

## Proposed upgrade of on-base housing for Defence at Larrakeyah Barracks, Darwin, and RAAF Base Tindal, Northern Territory

- 4.1 This chapter deals with two referrals:
- Proposed upgrade of on-base housing for Defence at Larrakeyah Barracks, Darwin, Northern Territory
  - Proposed upgrade of on-base housing for Defence at RAAF Base Tindal, Northern Territory.
- 4.2 The introductory sections for each referral will be provided separately. The project issues section will cover both referrals.
- 4.3 As on-base housing is owned by the Department of Defence (Defence) and managed by Defence Housing Australia (DHA), both agencies were involved in the inquiries.

### **Proposed upgrade of on-base housing for Defence at Larrakeyah Barracks, Darwin, Northern Territory**

- 4.4 DHA seeks approval to upgrade on-base housing for Australian Defence Force personnel at Larrakeyah Barracks, Darwin, NT.
- 4.5 The purpose of the project is to upgrade 48 dwellings in the Larrakeyah Barracks residential precinct, in four stages.
- 4.6 The cost of the project is \$25 million, including GST.
- 4.7 The project was referred to the Committee on 19 September 2012.

## Conduct of the inquiry

- 4.8 Following referral to the Committee, the inquiry was advertised on the Committee's website.
- 4.9 The Committee received one submission and one supplementary submission from DHA. The list of submissions can be found at Appendix A.
- 4.10 The Committee conducted a site inspection on 28 September 2012 in Darwin.
- 4.11 The Committee conducted a public hearing and an in-camera hearing on the project costs on 2 November 2012 in Canberra.
- 4.12 A transcript of the public hearing and the submissions to the inquiry are available on the Committee's website.<sup>1</sup>

## Need for the works

- 4.13 There are currently 1,700 Defence members with dependants who reside in the Darwin area. To meet the needs of these families, DHA manages approximately 1,650 dwellings in and around Darwin. Only 1,200 of these comply with the Defence minimum standard.
- 4.14 Much of the stock on RAAF Base Darwin, Defence Establishment Berrimah and Larrakeyah Barracks is old. Some dwellings, built in the years immediately following Cyclone Tracy, are now uninhabitable.
- 4.15 At 1 July 2012, 307 families were in private rental accommodation and receiving their housing subsidy in the form of Rent Allowance (RA). The proportion of families on RA, at 16.8 percent, is higher than the DHA target of 15 percent for the Darwin region.
- 4.16 The private rental market in Darwin is under stress, making it difficult for Defence families who cannot be accommodated by DHA to find suitable accommodation. The presence of significant numbers of Defence families in private rentals adds to the stress in this market. This upgrade project will reduce the number of Defence families in the private rental market.<sup>2</sup>
- 4.17 DHA has programmed the addition to its Darwin portfolio of 872 dwellings through construction, purchase and leasing options out to 2015. These will replace houses where leases are due to expire or that do not meet the new minimum standard. The Defence minimum standard was

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

2 DHA, Submission 1 (Larrakeyah), p. 1.

updated with an expectation that Defence-owned and DHA housing would be brought up to these standards by 2017.

4.18 While there will be a small overall increase in the size of the Darwin portfolio, this proposed upgrade project does not increase dwelling numbers on Larrakeyah Barracks. It seeks to refurbish run-down dwellings in order to provide Defence families with modern, up to date housing with amenity levels that meet the Defence minimum standard. The occupation by Defence families of what is expected to be highly sought after accommodation (because of its ideal location) will reduce numbers in the private rental market.<sup>3</sup>

4.19 The Committee is satisfied that there is a need for the works.

### Options considered to meet the need

4.20 DHA's preferred delivery method is the acquisition of 'broad acre' land followed by development and construction, due to the economies of scale associated with bulk procurement of house constructions, surety of supply and higher margins associated with wholesale land development.

4.21 Other options include the construction of on-base housing, the purchase of developed land followed by construction, the purchase of established houses, the upgrade of current houses and the direct leasing of suitable housing. DHA is exercising all of these options in its Darwin program.

4.22 Defence and DHA evaluated and jointly agreed that the upgrade of 48 dwellings on Larrakeyah Barracks is economically viable and represents good value for Defence in the context of the overall program for Defence housing in Darwin. The houses are suitable for upgrade and, together with the new housing project on Larrakeyah Barracks, will provide a well located housing precinct that will serve Defence families for the next 20-30 years.<sup>4</sup>

### Scope of the works

4.23 The scope of the works has been agreed between Defence and DHA. The works include a full mid-life upgrade of all the houses, including:

- modernising all fixtures and fittings

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3 DHA, Submission 1 (Larrakeyah), pp. 1-2.

