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Managing Director

3 May 2016

Senator A. Gallacher
Senator for South Australia
Chair
Foreign Affairs, Defence and Trade References Committee
(Inquiry into the Operations of Defence Housing Australia)
PO Box 6100
Senate
Parliament House
Canberra ACT 2600

Dear Senator Gallacher

I am writing to you in your capacity as the Chair of the Foreign Affairs, Defence and Trade References Committee for the Inquiry into the Operations of Defence Housing Australia (DHA). The purpose of my letter is to provide further information to the Committee following the hearing held on 23 March 2016.

The information contained in the attachment provides information which may be beneficial to Committee members.

Yours sincerely

Jan Mason
Acting Managing Director



Information from DHA following the Senate Inquiry held on 23 March 2016

The purpose of the information contained in this attachment is to clarify and expand on some of the points made by witnesses who attended the Inquiry on 23 March 2016 for the benefit of the Committee.

- The point made by Mr James that the DHA Board would benefit from more housing industry experience is noted. The Board currently comprises seven members. One member, Ms Williams, has considerable housing industry experience. The Acting Managing Director, Ms Mason, also has previous experience in the NSW Housing Department and more recently in the Department of Finance where she was responsible for property and construction along with other procurement and commercial functions. DHA is also fortunate to have the expertise of Commodore Vicki McConachie, the Chief of the Defence Force nominee to the DHA Board. Commodore McConachie's career in the Royal Australian Navy (RAN) included postings as Commanding Officer HMAS Kuttabul, Chief of Staff to the Inspector General Australian Defence Force, Director General ADF Legal Services, Director General Navy People and Head Navy People and Reputation. As a result of her broad experience in the RAN, Commodore McConachie brings a wealth of expertise on housing for Australian Defence Force members and their families to DHA. There are two long term vacancies and it is hoped that at least one of these will have housing industry experience they can bring to the Board.
- The Chair of the Committee asked Mr Kreitals if '...DHA outsources all its sales and leasing activity right across Australia'. DHA outsources the majority of its SLB activities to its contracted external sales team and also more recently to a panel of real estate agents. In 2014-15, DHA paid approximately \$3 million to 55 real estate agents across Australia for work relating to DHA's sale and leaseback program and the disposal of DHA property. DHA also uses 82 real estate agents across Australia for the management of DHA properties and paid about \$985,000 for these services in 2014-15.
- Mr Grzeskowiak was asked by Senator Dastyari if the Department of Defence or the Minister for Defence had been involved in any way with the departure of Mr Howman. The Board of DHA terminated Mr Howman's appointment under section 48 of the *Defence Housing Australia Act 1987* on 30 October 2015. The Shareholder Ministers and Departmental Secretaries were advised of the Board's decision by correspondence prior to this date.
- The issue was raised regarding the resignation versus termination of Mr Howman's contract as the Managing Director of DHA. DHA can confirm that Mr Howman's position as Managing Director was terminated by the Board under s48 of the *Defence Housing Australia Act 1987* which states that the Managing Director 'holds office during the Board's pleasure.' Mr Howman was paid amounts relating to: outstanding salary, annual and long service leave entitlements and a payment for Compensation for Early

Loss of Office. This was calculated and paid in accordance with the *Remuneration Tribunal Determination 2013/09*. Details of Mr Howman's Compensation for Early Loss of Office have been provided to the Inquiry in a separate response.

- The issue of the potential privatisation of DHA was raised by Committee members and some of the representatives from organisations who provided submissions to the Inquiry. The Minister for Defence advised at the Senate Estimates Committee hearing of 10 February 2016 that the Government does not plan to privatise DHA. The Minister for Finance has also stated publicly that there is no plan to privatise DHA.
- DHA received a copy of KordaMentha's forensic review report on 8 April 2016. DHA is implementing the recommendations in consultation with the Department of Defence and the Department of Finance.
- Some submissions suggested that there is a conflict between the provisions of the *DHA Act 1987* and the *Resource Management Guide No. 126 – Commonwealth Government Business Enterprise Governance and Oversight Guidelines* issued under the *Public Governance, Performance and Accountability Act 2013*. A short way of describing how the requirements fit together is that DHA seeks to provide appropriate housing to Australian Defence Force members and their families on a commercially sustainable basis.