

2 COMMONWEALTH OWNED PROPERTY

Impact of Decentralisation and Devolution

- 2.1 A major difficulty confronting the Committee at the outset of its inquiry was identifying the extent of Commonwealth owned property. This situation has partly arisen because, since 1989, individual departments and agencies have been responsible for management of their own property, including management of residential properties. The property management services formerly provided by the Department of Administrative Services (DAS) moved to a commercial basis, and the hitherto centralised DAS rent appropriation was disaggregated and appropriated to each tenant. The decentralisation of DAS' central agency functions and the devolution of property management functions to departments and agencies has meant that no single body is responsible for maintaining a register of the Commonwealth estate.
- 2.2 Australian Estate Management (AEM) maintains the major register of Commonwealth property. However, this does not include complete details of some special purpose property, nor property owned by the Department of Defence, nor the property holdings of bodies exempt from the provisions of the *Lands Acquisition Act 1989* nor property owned by bodies whose legislation enables them to own their own property. These categories are discussed in turn below.

Australian Estate Management Property Register

- 2.3 DAS provided the Committee with a register of all property which is owned by AEM, together with a valuation of each property. According to this list AEM manages 754 properties valued at \$2.5 billion, notwithstanding the notional valuation on some properties (which are yet to be valued by the Australian Valuation Office). The register is in two parts, the first part lists property holdings by region; the second part lists property holdings by the various categories of the Commonwealth estate - the commercial office estate, the industrial estate, the special purpose estate and the non-commercial or public interest estate (Submission 20 Attachment. B). AEM's property register is included at Appendix 3.
- 2.4 DAS advised the Committee that the register database is updated regularly at appropriate times and is regarded as being 'highly accurate' (Transcript p.129).

Special Purpose Property - Department of Defence

- 2.5 A number of special purpose properties are also owned by the Commonwealth but are managed by the organisations which occupy them. These properties include public buildings, such as the National Library and the High Court of Australia. Such properties are not subject to the capital use charge and are not included in AEM's property register. Although it is subject to its own legislation (the Parliamentary Precincts Act), Parliament House is another example of a special purpose building which is not included in AEM's property register. Veterans' Affairs hospitals also fit into the category of special purpose property, but because of the proposed transfer of these hospitals, details are not included in AEM's current register. Other special purpose properties which are not included in AEM's register include the properties

owned by the Department of Defence, which is the major owner of special purpose properties.

- 2.6 The Department of Defence manages a property portfolio valued at \$8.5 billion. For APS property management purposes, all defence-related Commonwealth-owned real estate, other than general purpose office space away from military bases is regarded as special purpose. These special purpose properties are not regarded as 'commercial' and are not subject to the capital use charge administered by AEM. None of Defence's special purpose properties are included in AEM's property register.
- 2.7 The Department also acquires commercial accommodation for its own purposes. Defence advised that it does not acquire commercial accommodation in order to provide space for agencies not related to the defence function. According to the Department, in a small number of cases, other agencies are leased space in Defence establishments on an opportunity or convenience basis (Submission 10 p. 1). Defence's major off-base commercial office holdings include Russell Offices in Canberra, and Victoria Barracks in Brisbane and Melbourne, assets which are not included in AEM's property register.
- 2.8 Defence's real estate assets, as at 30 June 1994, can be summarised in the following table:

DEFENCE REAL ESTATE ASSETS	VALUE \$b	NOS OF ASSETS PROPERTIES
Buildings and Infrastructure:		
Commercial (mainly office space)	1.248	2,869
Storage (warehouses, ordnance storage, etc)	0.976	5,248
Transport (roads, airfields, wharves, etc)	1.347	2,604
Residential (barracks, etc)	0.777	2,401
Other categories	2.226	9,143
Total Buildings and Infrastructure	6.574	22,265
Land	2.011	528
Total Cwlth Owned Defence Estate	8.585	

(Source: Submission 10 p. 2)

Commonwealth Bodies exempt from the provisions of the *Lands Acquisition Act 1989*

- 2.9 DAS drew the Committee's attention to the list of bodies which are exempt from the provisions of the *Lands Acquisition Act 1989*. Under the terms of Schedule 1 of the Lands Acquisition Regulations, some 28 bodies are exempt. Bodies exempt from the provisions of the Act are entitled to, but do not necessarily, own property. While the potential exists for confusion between the contents of this list and the one which follows, the list of exempt bodies is included at Appendix 4.

2.10 The Reserve Bank is an example of a Commonwealth body which is exempt from the Lands Acquisition Act. The Committee sought and received a submission from the Reserve Bank. In its submission the Bank stated that its property assets were valued at \$261 million at 30 June 1994 and that the Bank owns the following property:

- . offices in each State and Territory capital city;
- . the Note Printing Australia facility outside Melbourne;
- . the Coombs Training Centre in Sydney;
- . the Head Office Store (and vacant land held as an alternative stores site, currently under contract for disposal); and
- . residences in each State and Territory, in London and New York state (Submission 15 p.1).

