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Proof Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

Reference: Development of 90 apartments in Darwin, Northern Territory

FRIDAY, 29 OCTOBER 1999

DARWIN

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JOINT COMMITTEE ON PUBLIC WORKS

Friday, 29 October 1999

Members: Ms Moylan (*Chair*), Mrs Crosio (*Vice-Chair*), Senators Calvert, Ferguson and Murphy and Mr Forrest, Mr Hollis, Mr Lindsay and Mr Ripoll

Senators and members in attendance: Senators Calvert and Murphy and Mr Forrest, Mr Hollis, Mr Lindsay, Ms Moylan and Mr Ripoll

Terms of reference for the inquiry:

Development of 90 apartments in Darwin, Northern Territory

WITNESSES

DAVID, Mr Edwin Joel, General Manager—Operations, Defence Housing Authority 165

**GOURGAUD, Mr Robb, Manager—Construction and Development, Defence
Housing Authority 165**

**GRASBY, Mr Charlie, Manager—Darwin Housing Management Centre, Defence
Housing Authority 165**

LYON, Mr Keith, Managing Director, Defence Housing Authority 165

Committee met at 9.05 a.m.

DAVID, Mr Edwin Joel, General Manager—Operations, Defence Housing Authority

GOURGAUD, Mr Robb, Manager—Construction and Development, Defence Housing Authority

GRASBY, Mr Charlie, Manager—Darwin Housing Management Centre, Defence Housing Authority

LYON, Mr Keith, Managing Director, Defence Housing Authority

CHAIR—Welcome. Do you want to make a statement prior to questioning?

Mr David—Yes.

CHAIR—Would you please keep it to about five minutes.

Mr David—Following what was heard yesterday, there are several points I would like to reinforce—and I will keep this short. Firstly, the Defence requirement has been reconfirmed. Based on what we had heard, the managing director spoke last night with General Dunn, and Mr Lyon would like to let the committee know of those discussions.

Mr Lyon—General Dunn confirmed that there is a Defence requirement for 60 units. He also confirmed that he would like to see some balance between community and Defence people. So he has confirmed that he desires us to proceed with the whole 90, including the seeking of additional approval—which we do not yet have—for the planning requirements. If the size of the development were to be scaled down then, because of his wanting to keep one-third of it for non-Defence people, proportionately we would have to reduce the number of Defence people going in there. He is happy with that ratio in this particular development.

Mr David—I will respond to some of the points made about the concentration of Defence families. Considering the Department of Foreign Affairs and administration's comments about the Bangkok Embassy, we would emphasise that there is a difference in that we will be housing people from several different installations and Defence establishments around Darwin rather than from one in particular, and that would be part of the allocations management.

The announcement of the railway once again emphasises the pressures that we would anticipate there being in land supply in the territory. It should not be assumed that Lee Point Road will come on quickly as there are many issues to deal with there. In our view, our timing on that one is difficult. We have been alerted to the fact that HMAS *Coonawarra* has sound difficulties, so land access to it will be a problem. Our contention in terms of Carey Street is very much that we have control over a block of land there and we would have options with it. But we would need to make sure that we maximise the Defence occupation of it in accordance with what General Dunn and the rest of the client agencies have asked for. So we really do believe that we have an attractive opportunity on land that we control.

Some of the comments made by people who appeared before this committee yesterday about the attractiveness of the site I do not think really stand up to scrutiny. We believe that the site is extremely attractive, as is attested to by the very fact that the developers who appeared before us yesterday have developments in the immediate vicinity. One declared his concerns about what this site would do to his development, and I think that needs to be noted.

It needs to be emphasised that I have spoken with the Acting Secretary of the Department of Lands Planning and Environment. He asked me to emphasise again very firmly that due process has been followed for the development permit. We have planning approval for the 60, and the additional 30 fit in very comfortably with the Carey Street precinct objectives of the government. He emphasised that the 60 units meet the land use objectives of the territory government. That is an important fact that we should not disregard because that also has impacts on the 30 units and their planning approval. He again emphasised that concerns about the fuel tank and the boat facility can be raised but the committee needs to be advised that, in considering the planning request and in granting the development permit, the Planning Authority was quite satisfied that AS1940 relating to the tanks had been fully complied. In addition, although we did not need to, we have been to WorkCover and to the Australian Standards Council to get reassurance on that. Whilst the tanks will be moved, as the development stands and is designed, it complies with the Australian standard.

