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JOINT COMMITTEE ON PUBLIC WORKS

**Reference: Redevelopment of residential areas at Royal Military College,
Duntroon**

MONDAY, 6 AUGUST 2001

CANBERRA

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JOINT COMMITTEE ON PUBLIC WORKS

Monday, 6 August 2001

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

Senators and members in attendance: Mrs Crosio, Mr Forrest and Mrs Moylan and Senators Calvert and Ferguson

Terms of reference for the inquiry:

Redevelopment of residential areas at Royal Military College, Duntroon

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Committee met at 9.44 a.m.

BEAR, Mr Richard James, General Manager, Development and Sales, Defence Housing Authority

CRUTTENDEN, Mr Ross Edwin, National Manager, Development and Construction, Defence Housing Authority

GUSTAVSEN, Mr Philip Carl, Project Officer, Development and Sales, Defence Housing Authority

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

WHITE, Mrs Heather Leonie, Manager, Canberra Housing Management Centre, Defence Housing Authority

McNARN, Brigadier Maurice Raymond, Commandant, Royal Military College of Australia, Australian Army

MURPHY, Lieutenant Colonel Peter James, Chief of Staff, Royal Military College of Australia, Australian Army

CHAIR—I declare open this public hearing into the proposed redevelopment of residential areas at the Royal Military College, Duntroon. The project was referred to the Public Works Committee on 24 May 2001 for a construction report to the parliament. In accordance with subsection 17(3) of the Public Works Committee Act 1969, which concerns the examination and reporting on a public work, the committee will have regard to:

- (a) the stated purpose of the work and its suitability for that purpose;
- (b) the necessity for, or the advisability of, carrying out the work;
- (c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
- (d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
- (e) the present and prospective public value of the work.

Earlier this morning the committee received a briefing and inspected the site. The committee will now hear evidence from the Defence Housing Authority and later from the National Consultative Group of Service Families. The committee has received a submission and two supplementary submissions from the Defence Housing Authority. These submissions, together with others received by the committee, are available in a volume of submissions for the inquiry and are also available on the committee's web site. Do you wish to propose any amendments to the submissions you have made today?

Mr Lyon—No.

CHAIR—I invite you to make a brief statement in support of your submission.

Mr Lyon—This project is an unusual one in the sense that it involves construction on base. The requirement for that is that there are a lot of members who actually work on that base who are required to work long hours and it is a good location for them to live. We believe that it can be done at economic cost in the Canberra situation. The plans have been discussed with the National Capital Authority. I understand the project has their support. Similarly, the redevelopment plans have been discussed with the Australian Heritage Commission and their recommendations have been integrated into the project, as we understand it. The project cost is within the budget we have provided to the committee. The DHA board has given in-principle approval to the project, subject to the PWC endorsement and then the outcome of the tender process, to ensure that the costs are in line with the project.

CHAIR—Can I say to the committee that there was time given for a confidential briefing and that the costings are commercial-in-confidence, so if there are any questions specific to that, we could ask those separately. In relation to the cost—and it does not go to the heart of the figures—could you tell us what ‘contextual elements’ are?

Mr Bear—Contextual elements relate to the precinct in which we are building these houses. It is considered important that the houses be built to fit with the heritage nature of the Duntroon precinct. The contextual elements will be things like timber fences—picket type fences. There will be exposed aggregate paving and terracotta tiling. The last note on the bottom of the table refers to the contextual elements.

Mr Lyon—These have been agreed with the National Capital Authority.

Mr Bear—Those authorities and the Heritage Commission are keen that the housing that is built there fits in with the contextual nature of the precinct.

CHAIR—I notice also that the goods and services tax has been included. Isn't that recoverable as a business operation?

Mr Bear—In this particular case we are not planning to sell the houses.

CHAIR—But you are planning to lease them.

Mr Bear—We are planning to rent them to the defence department. I think we will need to take this issue up with the defence department, because they may well be able to recover the GST. We will get back to you on that.

CHAIR—My understanding is that if this is a business operation, in this case, whether you are retrieving the capital cost or whether you are retrieving that over a period of time by rent, you will be able to recover that against the income you are deriving from the development.

Mr Bear—I would like to take some further advice and get back to you.

CHAIR—Would you advise the committee of the situation in regard to that.

Mrs CROSIO—Do you want us as a committee to raise that in another avenue, or are you going to raise that?

Mr Bear—We will get you an answer to the question. We as an organisation may not be able to recover it, but the defence department may well be able to. So I will need to get back to you on a whole of government basis.

CHAIR—But you are actually going to expend that money as part of your project cost?

Mr Bear—Yes.

Mrs CROSIO—It is quite a sizeable amount.

CHAIR—If you as the leasing agent are then going to recover income from that estate, you should be the agency that recovers the GST as a commercial unit.

Mrs CROSIO—But if they are told that they cannot, we would like to know why.

CHAIR—Yes.

Mr Lyon—We will pursue that.

CHAIR—In other defence work we have been told that the GST is not a cost. I presume this is because it is recoverable as a business expenditure.

Mr Lyon—I think we will need to look a little harder than we have.

CHAIR—Okay.

Mrs CROSIO—My first question may be difficult for you to answer, but maybe someone can answer it. How many people work on the base at Duntroon? A guesstimate is enough.

Mrs White—I am not sure. I believe there are around 300, but whether or not that includes all cadets I am not sure. We would have to ask the RMC people.

Mrs CROSIO—I would like an answer to that question eventually, because in your submission you tell us that at the moment you have 1,712 residences for married accompanied staff, and the present housing requirement is 1,712 residences for married accompanied staff.

Mr Lyon—Those figures relate to married people. When you ask the question, ‘How many people actually work on the base?’ the answer will include a number of single people as well.

Mrs CROSIO—That is my next question. Once we do this development, at the cost that has been estimated there—without going into the costing—and it is able to accommodate all those who are married with families and who wish to live there so they can be close to their families, what happens if some of the singles then decide to get married? What do we do with them?

Mr Lyon—They will then become entitled to a house. That, of course, happens all the time. They would move from the single category into the married category and they would be entitled to a house.