4 DHA, Submission 1 (Larrakeyah), p. 2.

- modernising kitchens, bathrooms and laundries
  - upgrading air conditioning, electrical and plumbing services
  - providing an ensuite extension to the main bedroom
  - providing a double or single lock-up garage to each residence
  - landscaping around the completed houses.<sup>5</sup>
- 4.24 Subject to Parliamentary approval, upgrades are scheduled to start from February 2013 and be completed by April 2015.<sup>6</sup>
- 4.25 The Committee finds that the proposed scope of works is suitable to meet the need.

### Cost of the works

- 4.26 The overall project cost is \$25 million, including GST.<sup>7</sup> The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with DHA on these costs.
- 4.27 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

## Proposed upgrade of on-base housing for Defence at RAAF Base Tindal, Northern Territory

- 4.28 DHA seeks approval to upgrade on-base housing for Australian Defence Force personnel at RAAF Base Tindal, near Katherine, NT.
- 4.29 The purpose of the project is to upgrade 131 dwellings on RAAF Base Tindal, in two stages.
- 4.30 The cost of the project is \$57 million, including GST.
- 4.31 The project was referred to the Committee on 19 September 2012.

### Conduct of the inquiry

- 4.32 Following referral to the Committee, the inquiry was advertised on the Committee's website.

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5 DHA, Submission 1 (Larrakeyah), p. 6.

6 DHA, Submission 1 (Larrakeyah), p. 11.

7 DHA, Submission 1 (Larrakeyah), p. 11.

- 4.33 The Committee received one submission and one supplementary submission from DHA. The list of submissions can be found at Appendix A.
- 4.34 The Committee conducted a site inspection on 28 September 2012 at RAAF Base Tindal.
- 4.35 The Committee conducted a public hearing and an in-camera hearing on the project costs on 2 November 2012 in Canberra.
- 4.36 A transcript of the public hearing and the submissions to the inquiry are available on the Committee's website.<sup>8</sup>

### Need for the works

- 4.37 There are currently about 330 Defence members with dependants who reside in the Tindal/Katherine area in the Northern Territory. The township of Katherine is 320 kilometres southeast of Darwin and RAAF Base Tindal is a further 17 kilometres southeast of Katherine.
- 4.38 To meet the housing needs of these families, DHA manages about 320 dwellings in the Tindal/Katherine area (193 Defence owned dwellings on RAAF Base Tindal and the remainder in Katherine). At 1 July 2012, an additional 13 families or four per cent of the total were in private rental accommodation and receiving their housing subsidy in the form of RA.<sup>9</sup>
- 4.39 The proportion of families receiving RA is low because of the constrained nature of the private rental market in this remote locality and because rental accommodation in the region is of a generally low standard.
- 4.40 RAAF Base Tindal on-base housing was largely constructed in the mid-1980s when it was some of the best in the Defence portfolio. Small numbers of houses have been constructed more recently. Only minor upgrades have occurred since construction.
- 4.41 Community standards have improved since the mid-80s. Reflecting this, the Defence minimum standard was updated with an expectation that on and off-base Defence-owned and DHA housing would be brought up to these standards by 2017.<sup>10</sup>
- 4.42 The Committee is satisfied that there is a need for the works.

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

9 DHA, Submission 1 (Tindal), p. 1.

10 DHA, Submission 1 (Tindal), p. 1.

## Options considered to meet the need

- 4.43 DHA's preferred delivery method is the acquisition of 'broad acre' land followed by development and construction, due to the economies of scale associated with bulk procurement of house constructions, surety of supply and higher margins associated with wholesale land development.
- 4.44 Other options include the construction of on-base housing, the purchase of developed land followed by construction, the purchase of established houses, the upgrade of current houses and the direct leasing of suitable housing.
- 4.45 In relation to this proposal, a 'broad acre' development in Katherine is not economically viable because of the generally underdeveloped nature of the local housing market which could not sustain the volume of sale and leaseback that would be required. The cost of construction of new residences and/or the upgrade of existing off-base properties in this remote area is also very high.
- 4.46 Accordingly, Defence and DHA determined that the upgrade of existing on-base dwellings is the most cost-effective means of supplying housing that meets the new minimum standard for families posted to RAAF Base Tindal.<sup>11</sup>

## Scope of the works

- 4.47 The project envisages the upgrade of the remaining 131 (out of a total of 193) on-base houses to bring them up to the Defence minimum standard.
- 4.48 The range of work on each house varies but may include:
- new kitchens, bathrooms and bedrooms
  - living room extensions
  - double garages
  - replacement of driveways where necessary
  - all soft and hard landscaping.<sup>12</sup>
- 4.49 Subject to Parliamentary approval, upgrades are scheduled to start from March 2013 and be completed by February 2015.<sup>13</sup>

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11 DHA, Submission 1 (Tindal), p. 2.