In terms of the environmental issues, we have confirmed again, and we have seen the gazettal notice, that native title has been acquired by the Northern Territory government. So there is no liability to the Commonwealth, should a claim arise. The Knuckey Street precinct has been raised. The plans are a bit deceptive, and I apologise for that, but that is the plan we get from the authorities. It is not a road; in fact, it is a walkway. The whole development has been designed to take into account the prospect of that Knuckey Street walkway. The Banyan tree is of importance to the community. In our process there is some flexibility to adjust things like the pool and other aspects. But the roadway, the extension of Carey Street, has been carefully redesigned to ensure that the Banyan tree is protected, and that will be an obligation on the authority and on the builder. I have talked about the fuel tank and the ship repair facility; I am happy to answer any questions on those, but my earlier response covers them.

With the points raised by the other developers, it would appear that the Property Council and both developers seem to support the concept of the 60 and are concerned about the 30. I had our valuers go through a bit of an assessment of some of the things that they have said. It is interesting to note the sales performance of Mr Woodger's development where 70 per cent of his developments at Paladin and Northgate have been pre-sold. That supports our valuer's view that at that top end of the market there is not that oversupply; in fact, there is confidence by builders at that top end of the market. I think the railway will just add to that. That is a quick breakfast assessment though, so I will have to be a bit careful about that.

From our offer register we have provided the committee with projects that have been rejected, and I am more than happy to go into any detail. But the proposals put forward by the two developers who appeared yesterday did not meet our requirements in terms of either amenity or price. I was concerned greatly by Mr McMillan saying that we took an arrogant

stance and would not deal with developers. I will be pursuing that—and in no other way than from within our office—because I just do not believe that. It does not stand up to fact in that we are talking about 60 units here, whereas the bulk of our acquisitions have been with other developers who are able to meet our needs. In fact, I think this project will signal to the development community that, where they can meet our needs, we are more than happy; but, if we cannot get as much as we need out of them, we might have to do this from time to time. So I will be pursuing that, but I just do not think that the assertions made stand up to the facts.

The authority is a GBE and we have to act commercially, and I will deal with the \$31 million and the profit rolled into that. But we are faced with some of the comments that have been made by the developers about the level of profits they are looking for. We have a secure client. We have an obligation to Defence not to do a development and try to get outrageous profits out of it and have an impost on the whole of government in terms of capital usage and an impact on rents.

CHAIR—We are just about out of time. I know that the committee wants to ask a lot of questions.

Mr David—Do you want me to stop there?

CHAIR—I think so, unless there is anything you want to finish on.

Mr David—I would make one critical point relating to the \$31 million. I need to emphasise that, while listening to yesterday's evidence, we could observed the uncertainty of the Darwin City Council with regard to its requirements even at this point in time. It was after our consultation with the Darwin City Council and our tender letters confirming that that we had to up our risk profile for the project and we had to take a worst case scenario to our board. So we have included finance and cost; we have included profit and all these other issues. We have also included costs associated with evaluation and project management structure for the project. So I do not accept a lot of the assertions that have been made by the tenders office.

CHAIR—Yesterday we raised the issue of the availability of a feasibility study for the committee's benefit, in camera, and it can be tabled outside. We do not need to have a separate meeting. This is a feasibility study for the project with 60 units and with 90 units. Clearly, in terms of planning, there is still some doubt about the 30 units. You have approval for 60 units; you do not have approval for 90 units.

Mr David—Yes, there is a requirement to get approval for 30.

CHAIR—That is correct. We would like to see a feasibility study on 630 units.

Mr Lyon—We can provide you with that material.

CHAIR—Thank you. Yesterday, I think the Planning Action Network raised the issue of there being extensive land holdings in Darwin by Defence and a lack of coordination between Defence and Defence housing in terms of what land stocks are available, and the

witness did cite a particular case there. What has been done to do an audit on available land that is held by Defence? Also, what assessments have been done by you in terms of the suitability of those sites for development?

Mr David—I will respond to the Bayview example that was raised. The managing director might want to talk about the broader consultation with Defence in terms of access to land.

CHAIR—First of all, let us get down to it: has there been an audit done of Defence service land that is surplus to requirement?

Mr David—Yes.

CHAIR—When was that done?

Mr David—That is being done continually. We have an agreement with Defence where we have first option for land that might become surplus, and we have to bid on a commercial basis for it. Defence does not necessarily have to accept our bid, but we have first option on it. Then it can go to the open market and we can get it anyway. Wattle Grove in Sydney—

CHAIR—So you know precisely what land is available here in Darwin that is held by Defence.

Mr David—Yes. We have put options on Larrakeyah, Coonawarra, excising of the RAAF base precinct, Lee Point Road. With the way the Defence Estate Organisation works—and the MD may wish to talk about more recent discussions with them—we get a copy of what they call the green book, and we are constantly analysing what we can take from that. We lodge an interest in first option, and then we are constantly negotiating with them as to when that land might become available.

