

## **Senate Standing Committee on Foreign Affairs, Trade and Defence**

### **References Committee – Public Hearing of the inquiry into the operations of Defence Housing Australia**

#### **Speaking notes – Hon Sandy Macdonald**

Chair, deputy chair, members, senators.

As chairman of Defence Housing Australia's Board of Directors, I am pleased to be here today, speak on behalf of the organisation and facilitate questions.

As a community, we ask much of the men and women of the Australian Defence Force, even in times of peace.

We ask them to be in a constant state of readiness, spend time apart from their family when training or on deployment and relocate frequently to progress their careers. It's arduous and, at times, dangerous.

That is why successive Australian Governments have recognised that providing adequate and suitable housing to ADF members and their families is of paramount importance.

High quality housing that is mostly above community standard and integrated within the community is a vital component of the ADF employment offer.

It not only helps to attract and retain high calibre, dedicated personnel but is a vital part of maintaining a highly effective and fully combat capable Defence Force.

Equally, it provides substantial support to Defence families, contributing to their wellbeing and security, and mitigating some of the challenges associated with Service life.

It's why our service commitment to Defence families is so high...because we understand that it's about much more than bricks and mortar...it's about providing a place for them to call "home".

Overcoming these issues was the reason DHA was established as a statutory authority in 1988. And, pleasingly, today I can stand before you and tell you that housing is no longer a key issue affecting ADF members and families.

As highlighted in many of the submissions, DHA has well established capabilities, structures and relationships that are essential to meeting Defence's needs and thereby supporting capability.

DHA and Defence have a positive and productive relationship which achieves the best outcome in meeting both the needs of ADF members and the requirements of Department, as directed by the Minister.

In addition, DHA not only has an excellent reputation for service delivery, but is seen as being trusted and reliable.

Feedback from both ADF members and families indicates high levels of satisfaction with the housing services we provide—as high as 87% in the 2015 Annual Tenant Survey.

Yet, DHA's business and service delivery model is far from simple. It has been created, critiqued and shaped over nearly 30 years.

Every day, we must strike a balance between good corporate governance, operating commercially, and meeting—if not exceeding—the terms of our service agreements with Defence.

As a self-funded, tax paying entity, we must be strategically logical but also financially prudent.

We must meet shareholder return obligations, including the payment of annual dividends, but not focus on maximising profit over service delivery to our Defence client.

Our sale and leaseback model—where we build properties, sell them to private investors and lease them back for a set term—continues to be the primary source of our capital raising.

And it's mutually beneficial. It is instrumental in helping us maintain a high-quality property portfolio and also provides small and medium investors with a unique product for wealth creation.

Similarly, our construction and development program, including our land banking strategy, ensures we deliver our Defence housing in the right location, to the right specification, at the right time.

It is also a major part of our growth strategy, providing maximum capability to meet ADF housing needs now and into the future.

Not surprisingly, both strategies are the envy of many construction and development companies.

Some have tried to emulate our success and failed. And the sale and leaseback model is regularly considered as a possible model for solving Australia's housing crisis.

In not only provisioning Defence housing, but maintaining it, DHA also contributes to significant job creation and employment, particularly small to medium businesses in regional areas of Australia where similar opportunities are scarce.

And while DHA's business is of a large scale and complex in nature, it doesn't stop us from being dynamic and flexible.

The Board, Executive Group and staff of DHA are all hard working, capable and extremely committed to the service component we provide our shareholders and Defence client.

We have a solid record of achievement, consistently meeting the profitability requirements and performance indicators set out in our Corporate Plan, as well as the provisioning requirements and other contractual obligations agreed with Defence.

We also have an excellent track record in responding to Defence's changing needs, especially in response to fluctuations in housing demand, and are well positioned to adapt in future as needed.

The Board and I are confident that DHA is a thoroughly good organisation, if not one of the most effective, successful Government Business Enterprises in Australia.

I am very proud of the work we do, our accomplishments to date, and what we will achieve in the future in partnership with our shareholders, Defence client, customers, investors, industry and the broader Defence community.