PEXA Submission

Supporting responsible AI: discussion paper

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PEXA Introduction

Property Exchange Australia Ltd (PEXA) is pleased to have the opportunity to make a submission to the Federal Government's consultation on the proposed *Supporting responsible AI: discussion paper.* We thank the Federal Government for granting an extension to PEXA so we could contribute to this important topic.

As the landscape of AI rapidly evolves, it is essential to strike a balance between embracing its potential for economic growth and improving lives while mitigating the risks associated with its adoption.

Australia has begun to build strong foundations in the realm of responsible AI. With the creation of the Government's Artificial Intelligence Ethics Framework, this has established voluntary ethics principles to guarantee the safe, secure, and reliable implementation of AI applications. At PEXA, we have begun introducing our own AI Policy and Ethical Data Framework as AI innovation accelerates, we recognise the need to further enhance our approach to safeguarding the property industry. PEXA firmly believes that striking the right balance between innovation and accountability will foster public trust in AI and enable Australia to fully harness the benefits these transformative technologies offer. PEXA's expertise in the property industry, insights, and perspectives are vital in co-creating a future where AI truly serves the best interests of our nation.

As an Electronic Lodgement Network Operator (ELNO) PEXA enables our stakeholders and customers, including licensed solicitors, conveyancers, and financial institutions across Australia to transact property electronically on behalf of their clients. PEXA is supportive of the Federal Government opening the conversation of ensuring responsible AI within legislation and regulations for businesses, communities, and citizens.

PEXA firmly believes that the rapid advancement of Artificial Intelligence (AI), particularly breakthroughs in general intelligence, holds enormous potential to transform society and industries universally, not least in the property sector. The implications offer unprecedented opportunities – from streamlining operational efficiencies, enhancing decision-making processes, to fundamentally revolutionising the way real estate transactions are conducted.

Safe and responsible AI in the Australian context involves several key considerations. Firstly, AI accountability, consumer understanding, and trust are vital, along with recognising the country of origin for AI technology and data training the models specifically for the Australian context. It is crucial to assess legislation and regulations globally to ensure fair competition for Australian organisations.

A coordinating regulator agency is needed to handle the scale and complexity of AI across society and the economy. Co-regulation with industry, led by the government, along with regulatory sandboxes to test and move faster, will benefit SMEs. Educating decision-makers and the public about AI is crucial, and international engagement and harmonisation are important to address challenges across the AI creation process.

PEXA is at the forefront of this transformative change, leveraging AI to deliver unparalleled value to all our stakeholders involved in the property transaction lifecycle. However, despite the immense benefits AI promises, it is equally integral to recognise and actively mitigate the associated risks, judiciously constructing the necessary guardrails in its implementation. Our submission will focus on the core topics of transparency and risk. This submission will also highlight PEXA's collaboration with Value Australia, and the next generation technology being used to revolutionise the property market with Value Australia's AI benefits to flow on to home buyers, communities, governments, and developers big and small.

About PEXA

The PEXA Group is a digital exchange and data insights technology business transforming the property industry.

The Group is driven by its core purpose of Connecting People to Place – digitally connecting buyers with sellers online to make homes happen; policymakers with insights to make housing more affordable; and property players with data to create sustainable and equitable places for future generations so more people have a roof over their heads and a place to call home.

Successful brainchild of the Council of Australian Governments (COAG) in 2010, PEXA has transformed the process of purchase and sale in Australia and is essential infrastructure providing a secure, resilient, safe and important service to citizens. Since 2013, PEXA has facilitated more than 15 million property settlements through its national e-conveyancing platform, breaking through the $3 trillion value threshold and with 88% of market share.

The PEXA Group has expanded into the UK. It has also developed a strong suite of property-related data insights and digital analytics services with innovative businesses such as Value Australia, .id (Informed Decisions), Archistar and Land Insights coming into the fold – connecting services across the property value chain.

- **Value Australia** provides new AI and data analytics for valuations and is set to transform Australia's $10 trillion property market. Improves transparency for home buyers, planning, development,

sustainability, and government revenue predictions for vital infrastructure. (See Australian Financial Review article attached.)