CHAIR—Of the sites that have come up under that process, were there any others that were suitable for multiple dwellings?

Mr David—No, not in Darwin. The Bayview estate mentioned on our plan, to my knowledge—and I will need to check this—was disposed of by Defence prior to the Defence Housing Authority coming into existence. When we came into existence in 1987, work was going on at Bayview, but we were not around at the time it commenced.

CHAIR—So you would dispute the allegation by Planning Action Network, I think it was, that there is no coordination.

Mr David—Absolutely.

Mr Lyon—There certainly is very close coordination now. Mr Corey, who is head of the Defence Estate Organisation, briefed the board on opportunities in Defence's plans right across the whole country. That has now been very firmly locked into our way of thinking.

Mr David—I should also mention that we have looked at the hospital site and Myilly Point. Both of those were far too expensive. From the prices at which they were sold, it was quite clear that we would have been taking our whole development profile significantly up market if we had gone for those.

CHAIR—Another point that was raised yesterday is the environment issue which comes from the activity of the ship repairers and the dust that is flying around. Clearly we were able to see, when going down that road yesterday, signs saying ‘Park here at your own risk’, that there is material floating around in the atmosphere. What has been done to look at possible pollution?

Mr David—We have done two things. Firstly, that issue was dealt with in the processing of the planning application.

CHAIR—How was it dealt with?

Mr David—The issue was raised by plan in that forum. The Planning Authority looked at the issue and the impact on the development and, as part of the development permit, did not see fit to put any conditions about it on the development permit.

CHAIR—Were any tests conducted?

Mr David—I am not sure about that. I can check with our consultants. While I do that, Mr Gourgaud wrote to the appropriate controlling authority in Darwin and asked specifically whether that facility would have an impact on the site.

CHAIR—Does any state authority conduct tests of the material floating around in the atmosphere there and any health implications?

Mr David—I will ask Mr Gourgaud to respond to what inquiries have been made while I go and, if I may, consult with our advisers.

Mr Gourgaud—I consulted with WorkCover and they informed me that Northern Territory WorkCover regulation 156 expressly covers both sandblasting and paint emissions. The regulation states that all those contaminants have to be contained within the site. The inspector who visited the Carey Street site informed me that, if at any time we have evidence of dust or fumes from that site, he is to be informed so that he can go to that facility, inspect it and deal with it accordingly.

CHAIR—But surely the fact that notices must be placed on the front fence of that establishment warning people that, if they park their cars there, no responsibility can be taken is an indication that there are particles floating around in the atmosphere.

Mr Gourgaud—And I would suggest that that facility is negligent.

CHAIR—What do you suggest?

Mr Gourgaud—That facility is negligent if they are not complying with regulation 156.

CHAIR—But you are proposing to do a development and you have an obligation to the people who will occupy the units that are being developed there to make sure that there is not a health hazard in existence. I think there needs to be some testing done to ensure that there is no hazard. It is not good enough for someone to say, ‘Well, under 156 of WorkCover, the emissions must be contained.’ How can they be contained in an open area like that? There is absolutely no way you can contain those emissions. I do not think that is good enough.

Mr David—I have consulted with our consulting engineer and our architects. The response is in line with what I have said: that the NT Planning Authority is the competent authority that is concerned about this. But, if the committee has a concern about this, we are happy to conduct the tests.

CHAIR—I think you should do that. I think it is an important point that was raised in evidence yesterday. It goes to the health of people occupying property in that area.

Mr David—We are as concerned about that as anyone else.

Senator MURPHY—Please refresh my memory. What was the square metreage of the units you purchased in the Horizons development?

Mr David—I do not have those details in my mind.

Senator MURPHY—I will just give you the questions. I want to know the square metreage, the price they were purchased for and the rents you expect to charge for them. We asked yesterday about the results of a survey that was conducted.

Mr David—I have that data.

Senator MURPHY—Perhaps I could see that. The land was purchased for \$2.2 million, I think. In addition to that, you will be confronting a degree of unknown cost at this stage that relates to provision of services, location of stormwater, sewerage, et cetera. Would you normally confront those same costs if you were to purchase land elsewhere?

Mr David—Yes, and we have at Fairway Waters and any other development.

Senator MURPHY—What has been their average estimated cost? Can you let me know what you have confronted in terms of costs in respect of your other developments?

Mr David—That will be included in the in camera feasibility submission we are to make.

Senator MURPHY—I would appreciate that.

Mr FORREST—In your submission, is that referred to as ‘infrastructure liability and headworks charges’?

Mr David—Yes, headworks and infrastructure liability.

Senator MURPHY—I would like to see that. Could you also give me some comparison with other developments you have proceeded with?

