

1990

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

COMMONWEALTH AND STATE HOUSING AGREEMENT
(SERVICE PERSONNEL) BILL 1990

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Defence,
Senator the Hon. Robert Ray)

Commonwealth and State Housing Agreement
(Service Personnel) Bill 1990

OUTLINE

Arrangements between the Commonwealth and the States for the provision of housing for Defence Force personnel stem from various Commonwealth-State agreements made between 1945 and 1979. The forms of those agreements were approved by Commonwealth legislation.

Under those agreements, the Commonwealth gave financial assistance by way of advances to the States which, in turn, made available housing for use by Defence Force personnel.

The agreements are now unsatisfactory to both the Commonwealth and the States. Also, now that the Defence Housing Authority has been established with the responsibility for providing Defence Force housing, it is planned to have the Commonwealth (through the Defence Housing Authority) fully responsible for provision of all public housing made available to the Defence Force.

The Commonwealth has accordingly re-negotiated the earlier agreements and agreed to the following terms with those States that wish to participate:

- . in each State the Commonwealth is to assume ownership of 50% of houses provided under the earlier agreements, with the other half to be handed back to the States;
- . this handback is to be achieved over five years; and
- . the outstanding debt on the houses is to be shared equally between the Commonwealth and the States concerned.

This Bill will enable the Commonwealth to enter into the necessary agreements, in the scheduled form. It will also enable the Commonwealth to forego half of the outstanding debt owed to it by each State.

Participating States at present are New South Wales, Victoria, Queensland, Western Australia and Tasmania, but the legislation would enable South Australia to participate if desired.

FINANCIAL IMPACT

Agreement with the States will result in the transfer of housing assets valued in excess of \$600m from the States to the Commonwealth. Houses of equivalent value will be returned to the States for use as public housing. Liability for debt totalling approximately \$110m will be transferred from the States to the Defence Housing Authority.

The 7000 houses to be returned to the States over five years will require replacement. The bulk of these will be funded from the existing Defence housing program. However, approval has been given for the Defence Housing Authority to borrow an additional \$250m for housing acquisitions. A further 2000 dwellings will be leased.

The improved quality of the 7000 replacement dwellings will result in the Department of Defence paying increased market rentals to the Defence Housing Authority. In the present financial year the part year effect is expected to be approximately \$2.5m. By the end of the handback program in 1995/96, rents payments will have increased by approximately \$24m per year.

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NOTES ON CLAUSES

Clause 1 - Short title

1. Formal.

Clause 2 - Commencement

2. This clause provides for commencement on Royal Assent.

Clause 3 - Definition

3. This clause defines "agreement" for the purpose of the Bill.

Clause 4 - Execution of Agreement authorised

4. This clause enables the Commonwealth to make agreements with the States substantially in accordance with the scheduled form.

Clause 5 - Discharge of States' obligations under earlier agreements

5. This clause enables the Commonwealth to forego half of the outstanding debt owed to it by the States for housing provided under the earlier agreements. Each waiver of payment, necessary to comply with a concluded agreement, would require notice in writing by the Minister.

SCHEDULE - FORM OF AGREEMENT

PREAMBLE

This refers to earlier agreements for the States to provide Defence housing in return for financial assistance from the Commonwealth, the establishment of the Defence Housing Authority, and the decision to replace the earlier agreements with a new agreement.

CLAUSE 1

This contains definitions.

CLAUSE 2

This deems the agreement to have come into effect on 1 July 1989 for the Commonwealth, New South Wales, Victoria, Western Australia, and Tasmania. For other States, it is 1 July prior to the date of signing. The agreement is given effect even though all States might not participate.

Obligations under earlier agreements, other than residual rent and interest obligations, cease from the date of commencement of the agreement.

CLAUSE 3

This requires the Commonwealth to surrender to a State title to and possession of housing stock not to be transferred from that State to the Commonwealth. It also sets out a maximum 5 year timetable for the surrender.

CLAUSE 4

This provides for valuation of housing stock on an open market value basis.

CLAUSE 5

This provides for a State to transfer to the Commonwealth half of the housing stock provided under the earlier agreements when the Commonwealth releases the State from half of the amount owing on that stock. An alternative clause 5 would enable the value of transferred stock to accord from time to time with the value of stock the possession of which has been transferred from the Commonwealth to the State under clause 3.

CLAUSE 6

This requires the Commonwealth, within 2 months of a State signing the new agreement, to release that State from half of the amount owing (including interest) on housing stock provided under the earlier agreements.

CLAUSE 7

This provides for the new agreement to supersede the earlier agreements, except for repayment of, and payment of interest on, undischarged advances to the States and for rent payable by the Commonwealth on housing stock which is yet to be transferred.

CLAUSE 8

This provides for rent to be indexed where the Commonwealth has failed to transfer housing stock in accordance with its obligations under the agreement.

CLAUSE 9

This provides for a rent adjustment where the Commonwealth maintains or repairs housing stock which is yet to be transferred to a State. It also envisages agreement for the Defence Housing Authority to undertake the work.

CLAUSE 10

This enables the agreement to be varied between the Commonwealth and a State, and for documents constituting the variation to be tabled in Parliament.

CLAUSE 11

This provides for the Commonwealth to be represented by the Department of Defence or, in the event of another department administering the agreement, that department. It also provides for the States to be notified of the administering department's address.

CLAUSE 12

This provides for a State to be represented by the responsible department or agency, and for the Commonwealth to be notified of its address.

CLAUSE 13

This sets out procedures for giving notice (including by fax or telex) and provides that a notice is given when it is received in the appropriate form.



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