- **.id** (informed decisions) provides community profiles with insights adding value to municipal government decisions on population, housing, economic and social issues.
- **Land Insight** delivers climate change and environmental risk assessments for land, properties and homes.
- **Archistar** provides architectural designs using new AI to inform property decision-making, build 3D conceptual designs and better insights for return on investments.
- **Global Learning Village:** Integration model using technology empowered leadership to produce acclaimed prototypes for communities confronting the catastrophes of our times, place-based disadvantage and connect the disconnected.
- **PEXA's world-first offer solutions in numerous applications, including elections throughout Australia:** The New South Wales Electoral Commission has suggested PEXA is a good model to produce a "common national election technology system." Authentication and using digital identity also made sense to be nationally coordinated, the NSW commission said:

  "PEXA was established following a 2011 intergovernmental agreement on national conveyancing to build and operate a single national electronic system for the settling of real property transactions in all Australian states and territories. Given that most electoral enrolments in Australia are already centralised with the Australian Electoral Commission, a common elector authentication 'front door' for technology-assisted voting for all jurisdictions could be developed as a feature of a national technical solution."[1]

PEXA maintains the largest database of real time property transfer information in the nation. Combined with more than 2.6 billion data points, within its suite of leading property and insights solutions, providing meaningful insights that lead to better informed decision making. This impact contributes to fit-for-purpose housing policy and solutions. PEXA remains committed to working with government, industry, and homebuyers to address major social issues such as housing affordability and the rental crisis, consequences of climate change, a global pandemic stalking inequality, future infrastructure planning, creation of meaningful jobs and addressing homelessness.

[1] https://www.itnews.com.au/news/nsw-sees-need-for-a-pexa-for-election-tech-nationally-598783

Additionally, leveraging existing regulators in sectors with strong regulations is preferable over creating additional burdens. Ethical considerations should be integrated, potentially through an AI trust mark, ensuring data and labour ethics in building and determining AI platforms.

Transparency

PEXA will be addressing question 9 given the importance of transparency across the AI lifecycle.

While generative AI seamless content creation, in various modes (pictures, texts, videos) based on user prompts, often leads to public and media amazement it does come with a degree of mistrust for several reasons which may prevent, inhibit, or delay widespread adoption. These include:

- Inaccuracy and hallucinations (data generated which is false or inaccurate, with no apparent easily explainable mechanism based on the data sources used);
- Copyright infringement (deliberate or inadvertent) where media content or other data sources are used without consent or have been derived from other services in ways that break the terms and conditions of those services.
- Privacy concerns (data scraped from sourced rather than legitimate sources to build / tune models and algorithms).
- Misinformation / disinformation (deep or shallow fakes created in near real time and distributed on social media to disrupt democratic processes).
- Sovereign based cyber security concerns (providers of these services based overseas in jurisdictions where data captured or analysed can be easily provided to governments under their local legislation, for example TikTok), and
- Explainability of decisions made by these systems where no traceability or supporting evidence of how the determination was made is provided, including if the underlying information is accurate or has been validated.

These systems act like a black box within which magic supposedly happens, making it problematic to explain the output AI systems generate. In other words, there is no traceability of the answer based on current freely available online AI applications. Such an opaque mode of operation will undoubtedly lead to lack of use and/or misuse and distrust by the community, especially for systems where there is no human in the loop to assess adverse results or decisions which may impact individuals, community groups or the whole of society. The challenges of the Robodebt scheme,

while not an AI system, illustrates that without adequate checks and balances all systems, AI enabled or not, can have disastrous results.

To counter that, a potential control could be a mandatory interrogable output. Whenever content is created to generate a verifiable reference that can be audited if required. Even if it's an algorithmic machine output, it should be clearly indicated along the lines of our good old SIPOC framework (Supplier, Input, Process, Output, Customer). This clearly calls out the sources of information across the full cycle of data processing until the consumer gets to see something. Then it's up to the human to decide.

Risk

PEXA will be addressing questions 15 to 19 around risk-based approaches for potential AI risks.

PEXA is supportive of a risk-based approach for addressing potential AI risks, with differing regimes for Government and Non-Government entities. PEXA is supportive of AI laws being principles based, along with a need to have 'catch all' provisions on the intent when creating AI capabilities.

However, the proposed risk framework only covers impacts. This should expand to broaden the categories covered. We believe risk-based approach needs to closely align with International Standards of Risk Management ISO3100 principles, processes, and frameworks.

There needs to be a consistent, repeatable way to classify AI capabilities, that empowers consumers to make informed decisions. This transparency will be key in building consumer and citizen trust.

PEXA supports the proposed elements presented in the submission Attachment C in the risk-based approach, however the devil will be in the detail and the use cases. Further to this, there should be some level of quantitative impact/considerations such as size and source of data used to train, or requirements for organisations developing AI solutions to operator under relevant ISO/IEC standards.

AI risk-based approach be incorporated into existing assessment frameworks such as from 'Privacy' and the concept of assessing 'serious harm'. This should expand to assess harm to individuals, companies, and society.

As suggested in the consultation paper, a risk-based approach could apply to general purpose AI systems, such as large language models (LLMs) or multimodal foundation models (MFMs) through considering laws and provisions for technologies and rights such as:

- Used to train AI (i.e., opt-in/opt-out to training AI)
- Technology used to detect AI use.

It is important to note there would be implications if it's wrong, therefore the continuation of consultation at a reasonable pace to explore completely these areas, ensuring a robust and thorough response.

