

**SUBMISSION BY DEFENCE HOUSING AUSTRALIA TO THE  
AUSTRALIAN DEFENCE FORCE POSTURE REVIEW  
SEPTEMBER 2011**

**Purpose**

This submission draws attention to the need to consider housing of Defence members and their families in the context of possible changes to force disposition arising from the ADF Posture Review (paragraph ‘g’ in the Terms of Reference). It comments on the implications of an expanded Defence presence in Gladstone – Rockhampton; Darwin; Broome – Derby; Karratha – Port Hedland; and Rockingham.

**Executive Summary**

The housing and off-base accommodation needs of Defence members are key considerations in force disposition planning. Availability of suitable housing is critical to securing the support of Defence families called on to relocate. Residential housing in non-metropolitan locations can be in short supply and be expensive. DHA needs as much notice as possible to secure land for construction and to acquire existing homes at reasonable prices so that ADF personnel and their families can be accommodated satisfactorily immediately on arrival in new locations.

DHA has the capacity to increase housing in response to ‘step’ changes in force disposition. For example, the expansion of the Army under the Enhanced Land Force initiative required DHA to acquire or construct more than 1,000 houses in Adelaide, Brisbane and Townsville in the period since 2006-07. That program has delivered (in the case of Adelaide) or is on track to meet Defence requirements without additional Government funding. In the case of Adelaide, in particular, DHA was required to work very closely with the South Australian Government to secure land supply.

In addition to increasing housing supply, DHA has to run down housing stocks in locations where fewer Defence members are required as a result of force disposition changes. This is the case, for example, in Liverpool, NSW where the housing requirement is affected by the relocation of 3RAR to Townsville. Again, adequate notice is needed to enable DHA to draw down its portfolio.

## **Background**

The primary role of Defence Housing Australia (DHA) is to supply housing and related services (e.g. tenancy management) to Defence members and their families in accordance with the *DHA Act 1987*. Under the Services Agreement with Defence, DHA has sole supplier status for housing for members with dependants. Under a separate agreement, DHA is also a supplier of off-base accommodation for single (or unaccompanied) members. In relation to housing for members with dependants, DHA typically supplies 80-85% of the requirement with the balance supplied by the private rental market. At 30 June 2011, DHA's portfolio comprised 18,394 dwellings, 25% of which were in locations north of the Tropic of Capricorn.

## **Social Factors**

In addition to supplying housing to meet Defence requirements, DHA provides property management services and, therefore, is in regular contact with Defence members and their families who occupy our houses. We survey our tenants to determine satisfaction with DHA-managed dwellings including in respect of property location and social amenity. While Defence and ABS sources might be better able to quantify preferences, DHA's experience and its surveys confirm that, in addition to the housing itself, access to schooling for children, adequate child-care and spouse employment opportunities are important factors that impinge on member satisfaction.

Even where social infrastructure and employment opportunities are available, an increasing number of Defence families is opting for family stability with Defence members choosing to go unaccompanied to some new posting localities. This change in member behaviour needs to be taken into account in assessing the Defence housing requirement associated with changes to force disposition, especially where remoteness and a lack of employment, social and cultural amenities are factors.

DHA's Annual Tenant Survey invites respondents to rate satisfaction with their current posting location on the ground that satisfaction with housing is significantly influenced by satisfaction with location. While the results are of only limited use in the present context, it is of interest that the least popular of sixteen locations offered in the survey was the remote RAAF Base Tindal near Katherine, with Darwin not far behind (see Chart 1 on next page). The reasons are complex. What seems clear, however, is that access to social infrastructure (schooling, child-care, spouse employment etc.) such as is provided in major population centres is an important determinant of satisfaction for Defence families.

## **Chart 1: Satisfaction with current posting location by region<sup>1</sup>**

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### **Economic Factors**

DHA provides houses in accordance with a 'provisioning schedule' the details of which are negotiated with, and approved by, Defence. The schedule reflects the Defence requirement and supply-side factors such as availability of land and capital.

Where there is a housing market of sufficient depth (e.g. capital cities and major regional centres), DHA will take capital risk and finance new housing (constructions and purchases) through its Sale and Lease Back program (SLB). In more remote locations, DHA may invite Defence to assume capital risk by providing capital funding and assuming ownership.

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<sup>1</sup> DHA Annual Tenant Survey Report, September 2010, page 17.

