
The Parliament of the Commonwealth of Australia

Report 2/2012

Referrals made in November 2011

- **Construction of Projects Two and Three of the Christmas Island New Housing Program**
- **Proposed development and construction of housing for Defence at Ermington, Sydney**

Parliamentary Standing Committee on Public Works

March 2012
Canberra

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List of recommendations

2 Construction of Projects Two and Three of the Christmas Island New Housing Program

Recommendation 1

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Construction of Projects Two and Three of the Christmas Island New Housing Program.

3 Proposed development and construction of housing for Defence at Ermington, Sydney

Recommendation 2

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed development and construction of housing for Defence at Ermington, Sydney.

Introduction

- 1.1 Under the *Public Works Committee Act 1969* (the Act), the Parliamentary Standing Committee on Public Works is required to inquire into and report on public works referred to it through either house of Parliament. Referrals are generally made by the Special Minister of State.
- 1.2 All public works that have an estimated cost exceeding \$15 million must be referred to the Committee and cannot be commenced until the Committee has made its report to Parliament and the House of Representatives receives that report and resolves that it is expedient to carry out the work.¹
- 1.3 Under the Act, a public work is a work proposed to be undertaken by the Commonwealth, or on behalf of the Commonwealth concerning:
 - the construction, alteration, repair, refurbishment or fitting-out of buildings and other structures;
 - the installation, alteration or repair of plant and equipment designed to be used in, or in relation to, the provision of services for buildings and other structures;
 - the undertaking, construction, alteration or repair of landscaping and earthworks (whether or not in relation to buildings and other structures);
 - the demolition, destruction, dismantling or removal of buildings, plant and equipment, earthworks, and other structures;
 - the clearing of land and the development of land for use as urban land or otherwise; and
 - any other matter declared by the regulations to be a work.²

1 The *Public Works Committee Act 1969*, (the Act) Part III, Section 18 (8). Exemptions from this requirement are provided for work of an urgent nature, defence work contrary to the public interest, repetitive work, and work by prescribed authorities listed in the *Regulations*.

2 The Act, Section 5.

- 1.4 The Act requires that the Committee consider and report on:
- the purpose of the work and its suitability for that purpose;
 - the need for, or the advisability of, carrying out the work;
 - whether the money to be expended on the work is being spent in the most cost effective manner;
 - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
 - the present and prospective public value of the work.³
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

Structure of the report

- 1.6 Works considered in this report were referred to the Committee in November 2011. The works were referred by the Special Minister of State, the Hon Gary Gray AO MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public submissions and evidence received at public and in-camera hearings.
- 1.8 In consideration of the need to report expeditiously as required by Section 17(1) of the Act, the Committee has only reported on major issues of concern.
- 1.9 The Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the construction of Projects Two and Three of the Christmas Island New Housing Program. The project is estimated to cost \$11.1 million.
- 1.11 Chapter 3 addresses the proposed development and construction of housing for Defence at Ermington, Sydney. The project is estimated to cost \$90.6 million.
- 1.12 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.

3 The Act, Section 17.

Construction of Projects Two and Three of the Christmas Island New Housing Program

- 2.1 The Department of Regional Australia, Local Government, Arts and Sport (the Department) states that Christmas Island (CI) is facing a critical housing shortage which impacts on the provision of public services.¹ Accordingly, the Department is seeking approval from the Committee to proceed with Projects Two and Three of the Christmas Island (CI) New Housing Program.
- 2.2 The CI New Housing Program consists of three separate projects. On 17 December 2010, the Department notified the Committee of a medium works project, being Project One of the CI housing program, at an anticipated cost of approximately \$8.9 million.² The Committee determined that it had no objections to Project One proceeding as a medium work. However, the Committee took the view that the three projects were stages of one larger housing project and advised the Department that Projects Two and Three should be referred.³
- 2.3 Notwithstanding that Project One is not the subject of this inquiry, the Committee has reviewed the progress of this Project as it relates to Projects Two and Three, and the New Housing Program as a whole.
- 2.4 Project One commenced in September 2011 and comprises the construction of 16 dwellings and associated infrastructure. The current contract value for the medium work is estimated to be \$11.4 million.⁴

1 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 1.

2 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 1.

