Defence Housing Authority Bill 1987

Date Introduced: 18 March 1987
House: House of Representatives
Presented by: Hon. Kim Beazley, M.P., Minister for Defence

Digest of Bill

Purpose
To establish the Defence Housing Authority to provide housing to meet the operational needs of the Defence Force and the Department of Defence.

Background
During the course of their careers, members of the Defence Forces are obliged to move frequently from one location to another. This creates considerable housing problems for members and their families.

Housing assistance for the Defence Force has been available for a number of years. In the mid 1950s, a general housing shortage in the community was regarded as producing an adverse effect on the morale of Defence Force personnel, so an agreement was drawn up between the Commonwealth and the States in 1956 which resulted in an expansion of Defence housing. Under the agreement, States allocate a portion of their public housing to Defence Force personnel. The State owns and is responsible for the maintenance of these houses. The Commonwealth lends the money for the cost of the houses and the land to the State and pays rent for the houses at a rate calculated to cover the cost of repayment of the capital and interest and other State outgoings. The Commonwealth also owns houses which are available for Defence Force personnel, both on-base and off-base. Some of these are built by the Commonwealth, others are purchased, and in a few cases, leased from private housing stock. Before 1976, members of the Defence Forces paid an 'assessed economic rent' or 15% of their salary, whichever was the lower amount. The 'assessed economic rent' was related to the capital cost and the prevailing interest rate at the time of its construction. To overcome the anomalies which this arrangement produced, the Group Rent Scheme was introduced in 1976. The aim was to spread the aggregate 'assessed economic rent' across the entire Defence Force housing inventory, providing uniform rents for similar categories of housing. Since 1981, rents have been reviewed annually and adjusted mainly on the basis of the movement of rents in the general community but at a level lower than full commercial rents.
In 1984, the Minister for Finance announced the appointment of a Task Force to review the effectiveness of programs for housing assistance to members of the Defence Force. The main causes for concern were:

- the sub-standard condition of much of the housing: the Task Force observed that nearly 60% of Defence-controlled housing was deficient, within the terms of the Service Scales and Standards of Accommodation (SSSA) 1972;
- housing was often inappropriately located; and
- Defence Force members had for some time argued the need for more Commonwealth housing.

These and further problems encountered by families of Defence Force personnel were identified in a study entitled 'Supporting Service Families' (the Hamilton Report), commissioned by the Minister for Defence and conducted between December 1985 and April 1986. Besides the main complaint of poor standard of maintenance in service housing, families expressed a general dissatisfaction with the general condition of houses and the social environment in which they were located. In addition, there were complaints about long delays in receiving payments of temporary rental allowance. This allowance is payable when families are moved before suitable accommodation is located in the area of their new posting.

In response to the recommendations of the Task Force, the Government announced, in January 1986, a range of plans for the upgrading and management of married quarter housing. Accommodation for single Defence Force personnel is not included. Central to these plans is the establishment of a Defence Housing Authority proposed by this Bill. The Government also announced that the present Group Rent Scheme will be retained, the rents on some categories of housing being modified to take account of the variations in the quality of houses provided. Adjustments will be recommended by the Department of Defence. On 18 February 1987, it was announced that rents payable by Defence Force personnel for married quarters would rise by 7.5%. The Armed Forces Federation has argued that this rise is 'unjustifiable' given the current standard of houses and the isolation of most of them from community facilities.

Pending the proposed creation of the Defence Housing Authority, the Minister for Defence announced, in November 1986, the establishment of an interim Defence Housing Board to take over continuing housing programs in the Defence Department and to set up operating procedures and financial arrangements which would be appropriate for the new Authority.

The Minister has stated that more than $750 million will be spent during the next decade to bring the current stock of houses up to standard. In the 1986-87 Budget, the Government allocated $63.9 million to this end: $46.2 million for projects commenced in previous years and $17.7 million to improve the present housing stock and construct or acquire approximately 470 new or replacement houses. In addition, $1.9 million has been provided for construction and improvement of housing.
under the Commonwealth-State Housing Agreement. It was anticipated in the Budget that expenditure on existing housing commitments and the new 1986-87 housing program will amount to $139 million over 3 years.\textsuperscript{10}

**Main Provisions**

The Defence Housing Authority ("the Authority") will be created by clause 4.