Mrs CROSIO—In this development, is there going to be enough leeway to look at the future? We were told we were looking at the capital costing over 25 years. Are we looking at the relocation of those families into and out of that base over that 25 years? Are the 100 houses that are now going to be built going to be enough to cater for that in the future?

Mr Lyon—We need to take an overall view here. The 100 houses that we are building on base will be continually occupied. They will not be vacant, because of the very strong demand that you would expect. The remaining numbers will be accommodated in the community. If singles became married, they would move into a house—

Mrs CROSIO—They would put in a bid, would they?

Mr Lyon—That is exactly right.

Mrs CROSIO—They would put in a bid to live on the base.

Mr Lyon—There is continuing turnover with people moving on and off the base.

Mrs CROSIO—Fine. Has any thought been given to having all Defence, probably in the long-term future—if there is such a term—living on the base at Duntroon?

Mr Lyon—No. We are not planning to do that at all. In fact, in relation to the housing that is being built, the agreement that we have with the Army is that it be allocated to people who actually work on the base. There are a lot of other Defence people who work elsewhere, like Russell Hill, Campbell Park and so on, but primarily we see that housing being occupied by people involved in the training associated with RMC activities.

Mrs CROSIO—What happens eventually if you no longer have a requirement for those houses on base?

Mr Lyon—In that event, the Department of Defence would have a liability to pay the Defence Housing Authority for any remaining balance of the capital that has not been recovered over time. While it remains a military base, we would not be able to sell those houses. They would not have a disposable value like they would in the community. So the Department of Defence, under the agreement that we have with them, carries that capital liability.

Mrs CROSIO—When this project is completed in all the stages, does the Department of Defence housing get recompensed by Defence for the full cost?

Mr Lyon—That is right. The way this arrangement works is that we have our capital tied up in that project and we recover that capital over the agreed period, which in this case is 25 years. After 25 years, we have our capital back. The defence department would only be paying repairs and maintenance charges in the event that those houses will be used, which is what we expect.

If they change their requirements for whatever reason before 25 years, they would have a liability to pay the outstanding capital.

Mrs CROSIO—That is really one hand of taxpayers' dollars paying the other, isn't it?

Mr Lyon—That is exactly true, but it is a very effective way in this particular case given the long-term outlook for that particular site and the particular demand that the Army has to use the location.

Mrs CROSIO—The report mentions the infrastructure that is going to be required to put this into effect—these 100 properties—over a stage basis. What would be the difference in cost from doing it there or doing it on a greenfield site outside Duntroon—I mean other than the picket fence and the tile? Every house has tiles on their roofs now.

Mr Lyon—It really depends on the nature of the greenfield site. If it is a genuine greenfield site, and DHA is involved on occasions with greenfield sites, DHA would usually be responsible for putting in the infrastructure. That comes with part of the land development activities as a general rule. In some situations, there is not a lot of infrastructure that is required. For instance, this was the case at the site that the committee approved at Stirling in the ACT; the infrastructure was largely there. So DHA had to pick up the costs of additional infrastructure.

Mrs CROSIO—So, at Stirling, the sewerage, water and everything was already laid.

Mr Lyon—It was all laid to the site. All we have had to do was extend it a little bit.

Mrs CROSIO—And upgrade it.

Mr Bear—And upgrade it, yes.

Mrs CROSIO—But you are going to have to upgrade this one, you were telling me. The sewerage and the water—everything is there, obviously. People have been living there and they have facilities and infrastructure there. Are you completely rebuilding the infrastructure or are you just upgrading the infrastructure?

Mr Bear—We are upgrading and refurbishing it. We are increasing the density. There is a need to be sure that it can take the increased density.

Mrs CROSIO—And how are you going to do the testing with the sewerage? Are you actually going to have testing done?

Mr Bear—We have expert engineers who have already looked at it as much as they can at this point and the expected cost is built into the cost. We will have a consulting engineer working with us during the whole process.

Mrs CROSIO—And also reading the notes that you provide in your submission, all of these are put on slabs, aren't they?

Mr Cruttenden—Slabs on the ground.

Mrs CROSIO—When we were doing an inspection this morning in Phillip, someone told us that these houses could be moved off site, that they could be cut in half and taken away to be used as weekenders. If you are going to build a house on a slab, you will never be able to move it in the future.

Mr Cruttenden—You can remove the frames for reuse, but generally the slab is left behind and ultimately removed, yes.

Mrs CROSIO—So these houses we are talking about are going to be permanent structures forever and a day.

Mr Cruttenden—That is correct, yes.

Mr FORREST—When you divide \$23 million by 100, it comes to \$230,000 each. That seems a fair bit, given that the infrastructure is already there—the roads, the pavements, sewerage and water.

Mr Bear—There needs to be considerable upgrading of the roads. Whilst the road is there, it does need to be resurfaced. Whilst the curbs are there, they do need to be resurfaced. That estimate is being prepared for us by a quantity surveyor who suggested that they are the sorts of cost that it is likely to come to when we go to the tender process. You will notice that the actual housing is only \$13.5 million of that figure and then you have the associated infrastructure works, shared infrastructure and the contextual elements.

Mr FORREST—It is \$135,000 for each dwelling. Further to Mrs Crosio's question, in paragraph 6.1 you talk about removing 31 houses. Are they to be demolished or are we to get some value by selling them?

Mr Bear—There is quite a demand for them. They will be auctioned—sold to the highest bidder through a tender process. We usually get quite a few thousand dollars for those houses. They are quite popular.

Mr FORREST—Is that income offset in the estimates? Does it show?

Mr Bear—No.

Mr FORREST—What do you do with that?

Mr Bear—That would be offset against the cost of the project in the final outcome. This is the up-front cost; this is what we think it will cost. Once we go through the tender process, I fully expect that the cost will be somewhat less.

Senator FERGUSON—Did you say that they would be auctioned through a tender process?

Mr Bear—No, sold through tender.

Senator FERGUSON—They will be sold by tender.