3 See section 18, *Public Works Committee Act 1969 (Cth)*.

4 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 1.

- 2.5 Project Two comprises the construction of a further 14 dwellings to accommodate the increase in personnel required for policing, health, administration and education services. The increase in the number of dwellings corresponds with the growth in the island's population, due to an escalation in immigration activity on CI.⁵
- 2.6 Project Three proposes the construction of a further two dwellings, should funding allow following the finalisation of costings for Project Two.⁶
- 2.7 Projects Two and Three were referred to the Committee on 3 November 2011.

Conduct of the inquiry

- 2.8 Following this referral, the inquiry was advertised nationally and submissions sought from those with direct interest in the proposed project.
- 2.9 The Committee received one submission and three supplementary confidential submissions from the Department. A list of submissions can be found at Appendix A.
- 2.10 The Committee conducted a public hearing on the project and an in-camera hearing on the project costings on 2 March 2012 at Parliament House in Canberra.
- 2.11 A transcript of the public hearing and a copy of the Department's public submission to the inquiry are available on the Committee's website.⁷
- 2.12 The Committee visited CI between 7 and 10 June 2011, to inspect approved public works on the island and receive briefings regarding projects which would be referred to the Committee in the near future. During this visit, the Committee inspected various sites for the CI New Housing Program and received a briefing from representatives of the Department regarding the housing program.⁸

Need for the works

- 2.13 The Department submitted that the new housing project was needed to reduce the number of houses leased on the private rental market to

5 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 1.

6 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 1.

7 <www.aph.gov.au/pwc>

8 Report, Parliamentary Standing Committee on Public Works, *Public Works on Christmas Island*, October 2011, p. 1.

accommodate Commonwealth employees, which would in turn reduce housing demand and rental costs for the local community.⁹

- 2.14 The Department told the Committee that the main driver of the project was to meet the need for housing on CI:

A significant driver for this project was that the sheer demand for housing on the island could not be met and that the private sector, for reasons best explained by the private sector, was not responding in building additional housing to meet the demand. That was putting a lot of pressure on rentals. By observation, it is not atypical of what happens in smaller or remote mining towns as well where you get sudden demand and rents go up significantly. Our expectation is that one of the outcomes of the project will be that we will release a number of leased houses back on to the private market which should increase supply and, in theory, should then take pressure off prices. You certainly cannot give a guarantee that it will reduce prices, because we do not control that, but it should increase the supply of houses in the private market which should, in turn, take some pressure off.¹⁰

- 2.15 The Department considered purchasing existing dwellings on CI, however determined that this option would not reduce pressure on the local housing market.¹¹ The Department submitted further that many existing dwellings were not fit for purpose:

We have bought where it is appropriate to do so. A lot of the housing stock on the island is old and is not what meets the expectations of modern families in terms of amenities. A lot of the houses need substantial continuing maintenance – they are probably beyond their useful life. There is significant asbestos in privately owned houses which, if we acquired them, we would have to remediate, and for many of them it would be cheaper to build a new house. There is also the important aspect of the longer term development of the island.¹²

- 2.16 The dwellings would primarily house professionals who have not been able to be recruited locally to deliver state types of services and meet the
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⁹ Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 2.

¹⁰ Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 2.

¹¹ Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 3.

¹² Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, pp. 5-6.

demand driven by the increased activity on the island. The Department submitted:

Primarily the people will be either departmental staff, through our Indian Ocean territories administered arrangement where we employ people such as nurses and other medical professionals, or Australian Federal Police officers or teachers employed by the WA department of education delivering education services and the like.¹³

- 2.17 The base population on the island is approximately 1,300 people and according to the Department, there is a continuing requirement for doctors, nurses, police, teachers and other professionals to service the community's needs. The housing project aimed to attract the best possible personnel to the island and entice them to live on the island for a significant period building strong relationships within the community. This option was preferred to employing a largely fly-in fly-out workforce:

Our experience with short-term health staff, with locums, is that it is significantly more expensive than employing people for the long term. You have to pay a premium to get them there; paying for accommodation in hotels and the like is extremely expensive compared to doing it through ownership; and, as I said, there is the harder to tangibly quantify cost of not having the strong relationships [with the community].¹⁴

- 2.18 In addition to meeting the current need for housing on CI, the project also factored in future economic growth on the island and a resulting increase in population:

A lot of the work that was done recently with the major investments the Commonwealth has made that you have been involved with, particularly around the utilities, the waste water and power, has the long-term benefit in that it meets the current driver, which is clearly around immigration based activity, but it sets the island up for further growth outside of that, well beyond its current residential population. Most of the utilities infrastructure is designed around a population of 5,000.¹⁵

13 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 5.