Mr David—Bear in mind that each development monetarily will differ because of government requirements. In this case there is the extension of Carey Street and things like that.

Senator MURPHY—I will be quite frank. I want to see whether or not this one might be significantly higher than others.

Mr David—I should mention that we are more than happy to supply that. Just to give you the dimension of what one might have to do when getting land, with Fairway Waters we had an obligation to extend the golf course by another nine holes. In other places we have had to replace schools and things like that. This is the normal thing that a developer faces, but we would be more than happy to provide you with the details as part of our submission on the feasibility.

Mr Lyon—The background is that the authority has been very extensively involved in residential developments over the last decade and has done some very innovative work. This is just the first time with a high-rise situation.

Senator MURPHY—It seems that some criticism has come through about the purchase price of the land and the NT government requires you, as you have stated in evidence, to do certain headworks. I just want to try to make some assessment, difficult as that might be. I am trying to discover whether or not the land was priced in such a way that the headworks and what might be seen to be various other government responsibility works were being folded in through another avenue.

CHAIR—Senator Murphy, I think a valuation was done on the land at the time of purchase, and that was a sworn valuation by a licensed valuer. Is that correct?

Mr David—Yes, it was a sworn valuation by a licensed valuer.

Mr Lyon—A point worth making here is that the authority has been very successful in dealing with the Northern Territory government in getting access to land like this. But we will make the economics of this quite clear in the additional material which we will provide.

Mr LINDSAY—The take-out from the other witnesses yesterday, as I saw it, has not been covered yet. The Darwin City Council, firstly: their evidence was that they did not know about the third block. Why would that be? How could the Darwin City Council not know about the third block?

Mr David—Quite frankly, I do not know. We met with Mr Magill and Julie Cardiff, who is the Senior Town Planner for the Darwin City Council around about January this year. Yes, the main discussion was over the planning application for the 60 units. As part of their concerns, I asked her to pass to me all of the town planning committee's concerns. I agreed to take them on board and to deal with them as part of our planning. We did discuss the 30

units. The last sentence in my letter to them was, 'Look, if you have any further concerns, please contact us.'

Mr LINDSAY—So your evidence is that you did talk to the council; their evidence yesterday was that you did not.

Mr David—Yes.

Mr LINDSAY—But you have documentation on that?

Mr David—Yes. Also our consulting engineer has said that he will tender as evidence a summary of his meeting with the Manager, Engineering and Planning, within the Darwin City Council where there was discussion of the 90 as well. I will tender my correspondence also.

Mr LINDSAY—I also raised with them the concern about visitor parking. Once I had indicated to them that you had given evidence that you were providing two spaces per unit plus visitor, the mayor was happy; he thought that was terrific and there was no concern. But how could it be that the Darwin City Council came here and gave that evidence and did not know what your intentions were?

Mr David—I have to say that I am perplexed at that as well for two reasons. One is that the council is heavily represented on the NT Planning Authority. In fact, it does not have two representatives, as the mayor said, but three. Whilst they do not act as council officers, they certainly would bring to the authority information from council and take back to council, I would have thought, information from the authority.

Mr LINDSAY—I agree. The plan group made three points, which I now give you the opportunity to rebut. First of all, the local manager would not talk to them. What is your view on that?

Mr David—I really cannot say any more than this: as I understand it, when they approached Mr Grasby, he talked to them, but then they wanted to get into some of the sensitive issues associated with this. We have a head office instruction that, for publicity or contentious issues, the matter is to be managed by head office. Therefore, he quite rightly contacted the manager of public affairs in Canberra. We immediately made contact with the plan group and, as Mrs Clinch mentioned, about 3½ hours in Darwin and two hours in Canberra was spent going through each issue with them. At the end of the day Mrs Clinch told us, 'Regardless of what you say, we will oppose this development; we do not want it.'

Mr LINDSAY—On the other hand, she says that the consultation was not genuine and that, after spending a lot of time with you—the hours that you have outlined—your position at the end was exactly the same as at the beginning. So that is the reverse.

Mr David—I have been doing a fair bit of community consultation with the authority, and one reputation not had by me is for consultation by exhaustion. All I can say is that I tried my best.

Mr LINDSAY—The final point they made was that the documentation available was, in their words, ‘poor’.

Mr David—I noticed what Mrs Clinch displayed here and, yes, it was in an attractive folder. But what we did not try to do was duplicate documentation that she would have had as part of her involvement in the planning application consideration. We provided her with information on the Defence requirement, the numbers of houses we required. We did not have the survey at that stage as to choice. So I thought we had provided enough. She never, on either of those occasions or subsequent to that, indicated to us that she needed more.

Mr LINDSAY—James Woodger claimed that there was a zero per cent rate of return on this project. Do you reject that?