Mr Bear—Yes. The builder will be asked to include the cost of removing the existing houses in his tender to build the new houses. Then I understand the process is that he will tender them off.

Mr FORREST—If 31 houses are in such demand and we are going to get such good value for them, why are we demolishing them? Why are we not keeping them? Forgive me: I did not get to the inspections. I did not see them.

Mr Lyon—They are old and substandard by today's standards.

Brig. McNarn—People are not wanting to live in them. They are not happy living in them. It creates a level of dissatisfaction. The alternative in some cases is essentially not seeing the family from one end of the week to the other. One of my captains has three young kids. Her husband is also an Army officer. She is living in a two-bedroom substandard place because the choice is she does not see her family otherwise. Over the long term, that is not good for me in managing my people and it is not good for retention. They will put up with it for a period, but in the end it is no way to treat your people if you want to keep them. As I mentioned on the bus, Senator Ferguson, I suspect Army is heading this year to being something like 350 captains and 300 majors short—it may be more or less, but it has been growing each year. These are some of our best people. In some cases they are walking away because of the pressure on their families or the conditions in which they live.

Mr FORREST—I have some questions about the treatment of the site.

CHAIR—You can keep going for a moment. We do not want to talk about specifics in terms of the confidential costs, but you should provide for the committee the offsetting cost of the anticipated value of the houses to be sold by tender—that is relevant to the bottom line figure here.

Senator FERGUSON—As I understood your answer, you are not selling them by tender; you are asking the tenderers to take on the removal and demolition and it will be absorbed in their tender process.

CHAIR—Is that reflected in the costing?

Mr Bear—Not directly.

CHAIR—This costing you have given us is not from the tenderer.

Mr Bear—No. That is a costing prepared by a quantity surveyor to tell us what he believes we should be able to do this project within.

CHAIR—Has the quantity surveyor taken into account the offset benefit of selling the existing properties?

Mr Bear—No.

CHAIR—That is what I think the committee should see.

Mr Lyon—We can give you some information on our estimates. Also on the bus we were asked whether we could provide additional information in relation to the actual costs to the Commonwealth taking into account member contributions. We will do that as well.

CHAIR—We understand that you are looking at this from an internal accounting point of view, but we have to look at its overall benefit to the taxpayer and make sure it is doing what it is intended to do.

Mr Lyon—With the help of the defence department we will provide figures on a joint basis.

CHAIR—Sorry, Mr Forrest, I just wanted to clarify that.

Mr FORREST—I want to move to the site treatment. I am interested in the trees on the site. Don't get me wrong; I am into trees as long as they are planted in the right place and as long as they are of the right variety. I notice in the landscape schedule mention of Chinese elms and oaks, which have the potential to do a lot of damage to pavements and foundations. This is Australia—not China or England—why aren't we considering planting native trees?

Mr Bear—Those trees were selected because of their deciduous nature that would allow the sun to get through to the houses when they are built. We have the expert tree man here and we can ask him.

Senator FERGUSON—I think it is fair to say that those trees that Mr Forrest is talking about in most cases are a fair way away from the housing.

Mr FORREST—I just cannot understand the planting of filthy elms. They make a hell of a mess in the winter with leaves that have to be cleaned up. The leaves block the gutters. You are thinking of planting them within in a metre of the road pavement. That is probably why you are replacing the roads that are there now.

Mr Bear—The planting of the new trees will involve root control processes, as much as you can do that. The other reason is to maintain the contextual nature. They are the types of trees that are there already and to introduce a different type of tree could look out of place.

CHAIR—Is that a heritage requirement?

Brig. McNarn—We did put a request in that the trees be kept the same as in the rest of RMC. Within the heritage precinct what we can put in and what we can take out is quite controlled. One of the things that makes the area unique is the landscaping. To put something radically different next to it we felt would make it look out of place with the rest of the area.

Mrs CROSIO—In the heritage precinct, which the bus went past to show us where the house was and where the officers' facilities were, there were a number of trees planted and they were not Chinese elms.

Brig. McNarn—No. We have asked for deciduous trees, not natives all through. We want something of the same sort, sympathetic. As someone living there at the moment, while it is a nuisance doing all the leaves when they come down, in terms of summer and the overall feel of the area, I would prefer that it was kept in the same style as the rest of RMC.

Mr FORREST—Did you say root barriers would be considered? How will they be done?

Brig. McNarn—Root barriers are included in the planning process. I could take some technical advice on that and get back to you.

Mr FORREST—This is Australia. We should be planting natives. They grow better here and they are easier on the environment. These trees will fill the gutters full of leaves and require more maintenance. It is crazy.

Senator FERGUSON—I have to disagree, Mr Forrest. Having seen those trees, I cannot think of anything better in Canberra than having a tree that shades you in summer and lets the sun in in winter. We have not got many Australian natives that do that. Canberra is not quite like some of Western Australia where natives flourish.

Brig. McNarn—With the altitude we have here in Canberra a lot of trees that are native to Australia do not grow well. One of the problems they have had with a lot of the Australian natives in Canberra is that they do not grow well, they kill everything underneath or they die. In some areas we have had a lot of trouble with limbs dropping off onto houses. The altitude and the area around RMC is suited to some of the trees people call exotics. Apart from the fact that they fit in with the heritage nature of the area, having lived in a couple of suburbs of Canberra, I have to say they are no more exotic than everything else in Canberra.

Senator FERGUSON—I had better leave trees.

Mr FORREST—There are plenty of them on Mt Ainslie. They do not seem to be doing too bad.

Senator FERGUSON—Going back to the budget and how these houses are to be paid for, you say in 25.2 that the Defence Housing Authority is a government business enterprise and there is no cost to the budget. I presume you are suggesting that there is no particular line in the budget which talks about any buildings that the Defence Housing Authority will build because you are funded by defence arrangements. In fact, when most people talk about the budget, they are talking about what is being done with taxpayers' money, and there is a cost to the taxpayer.

