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Defence housing—key issues and impacts

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Executive summary

- Prior to the establishment of the Defence Housing Authority (DHA), much of the accommodation allocated for defence personnel was of poor quality, with a reliance on state governments for its provision and maintenance.
- The creation of DHA provided a focus on improving the standard of defence housing, and the Authority's ability to trade in property allowed for a complete overhaul of the defence property portfolio.
- However, as a government business, DHA has continued to be susceptible to potential privatisation, despite contrary views that the government's role is critical in ensuring defence housing is appropriately located, accessible and of the necessary standard to support personnel retention.
- When compared to the defence housing services offered in New Zealand, Canada and the United Kingdom, DHA rates well in terms of the efficiency of its processes and the effectiveness of its service delivery. Policy requirements, budgetary constraints, and even geography have meant each of the four countries considered in this paper have unique methods of providing defence housing. Yet all offer useful insights into the benefits and liabilities of certain courses of action, especially regarding the impact of reduced government involvement.

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Table of abbreviations

ADA – Australian Defence Association

ADF – Australian Defence Force

AHL – Annington Homes Limited

ANAO – Australian National Audit Office

APIN – Army Presence in the North

CDF – Chief of the Defence Force

CFHA – Canadian Forces Housing Agency

CSHA – Commonwealth and State Housing Agreement

DFWA – Defence Force Welfare Association

DHA – Defence Housing Authority/Defence Housing Australia (from 2006)

FAM – Future Accommodation Model

GBE – Government Business Enterprise

GFC – Global Financial Crisis

HMC – Housing Management Centres

JCFADT – Joint Committee on Foreign Affairs, Defence and Trade

LEAP – Living Environment and Accommodation Precinct

MCA – Members Choice Accommodation

MHS – Modern Housing Solutions

MoD – Ministry of Defence

MWD – Members With Dependents

NCHP – New Housing Classification Policy

NZDF – New Zealand Defence Force

RBC – Rent Band Choice

RSL – Returned & Services League of Australia

SCONDVA – Standing Committee on National Defence and Veterans Affairs

SFA – Service Family Accommodation

SLB – Sale and Lease-back

UAC – Universal Accommodation Component

Introduction

Following the Coalition's victory in the 2013 federal election, the subsequent National Commission of Audit recommended that DHA be privatised, given it operates in 'contestable markets'.¹ However, in November 2015 the Chief of the Defence Force (CDF), Air Chief Marshal Mark Binskin, publicly asserted his support for DHA to remain government-owned, on the grounds that 'DHA provides an essential service to [defence] personnel and their families, which in turn supports Australia's military capability'.² Since its establishment in 1988, DHA has often laboured under an identity crisis, caught between those who perceive it as essentially a business which supports military capability, and the contrary view which identifies DHA as a fundamental military capability, which happens to be a business. The distinction is significant, and the tension between these positions has played an important role in DHA's continued evolution and enduring speculation regarding its future.

This research paper investigates the historical context in which DHA was initially established, the reasons for its establishment, and its current processes for housing defence personnel. The paper also assesses DHA's effectiveness in realising its stated objectives, framing this analysis within the enduring debate around whether or not DHA should be privatised. The paper concludes by examining how defence housing is provided in other contexts, through the case studies of New Zealand, Canada and the United Kingdom. As in Australia, these countries have significantly reformed their defence housing programs over the last 20 years and provide useful perspectives and comparisons.

The early years of defence housing

Pre-1945, no specific government program existed for housing permanent defence personnel. Indeed, by the end of the Second World War, requirements for defence-specific accommodation were largely overshadowed by a broader national housing shortage across Australia, with a claimed deficiency of some 350,000 dwellings.³

In response to the need for new housing, the *Commonwealth and State Housing Agreement (CSHA) Act 1945* included the objective to allocate dwellings for 'members or discharged members of the Forces' (including the Merchant Navy) and their dependants.⁴ However, despite its broad intent, this legislation focused predominantly on supporting defence force veterans, as opposed to those currently serving.⁵

The subsequent *Housing Agreement Act 1956* then became the catalyst for the first large-scale provision by the Commonwealth (the Australian Government) of housing for Australia's full-time defence personnel. Specifically, the Act called for the states to use a proportion of money provided by the Commonwealth for constructing, allocating and maintaining housing for serving defence personnel.⁶

Housing had become an increasingly pertinent issue for the military in the immediate post-war years, as from 1950 to 1956 the number of permanent Australian defence personnel increased by over 50 per cent, to almost 52,000.⁷ Such an increase also led to questions regarding the nature of the government's responsibility for providing accommodation to defence personnel; that is, whether they should be regarded the same as all other employees of the Commonwealth, or if their unique job requirements meant that their circumstances should be treated differently. In presenting the Government's case for the *Housing Agreement Act*, the Minister for National Development, William Spooner, asserted:

Surely, there is no difference between a member of the 1st Battalion, or the 2nd Battalion, who lives in Queensland or New South Wales, and a member of the staff of the Post Office or the Department of Customs and Excise. They are citizens of the State, and the State is responsible to help them, just as it is responsible to help other citizens. The

1. National Commission of Audit (NCA), *Towards responsible government: the report of the National Commission of Audit – Phase One*, February 2014, p. 224, accessed 1 December 2015.
2. A Greene, 'Defence Force chief warns Government, Finance Department against privatising Defence Housing Australia', *ABC News*, Australian Broadcasting Corporation (ABC), 3 November 2015, accessed 1 December 2015.
3. J Collings, 'Second reading speech: Commonwealth and State Housing Agreement Bill 1945', Senate and House of Representatives, *Debates*, 4 October 1945, p. 6449, accessed 10 December 2015.
4. *Commonwealth and State Housing Agreement Act 1945* (Cth), clause 9 of the Schedule, accessed 10 December 2015.
5. Australian National Audit Office (ANAO), *The Commonwealth-State Housing Agreement*, Audit report, 17, 1999–2000, 15 November 1999, ANAO, Barton, ACT, p. 104, accessed 28 September 2016.
6. *Housing Agreement Act 1956* (Cth), accessed 15 December 2015.
7. J Beaumont, *Australian Defence: sources and statistics*, The Australian Centenary History of Defence, volume six, Oxford University Press, Melbourne, 2001, p. 244.

Commonwealth has a great problem in this respect, in that it moves members of the defence forces about in the course of their employment. We find that lack of housing is a great handicap to recruiting and to maintaining the strength of the forces. We have, therefore, said to the States, "You have accepted, since 1945, the principle that 50 per cent of the houses should be reserved for ex-servicemen. We ask you to give serving servicemen priority within the limits of that 50 per cent".⁸

In response, Labor Opposition Senator, William Ashley, contended:

The Minister suggested that if the Government is to be required to provide housing for serving personnel it is equally logical to argue that it should also be responsible for housing the staff of the Postal Department and, indeed, the staff of every Commonwealth undertaking. I point out that the members of the defence forces are in an entirely different position. The defence of Australia is the sole responsibility of this Government, and it is important that service personnel be housed. If the Government accepted responsibility for the housing of the serving personnel, we should not have the waste of hundreds of thousands of pounds that is now taking place in advertising for recruits. If people could be assured that upon joining the services they would be provided with housing, I am confident we should have many more recruits.⁹

The *Housing Agreement Act 1956* facilitated the increased availability of housing for defence personnel but also contained various shortcomings which would not be remedied for at least another 30 years. The most significant of these was the Commonwealth's limited authority under the Act to ensure defence houses were of sufficient standard, appropriately located, and regularly maintained. This remained apparent when in 1973 the Defence Minister Lance Barnard criticised the Queensland Government for 'holding Federal defence housing monies which should have been spent two years ago'.¹⁰

Growing costs were also an enduring issue and so the subsequent *Housing Agreement Act 1961* removed the spending limit on defence housing for both the states and Commonwealth, to allow for expanded development.¹¹ Although the impact of this change was not realised immediately (the 1961–62 Budget had a *reduction* in the Commonwealth Government's contribution to the CSHA), by 1966–67 the Commonwealth Government was spending almost four and a half times more on CSHA housing than in 1960–61.¹²

This increased expenditure led to a reported near doubling of defence housing from 1964 to 1971, with the Defence Minister Malcolm Fraser assuring that 'of course, our forces have grown, but housing has more than kept pace with that expansion'.¹³ That said, Fraser also acknowledged improvements still needed to be made in reducing delays in housing availability for defence personnel after a new posting.¹⁴ There appeared to be sufficient scope for improvement within the broader context of defence housing that an interdepartmental committee was established on 14 August 1970 to consider the matter.¹⁵

Defence housing reviews in the 1970s and 1980s

Garland Review (1977)

Defence housing remained contentious into the 1970s, with the 1976 Defence White Paper specifically noting the lack of quality defence housing for families and the large amount of substandard accommodation for single personnel.¹⁶ Defence housing was particularly inadequate in Darwin, due to the damage caused by Cyclone

8. W Spooner, '[Second reading speech: Housing Agreement Bill 1956](#)', Senate, *Debates*, 14 June 1956, p. 1526, accessed 10 December 2015.