Value Australia

Real property is the nation's single largest asset class estimated at about $10 trillion. The valuation of these assets for government purposes is used to collect land tax, stamp duty, local council rates, inform infrastructure investment and within private enterprise support the lending process to inform the value of securities along with modelling insurance risk and investment returns.

The current labour-intensive approach to land and property value assessment results in expensive, slow, point in time property valuations particularly for urban fringe and regional land. While there have been attempts to innovate in this industry it has been hampered due to the lack of capability to reflect market conditions in real time.

Value Australia is an innovative collaborative project between UNSW, FrontierSI and PEXA which addresses these challenges, receiving support through the Federal Government Cooperative Research Centre Project (CRC-P) grants. The primary focus has been using AI to understand and utilise market dynamics to simplify and expedite the valuation process with one that resonates with community expectations.

Integrating industry leading research along with connecting significant data assets and using state-of-the-art analytics and artificial intelligence, this project delivers secure digital valuation models and tools covering a broad range of land and property types across Australia. The models not only assist with the valuation of existing properties, but also deliver industry leading capability on capital growth through government investment with Infrastructure projects and detailed market analytics to support the users of this technology. Value Australia delivers efficient and accurate land and property valuations and for the first time, value and value uplift calculated and made public in real time.

<u>Real-time benefits</u>

Value Australia uses state of the art AI algorithms and machine learning to replicate market conditions for each property in Australia. Powered by enriched property data, it provides real-time valuations that deliver more accurate, cost-effective valuations for community benefit. This process enables a next generation, best in class, Automated Valuation Model (AVM). It is more accurate and can be used for multiple economic, social and environmental benefits.

Beyond the standard analysis of comparison sales

The AVM considers many factors that impact property values including the subject property and its location, improvements, recent sales history, and market trends. Importantly, it also considers market implications of crucial socio-economic factors, infrastructure services, and environmental risks.

Automated valuations capability

In collaboration with UNSW, FrontierSI and PEXA, Value Australia's Valuation models can complete mass valuations through to individual valuations within seconds. The models also estimate changes in value through interactive software that assists in modelling scenarios where infrastructure, services or changes in planning controls can be applied to understand changes of Value to the community.

PEXA Ethical Advisory Council and Ethical Data Framework

As PEXA continues to grow, leveraging data in an ethical manner that preserves individual rights is central to our approach. We believe that open access to information within such parameters will enable Australia to benefit from innovative new data solutions that enhance property decision making, improve government policy decisions and market transparency.

The Ethical Advisory Council (EAC) was established to guide our business on the evolving legislative and technology landscape, ensure ethical product development that champions a 'security by design' approach. Council discussions have covered numerous topics such as the use of Artificial Technology in data products, use of data to inform government policy and improve consumer outcomes.

The committee consists of:

- Scott Butterworth, Chief Growth and Financial Officer at PEXA
- Dr Ian Oppermann, Chief Data Scientist at NSW Government
- Malcolm Crompton AM, Founder and Partner at IIS
- Damien Manuel, General Manager of Data Regulation at PEXA

PEXA has also begun to develop a Data Ethics Framework, which will guide appropriate and responsible data use across the organisation. It helps PEXA understand ethical considerations, address these within their projects, and encourages responsible innovation. To further strengthen

PEXA's safe and ethical use of data to improve community results, PEXA is strengthening privacy maturity across the organisation, including aligning to standards like AS27701:2022.
PEXA considered the emerging risks related to AI use and our response has been to establish a cross functional team at PEXA to start with, establishing a company policy on the use of AI and an AI governance road map.

Conclusion

Thank you for the opportunity to shape the responsible use of AI in Australia.

PEXA would like to express support for the government's initiative to create an open discussion paper on AI. It is essential to address the challenges and opportunities collaboratively that AI presents in our society. As PEXA advocates for responsible AI adoption, we welcome any future invitations to participate in round tables, submissions, and workshops on the topic of AI and ethical usage of data.

PEXA is at the forefront of this transformative change, leveraging AI to deliver unparalleled value to all our stakeholders involved in the property transaction lifecycle. However, despite the immense benefits AI promises, it is equally integral to recognise and actively mitigate the associated risks, judiciously constructing the necessary guardrails in its implementation. We believe shared efforts will play a crucial role in enhancing the reliable and safe use of AI for all citizens. PEXA is eager to be a part of these future discussions and contribute insights from the property technology industry to ensure AI technologies are developed and deployed in a manner that benefits everyone while safeguarding privacy, ethics, and security.

PEXA is committed to forge a path to a brighter, more ethically conscious future for AI technology.

Les Vance

Delegated Managing Director and Chief Executive Officer

Chief Customer and Commercial Officer

PEXA