14 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 5.

15 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 6.

2.19 The New Housing Program was designed to improve the overall amenity of the island as a whole and attract longer-term investment on the island:

We are obviously very conscious that the [phosphate] mine has a finite life and that we need to do work now to set the environment so that tourism and other activities can become attractive. This project is one small part of that, in that it will provide a modern, high quality environment that has visual amenity. Some parts of the island are, frankly, pretty tired at the moment and need to be updated. The Commonwealth cannot do it all; the private sector and the community have a significant role there. But this is one area where the Commonwealth can make a long-term investment that will be paying dividends in 15 to 20 years as well as meeting immediate needs.¹⁶

2.20 Six site options were considered for the construction of new housing on CI. Drumsite Village and Guano Village were chosen as preferred sites for Projects Two and Three, due to a number of factors, including that the sites were immediately available, were located in well-established areas and had access to existing residential facilities and services.¹⁷

2.21 The Committee is satisfied that there is a need for the works.

Scope of the works

2.22 The Department summarised the scope of the proposed CI New Housing Program as follows:

Project 1 will deliver 16 houses on the Drumsite site. Project 2 will deliver 14 houses, also at Drumsite, and there will be a further two houses in Silver City that will be constructed on current vacant lots. In addition to this we purchased two houses through the program's funds which do not form part of the construction program. These two houses are ones that we had on leases and were considered to be suitable for long-term acquisition, and there is a long-term cost saving to the Commonwealth for taking ownership of them.¹⁸

16 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, pp. 5-6.

17 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 3.

18 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 2.

2.23 The Department noted that work upgrading the existing service connections to the site and internal road works form part of the scope of Project One. Project Three was dependent on available funds following the completion of Projects One and Two.¹⁹

2.24 Feedback was obtained from stakeholders to ascertain the demand for accommodation on CI and the mix of housing options required:

The significant demand for 2 and 3 bedroom dwellings is clear and will be particularly met by Project 1 which will provides 10 two bedroom units and 6 three bedroom townhouses. The provision of additional 2 or 3 bedroom units should still be considered as part of Project 2 and 3 to allow existing tenants, who have been allocated larger houses than they require, to be relocated to more appropriate dwellings. However, the demand for larger 4 bedroom dwellings is recognised and needs to be addressed in Projects 2 & 3.²⁰

2.25 The Committee queried whether there was a demonstrated need to proceed with Project Three, if this project would only proceed if funding allowed. The Department responded:

They are less essential than Projects 1 and 2, but they do fill a gap for those relatively small numbers of cases where you may have a doctor or a nurse who has a large family, and this does occur, so we want to have some greater flexibility in the housing stock that we have, to suit alternative family circumstances, so that the lack of accommodation does not mean that you have to say to someone, 'Gee, it's going to be really hard to find a house for you.' So we want to make it as attractive as possible to get the best possible people to go to the islands.²¹

2.26 The proposed housing designs responded to the climatic and physical needs of the proposed sites and were designed to blend in with the local vernacular architecture, using a limited palette of materials to enhance the contemporary tropical aesthetic and be resilient to the harsh maritime tropical climate.²²

19 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 6.

20 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, Attachment 5, p. 4.

21 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 7.

22 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 7.

