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Selling Treasury building could cost taxpayers hundreds of millions

Phillip Thomson
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Selling the Commonwealth-owned Treasury building in Canberra could pit the Abbott government against previously damning evidence from an audit report and cost taxpayers hundreds of millions of dollars in the long run in rent.

A 14-year-old audit report shows how the Commonwealth lost out badly when the Howard government sold the Department of Finance's R. G. Casey building in 1998.

Taxpayers have since been footing the Department of Foreign Affairs and Trade's above-market rate rental bill, which has now reached well over $20-million a year after a lease renewal in December.

Treasury could be left in a similar position because, like DFAT, it needs to be close to Parliament due to its crucial work and it would be difficult, if not impossible, to find a building of similar size near Parliament House.

If the Coalition borrows precise tactics from the Howard playbook, history shows it could use the sale of assets to make the looming budgets look healthier while burying the long-term cost of rent.

Stephen Anthony, director of budget and forecasting at economic modelling firm Macroeconomics, said selling the Treasury and other public service buildings was "rats and mice stuff".

"In the current environment, there's a tendency for short-termism," Mr Anthony said. "There will be a temptation to take a good price because there's a short-term problem to fix.

"But if you sell the building you will still have structural holes in the budget.

"The government may be better off focussing on cobbling together a package to deal with the structural problems and leave the Treasury building under public ownership, subject to the sales price it can achieve."

He said the decision to sell a Commonwealth building was "fairly clear cut".

"It's the price you receive compared to the lease costs you pay in the future," Mr Anthony said.

On Tuesday, Finance Minister Mathias Cormann said "the government has a completely open mind on this".

"We will only proceed with any sale if it presents the best deal for taxpayers long term," Senator Cormann said.

"If the scoping study were to show that it wasn't a good deal the government would not go ahead with it."

The Treasury building is one of six buildings Senator Cormann said might be divested following the investigation. The others were the John Gorton Building, East and West Block and Anzac Park East and West.

Alex Dunnin, of financial services information company Rainmaker, said super funds would be interested in buying the Treasury building because it was a strong long-term investment with a fantastic tenant.

"They [Treasury] aren't moving out to Dubbo," Mr Dunnin said.

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The 25,000-square-metre Treasury building would cost the government $10 million to $12 million to rent at existing market rates or hundreds of millions of dollars in the coming decades.

The Howard government sold the R. G. Casey building for $217 million and, by 2017, it will have paid $310 million rent, according to the Commonwealth's contract records on Austender.

An Australian National Audit Office report in 2001 found the Commonwealth would use all the proceeds of the building's sale within the term of its first lease with MTAA Super.

By the lease agreement's 11-year mark, ANAO said, the government would pay more in rent at RG Casey than it would make if the money from the sale was invested at the Treasury bond rate.

Selling buildings and investing money is even tougher now. The bond yield is now less than half what it was when the R. G. Casey building was sold.

The Howard government ignored advice to retain ownership of the R. G. Casey building from Access Economics.

The report said the government paid rent 12 per cent above market value for R. G. Casey at first and it only continued to increase. The rent was increased by 38 per cent two years into the lease agreement.

This story was found at: ***http://www.canberratimes.com.au/national/public-service/selling-treasury-building-could-cost-taxpayers-hundreds-of-millions-20150218-13h0yp.html***