
The Parliament of the Commonwealth of Australia

**Defence Housing Authority responses
to recommendations in the Tenth
Report of 2000, Development of 90
Apartments in Darwin**

Parliamentary Standing Committee on Public Works

1 March 2001
Canberra

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ISBN



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Membership of the Committee

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Deputy Chair Hon Janice Crosio MBE, MP

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Mr Colin Hollis MP

Mr Peter Lindsay MP

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Extract from the Votes and Proceedings of the House of Representatives

No. 64 dated Thursday, 2 September 1999

21 PUBLIC WORKS—PARLIAMENTARY STANDING COMMITTEE— REFERENCE OF WORK—DEVELOPMENT OF 90 APARTMENTS IN DARWIN

Mr Slipper (Parliamentary Secretary to the Minister for Finance and Administration), pursuant to notice, moved—That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Development of 90 apartments in Darwin.

Question - put and passed.



List of abbreviations

ADF	Australian Defence Force
AVO	Australian Valuation Office
ANAO	Australian National Audit Office
CBD	Central Business District
DFR	Defence Force Requirement
DHA	Defence Housing Authority

Introduction

- 1.1 The Committee's Tenth Report of 2000, which was tabled in the House of Representatives on 11 October 2000, presented findings and recommendations in relation to a Defence Housing Authority (DHA) proposal to develop residential apartment towers in Darwin.
- 1.2 Under the heading of 'General Comments' the Committee concluded its Tenth Report of 2000 stating that:
- After months of investigation the Committee still has serious concerns about aspects of the [DHA] proposal and the need ... The Committee believes DHA must do more work before the Parliament can endorse the proposal.
- The Committee concludes that the development of apartment towers in Carey Street, Darwin by the [DHA] should not proceed until all the Committee's recommendations have been met.
- The Committee recommends that the Defence Housing Authority report to the Committee when it has complied with all the recommendations contained in this report.¹
- 1.3 In accordance with the above recommendation (Recommendation 9), the Hon. Bruce Scott MP, Minister for Veterans' Affairs and the Minister Assisting the Minister for Defence, wrote to the Committee on

¹ Australia. Parliament. Joint Committee on Public Works. *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, pp. 34-5.

8 November 2000, providing the Committee with a response to its recommendations. The Committee considered this response and on 27 November 2000 advised the Minister that the Committee had:

- agreed to DHA proceeding with the issue and evaluation of tenders and obtaining an updated market appraisal;
- accepted the response to Recommendation 6; and
- resolved that the construction of the proposed work not proceed until the Committee's recommendations, with the exception of Recommendation 6, had been met.

1.4 The Committee also advised DHA that it required a more detailed response than that initially provided.

1.5 This report presents the Committee's findings and conclusions in relation to material provided after the tabling of the Tenth Report of 2000 and, in particular, a detailed response and accompanying reports provided by DHA on 1 February 2001.

1.6 Chapter 2 provides comments in relation to each of the first eight recommendations in the Tenth Report of 2000. DHA's response is provided in Appendix B. Related reports and other documents are provided in subsequent appendices.

1.7 Chapter 3 provides comments of a more general nature together with the Committee's conclusions.

Responses to recommendations

Introduction

- 2.1 The Committee made eight recommendations in its Tenth Report of 2000, which required the Defence Housing Authority (DHA) to undertake more work.
- 2.2 In this chapter each recommendation is presented with Committee comments on DHA's response. DHA's detailed response is provided at Appendix B.

Surveys of Defence Personnel

- 2.3 Recommendation 1 of the Tenth Report of 2000 stated:
- The Committee recommends that the Department of Defence and the Defence Housing Authority conduct comprehensive and credible surveys of Defence personnel to ascertain accommodation preferences.¹

¹ Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 2.8.

- 2.4 The Committee notes DHA's advice that, in relation to the proposed development at Carey Street in Darwin, the market research firm AC Nielson was contracted to conduct a survey of Australian Defence Force (ADF) personnel in Darwin. The survey was conducted in December 2000.
- 2.5 The Committee has examined the report of the AC Nielson survey and noted its approach, analysis and conclusions. Despite at least one apparent arithmetic error in DHA's summary of the survey report², the Committee is of the view that the AC Nielson survey report provides evidence of a sufficient preference amongst ADF personnel for accommodation types as proposed in the Carey Street development.
- 2.6 The Committee is firmly of the view that provision of such a report at the commencement of the Inquiry (in 1999) or even during the Inquiry would have been of significant assistance to the Committee in its examination of the need for the proposed development.
- 2.7 The Committee notes that its recommendation was not restricted to the proposed development at Carey Street. The Committee has an expectation that similar surveys will be conducted on a regular basis so that at any time DHA, and Defence, can point to reliable and independent assessments of ADF personnel accommodation preferences.

