

Report 5/2014

## Referrals made June 2014

- Proposed fit-out of new leased premises for the Department of Social Services, ACT
- Development and construction of housing for Defence at RAAF Base Darwin, NT

Parliamentary Standing Committee on Public Works

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## Membership of the Committee

**Chair** Mrs Karen Andrews MP

**Deputy Chair** Mr Graham Perrett MP

**Members** Senator Sue Boyce (until 30/06/14)

Senator Matthew Canavan (from 1/7/14)

Ms Sharon Claydon MP

Senator Alex Gallacher

Mr Ian Goodenough MP

Senator the Hon Bill Heffernan (from 1/7/14)

Senator Barry O'Sullivan (until 1/7/2014)

Ms Joanne Ryan MP

Dr Andrew Southcott MP

## Committee Secretariat

|                           |                                 |
|---------------------------|---------------------------------|
| Secretary                 | Dr Alison Clegg                 |
| A/Secretary               | Ms Sara Edson (from 11/08/2014) |
| A/Inquiry Secretary       | Dr Cathryn Ollif                |
| A/Senior Research Officer | Ms Fiona Gardner                |
| Administrative Officers   | Mrs Fiona McCann                |
|                           | Ms Kathy Blunden                |



## List of recommendations

### **2 Proposed fit-out of new leased premises for the Department of Social Services, ACT**

#### **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: Proposed fit-out of new leased premises for the Department of Social Services, ACT.

### **3 Development and construction of housing for Defence at RAAF Base Darwin, NT**

#### **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: Development and construction of housing for Defence at RAAF Base Darwin, NT.





## 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 the 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.<sup>1</sup>
- 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.<sup>2</sup>

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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.<sup>3</sup>
- 1.5 The Committee pays attention to these and any other relevant factors when considering the proposed work.

### Structure of the report

- 1.6 The works considered in this report were referred to the Committee in June 2014. These works were referred by the Parliamentary Secretary to the Minister for Finance, The Hon Michael McCormack MP.
- 1.7 In considering the works, the Committee analysed the evidence presented by the proponent agency, public submissions 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 Committee appreciates, and fully considers, the input of the community to its inquiries. Those interested in the proposals considered in this report are encouraged to access the full inquiry proceedings available on the Committee's website.
- 1.10 Chapter 2 addresses the proposed fit-out of new leased premises for the Department of Social Services, ACT. The estimated cost of the project is \$55.86 million, excluding GST.
- 1.11 Chapter 3 addresses the development and construction of housing for Defence at RAAF Base Darwin, NT. The estimated cost of the project is \$53.36 million, excluding GST.
- 1.12 Submissions are listed at Appendix A, and hearings and witnesses are listed at Appendix B.

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3 The Act, Section 17.

## Proposed fit-out of new leased premises for the Department of Social Services, ACT

- 2.1 The Department of Social Services (DSS) seeks approval from the Public Works Committee (the Committee) to commence works on an integrated office fit-out of leased accommodation in a new building to be developed in the Australian Capital Territory (ACT). The size of the proposed fit-out is 30,400m<sup>2</sup>.
- 2.2 DSS' National Office is currently housed in leased buildings in six locations in the ACT. The largest of these is the Tuggeranong Office Park (TOP) facility which comprises ten buildings totalling 33,045m<sup>2</sup> net lettable area. The lease on this facility expires on 5 December 2016.
- 2.3 DSS explained to the Committee that the project seeks less total floor space than it currently occupies because:

At the time we were going out to the request for proposals, in November last year, the administrative orders to change the arrangements of departments had already been made, so we were in what you might call a state of flux in terms of what the new department was going to look like and which people were going to be where and bringing them together. ... In practice, what we have ended up with is 30,400, which is at the lower end of that range. That is because, in the course of reviewing our requirements as a new Department of Social Services ... we had a significant body of people in Woden. ... Overall we will have 14,628 square metres that we have through an MOU with Health in Woden, and the balance, which is the 30,400, in this proposal. That is why it went down—because we ended up as a different department with different options for the location of staff, one of

which included using the existing premises that the former Department of Health and Ageing had.<sup>1</sup>