9. W Ashley, '[Second reading speech: Housing Agreement Bill 1956](#)', Senate, *Debates*, 14 June 1956, p. 1534, accessed 10 December 2015.

10. F Cranston, 'Barnard campaign against critics', *The Canberra Times*, 11 October 1973, p. 9. South Australia and Western Australia would also be similarly criticised during the later Garland Review process—see A Gray, 'Service housing "below standard"', *The Canberra Times*, 9 October 1976, p. 9.

11. [Housing Agreement Act 1961](#) (Cth), accessed 15 December 2015.

12. Australian Government, Budget papers 1961–62, pp. 35–6; Australian Government, Budget papers 1962–63, pp. 35–7; Australian Government, Appropriation (No. 1), 1967–68, pp. 157, 160, 164.

13. M Fraser, '[Ministerial statement: Defence](#)', House of Representatives, *Debates*, 10 March 1970, p. 241, accessed 16 December 2015.

14. *Ibid.*

15. M Fraser, '[Answer to Question in writing: Interdepartmental committee: defence housing](#)', [Questioner: G Whitlam], Question 2024, House of Representatives, *Debates*, 17 February 1971, accessed 16 December 2015.

16. Australian Government, [Australian Defence \(1976 Defence White Paper\)](#), November 1976, p. 46, accessed 14 December 2015.

Tracy in 1974 and uncertainty over redevelopment due to the proposed transitioning of some defence infrastructure to RAAF Base Tindal, located near Katherine.¹⁷

Defence housing was again addressed in 1977 when the House of Representatives Standing Committee on Expenditure issued its report on accommodation for married servicemen. Chaired by the Liberal Member of Parliament (and former chartered accountant) Ransley Garland, the Committee undertook what purported to be 'the most comprehensive examination undertaken since these [defence housing] programs were introduced in the mid-1950s'.¹⁸ The Committee's report offered 16 recommendations, which strongly emphasised a move away from government ownership of defence housing. The recommendations included a call for an immediate end to Commonwealth funding for the building or acquisition of accommodation for defence families, with only limited exceptions.¹⁹

Underpinning these recommendations was the Committee's view that the current government approach did not represent best value for money, nor did the provision of housing improve Defence's capacity to recruit or retain personnel. In regard to costs, the Committee concluded that 'there is still undue emphasis on CSHA, insufficient attention on acquisitions and the virtual neglect of other methods such as hirings and the use of private builders'.²⁰ In response to these circumstances, the Committee suggested:

An obvious, and we believe more satisfactory, alternative is for married servicemen to rent from the market which, with its wider selection of different qualities of housing, should be in a better position to satisfy individual preferences. The market, though not perfect, can offer servicemen accommodation of varying quality and location at different prices ... Indeed what we envisage for the future is an abandonment of provision of accommodation as the central thrust of Defence housing policy, and its replacement with a policy of assistance to servicemen to find accommodation, and compensation for cost-disabilities they face. Only where there is a special defence requirement for on-base housing, or where the housing market could not physically cope with the required number of dwellings (e.g. remote areas) would exceptions to the principle of 'no provision' be accepted.²¹

In support of the Committee's assessment, media reporting from June 1977 suggested that \$72 million could be saved over the next three years by reducing the government-owned defence housing stock and instead using private leasing arrangements.²²

The Committee also questioned the role that housing assistance provided in supporting recruitment and retention. In justifying this position, the Committee noted that the total number of defence personnel in 1975 and 1976 was only slightly below target levels, even though more than 80 per cent of defence housing stock was reportedly below standard.²³ However, this ignores the fact that separation rates from Australia's defence force averaged almost 12 per cent from 1972–79 (with a high of 15.4 per cent in 1973–74).²⁴ Additionally, the Committee's own report referenced an earlier inquiry's finding that 'housing, including availability, locations and standards ... have been the most consistently recurring factors put to us as a cause of dissatisfaction with Service life'.²⁵ These separations, offset by new recruits, incur substantial costs in training and administration, although it remains highly speculative beyond the anecdotal level to attribute separations to poor housing.

The Government responded to the Garland Review with a ministerial statement on 4 May 1978. With regard to the recommendation that building/acquisition be suspended in all but exceptional cases, the Government deferred any decision, and instead advocated the formation of an interdepartmental committee to further review all aspects of defence housing. During this review period, new funding for defence housing was

17. Joint Standing Committee on Public Works, *Report relating to improvements to on-base housing, RAAF Base, Darwin*, House of Representatives, Canberra, 1984, pp. 2–4, accessed 28 September 2016.

18. The Parliamentary Library, *Australian parliamentary handbook*, 19th edition, supplement no. 1, 1976, pp. 70–1; House of Representatives (HoR) Standing Committee on Expenditure, *Accommodation for married servicemen*, House of Representatives, Canberra, May 1977, p. 1, accessed 14 December 2015.

19. HoR Standing Committee on Expenditure, *Accommodation for married servicemen*, op. cit., p. viii.

20. Ibid., p. 12.

21. Ibid., pp. 18, 21.

22. A Gray, 'Ultimate aim to quit Defence housing', *Canberra Times*, 2 June 1977, p. 22, accessed 26 April 2016.

23. HoR Standing Committee on Expenditure, *Accommodation for married servicemen*, op. cit., p. 20.

24. Department of Defence (DoD), *Defence report* (various years), Canberra.

25. ; Parliament of Australia, *Committee of inquiry into financial terms and conditions of service for male and female members of the regular armed forces, Third report* (Woodward Review), Canberra, 1971, p. 2, cited in HoR Standing Committee on Expenditure, *Accommodation for married servicemen*, op. cit., p. 7. By way of comparison, the 2015–16 ADF separation rate was 8.3 per cent, from a smaller total personnel strength—DoD, *Defence annual report 2015–16*, volume 1, Canberra, 28 October 2016, p. 92.

suspended. However, the Government did question ‘whether this far reaching change in established policy would adversely affect the ready deployment of the Defence Force or the morale and welfare of service families’.²⁶

For its part, the Labor Opposition was critical of the Review’s recommendations, with its Defence spokesperson Gordon Scholes stating that ‘some of [the recommendations] are quite radical and I think it most likely they could not be accepted in practice’. In specifically addressing the economic emphasis of the Review, Scholes contended that ‘[Defence housing] is a more complex problem than economics and pure expenditure. There are people and families involved, families which have a minimal chance to lead the normal life that another family would lead and which, therefore, need to be in a position where housing is readily available’.²⁷ The Department of Defence response to the Garland Review also concluded:

- modification of the existing system to the extent proposed by the Garland Committee would force Defence to rely upon an unpredictable housing market over which it has no control
- there are notable areas (including Sydney) where private rental accommodation is scarce and expensive and
- service experience did not support the view that where no active private market exists it is likely to be stimulated into existence by the provision of a steady stream of demands.²⁸

Monaghan Review (1985)

In August 1984 the Government established the Task Force on Australian Public Service and Defence Force Housing Programs to assess the current arrangements and advise ‘on the most equitable and efficient means for meeting the Commonwealth’s obligations’ for housing Defence and APS employees.²⁹ The Task Force’s report, published the following year, revealed a complicated array of oversight mechanisms for defence housing.