Mr Lyon—You are absolutely right. What we are saying here is that there is no direct capital charge somewhere in the defence budget. The defence department—together with the members, because they make a contribution toward the rent—will be paying for these houses over the life of the project. It just so happens that in this case it is DHA that is providing the stock. If it was provided out in the community—and we have a number of people on rental allowance—it

would be a private investor. Indeed, the way in which DHA tends to operate off base means most of our capital is provided by private investors, principally through the now very successful sale and lease-back program that we are running.

Senator FERGUSON—You have said that you are going to provide us with details of costings, allowing for the fact that the government is subsidising—

Mr Lyon—I will set them out in a way that really proves it.

Senator FERGUSON—I think it gives a fairer picture of what is happening than saying it is going to be capital cost recovered in 25 years when half of that cost-recovery will be thanks to taxpayers' money. What do you mean by 'passive solar principles' in the construction?

Mr Cruttenden—The passive solar concept is the orientation of the residence towards the northern quadrants, then the design of the elements of the house that takes advantage of the living spaces to let the northern sun in. The use of deciduous trees permits the sun to come into those rooms during the winter period. As the trees are in leaf in the summertime they then protect the house. The design location of less important parts of the house, such as the laundries and the bathrooms, to the southern boundaries and reduced size windows to the south and the west also take advantage of passive solar factors.

Senator FERGUSON—If you are taking advantage of the passive solar principles, why don't you go the whole hog and put solar energy panels in to generate power? That is if you are going to have trees that let the sunlight through.

Mr Cruttenden—It is certainly something we can consider. The base estimate for the design or criteria would be put to the quantity surveyor for using passive solar techniques.

Senator FERGUSON—Have you reported putting a proposal to him to give you the cost-effectiveness of using solar energy?

Mr Cruttenden—We are currently at the design stage for the floor plans. We would not be in a situation of being able to go to detailed environmental analysis of that until later, even though we have had discussions with our architect over whether we will be moving towards less demand on energy requirements for the house.

Mr Bear—But I assure you we will be doing so.

Senator FERGUSON—We have been looking at other defence projects in the past week in Queensland. They have to take into consideration the cost-effectiveness of using solar energy and geothermal airconditioning. They also have to make use of the new Australian Greenhouse Office. Are you under any requirements to make the same reports or to use the advice of the Australian Greenhouse Office?

Mr Bear—We are not required to make them energy rated, but we will comply on a voluntary basis. Because they are not coming under the ACT government building codes, the normal building codes do not apply, but we are applying them. They will have an energy rating of four.

Senator FERGUSON—The point I am really making is: has anyone done a cost-effectiveness study of using solar energy in Canberra?

Mr Bear—We have not.

Mr Lyon—We certainly have in other locations. Again, we will do a little more work and come back to you on that.

Senator FERGUSON—The reason I ask is that it may put an additional cost on the front end of your job but it may also save running costs over a long period of time. If you are talking about a 25-year period of getting your money back, you might find you are getting back a bit more than you bargained for if you use solar energy.

Mr Lyon—It is not the community standard in Canberra to be that dependent on solar heating. Some people do make the investment. We will undertake to do a little more work and get back to you specifically on that point.

Senator FERGUSON—Okay.

CHAIR—The government has announced a policy on greenhouse gases and established the Australian Greenhouse Office. Will you make a commitment to the aims of that office in order to make this project energy efficient? It is now a requirement of all government projects in any event. Can you give the committee that assurance?

Mr Bear—Yes, we have had some discussions and we do. In terms of their requirements for an energy rating, we do comply.

Senator FERGUSON—You say also in the costing of your project that part of the funding will come from the sale of surplus housing stock. Are you referring only to surplus housing that is on the base?

Mr Bear—No, that is a funding issue with respect to Canberra. The authority has a requirement for 1,700 houses in the ACT. It currently has 1,400. We turn those houses over, and that capital return feeds into the capital base of the authority to fund the new projects.

Senator FERGUSON—But if you need 1,700 and have only 1,400, how do you have surplus housing stock?

Mr Bear—It is surplus in the sense that it may be in the wrong area because requirements have changed. It may have reached an age at which it no longer is cost effective to run and maintain the property.

Senator FERGUSON—So it is not surplus housing stock, because you do have a surplus. You are 300 short. It might be inappropriate housing stock, but you could hardly call it surplus housing stock.

Mr Bear—I take your point.

Mrs CROSIO—But you have in your submission that you are using part of that sale to offset the cost of building this on the base.

Mr Bear—These are houses that are not on the base.

Mrs CROSIO—I know, but you are saying in your submission somewhere that—

Mr Bear—In our overall capital funding of the authority, we look at the whole of capital requirement, and we are looking at the sale of houses, or the raising of capital within the authority, across Australia.

Mrs CROSIO—Across Australia, not just in Canberra?

Mr Bear—We look at our capital requirements as an entirety, not on a project by project basis.

Senator FERGUSON—Do you have any bases where you do have surplus housing stock—that is, where you have more housing than is required for the people you wish to house throughout Australia?

Mr Lyon—Throughout Australia today we have something like 500 houses that are vacant. We have, for example, some surplus houses at Tindal. We have been working with the Department of Defence where it is sensible to use those houses, particularly for single members, and we are beginning to do that. In market areas, after 90 days—

Senator FERGUSON—Can I just stop you for a minute? When you are talking about surplus housing at Tindal, are you talking about surplus housing in Katherine or surplus housing on Tindal base?

Mr Lyon—I am talking about surplus houses on the base. We also have a small number in Katherine itself.

Senator FERGUSON—Why do we have surplus housing on the base?

Mr Lyon—Essentially, the houses were built in the early 1980s as part of the base, and the total requirement there is less than the total number of people who are now posted there.

Senator FERGUSON—So less than 20 years ago we decided to build on-base accommodation to provide accommodation for people who were there, and 20 years later we have more than we need?

Mr Lyon—Yes, and it is not all that surprising. Technology has made some impact on how aircraft are maintained and so on. In a very isolated situation you cannot have people living in tents, and there are not too many alternatives. The number of vacant houses across the whole portfolio is really quite small. We are providing nearly 19,000 houses. We have put in a very determined effort with the Department of Defence in the last 12 months to remove vacant stock

following the signing of the services agreement. In fact, in the last financial year we have taken well over 1,000 houses off the Defence rent bill.