2.27 The type of construction proposed for Projects Two and Three was summarised as follows:

The type of construction we are proposing for Projects 2 and 3 is modular and lightweight. The housing components, walls, roofs, roof trusses and so on are manufactured in a factory in Brisbane and then assembled on-site. This has the effect of reducing the amount of labour required on Christmas Island.²³

2.28 The housing proposed was intended for long term residents and was designed to encourage a sense of place and community. A number of the homes constructed would be 'adaptable' with a view to meeting future housing needs of the Christmas Island community that may arise because of age, disability or changing circumstances.²⁴

2.29 It is anticipated that construction on Project One would be complete in June 2012. Subject to Parliamentary approval, Projects Two and Three were anticipated to be complete by June 2013.²⁵

2.30 The Committee finds that the proposed scope of works is suitable to meet the need.

Cost of the works

2.31 The Department noted that the total budget for the CI New Housing Program was \$26.6 million over three years.²⁶ Noting that Project One was not specifically the subject of this inquiry, the Department confirmed that the anticipated cost for Projects Two and Three of the housing program was \$11.1 million.²⁷

2.32 The Department informed the Committee that the anticipated total cost of Project One had increased since the notification of medium works in December 2010. The change in scope of Project One is discussed further below.

23 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 2.

24 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 7.

25 Mr L. Mihov-Nicotodis, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 3.

26 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 14.

27 Mr L. Mihov-Nicotodis, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 3. Note this figure does not include associated costs which fell within the program budget, such as legal fees and project fees associated with the whole project.

- 2.33 The Committee is satisfied that the costings of the project provided to it have been adequately assessed by the proponent agency.

Project issues

Changes to Project One

- 2.34 The Department advised the Committee of the progress of Project One during the public hearing, including changes to the scope, cost and schedule. Initial site works were underway on the project, however the Department stated that there were delays in the delivery of some of the prefabricated modules resulting from the *MV Tycoon* incident on CI in early January 2012.²⁸
- 2.35 Additional elements had been included into the scope for Project One which had increased the anticipated cost of the project from approximately \$8.9 million to \$11.4 million. These elements included a construction camp on Phosphate Hill to accommodate approximately 20 construction workers, the construction of 16 instead of 15 dwellings and some infrastructure site works for the whole of the Drumsite location.²⁹

Committee comment

- 2.36 The Committee is satisfied from the evidence provided by the Department that the increase in scope to Project One is necessary, fit for purpose and value for money for the Commonwealth. The Committee notes the increase in costs for Project One will have some consequences for the progress of Projects Two and Three, whereby Project Three may not proceed.

Rock-fall studies

- 2.37 A geotechnical investigation conducted for Project One identified evidence of a rock-fall hazard from the cliff to the south of the proposed site, with several boulders visible at the base of the slope below the cliff indicating potential ongoing instability of the cliff.

28 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 2.

29 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 3.

- 2.38 The Report on Geotechnical Investigation attached to the Department's submission noted:

It is recommended that a further assessment of the cliff is made utilising rope access techniques to better assess the rock fall hazard. The assessment should be designed so that the cliff will be inspected to identify the nature of the potential hazards and that rockfall modelling be undertaken to assess the impact on the proposed development. Recommendations can then be made on appropriate solutions to mitigate the risk from rock falls on the residential development.³⁰

- 2.39 The Department undertook to conduct further detailed engineering work to establish and manage the rock-fall risk for Project Two and would report back to the Committee regarding the outcome of this work.³¹

Committee comment

- 2.40 The Committee had no objection to the further work regarding rock-fall risk proceeding immediately, notwithstanding that Projects Two and Three had not yet been approved to proceed. The Committee was satisfied that it was necessary to undertake this work in order to ascertain any risks to Projects Two and Three. The Committee looks forward to receiving a further report from the Department regarding the outcome of this engineering work.

Zoning issues

- 2.41 According to the Department, the Drumsite Village site for Projects One and Two is a vacant Commonwealth-owned site of approximately 9,200 square metres, with flexible housing options.³²
- 2.42 The Committee was interested in the planning scheme for the new housing program and whether the land could subsequently be strata titled before being sold.
- 2.43 In a supplementary submission to the inquiry, the Department advised that strata titling was permissible pursuant to Western Australian

30 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, Attachment 8, p. 12.

31 Mr J. Yates, Department of Regional Australia, Local Government, Arts and Sport, *transcript of evidence*, 2 March 2012, p. 2.

32 Department of Regional Australia, Local Government, Arts and Sport, Submission 1, p. 6.

planning policy. The Principals Project Requirements (PPR) required the design and construction contractor to ensure that these future planning requirements were addressed and met in their designs for the New Housing Program. This included undertaking works during these projects to facilitate a future change to strata title, through appropriate road design, adequate street lighting, sewer lines and other infrastructure works.³³

Committee comment

- 2.44 On the evidence provided in the supplementary submission from the Department, the Committee is satisfied that it would be open to the Commonwealth to strata title the Drumsite Village site in the future, to maximise value for money for the Commonwealth, in the event the site is no longer required and subsequently sold.