For example, the Defence Housing Policy Committee was cited as the ‘main policy body’ for defence housing, which received input from the Defence Facilities Policy Committee and the Force Structure Committee within the Department. Yet by 1984 the entire program was in flux, with housing responsibilities transferred from the Facilities Division (Defence Logistics Branch) to the Industrial Division (Manpower and Financial Services Branch), where a new Defence Force Housing Branch was established in August 1984.³⁰ Despite this, the individual services of Navy, Army and Air Force retained responsibility ‘for the day-to-day management and allocation of houses’.³¹

As part of its 23 recommendations, the Task Force identified:

...if delivery of Defence housing assistance were virtually to be solely through physical provision, there would be a range of budgetary and administrative implications and freedom of choice by members would be precluded; and generally it is availability of housing at a locality that is important, rather than Defence control of housing stock.³²

Having noted the inherent need for defence housing managers to commercially trade in property, the Task Force recommended that either a statutory authority within the Defence portfolio or a semi-independent body take over control. However, it also proposed a range of other options, including the provision of a housing expense allowance, which it noted could potentially offer ‘long term improvements in equity, efficiency and cost-effectiveness’ while being ‘consistent with more commercially orientated management of the housing stock’.³³

These options contrasted the differing views between the departments of Finance and Defence. Finance had advocated for Australian Defence Force (ADF) personnel to receive either a housing rental rebate or housing allowance, with which they would pay full market rents for either government or private accommodation. This

26. J McLeay, ‘[Accommodation for married servicemen: ministerial statement](#)’, House of Representatives, *Debates*, 4 May 1978, pp. 1784–86, accessed 11 January 2016.

27. G Scholes, ‘[Accommodation for married servicemen: ministerial statement](#)’, House of Representatives, *Debates*, 4 May 1978, pp. 1786–88, accessed 11 January 2016, accessed 28 September 2016.

28. Task force on Australian Public Service and Defence Force housing programs, *Interim report of program effectiveness review* (Monaghan Review), January 1985, p. 32.

29. *Ibid.*, p. 1.

30. *Monaghan review*, op. cit., pp. 45–6; Department of Defence, *Defence report 1984–1985*, p. 79.

31. *Monaghan review*, op. cit., p. 47.

32. *Ibid.*, p. xxxviii.

33. *Ibid.*, pp. xxxix, xl, xlii.

course of action would allow ADF personnel much more choice and flexibility in their housing location, quality and cost, while providing ‘considerable savings in administration’.³⁴

However, the Defence Department countered that an explicit allowance could not provide for its diverse housing requirements, in ensuring sufficient capacity and flexibility. It also considered that such an allowance could have unforeseen taxation consequences for ADF personnel. As such, Defence asserted that ‘the present housing assistance program provided a sound management platform and it should be retained’.³⁵

Through recommending the establishment of a separate statutory authority, the Task Force arguably sought a compromise between these competing positions. In justifying this recommendation, it stated:

The Task Force agrees with Defence that the management of housing stock should not be outside the jurisdiction of the Minister for Defence, and that it should be responsive to Defence policy initiatives and priorities. But it does not necessarily follow that the management function should be exercised within the present administrative framework.

The point that needs to be grasped is that the management of a large housing stock is essentially a commercial operation involving investment and production and delivery of services. If efficient and effective management is to be achieved, the function has to be exercised on commercial lines.

Responsibility for management of the housing stock which it is necessary to maintain for defence purposes should, then, be recognised as a discrete function, distinct from the provision of subsidy.

The management of the function would need to be empowered to trade in houses and land, retaining the proceeds of sales to assist financing the investment.³⁶

The Task Force also argued, in opposition to Finance’s position:

...the detriments to morale arising from housing related causes do not lend themselves readily to monetary compensation in subsidy form. Essentially these detriments are due to low quality housing in some cases, the uncertainty attaching to standard of housing available at future postings, and inequitable rent charging arrangements.³⁷

Hamilton Review (1986)

Having been commissioned by the Minister for Defence in December 1985 to report on issues faced by Defence families, Sue Hamilton (Assistant Secretary of the Office of the Status of Women) published the report, *Supporting Service Families*, in April 1986. Her report was highly critical of the state of defence housing and bluntly asserted that ‘in many cases I found it profoundly embarrassing that people were being asked to live under the conditions I was shown’. Hamilton further contended that such poor quality housing was a ‘significant contributor to poor family morale’ across Defence.³⁸ State Government housing (developed through the CSHA) was specifically mentioned as a cause of dissatisfaction, due to low-quality and delayed maintenance, as well as the social environment in which these defence houses were located.³⁹ However, Hamilton did not offer any specific recommendations regarding defence housing, given the recent government announcement to establish DHA as a means of addressing the Review’s concerns.⁴⁰

Cross Review (1988)

In October 1987, the Joint Committee on Foreign Affairs, Defence and Trade (JCFADT) was asked to report on the issue of personnel leaving the ADF. The location and quality of defence housing was one of the reasons identified for this predicament, and the Committee’s findings largely mirrored those of the previous Monaghan

34. Ibid., pp. 96–7.

35. Ibid., p. 84.

36. Ibid., p. 214.

37. Ibid., p. 231.

38. K Beazley (Minister for Defence), *Problems of service families*, media release, 30 April 1986, accessed 18 December 2015; S Hamilton, *Supporting service families: a report on the main problems facing spouses of Australian Defence Force personnel and some recommended solutions (Hamilton Review)*, Office of the Status of Women, April 1986, pp. 20, 51, accessed 17 December 2015.

39. S Hamilton, *Supporting service families*, op. cit., p. 51.

40. Ibid., p. 11.

and Hamilton reviews.⁴¹ The Committee supported DHA's recent establishment 'as a major step towards providing acceptable Service accommodation' but expected that DHA should deal promptly with enduring repairs and maintenance concerns. It also cautioned that such improvements in housing quality should not disproportionately lead to rising rents paid by ADF personnel. In its final report, published in November 1988, the Committee specifically recommended that the relevant minister report to Parliament in six months' time regarding DHA's achievements in housing repairs and maintenance.⁴² In its May 1989 response to the Committee report, the Government noted the recent release of DHA's annual report which highlighted the agency's achievements, while citing tenants' letters which attested to a high degree of satisfaction with DHA's recent work.⁴³

The early years of DHA

By the mid-1980s, the declining quality of defence housing was becoming increasingly apparent, with the suspension of funding following the Garland Review criticised for halting necessary repair and maintenance work.⁴⁴ The Defence Department later calculated that average levels of expenditure on defence housing between 1977 and 1981 would have resulted in approximately 1,500 more houses for ADF personnel.⁴⁵ Instead, by March 1984 more than a third of defence houses were reportedly 'beyond economic repair', with the Defence Minister acknowledging it would cost \$500 million to bring these properties up to standard. In response to this, a specific housing management section within the Defence Department was proposed, while the 1984–85 Budget provided for a \$78.6 million program over 'about three years' for Defence housing improvements, constructions and acquisitions.⁴⁶

The quality of defence housing remained sufficiently poor that in early 1985 the Public Works Committee requested a specific briefing by the departments of Defence, Finance, and Housing and Construction in order to assess the extent of the problem. This briefing revealed that approximately 12,000 of the nearly 23,000 total defence houses 'cannot be economically upgraded and should be replaced', and noted the important work of the ongoing Monaghan Review in analysing the provision of defence housing.⁴⁷

On 30 January 1986, largely as a response to the Monaghan Review recommendations, the Minister for Defence, Kim Beazley, announced the proposed establishment of a Defence Housing Authority. This new statutory authority would 'streamline arrangements for the construction, upgrading and maintenance of Service housing, and ... enable quicker disposal of housing stock no longer needed for defence purposes, or unsuitable for occupation by Service families'.⁴⁸ The Minister also announced an extra \$750 million in capital funding for defence housing over the following decade to support this initiative.⁴⁹

The formal creation of DHA as a statutory agency was delayed until 1987. However, keen to begin as soon as possible, Beazley determined in May 1986 that, in the interim, DHA could commence operating on an administrative basis.⁵⁰ In presenting the Defence Housing Authority Bill 1987 to Parliament on 18 March 1987, Beazley stated:

There are three essential elements necessary to remedy the problems [of defence housing]. There must be a guaranteed level of funds committed to Defence housing. There must be business enterprise and expertise brought

41. Joint Committee on Foreign Affairs, Defence and Trade (JCFADT), [Personnel wastage in the Australian Defence Force—report and recommendations](#), Canberra, November 1988, pp. 304–7.