Senator FERGUSON—The point I am making is that you have convinced us that you want 100 houses built at Duntroon. If there became a surplus, there would be no commercial value for those houses whatsoever. In the past 20 years you have already built on base in Tindal, surplus to requirement, houses that have no commercial value.

Brig. McNarn—I would offer a comment on that related to Duntroon specifically. I suggest that that is not going to happen at Duntroon for a couple of reasons. If you look at the overall case of Canberra, we are short of houses and, should we go ahead with putting the theatre headquarters here, it is only going to become worse. Even without that, the problem—not only during my period but having gone back and talked to commandants over the last 20-odd years—is getting people out of Duntroon. There is always a waiting list and people do not want to move when their posting at RMC is up. Should there ever be a reduction in our staff—in fact, it is increasing slightly next year—then the first priority after that will be instructors at the defence academy. My biggest problem is people posted to Russell and various other places who want to live there. I do not believe that that is ever going to be an issue.

I should also note that over the last six years particularly, but also beyond that, we have centralised all officer training at Duntroon. We have closed down various schools, including Portsea and some of the reserve training areas. The reserve units that are left that do training do it under RMC's direction. The special service officer courses have been centralised at RMC. In fact, the last three modules of the reserve course are mandated to be run at RMC for training requirements. There has been a commensurate investment in terms of capital. So to actually shift our officer training somewhere else would be an extraordinarily expensive option and I cannot think of anything that would drive that logic in the foreseeable future.

Senator FERGUSON—I accept what you say and I can understand that there may be that case for Duntroon. I must also say that there are some on this committee who had some concerns about centralising all of the officer training in Canberra, and about the centralisation in general of the armed forces in Canberra, rather than spreading it through the country where various sectors of the population were getting the advantage of having a Defence Force presence. I will bet you that, if I went back and looked at the transcript of the public works hearing that was held before the building of the air base and the housing at Tindal, I would find we had been assured that that housing would always be required in the future because it would have been likely that the base would expand rather than contract and because of all the arguments that you put here today.

Brig. McNarn—I would not argue that. I am probably not in a position to argue the case on Tindal. But, when we put forward this proposal, what I did do was differentiate very clearly between the functions of bases. You cannot just say that something is a base or a barracks. You have to look at its function, and the investment and infrastructure and where it actually fits into the training system, or the operational system. For instance, I distinguished quite clearly between Fairbairn and *Harman* and RMC in terms of future usage, investment and why the base functioned like it did—both its history and where it was likely to go in the future. I also distinguished quite differently, for instance, with Weston Creek. That is another defence complex and base. When you look at the function it performs and the demographics of the base,

and the flow-on impact it has on the personnel and therefore their housing, again it is quite different. I only make that point in relation to RMC because it is quite different. The logic we used was quite different. Its history and where it is planned to go in the future is quite different from some of the other bases.

Senator FERGUSON—Mr Lyon, can you give us an example of where else you have got surplus housing?

Mr Lyon—We have got some substandard surplus housing at Puckapunyal. It is mainly in isolated areas. I can provide you with information on that. I support the brigadier's comments that Duntroon is in quite a different situation. Generally speaking, DHA does not build houses on military bases, for the very reason that you are alluding to. It is only when there is a very good case, and there is one here.

Senator FERGUSON—When you are building houses that are going to have no prospect of any commercial value in the future, why are you building so many four-bedroom houses?

Mr Lyon—We are building houses to meet today's community standards, and it is in the context of looking ahead for the next 25 years.

Senator FERGUSON—Are you saying that families are going to get bigger in the next 25 years?

Mr Lyon—No, what we are saying is that the sorts of houses we are building meet today's community standards. If you compare our houses with what is being built generally in the community, even in your own area, you will generally find that this is today's standard.

Senator FERGUSON—I suppose it depends on what area you are in. I have to say that, where I come from, most of the houses that are being built are three-bedroom houses. I raised three kids in a three-bedroom house for a long time. Thank God I am not still doing it. I would have thought that the community norm was a three-bedroom house rather than a four-bedroom house. I understand the necessity to have some four-bedroom houses, I just cannot see why you are building quite so many.

Mr Lyon—We probably need to go market by market to come to grips with what the community norm is. Obviously, in inner Sydney, we are in a different sort of market; we are talking about strata title and so on. In this community and in regional centres generally speaking, this is the sort of standard that is expected today. This is basically what the market is building.

Senator FERGUSON—If I were to drive down any street in Tuggeranong, where families live, a majority of the houses would be four-bedroom houses?

Mr Lyon—Or Jerrabomberra or almost anywhere else. It is basically what the community is now building.

Mr Bear—I would like to point out that 40 of the 100 will be three-bedroom.

Senator FERGUSON—But they are the unit type rather than free standing.

Mr Bear—Granted.

Brig. McNarn—I suppose we have influenced this to some extent. We looked at the demographics of the college now and how they have changed both in rank and in family size over the last few years. For instance, the rank structure is slightly different as we have consolidated. Perhaps we just do not fit the community norm. But a lot of our people do have two and three kids; some have four kids. I do not know whether it is the culture in the military. Maybe it is just the age group. For whatever reason, we do see that. Amongst our captains and a lot of our sergeants, for instance, while a couple do not have kids we seem to have families of two or three. I think there were something like 20 babies born to people in the officer's mess alone last year and we look like beating that this year. I do not know where it will go in the future, but in relation to the people who are with us at the moment I have seen that trend. I suppose it is reinforced by the fact that to be an instructor, to have that level of experience, we are taking senior sergeants, warrant officers, captains and senior majors. The predominant group there have two or three kids, some four or five.

Senator FERGUSON—What would be the estimated difference in the cost of a three-bedroom house and a four-bedroom house?

Mr Cruttenden—It would be difficult to say on an instant basis. If you had, for example, a 165 square metre four-bedroom house and you took off one imperial square—approximately 10 square metres—for a bedroom, the difference may be somewhere around \$5,000. The reason that the cost is so small is that the expensive items in a house are the kitchens and the bathrooms. If you drop an ensuited four-bedroom house to an ensuited three-bedroom house, the only thing you are really deleting is direct floor space to one bedroom, which is probably the cheapest part of the house to build.