- 2.4 DSS told the Committee that the need to identify future accommodation was initiated in response to the impending expiration of the TOP lease, deficiencies associated with the current accommodation, and broader property portfolio inefficiencies.
- 2.5 DSS has established an indicative budget of \$55.86 million (excluding GST) for the proposed fit-out of the new office accommodation. This budget includes provision for contingencies, cost escalation and associated professional fees.<sup>2</sup>
- 2.6 DSS will reduce its outlays on its main office accommodation in Tuggeranong by more than \$7 million per annum under the proposed arrangement:
- Over the initial term of the new lease this equates to more than \$100 million and, taking account of the up-front costs to government of \$26.8 million, this proposal will still yield over \$70 million [over the term of the lease] in savings compared to the cost of the current lease.<sup>3</sup>
- 2.7 The project was referred to the Committee on 3 June 2014.

## Conduct of the inquiry

- 2.8 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.9 The Committee received one submission and one confidential submission from DSS. The public submission to the inquiry is available on the Committee's website.<sup>4</sup>
- 2.10 The Committee visited the site of the proposed construction in Greenway, ACT on 18 July 2014. During the on-site visit representatives of DSS briefed the Committee on the project.
- 2.11 Following the on-site briefing, the Committee conducted a public hearing and an *in-camera* hearing in Parliament House. The transcript of the public hearing is available on the Committee's website.<sup>5</sup>

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1 Mr Peter Broadhead, DSS, transcript of evidence, 18 July 2014, p. 5.

2 DSS, submission 1, p. 6.

3 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 1.

4 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

5 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

## Need for the works

2.12 DSS' property portfolio consists of 71,796m<sup>2</sup> across Australia comprising a National Office located in the ACT (56,796m<sup>2</sup>) with State and Territory Offices located in other capital cities (15,000m<sup>2</sup>). The National Office comprises six leased offices across the Tuggeranong and Woden districts in the ACT.

2.13 The largest of the ACT leases is the TOP lease which expires on 5 December 2016. At the public hearing, Mr Jennaway from DSS told the Committee that:

Our department does not have an option to do nothing. The lease for the department's current major premises in the ACT in Tuggeranong expires in December 2016. We cannot simply enter into a new lease for our existing building or another without first going to market. So we need to be pursuing the most cost-effective solution, taking into consideration the whole-of-life cost and the value for money based on the proposals received.<sup>6</sup>

2.14 DSS' search for suitable office accommodation post the expiration of the TOP lease is driven both by the impending expiry of the lease and by deficiencies associated with the current accommodation and broader property portfolio inefficiencies. To remain in the TOP facility, DSS would need to address a number of deficiencies, including:

- TOP does not comply with current codes and standards such as disabled access and the National Construction Code;
- The security provisions necessary to ensure TOP complies with the Australian Government Protective Security Policy Framework are inefficient, costly and difficult to manage and maintain;
- The expansive building layout physically separates internal work areas and is not conducive to staff interaction and cohesion in the workplace;
- TOP currently has an occupational density of approximately 15.72m<sup>2</sup> per occupied workpoint – currently the Government's occupational density target is 14m<sup>2</sup> per occupied workpoint;
- The TOP fit-out (internal design, furniture types and layout/configuration) does not provide flexibility to adapt to the ever changing nature of DSS without incurring significant costs;

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6 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 2.

- The TOP lease is a triple net lease which is the most expensive type of lease and requires the Commonwealth to pay costs more usually the responsibility of the lessor (e.g. rates, taxes and base building maintenance costs). The high cost associated with this lease affects the operational efficiency of the Department and is not consistent with market rates or the Commonwealth Property Management Guidelines;
- The TOP buildings are 23 years old and maintenance costs are payable by the Commonwealth under the triple net leasing arrangement. Significant repairs and maintenance are required, for example the deterioration of the roofs have caused multiple leaks and the essential plant and equipment is at the end of its economic life; and
- A policy objective of the Commonwealth is that the minimum requirement for leased accommodation (base building and fit-out) is a 4.5 star National Built Environment Rating System (NABERS) rating. Only two of the ten buildings at TOP are compliant with this policy.<sup>7</sup>

