



Speech by

## Hon. Ken Hayward

MEMBER FOR KALLANGUR

Hansard Tuesday, 17 April 2007

---

### LAND AND OTHER LEGISLATION AMENDMENT BILL

**Hon. KW HAYWARD** (Kallangur—ALP) (5.32 pm): In rising to participate in the debate on the Land and Other Legislation Amendment Bill, I would like to take the opportunity to address the issue of leasehold rents. The Land Act 1994 sets out the leasehold rent regime. It provides for the rents for most leases, licences and permits to be calculated by multiplying the relevant rate for that category of tenure by the current valuation for rental purposes. The relevant rates are established by regulation and relate to a category of use such as category 1, which is grazing and agriculture. At the moment category 1 lessees pay 0.8 per cent of their land valuation as rent.

Land valuations have been increasing over the past few years. The Queensland property market has been very buoyant. This is even the case for rural leases affected by drought, and it is more so for non-drought affected properties. As not all local government areas are valued every year, in a buoyant market this can mean significant increases between valuations and this, in turn, can mean significant spikes in rental.

In reviewing the leasehold rent regime, the government wanted ways to address these spikes that allowed more flexibility than at present but still provided for a modern, equitable rent calculation. Right now the law only allows one way to address a large increase, which is to freeze the rent at the previous year's level. This provides a short-term solution but, as we have seen, it exacerbates the problem in the long term.

A number of issues arise. One of them, of course, is that in calculating rates many local governments average valuations over a number of years. In doing so, local governments moderate the affects of large increases or decreases in valuation. This results in more manageable changes to rate calculations for both the property owner and the council. Until now such averaging was not an option for the calculation of leasehold rents. This bill enables the government to put in place averaged valuations as the basis for calculating rent. It does this by making provision for the valuation to be used in rent calculations to be prescribed in the regulation. This will allow the government to prescribe, for instance, a three- or five-year averaged valuation for grazing and agriculture leases, licences and permits. It will also allow the government the flexibility to maintain the current valuation for rental calculations for a category of use when that is a more appropriate figure.

Averaging valuations is not the only tool provided in this bill that allows the government to address steep increases in rent. This bill also gives the government the flexibility to cap increases in rent when the minister believes the increase to be unduly severe. Again, the bill provides for such a cap to be prescribed in the regulation. This means that if the minister believes that, for example, the increase in rents for the grazing and agriculture leases are unduly large, then the minister can cap the increase to be experienced by an individual lessee, licensee or permittee to be no more than a percentage increase on the previous year's rent.

In addition, the fact that some leases, licences and permits may need to be reissued during a year has also been recognised. For instance, a newly issued tenure, a lease that is renewed or converted or a permit that is reissued is legally a completely new lease or permit. Therefore, strictly speaking, if it is a new

tenure there is no previous year's tenure on which rent was paid. The bill recognises this situation by providing for a notional previous year's rent in such circumstances. This ensures the cap works across all such situations, and people renewing or in other ways altering an existing tenure are not disadvantaged.

There have been calls from some sectors for a move away from the use of valuations for the calculation of rent. There have been calls to use a base figure, such as the 2006 rent, and then escalate that each year and so obtain a rent payable in that manner. There are problems with such an approach. Why use the 2006 rent as a base? If we use such a base, then what happens if, in the coming year, some properties rapidly increase in value and others decrease in value? Five years from now two properties with vastly different valuations will still be paying the same rent.

In a commercial world the owner would be looking to seek a return on their property that reflects its value. The system of a base with an escalation, as proposed by some sectors, prohibits that from occurring. In fact, looking at some existing leases, there would be problems from day one. There would be inequities for lessees as well as long-term inequities for members of the Queensland community who look for a return on their land asset that reflects its value.

No-one would suggest that valuations based rents or even rates and tax calculations, for that matter, are perfect, but at least they provide a way of reflecting the value of the asset on which the rent is calculated and are also a way of providing a level of equity between those paying the rent and a way of providing the community with a fair return that reflects the changing values of its land asset. When combined with the new tools provided in this bill, it allows the government to target assistance where it is needed while still maintaining a fair leasehold rental system. I commend the bill to the House.