in 2016. The updated Schedule provided the indicative timeframes for the demolition of 388 properties through to the end of 2017 - 32 of which were completed during December 2016 prior to the program's end-of-year shutdown.

The regular release of the Indicative Demolition Schedule remains an effective way to keep homeowners, neighbours and the general public informed about demolition progress and planning. The Schedule will continue to be updated regularly and made publicly available.

6. Sales Phase

The December Quarter saw steady progress in both the First Right of Refusal (FROR) and the public sales programs. The effective roll out of the Sales phase is an important step in concluding the Scheme well, with the sales revenue playing a critical part in defraying the overall costs of the Scheme.

From the Scheme outset it was understood the FROR option would not be viable for all homeowners. The PST continues to work closely with former homeowners as they consider their offer and make the significant decision of where to establish their home. At the end of 2016 the FROR acceptance rate remained at around 16%.

The Taskforce continues to review the public sales progress with a view to refining the program and implementing appropriate strategies for the sale of the range of remediated blocks becoming available across Canberra suburbs. As at 31 December 2016, 120 remediated blocks had been sold through the public sales processes, representing 78% of those offered for sale.

Table 7: First Right of Refusal and Public Sales

	As at 30 September 2016	As at 31 December 2016	Progress in Quarter
Sales – FROR *¹			
- Offers Sent	277	319	42
- Offers Accepted	34	50	16
- Acceptances Withdrawn	2	6	4
- Offers Declined	92	135	43
- Offers Forfeited	71	130	59
- Sold (exchanged)	* ²	24	-
- Sold (settled)	* ²	10	-
Sales – Public Sale			
- Offered for Sale	100	153	53
- Sold (exchanged)	69	120	51
- Sold (settled)	44	85	41

Notes:

1. At any given time a number of FROR offers may still be under consideration by former homeowners. For this reason the offer status figures shown in Table 7 do not always total to the number of offers sent.
2. Data withheld in this report given low numbers to preserve privacy of purchasers.

7. Financial Impact

A forecast net cost of the Scheme of \$366 million (excluding the interest costs of the loan from the Commonwealth) was published in the 2016-17 Budget papers. This forecast will be updated as part of the 2017-18 Budget process, taking into account progress to date and anticipated scheme take-up rates.

Tables 8 and 9 below show the aggregate expenditure on acquisition of affected and eligible impacted properties and Table 10 shows the aggregate revenue from sales.

Table 8: Buyback Program Expenditure (based on settlement for affected and eligible impacted)

	As at 30 September 2016			As at 31 December 2016		
	No.	Total Cost	Average	No.	Total Cost	Average
Properties Settled	903	\$643,635,256	\$712,667	916	\$651,952,633	\$710,738

Table 9: Demolition Expenditure (based on demolitions contracted to-date, including contract variations)

	As at 31 December 2016		
	No.	Total Cost	Average
Properties Demolished or Under Contract for Demolition*¹	655	\$61,148,953	\$93,357

Table 10: Sales Program Revenue (based on exchanged contracts)

Sales * ³	As at 30 September 2016		As at 31 December 2016		Progress in Quarter	
	Number	Value	Number	Value	Number	Value
FROR	* ²	* ²	24	\$17,047,000	* ²	* ²
Public Sale	69	\$40,706,500	120	\$76,861,100	51	\$36,154,600
- Auction	43	\$27,960,500	75	\$53,554,000	32	\$25,593,500
- By Negotiation	10	\$5,040,000	14	\$7,665,000	4	\$2,625,000
- Over the Counter	16	\$7,706,000	31	\$15,642,100	15	\$7,936,100

Notes:

- Demolition expenditure includes Asbestos Removal and Demolition costs only. These figures exclude the costs incurred by Government in disposing of affected properties, undertaking pre-demolition asbestos assessments and post demolition soil validations. The cost of individual demolitions is influenced by a number of variables including the property's location, construction type, size (including the size of footings), number of additional structures, block access, slope of the block, and amount and spread of asbestos present. Individual demolition costs can vary significantly from the average.
- Data withheld in this report given low numbers to preserve privacy of purchasers.
- The different phases of the program are at different stages of completeness. Comparing average expenditure/revenue per block is therefore not the most reliable way of estimating the overall program costs. For example, the average sales price achieved per block of \$652,000 is based on a low sample size, with a disproportionately high number of blocks sold in the inner north, inner south and Woden valley reflecting both the market demand for blocks and the inventory available due to the sequencing of the demolition program.