Mr Lyon—It would probably be \$5,000 to \$10,000 per house. It is in that sort of range.

Senator FERGUSON—So when you drop one bedroom off, you do not increase the living area for these people? If you are talking about a family with a number of kids, having a decent sized family room and living room is just as important as having the fourth bedroom.

Mr Lyon—We agree that it is important to have a decent size, but we built that into the specifications. It is absolutely critical with today's living.

Senator FERGUSON—Room for four computers and that sort of thing.

Mr Lyon—There is a whole range of things. We need to cater for a variety of different family structures. I have been around long enough to know that no-one can predict these things with a great deal of certainty, but there are different ages, family structures and so on.

Brig. McNarn—I would like to make a lifestyle comment, and I suppose it is partly shaped by my own experience but I know that it is shared by a number of my officers: the way we live has changed. My first observation is that my kids all have computers, and the family room was great until they reached the age of 10, maybe eight. After that there is increased usage of their

rooms in order to study. Study is initially done around the kitchen table, and as they get older, it is done on computers in their room and in individual study spaces. That is from the kids' point of view.

The other observation is that a lot of the families are using one of the rooms as a study because both the husband and wife are studying. The days when Army wives stayed at home, or could afford to stay at home, are gone. The majority of them work, many of them have their own professions, are well educated, and either work from home wherever we move them or are continuing studies. I make this comment having had three years as Director of Officer Career Management prior to coming to this job: when I was commissioned, six per cent of officers had a degree. The average officer now not only has one degree but has multiple degrees. Most of my senior staff have Masters degrees, and at any one time, going on statistics which are admittedly two years old, over two-thirds, up to 70 per cent, of Army officers are doing part-time tertiary study in their own time at home. If you want to be competitive these days, you have to. In my case I have two Masters degrees, two graduate diplomas and an honours degree. I have done most of that part time, and that is not uncommon among the officers who work for me.

Senator FERGUSON—You have won me, Brigadier; I think you deserve the fourth bedroom. My only suggestion to Defence Housing is that perhaps you could soundproof one of those bedrooms to accommodate other modern technologies like sound systems and things like that.

Brig. McNarn—Yes, I could use one of those!

Mrs CROSIO—Following the questioning from Senator Ferguson, you would have taken a survey of the people who will be using these houses and what type they would want. We are not building just what is the community norm, surely. We are building to accommodate what is going to be needed, following a survey of the people.

Brig. McNarn—Yes, we have. We have done a series of surveys—one to talk about demand and what people wanted. When we got to the stage of talking in any detail we brought in a range of spouses, both male and female, and a range of ranks and family structures, quite deliberately. We asked for volunteers and we got a good response. I put them with the architects, not me, because I thought they were the better people to talk to the architects, and we did that quite deliberately.

CHAIR—I have a couple of other questions that I wanted to ask. I do not want to talk about confidential costings, but I have asked you about contextual elements. I notice you have a footnote about it in the estimates, but for the *Hansard*, I wonder whether you could also differentiate for us between associated infrastructure works which are costed at one figure, and shared infrastructure works costed at another figure. Could you differentiate between the two?

Mr Bear—Associated infrastructure works are more directly related to the house. They include trees, paving, the in-ground electrical services to the house, the telephone and the data trenching. The shared infrastructure includes primarily bulk earthworks, road works, gas reticulation, street lighting, tree protection, and remedial and new landscaping. I think it can be differentiated between the house and the base.

CHAIR—There are separate costings for associated infrastructure work, shared infrastructure works and contextual elements. Under your explanation of the costings for contextual elements, you have upgraded landscaping. There seems to be a doubling up there.

Mr Bear—The shared infrastructure landscaping is the landscaping associated with the street. The contextual elements are landscaping within the building site.

CHAIR—Thank you for clarifying that. Paragraph 4.1(b) of the DHA's submission states that on-base accommodation is the most cost effective. Can you provide to the committee an analysis of the cost effectiveness of the dwellings constructed on base compared to dwellings constructed off base for the Canberra region? I presume, having made that statement, that you have already done that work. Is that correct?

Mr Bear—Yes.

Mr Lyon—We have done that work. We can provide—

CHAIR—You do not need to go into an explanation, but we would like to see the work that has been done in order to assure the committee that this is the case. We understand that there are other important issues apart from the financial considerations in having housing on base, but I think we need to satisfy ourselves. If that exercise has been done, we need to see the result of that.

Mr Lyon—It has been done and we will provide that.

CHAIR—Okay. Thank you.

Mrs CROSIO—If I can take you to page 11 of your submission and to item 29, which is on housing market effects. I know we have covered it roughly, but explain to me where construction of 100 additional dwellings is going to have a net gain of 69 dwellings and how this is not expected to affect either the sale or the rental market for residential accommodation in Canberra.

Mr Bear—The difference between the 69 and the 100 are the houses that are currently on site and occupied, and the substandard houses that will be removed. Whilst we are going to build 100 new houses—

Mrs CROSIO—The ones that are being demolished are already taken into account as vacant blocks as such.

Mr Bear—So the net becomes 70. What we are trying to say there is that 70 new houses in the market will not have a significant impact on the Canberra market. Seventy houses are not going to have an impact on rents or have a large impact on the availability of properties in Canberra.

Brig. McNarn—The Canberra rental market recently had less than a one per cent vacancy rate. In most places a minimum to strike a balance is about a 2½ per cent vacancy rate. Trying

to actually rent places in Canberra is very difficult. I have friends and family here who have rental properties and at the moment it is beneficial for them.

Mr FORREST—I notice in the estimate that it says ‘GST inclusive’ but I would have expected—

CHAIR—I did just ask a question on that, and there is further information coming, Mr Forrest. It was before you arrived. We will get some more detail on the GST issue.

Senator FERGUSON—Is a five per cent contingency your normal contingency percentage, because I notice it has varied a lot in the last week or two?