Apartment size

- 2.8 Recommendation 2 of the Tenth Report of 2000 stated:
- The Committee recommends that any residential apartment development of the Carey Street site comprise apartments with a minimum of two bedrooms.³
- 2.9 This recommendation had its genesis in conflicting evidence provided by DHA during the course of the Inquiry into the proposed development of apartments at Carey Street.
- 2.10 During the course of the Inquiry, the Committee sought professional advice on the demand for one-bedroom apartments and received advice to the effect that there was limited demand for one bedroom apartments in

2 Page 3 of DHA's Supplementary Advice states at least 46% of respondents either preferred inner city living or had no preference. The AC Nielson Report indicates that 45% of respondents either preferred inner city living or had no preference.

3 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 3.30.

the Darwin property market for either investment, rental or owner occupier purposes.

- 2.11 The Committee notes that, more recently, DHA has obtained market assessments that present a contrary view and that the DHA Board will review apartment configuration after the receipt of tenders.

Mix of apartments

- 2.12 Recommendation 3 in the Tenth Report of 2000 stated:

The Committee recommends that the Defence Housing Authority re-assess the mix of apartments in the proposed Carey Street development.⁴

- 2.13 This recommendation was the result of conflicting evidence provided by DHA during the Inquiry and the Committee's acceptance of advice provided by DHA about what was an appropriate concentration of Defence dwellings in any one residential development.

- 2.14 DHA now sees the issue differently and cites the results of the AC Nielson survey as a basis for the 2:1 ratio of ADF personnel to civilians. The Committee notes this view. The Committee will be interested to see the extent to which the AC Nielson survey results apply to other DHA developments.

Effects of nearby sandblasting

- 2.15 Recommendation 4 in the Tenth Report of 2000 stated:

The Committee recommends that the Carey Street project not proceed until the results of tests on the effects of sandblasting have been made publicly available and meet relevant Environment Protection Agency requirements.⁵

- 2.16 This recommendation reflected the Committee's general interest in environmental matters as they relate to any proposed public work and

4 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 3.35.

5 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 4.13.

more particularly, evidence presented at a public hearing that sandblasting conducted by Darwin Ship Repair and Engineering (DSRE) could have an impact on the amenity of the Carey Street development.

- 2.17 The Committee welcomes DHA's prompt action in arranging the environmental consultant firm URS Australia to test the effects of sandblasting by DSRE. Moreover, the Committee notes the results of the tests:

Based on the results of the air monitoring program completed, it is concluded that airborne TBT [Trubutyl], VOCs [volatile organic contaminants] and the 23 metals tested do not represent a human health risk either at the Carey Street site or on the wharf adjacent to DSRE. In general, the contaminants of potential concern were not detected in air samples collected from either location. Where detected the contaminants were present at concentrations below their respective national Occupational Health & Safety Commission time weighted average Exposure Standard.⁶

- 2.18 The Committee also notes the limitations of the URS Australia report to the effect that contaminant concentrations can change in a limited time.⁷

Early advice of land purchases

- 2.19 Recommendation 5 of the Tenth Report of 2000 stated:

The Committee recommends that the Defence Housing Authority notify the Committee, at the earliest opportunity, of purchases, or commitments for purchases, of land intended for a development which may be referred to the Committee prior to referral of the development to the Committee by the Parliament.⁸

- 2.20 This recommendation reflected a difficulty experienced by the Committee with the Carey Street proposal and proposals from other agencies in relation to the timing of land acquisitions and/or commitments to purchase land. In such circumstances, the acquisition of land prior to the referral of proposed works could give rise to expectations by the referring

6 See Appendix B. URS Australia, *Report – Air monitoring program lot 6665 CBD Carey Street, Darwin, Northern Territory for Defence Housing Authority*, February 2001, p. v.

7 See Appendix B. URS Australia, *Report – Air monitoring program lot 6665 CBD Carey Street, Darwin, Northern Territory for Defence Housing Authority*, February 2001, p. 11.

8 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 5.5.

agency that the Committee would approve the public work without the ability to give due consideration to the suitability of the whole development.

