**Senate Finance and Public Administration Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

**Finance and Administration Portfolio**

**Department of Finance and Administration**

Budget Estimates Hearings 2003-04 – 28 & 29 May 2003

**Question: F17**

**Outcome 2, Output 2.2.1**

**Topic: Government Property Purchases – Rate of Return**

**Hansard Page: F&PA 308**

**Senator Conroy asked:**

(Senator Conroy) Should government property purchases be expected to generate annual income of 15 per cent of value of the asset, given that was the benchmark that the Government had? I am happy for you to take that on notice.
(Dr Watt) We are happy to do that but remember, though, that in the Commonwealth Property Principles there are a number of individual circumstances that apply to the continued ownership of properties, not just the hurdle rate of return.

**Answer:**

The Commonwealth Property Principles outline the basis for the ownership (including development) of Commonwealth property. The Principles assist the Government to efficiently allocate the Commonwealth's scarce resources to the other beneficial social and economic priorities. The Principles state that the Commonwealth should own property where the long-term yield rate exceeds the opportunity cost of capital, currently set at 11 per cent, or where it is otherwise in the public interest to do so.

Public interest considerations which may influence the decision as to whether the Commonwealth should own property include circumstances where the property has national symbolic significance, national security requirements, strategic significance to future government use, highly specialised uses that would significantly inhibit commercial provision, significant heritage and environmental requirements, significant public usage, special characteristics such that the nature of the use or development of the property by the Commonwealth would give a potential lessor excessive future negotiation power, special diplomatic requirements, or where there exists clear evidence of market failure.

Where Commonwealth ownership is decided upon, agencies occupying the property enter into occupancy agreements (as a substitute for private sector leases) with the Commonwealth property owner. Conditions and rentals are market based.