

UNCLASSIFIED
QUESTION ON NOTICE FOR CLEARANCE

FOR ACTION:	Minister for Defence
THROUGH:	Minister Assisting
PDR:	
Tabling Date:	

Foreign Affairs, Defence and Trade 21 October 2015

Defence Housing Australia

Question on Notice No. 1 - Seaward Village covenant

Senator Conroy asked on 21 October 2015, Hansard p.116:

Senator CONROY: So the change to the covenant is driven by the money involved in flogging off some of the land to the private sector.

Ms Dermatossian: The covenant requires the minister's consent to lift it off Seaward Village before that occurs.

Senator CONROY: I understand that, but the department and DHA have both agreed between themselves that it has to be removed and, other than me saying it is about the money, I have not heard a single other argument about why it should be lifted.

Lt Gen. Campbell: Senator, I do not think you are going to get an answer without a representative from Defence's Estate and Infrastructure Group present here at the committee hearing, so it would perhaps be appropriate to take it on notice.

Senator CONROY: Sure. I am happy for Defence to take it on notice.

Response:

Under the Deed of Covenant, DHA undertakes that while the Special Air Service Regiment (SASR) remains at Swanbourne, DHA will not lease any house in the estate to the private sector without the consent of the Minister for Defence or sell any of the houses or undeveloped parts of the land into the private sector.

The current proposal to lift the Covenant is aimed at partially recovering the cost of redevelopment while still retaining the concentration of housing for ADF (not just SASR) members and their families.

Defence Housing Australia

Question on Notice No. 2 - Seaward Village design principles

Senator Smith asked on 21 October 2015, Hansard p.118:

Senator SMITH: How many security principles are there?

Mr Wallace: I do not have that information in front of me.

Senator SMITH: Can you provide it to me on notice?

Mr Wallace: I could provide the number of principles, yes.

Response:

There are 19 principles identified in the Security Review.

Defence Housing Australia

Question on Notice No. 3 - Seaward Villages demographics

Senator Smith asked on 21 October 2015, Hansard p.120:

Lt Gen. Campbell: Specifically no, but let me add to that. The greater majority of the families of the personnel who serve at Campbell Barracks live out in the wider Perth community, with only a smaller element of SAS families and then an additional group of other defence families from the Perth area living at Seaward Village. So while a capability assessment has not been undertaken—and I understand when you read this letter you might inquire as such—I would slightly recharacterise your question to ask: has the consideration of defence families living in a community with other Australian citizens around them been undertaken? It has not and, quite frankly, with the great majority of the regiment's personnel living out in the wider Perth community, I am disinclined to think it would be of any value and that capability, in fact, is not affected but for considerations of those design principles which maintain the integrity and security of the barrack area and a maintenance of what ultimately is a village community in Seaward Village, which I think is being maintained by the concepts that have been developed by DHA.

Senator SMITH: Thank you, Sir. I respect your judgment on that. When you say 'a greater majority of the families and smaller element' can you give me an indicative, unless you have it in detail, a sense of proportionality between majority, smaller element and other?

Lt Gen. Campbell: I might be able to. I will have to take that on notice, I think.

Response:

The Department of Defence has advised that 82.5% of Australian Defence Force members posted to the Special Air Service Regiment do not live in Seaward Village. They live in the general community in either a Service Residence, rent privately or live in their own home.

Defence Housing Australia

Question on Notice No. 4 - Departmental Rebranding

Senator Ludwig provided in writing on 30 October 2015

- 1) Has the department/Agency undergone a name change or any other form of rebranding since the leadership change in September, 2015? If so:
 - a) Please detail why this name change / rebrand were considered necessary and a justified use of departmental funds?
 - i) Please provide a copy of any reports that were commissioned to study the benefits and costs associated with the rebranding.
 - b) Please provide the total cost associated with this rebrand and then break down by amount spent replacing:
 - i) Signage.
 - ii) Stationery (please include details of existing stationery and how it was disposed of).
 - iii) Logos
 - iv) Consultancy
 - v) Any relevant IT changes.
 - vi) Office reconfiguration.
 - c) How was the decision reached to rename and/or rebrand the department?
 - i) Who was involved in reaching this decision? ii. Please provide a copy of any communication (including but not limited to emails, letters, memos, notes etc) from within the department, or between the department and the government regarding the rename/rebranding.
 - 1) Following the changes does the department share any goods/services/accommodation with other departments?
 - 2) What resources/services does the department share with other departments; are there plans to cease sharing the sharing of these resources/services?
 - 3) What were the costs to the department prior to the Machinery of Government changes for these shared resources? What are the estimated costs after the ceasing of shared resource arrangements?