2.15 The Committee is satisfied that the need for the works exists.

### DSS' preferred option

- 2.16 DSS told the Committee that it is seeking to provide its employees with an efficient and sustainable work environment which will meet the organisation's needs for the next 15 to 25 years.<sup>8</sup>
- 2.17 DSS wants to achieve co-location of ACT based staff in no more than two locations in Woden and Tuggeranong without incurring substantial financial penalties which would render any proposal economically unsound.
- 2.18 It also wants to provide "high quality, versatile, secure and flexible office accommodation for the Department".<sup>9</sup>
- 2.19 Recognising that it was not feasible to renew the existing lease for the reasons expressed above, DSS evaluated the following six options to determine the best value for money solution for its accommodation requirements beyond December 2016:
- Lease an existing building;
  - Lease a developer built building;

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7 DSS, submission 1, pp. 8-9.

8 DSS, submission 1, p. 10.

9 DSS, submission 1, p. 11.

- Build Own Operate Transfer;
  - Design Build Operate;
  - Public Private Partnership; and
  - Hybrid Financing Model (formerly referred to as Private Finance Initiative).<sup>10</sup>
- 2.20 DSS decided that the most cost effective solution to pursue would be to lease an existing building or to lease a new building which a developer builds. DSS told the Committee that the Department of Finance endorsed this decision.<sup>11</sup>
- 2.21 An open market Request for Expressions of Interest to supply suitable office accommodation received thirteen submissions of which four respondents were assessed as providing potentially viable solutions. The four were invited to submit details of their long term accommodation solutions for DSS.<sup>12</sup>
- 2.22 A total of nine options were submitted by the four shortlisted respondents. An evaluation of these submissions assessed each option against the predetermined, approved evaluation criteria and the preferred respondent was identified.<sup>13</sup>
- 2.23 The preferred option is to lease a developer-built building and seek approval to carry-out an integrated fit-out of 30,400m<sup>2</sup> of that building. It is proposed that DSS will be the sole occupant of the building which is adjacent to DSS' current accommodation at the TOP facility. This option would enable DSS to let go of its existing leases on Guilfoyle House, Holwell Street, Aviation House and Corinna Street.
- 2.24 The developer has a Crown Lease on the project site.<sup>14</sup>

## Scope of the works

- 2.25 DSS will occupy the entire building comprising lower ground floor, ground floor and floors 1 to 5.
- 2.26 The scope of the proposed fit-out works includes:

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10 DSS, submission 1, p. 6.

11 DSS, submission 1, p. 7.

12 DSS, submission 1, p. 7.

13 DSS, submission 1, p. 7.

14 DSS, submission 1, p. 12.

- Design and construction of services to be integrated with the base building works including electrical, mechanical, communications, security, fire and hydraulic services;
- Design and fit-out to conform to the Department's operational requirements including construction of the reception areas, general office fit-out and open plan work areas to comply with the occupational density target of 14m<sup>2</sup> per occupied workpoint and to standards commensurate with contemporary, modern Commonwealth office accommodation including:
  - ⇒ Auditorium complete with video conferencing and recording facilities;
  - ⇒ IT build/test rooms;
  - ⇒ Records Management;
  - ⇒ Library;
  - ⇒ Multi-purpose rooms including first aid, multi-faith, carers/feeding rooms;
  - ⇒ Secured legal services area (Fraud Team specifically);
  - ⇒ Mail room - design to follow minimum security requirements for mail scanning;
  - ⇒ Assessment Centre (variable capacity)
  - ⇒ Store/loading dock facility;
  - ⇒ IT warehouse;
  - ⇒ Breakout spaces, quiet rooms and casual meeting space;
  - ⇒ Communications room;
  - ⇒ Conference and training facilities;
  - ⇒ Dedicated First Aid room;
  - ⇒ Amenities areas;
  - ⇒ Kitchens;
  - ⇒ Social club; and
  - ⇒ Showers and lockers.
- Design and installation of security controls including a security alarm system, an electronic control system, door hardware and electronic access control at the main entrances, other entrances, exits, vehicle access points and internal areas with higher than normal security needs;
- A lighting control system to reduce energy consumption in tenant areas including the ability to automatically turn off lights in unoccupied



rooms and to provide reduced lighting levels when appropriate, such as reduced lighting levels for access after-hours. Some additional lighting will be provided as required in partitioned rooms;

