
The Parliament of the Commonwealth of Australia

Report 3/2014

Referral made December 2013

**Development and construction of housing for Defence at
RAAF Base Tindal, Northern Territory**

Parliamentary Standing Committee on Public Works

May 2014
Canberra

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Membership of the Committee

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Deputy Chair Mr Graham Perrett MP

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3/3/2014)

Ms Sharon Claydon MP

Senator Alex Gallacher

Mr Ian Goodenough MP

Senator Barry O'Sullivan (from
3/3/2014)

Senator Anne Ruston (until
27/3/2014)

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List of recommendations

2 The Proposed Development

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: Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory.

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 Parliamentary Secretary to the Minister for Finance.
- 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.

This report

- 1.6 The proposed development was referred to the Committee on 10 December 2013 by the Parliamentary Secretary to the Minister for Finance, The Hon Michael McCormack MP.
- 1.7 In considering the work, the Committee examined the evidence presented by Defence Housing Australia (DHA) 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 significant issues of interest or concern.
- 1.9 The work considered in this report is the proposed development and construction of housing for Defence at RAAF Base Tindal in the Northern Territory. The estimated cost of the project is \$47.15 million.
- 1.10 Submissions are listed at Appendix A, and inspections, hearings and witnesses are listed at Appendix B.
- 1.11 All public submissions to the inquiry and the transcripts of the public hearings are available on the Committee's website.⁴

Conduct of the Inquiry

- 1.12 Defence Housing Australia (DHA) initially proposed construction of '50 new tropically designed dwellings and associated supporting roads and infrastructure for use by Defence personnel and their families'⁵ at
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3 The Act, Section 17.

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

5 Defence Housing Australia (DHA), submission 1, p. 10.

RAAF Base Tindal, Northern Territory at an estimated cost of \$89.4 million.

- 1.13 The inquiry was publicised on the Committee's website and by media release on 12 December 2013.
- 1.14 On 31 January 2014 the Committee undertook a site inspection at RAAF Base Tindal and conducted a public hearing and an in-camera hearing on the project costs in Katherine.
- 1.15 Following the site inspection and hearings, the Committee was not convinced that the estimated cost of the project represented value for money. While mindful that housing for Defence personnel must be of high quality and suitable for the location, the Committee considered that the proposed cost of the project was excessive when compared with other recent housing projects for Defence in the Northern Territory.
- 1.16 During the in-camera hearing in Katherine, DHA took several questions on notice relating to the costs of the proposed project. DHA's response to those questions was received in early February.⁶
- 1.17 The Committee also took evidence during the in-camera hearing in Katherine which indicated that land could be available to build suitable housing for Defence in the town of Katherine at a substantially lower cost.⁷
- 1.18 The Committee subsequently notified DHA that it was still not satisfied that the project represented value for money and requested further information on project delivery options and costs. DHA provided the information to the Committee in late February.⁸
- 1.19 In March 2014 the Committee tabled *Report 2/2014: Referrals made December 2013* in Parliament. In Chapter 2, regarding the RAAF Base Tindal housing proposal, the Committee noted:

The Committee has suspended consideration of this project, pending receipt of further information on project delivery options and costs. The Committee has also requested that DHA attend an additional public and in-camera hearing.⁹
- 1.20 Subsequent to tabling of the report, in April DHA provided further information including an amended project proposal with a substantially decreased project cost. Additional public and in-camera hearings were scheduled for late April.

6 DHA, submission 1.2 (confidential).

7 The person who gave this evidence was subsequently contacted and invited to make a written public submission but no response was received by the Committee.

8 DHA, submissions 1.3 and 1.4 (confidential).

9 Public Works Committee, *Report 2/2014: Referrals made December 2013*, March 2014, p. 5.

The Proposed Development

The need for the work

- 2.1 In its submission Defence Housing Australia (DHA) told the Committee that currently, about 330 Defence members with dependants reside in the Tindal/Katherine area in the Northern Territory. Tindal is in a remote location, being 18 kilometres southeast of Katherine, which is 320 kilometres southeast of Darwin.