Final Committee comment

- 2.45 The Committee is satisfied that Projects Two and Three of the CI New Housing Program are necessary, fit for purpose and signify value for money for the Commonwealth. The Committee notes the challenges the Department faces in ensuring that all three projects fit within budget and meet the projected scope and schedule, having regard to issues such as weather and logistics on CI.
- 2.46 The Committee trusts that the Department will keep the Committee updated, should there be any further changes to scope or cost, as the projects progress.

Recommendation 1

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Construction of Projects Two and Three of the Christmas Island New Housing Program.

33 Department of Regional Australia, Local Government, Arts and Sport, Submission 1.4, p. 1.

Proposed development and construction of housing for Defence at Ermington, Sydney

- 3.1 Defence Housing Australia (DHA) seeks approval to construct 209 dwellings at a single site in Ermington, Sydney, NSW. The dwellings are a mix of three and four bedroom homes and will be occupied by Department of Defence (Defence) personnel.
- 3.2 The purpose of the project is to reduce the proportion of Defence personnel and their families residing in private rental accommodation in the Sydney area.
- 3.3 This proposed development and construction project was referred to the Committee on 24 November 2011.

Conduct of the inquiry

- 3.4 Following referral, the inquiry was advertised nationally and submissions sought from those with a direct interest in the proposed project.
- 3.5 The Committee received three submissions to the inquiry and three supplementary submissions, including two confidential submissions detailing the project costs. A list of submissions can be found at Appendix A.
- 3.6 The Committee undertook a site inspection and held a public hearing and an in-camera hearing on the project costs on 5 March 2012 in Sydney.
- 3.7 The transcript of the public hearing and a copy of the submissions to this inquiry are available on the Committee's website.¹

1 <www.aph.gov.au/pwc>

Need for the works

- 3.8 In evidence provided to the Committee, DHA stated that this project was necessary to help address the current shortfall between DHA's Sydney housing portfolio and Defence requirements:

Currently there are in the order of 600-plus families with dependants who require a housing solution to be provided in this area. That has developed over a number of years because of the needs of Defence, which primarily requires a backyard size of 25 square metres or greater. In the Sydney area it is difficult to find land and houses that meet their needs. Consequently, most of the families tend to go more to the outer-30-kilometres ring from the Defence bases. This development is for us a great opportunity to provide housing in much closer that meets those needs.²

- 3.9 In their submission to the inquiry, DHA further noted that as the proposed works will reduce the number of Defence personnel in private accommodation, this in turn will decrease the costs of Defence's Rent Allowance (RA) housing subsidy:

The proportion of families on RA is 35.6 percent, significantly higher than the Defence and DHA target of 15 percent ... An additional 209 dwellings at AE2 Ermington will contribute significantly to the reduction of the RA level in Sydney to below 25 percent by 2015/16.³

- 3.10 In addition to the direct savings to the defence bill by having fewer families on RA, DHA also highlighted some additional costs that can be avoided by having fewer families searching for private rental accommodation:

When people are on RA it is not just the dollar value of the rent. When they are posted into a locality they then need to go and search for a house. That can take quite a considerable amount of time, where they are not being usefully employed. Also, they are in hotel accommodation of some sort, so you have the extra cost of hotel accommodation while they are trying to find somewhere. And, of course, while they are trying to find somewhere they are also trying to get their children into school. So they may put their children into a school but find accommodation that is in a totally separate area. Then they have to remove the children or they have

2 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 3.

