

Commercialisation of Land Services Functions

Questions and Answers

Who is the government appointing as the private operator for the Land Services Commercialisation (LSC) Project?

The Land Services SA consortium, comprising the Macquarie Infrastructure & Real Assets (MIRA) and its managed funds and the Public Sector Pension Investment Board (PSP Investments), (the new service provider) has been appointed as the private operator to deliver a range of land services functions on behalf of the government over a forty year period in return for an up-front payment of \$1.605 billion, which includes certain optionality for the life of the contract. The commercial details of the contract are confidential.

Why did the government decide to commercialise land services functions?

The government's intention in commercialising land services was to:

- reduce future operating costs to government and to drive innovation for customers
- promote greater investment in systems and reduce risks to government from future ICT upgrades
- create significant value to strengthen the State's financial position.

Commercialising land services functions allows the government to exit non-core business processing activity that can be better undertaken by the private sector and receive an up-front payment and ongoing royalty stream that can be reinvested in critical infrastructure and essential services benefitting all South Australians.

What will be the new structure for land services in South Australia?

The new service provider will deliver land titling and property valuation services on behalf of the government.

The Registrar-General and the Valuer-General will continue in their roles as statutory officers and legal, policy and regulatory functions will remain with the Lands Titles Office (LTO) and the State Valuation Office (SVO). The Valuer-General will also have oversight of public sector valuations and the objections and grievances processes.

The new service provider will also acquire exclusive rights to commercialise certain land services data. The government will continue to own this data.

Enabling the new service provider to commercialise titling and valuation data is expected to introduce new and innovative product offerings into the market, subject to government approval. It is important to remember that the government, via the LTO, already makes property related data available for sale to the public.

Stringent privacy protections will apply to the use of this data and have been enshrined in the contracts with the new service provider.

Will my legal rights and protections change?

No. The integrity of the Torrens Title system will be maintained. The government will continue to guarantee indefeasibility of title, maintain the statutory compensation fund (the Assurance Fund), maintain regulated fees and charges and continue to own titling and valuation data.

Will fees and charges change?

The government will continue to regulate fees and charges prescribed under South Australian legislation (including the *Real Property Act 1886* and the *Valuation of Land Act 1971*). Regulated fees and charges will continue to be subject to the annual indexation factor.

This annual indexation factor is known as the Treasury Indexation Rate (TIR) and reflects the average increase in the cost to government of providing relevant services. In 2017-18, the indexation factor was set at 2.2 per cent.

What data access arrangements will apply?

Existing wholesale agreements with third party value added reselling (VARs) providing data access will be honoured by the new service provider.

Other than for commercialisation for gain, the State will continue to be able to use its LTO and SVO data, information and intellectual property for broad purposes including government use.

This includes continuing to provide data for integrated national datasets produced by PSMA Australia Pty Ltd, providing 'Mapland' products, making data available at Location SA (the State's integrated data repository administered by the Department of Planning, Transport and Infrastructure) and arrangements with government agencies, local councils and Australian universities.

Service delivery for government departments and agencies, including local government, will be co-ordinated and funneled through the Registrar-General and the Valuer-General.

How can the community be confident this is a good deal for South Australia?

The up-front return, including certain optionality for the life of the concession, is \$1.605 billion, which represents excellent value to the State and compares favourably with the return received for previous similar transactions in other jurisdictions.

The return materially exceeds the retention value, that is, the value of the operations in government's hands, on a discounted cash flow basis, and the reserve price range, which incorporates revenue and cost adjustments to the retention value.

A rigorous process was undertaken to determine the retention value and the reserve price range. This process was subject to independent verification to ensure the appropriateness of the valuation process.

When will the new service provider commence operations in South Australia?

The new service provider will assume responsibility for titling and valuation functions during the coming months. An extended transition period will occur to ensure a seamless transfer of functions from the government to the private operator, with the LTO and SVO providing transition services to the new service provider from the date of financial close.

Importantly, customers of the LTO and SVO will notice no change in access or processing arrangements, with over the counter and on-line presence of the LTO and SVO arrangements to remain.

Over time clients of the LTO and SVO are expected to benefit from improvement in service delivery and innovation in product offerings.

What will happen to employees of the Lands Titles Office and the State Valuation Office?

The State will retain legal, policy and regulatory functions.

