

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