2.11 The Bank is subject to the Public Works Committee Act for all major projects.

2.12 Under the provisions of the *Reserve Bank Act 1959* the Bank 'is capable of acquiring, holding and disposing of real ... property'. As such, it is a body which might also be listed in DAS' other list, the list of bodies whose own legislation enables it to own its own property.

Commonwealth Bodies whose legislation enables them to own their own property

2.13 DAS also provided the Committee with a list of ten bodies which are exempt from the provisions of the Lands Acquisition Act by virtue of their own legislation. These bodies, which include Australia Post, the Civil Aviation Authority and the Australian National Railways Commission, are entitled to own their own property. Although the accuracy of the list provided is questionable, the list of these bodies is included at Appendix 5.

2.14 According to this list, the Defence Housing Authority (DHA) is an example of an agency whose Act exempts it from the Lands Acquisition Act. As a statutory authority, DHA manages housing for members of the Australian Defence Force, for both 'on-base' and 'off-base' premises, as well as managing office space. The Committee sought and received a submission from DHA.

2.15 DHA's housing stock represents the major part of its \$3.5 billion assets. According to DHA, its housing stock in March 1995 stood at:

Houses	Owned	Leased	Total
	17,918	5,764	23,682

(Source: Submission 19 p.1)

- 2.16 The Committee also noted that the DHA works in consultation with the Department of Defence. In its submission DHA pointed out that:

... the Authority has an agreement with the Department of Defence that wherever feasible it will collocate with Service Housing Authority staff. This collocation not only produces benefits in the operational delivery of our respective services through better communication and understanding, but also delivers economies in administration and facilities, including office automation (Submission 19 p.1).

Conclusions and Recommendations

- 2.17 The impact of the decentralisation of DAS' services and the devolution of property management functions to departments and agencies made it difficult for the Committee to identify what constitutes Commonwealth owned property. The Committee was surprised to discover that no consolidated register of the Commonwealth estate exists and is keen to see that steps are taken to rectify this problem.
- 2.18 The Committee recognises that significant progress has been made by AEM to develop a register of the Commonwealth estate. It also recognises that the current register falls well short of identifying the full extent of Commonwealth owned property. The Committee is also concerned about the accuracy of the list provided by DAS of bodies exempt from the Lands Acquisition Act by virtue of their own legislation.
- 2.19 The Committee notes that under the current *Requirements for Departmental Annual Reports*, some information about property usage is required to be maintained by departments and agencies, which, although it is not necessarily included in the annual report, is required to be provided upon request. The annual report Requirements also invite departments to consider providing a consolidated summary of property holdings. The Committee regards annual reports as a useful mechanism by which departments and agencies could provide information to the Parliament on their property holdings. While this strategy could usefully be applied to all departments and agencies, the Committee regards it as particularly appropriate for the Department of Defence, whose assets are so substantial, to include a register of its property holdings in its annual report, or at least, to have this level of information available upon request. Encouraging such reporting by those bodies exempt from the provisions of the Lands Acquisition Act, and by those bodies whose legislation enables them to own property, would also be useful in providing Parliament with information about property holdings of other Commonwealth bodies.
- 2.20 The Committee also notes the suggestions from the Australian Institute of Valuers and Land Economists (AIVLE) that a complete centralised property register would overcome the difficulties experienced in identifying Commonwealth owned property, and that this could be achieved by enhancing AEM's role in property management in the APS (Transcript p. 71).
- 2.21 In order to improve accountability in this devolved environment, the Committee considers it imperative for the Parliament to have regular and ready access to a consolidated register of Commonwealth owned property. The Committee recognises

that improved annual reporting by departments and agencies would be of benefit, but that this approach does not achieve a consolidated register of Commonwealth owned property. The Committee believes that the Department of Administrative Services is best placed to produce such a register and that, in addition to the current AEM listings, the register include all residential properties, special purpose and public interest property, property owned by the Department of Defence, property owned by those bodies exempt from the provisions of the Lands Acquisition Act, and property owned by bodies entitled to own land by virtue of their own legislation.

2.22 The Committee recommends that:

- **the *Lands Acquisition Act 1989* be amended to require bodies exempt from its provisions to provide a register of property holdings to the Minister for Administrative Services, for inclusion in the centralised property register of all Commonwealth owned property; and**
- **the Minister for Administrative Services table in Parliament on an annual basis a register of all Commonwealth owned property; and**
- **government departments and agencies provide to the Parliament on an annual basis in annual reports, a breakdown of all office space occupied, whether or not it is owned or leased, the occupancy rates and population density of that space and the costs attributable to that space.**

2.23 In making this recommendation the Committee envisages establishing a strategic planning and coordinating unit to carry out this function. This matter is addressed in the next section.