3 Defence Housing Australia (DHA), Submission 1, pp. 1-2.

the issue of trying to take the children to school in time. So there are a lot of added costs that are not in the rental figure.⁴

3.11 The Committee is satisfied that there is a need for the proposed works.

Scope of the works

3.12 The proposed scope of the works is detailed in Submission 1: Defence Housing Australia.⁵

3.13 DHA indicated in their submission that large-scale construction on the Ermington site was the preferred option for addressing the current Defence housing shortage in Sydney:

The acquisition of 'broadacre' sites followed by development and construction is DHA's preferred delivery method because of the economies of scale associated with bulk procurement of new constructions and the surety of supply that accompanies large development pipelines. This delivery method is even more attractive when well-located Defence land is available, such as in this proposal.⁶

3.14 The DHA proposal envisages development of road and civil infrastructure at the site followed by construction of 209 dwellings. DHA advises that construction will take place in four stages over a period of three years as follows:

- Civil infrastructure;
- 123 three and four bedroom townhouses;
- 53 three and four bedroom courtyard style homes;
- 21 three and four bedroom detached homes; and
- 12 three and four bedroom '4 pack' homes.⁷

3.15 In addition to the proposed works, DHA stated that whilst the project is underway further parallel works will also be conducted on nine 'super lots' located on the Ermington site:

The nine super lots will be developed to accommodate the construction of 228 apartments. These super lots will be sold to developers to build apartments and, depending on further

4 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 3.

5 DHA, Submission 1, pp. 7-8.

6 DHA, Submission 1, p. 2.

7 DHA, Submission 1, p. 8.

housing requirements for Defence, up to 30 percent of the resulting apartments may be utilised by DHA.⁸

- 3.16 Whether DHA chooses to utilise the apartments being built on the Ermington site will depend in part on the outcomes of a trial program, which will test the feasibility of offering defence personnel apartment style housing:

We have engaged with Defence now on a trial program over the next couple of years to look at the introduction of town houses with smaller backyards and also reasonably sized apartments. That trial will last over the next two to three years ... If the trial determines that certain sized apartments in certain locations will meet the Defence need for housing in the Sydney area, then we will look to see whether we can take some of these apartments and include those in our DHA housing stock.⁹

- 3.17 Subject to Parliamentary approval of the project, construction is planned to commence on the project by July 2012 and completion would be expected by December 2014.¹⁰ DHA will also encourage the private developers who will develop the apartment blocks to also be completed by the end of 2014.¹¹
- 3.18 The Committee finds that the proposed scope of works is suitable to meet the need.

Cost of the works

- 3.19 The estimated cost of the project is \$90.6 million including GST but excluding the cost of land.¹²
- 3.20 DHA expects these costs to be recovered through the sale of individual super lots to developers, and the sale of DHA constructed housing through its sale and lease-back program.¹³ DHA described the sale and lease-back program to the Committee as follows:

The sale and lease-back program is the main program that DHA uses to raise revenue. This underpins the development and construction of the housing business of DHA ... We build the

8 DHA, Submission 1, p. 8.

9 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 6.

10 DHA, Submission 1, p. 17.

11 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 9.

12 DHA, Submission 1, p. 15.

13 DHA, Submission 1, p. 15.

product, we sell it to an investor, we then lease it back from the investor and sublet it to defence people. That lease from the investor could be anywhere between nine and 12 years.¹⁴

- 3.21 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

Project issues

Prior Inquiry into the Ermington site and the Ermington Master Plan

- 3.22 In 2001, Defence made a referral to the Committee seeking to carry out works relating to site filling, stabilisation and construction of infrastructure at the same location as the current proposed works. The Committee tabled its report on 25 May 2001, recommending that it was expedient for Defence to carry out the works.¹⁵
- 3.23 As part of the process for gaining development consent for the site, Defence prepared the Ermington Master Plan. This master plan was developed through consultation with a local community group, the Ermington Residents' Committee, and other local organisations, before being ultimately approved and adopted by the NSW Planning Department in 2002.¹⁶
- 3.24 The Ermington Master Plan provides for between 550 to 700 dwellings to be constructed on the site and dictates development specifications relating to parklands and infrastructure.¹⁷
- 3.25 The DHA submission indicates the total number of dwellings on the Ermington site will be approximately 563, taking into account the DHA proposed works, development of the super lots and the portion of the site already constructed by private developers.¹⁸

14 Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 7.

15 Parliament of Australia, Parliamentary Standing Committee on Public Works, *Report 5/2001 – Site Filling, Stabilisation and Construction of Infrastructure at the Defence Site at Ermington, New South Wales*.

16 DHA, Submission 1, p. 6.

17 Parliament of Australia, Parliamentary Standing Committee on Public Works, *Report 5/2001 – Site Filling, Stabilisation and Construction of Infrastructure at the Defence Site at Ermington, New South Wales*, p. 6.

