

The corporatisation of government agencies: Does it work for public housing?

There has been persistent speculation that the Government is considering either converting Housing Tasmania into a corporate entity such as a government business enterprise (GBE) or state-owned company or corporation (SOC) or creating a new housing company to develop and manage public housing. Anglicare has conducted research on this issue and this sheet contains the key findings of that research.

Most corporatisation of government business enterprises and statutory authorities took place in the mid-1990s. This means that the current debate about corporatisation is limited and confined to the size of the return the Government receives from its existing GBEs and SOCs rather than focussing on whether the model is appropriate for achieving social outcomes.

Corporatisation is the process of establishing a government business as a separate entity that operates as a private sector business while retaining government ownership. The Tasmanian Government has established two models: the government business enterprise (GBE) model, and the state-owned company or corporation (SOC) model.

- GBEs are statutory authorities subject to the provisions of their enabling legislation and to the provisions of the *Government Business Enterprises Act 1995*. The formal objectives of a GBE are to operate efficiently as a successful business in accordance with sound commercial practice, to achieve a sustainable commercial rate of return, to perform any community service obligations efficiently and effectively, and to perform any other objectives specified in its establishing legislation.
- SOCs are government businesses and authorities that may be subject to the provisions of their enabling legislation and are also subject to the provisions of the Commonwealth *Corporations Act 2001*. The government is the sole shareholder in each SOC on behalf of the Tasmanian community, and the SOC's governance framework is set out in the applicable legislation and its constitution. SOCs serve a public purpose and are autonomous in day-to-day decision-making but receive Ministerial direction through their strategic planning process.
- Community Service Obligations (CSOs) arise when the Government requires a GBE to carry out a non-commercial activity on behalf of the government. An example is Metro Tasmania's concession fares for low income earners and students. The Government will usually provide the GBE with funding to undertake the CSO but there is no legislative requirement that this funding fully cover the cost of delivering the CSO. Only GBEs have CSOs, but the Government can enter into a contract with a SOC for the delivery of a CSO-like activity, as it has with Aurora Energy around the delivery of electricity concessions.

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There are three major concerns in using a GBE or SOC model to deliver social services and in particular, public housing. These are:

- a housing provider catering for high-needs clients on income-related rents is unable to operate commercially without government meeting the full cost of its community service obligation.
- the structure and obligations of a corporate entity create a risk that commercial objectives will be prioritised over social and community objectives. There is no guarantee or requirement that a CSO or CSO-like activity will be fully funded by the government, yet failure to adequately fund or prioritise such activities, accompanied by a focus on commercial returns, can have devastating effects on disadvantaged people.
- use of a commercial model for a non-commercial service such as public housing can endanger the long-term sustainability and viability of the business, including its capacity to fund asset upgrades.

Housing Tasmania is facing severe financial challenges and is chronically under-funded. The Tasmanian community sector's collective policy position on public housing is that the State Government must provide Housing Tasmania with sufficient funding to operate viably and sustainably. This would mean providing Housing Tasmania with funding to cover its operating deficit, most of which is due to the gap between rental revenue and operating costs, and removing the burden of debt repayment from Housing Tasmania to free up an additional \$17 million in funding per annum. Housing Tasmania does not need to be a GBE or a SOC for the State Government to do this.

In fact, there are no benefits to corporatisation that could not be achieved under the current system and significant risks in adopting a commercial model to deliver a non-commercial service. Anglicare therefore recommends the retention of Housing Tasmania as a Budget-funded government agency and a core government service with recurrent operational funding.

The full policy paper on corporatisation and public housing is available on Anglicare's website, www.anglicare-tas.org.au.

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