To meet the housing needs of these families, DHA manages about 320 dwellings in the Katherine/Tindal area - 193 Defence owned dwellings on RAAF Base Tindal and the remainder are Defence and DHA properties in Katherine. At 1 November 2013, an additional 10 families or 3 percent of the total were in private rental accommodation.¹

- 2.2 DHA notes that the proportion of families renting privately is low because the private rental market in this remote locality is constrained and rental accommodation in the region is of a generally low standard.

Options considered

- 2.3 DHA told the Committee that its preferred delivery method is the acquisition of 'broad acre' land within local communities for development and construction. However, DHA has held discussions with local developers and it concluded that a 'broad acre' development in Katherine is not viable because of the lack of developable land and generally underdeveloped nature of the local housing market which could not sustain a new development of this size.²

1 Defence Housing Australia (DHA), submission 1, p. 1.

2 DHA, submission 1, p. 2.

2.4 Other options considered by DHA for adding 50 new dwellings to the Katherine/Tindal Defence housing portfolio were:

... the construction of on-base housing, the purchase of developed land (serviced allotments) followed by construction, the purchase of established houses, the upgrade of current houses and direct leasing of suitable housing where possible.³

2.5 DHA manages a number of leased houses in Katherine for staff who wish to live in the local community. As leases expire DHA replaces houses that do not meet current standards with new constructions or acquisitions, in order to maintain the overall number of houses in Katherine. However, DHA told the Committee that leasing in the community lacks the long term viability of building on RAAF Base Tindal.⁴

2.6 DHA stated that:

... a major project to build 50 new on-base dwellings is the most cost-effective means of supplying bulk housing that meets the new minimum standard for families posted to RAAF Base Tindal while maintaining an optimum balance between social inclusion and addressing the realities of inserting mainly young families in this remote area.⁵

2.7 DHA told the Committee that the decision to build on RAAF Base Tindal dates back to 2007, following a review by Defence and DHA. DHA said that there is a strong preference for housing on-base and the impact of relocation on family welfare is lessened by the provision of Defence on-base housing. The Committee was told:

There is a strong preference for Air Force and ADF tenants to have the new housing built on RAAF Base Tindal due to locational and social considerations. The provision of quality housing for Defence personnel and their families is an important factor necessary to entice members to this remote airbase. New housing at RAAF Base Tindal is very important for Air Force and is in line with projected requirements and family preferences. The construction of new housing at RAAF Base Tindal, in line with current Defence standards, is required to replace older housing in Katherine that is not economically viable to upgrade.⁶

3 DHA, submission 1, p. 2.

4 DHA, submission 1, p. 2.

5 DHA, submission 1, p. 3.

6 DHA, submission 1.3, p. 1.

- 2.8 At the second public hearing in Canberra, the Managing Director of DHA again assured the Committee that there is no suitable land for development at the moment in Katherine:

There is ... a lot of discussion about land being available; you hear that all around the place. But there is currently no land that has been rezoned for residential use in Katherine other than very large blocks—I am talking about the quarter-acre type block. There is no land in Katherine that has been master-planned for residential use. There is no land in Katherine that has a DA for residential house construction. ... As recently as this morning, we had further confirmation again that there is simply none available.⁷

- 2.9 The Committee is satisfied that there is a need for the work and that of the options considered the preferred option to build on-base most appropriately meets that need.

Scope of the proposal

- 2.10 The proposed works involves the construction of 50 new dwellings and associated supporting roads and infrastructure at RAAF Base Tindal.
- 2.11 DHA originally proposed building 50 'bespoke architecturally-designed houses' at Tindal⁸ but in April 2014 the Committee received DHA's amended proposal to build 50 new dwellings on RAAF Base Tindal:

... using the DHA Business as Usual (BAU) 'design and construct' delivery model ... [The] proposed houses are our standard tropical-design dwellings, based on the 'DHA Construction Specification'.⁹

- 2.12 The total project cost of the revised proposal was reduced to \$47.15 million.
- 2.13 All the new dwellings will have four bedrooms. The size of the new dwellings will be as follows:
- 40 dwellings will be 180m²;
 - 8 dwellings will be 190m²; and
 - 2 dwellings will be 200m².
- 2.14 Other features of the proposed new dwellings include:

7 Mr P Howman, DHA, transcript of evidence, 28 April 2014, p. 3.

8 DHA, submission 1.5, p. 1.

9 DHA, submission 1.5, p. 1.

- a breezeway;
 - island kitchen;
 - vented garage door;
 - separate living area;
 - skillion or high-pitched hip roof, ventilated and insulated;
 - screening;
 - large overhangs and shade to walls; and
 - front pergola or deep front porch.
- 2.15 Development of the site involves the provision of civil infrastructure to support the construction of the 50 single dwelling allotments and associated roadways. The road design allows for potential extension to provide an infrastructure corridor for future additional housing development.¹⁰
- 2.16 The addition of 50 new dwellings at the Married Quarters Precinct will have minimal impact on traffic along existing roads. The new development will be connected to the existing road network via a new edge drive to assist in the reduction of traffic along Newham Circuit (the existing access road).¹¹
- 2.17 DHA told the Committee that:
- All design and construction works carried out as part of this project will comply with, or exceed, NT and Federal Government controls and requirements, and all housing works will meet the requirements of the Building Code of Australia. Civil works will be approved by the relevant servicing authorities. All building construction requiring certification will be undertaken by approved private certifiers.¹²
- 2.18 DHA notes that all dwellings will be built to the Silver Level of the Liveable Housing Design Guidelines which provide for people with disabilities.¹³
- 2.19 Following the completion of all civil works the dwellings will be constructed over a period of 15 months.¹⁴

10 DHA, submission 1, p. 11.

11 DHA, submission 1, p. 11, 13.

12 DHA, submission 1, p. 15.

13 DHA, submission 1, p. 20.

2.20 At the second public hearing the Committee asked how DHA had managed to reduce the cost of the proposal so substantially and was told:

... we had a managing contractor included in our proposal, and the managing contractor was going to manage both the civil works development and the construction works. ... We have removed that managing contractor and split the contract into a couple of contracts. One is for the civil works, and DHA will manage that ourselves, as we manage our development work across the nation, and then we will engage a building contractor to build the buildings ... That has reduced the costs for the civil work ... The second thing we have done is reduced the amount of landscaping to some extent in the development side of the contract. ... that is the major costs on the civil works side of it.

Then, on the house construction side, DHA ... has been developing a tropical ... house construction guideline ... over the last couple of years. It was not available when Defence and DHA started looking at this project some years ago. ... We have since advanced that design tremendously over the last couple of years in Muirhead and now, by taking that design and applying it to this project, it will meet the needs of Defence. That is a design and construct contract, so you no longer have the bespoke architecturally designed dwellings, and doing that has reduced the costs tremendously.¹⁵

2.21 DHA was asked if it has had any feedback on the suitability of the design proposed for RAAF Base Tindal. The Committee heard that DHA has:

... had some great feedback from members who are currently living at Tindal. They went up to Muirhead over the last couple of weeks and looked at some of these new houses ... and we got very, very positive feedback from those members.¹⁶

2.22 This was confirmed at the hearing by a member of the RAAF:

... we sent three Air Force members from Tindal to the new housing being delivered by DHA at Muirhead. ... The feedback received from the members was very positive ... There were a few little tweaks of the designs that Air Force would like to see but

14 DHA, submission 1, p. 11.

15 Mr P Howman, DHA, transcript of evidence, 28 April 2014, pp. 1-2.

16 Mr P Howman, DHA, transcript of evidence, 28 April 2014, p. 2.

nothing major, and we will work with DHA and the Defence Support and Reform Group (DSRG) on those.¹⁷

- 2.23 The Committee finds the proposed scope of the works as in the amended proposal is suitable to meet its purpose.

Cost of the works

- 2.24 The cost of the works as described in the amended proposal is \$47,143,115.
- 2.25 There are no land costs included in the cost estimate. The land is located on RAAF Base Tindal and is Commonwealth-owned land.
- 2.26 During the in-camera hearing DHA satisfied the Committee that its proposed costs have been adequately assessed and are realistic.