Mr Lyon—Our pricing contingency does vary from project to project. We have assessed it at five per cent in this particular case.

Senator FERGUSON—And you have no escalation fees. Is that because they are included in the contingency or not?

Mr Lyon—It is because of the timing of this project. This is not a long project. We are expecting a fixed price contract.

Mrs CROSIO—But it is more than one contract, isn’t it, as it is done in stages?

Mr Lyon—Yes. So it is just not appropriate.

Senator FERGUSON—Do you anticipate stage 4 being completed in 18 months as well?

Mr Bear—March 2003 provided that we can get started later this year.

Mr Lyon—It is a fairly tight project, but we need to fit this in with the timetable that the defence department has for moving people in and out. We are really very keen to accommodate the brigadier’s requirements on that. But we expect we can do that without any jeopardy to the project quality or cost.

Senator FERGUSON—I am just wondering if you are a bit ambitious, because the time frame is really tight.

Mr Bear—The time frame from start to finish, we are very comfortable with. The issue about whether we can start it in that time frame is dependent upon a number of issues that—

Senator FERGUSON—Is that a plea to us?

Mr Bear—Subtly, yes.

Senator FERGUSON—Thank you.

Mrs CROSIO—He would like the report in the parliament next week. Unfortunately, we do not sit.

Mr Bear—No. We are not asking the committee to do anything outside of its—

Mrs CROSIO—Let's be honest: I listened to the news this morning and I heard that this was the last session before the election. I thought, 'My God! I thought we were going to sit for a number of weeks at least.'

Senator FERGUSON—The session goes to Christmas, Janice.

Mrs CROSIO—Yes, but that is not quite the way they read it out this morning on the news.

CHAIR—Order! I would like to ask a question about the Australian Heritage Commission. I understand they have recommended that a final design of the new buildings be consistent with policy for point 2 'new buildings of the conservation plan'. Do you have any problems fulfilling the recommendations of the Australian Heritage Commission?

Mr Bear—We have no problem at all. Our architect is talking with them before we have even put the finishing touches on the design, so we are not just going to present them with an end result.

Senator FERGUSON—You have been very persuasive, Brigadier.

Brig. McNarn—Thank you, Senator.

CHAIR—Thank you very much.

Proceedings suspended from 10.41 a.m. to 10.51 a.m.

TROTTER, Mrs Catherine Edwina, National Delegate, ACT and Southern New South Wales, National Consultative Group of Service Families

CHAIR—I welcome you on behalf of the committee. The committee has received a submission from you. The submission is available in the volume of submissions to the inquiry and it is also available on the committee's web site. Do you wish to propose any amendments to the submission you have made to the committee?

Mrs Trotter—No. I have a brief outline document here that I would like to read.

CHAIR—We will move on to that now. We have your submission, so please make a brief statement to the committee, and then perhaps there will be some questions.

Mrs Trotter—The National Consultative Group of Service Families was formed in 1987 to work with the minister and the Chief of Defence Force in addressing areas of concern to Australian Defence Force families. It is funded by Defence, but is operated by volunteer Defence Force spouses across Australia.

My background is that I have been married to a serving member in the Army for nine years. In this time we have moved seven times due to my husband's commitment to the Australian Defence Force. As the national delegate for the National Consultative Group of Service Families, I am honoured to have been asked to speak on behalf of all service families on such an important matter as the rebuilding of housing at Duntroon. Successive defence white papers have shown beyond doubt that service life is unique. This uniqueness extends into the realm of the family. Without continued family support, the ability of the serving member to fulfil their obligation of duty to the Australian government and to the people of Australia would be significantly reduced.

Housing is seen by serving members and their families as a very important condition of service which must be maintained at a high standard in order to continue the level of family support. The homes which are provided to us to live in are of the highest quality and simply must be kept that way. The homes which are currently provided at Duntroon are below the standard of ADF entitlement. Serving members and their families continually want to live at Duntroon; however, their reasons for this vary. Some of these reasons include: the proximity to work for the serving member, especially because of the long hours worked by RMC Duntroon staff members; the protected environment afforded to families while serving members are away from home; access to facilities at RMC Duntroon; and the assistance in the development of the service ethic required for employment at RMC Duntroon. However, there are not enough married quarters available at RMC Duntroon for those wishing to take advantage of this environment.

There will always be a percentage of ADF members who do not wish to live on base. However, DHA must be able to provide adequate housing on base for those who do wish to live there. Duntroon has a tradition of pride which must be maintained for a healthy Army and healthy ADF into the future. In conclusion, I would like to say that it is of vital importance that the proposal by DHA continues as planned. This will assist the continued development of the

Army and, ultimately, the ADF to enable it to do what is asked of it by the government of Australia and its people.

CHAIR—You said in your original submission that these were your own views, but were your views supported by any kind of survey or discussion you had with other defence families in your role as representative of the national consultative group?

Mrs Trotter—Yes. At a personal level I have a close relationship with Duntroon because I have a child at playschool there and I also have a child at preschool there. So I do access the facilities available and I am quite close to a lot of the girls who are actually living there and, of course, other spouses who would, ideally, love to live there. I would, too, but that will never happen in my life.

CHAIR—So you feel that the views that you are expressing, although you make the point that they are your personal views, are reflected in your discussions with other Defence families?

Mrs Trotter—Yes.

Mrs CROSIO—When you say ‘discussions’ were they just general discussions? In your submission you state that ‘most, if not all, of the National Consultative Group of Service Families’ prefer to live on base.

Mrs Trotter—Yes. It is my personal perception, having worked as a national delegate for the National Consultative Group of Service Families, that the majority of families would rather live on than away from a base.

Mr FORREST—That could be because you have only surveyed the people who are on base?

Mrs Trotter—No. Especially within Canberra there have been a lot of unique situations. I was listening to the previous witnesses who said that they have been posted to RMC and they have not had an opportunity to live at RMC yet. Also, if you know, as ADF families, that someone is coming to a location, and Canberra in particular, people will immediately say, ‘What are my chances of being able to live at Duntroon?’ You usually just have a little laugh because you know that it probably will not happen.