12 DHA, Submission 1 (Tindal), p. 5.

13 DHA, Submission 1 (Tindal), p. 8.

- 4.50 The Committee finds that the proposed scope of works is suitable to meet the need.

### Cost of the works

- 4.51 The overall project cost is \$57 million, including GST.<sup>14</sup> The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with DHA on these costs.
- 4.52 The Committee is satisfied that the costings for the project provided to it have been adequately assessed by the proponent agency.

### Project issues

- 4.53 The following issues apply to the proposed upgrades at both Larrakeyah Barracks and RAAF Base Tindal, unless otherwise stated.

### Defence minimum standard

- 4.54 The Defence minimum standard was established by a new housing classification policy in 2007. The previous scheme was based on a 1980s-style house. The minimum standard was increased due to the dissatisfaction of Defence personnel and their preference to enter the private rental market and take up RA, rather than live in Defence housing.<sup>15</sup>
- 4.55 This situation is more costly for Defence and creates pressure on the private rental market. It also creates a disincentive for Defence personnel to stay at postings with lower quality housing.<sup>16</sup>
- 4.56 Because of this, Defence reviewed its national minimum standard to meet community and Defence personnel expectations:

... a contemporary lifestyle was really important to [Defence personnel] not necessarily where they actually were but for their general lifestyle specifically. We noticed a fair increase in concern about housing both with respect to safety and a reasonable quality of housing for members and their families, especially when the

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14 DHA, Submission 1 (Tindal), p. 8.

15 Mr M. Jenkin, Defence, *transcript of evidence*, 2 November 2012, p. 4.

16 Mr M. Jenkin, Defence, *transcript of evidence*, 2 November 2012, p. 4.

members were being deployed in a high-operation time. It just added that little bit more security for them.<sup>17</sup>

4.57 Defence stated that the quality of housing used to be a disincentive for Defence personnel. However, since the implementation of the minimum standard, housing has become an incentive. Defence stated that it is now retaining personnel because of the quality of housing.<sup>18</sup>

4.58 Defence noted that housing is a particular issue in the Northern Territory as personnel and families must be relocated there so the quality of housing becomes a more significant factor than in other areas.<sup>19</sup>

### Committee comment

4.59 The Committee notes that increasing community and Defence expectations for housing are part of the reason for these upgrades.

4.60 The Committee accepts that these upgrades will ensure that the dwellings will meet the Defence minimum standard.

### Individual nature of upgrades

4.61 Each house to be upgraded is different and must be treated individually. There is also the risk for issues to be discovered as the upgrades progress. DHA has included adequate contingency into the project costs.<sup>20</sup>

4.62 Ensuites and garages are key items to be added in the upgrades. As each house is different, there may not be a simple location for an ensuite:

It sometimes is a whole build-on. You can rejig the interior of a house – we do that – but sometimes it will not be just a minimum of going out under the roofline. If we need to, we have to go beyond that as well, so the cost is affected.<sup>21</sup>

4.63 Garages will also be added and will incorporate storage space:

We have provided a double garage, and the storage is deemed to be how they choose to use the second garage.

[Garages] are always outside the roofline anyway. But when we built the new double garage it was also slightly larger than the

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17 Mr B. Jackson, Defence, *transcript of evidence*, 2 November 2012, p. 4.

18 Mr B. Jackson, Defence, *transcript of evidence*, 2 November 2012, p. 4.

19 Mr B. Jackson, Defence, *transcript of evidence*, 2 November 2012, p. 4.

20 Mr J. Dietz, DHA, *transcript of evidence*, 2 November 2012, p. 3.

21 Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p. 5.



minimum standard so that people have a bit of storage around if they do decide to park two cars there.<sup>22</sup>

- 4.64 When comparing the public cost figures for the projects, the upgrades at Larrakeyah Barracks appear to be more expensive than the upgrades at RAAF Base Tindal. DHA explained that this is because the houses at Larrakeyah Barracks are high-set, two-storey dwellings while those at RAAF Base Tindal are single-storey. This increases the volume and therefore the cost of materials for the works at Larrakeyah Barracks.<sup>23</sup>

## Committee comment

- 4.65 The Committee notes that the houses at Larrakeyah Barracks have not been upgraded since construction, and that some houses at RAAF Base Tindal have had minor upgrades.<sup>24</sup> The Committee understands that these differences mean that the types of upgrades required vary between houses.
- 4.66 The Committee is satisfied that DHA is taking all appropriate measures to deal with and mitigate the possible effects of the individual nature of the proposed upgrades.
- 4.67 In the in-camera hearing, DHA and Defence assured the Committee that at both Larrakeyah Barracks and RAAF Base Tindal, the proposed upgrades provide better value for money than demolition and construction of new houses.
- 4.68 The Committee is satisfied that the costs for the project are in line with what would be expected in the NT.