18 DHA, Submission 1.3, p. 1.

- 3.26 In its submission to the inquiry, the Ermington Resident's Committee provided support for DHA's proposed number of dwellings:

It is acknowledged that the earlier Defence planning for the site and the existing development consent have been based on the 700 maximum; this will mean the DHA proposal will have a lesser impact than anticipated in the existing consent which of course is positive for the community.¹⁹

Committee comment

- 3.27 Having regard to the evidence put before it concerning the design of DHA's proposed works, the Committee agrees that development of the Ermington site will be in harmony with the 2002 Ermington Master Plan.

Local engagement and community consultation

- 3.28 In evidence given to the Committee, Mr Howman described DHA's stance regarding the local community's input to this project:

We think it is very important to hear what they have to say and incorporate their findings because, at the end of the day, we are building a community here at AE2 Ermington. I say that because, unlike most developers, who will build a development and then move on, we will build this development, build the houses, allocate those houses to defence members and maintain those houses. We will be here for decades, so it is very important that whatever we leave behind is usable and fits the community needs, not only for the defence people but for the local community.²⁰

- 3.29 Ms Heather Nesbitt, a consultant hired by DHA as the social and cultural planner for this project, further elaborated on the specific engagement activities that had taken place:

Two newsletters went out late last year in October and November. We had a community information day on the site in December, with about 80 people attending that, with information displayed for them to understand what was then happening. We have been actively engaged with the local residents committee and have been keeping them informed all the way along the process, and we have also engaged with various service providers in the area: the Parramatta City Council, the police, the Department of

¹⁹ Ermington Resident's Committee, Submission 3, p. 3.

²⁰ Mr P. Howman, Defence Housing Australia, *transcript of evidence*, 5 March 2012, p. 5.

Community Services and those types of agencies. So it has been an active consultation process to let people know what is happening in their community.²¹

- 3.30 There were three potential significant impacts on local residents identified through the community consultation relating to construction traffic, dust and noise. Mr Nigel Macdonald, Director of National Project Consultants Pty Ltd, addressed these impacts in evidence to the Committee:

The proposal for the DHA works is to ensure in dealing with traffic that all traffic comes in and out of Silverwater Road and does not go through residential streets. Regarding noise, DHA's construction process will be within the allotted time stipulated within the development consent, so there will be no work outside of those working hours that are stipulated in the consent. In terms of dust, there will be dust mitigation measures along the boundaries which are typically to do with spraying the ground when there are civil works in operation.²²

- 3.31 The Committee also heard from Mr Ken Newman, Chairman of the Ermington Residents' Committee, who praised the consultation that had taken place regarding the Ermington site. Mr Newman advocated a similar collaborative approach between developers and local communities in future developments:

From our approach to the development we have achieved a great deal of benefit for our community ... Our approach of working in partnership with Defence resulted in similar Defence projects and their organisers contacting us to ask why we have been so successful where they have not. These groups were surprised and made some changes to their attitude from being watchdog committees or anti-development groups to our style.²³

Committee comment

- 3.32 The Committee is impressed with the collaborative consultation that has been undertaken to date on the AE2 Ermington project, and trusts that the productive relationship between DHA and the Ermington Residents' Committee will continue over the life of the project.

21 Ms H. Nesbitt, GHD, *transcript of evidence*, 5 March 2012, pp. 4-5.

22 Mr N. Macdonald, National Project Consultants Pty Ltd, *transcript of evidence*, 5 March 2012, p. 5.

23 Mr K. Newman, Ermington Residents' Committee, *transcript of evidence*, 5 March 2012, p. 11.

- 3.33 Further, the Committee commends DHA for the engagement of a social and cultural planner to assist with the community consultation process for the Ermington development. The Committee made a recommendation to DHA in a previous inquiry regarding the engagement of social and cultural planners,²⁴ and it is pleasing that DHA now formally incorporates this work into their projects.