For us, on this particular posting, my husband does not work at RMC, so when we arrived in Canberra we were given married quarters out in Gungahlin. We do not cope at all well with the commuting but we have made personal choices in accessing facilities at Duntroon for our children. My husband has no option; he has to go to work at Russell. With respect to the amount of kilometres we drive each week just toing-and-froing from Gungahlin into the Civic area, I think it is 25 kilometres from our house to Russell, so it is a 50-kilometre round journey each day. That certainly adds to your time on the road and in the car. I also know that when I go out for the day with my children, when I take them to playschool and preschool, I pack the car because I do not come home. That is because by the time I get home I have half an hour before I have to go back again. Generally speaking, for all Defence families living in the ACT, the travelling time is quite a significant factor for them.

Mrs CROSIO—Yet we who come down to Canberra to work at Parliament House think Canberra is so close to everything compared to what we are used to in our lifestyle. In your submission you list a number of requirements as to why it is so much better to live on base. Would you like to list, so that we can look at both sides, some of the things that are bad about living on base and the problems with living on base? Or is it just all good?

Mrs Trotter—Living on base at RMC at the moment, the bad thing would be the quality of housing. Certainly, now that winter has arrived, a lot of families are saying how cold they are in their homes and that the homes are below standard. But to me that would be a very small price to pay—living in a cold house—to be in that location. But, certainly, when you reflect upon the standard of housing that you can live in out at Gungahlin, as opposed to what you would get at RMC at present, the houses at RMC are very old and not a lot of money has been spent on them recently. But I think that is a reflection, too, of the proposed work activity. It does appear, especially to me, to be quite a silly thing to do, to spend money on something that is probably only going to keep falling down around your ears anyway. But that would be the only downside at the moment about living at RMC: the quality of the homes.

Senator FERGUSON—I am not sure what the density of housing is at Gungahlin where you are but under the proposal we have the housing at Duntroon is going to be much more dense than it currently is. There are not going to be the very large backyards that currently exist with the housing that is there to counteract the quality of the houses. Does higher density living bother you on the base, with children?

Mrs Trotter—No, because there are a number of parks around RMC. It is quite a safe place to walk with a pram. All the facilities are there and the community centre is there, which offers a fantastic variety of programs for anyone who wants to utilise the establishment. So I do not see it as being a problem.

Senator FERGUSON—How many children do you have?

Mrs Trotter—Three.

Senator FERGUSON—Do you have a four-bedroom house at Gungahlin?

Mrs Trotter—We do, but it is an interesting question you pose there because the more we have the more we want. We only use three of our bedrooms as bedrooms. We use our fourth bedroom as a study.

Senator FERGUSON—If you had the opportunity to move into a four-bedroom house on base would you do the same?

Mrs Trotter—Probably, but my husband is studying part-time at university so he really needs a secluded area to go to. It is either the fourth bedroom or the garage.

Senator FERGUSON—Is it a reasonably new house at Gungahlin that you are in?

Mrs Trotter—Yes, it is.

Mr FORREST—I am interested in the secure area. I have read that in some of the submissions, and you just said it. But I drove onto the site this morning and drove all over it because I missed the bus for the inspection. Nobody challenged me.

Mrs Trotter—My perception of it as a secure area is more because they are all ADF members living at RMC so you form a very secure network among yourselves. Yes, Duntroon has a public road and anyone can drive through but—

Mr FORREST—In other words, everyone looks after everybody.

Mrs Trotter—Everyone looks after everybody else, whereas out in the suburbs the intention has been to try to create the married quarters in amongst civilians, so your next-door neighbours quite possibly will not be serving members; they will possibly be civilians. It is my belief that you would have a better support network living on base.

Mr FORREST—I want to ask you, more out of interest than anything, about the break-up of the spouses. Some are obviously males and working off site, and they may not even be in the services. Are the greater proportion of spouses girls?

Mrs Trotter—Yes.

Mrs CROSIO—You can say ‘female’.

Mrs Trotter—There are some blokes out there.

Mr FORREST—The other question is about consultation. I have a feeling that there has been really good consultation. We are often assured of it and we find out later that the perception was that it was not as good as we had been assured. Could you give us a few remarks on the way you feel Defence and DHA have consulted with people like yourselves? Is it done formally?

Mrs Trotter—I have participated in some consultative work out at RMC, where spouses have been invited to discuss the style of home that they would be happy to live in. I am also aware that DHA have consulted with families through, perhaps, peak posting periods when families come to the ACT and they are asked where they would like to live. Nine out of 10 families will say either RMC or inner city.

Senator CALVERT—On that point of consultation, on your committee, the NCG committee, were spouses of all ranks represented?

Mrs Trotter—Yes.

Senator CALVERT—You said earlier that you had a long way to travel from Gungahlin to Russell. Where is the closest shopping centre to Duntroon? Is it a long way away? Is it going to be an inconvenience if you live on base?

Mrs Trotter—No, you have a few options there if you want to shop. If you were centrally located you could really access any shopping centre, but the closest ones would be Civic and Manuka.

Senator CALVERT—It is a bit expensive in Manuka.

Mrs Trotter—But you can always window shop. You did not specify spending money.

CHAIR—There are a Coles and a Woolies there.

Senator CALVERT—Is there public transport?

Mrs Trotter—Yes, there is a bus service that goes through RMC.

Senator CALVERT—Is it adequate?

Mrs Trotter—It would be my belief that it would be more adequate than the bus service from Gungahlin to Civic, yes.

CHAIR—On behalf of the committee I thank you and once again I apologise for any inconvenience in getting you in here earlier than you anticipated. I thank all of the witnesses who have appeared before us today and also all of those involved in arranging our inspection this morning. From our point of view, can I say congratulations to those who put this project together because I think it has clearly taken into account the requirements of staff, but it is also sensitive to the heritage aspects of the precinct as well as to the environment. I believe it is a job well done in terms of the design.

Resolved (on motion by **Mrs Crosio**):

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

Committee adjourned at 11.07 a.m.