Mr David—I reject that totally, and I think the feasibility study that we submit to the committee will show that.

Mr LINDSAY—He said that he would not have bought Carey Street because it was not desirable in that it overlooked the tank farm and because of the sandblasting issue. He and others were basically saying that the character of the area is industrial, and he did not think that was a good investment. What is your response to that?

Mr David—My response to that is that in real estate, as members of the committee would know, you always pay a premium if you go in after everyone has realised they are onto a good thing. One of the art forms is deciding what will be happening. In the case of this site, we had done our homework in terms of what the plans of the Northern Territory government were, the time horizon for that and the time we would take to put something on it. We believe that Mr Woodger is wrong. As part of our in camera submission to the committee, I will also do our version of the sums that Mr Woodger put before the committee in terms of what it would cost him to build the units, because I just do not accept his figures.

Mr LINDSAY—The Darwin Property group said that we should be careful because the 30 units were not approved by the NT Planning Authority. Is that a risk that this committee has to face?

Mr Lyon—It is an issue for the authority rather than for the committee, Mr Lindsay. We are confident that we can secure approval for additional development on that site.

Mr LINDSAY—I take your point and will move on. Matt Coffey was very strong on the fuel tank No. 9. He said that the Australian standard radius of 33.7 metres actually went through four metres of the building, but I do not think that is right. Is that correct?

Mr David—We can clear that up later.

Mr LINDSAY—Not right. Could you confirm that what is in tank No. 9 is not petrol, it is kerosene?

Mr David—It is avgas; it is kerosene.

Mr LINDSAY—So it is not dangerous. He said that it was not a railway dispersal yard, but that is not significant in this issue.

Mr David—Just for the record, our survey work indicates that, whilst there was housing there, the houses were gutted towards the end of it and the houses were used for storage. The site usage was storage. So the submission is correct.

Mr LINDSAY—It was as you said. He said to the committee that the Banyan tree is going to go and it will not survive. It will survive, in your view?

Mr David—All of our planning and design for the site will be catered to protect the tree.

CHAIR—You did say that you would relook at the pool, did you not?

Mr David—Yes.

Mr LINDSAY—Turning to General Dunn's comments, his view is that there should be 90 units provided and there should be one-third outsiders in the development. Would they be mixed through the three tower blocks?

Mr Lyon—I believe so. General Dunn also said that he would be willing to put his views in writing. But yes, that is my understanding.

Mr David—We will have the options. We have not gone down to that level of the allocation of the units but we would be looking at all sorts of factors, including the pets issue and things like that, in arriving at that determination.

Mr LINDSAY—I have one final question in relation to Knuckey Street. I have heard this morning for the first time that it is a walkway and not a road. I raised yesterday the issue of what DHA might finally settle on the price of the land in relation to excising Knuckey Street out of that cost. Mr David, you did not wish to have a public discussion on that. I would appreciate some advice on that during the in camera evidence, thank you.

Mr HOLLIS—When we were talking about available land, Mr David, you said something about Coonawarra which I did not quite hear. Did you say there was a sound problem?

Mr David—I was very conscious of your interest in that particular response. Precinct B is not affected by the sound, but the additional areas that we are seeking to develop on Coonawarra would be affected by Tiger Brennan Drive and the speedway. I had discussions with the Department of Lands, Planning and Environment again yesterday. We had our consultant get a report on the implications in the event of us wanting to excise it. The Department of Lands, Planning and Environment is very doubtful and have asked us to be very aware that sound would be an issue for the development of additional land at Coonawarra.

Mr HOLLIS—I would never say I told you so. Am I wrong in assuming that this is a different or new direction for the Defence Housing Authority in the financing and the building of this block of units? Am I wrong in assuming that every other development you have been involved in—not spot purchasing—such as the development of Wattle Grove has been as a joint venture, and this time you are not going in as a junior partner in a joint venture but as the developer yourself?

Mr David—It can be seen that way but it is really the issue of size of the development—

Mr HOLLIS—No, it is not that. It either it is or it is not. You are either going in as a developer or you are going in as a joint venturer—not whether it can be seen that way or not, whether it is that way or not.

Mr David—I will give examples of where size has made us go in as the single developer rather than in a joint venture: Fairview Ridge in this town we did it ourselves; Chittering Gardens in Perth outside RAAF Pearce, we did that development ourselves, and that was about 300 allotments; we have done a lot of inner city developments in Melbourne; and developments in Somerton Park at the old depot site. So when there is an issue of risk where the authority's board feels that, rather than the authority handling it, it should go into joint venture then we consider joint venture. In considering this project of 90 units, the feeling was that it should be done as an authority controlled project. There are more examples of the authority doing the smaller type projects itself than there are of it doing it as a joint venture.