- Data cabling throughout the tenant areas including phone and computer outlets at each workpoint. The cabling infrastructure will provide saturation cabling to in-ceiling consolidation points and be designed to cater for future capabilities in order to provide future flexibility and efficiency related to departmental needs;
- The building design and fit-out will enable the Department considerable flexibility to meet its ever-changing accommodation requirements.<sup>15</sup>

- 2.27 The fit-out will comply with all relevant requirements of the National Construction Code - Building Code of Australia (BCA) 2014 including Disability Access, ACT Planning and Land Management and relevant Australian Standards. It will also comply with the Protective Security Policy Framework and agency security requirements.<sup>16</sup>
- 2.28 The provision of ICT services provided in the base building will be integrated with the fit-out works.<sup>17</sup>
- 2.29 Fixed furniture and joinery items include fixed shelving, pigeon holes, utility room cupboards and benching, meeting rooms, benching, kitchen facilities, interaction benching and kitchenettes, shelving, sink units and storage cupboards. Loose furniture to offices, open workpoints and office support spaces including meeting rooms will be modular and flexible.<sup>18</sup>
- 2.30 DSS told the Committee that it is committed to Ecologically Sustainable Development (ESD) and the reduction of greenhouse gas emissions. The building's objective is to achieve best practice in sustainable design in accordance with the Environmental Efficiency in Government Operations (EEGO) policy. The Base Building will be designed to achieve a 5 Star NABERS energy rating and 5 star Green star as-built base building rating. The fit-out will achieve a minimum 4.5 Star NABERS energy rating and self-assessed 4.0 star Green star interiors rating.<sup>19</sup>
- 2.31 The design of both the base building and fit-out include exemplary equitable access provisions for persons with a disability in accordance

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15 DSS, submission 1, pp. 14-15.

16 DSS, submission 1, p. 16.

17 DSS, submission 1, p. 19.

18 DSS, submission 1, p. 20.

19 DSS, submission 1, p. 21.

with the Disability Discrimination Act (DDA), the relevant technical requirements of the National Construction Code - Building Code of Australia, Access to Premises Standard (2010) and associated Australian Standards.<sup>20</sup>

2.32 The Base Building and fit-out will comply with the requirements of the Work Health and Safety Act 2011 (Commonwealth) and Work Health and Safety Act 2011 (ACT).<sup>21</sup>

2.33 There are no known heritage issues that are required to be addressed in relation to this proposal.<sup>22</sup>

2.34 At the public hearing the Committee asked DSS why it has reduced the number of square metres which it requires. Its initial request indicated that the net lettable area of the accommodation DSS was seeking was 38,000 square metres but the proposal in front of the committee is for 30,400 square metres. DSS was asked if the lesser amount would be sufficient to not only meet DSS' current needs but potentially future needs over the lease period.

2.35 DSS informed the Committee that due to uncertainties about future department size:

... we went out for 38,000 square metres plus or minus 20 per cent ... what we have ended up with is 30,400, which is at the lower end of that range. That is because, in the course of reviewing our requirements as a new Department of Social Services ... [w]e now have responsibility for ageing and aged care, which were previously with the Department of Health and Ageing. We chose to leave those people in Woden through striking a memorandum of understanding with the Department of Health to occupy three floors of the Sirius building in Woden. ... meeting the balance of our requirement in the redevelopment in Tuggeranong. Overall we will have 14,628 square metres that we have through an MOU with Health in Woden, and the balance, which is the 30,400, in this proposal. That is why it went down ... .<sup>23</sup>

2.36 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

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20 DSS, submission 1, p. 24.

21 DSS, submission 1, p. 25.

22 DSS, submission 1, p. 25.

23 Mr Peter Broadhead, DSS, transcript of evidence, 18 July 2014, p. 5.

## Cost of the works

2.37 The estimated cost of the project is \$55.86 million, excluding GST. This budget includes provision for contingencies, cost escalation and associated professional fees. Funding for this initiative will be met, in part, from a lease incentive, with the balance to come from funds appropriated from DSS.<sup>24</sup> At the public hearing, Mr Jennaway told the Committee that:

... \$26.8 million has been provided from the government towards the fit-out, project management and other costs, and the remaining funds will be met through a lease incentive.<sup>25</sup>