- 2.21 The Committee is mindful of the commercial imperatives associated with property developments and other public works and it appreciates DHA's willingness to comply with its recommendation by providing regular private briefings. These briefings will assist the Committee by providing an understanding of the context in which individual projects are referred.
- 2.22 The Committee commends DHA and its Board of Directors for their willingness to provide appropriate written and/or oral briefings on a regular basis.
- 2.23 The Committee notes that on 7 February 2001 it met with all members of the DHA Board of Directors and senior DHA staff. The Committee believes the meeting was mutually beneficial.

Cost-benefit analysis of the rental assistance program

- 2.24 Recommendation 6 of the Tenth Report of 2000 stated:

The Committee recommends that the Department of Finance and Administration undertake a cost benefit analysis of the rental assistance program to determine the extent to which the rental assistance program would provide the best value for money for the provision of Defence personnel housing requirements in each area.⁹

- 2.25 On 27 November 2000 the Chair of the Committee wrote to the Managing Director of DHA, advising that no further action was required in relation to Recommendation 6. This advice reflected a response to the Recommendation received from the Minister for Finance and Administration.
- 2.26 While the Committee is cognisant that there are policy issues associated with the continuance of the rental assistance program, it remains of the view that the costs and benefits of the program need to be reviewed.
- 2.27 Projects such as that proposed by the Defence Housing Authority for Carey Street highlight the potential for taxpayers' funds to be wasted.

⁹ Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 5.10.

Even if some ADF personnel have a desire to live in inner city apartments in Darwin, any associated higher rental subsidies will be paid for by taxpayers. The Committee is firmly of the view that the rental assistance program is not necessarily the best means of facilitating ADF personnel with good quality accommodation. Other options should be considered with a view to satisfying all stakeholders, not least of whom are the Australian taxpayers.

Native title

2.28 Recommendation 7 of the Tenth Report of 2000 stated:

The Committee recommends that the Defence Housing Authority obtain a clearance from the Attorney-General's Department that there will be no future liability to a Native Title claim with respect to the Carey Street site and that the construction of the proposed development not proceed without that clearance.¹⁰

2.29 The Committee's concern in relation to possible Native Title claims flows from its experience with another proposed public works where the Committee was assured by the proponent agency that there was no liability to a Native Title claim only to learn subsequently that such a liability had arisen.

2.30 In response to Recommendation 7, DHA consulted with the Attorney-General's Department and sought an assessment from Ward Keller. A copy of the letter from Ward Keller is provided as Appendix D. The Committee notes the advice from Ward Keller that:

In the event that a native title claim is lodged over the site, any future compensation claim would be a matter for the Northern Territory Government.¹¹

10 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 5.14.

11 See Appendix D. Letter dated **** 2001 from Ward Keller, p. **.

Planning approvals

2.31 Recommendation 8 of the Tenth Report of 2000 stated:

The Committee recommends that the Defence Housing Authority ensure that all planning approvals have been received for future projects before appearing before the Committee.¹²

2.32 The Committee found the effects of the two-stage planning process in relation to the Carey Street proposal to be unsatisfactory. The Committee welcomes DHA's response that in future it will seek to obtain all necessary planning approvals before it submits projects to the Committee.

2.33 The Committee notes DHA's proviso that to achieve this, '... process efficiency might sometimes have to be sacrificed to achieve outcome effectiveness.'¹³ The Committee also notes DHA's response in relation to matters of transparency and the 'design and construct' methodology.

12 Joint Committee on Public Works, *Report relating to the proposal DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, Tenth Report of 2000, 5 October 2000, paragraph 5.20.

13 See Appendix A. Letter dated 1 February 2001 and Supplementary advice to the Parliamentary Standing Committee on Public Works in response to the Committee's Tenth Report of 2000, *DEVELOPMENT OF 90 APARTMENTS IN DARWIN*, p. 9.

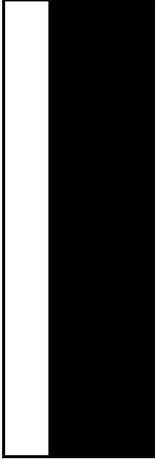
General comments

- 3.1 As with the Committee's Inquiry into the proposed development of apartments in Carey Street, the consideration of responses prepared by the Defence Housing Authority (DHA) has presented certain challenges.
- 3.2 The Committee has found DHA willing to comply with all of its recommendations and recognises the efforts of the current Managing Director in seeking to improve the organisation.
- 3.3 DHA's willingness to comply with the Committee's recommendations has been evident in the provision of its detailed response, including the AC Nielson survey and the URS environmental report. This willingness was also evident from the 7 February 2001 meeting with all members of the DHA Board of Directors, led by the Chairman of the Board.
- 3.4 The Committee recognises that there are challenges for a Commonwealth agency, such as DHA, which is charged with operating in a commercial environment while remaining accountable to the Parliament. The Committee is firmly of the view that, while at times it may be difficult to achieve an appropriate balance, it is not impossible to do so.
- 3.5 Since tabling its Tenth Report of 2000, the Committee has expended significant effort in further examination of the proposed apartment towers at the Carey Street site. At this time the Committee has some reluctance in approving the proposed work, which primarily is linked to:
- the need for the work; and
 - the operation of the rental assistance program.
- 3.6 These issues leave unresolved the matter of the value for money of the work from the taxpayers' point of view.