8. Community Information and Engagement

Engagement with the Canberra community remains a focus for the Taskforce as the demolition program progresses. Neighbours of affected properties are keen to be kept informed about the process and timing of demolition activity close to them. The Taskforce and the head contractors continue to provide opportunities for the community to engage via phone or face to face, in addition to issuing written materials such as letters and on-site signage.

During December 2016 the Taskforce worked closely with Access Canberra, contractors and Procurement and Capital Works to ensure that homeowners, neighbours, and the general public were aware of end-of-year shutdown arrangements in relation to demolition activity. Particular emphasis was placed on reassuring people that arrangements were in place for all affected properties to remain safe and secure over the Christmas/New Year period and advising how to report any concerns. A variety of communication tools were used, including letters to neighbours, detailed information on a number of ACT Government websites, Taskforce newsletter articles and social media posts.

Table 11: Correspondence with Neighbours

	As at 30 September 2016	As at 31 December 2016	Activity in Quarter
Contract Award Letters	4254	4911	657
Deregistration Letters	2055	3753	1698
Upcoming Sales Letters	1072	1713	641
End of Year Shutdown	n/a	239	239

Notes:

- Figures reflect Demolition Communications Process commenced in March 2016
- Contract Award and Deregistration Letters represent the two communications sent directly by the Taskforce. The full Communications Process with neighbours also includes a letter issued by ACT Property Group upon acquisition of the affected or impacted property, and demolition timing letters issued by the head contractor.

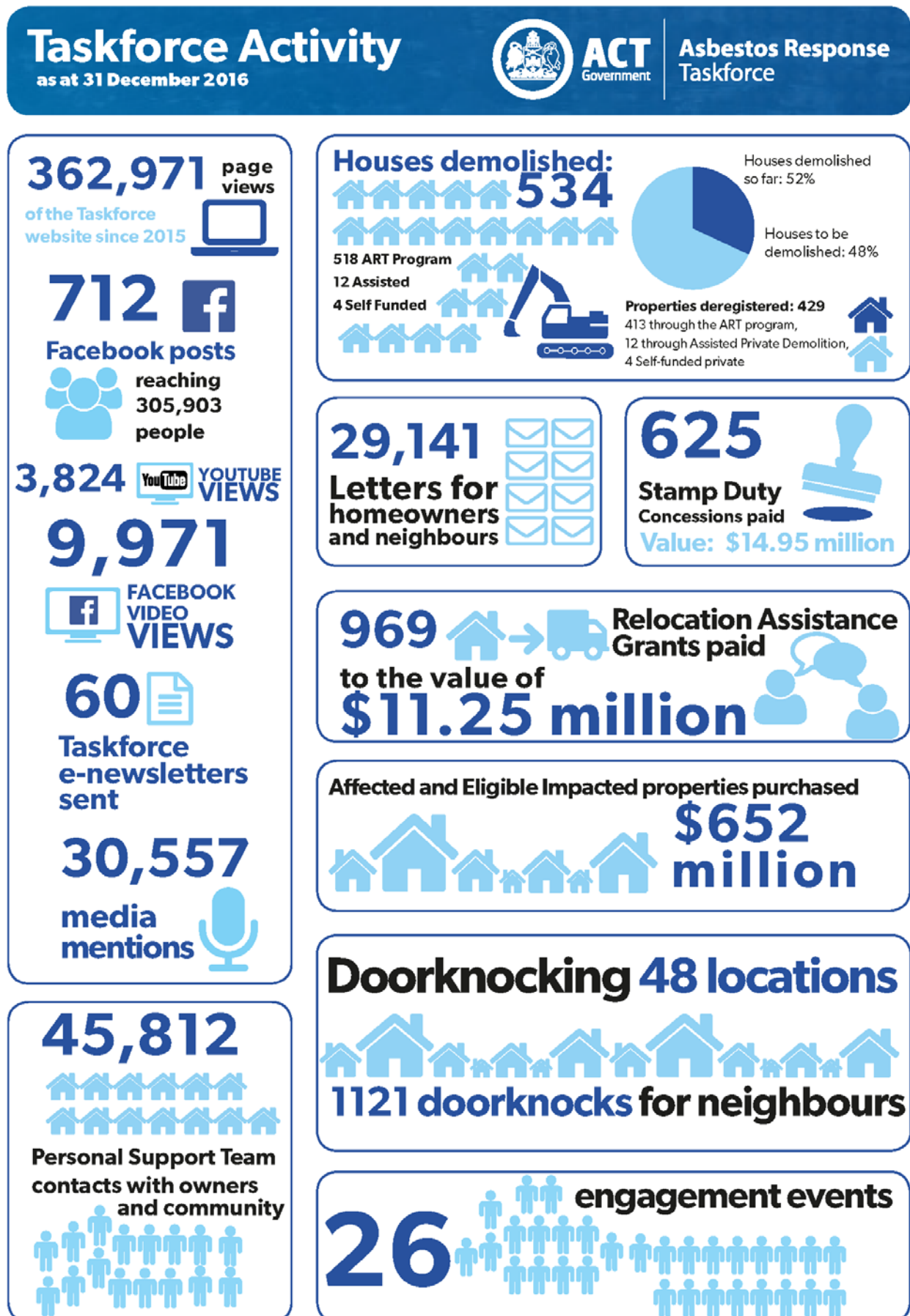
Table 12: Neighbour and Suburb Engagement

