



**REIA SUBMISSION TO THE SENATE FOREIGN
AFFAIRS, DEFENCE AND TRADE REFERENCES
COMMITTEE INQUIRY INTO THE OPERATIONS OF
DEFENCE HOUSING AUSTRALIA**

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PREPARED BY

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The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75 per cent of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were 64,699 business brokers, property managers, principals, real estate agents and representatives.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99 per cent of real estate agencies are small businesses and 11 per cent of all small businesses in Australia are involved in real estate.

REIA is committed to providing and assisting research and well-informed advice to the Federal Government, Opposition, professional members of the real estate sector, media and the public on a range of issues affecting the property market.

The REIA welcomes the opportunity to provide a submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into the Operations of Defence Housing Australia.

Introduction

The Terms of Reference of this Inquiry focus on senior management arrangements and internal systems, board composition, requirements of the Defence Housing Australia Act 1987 and land sales.

The REIA will not make comment on these as it has insufficient information on these to make to make a considered and constructive contribution to the Inquiry on these.

REIA will make comment on two important elements of DHA's operations that should not be overlooked in this Inquiry and, importantly, any consideration of the privatisation of DHA. These relate to the regional and small business impacts of DHA's business model and to the security and well being of members of the Australian Defence Force (ADF) and their families.

Regional and small business implications

REIA is concerned that any major change from the present structure of DHA will lead to a significant loss of employment in small businesses in regional Australia.

In providing housing and related services to ADF members DHA manages a property portfolio of some \$10 billion. In doing so it manages about 61,000 transactions a year.

With DHA outsourcing almost all its sales and leasing activities the transactions are undertaken by local real estate agents across regional Australia.

These agencies represent an integral element of the small business sector across Australia with some 99 per cent of real estate agencies being small businesses and 11 per cent of all small businesses in Australia being involved in real estate.

In addition to this DHA employs some 650 staff in nineteen offices around Australia.

Maintenance of these properties employs an additional 1000 contractors in regional areas.

REIA is concerned that should a privatisation be considered, the only possible buyers of a business the size of DHA would be one of the current large property conglomerates which operate under a centralised capital city business model with little regional employment.

The regional impacts of such a move are not only apparent but would be quite devastating on regional economies some of which are already feeling the impact of the contraction of mining activity – a notable example is Townsville where DHA activities directly and through multiplier impacts have underscored the local economy.

With a privatisation there is also a high likelihood of a breaking up of the current business with similar consequences on the regional economies that DHA currently has a presence. The current review of DHA by KordaMentha which has a reputation in administering insolvent businesses adds to the likelihood of a dismantling of current arrangements.

It should be noted that the building sector and related ancillary activities is taking up some of the gap in economic activity from a declining mining sector. In deed, dwelling investment has been the second largest contributor to growth in the Australian economy. Australia's property industry is emerging as the main driver of economic growth and increased employment.

Security and well being of members of the ADF

That DHA has been extremely successful in meeting its objective of "supplying quality, economic and environmentally-sound housing that matches wider

community standards and expectations” as required under its Service Agreement is unequivocal. In its 2014-15 Annual Report, DHA states the company was outstanding in meeting the housing and related services needs of members of the ADF and their families.

Perhaps more importantly, the Chief of the Defence Force (CDF) has stated that “DHA is an essential service for ADF personnel and families....DHA provides a single point of contact that understands the unique requirements and demands military service can present.....Defence and DHA have built a positive and productive relationship over many years to meet the specific housing needs of ADF personnel that helps to mitigate many of the challenges service life entails.”

It is for these reasons that the CDF is against privatising the DHA.

Should the DHA be privatised or parts of its current activities devolved this will create a potential security risk.

Currently DHA’s data base which contains details of all defence personnel including where their children attend school as well as details of ownership of DHA property is secure up to Defence standards. By contrast the details held by local agents are minimal and does not pose a security risk.

Privatisation or the devolvement of the management of the data base would most likely result in a lower level of security of the details held. There is the further risk that the data base management is moved off shore as efficiencies are sought.

Conclusion and Recommendation

The REIA is of the firm view that privatisation of DHA or devolvement of some of its activities to external service providers will result in adverse impacts on regional economies, small business and the welfare and security of Defence Force personnel and their families.

REIA recommends that no changes be made to the DHA.