2.38 As mentioned above, DSS will reduce its outlays on its main office accommodation in Tuggeranong by more than \$7 million per annum under the proposed arrangement.<sup>26</sup>

2.39 DSS will construct the fit-out concurrently with the base building as an integrated fit-out. This work will be undertaken on a cost-plus basis, DSS will pay competitively tendered prices for goods and services received and the developer will charge a percentage fee for management of the works.<sup>27</sup>

2.40 In the public hearing the Committee noted that the cost per square metre is at the high end of the scale of what has come before it for fit-outs of Commonwealth offices over recent years. DSS told the Committee that the government has recently revised the occupational density target from an average of 16 m<sup>2</sup> per occupied work point to 14 m<sup>2</sup> and this increases the cost per square metre by 12.5 per cent. Mr Jennaway said:

... It does not actually increase the cost of the fit-out per person *per se*, but if we are looking per square metre it does increase that rate. In other words, had those previous projects been required to meet the higher density target, as this one needs to, the average would have been around \$1,930 per square metre. So the rate that we have put on the table for this project would be coming in some \$90 per square metre better than that.<sup>28</sup>

2.41 DSS provided further detail on the project costs in its confidential submissions and during the *in-camera* hearing.

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24 DSS, submission 1, p. 26.

25 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 1.

26 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 1.

27 DSS, submission 1, p. 26.

28 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 2.

- 2.42 The Committee considers that the costs estimates for the project have been adequately assessed by DSS and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

## Other considerations

### Staff Consultation

- 2.43 The Department of Social Services supports the Australian government in relation to programs that constitute more than a third of total Australian government outlays and it seeks:

... to provide the people who undertake this work with an efficient and sustainable work environment which meets the organisation's needs for the next 15 to 25 years.<sup>29</sup>

- 2.44 DSS told the Committee that in order to ensure the project will deliver the most cost effective, functional and quality outcome within budget and program constraints, it's project team will engage with:

... the Work Health and Safety committee, Equity and Diversity representatives, Information Management and Technology Group, the Workplace Consultative Forum and the Executive Management Group.<sup>30</sup>

- 2.45 DSS went on to say that:

The ability for the Department to provide a reasonable level of office accommodation, similar to other recent Commonwealth office accommodation, is an important factor in maintaining staff satisfaction and attracting skilled and experienced staff.<sup>31</sup>

## Committee comments

- 2.46 The Committee accepts that the need exists for the Department of Social Services to find solutions to its impending lease expiration.

- 2.47 The Committee is satisfied that DSS followed due process comprising:
- open market Request for Expressions of Interest to supply suitable office accommodation;

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29 Mr Steve Jennaway, DSS, transcript of evidence, 18 July 2014, p. 1.

30 DSS, submission 1, p. 29.

31 DSS, submission 1, p. 29.

- subsequent shortlisting of four of the 13 submissions, and
  - eventual identification of DSS' preferred option.
- 2.48 The Committee has noted that over the term of the proposed lease the Commonwealth will achieve approximately \$70 million in savings compared to the cost of DSS' current lease.
- 2.49 The Committee notes that the cost per square metre appears high compared to the range of Commonwealth fit-outs that the Committee has recently examined. However, DSS is using the Government's new density ratio for this project which means that the cost per square metre falls within the price range that the Committee considers to be acceptable, based on other recent Commonwealth fit-outs.
- 2.50 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 2.51 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 report template can be found on the Committee's website.
- 2.52 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**

- 2.53 **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 fit-out of new leased premises for the Department of Social Services, ACT.**



## Development and construction of housing for Defence at RAAF Base Darwin, NT

- 3.1 The Department of Defence (Defence) and Defence Housing Australia (DHA) propose to create a new on-base housing precinct through the redevelopment of previously developed urban land on RAAF Base Darwin, Northern Territory (NT).
- 3.2 The project will provide 80 modern dwellings that meet the housing entitlements of junior Defence members and the DHA's guidelines for tropical housing design.
- 3.3 The project also proposes to enhance the amenity and sustainability of the housing precinct and address current substandard infrastructure.<sup>1</sup>
- 3.4 The estimated cost of the project is \$53.36 million, including GST.
- 3.5 The project was referred to the Committee on 5 June 2014.