Response:

- 1) No.
- a) Not applicable.
- i) Not applicable.
- b) Not applicable.
- i) Not applicable.
- ii) Not applicable.
- iii) Not applicable.
- iv) Not applicable.
- v) Not applicable.
- vi) Not applicable.
- c) Not applicable.
- i) Not applicable.

- 1) Not applicable.
- 2) Not applicable.
- 3) Not applicable.

Defence Housing Australia

Question on Notice No. 5 - Staffing - employment of non-Australian citizens

Senator Ludwig provided in writing on 30 October 2015

I refer you to section 22 (8) of the Public Service Act 1999 which says:

"An Agency Head must not engage, as an APS employee, a person who is not an Australian citizen, unless the Agency Head considers it appropriate to do so."

- 1) Does the department have guidelines or similar to assist Agency Heads to assess when it is appropriate to hire non-Australian citizens? If no, do individual agencies have their own guidelines? If yes to either:
 - 1) Please provide a copy.
 - 2) When did they come into effect?
 - 3) Can Agency Heads decide to go against the advice? If yes, under what circumstances?
- 2) Are Agency Heads required to provide a reason to anyone for hiring non-Australian citizens? If yes:
 - 1) Who are they required to report the reason to?
 - 2) Does this reporting happen before or after the hire has been made?
 - 3) Is this reason provided in writing? If no, how is it provided?
 - 4) Can you please provide a list of reasons that have been used since the Federal election in September, 2013.
- 3) Are there any provisions to over-rule a Head of Agency's decision to hire a non-Australian citizen? If yes:
 - 1) Who can over-rule this decision?
 - 2) Under what circumstances can it be over-ruled?
 - 3) How many times has this occurred since the Federal election in September 2013.

Response:

1. No. Defence Housing Australia (DHA) refers to the guidance provided by the Australian Public Service Commission on citizenship in the Australian Public Service.
 - 1) Not applicable.
 - 2) Not applicable.
 - 3) Not applicable.

2) Yes:

- 1) The Agency Head, in conjunction with the relevant DHA General Manager, is required to provide the reason to DHA's Human Resources Branch
- 2) Before the staff member has been engaged.
- 3) Yes, it is provided in writing.
- 4) Two staff members have been engaged since the previous Federal election and for the following reasons: one staff member was the only candidate with the requisite skills and experience to fill a specialised position; another staff member was considered to have exceptional skills and experience in an advertised role.

3) No.

- 1) Not applicable.
- 2) Not applicable.
- 3) Not applicable.

Defence Housing Australia

Question on Notice No. 6 - DHA board of directors, managing director and review

Senator Conroy provided in writing on 2 November 2015

- 1) Regarding the Defence Housing Australia (DHA) Board:
 - a) How many director positions are on the DHA Board?
 - b) How many of these are vacant?
 - c) Who are the current occupants of the board and when will their terms expire?
- 2) With respect to potential privatisation of DHA, the Finance Minister's media release of 11 May 2015 stated that a sale of DHA would not go ahead, but that:

"... the Government will review Defence Housing Australia's accounting, information technology and business reporting systems to improve the transparency of the cost of providing services." (<http://www.financeminister.gov.au/media/2015/0511-smaller-government.html>)

- a) Did the Lazards scoping study into privatisation explicitly recommend this review?
 - b) What has been done so far in this review?
 - i) When did it begin?
 - ii) Has it concluded, or is it ongoing?
 - c) Have any reports been presented to DHA, the Department of Defence, or to any of the portfolio Ministers?
 - i) If so, what were the findings and recommendations of the reports?
 - ii) Are there further reports to be presented?
 - d) Are there any other reviews being conducted of DHA?
 - e) Does the review of accounting, information technology and business reporting systems, or any other review, cover future executive arrangements in DHA?
 - f) Is the review part of preparations for reconsideration by the Government of its current policy of not privatising DHA?
- 3) Regarding Mr Howman's recent resignation (<http://www.abc.net.au/news/2015-11-02/defence-housing-boss-quits/6904632>):
 - a) Press reports state that Ms Jan Mason will act in the role of Acting Managing Director – has this arrangement been formalised yet?
 - b) How long does DHA expect Ms Mason to be acting in the role for?
 - c) Does Ms Mason have any Defence experience?
 - d) On what basis and through what process was Ms Mason identified and then selected for this role?