Staff at the SVO and LTO are currently being consulted on the proposed organisational structures that reflect these retained functions, with feedback from staff and the Public Service Association expected shortly.

Staff will be transferred into these retained roles based on existing government processes that apply during agency restructuring by reference to applicable industrial instruments, policies and procedures.

A number of functions currently performed by the LTO and the SVO will transition to the new service provider.

The new service provider is expected to make offers of employment to a significant number of staff who currently perform these functions. The new service provider is legally obliged to make offers reflecting existing terms and conditions of employment including at least matching existing remuneration levels, guaranteeing a period of no forced redundancy for ongoing employees for 2 years and recognising continuity of public sector service for accrual of future leave entitlements.

Staff are not required to accept offers of employment. Staff that receive offers and decline these offers will remain within the SA Public Sector.

The majority of LTO and SVO staff that remain within the SA Public Sector (other than those within the retained function) will be seconded to the new service provider for a period of time to assist with transition.

The new service provider is only required to make an accumulation based superannuation scheme available to any staff that accept employment. The new service provider will be required to apply to become an 'Approved Employer' for the purposes of the *Southern State Superannuation Act 2009* to enable any staff that accept employment to continue as or become active members of the government's Triple S Scheme.

Staff who are not appointed to a role in the retained functions, do not receive or decline an offer of employment from the new service provider and are no longer required for transition services, may be placed in an alternative position within the Public Sector, or declared excess to requirements and managed in accordance with Commissioner's Determination 7.

What consultation occurred during the selection process?

Industry consultation

An industry stakeholder reference group was convened shortly after the government announced its intention to commercialise a range of transactional land services functions as part of the 2016-17 State Budget and met regularly during the LSC Project.

Representatives from legal, conveyancing, surveying, property and other professional bodies were invited to attend reference group meetings at their discretion.

These associations comprise the Law Society of South Australia, Australian Institute of Conveyancers (SA Div.), Real Estate Institute of SA, Property Council of Australia (SA Div.), Australian Property Institute (SA/NT Div.), Urban Development Institute of Australia (UDIA), Surveying and Spatial Sciences Institute (SA Div.) and the Local Government Association.

Employee consultation

Early engagement with staff at the LTO and SVO occurred about the eventual impacts from the LSC Project.

From June 2017, staff were advised:

- The processes that would apply to the placement of staff whose functions will be retained within government (i.e. government processes that apply during agency restructuring).
- In relation to staff whose functions will not be retained within government (In Scope Staff), the new service provider may make offers of employment to In-scope Staff
- Any offers of employment to In-scope Staff must reflect existing terms and conditions of employment, including at least matching existing remuneration levels, guaranteeing a period of no-forced redundancy for ongoing employees for 2 years and recognising continuity of public sector service for accrual of future leave entitlements
- The new service provider will only be required to make an accumulation based superannuation scheme available to In-scope Staff
- That some LTO and SVO staff that remain within the SA Public Sector (other than those within the retained function) may be seconded to the new service provider for a period of time to assist with transition.
- In-Scope Staff that do not receive or do not accept offers of employment from the new service provider will only be declared excess to requirements once transition of their functions have been completed or any secondment term is completed.

- Any declaration of being excess to requirements will occur in accordance with usual government processes, including *Determination 7: Management of Excess Employees – Redeployment, Retraining and Redundancy*.

How was the new service provider selected?

A competitive process was undertaken to select the new service provider as the private operator for the Land Services Commercialisation (LSC) Project.

All aspects of the LSC Project, including the process to select the new service provider as the private operator, was observed by an independent probity adviser (BDO Australia).

Who is responsible for delivering the LSC Project?

A dedicated project team within the Commercial Projects Group of the Department of Treasury and Finance is responsible for day to day project management of the LSC Project, with oversight from a cross-agency steering committee and support from the Crown Solicitor's Office (CSO) and external advisers. The team, CSO and external advisers will continue to work closely with the Registrar-General and Lands Titles Office and the Valuer-General and the State Valuation Office to ensure a smooth transition of titling and valuation functions to the new service provider.

External advisers are:

- Investec Australia as the lead transaction adviser
- HWL Ebsworth Lawyers to support the CSO
- BIS Oxford Economics as the specialist economic adviser
- KPMG as the tax, accounting and ICT systems adviser
- BDO Australia as the independent probity adviser.