42. *Ibid.*, pp. 311–2.

43. Australian Government, *Responses to the specific recommendations in the Joint Committee on Foreign Affairs, Defence and Trade report on 'Personnel wastage in the Australian Defence Force'*, Canberra, 11 May 1989, p. 17, accessed 28 September 2016.

44. F Cranston, '[\\$1,000m bill for Defence Force housing](#)', *Canberra Times*, 9 March 1984, p. 7, accessed 28 September 2016.

45. K Beazley (Minister for Defence), '[Answer to question without notice: Defence housing](#)', [Questioner: W Fatin], House of Representatives, *Debates*, 16 April 1985, p. 1155, accessed 28 September 2016.

46. F Cranston, '\$1,000m bill for Defence Force housing'; Australian Government, 'Statement no. 3: estimates of outlays 1984–1985' *Budget papers: budget paper no. 1: 1984–85*, p. 79.

47. Parliamentary Standing Committee on Public Works, [Forty-eighth general report](#), 16 April 1985, pp. 5–6, accessed 28 September 2016.

48. K Beazley (Minister for Defence), [New deal for defence housing](#), media release, 30 January 1986, accessed 18 December 2015.

49. *Ibid.*

50. K Beazley, '[Questions without notice: service personnel](#)', [Questioner: R Tickner], House of Representatives, *Debates*, 1 May 1986, p. 2874, accessed 18 December 2015.

to the management task. There must be a single organisation established which is dedicated to management of Defence housing and free from bureaucratic controls.⁵¹

The Opposition ultimately supported this enacting legislation for DHA, but was far from enthusiastic. In his second reading speech, the Opposition Spokesman on Defence Wallace Fife sought to incorporate an amendment which 'expresses concern that [DHA] may not best address the housing needs of servicemen and women' and instead sought more involvement by base and area commanders in the 'acquisition, repair and maintenance of defence housing'.⁵² Fife also questioned the sincerity of the Government's funding commitment to DHA and indicated the Opposition's desire for DHA's 10 person board to include at least three members from the private sector who could provide housing industry experience.⁵³ The Liberal Party's pre-election defence policy statement also indicated its position to maintain DHA 'but review its charter and objectives'.⁵⁴

Following the Labor Government's re-election in July 1987, the Opposition committed more fully to supporting DHA, as demonstrated by Senator Jocelyn Newman. In her statement to the Senate in September 1987, Senator Newman declared:

Warts and all, we welcome this legislation. As a former Army wife I am delighted to see it in the Parliament. I too spent my time moving through Army housing. We in the Opposition hope that it will mark the beginning of an improved lifestyle for our service personnel. They give a great deal more to our nation than the nation is often prepared to acknowledge. We need to stem the loss of these trained men and women, who have been trained at a great cost to the nation, and this legislation is a very important first step.⁵⁵

Later, in 1993, Senator Newman further contended:

...from the time [DHA] was set up by the government, the opposition has given its solid and consistent support ... At every step of the way the opposition has supported that organisation. We have tried to see that it was properly funded and we have encouraged the improvement of Defence Force housing.⁵⁶

Shortly after DHA's establishment, the JCFADT described the initiative as 'a major step towards providing acceptable Service accommodation'. In supporting this assessment, the Committee noted DHA's capacity to provide a guaranteed level of funding, be a sole focal point in providing and managing Defence housing, and to apply business enterprise and expertise in this endeavour.⁵⁷

A key initial challenge for DHA was extricating itself from the CSHA, which had long tied defence housing to the various state governments. As at 30 June 1988, a total of 14,221 defence properties were provided through the CSHA, which comprised almost two thirds of the total defence housing stock.⁵⁸ The *Commonwealth and State Housing Agreement (Service Personnel) Act 1990* formalised a new arrangement in which DHA took ownership of half the CSHA properties and the states received the other half over a five-year period.⁵⁹ South Australia did not agree to the arrangement until early 1994, and the entire dispersal of property was completed by 1995.⁶⁰

51. K Beazley, '[Defence Housing Authority Bill: second reading speech](#)', House of Representatives, *Debates*, 18 March 1987, p. 1052, accessed 18 December 2015.

52. W Fife, '[Defence Housing Authority Bill: second reading speech](#)', House of Representatives, *Debates*, 28 April 1987, p. 2106, accessed 5 May 2016.

53. *Ibid.*

54. Liberal Party of Australia, '[Defence: the next Liberal Government's policy](#)', June, 1987, p. 5, accessed 28 September 2016.

55. J Newman, '[Defence Housing Authority Bill 1987](#)', Senate, *Debates*, 17 September 1987, p. 285, accessed 5 May 2016.

56. J Newman, '[Social security legislation amendment Bill \(no. 2\) 1993: In committee](#)', *Debates*, Senate, 26 October 1993, p. 2547, accessed 10 May 2016.

57. JCFADT, *Personnel wastage in the Australian Defence Force*, op. cit., p. 308.

58. Defence Housing Australia (DHA), *Annual report 1987–88*, p. 47.

59. [Commonwealth and State Housing Agreement \(Service Personnel\) Act 1990 \(Cth\)](#), Schedule 1, clauses 3 and 5, accessed 14 June 2016.

60. DHA, *Annual report 1993–1994*, p. 84.

DHA's role in housing defence personnel

Provision

The provision of defence housing is legislated under section 58B of the *Defence Act 1903*, which allows the Minister for Defence to make determinations providing 'benefits' for members and their families.⁶¹ These benefits are explicitly stated in chapter seven of Defence's *Conditions of Service*, which specifies how housing is classified and the minimum standards for housing.⁶² The most recent New Housing Classification Policy (NHCP) for Defence housing was implemented on 1 July 2007.⁶³

DHA receives Defence's housing requirements through the annual *Defence Housing Forecast*, which estimates how many ADF families will require accommodation over the next five years. As part of its service agreement with Defence, DHA is required to supply 85 per cent of this housing requirement, with the remainder supplemented through the private rental market.⁶⁴ The formal services agreement between DHA and the Defence Department took effect on 1 July 2000 and is intended to clearly identify the provision of services and risk-sharing arrangements.⁶⁵

DHA noted in its most recent annual report that it currently maintains a portfolio of 18,767 properties—a reduction of almost 20 per cent from an initial housing stock of 23,335 properties in 1987.⁶⁶ However, this reduction of housing stock has largely matched a similar decrease in the number of total serving ADF personnel and the ratio of housing to personnel numbers has generally been between 30 to 40 per cent.⁶⁷ The largest reductions in defence housing from 1987–88 to 2015–16 occurred in Victoria (–67 per cent), New South Wales (–44 per cent) and South Australia (–35 per cent)—a collective decrease of 7,578 properties.⁶⁸

These reductions have been partially offset by significant growth in the Northern Territory (+164 per cent) due to the Army Presence in the North (APIN) policy, and in the Australian Capital Territory (+158 per cent) as the location of the central office of the Department of Defence. The increases in both locations have collectively added 2,902 properties to DHA's portfolio since 1987–88.⁶⁹ Queensland has also now exceeded its 1987–88 level of defence housing, with a 2015–16 total of 5,393 properties—an almost 45 per cent increase from a low of 3,736 properties in 2003–04.⁷⁰ The main reasons for Queensland's increase are the doubling of defence housing at Ipswich (located near Australia's largest air force base, RAAF Base Amberley) from 2005–06 to 2014–15, and a 77 per cent increase over the same period in Brisbane where the Army's Gallipoli Barracks is located at Enoggera.⁷¹

As a response to the Global Financial Crisis (GFC), the Commonwealth Government announced a 'Nation Building' program in 2009, which included \$252 million in new spending for the construction of 802 defence houses.⁷² A total of 829 properties were constructed through this program, which was completed in December 2010.⁷³ Approximately 80 per cent of these houses were built in the Northern Territory, Queensland and South Australia, which included 127 houses built in Adelaide prior to the 7th Battalion Royal Australian Regiment's relocation from Darwin and 118 houses built in Townsville in preparation for 3rd Battalion Royal Australian Regiment's arrival from Sydney.⁷⁴

61. [Defence Act 1903](#) (Cth), paragraph 58B(1)(e), accessed 7 June 2016.