### Conduct of the inquiry

- 3.6 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.7 The Committee received two submissions and two confidential submissions from the proponent agencies. The public submissions to the inquiry are available on the Committee's website.<sup>2</sup>
- 3.8 The Committee received a briefing from representatives of the proponent agencies and visited the site of the proposed project on 18 August 2014.
- 3.9 The Committee conducted a public hearing and an *in-camera* hearing in Darwin on 18 August 2014. The transcript of the public hearing is available on the Committee's website.<sup>3</sup>

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1 Department of Defence (Defence) and Defence Housing Australia (DHA), submission 1, p. 13.

2 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

## Need for the works

- 3.10 There are approximately 4,500 Defence members residing within the Darwin Defence Housing Forecast area, and of this approximately 1,800 are members with dependants. These members are posted to Defence establishments in the Darwin area, including RAAF Base Darwin.
- 3.11 The standard and availability of housing for Australian Defence Force (ADF) members and families in Darwin has been a longstanding concern for Defence. Currently, there is a heavy reliance on the private rental market which suffers from significantly low vacancy rates and sub-standard on-base housing.<sup>4</sup>
- 3.12 To meet the housing needs of these families, DHA manages approximately 2,200 dwellings in the Darwin area, including 108 Defence owned-dwellings located on RAAF Base Darwin. The remainder are Defence and DHA properties in other areas of Darwin. At 1 March 2014, there was an additional 185 families or 10.74 per cent of the total in private rental accommodation and receiving a housing subsidy in the form of Rent Allowance.<sup>5</sup>
- 3.13 The provision of Rent Band 1 (RB1) houses in Darwin, which match the entitlements of junior Defence members, remains a difficult issue as a result of challenging housing market conditions in the region. Defence and DHA have determined that a major project to build 80 new on-base dwellings is a cost-effective means of supplying bulk housing that meets the minimum standard for families of junior Defence members posted to Darwin.<sup>6</sup>
- 3.14 The Committee is satisfied that the need for the works exists.

## Options considered

- 3.15 A review of Defence's housing requirements conducted in 2008 and again in 2010 indicates that the availability of housing in Darwin was insufficient to meet Defence's housing needs and a limited number of houses needed to be retained on bases in the Darwin area.<sup>7</sup>
- 3.16 The acquisition of 'broad acre' land within local communities followed by development and construction is DHA's preferred delivery method. This is due to the economies of scale associated with bulk procurement of

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3 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

4 Defence/DHA, submission 1, p. 1.

5 Defence/DHA, submission 1, p. 1.

6 Defence/DHA, submission 1, p. 2.

7 Defence/DHA, submission 1, p. 2.



house constructions, surety of supply and higher margins associated with wholesale land development.<sup>8</sup>

3.17 DHA is currently undertaking 'broad acre' development and construction at Muirhead, a new northern Darwin suburb approximately 16km north by road from RAAF Base Darwin and 16km north east from the Darwin CBD. DHA is also in the final stages of negotiation for the transfer of another site that is located adjacent to the Muirhead development, which will provide another opportunity for DHA to develop houses that will provision the Darwin Region. Due to market forces the housing product delivered at these developments is mostly above the RB1 level, minimum entitlements of junior Defence members.<sup>9</sup>

3.18 Other options include 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. Defence's review indicated that all of these options were required to meet Defence's housing needs.<sup>10</sup>

3.19 The alternative of upgrading the existing houses to Defence's minimum standard and NT Building regulations was investigated. The standard of existing houses is significantly below that provided to ADF members in other areas. The houses do not comply with the minimum standard of the Defence Housing Classification Policy (HCP) introduced in 2007.

3.20 Upgrading the existing on-base houses was not considered to be cost effective. While the upgrade option is initially marginally cheaper, it is more complex to deliver. Additionally this option lacked the long term viability and longevity of building new houses on RAAF Base Darwin.<sup>11</sup>

3.21 The Committee is satisfied that the provision of new on-base housing is a suitable option to meet the need for the works.

## Scope of the works

3.22 The scope of the proposed works includes:

- Redevelopment of the project area into an 80 allotment residential precinct of detached dwellings. The 80 dwellings will comprise of 50 three bedroom and 30 four bedroom HCP compliant Service Residences exclusively for Defence use.

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8 Defence/DHA, submission 1, pp. 2-3.