Mr HOLLIS—But you are going into this purely as a developer. What is different from you and any other developer in Darwin who is putting up 60 or 90 units with the intention of flogging them off—albeit flogging them off and leasing them back but, nevertheless, in the final analysis flogging them off—with the possible exception that you have a secured tenant?

Mr David—That is the main distinction. In this case, the requirements provide more than what we would normally provide in a joint venture arrangement for our tenants in that we are taking two-thirds for our tenants. Because there is a difference in the style of accommodation that has been provided in the past due to lifestyle changes and choice, I think in this case it is quite appropriate for a GBE. By disposing of the additional 30, we are in control of the site for the whole 90 units. Therefore, in terms of Commonwealth outcomes and, more importantly, defence family outcomes it is more desirable to do it this way.

Mr HOLLIS—One final question: if you are going in there as a developer competing on the market with other developers, don't you think there was some validity to the argument put by the developers who came before us yesterday and said you had an unfair advantage—even with, say, Northern Territory stamp duty or things like this? Surely this goes against this government's stated objective that government enterprises should not have an unfair advantage in the marketplace. It seems to me that you are going against current federal government policy.

Mr Lyon—There are three points that I would like to raise there: firstly, the particular advantages in this particular development relate to stamp duty, and they are marginal; and, secondly, the more important government objective here is to ensure that there is appropriate accommodation for members of the Defence Force which is provided at the most appropriate price. The third thing, which relates to your previous question, is that our prime business is the property management business. We are in the business of maintaining and supporting the defence families wherever they are located, whether we own the property or not. Our relationship with this particular building is going to go on for a very long time because we intend to have defence families in it for a long time.

Mr RIPOLL—If I can follow on from that question: what is your understanding of your charter in terms of what you provide and whom you provide it for?

Mr David—My understanding of the authority's reason for being is to meet the operational needs of the Defence Force by providing housing where Defence wants it and when it wants it. But there is a second leg to the charter under section 6 of the Defence Housing Authority Act that, in addition to complying with Commonwealth policies, it has to act commercially. Therefore in the context of this development, as I assume your question is directed, if it is sensible because of the way in which a particular land holding comes to the authority, if there is a sensible balance between achieving the defence operational needs and providing housing to the Defence Force—making sure that by developing the whole of the development ourselves we achieve some of the objectives that the managing director outlined, such as making sure that we follow our property management aspects of long-term holdings and we have the right type of dwelling—and then utilising a commercial approach to ensure that there is a reasonable development margin and that financing costs are taken into account. In this case stamp duty is \$120,000, and we can roll that in—that probably is rolled into the \$31 million, I am not sure about that just yet. If we can come out with a sensible, attractive development that meets the needs of defence families and is done in a very commercial manner, I believe we are achieving our charter.

Mr RIPOLL—I am a bit concerned about the 30 units. I accept what you are saying about working on a commercial basis and I can understand how that would operate, but your charter is to provide defence housing. When you start talking about a separate building from the other two, so a third building with 30 units that are specifically not for defence housing. You said earlier on in your evidence that these are non-defence. So you are now starting to move into the area of private providing, as it were, on a commercial basis but not for defence. Further to that, in relation to competing, where do you see the line being drawn between providing an extra 30 units and just building a commercial property?

Mr David—sure. I will answer that by saying I believe that the way the act was structured, and as evidenced by joint ventures, we have always built for defence housing needs primarily. We have been able to use our need to provide to the Defence Force as being a lever for commercial operation in that we could bring to the table with either another developer or a builder—such as in this case where we are contracting—the fact that we can take a large amount of risk out of the project because of known take-up. That facility has been designed to give the authority the opportunity of using its relationship with Defence to position itself commercially for projects such as this.

To give you some examples, in the case of our joint ventures at Wattle Grove, we retained one-third of the blocks of land and the joint venture sold off two-thirds; in the case of Moverley Green, which started off as a joint venture but became an authority project half way through, we retained 50 per cent of the units and sold off 50 per cent to the public; and in the case of Chittering Gardens, it was one-third, two-thirds sell-off. Mr Ripoll, I believe that what we are doing here sits more than comfortably in that the line is drawn. If we wish to pick up a block of land and design 90 units to sell off to the private sector for private tenants' use, I think that would be unacceptable; where there is a substantial defence purpose involved, I believe it is quite appropriate.

Mr RIPOLL—I accept that. I am just querying it again: because you have approval for 60 and not 90 but your proposal is for 90, there really is a question as to developing 60 or developing 90, 30 of which are quite separate and purely for commercial purposes. They are non-defence. They are not tied in; they are not part of the 60. One is not contingent on the other. What I am trying to draw you on is that these 30 units was a separate decision. We asked this yesterday: if you cannot build the other 30, does it affect your feasibility of building the original 60? Is one contingent on the other?