Naming of the site

- 3.34 DHA advised that following construction of the proposed works, the estate is to be known as 'AE2 Ermington'.²⁵ AE2 was the name of the first Allied and Australian submarine to enter the Dardanelles strait in 1915 as part of the Gallipoli campaign. DHA intends to name the site at Ermington AE2 to reflect the site's role as a naval depot in World War II.
- 3.35 The Committee received a written submission from Rear Admiral Peter Briggs, Chairman of the AE2 Commemorative Foundation, which provided strong support for the project name. Rear Admiral Briggs noted that:

Whilst the deeds of the Australian soldiers who forged the legend of ANZAC at Gallipoli, are embedded in the national consciousness, it is ironic that the heroism of the Australian sailors who also fought in the same campaign is largely unrecognised. The nomination of AE2 to the DHA project at Ermington will help to redress this unfortunate situation.²⁶

Committee comment

- 3.36 The Committee supports the use of the name 'AE2' for the housing project and encourages DHA to explore possibilities for erecting plaques, monuments or similar structures on the Ermington site to further communicate the history of HMAS AE2.

24 Parliament of Australia, Parliamentary Standing Committee on Public Works, *Report 3/2011 – Proposed Development and Construction of Housing for the Department of Defence at Muirhead, Darwin, NT*.

25 DHA, Submission 1, p. 4.

26 AE2 Commemorative Foundation Ltd, Submission 2, p. 1.

Final Committee comment

- 3.37 The Committee was satisfied with the evidence provided by DHA regarding the proposed development and construction of housing for Defence at Ermington, Sydney.
- 3.38 The Committee was particularly impressed by the social planning and community consultation undertaken by DHA in relation to this project, and notes the significant input provided by the Ermington Residents' Committee and other local organisations.
- 3.39 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit-for-purpose, having regard to the established need.

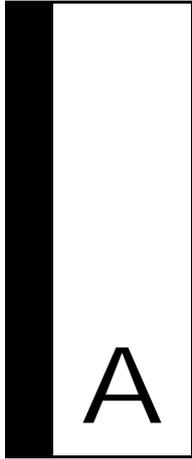
Recommendation 2

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed development and construction of housing for Defence at Ermington, Sydney.

Ms Janelle Saffin MP

Chair

19 March 2012



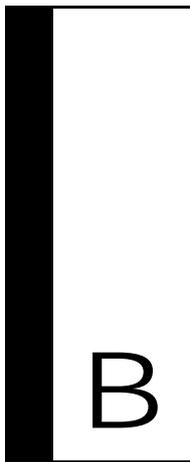
Appendix A – List of Submissions

Construction of Projects Two and Three of the Christmas Island New Housing Program

1. Department of Regional Australia, Local Government, Arts and Sport
 - 1.1 Confidential
 - 1.2 Confidential
 - 1.3 Confidential
 - 1.4 Department of Regional Australia, Local Government, Arts and Sport

Proposed Development and Construction of Housing for Defence at Ermington, Sydney

1. Defence Housing Australia
 - 1.1 Confidential
 - 1.2 Department of Defence
2. Rear Admiral P. Briggs (Rtd) – AE2 Commemorative Foundation Ltd
3. Ermington Residents Committee



Appendix B – List of Inspections, Hearings and Witnesses

Construction of Projects Two and Three of the Christmas Island New Housing Program

Friday, 2 March 2012 – Canberra, ACT

Public Hearing

Department of Regional Australia, Local Government, Arts and Sport

Mr Liviu Mihov-Nicotodis, Director, Project Strategy and Delivery

Mr David Nutt, Project Director

Mr Julian Yates, First Assistant Secretary

GHD

Mr Cameron Owen, Project Manager

In-Camera Hearing

Four witnesses

Proposed Development and Construction of Housing for Defence at Ermington, Sydney

Monday, 5 March 2012 – Rosehill, NSW

Public Hearing

Defence Housing Australia

Mr Steve Collins, National Manager Development Unit

Mr Peter Howman, Chief Operating Officer

dKO Architecture Pty Ltd

Mr David Randerson

Ermington Residents Committee

Mr Kenneth Newman, Chairman

GHD

Ms Heather Nesbitt, Principal Consultant, Social Sustainability

Indesco

Mr Vikram Mukherjee, Principal

National Project Consultants Pty Ltd

Mr Nigel MacDonald, Director

Commonwealth Parliament

Mr John Alexander OAM, Member for Bennelong

In-Camera Hearing

Four witnesses