**Table 1 - Population and Housing Data for Locations of Interest<sup>2</sup>**

	<b>Total Population</b>	<b>Total No Dwellings (All Types)</b>	<b>Av Value (Market)</b>	<b>Av Rent Per Week (Market)</b>	<b>DHA Portfolio (Number)</b>	<b>Av. Value (DHA)</b>	<b>Av. Rent Per Week (DHA)</b>
Gladstone - Rockhampton	98,760	40,625	\$322K	\$350	8	\$440K	\$450
Darwin	106,000	33,457	\$552K	\$549	1461	\$597K	\$585
Broome – Derby	25,650	6,800	\$575K	\$555	5	\$735K	\$725
Karratha – Port Hedland	50,000	13,575	\$830K	\$1560	55	\$946K	\$2040
Rockingham	110,000	37,732	\$377K	\$343	389	\$420K	\$372

### Gladstone – Rockhampton

Gladstone – Rockhampton is capable of supporting an expanded Defence presence at reasonable cost in terms of the supply of Defence housing. Gladstone is dominated by alumina refining with further expansion planned. Vacancy rates are low and lease properties are in demand. The Rockhampton market is less expensive (details in the table are averaged between the two locations) and vacancy rates are higher. DHA would expect to be able to acquire development land and to augment constructions with spot purchases and direct leases. The combined communities would be expected to provide sufficient social infrastructure to sustain Defence communities.

### Darwin

Darwin is capable of supporting an expanded Defence presence at a reasonable cost (in terms of the cost of Defence housing) and the social infrastructure is more than adequate. DHA has a substantial presence in the market (1460 properties) reflecting the estimated total Defence population (including families) of some 13,000<sup>3</sup>. The development of the suburb of Muirhead will add to the portfolio. While the INPEX gas project is placing pressure on resources in the building industry, this will have abated before any Defence expansion arising from decisions of the force posture review.

### Broome – Derby

Broome – Derby is the smallest by population of the five areas mentioned in this submission and the property market is commensurately smaller. An expanded Defence presence would be expensive in terms of the cost of building and acquiring Defence housing. In this regard, the

<sup>2</sup> Population and housing market statistics are provided by Residex Pty Ltd. DHA data is sourced from DHA's Property Management System

<sup>3</sup> <http://www.theterritory.com.au/index.php?menuID=167>

average value of the five DHA properties in Broome is a better indicator of per unit cost than the comparable figure for properties generally. Broome and Derby ports are important to the off-shore oil and gas industry (Broome) and to the export of lead and zinc (Derby). Broome is a very popular tourist destination with the size of the town typically expanding three-fold in the high season. Neither centre would be likely to have the full range of social infrastructure to satisfy an expanded Defence presence.

### Karratha – Port Hedland

An expanded Defence presence in the Karratha – Port Hedland area would be expensive in terms of the cost of building and acquiring dwellings in one of the most costly markets in Australia. DHA has 50 properties in Karratha and five in Port Hedland. Average weekly rents are more than \$2000 and average values of DHA properties are nearing \$1 million. These figures are comparable to the broader market as illustrated in Table 1. Both locations are important to Australia’s mining and off-shore gas industries. Port Hedland is the highest tonnage port in Australia. With a combined population of some 50,000, social infrastructure is more substantial than in the Broome – Derby area to the north.

### Rockingham

Like Darwin, Rockingham is capable of supporting an expanded Defence presence at a reasonable cost in terms of the supply of Defence housing. DHA already manages nearly 400 properties in the area and land is available to add to this portfolio by construction. At average weekly rents of around \$370, the area is the cheapest of the five considered in this submission. Increasingly the Rockingham – Mandurah area is becoming a satellite to Perth and this is reflected in the extent of the social infrastructure available to support Defence families. However, land prices are increasing and early action to obtain suitable land in the area would be desirable to keep housing costs at a reasonable level.

### **Housing for US Forces**

DHA currently supplies housing to ‘foreign military officers’ under the provisions of the Services Agreement supported by special agreements reached between Defence and the countries concerned. About 130 houses are involved. This housing is incorporated in the forecast and response process under which Defence and DHA agree each year on the housing that DHA will supply. Occupied houses are included on the ‘Rent Bill’ paid by Defence. These arrangements could be extended to include housing for US Forces that might be stationed at existing Australian bases such as at Rockingham and Darwin. There is no provision in the *DHA Act* for DHA to contract directly with the US Government to supply housing for its military, although it would be possible to amend the Act to make this possible. This would be a less preferable alternative to supply under existing arrangements.

## Conclusion

DHA has demonstrated the capacity to respond to 'step' function changes in the Defence housing requirement. It requires as much forward notice as possible in order to meet new commitments at reasonable cost and to dispose of surplus housing where necessary. The provision of suitable housing is critical to the morale of Defence members and their families and its inclusion in the deliberations of the Force Posture Review is crucial. DHA could also support the provision of housing to members of US Forces who might be stationed in Australia. As much notice as possible would be desirable, especially if changes to the *DHA Act* are required.

Gladstone – Rockhampton, Darwin and Rockingham are substantial population centres providing reasonable levels of social infrastructure and supporting residential property markets that could absorb an expanded Defence presence at reasonable cost (in terms of the cost of additional housing). DHA would be unlikely to call on Defence capital to fund any additional housing that might be required.

On the other hand, Broome – Derby and Karratha – Port Hedland are smaller and more remote; and are less likely to be attractive to Defence families. The cost of residential housing would be substantial. If called on to supply additional housing, DHA would be likely to request that Defence contribute capital funding and assume risk accordingly.

13 September 2011