9 Defence/DHA, submission 1, p. 3.

10 Defence/DHA, submission 1, p. 3.

11 Defence/DHA, submission 1, p. 3.

- Upgrade and construction of civil infrastructure to support the construction of the 80 contemporary single dwelling allotments, with an average area of 550m<sup>2</sup>.
  - Retention and upgrade of the existing street grid, with new pavements and renewed drainage infrastructure.
  - Retention of over 75% of existing mature vegetation.
  - Development of a new central open space that is suitable for recreation and a number of community facilities.<sup>12</sup>
- 3.23 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

### Cost of the works

- 3.24 The estimated cost of the project is \$53.36 million, including GST.
- 3.25 The agencies provided further detail on the project costs in the confidential submissions and during the *in-camera* hearing.
- 3.26 The Committee considers that the cost estimates for the project have been adequately assessed by the agencies and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating the Committee makes no comment in relation to this matter.

### Other considerations

#### Flood mitigation and community consultation

- 3.27 Flood mitigation is a key consideration in Darwin. Areas of RAAF Base Darwin, including the project site, have been subject to flooding in the past. Neighbouring off-base residents, particularly those in The Narrows, which adjoins the project site, have also been impacted.
- 3.28 To assist with flood mitigation, the project site has been partially redesigned to include additional stormwater runoff measures:
- ... over on the east side where this development abuts with The Narrows residences we have now engineered to include a flood abatement swale. This will be a grass covered channel. It will protect the [Narrows'] residences to the south-eastern side of our development from any flood that comes from the number of houses there that butt up to the residences.<sup>13</sup>

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12 Defence/DHA, submission 1, pp. 13-14.

13 Mr Peter Howman, DHA, transcript of evidence, 18 August 2014, p. 3.

- 3.29 The new site plan is Submission 1.2. It is available on the Committee's website.<sup>14</sup>
- 3.30 At the public hearing, DHA stated that this design:  
... takes into account the run-off resulting from the existing developed areas to the north, external of the project area, and addresses the current flooding occurrences during peak flow events downstream, both within and external to the project area.<sup>15</sup>
- 3.31 The stormwater plan for the project site addresses these complexities:  
The actual stormwater plan is effective at a number of levels. The first is outside of our project area. The catchment of water will occur before it gets onto the project area, knowing that the stormwater is moving north to south. Once it is on the project area, there is significant rectification of the drainage within the patterns that we already have. There will also be a number of retention basins, which we have seen – in particular the one in the south-west part of the development. With regard to the swale and the stormwater that will be exiting our site, we are using a hydrodynamic separator. The hydrodynamic separator uses the cyclical action of the water to release some of the floating particles, and then it flows through some filtration to ensure that the water that is departing our site is appropriate with regard to the water-sensitive urban design of the greater Darwin area, the Darwin Bay area.<sup>16</sup>
- 3.32 Significantly, DHA stated that its stormwater plan and water capture and release methods will not increase flooding elsewhere:  
It is important that we ensure that the water released is not greater than what has been released in the past. If we were to capture more water and release more water at a greater rate, we would essentially be flowing the flooding issue further downstream. The way we combat that is to retain water on site. We are doing that by having pipes and culverts that are greater than the initial size required so that the actual water system itself and the carriage of those pipes is able to retain water and ensure that, as the water leaves our site, it is leaving at essentially the same peak rate as it did previously.<sup>17</sup>

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14 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