Committee's comments

- 2.27 The Committee is mindful that new housing developments for Defence personnel must be of high quality and appropriate to the location. However, the Committee was unable to accept that the development originally proposed for RAAF Base Tindal, to build 50 bespoke architecturally-designed houses at a cost of \$89.4 million, was value for money.
- 2.28 As outlined in Chapter 1, a process of negotiation between the Committee and DHA/Defence took place after the first hearings in Katherine, culminating in DHA returning to the Committee with a second proposal to build 50 tropical-design dwellings using the DHA Business as Usual 'design and construct' delivery model at a cost of \$47.15 million.
- 2.29 The Committee is satisfied that the current proposal is appropriate for the development at RAAF Base Tindal and that it will deliver 50 new dwellings of high quality which will be suitable for the purpose.
- 2.30 Taking into consideration Defence's evidence that most RAAF staff and their families prefer to live on-base at Tindal, the Committee accepts that it is appropriate to use the available Commonwealth-owned land at Tindal for the development.
- 2.31 The Committee would like to stress that, in the future, if a proposal is put to the Committee for a 'bespoke' housing development, the Committee

17 GPCAPT S Winchester, RAAF Headquarters, transcript of evidence, 28 April 2014, p. 2.

requires a well-reasoned case justifying the need for bespoke housing in lieu of standard DHA housing.

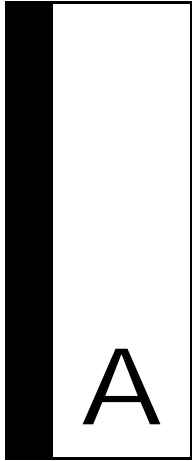
- 2.32 The Committee appreciates that DHA and Defence took on board the Committee's concerns and, with a co-operative approach, returned with an acceptable proposal in a timely manner.
- 2.33 Proponent agencies must notify the Committee of any changes to the project scope, time and cost. The Committee also requires that a post-implementation report be provided within three months of completion of the project. A template for the report can be found on the Committee's website.
- 2.34 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 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: Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory.

Mrs Karen Andrews MP
Chair

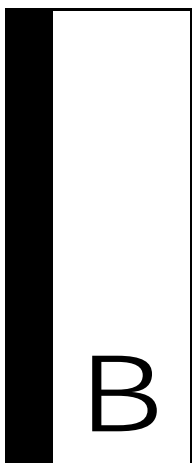
8 May 2014



Appendix A – List of Submissions

Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory

1. Defence Housing Australia
 - 1.1 Confidential
 - 1.2 Confidential
 - 1.3 Defence Housing Australia
 - 1.4 Confidential
 - 1.5 Defence Housing Australia
 - 1.6 Confidential



Appendix B – List of Hearings and Witnesses

Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory

Friday, 31 January 2014 – Katherine, NT

Public Hearing

Defence Housing Australia

Ms Madeline Dermatossian, Chief Operating Officer

Mr John Dietz, General Manager, Property Provisioning

Mr Craig Smith, Program Director

Department of Defence

Mr Mark Jenkin, Head, Defence Support Operations

Mr Alan McClelland, Director, Relocations and Housing

Mr Guy Taylor, Assistant Director, Strategic Planning, Relocations and Housing

Aaron Still Consulting Pty Ltd

Mr Aaron Still, Managing Director

In-Camera Hearing

Eight witnesses

Monday, 28 April 2014 – Canberra

Public Hearing

Defence Housing Australia

Mr Peter Howman, Managing Director

Ms Madeline Dermatossian, Chief Operating Officer

Mr John Dietz, General Manager, Property Provisioning

Mr Craig Smith, Program Director

Department of Defence

Mr Mark Jenkin, Head, Defence Support Operations

Mr Alan McClelland, Director, Relocations and Housing

Mr Guy Taylor, Assistant Director, Strategic Planning, Relocations and Housing

GPCAPT Scott Winchester, Director Strategic Infrastructure Planning, Air Force Headquarters.

In-Camera Hearing

Eight witnesses