62. DoD, [Defence Determination 2016/19, Conditions of service](#), Volume 2, Chapter 7, 20 October 2016, accessed 31 October 2016.

63. DHA, *Parliamentary Library presentation*, 25 November 2016.

64. DHA, [2014–15 Annual report](#), p. 24, accessed 8 June 2016.

65. DHA, *1999–2000 Annual report*, p.2.

66. DHA, Annual reports, various.

67. DoD, Annual reports, various;

68. DHA, *Parliamentary Library presentation*, 25 November 2016.

69. DHA, Annual reports, various; ANAO, [Army presence in the North: Department of Defence performance audit](#), Audit report, 27, 1996–97, ANAO, Barton, ACT, 5 March 1997, accessed 8 June 2016; DHA, *Parliamentary Library presentation*, 25 November 2016.

70. DHA, Annual reports, various; DHA, *Parliamentary Library presentation*, 25 November 2016.

71. DHA, Annual reports, various; Royal Australian Air Force (RAAF), ['RAAF Base Amberley'](#), website, accessed 8 June 2016; DHA, *Parliamentary Library presentation*, 25 November 2016.

72. K Rudd (Prime Minister), [20,000 social and defence homes—nation building investment](#), media release, 3 February 2009, accessed 17 June 2016.

73. DHA, [Annual report 2010–11](#), p. 6.

74. *Ibid.*, pp. 42, 6.

The majority of DHA's properties are detached three or four bedroom service residences, known as the Members with Dependants (MWD) portfolio. However, DHA noted in 2015 that '46 percent of [defence] families we accommodate have no children and 18 per cent have one child under four years of age'.⁷⁵ Accordingly, DHA has developed a growing portfolio of townhouses, courtyard style houses, flats and apartments under the banners of either Members' Choice Accommodation (MCA) or Rent Band Choice (RBC) accommodation.

Members' Choice Accommodation

Consisting of predominantly two bedroom apartments constructed in recent years, MCA properties are available to members without dependants or members unaccompanied by dependants, as an alternative to living on base or renting privately.⁷⁶ In November 2005, DHA and Defence agreed to an 18-month trial of 100 properties of this accommodation type in Darwin, and in 2007 set a goal of increasing MCA stock to 1,400 properties over three years.⁷⁷ A long-term agreement for DHA to provide MCA properties was enacted in December 2008, limited initially to Darwin but with an option to expand to other locations.⁷⁸

The first expansion occurred in 2011–12, when Brisbane and Canberra were allocated MCA housing, with the remaining mainland capital cities receiving MCA properties in 2013–14. The MCA portfolio reached 1,000 properties in October 2016 across 12 locations, with an eventual goal of 2,000 MCA properties proposed.⁷⁹ As at June 2016, Canberra had the highest number of MCA properties at 225, with Darwin close behind at 210. These combined 435 properties represented almost half of DHA's total MCA portfolio. DHA owns approximately a third of its MCA properties, while leasing the remainder.⁸⁰

Rent Band Choice Accommodation

The RBC properties are classified within the MWD portfolio, but generally constitute apartments and townhouses and as such do not meet the housing standards of other MWD accommodation. However, these properties are generally chosen by members who prefer to offset their full housing entitlements by living in the more inner-city urban areas where RBC properties are located.⁸¹ Known as 'Defence Choice Housing' prior to the 2007 NHCP, RBC was first implemented in November 2002 following a consultants' review and working group assessment.⁸² As at June 2016, DHA's RBC portfolio incorporated 977 properties, equating to approximately five per cent of the total DHA housing stock. This level has remained reasonably consistent since 2008 when the RBC portfolio comprised 839 properties.⁸³

In 2014, DHA noted Defence's intention to make RBC and MCA properties interchangeable when the MCA portfolio reached 1,000 properties, in order to 'give more flexibility in meeting the housing needs of Defence members'.⁸⁴ However the mix of DHA's housing solutions is inherently dependent on Defence's forecasted requirements, aligned where possible to commercial interests.

On-base accommodation

In terms of Defence-owned on-base single accommodation, the Government established Project Single LEAP (Living Environment and Accommodation Precinct) in 2004–05 following the publication of a 2003 report which identified significant deficiencies in housing quality.⁸⁵ The project was divided into two phases; the first providing 1,395 units at three military bases and the second providing 3,015 units at another 14 bases.⁸⁶ DHA joined with Bovis Lend Lease and Transfield Services to tender for this project, but Plenary Group was selected as the preferred participant for the 30-year Public Private Partnership responsible for the accommodation's

75. DHA, *2014–15 Annual report*, p. 23.

76. DHA, *2015–16 Annual report*, pp. 45–6.

77. DHA, *2005–06 Annual report*, p. 41; DHA, *Annual report 2006–07*, p. 37.

78. DHA, *2008–09 Annual report*, p. 17.

79. DHA, [DHA completes 1,000th MCA property](#), media release, 25 October 2016, accessed 23 November 2016; DHA, *Parliamentary Library presentation*, 25 November 2016.

80. DHA, *Parliamentary Library presentation*, 25 November 2016.

81. DHA, *2015–16 Annual report*, p. 44.

82. DHA, *Parliamentary Library presentation*, 25 November 2016.

83. *Ibid.*

84. DHA, *2013–14 Annual report*, p. 25.

85. DoD, Evidence to Parliamentary Standing Committee on Public Works, [Provision of facilities for Project Single LEAP – phase 1](#), March 2006, p. 5, accessed 8 June 2016.

86. DoD, ['Project Single Living Environment and Accommodation Precinct: frequently asked questions'](#), website, accessed 8 June 2016.

construction and ongoing maintenance.⁸⁷ DHA manages the booking and allocation of ADF members' transit, temporary, permanent and course accommodation at ADF bases across Australia, under agreement with Defence.⁸⁸

Increased emphasis on leasing

DHA's first annual report in 1987–88 revealed that it maintained 285 leased properties from the private market. In May 1989, the Minister for Defence Science and Personnel announced that DHA would progressively take over further leases currently held by Defence families.⁸⁹ By 1989–90 these leased properties had been removed from the housing stock as DHA sought new 'arrangements with major institutions for the formation of a leasing entity'.⁹⁰ Having unsuccessfully attempted this (including a failed deal with Jennings Group in February 1991), by 1992, DHA Chairman John Graham acknowledged that 'little interest is being shown in investment in residential property by major institutional investors'.⁹¹

A renewed push for institutional investors occurred in 2006, with Westpac Funds Management purchasing \$98.2 million worth of DHA's residential property in April and another \$121.9 million allocation in December.⁹² But in the wake of the GFC, DHA reported that it would not pursue further institutional sales and in 2009 Westpac commenced selling off its stake in defence housing.⁹³ DHA has continued seeking out institutional investors for its sale and lease-back (SLB) program, and in 2013, DHA's subsidiary DHA Investment Management Limited acquired 79 DHA properties valued at approximately \$50 million through its DHA Residential Property Fund No. 1. However, in 2016 the fund investor, Findex, planned to exit the fund, ceasing operations far earlier than the expected 10-year timeframe.⁹⁴ The fund's proposed closure was reportedly due to the fund manager's view that residential property markets in Sydney and Melbourne had peaked.⁹⁵