	As at 30 September 2016	As at 31 December 2016	Activity in Quarter
Door knocking			
- Demolition	813	982	169
- Property Management	99	139	40
Suburb / District Activity	4	4	0

Note:

- Figures do not include broader engagement events held for the community around the Scheme as a whole rather than specific demolition activity in a suburb area.

Figure 2: Taskforce Communications Activity – a Cumulative Overview



9. Scheme Governance

Eradication Scheme Steering Committee (ESSC)

The ESSC provides a forum for the Head of the Taskforce to monitor the effectiveness of risk controls, key milestones, value for money, community and stakeholder satisfaction and performance through regular reporting requirements. The ESSC met twice in the final quarter of 2016.

Assembly Committee Recommendations

The Taskforce made initial contact with the Standing Committee on Public Accounts (PAC Committee), once membership of the Committee for the Ninth Assembly was announced, to open discussions with regard to information provision through this reporting series to align with the Government's response to Recommendation 4 of Report No. 30, *Inquiry into the Loose-Fill Asbestos Insulation Eradication Scheme – Quarterly Progress Reporting*². No meeting has, as yet, occurred.

With ministerial activity now back to full functionality, further contact will be made to commence those discussions with a view to incorporating feedback from those discussions into future Quarterly Reports.

The Taskforce tabled an update on actions undertaken in response to Recommendation 5 of the PAC Committee of the Eighth Assembly's Report No. 33, 34, 35 and 36 – *Review of Selected Auditor-General Reports*³ in the Assembly during the final sitting of the Ninth Assembly in December 2016⁴.

² http://www.parliament.act.gov.au/data/assets/pdf_file/0005/913919/8th-PAC-30-Loose-Fill-Asbestos-Insulation-Eradication-Scheme-Q-Progress-Reporting.pdf

³ http://www.parliament.act.gov.au/data/assets/pdf_file/0007/983518/8th-PAC-33-36-AG-3-6-2016-Selected-reports.pdf

⁴ http://www.parliament.act.gov.au/data/assets/pdf_file/0009/1020231/PAC-Rpt-33-34-35-36-Government-Response-Update-on-action-under-Rec-5.pdf

10. Conclusion

The December Quarter 2016 saw the continuation of focussed activity by the Taskforce and considerable progress in implementing the Scheme, including:

- the sustained provision of personalised support and advice to affected homeowners including in relation to the FROR process, and those yet to finalise their decision in relation to participation;
- continuation of the established program of neighbour and community engagement through direct contact, as well as the through the Newsletter and Taskforce website;
- significant activity in the Demolition and Sales Phases with:
 - o the development and release of a revised Indicative Demolition Schedule positioning the work program for 2017;
 - o a staged shut-down of the Demolition Program for the Christmas/New Year period; and
 - o a number of successful sales events.

The March 2017 Quarter is expected to see:

- the conclusion of the Buyback Phase of the Scheme;
- maintained momentum of the Demolition Phase;
- increased activity in the Sales Phase with an inventory of deregistered blocks ready for market; and
- publication of the third phase report of the ACT Asbestos Health Study.

The Taskforce remains focused on delivering a Scheme that safely, efficiently and effectively removes the legacy of Mr Fluffy from the Canberra community.