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- i) Did DHA consult the Defence or Finance Ministers or their staff prior to appointing Ms Mason as Acting Managing Director? If so, when and by what means (written or verbal)?
- ii) Did the Defence or Finance Ministers or their staff recommend, agree to or direct that Ms Mason be selected for this role? If so, who was involved and when did these discussions and/or decisions occur?
- iii) Why hasn't a permanent replacement for Mr Howman been appointed?

Response:

- 1)
 - a) There are nine Directors' positions on the DHA Board.
 - b) As at 21 October 2015 there were two positions vacant.
 - c)

Director	Position on Board	Date of expiry of current term
The Hon John Alexander (Sandy) Macdonald	Chairperson	11 February 2018
Mr Peter Howman	Acting Managing Director/Executive Director	3 February 2018
Mr Martin Brady AO	Director – nominee of Secretary of the Department of Defence	6 July 2017
Ms Carol Holley	Commercial Director	22 November 2015
The Hon Alan Ferguson	Commercial Director	11 February 2018
Commodore Vicki McConachie CSC RANR	Director – nominee of the Chief of the Defence Force	4 December 2016
Ms Janice Williams	Director – nominee of the Secretary of the Department of Finance	11 December 2015

2)

- a) The Scoping Study into future ownership options of DHA was conducted by the Department of Finance.
- b) The Scoping Study into future ownership options of DHA was conducted by the Department of Finance.
 - i) DHA started receiving requests for information in relation to the Scoping Study in September 2014.
 - ii) Questions regarding the scoping study are a matter for the Department of Finance.
- c) DHA was not provided the report.
- d) DHA is currently the subject of a Forensic Review of accounting, information technology systems and business reporting.
- e) The Forensic Review is still being conducted and DHA is unaware of any of its recommendations. DHA has not been advised if any further reviews will commence.
- f) DHA considers that this is a matter for Government.

3)

- a) Yes.
- b) Ms Mason has been appointed Acting Managing Director for the period 2 November 2015 to 1 February 2016.
- c) Ms Mason was a Deputy Secretary at the Department of Finance. She was responsible for a range of major areas such as taxpayers' multibillion-dollar investments in government businesses, including DHA; and oversight of major government construction projects, technology and procurement. In her roles in the Department of Finance, Ms Mason worked on a number of projects with Defence.
- d) Ms Mason was selected by the Board to serve in an acting capacity. It is the Board's intention to seek a substantive Managing Director in accordance with *Commonwealth Government Business Enterprises Governance and Oversight Guidelines*.
- i) DHA's Chairperson, the Hon Sandy Macdonald, wrote to the Minister for Defence and the Minister for Finance on 29 October 2015 advising of the Board's intention to appoint Ms Mason to the position of Acting Managing Director.
- ii) DHA received acknowledgement of the Hon Sandy Macdonald's, letter of 29 October 2015 from the Minister for Finance.
- iii) It is the Board's intention to seek a substantive Managing Director in accordance with *Commonwealth Government Business Enterprises Governance and Oversight Guidelines*.

Foreign Affairs, Defence and Trade 21 October 2015

Defence Housing Australia

Question on Notice No. 7 - Seaward Village redevelopment

Senator Conroy provided in writing on 2 November 2015

- 1) What is the process for the proposed redevelopment of Seaward Village from here?
 - a) Does it need to go through the Western Australian Planning Commission?
 - i) If so when will that take place?
 - b) What are the details of the proposal DHA will be putting forward?
 - c) What relationship does it bear to other proposal drafts that DHA has released?
 - d) Has this proposal been made available to residents of Seaward Village, the local council, residents of neighbouring areas or other stakeholders?
- 2) At Budget Estimates in June 2015, Mr Howman said, in relation to the figures put to him of \$100 million revenue from sale of land and cost of \$165 million for the development:

“Neither of those estimates are my estimates. They are estimates I have seen in newspapers.”