Despite such largely unsuccessful experience with institutional investors, SLB arrangements have remained an enduringly prominent aspect of DHA's business model in terms of individual investors. Prior to the 1992 federal budget, media reporting indicated that some government ministers were considering a plan for DHA to sell off a portion of its properties, which it would then lease back.⁹⁶ These proposed arrangements were subsequently enacted as a budget measure, with receipt of \$300 million anticipated through SLB arrangements.⁹⁷ The SLB program received Coalition support, as it hoped the capital received from these sales in major centres would be used to increase housing development in the more remote areas used by Defence.⁹⁸

By 1993 DHA suspended undertaking any new leasing commitments, having identified 'inflexibilities' regarding rent adjustments, maintenance and aligning leases to posting cycles.⁹⁹ With these issues addressed, the SLB program was revived in 1996 and incorporated a nation-wide property tender offer, with DHA using the international property marketing group Kennedy Wilson to facilitate the sales program, branded *Operation HomeLease*.¹⁰⁰ However, financial commentators highlighted multiple concerns with the sales program, including the relatively low return yields and unattractive investment locations, which led to a poor response to

87. DHA, *2005–06 Annual report*, p. xviii; Plenary Group, '[Plenary completes Single LEAP 2 Defence project on time and on budget](#)', website, 17 March 2014, accessed 9 June 2016.

88. DHA, *Annual report 2015–16*, p. 37.

89. DHA, *Annual report 1987–88*, p. 47; D Simmons (Minister for Defence Science and Personnel), '[Major defence personnel initiatives](#)', media release, 11 May 1989, accessed 9 May 2016.

90. DHA, *Annual report 1989–90*, p. 6.

91. DHA, *Annual report 1990–91*, p. 18 and *Annual report 1991–92*, p. 7.

92. DHA, *Annual report 2006–07*, p. 6, accessed 9 June 2016.

93. DHA, *Annual report 2007–08*, p. 31, accessed 9 June 2016; K Jimenez, '[Westpac to sell off Defence housing](#)', *The Australian*, 17 July 2009, p. 22, accessed 9 June 2016.

94. DHA, *2014–15 Annual report*, p. 83; S Danckert, '[\\$50m defence housing fund winds up](#)', *The Sydney Morning Herald*, 2 April 2016, p. 4, accessed 10 June 2016.

95. DHA, *Annual report 2015–16*, p. 111.

96. G Kitney, 'Cabinet push for \$100m defence cut', *Australian Financial Review*, 20 July 1992, p. 2.

97. 'Cut coming in defence outlay: Ray', *West Australian*, 19 August 1992, p. 16.

98. G Tambling, (Shadow Minister for Community Services, External Territories and Northern Australia), '[Separating the fact and fiction of northern defence](#)', media release, 1 March 1993, accessed 10 May 2016.

99. DHA, *Annual report 1993–94*, pp. 6–7 and *Annual report 1994–95*, p. 26.

100. R Harley, 'DHA cashes in southern homes', *Australian Financial Review*, 26 March 1996.

the tender offer.¹⁰¹ Following this setback, DHA continued to refine its marketing approach in actively pursuing its SLB program.

This persistence was rewarded, because from 1995–96 to 1997–98 the number of leased properties increased by almost 50 per cent, with the Minister for Defence Industry, Science and Personnel, Bronwyn Bishop, noting in March 1997 DHA's 'major policy change from ownership of housing to an emphasis on long term leaseings from the private sector housing investment market whenever feasible'.¹⁰² The following year, Bishop signalled DHA's specific ambition to have 60 per cent of all off-base houses provided by individual investors by the year 2000.¹⁰³ Although DHA missed this deadline, the goal was eventually achieved in 2004–05.¹⁰⁴

To help maintain its SLB program, DHA uses multiple marketing tools to attract investors. In 2015–16, DHA spent over \$2 million on advertising and market research, and a marketing agreement with the National Rugby League team, the Canberra Raiders.¹⁰⁵ DHA explained its reasons for such advertising in 2015, stating:

The marketing agreement with the Canberra Raiders forms part of DHA's marketing strategy to increase awareness of DHA's property investment program with DHA's key target market. DHA's primary investor demographic is 'mum and dad investors' which aligns with the NRL's audience. The agreement with the Canberra Raiders provides DHA with a targeted opportunity to reach NRL fans and their families across Australia to promote the investment program. Specifically, the marketing agreement entitles DHA to display its logo on Canberra Raiders on and off-field apparel and signage at games which reaches a national audience via television, online and in print.¹⁰⁶

The marketing agreement with the Canberra Raiders expired on 31 October 2016.¹⁰⁷

The number of properties leased by DHA grew by almost 700 per cent between 1990–91 and 2015–16, from 1,657 properties to 13,169. Since 2000–01, when DHA's leased properties first totalled more than 10,000, the number of properties has grown steadily at almost two per cent per year. As at 2015–16, 70 per cent of DHA's total housing stock was leased from private investors.¹⁰⁸ Perceptions of higher quality tenants and secure rental returns are likely to motivate many individuals to invest in DHA housing. Such investment also occurs in the context of favourable taxation arrangements for all housing investors in Australia, such as negative gearing.

Other services

Maintenance and improvements

During DHA's first board meeting in January 1988, the Minister for Defence Science and Personnel, Ros Kelly, indicated that housing maintenance should be a significant priority for the agency.¹⁰⁹ DHA acknowledged this in its first annual report, stating that 'repairs and maintenance has long been a source of complaint by Defence Force personnel and their families'.¹¹⁰ Accordingly, just over \$30 million was approved for improvements, repairs and maintenance of DHA's housing portfolio during 1987–88.¹¹¹

A key component of DHA's housing maintenance program is the de-centralised system of Housing Management Centres (HMCs). The first of these was opened at Moorebank in Western Sydney on 30 September 1988, with a view to establishing approximately 20 HMCs nationally.¹¹² By 1990 all HMCs used a standardised computer-

101. P Moodie, 'Defence homes miss target', *Australian Financial Review*, 19 April 1996; L Allen, 'Banks join Defence in housing sale', *The Weekend Australian*, 3 May 1997, p. 13.

102. DHA, *Annual report 1995–96*, and *Annual report 1997–98*, B Bishop, '[Answer to question on notice: Defence Housing Authority](#)', [Questioner: A Bevis], House of Representatives, *Debates*, 18 March 1997, p. 2360, accessed 21 June 2016.

103. B Bishop (Minister for Defence Industry, Science and Personnel), '[From houses to homes—meeting Defence's future housing needs: Ministerial address on the occasion of the 10th anniversary of the Defence Housing Authority](#)', media release, 29 June 1998, accessed 14 June 2016.

104. DHA, *Annual report 2004–05*.

105. DHA, *Annual report 2014–15*, pp. 155–6; Canberra Raiders, 'Sponsors directory', website, accessed 6 July 2016.

106. Senate Foreign Affairs, Defence and Trade Committee, Answers to Questions on Notice, Defence Housing Australia, Budget Estimates 2015–16, 1 June 2015, '[Question no. 11—Raiders marketing agreement](#)', accessed 6 July 2016.

107. Information supplied by DHA, 16 January 2017.

108. DHA, Annual reports, various.

109. J Jesser, '[Serious problems with defence housing: Kelly](#)', *The Canberra Times*, 22 January 1988, p. 6, accessed 4 July 2016.