The Authority is to provide adequate and suitable housing for members of the Defence Force, officers and employees of the Department of Defence, their respective families and others as directed by the Minister (clause 5).

The Authority will be empowered to do all things necessary or convenient to be done in the performance of its functions. These include the acquisition, disposal, building and renovation of houses, letting houses, determining rents, entering contracts, forming companies and acting as a trustee. The Minister’s approval must be obtained before the Authority contracts to pay more than $6 million (clause 7).

Ministerial approval must be obtained before the Authority purchases an interest in a company or forms a subsidiary. Reasons for the purchase of an interest in a company are to be tabled in Parliament. The powers of a company in which the Authority has a controlling interest will be limited to those exercisable by the Authority. Such a company will require the Treasurer’s approval to borrow or raise money otherwise than from the Commonwealth (clause 8). Similar limitations will apply to the formation of partnerships and participation in joint ventures by the Authority (clauses 9 and 10).

The Authority will be a corporation (clause 11). Its membership will consist of a part time Chairperson and 3 other part time members appointed by the Governor-General; 3 members of the Defence Force and an officer of the Department of Defence holding positions designated by the Governor-General; and a Managing Director (clauses 12, 14 and 16).

Clauses 17 to 26 deal with remuneration, leave, resignation, disclosure of interests, termination of appointment, meetings and committees.

The Authority will be required to develop a corporate plan of the strategies and policies that it intends to adopt to achieve its objectives. The first plan is to be developed as soon as practicable after the Bill comes into effect and is to be reviewed and revised periodically (clause 27). A corporate plan must include a detailed financial plan. This must include its financial targets for profits, rate of return and dividends. In setting these, the Authority is to have regard to: Commonwealth objectives and policies and Ministerial directions; the need to earn a reasonable rate of return on assets, maintain Commonwealth equity and maintain a reasonable level of reserves; and the Commonwealth’s expectation that it will pay a reasonable dividend on its capital (clause 28). The Minister is to be given copies of corporate plans and financial plans (clause 29) and may direct the Authority to vary them (clause 30).
The Minister will be able to direct the Authority on the performance of its functions and the exercise of its powers if the Minister is satisfied that this is desirable in the public interest (clause 31). The Authority must comply the Minister's direction and will be reimbursed by the Commonwealth for any resulting financial detriment (clause 32).

The Minister is to determine the value of assets transferred by the Commonwealth to the Authority and may also determine that some of that value be treated as a loan (clause 33). The Authority's capital will consist of the transferred assets, any sum appropriated as capital and any reserves held by the Authority. Interest on the capital will not be payable to the Commonwealth. The Minister will determine how and when the capital will be repaid (clause 34).

Clauses 35 to 41 deal with the payment of dividends to the Commonwealth, borrowing and raising money and the provision of assets as security for repayments.

The provisions of Division 2 of Part XI of the Audit Act 1901 will apply to the Authority (clause 43). The Auditor-General will inspect and audit the financial statements of the Authority's subsidiaries and report the result to the Minister (clause 44).

Clauses 45 to 47 provide for a Managing Director to be appointed by the Authority to conduct its affairs. Persons employed under the Public Service Act 1922 and members of the Defence Forces made available through an agreement with a Chief of Staff will make up the staff of the Authority (clause 57). The Authority may also engage suitably qualified and experienced persons as consultants (clause 58).

In determining rents, the Authority is to have regard to prevailing market rents (clause 59).

The Minister may direct the transfer of real and personal property owned by the Commonwealth to the Authority and make land and houses held under lease by the Commonwealth available to the Authority (clause 60). The Authority will be exempt from the application of the Lands Acquisition Act 1955 (clause 61).

Clause 62 will provide that this Bill does not impose a duty on the Authority that is enforceable by court proceedings.

The Authority will be exempt from taxation under Commonwealth, State and Territory laws, except where the regulations provide otherwise. The Minister may declare the Authority exempt from stamp duty. Tax exemptions will not apply to companies which are in partnerships or joint ventures with the Authority (clause 63).

The Governor-General will be empowered to make regulations consistent with this Bill (clause 64).
References

2. Ibid., p.1.
3. Ibid., p.xii.
10. 1986-87 Budget Paper No.1, p.89.

For further information, if required, contact the Defence Group.

6 April 1987
Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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