- a) Does DHA now have any figures of its own for revenue from sale of land and cost of development?
- 3) Has DHA developed a business case or financial modelling to compare:
 - a) The cost of the 'refurbishment' scenario, involving refurbishment of existing houses that are deemed not to be of an adequate standard?
 - i) If yes – would DHA provide the business case or modelling?
 - b) Demolition and rebuilding of all existing dwellings and selling another 150 odd private blocks?
 - i) If yes – would DHA provide the business case or modelling?
- 4) Regarding the payback period referred to in answers given in answers to DHA Questions on Notice 21, 22 and 23 from Budget Estimates in June 2015.
 - a) It is not clear why, as claimed in the answers to both DHA Questions on Notice number 22 and 23, that the payback concept is not applicable in the case of new homes: in both cases pay back is through rent received. What is the explanation of the difference?
 - b) With regard to the answer to DHA Questions on Notice number 23 from Budget Estimates in June, which only provides an explanation of the “concept” of payback, would DHA provide the detail of the calculation that led to its assessment of a “66 year payback”?

- 5) Regarding the referral to the Public Works Committee and the following exchange during Supplementary Estimates on 21 October 2015:

Senator CONROY: *There you are. All I am saying is to let the Public Works Committee do its job, rather than, as has been pointed out—*

Senator Payne: *I will leave that in the hands of the Senate and the senators.*

Senator SMITH: *Defence Housing Association is exempt from scrutiny by the Public Works Committee.*

Senator CONROY: *So we need your permission, Minister, for the committee to have a look at it.*

CHAIR: *Perhaps the minister might consider that.*

Senator Payne: *I will indeed. Thanks, Chair.*

- a) What advice has been provided, either by Defence or by DHA, to the Minister for her consideration of Public Works Committee examination of the Seaward development proposal?
- i) If no advice has yet been provided, when will Defence or DHA provide such advice?

Response:

1)

a) Yes

- i) In order to meet project timelines and proceed in a timely fashion, DHA requested the Western Australia Planning Commission (WAPC) consider an Improvement Plan (IP). This process has commenced and, subject to the IP's approval, and the approval of the concept plan by the Department of Defence, DHA intends to lodge an Improvement Scheme. DHA advised the City of Nedlands and the Friends of Allen Park Management Committee of the intention to use this process.
- b) DHA will lodge an Improvement Scheme which incorporates a detailed subdivision concept plan with the appropriate background technical reports that support the proposed redevelopment.
- c) The concept plan to be lodged is expected to be similar to that which was made public in September 2015. It should be noted, however, that the concept plan remains in draft form and awaits the formal approval of the Department of Defence.
- d) The concept plan to be lodged is expected to be similar to that which was made public in September 2015. DHA has incorporated a number of changes to the plan following feedback from the local community, City of Nedlands, Defence residents and the Department of Defence since June 2015.

2)

- a) Based on valuation advice, DHA expects the sale of land lots to generate approximately \$155 million in gross revenue.

3)

a) Yes.

- i) DHA aims to provide the best value for money for the Commonwealth through the tender process. Accordingly, DHA prefers to maintain a competitive tender process by not releasing any financial details. The Assistant Minister for Defence, the Hon Darren Chester MP, announced a review into the proposed redevelopment of Seaward Village on 18 November 2015.

b) Yes.

- i) DHA aims to provide the best value for money for the Commonwealth through the tender process. Accordingly, DHA prefers to maintain a competitive tender process by not releasing any financial details. The Assistant Minister for Defence, the Hon Darren Chester MP, announced a review into the proposed redevelopment of Seaward Village on 18 November 2015.

4)

- a) The standard approach to assess the financial feasibility of a property development project to construct new housing is to use a development margin methodology. This approach takes into account the cost of constructing a housing development (taking into consideration the civil works, house construction and related project management costs) and the market value of the housing provided at the time of completion.
- b) The payback period was derived utilising the estimated incremental revenue streams achieved from the development, based on valuations obtained at the time. These valuations showed an incremental rental increase that would take 66 years to recoup. Consistent with the responses above, DHA prefers to maintain a competitive tender process by not releasing any financial details.

5)

a) DHA has not provided any advice.

- i) DHA would provide advice at the request of the Minister for Defence.