110. DHA, *Annual report 1987–88*, pp. 28, 12.

111. *Ibid.*

112. R Kelly (Minister for Defence Science and Personnel), '[Defence Housing Authority Management Centre opens](#)', media release, 30 September 1988, accessed 6 May 2016.

based system to facilitate repairs and maintenance, and engaged local contractors selected through public tender.¹¹³

Alongside DHA's program of non-economically viable property disposal, its maintenance and improvements program has significantly improved the overall quality of its housing stock. In the decade between 1987 and 1996, the substandard proportion of DHA properties reduced from approximately 70 per cent to just four per cent.¹¹⁴ However, these improving standards did not always meet DHA's own internal benchmarks for housing quality. In May 2003, the Minister Assisting the Minister for Defence, Dana Vale, acknowledged that approximately 4,500 DHA properties (just over a quarter of the total housing stock) were 'inconsistent with DHA's housing standards'.¹¹⁵

Accordingly, in March 2007 the Minister for Defence, Brendan Nelson, announced a new housing classification system which would adjust the Conditions of Service agreement to provide housing with an increasingly high standard of amenities, such as ensuite, security features and covered outdoor living area, consistent with community expectations. This policy of improvements would be rolled out over the following decade.¹¹⁶

DHA also tracks its tenants' satisfaction with the quality and timeliness of maintenance services, conducting an annual national client survey since 1990–91. Satisfaction ratings have averaged almost 90 per cent since then, with a low of 75 per cent occurring in 2000–01 and a high of 98 per cent in 2009–10. The most recent 2015–16 satisfaction level for maintenance was similarly high, at 96 per cent.¹¹⁷ These results align with the CDF's assessment in June 2015 that defence housing in Australia was 'world class'.¹¹⁸

Relocations

DHA gained responsibility for housing relocation services in mid-2001, in addition to tenancy management, administering rent allowance and removals administration.¹¹⁹ However, during the first peak posting cycle (November to January) incorporating the movement of more than 300 ADF personnel a day, a lack of adequate planning and appropriate training led to substandard results, including families not receiving accommodation or financial allocations. DHA indicated that this resulted in a customer satisfaction rating of 68.5 per cent for the December/January period.¹²⁰

Following a task force review and substantial changes to its processes, DHA significantly improved its performance during the 2002–03 peak posting cycle, achieving a customer satisfaction level of 85 per cent and receiving only 37 complaints from its 13,200 relocations.¹²¹ DHA continued to provide the full suite of relocation services (except furniture/furnishing removals) until mid-2010 when it lost the contract to Toll Transitions.¹²²

The privatisation debate

Historical context

The potential for privatising all, or elements of, defence housing has been a source of debate for decades, even before the formal establishment of DHA as a statutory agency. For example, in 1973 a Committee of Inquiry appointed by the Minister for Defence to examine the conditions of service for defence personnel considered in its report the 'potential benefit' of a private hiring scheme for defence housing.¹²³

113. DHA, *Annual report 1989–90*, p. 30.

114. DHA, *Annual report 1995–96*, p. 72 and *Annual report 1997–1998*, p. 59.

115. D Vale, 'Answer to question on notice: Defence Housing Authority', [Questioner: G Edwards], House of Representatives, *Debates*, 14 May 2003, p. 14509, accessed 21 June 2016.

116. B Nelson (Minister for Defence), *Improved housing for ADF members and their families*, media release, 22 March 2007, accessed 18 November 2016.

117. DHA, Annual reports, various.

118. M Binskin (Chief of the Defence Force), *Evidence* to Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into the Department of Defence annual report 2013–14*, 5 June 2015, p. 24, accessed 6 July 2016.

119. DHA, *Annual report 2001–02*, p. 16.

120. *Ibid.*, p. 21.

121. DHA, *Annual report 2002–03*, pp. 15, 29.

122. DHA, *Annual report 2011–12*, p. 126; DoD, 'Preparing and making the move', DoD website, accessed 15 June 2016; Toll Transitions, 'Your Defence relocation guide: version 10, April 2016', Toll Transitions website, accessed 15 June 2016.

123. Parliament of Australia, *Financial terms and conditions of service for members of the regular armed forces—final report of the committee of inquiry* (Woodward Review), Canberra, 1973, p. 56.

Following the Government's announcement to establish DHA, the Shadow Minister for Defence, Ian Sinclair, lamented in a June 1986 speech:

In [defence] housing, the present arrangements have clearly failed, and I seriously doubt that the establishment of the Defence Housing Authority will solve the problem ... the Services need to be able to handle housing directly, rather than through yet another statutory authority. The private sector could contract build new Defence houses for the amount currently being spent on refurbishing existing ones.¹²⁴

Sinclair reasserted this four months later in his reply to the Defence budget ministerial statement, declaring that 'while funds are being provided for housing, I do not believe that the Defence Housing Authority gives anywhere near the value for the defence dollar that we would get if we gave land and the opportunity to build to private contractors'.¹²⁵

The 1990s

In 1990, the Shadow Minister for Privatisation, Warwick Smith, indicated that the Coalition in Opposition was currently investigating DHA as a potential target for privatisation. This was part of a policy platform which identified more than 20 institutions for privatisation across the communications, aviation, health, financial and transport sectors.¹²⁶

The subsequent 1995 report on ADF personnel policy, *Serving Australia: the Australian Defence Force in the Twenty First Century* (Glenn Report), further recommended that 'alternatives for the provision of accommodation assistance and subsidies be pursued'.¹²⁷ Such alternatives essentially focused on a cash payment allowing ADF personnel to 'make up their own minds about their accommodation requirements'.¹²⁸ This concept of a direct payment received tacit support from the Armed Forces Federation of Australia, although the group opposed any proposals to privatise DHA.¹²⁹

The stated benefits of providing cash payments to ADF personnel for accommodation included simplifying processes and motivating recruitment and retention through better opportunities for home ownership (as defence personnel would be able to use the housing allowance for a home deposit or mortgage repayment). However, the Glenn Report acknowledged:

If the cashing out proposal is adopted, there will be a need to ensure that any subsidy cashed out will be maintained in real terms, that differences in regional costs are accommodated, and that arrangements are made to ensure that members exposed to commercial housing markets, particularly on reaching gaining localities, are not distracted from their jobs. In respect of the last of these matters a commercial fee for service approach could be adopted which would identify suitable accommodation at the gaining locality prior to or immediately on a member's arrival. Such a service could be provided by local agents or an organisation such as the Defence Housing Authority.¹³⁰

An Australian National Audit Office (ANAO) report published in December 1994 further warned:

It is possible that all members could be eligible for a cash subsidy regardless of home ownership. If this were the case, the number of members with family eligible for housing assistance would increase by 20% (i.e. members presently occupying their own home). Payment of a cash subsidy could lead to a significant increase in home ownership by other members and a reduction in the demand for DHA houses, particularly in the lower cost localities, putting more pressure on the viability of the GRS [group rent scheme]. It is also possible that the cash subsidy payment could be extended to MWOFF [members without families] which would significantly increase the

124. I Sinclair, (Shadow Minister for Defence), *Australian Defence policy and the Dibb report: the national strategy*, media release, 26 June 1986, pp. 15–16, accessed 17 December 2015.

125. I Sinclair, 'Defence budget: ministerial statement', House of Representatives, *Debates*, 14 October 1986, p. 1937, accessed 18 December 2015.

126. W Smith, (Shadow Minister for Privatisation), *Privatisation—the state of play*, media release, 20 December 1990, accessed 28 September 2016.

127. G Glenn, *Serving Australia: the Australian Defence Force in the twenty first century*, Canberra, 1995, pp. 140.

128. *Ibid.*, p. 132.

129. Armed Forces Federation of Australia (ArFFA), 'ArFFA's submission to the Housing and accommodation policy review team on the housing and accommodation policy review', *Viewpoint*, January/April 1996, pp. 15, 17; 'Fears Defence Housing Authority could be sold', *The Canberra Times*, 19 January 1997, p. 3.

