



1 April 2022

Committee Secretary  
Economics and Governance Committee  
Parliament House, George Street  
Brisbane QLD 4000

**By Email:** [egc@parliament.qld.gov.au](mailto:egc@parliament.qld.gov.au)

Dear Ms Hastie,

**SUBMISSION IN RESPONSE TO THE STATE PENALTIES ENFORCEMENT (MODERNISATION) AMENDMENT BILL**

The Real Estate Institute of Queensland (**REIQ**) welcomes the opportunity to provide its views on the *State Penalties Enforcement (Modernisation) Amendment Bill (Bill)*. Our feedback will only relate to the Bill's proposed amendments to the *Residential Tenancies and Rooming Accommodation Act 2008 (RTRA Act)* with respect to the funding model for *Residential Tenancies Authority (RTA)*.

The REIQ works closely with the RTA to protect the rights and interests of the millions of tenants and property investors in Queensland, recognising the essential role both play in the property market and economy of Queensland.

The REIQ is deeply concerned with the proposed amendments to the funding model of the RTA set out in the Bill. The brief summary provided in the Explanatory Notes does not, in our view, substantiate any basis for the proposed material amendments. We are also disappointed by the absence of any stakeholder consultation prior to the Bill and the insertion of such a fundamental change in a nondescript Omnibus Bill. The process has lacked the transparency we would expect given the nature of the proposed reform.

It has been submitted that the Bill will enable a "*stable funding model for the Authority and ensure the security of rental bonds held*"<sup>1</sup> and the "*funding model will provide greater certainty and stability to the Rental Tenancies Authority*"<sup>2</sup>. It is unclear how these conclusions have been established based on the limited information made available in respect of the proposed reforms.

As an independent statutory body, the RTA is currently an autonomous body that operates and is regulated under relevant legislation. Most notably, the *Statutory Bodies Financial Arrangements Act 1982 (SBFA Act)*. We consider it is inappropriate to make such radical changes to the RTRA Act without due consideration to the existing financial and investment regulation, mechanisms and protections afforded under the SBFA Act governing all statutory bodies. In our view, the amendments proposed in

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<sup>1</sup> State Penalties Enforcement (Modernisation) Amendment Bill 2022 Explanatory Notes, page 7

<sup>2</sup> Media Statement "*New funding model to deliver certainty for rental bonds*", Treasurer and Minister for Trade and Investment, 17 March 2022



the Bill will result in unnecessary interference from the Government where it is imperative that the RTA retain its current funding and financial processes and independence.

The RTA currently holds close to \$1 billion of rental bonds for Queensland tenants<sup>3</sup>. The proposed amendments to the RTRA Act have the effect of allocating these funds to the Government's operating bank account (and its balance sheet). These monies belong to Queenslanders and they should remain held by the RTA 'on trust'.

We can find no principles in the Accounting Standards which provide a proper basis for the proposed changes. Although we agree that the RTA experiences revenue fluctuations consistent with the global market, the current financial model has been demonstrated to be stable and reliable. Under current arrangements, the RTA may already rely on Government assistance for financial matters under the SBFA Act. To the best of our knowledge, the RTA has never obtained financial support from the Government to fund its operations. We also note that the RTA has strong reserves to support operational cashflow.

It is unclear why the RTA's funding model has been singled out in this manner. No significant evidence has been provided to establish that the RTA funding model is in need of this significant overhaul. For example, we are not aware of instances to date of the RTA failing to pay out a rental bond due to cashflow. We understand that the RTA has successfully funded its operations since its inception. The financial reporting data of the RTA demonstrates a very strong 2021 financial year and we note that the RTA has close to \$60 million invested with Queensland Investment Council.<sup>4</sup>

The proposed reforms will lead to lower returns on the monies collected. The RTA's autonomy and power to invest interest earned on its investments will be significantly diminished. Funds deposited in a Government controlled bank account will attract much lower interest than that generated by RTA's current investments with QIC. The ability to manage funds autonomously is vital for the operational and financial stability of the RTA and its independence.

If the Government has a legitimate concern about the financial stability of the RTA, it is our view that less extreme options could be explored and implemented. For example, the regulation of how funds can be invested and support mechanisms available to the RTA under the SBFA Act could be reviewed. By analysing shortfalls of the actual relevant legislation, other outcomes or measures that are less detrimental or serious could be developed.

The timing and nature of these changes is also concerning. Currently, rental vacancies rates are below 1% across most of Queensland and are tightening due to recent floods<sup>5</sup>. Tenants are facing a highly competitive landscape and stories of desperation and homelessness are becoming increasingly commonplace. Meanwhile, property manager resignation rates have risen to record high levels with significantly more expected to follow in the future.<sup>6</sup> Given these conditions and factors, the implementation of a new and seemingly unnecessary system change will only increase the strain and pressure on parties to residential tenancy transactions and those who manage them.

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<sup>3</sup> RTA Annual Report Financial Year 2021, page 7

<sup>4</sup> RTA Annual Report Financial Year 2021, page 42

<sup>5</sup> REIQ Residential Vacancy Report, SQM Research, December 2021

<sup>6</sup> National Research Report, "Voice of a Property Manager 2021" MRI Real Estate Software, page 24



## Conclusion

It is our view that Queenslanders can justifiably rely on the current RTA financial and funding model to be efficient, certain and equitable.

We consider these proposed changes to be **extreme, unjustified and unnecessary**. The Explanatory Notes offer no evidence that such material changes are justified and the proposed changes appear to seek to solve a problem that does not exist.

We also consider that the changes undermine the vital independence of the RTA.

We appreciate the opportunity afforded by the Committee Secretary to provide our views on this matter.

If you require any additional information or wish to discuss any of the above matters in further detail, please do not hesitate to contact Ms Katrina Beavon, General Counsel on [REDACTED] or via email [REDACTED].

Yours faithfully,

A handwritten signature in black ink, appearing to read "AM", with a long horizontal flourish extending to the right.

**Antonia Mercorella**  
Chief Executive Officer