## Employment

- 4.69 There is a shortage of construction workers in the Northern Territory. DHA noted that this can create difficulties when the proposed works are upgrades rather than full dwelling construction:

We see that we do not have as many responding for work when we do a tender as we might have in some of the southern states. However, in the tenders we have had, we have had enough people

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22 Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p. 5.

23 Mr J. Dietz and Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p 5.

24 Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p. 6; Mr J. Dietz, DHA, *transcript of evidence*, 2 November 2012, p. 8.

responding for us to get the work that we have had. [Construction projects such as the Muirhead development are large] enough to entice someone to come into the region specifically for our job and perhaps set up their own work. We do not find that as often in upgrades. It is more a smaller type local builder who would do the work in upgrades.<sup>25</sup>

- 4.70 However, the upgrades will create jobs in the construction industry and other related industries. DHA provided an explanation for both locations:

In Tindal it is generally coming from Darwin. The builder will come down from Darwin but may use some of the local trades. In Larrakeyah generally, again, the contractors we have had responding to the upgrades are from Darwin.<sup>26</sup>

- 4.71 DHA referred to a study showing that 4.6 direct jobs and 7.8 indirect jobs would be created in the NT for every \$1 million spent. For the two projects, an estimated 373 direct jobs and 632 indirect jobs are estimated to be created.<sup>27</sup>

- 4.72 DHA indicated that getting contractors to work at RAAF Base Tindal can prove difficult, so the project has been scheduled over three years instead of over two decades. This makes the project too large for local contractors to undertake, however it is significant enough that contractors will relocate from Darwin to undertake the works.<sup>28</sup>

## Committee comment

- 4.73 The Committee is impressed with the data demonstrating the employment that will be created by the project.
- 4.74 The Committee acknowledges the difficulties of RAAF Base Tindal's remote location, and notes that DHA is encouraging contractors to the area by proposing large blocks of upgrade works.

## Landscaping

- 4.75 Air flow at Larrakeyah Barracks is stifled by the existence of townhouse developments and lush green vegetation. The townhouses are close

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25 Mr J. Dietz, DHA, *transcript of evidence*, 2 November 2012, pp. 6-7.

26 Mr J. Dietz, DHA, *transcript of evidence*, 2 November 2012, p. 6.

27 DHA, Supplementary submission 1.2, p. 1.

28 Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p. 7, p. 8.

together and, combined with existing carports, can prevent breezes from flowing through the dwellings.<sup>29</sup>

- 4.76 DHA stated that landscaping work within the Larrakeyah Barracks upgrades project will modify the vegetation to ensure privacy while capturing the prevailing winds.<sup>30</sup>

### Committee comment

- 4.77 The Committee experienced the significant difference in air flow in old and new residences at Larrakeyah Barracks, and particularly noticed the lack of air flow in the townhouse that was inspected.
- 4.78 The Committee recalls the design of DHA's Muirhead development, which enables air to flow throughout the dwellings, and is pleased that DHA will implement measures to improve air flow at Larrakeyah Barracks.

### Final Committee comment—Larrakeyah Barracks

- 4.79 The Committee was satisfied with the evidence provided by DHA regarding the proposed upgrade of on-base housing at Larrakeyah Barracks, Darwin, NT.
- 4.80 The Committee is satisfied that the project has merit in terms of need, scope and cost.
- 4.81 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

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29 Mr A. McClelland, Defence, *transcript of evidence*, 2 November 2012, p. 7.

30 Mr J. Dietz and Ms R. Grey, DHA, *transcript of evidence*, 2 November 2012, p. 7.

### Recommendation 3

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed upgrade of on-base housing for Defence at Larrakeyah Barracks, Darwin, NT.

### Final Committee comment—RAAF Base Tindal

- 4.82 The Committee was satisfied with the evidence provided by DHA regarding the proposed upgrade of on-base housing at RAAF Base Tindal, NT.
- 4.83 The Committee is satisfied that the project has merit in terms of need, scope and cost.
- 4.84 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

### Recommendation 4

The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed upgrade of on-base housing for Defence at RAAF Base Tindal, NT.

Ms Janelle Saffin MP

Chair

26 November 2012