15 Mr John Dietz, DHA, transcript of evidence, 18 August 2014, p. 2.

16 Mr John Dietz, DHA, transcript of evidence, 18 August 2014, p. 7.

17 Mr John Dietz, DHA, transcript of evidence, 18 August 2014, p. 7.

- 3.33 The Committee is satisfied with the stormwater plan, the use of new technology and the redesign of the project site to improve flood mitigation. The Committee notes that separate flood mitigation works are being undertaken elsewhere on RAAF Base Darwin to address flooding on the base.
- 3.34 The proponent agencies undertook various community consultation activities with Defence residents, neighbouring residents, and the general public.<sup>18</sup> This included a public community consultation session on 15 August 2014.<sup>19</sup> Flood mitigation was raised as an issue during these consultation events.
- 3.35 A consultation session specifically for residents of The Narrows was held on 14 June 2014.<sup>20</sup> During consultation with residents:
- They raised concerns about the long-term issues of flooding that comes from the RAAF base. We presented with an engineer and DHA the solution as part of the modelling that had been done to date. We showed them the designs and how we were going to treat the water and alleviate the problem that is currently affecting them. They left that meeting very comfortable, knowing that we were doing something. By that stage we had already cleared the 15-metre verge that you saw today. We spoke to them on a one-to-one basis after the presentation to assure them that Defence was actually doing something. We gave assurance to them that, before the coming wet season, we would have that mitigation strategy in place to address the stormwater run-off from the RAAF base.<sup>21</sup>
- 3.36 The Committee is satisfied that the proponent agencies undertook adequate consultation with local residents and addressed their concerns, particularly with regard to flood mitigation. The Committee did not receive any submissions from members of the public and no members of the public attended the public hearing.
- 3.37 The Committee expects the proponent agencies to continue to consult with affected residents as the project progresses, and to address any issues that may be raised.

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18 Mr Peter Howman, DHA, transcript of evidence, 18 August 2014, p. 6.

19 Mr Alan McClelland, Defence, transcript of evidence, 18 August 2014, p. 6.

20 Mr Alan McClelland, Defence, transcript of evidence, 18 August 2014, p. 6.

21 Mr Guy Taylor, Defence, transcript of evidence, 18 August 2014, p. 6.

## Committee comments

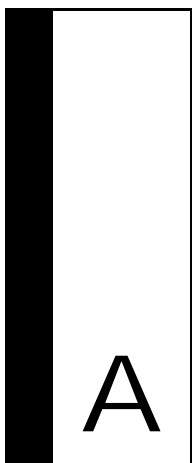
- 3.38 The Committee notes the significant upgrades to civil and drainage infrastructure in this project, the retention of existing streets and trees, and the development of flood mitigation measures.
- 3.39 The Committee also notes the inclusion of a central open recreation and community space for residents that offsets the smaller housing allotments and increased housing density in the project site.
- 3.40 As noted in the previous section, the Committee is pleased with the community consultation undertaken as part of the project and expects consultation to continue.
- 3.41 The Committee is satisfied that the proponent agencies will undertake appropriate contamination tests at the project site in accordance with Australian standards, and follow the required remediation processes if contaminants are found.
- 3.42 The Committee did not identify any issues of concern with the proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 3.43 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 report template can be found on the Committee's website.
- 3.44 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

- 3.45 **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 Darwin, NT.**

**Karen Andrews MP**  
**Chair**

**28 August 2014**



## Appendix A – List of Submissions

### Proposed fit-out of new leased premises for the Department of Social Services, ACT

1. Department of Social Services
  - 1.1 Confidential

### Development and construction of housing for Defence at RAAF Base Darwin, NT

1. Department of Defence and Defence Housing Australia
  - 1.1 Confidential
  - 1.2 Department of Defence and Defence Housing Australia
  - 1.3 Confidential







## Appendix B – List of Hearings and Witnesses

Proposed fit-out of new leased premises for the Department of Social Services, ACT

Friday, 18 July 2014 – Canberra, ACT

### Public Hearing

Department of Social Services

Mr Michael Lye, Acting Deputy Secretary/Chief Operating Officer

Mr Peter Broadhead, Branch Manager, Property, Environment, Procurement and Security Branch, Finance and Services Group

Mr Steve Jennaway, Group Manager, Deregulation, Assurance and Property Group

Point Project Management

Mr Grant Milthorpe, Canberra Principal

### In-Camera Hearing

Five witnesses

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## Development and construction of housing for Defence at RAAF Base Darwin, NT

Monday, 18 August 2014 – Darwin, NT

### Public Hearing

#### Defence Housing Australia

Mr Peter Howman, Managing Director

Mr John Dietz, General manager Property Provisioning Group

Mr Craig Smith, Program Director

#### Department of Defence

Mr Mark Jenkin, Head Defence Support Operations

Mr Alan McClelland, Director Relocations and Housing, Defence Support and Reform Group

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

GPCAPT Scott Winchester, Director Infrastructure Plans – Air Force, Air Force HQ

### In-Camera Hearing

Seven witnesses