Mr Lyon—If I could answer it this way: our requirement to offer some of the units to non-defence people is driven by the defence policy not to have—

Mr RIPOLL—But it is not some of the units. This is what I am trying to get at. It is not that you are offering some of the units. If you said to me, 'Some of the 60 units that we are building for Defence will be offered to non-defence people in order to break up the mix inside that building'—

Mr Lyon—That is exactly what I am trying to say—

Mr RIPOLL—But it is 60 separate, and then there is another block of 30 which is non-defence.

Mr David—That does not necessarily have to be the case.

Mr Lyon—That is not the intention.

Mr RIPOLL—That is why I am asking if you could explain your intention—

CHAIR—Could I just say that this information is actually going to come through in camera. We are due to start our next hearing at 10 o'clock. Can I suggest that we examine that material when it comes to us and, if necessary, we can ask further information.

Mr RIPOLL—As long as I get a response to that specific question of the intent—

CHAIR—We have asked for that material in camera and we can deal with that when we can examine the documents, which I think would be far preferable to trying to elicit responses where they clearly cannot be given in the detail that we need them. Have you finished, Mr Ripoll?

Mr RIPOLL—Just one question on native title. Is there a native title claim on that land or is there any native title?

Mr David—As we understand it, there was a claim that was lodged but there was a technicality about the time that was involved. There is statutory timing for consideration of native title and there was an issue there. We made it clear as part of our condition of purchase that we would not finalise the purchase unless the native title issue was clarified. The Northern Territory government assessed its claim, as it does with many other situations, and it determined its risk in terms of the native title and under its processes, it can compulsorily acquire the issue of native title. The NT government has done that and it has been gazetted. So that actually leaves us totally free of any exposure on that account.

Mr FORREST—I have a supplementary on that: does that include covering the issue of whether native title is revived if the Commonwealth resume the ownership of the land? Does the legal opinion cover that possibility?

Mr David—As I am on oath, I will just take a quick advice on that. I am pretty sure it does.

Mr FORREST—Mr David, I am happy for the question to be taken on notice. It is an important one.

Mr David—The response from our legal advisers and from the Department of Lands, Planning and Environment is very clear that there is no chance of revival. It could become an issue of compensation, and that is the Northern Territory government's responsibility.

Mr FORREST—You have raised another question: who would pay the compensation?

Mr David—The Northern Territory government.

Mr FORREST—Okay.

Senator CALVERT—Just two quick questions: yesterday, Mr Coffey raised the question of sale and lease-back after nine years and that all the stuff is going to come on the market in nine years. Can you clarify that for me?

Mr David—Selling the whole of the leases is an issue that we are very sensitive to because the leases expire at the same time. We have therefore built into our lease the option of extending for three years or moving out a year earlier. Part of our portfolio management activity at head office is to monitor what we might or might not be doing in the market so that we can manage that. I do not see that as being something that is not manageable in terms of the expiring leases. The other aspect I should throw in there is that we are very careful about the number of leases we take on in a particular year and in a particular market, given the size of the market.

Senator CALVERT—The other thing—it was raised briefly this morning—concerns today's news about the railway which we always knew was coming. Bob Collins will be very pleased about this. That is obviously going to place more pressure on the land market,

particularly close to the waterfront areas. An old developer friend of mine has said that land is a good investment because they are not making any more of it. Just how much of it is there that you are aware of on the private market where you want it? Is this going to mean there is a possibility that future defence housing will be pushed further out, as happened at Palmerston and Lee Point?

Mr David—We have had our consultants do a total assessment, which they regularly update, of every block of land that is available in the market. It is a very tight situation in this town. That is why the acquisition of Carey Street was a long-term planning issue for us. I believe there is a very valuable relationship between the NT government and ourselves because the NT government itself recognises that the defence build-up requires some strategic planning in terms of land. We are working closely with the NT government on other issues such as Lee Point Road. But your point is absolutely right: land is going to be an issue. We have to keep working on what we can do with land that becomes available. Infill housing is one option, and that is where the private developer market can and does meet our needs. But the other issue is the point that was raised earlier, and that is defence lands. We are working very closely with the Defence Estate Organisation to see that we can use that land, if possible.

Senator CALVERT—Thank you.

Mr FORREST—I had 11 questions, most of which have been asked. In addition to the question asked by Mr Ripoll, I understand that 90 units will be in three towers and with 30 in each. If your proposal is two towers of 30 each for defence and the 30 stand-alone on block A is sold commercially, I have a problem with that. But if the mix of ownership is dispersed then I can somehow meet your suggestion that that is the socially good thing to do—break it up a bit. I am happy for you to take it on notice but, in our subsequent discussion, I would like to see what is proposed about the mix of ownership.