- 3.7 Following approval by the Committee the DHA Board of Directors will proceed to consider whether the work proceeds. The Board of Directors will accept responsibility for the success or otherwise of the work. The Committee concludes that the Parliament should not delay the Board from its final consideration of the proposal.

Hon Judi Moylan MP
Chair

1 March 2001



Dissenting Report—Senator Shayne Murphy

Introduction

I do not agree with views of the Committee contained in Chapter 2 and Chapter 3 of the Report. In particular, I do not agree with the Committee's conclusion that the Parliament should not delay the Board from its final consideration of the proposal.

I am strongly of the view that the Parliament should not approve the proposal.

Concerns

During the Inquiry I was particularly concerned with the issues of:

- Native Title;
- air quality;
- apartment configuration;
- a cost benefit analysis of the rental assistance program;
- a survey of Defence personnel on housing preference; and
- provision of value for money cost-effective housing for Defence personnel.

I am of the view that in responding to the Committee's recommendations in its Tenth Report of 2000, the Defence Housing Authority (DHA) responded to all matters with the exception of the cost benefit analysis.

The responses relating to Native Title and Air quality were quite clear and dealt with the concerns raised.

DHA's responses to the Committee's concerns about apartment configuration justified that there was potentially a need for one-bedroom units in Darwin and that DHA now has responsibility for the provision and allocation of singles accommodation. However, DHA's responses did not address the underlying issue of whether or not the proposed Carey Street apartments represented good value for money from a cost effective housing point of view.

In all of its submissions to the Committee, DHA relied heavily on a claim that there was a significant preference among Defence personnel for inner city apartment living.

The Committee had serious doubts about this claim, which was only supported by an ad-hoc Defence Corporate Support personnel survey, and requested further survey work. (The Defence Corporate Support survey alleged that 56 per cent of personnel would accept the offer of an inner city apartment).

The survey requested by the committee was conducted by AC Nielson and, in my view, clearly showed that, at best, only 8 per cent of Defence personnel would prefer to live in a unit. Indeed, only 1 per cent said they wanted to live in a unit, with a further 7 per cent saying they would prefer a unit but would consider a house.

The survey also sought views on living in inner city apartments (which Carey Street is) versus suburbs. This part of the survey found that only 14 per cent preferred inner city living. Significantly, this would further reduce the number being used to justify the construction of three \$28 million inner city apartment towers.

Despite the very clear findings of the AC Nielson survey report, DHA tried to claim that 46 per cent preferred inner city apartment living.

The fundamental question that arises in relation to Carey Street is, 'Does the proposal represent good value for money when considered from the point of view of providing cost effective housing for Defence personnel?'

To make a proper assessment of this question I believe the following questions must be addressed:

- What rental charge will apply to the apartments?
- What rank of personnel be housed in the apartments? and
- What level of subsidy will the Department of Defence be required to pay?

In addressing the cost of rent question, DHA provided evidence to the Committee that:

- a 1 bedroom apartment would rent between \$230 and \$290 per week;
- a 2 bedroom apartment would rent between \$300 and \$360 per week; and
- a 3 bedroom apartment would rent between \$350 and \$420 per week.

By way of a further example, DHA purchased 13 apartments in another high rise apartment development not far from Carey Street. The average cost of those apartments was approximately \$352,000 with rents ranging between \$460 and \$525 per week.

Given that most of the Defence personnel to be housed in these apartments will come from the A, B and B1 group rank housing classifications, it will mean that Defence will be in the main paying the maximum subsidy rate (approximately \$300 per week).

Moreover, many of the apartments' rent levels could be above the Department of Defence determined rent ceiling for these classifications.

In presenting this development proposal to the Committee, DHA failed on two counts. It failed to justify a need and it failed to demonstrate that the project represented value from a cost-effective housing point of view.

There are many other more suitable, desirable and cost effective options available for the provision of housing in the Darwin area and on that basis I urge the Parliament and the Government not to approve the project.