I would also like to see some expert advice as to how you could possibly save the Banyan tree. My view on that is you have no hope. Having tried a few times to save trees with buildings and car parks around them, I think you need some good advice.

Finally, I would like you to run us through the procurement procedure because it is a little different from the approaches we normally accept here. It is already cause for some concern to the committee because you cannot answer our questions in terms of infrastructure and headworks charges because you do not have a project until you have finally chosen—

Mr David—Are you talking about the acquisition of the land?

Mr FORREST—No, the procurement procedure for the whole project.

Mr David—I will ask Mr Gourgaud if he wishes to amplify my answer. Basically I outlined to the committee that major contractors in Australia and overseas are using this procedure. The procedure is that we as the principal will define our requirements and go out to the market. But the difference between the traditional form of provisioning and this one is that it does allow builders—if they are prepared to and if they have the capacity to be

innovative in terms of saving the principal costs and therefore winning the job by being more competitive—to be innovative.

In the traditional form of delivery, the principal specifies clearly what he wants and the builder, in order to be a conforming tender, bid against that specification and requirement and has very little latitude to be creative. Therefore it does, as the committee has recognised, place an impost on the principal to be able to firstly define the requirements and, secondly, evaluate the tender to make sure that, if there is any innovation involved, it is not going to be our detriment but to our benefit. Those processes are very important. The authority is setting up the structure. As part of our in camera submission to the committee, we will be setting out clearly the project management and evaluation structures that we will have in place. I believe, Mr Forrest, that this method of delivery will provide a better outcome than using the traditional method. But I might ask Mr Gourgaud if he wants to amplify that answer.

Mr Gourgaud—In a number of areas: firstly, time and cost are known from the beginning, whereas in the traditional form of delivery, time can blow out because of variations that are unforeseen at the time of the tender. The other issue is that, in a traditional form of procurement, the wishes or the requirements of the principal are interpreted by the architect who then prepares the documentation. However, it is not incumbent on the architect to ultimately deliver a product that meets their client's requirements. In other words, the contractual arrangements between the architect and the principal are separate from the contractual arrangement between the builder and the principal. Hence, we have a situation where a third party has to be involved in order to somehow ensure that the wishes of the principal are delivered. In this process, the brief is delivered directly to the builder who is encumbered to deliver that product.

Mr FORREST—What form does the brief take? Because you tabled some plans to us yesterday and then you proceeded to tell us that they were not what it was going to look like. What sort of brief do the potential bidders get?

Mr Gourgaud—They get very comprehensive documentation which will go down to specifics such as a schedule of finishes for every room in the unit and the numbers of power points, and then, more generally, the documentation that we have already tabled will become part of that brief in terms of floor configuration, heights and landscaping requirements.

Mr FORREST—What about internal lift wells? If one of the four or five comes in with a completely different floor arrangement, provided the unit size is the same and the arrangement of the bedrooms is the same but the total layout is different, are they precluded because they have not complied with that indicative plan you have already shown us?

Mr Gourgaud—No, they are not. That is the issue of innovation. If a builder comes to us with a plan that proposes an innovative design—for instance, that has an external lift well and provides all the requirements that we have and is very cost-efficient—it would be considered.

Mr David—If it would be of help to the committee, as part of our in camera submission I will list the process of D&C against traditional forms of delivery and the detail that we seek.

CHAIR—That would be very useful. Any other questions, Mr Forrest?

Mr FORREST—No.

CHAIR—Does the committee have any other questions?

Senator MURPHY—I just want to ask this: when we get to the in camera evidence, can you give us the costings that go to the headworks charges against 60 and against 90?

CHAIR—That should come out in the feasibility.

Senator MURPHY—I just want to make sure that is covered.

Mr FORREST—But you do not know until you have a project. That is the problem with the procurement approach.

CHAIR—But the feasibility estimates it.

Mr David—It is a provision—

Mr FORREST—Just to make estimates then.

Mr Lyon—There is one question that I can answer that has been raised by two members, and that is if we only build 60 units, they will not be occupied only by defence members.

CHAIR—Thank you. As there are no further questions, it is proposed that the correspondence be received, taken as read and incorporated in the transcript of evidence. Do members have any objections? There being no objection, it is so ordered.

The correspondence read as follows—

CHAIR—Before closing, I would like to thank all the witnesses that have appeared yesterday and today. I would also thank the committee members, Hansard and the secretariat.

Resolved (on motion by **Mr Lindsay**):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 10.02 a.m.