130. G Glenn, *Serving Australia*, *op. cit.*, p. 133.

number of eligible members and create a need to establish the value of subsidies associated with living-in accommodation for MWOFF.¹³¹

Following the Coalition's election to government in March 1996, it established a National Commission of Audit, which reported three months later in June. Although the Commission's report stopped short of overtly advocating for DHA's privatisation, it did state:

The Commission questions whether there is still a need for continued nationwide direct Commonwealth control of, and involvement in, defence housing. There may be a need for Commonwealth ownership in remote areas or on defence bases. However, in other locations there appears to be no reason why defence families could not be served equally well by dealing individually on the open housing market with, say, a salary based housing allowance. Such an arrangement would provide eligible defence personnel with more freedom of choice and would be simpler and cheaper to administer than existing arrangements. It would also free up part of the Commonwealth's \$1.6 billion investment in defence housing.¹³²

Also at this time Treasury released a *Commonwealth Competitive Neutrality Policy Statement* that sought to increase the efficiency of government businesses, such as DHA. The statement also asserted that Government Business Enterprises (GBEs), such as DHA, 'have a principal function of selling goods and services in the market for the purpose of earning a commercial return'.¹³³ As part of the implementation strategy contained in the policy statement, Treasury proposed that DHA undergo a review of its operations and ownership.¹³⁴

Following the review, in June 1998 the Government announced its decision not to privatise DHA but to re-structure it instead 'on a more commercial basis', following a comprehensive steering committee review jointly established by the Department of Defence and the Department of Finance and Administration.¹³⁵ In reasserting the Government's position, the Minister for Defence Industry, Science and Personnel, Bronwyn Bishop, stated in Parliament that DHA:

...will remain in government ownership because this is a proper function for government to carry out. It is not in business, competing with the private sector; it is providing an important part of service provisioning which means that families have the opportunity to have quality of life while their serving personnel carry out their duties and responsibilities in a straightforward manner.¹³⁶

However, the Opposition was far from assured by this and contended that 'given the Coalition's declared position on privatisation, and the approaching Federal election, this statement really only rules out selling the Authority *for the time being* [sic]'.¹³⁷

2000 to the present

The 2001 *Review of Australian Defence Force Remuneration* (Nunn Review) recommended that a regional and family-based 'Accommodation Assistance Allowance' be established—essentially a cash payment to ADF personnel to cover a proportionate cost of either rented or purchased housing.¹³⁸ This 'shift from paternalism to greater self-reliance' proposed to provide ADF personnel with greater housing choice, reduce administrative complexity and save the Commonwealth an estimated \$25 million per year.¹³⁹

Although the Nunn Review did not explicitly advocate for DHA's privatisation, it was essentially implied, through the pronouncement that 'as it would no longer be tied to Defence, DHA could also expand its business to support commercial organisations', such as property development and management.¹⁴⁰ The review also

131. ANAO, Australian Defence Force housing assistance, Efficiency Audit, Audit report, 13, 1994–95, ANAO, Barton, ACT, 6 December 1994, p. 17.

132. National Commission of Audit, [Report to the Commonwealth Government](#), June 1996, p. 28, accessed 10 March 2016.

133. The Treasury, [Commonwealth competitive neutrality policy statement](#), June 1996, p. 9, accessed 10 May 2016.

134. *Ibid.*, p. 27.

135. J Fahey (Minister for Finance and Administration) and B Bishop (Minister for Defence Industry, Science and Personnel), [No sale of Defence Housing Authority](#), media release, 5 June 1998, accessed 10 May 2016.

136. B Bishop, ['Questions without notice: defence industries'](#), *Debates*, House of Representatives, 29 June 1998, pp. 5533–4, accessed 10 May 2016.

137. L Ferguson, (Shadow Minister for Defence, Science and Personnel), [21,000 defence families not reassured on housing](#), media release, 13 June 1998, accessed 10 May 2016.

138. Australian Government, *Review of Australian Defence Force remuneration* (Nunn Review), 31 August 2001, p. 82.

139. *Ibid.*, pp. 82, 77, 85.

140. *Ibid.*, p. 83.

acknowledged that Defence may need to contractually maintain ties to DHA as a ‘landlord of last resort’ in remote or limited housing markets. Yet even in this instance the Nunn Review suggested that this could be tendered ‘in the longer term’ to provide further competition.¹⁴¹

In response to the report, the Opposition stated that ‘Defence families can be assured that Labor totally rejects these regressive proposals’, arguing that the Nunn Review’s recommendations ‘would inevitably mean that [Defence] would have no direct control over the availability, quality or location of housing for Defence families’.¹⁴² The Government also rejected the recommendations, stating:

The Government recognises that existing housing arrangements for married personnel, administered by the Defence Housing Authority, continue to work well and do not need to be changed. Accordingly the Government, following extensive consultation with the National Consultative Group of Service Families and the Armed Forces Federation of Australia, has decided to set aside the recommendations concerning accommodation in Chapter 8 of the review.¹⁴³

However, in May 2002 Finance Minister Senator Nick Minchin announced that a scoping study would be established to ‘examine whether ... the assets of DHA should be sold’.¹⁴⁴ Macquarie Bank was selected to conduct the study, with Coudert Brothers acting as legal advisers.¹⁴⁵ Despite his initial comments proposing DHA’s potential sale, the Finance Minister later nuanced his position, stating:

...the DHA scoping study will assist the Government in its consideration of the optimal mix of owned and leased property assets of the Authority but will not affect the Government’s commitment to provide members of the Australian Defence Force with high quality housing. DHA will continue in government ownership, with a financial and operating capability to meet ongoing Defence requirements.¹⁴⁶

A further study into defence housing was commissioned in 2008 to assess whether DHA was the most effective provisioning model. According to DHA’s former managing director, Peter Howman, the study, which concluded in 2011, found DHA to be effective and efficient, though some areas could be enhanced.¹⁴⁷

The 2013 Commission of Audit recommended that DHA ‘should be considered for privatisation’, asserting that ‘it is highly likely the private sector can meet the housing needs of the Australian Defence Force and members’ families’.¹⁴⁸ It further contended that DHA received \$1.2 billion in funding ‘mostly from Defence’, a claim that was disputed by DHA’s managing director, Peter Howman, in his evidence to a Senate Estimates Committee in 2014. In his evidence, Howman stated that ‘DHA does not get direct appropriation from the government’.¹⁴⁹ He went on to assert that Defence’s annual payments to DHA as fees-for-service were approximately \$515.6 million, which equated to less than half of DHA’s total revenue.¹⁵⁰ One of the Commission members, Robert Fisher, was later appointed to the DHA board in February 2016.¹⁵¹

In May 2014 the Finance Minister, Mathias Cormann, announced that scoping studies into the ‘future ownership or delivery arrangements’ of four government-owned entities, including DHA, would soon commence. Cormann further noted that if DHA were to be sold following the scoping study, ‘all proceeds will be re-invested through the Asset Recycling Fund’.¹⁵² The Government subsequently announced in August 2014 that Lazard Pty Ltd had

141. *Ibid.*, p. 84.

142. K Beazley (Leader of the Opposition), [Labor’s plan for defence personnel](#), media release, 2 October 2001, accessed 16 December 2015.

143. B Scott (Minister Assisting the Minister for Defence), [ADF to be consulted on remuneration review](#), media release, 5 October 2001, accessed 6 July 2016.

144. N Minchin (Minister for Finance and Administration), [Asset sale scoping studies](#), media release, 14 May 2002, accessed 15 June 2016.

145. M Mellish, [‘Boutique adviser wins Medibank sale study’](#), *Australian Financial Review*, 17 September 2002, accessed 9 June 2016.

146. N Minchin (Minister for Finance and Administration), [Advisers appointed for Medibank Private and Defence Housing Authority scoping studies](#), media release, 16 September 2002, accessed 14 June 2016.

147. Senate Foreign Affairs, Defence and Trade (FADT) Legislation Committee, [Official committee Hansard](#), 26 June 2014, p. 5, accessed 14 June 2016.

148. NCA, *Towards responsible government*, op. cit., pp. 214, 222.

149. NCA, [Towards responsible government: appendix to the report of the National Commission of Audit, volume 1](#), February 2014, pp. 41–2, accessed 14 June 2016; Senate FADT Legislation Committee, [Official committee Hansard](#), 26 June 2014, op. cit., p. 7.

150. Senate FADT Legislation Committee, [Official committee Hansard](#), 26 June 2014, op. cit., p. 3.

151. DHA, *Annual report 2015–16*, p. 4.

152. M Cormann (Minister for Finance), [Next phase of asset recycling strategy](#), media release, 13 May 2014, accessed 20 June 2016.

been selected as the business advisers and Ashurst Australia the legal advisers for the scoping study.¹⁵³ The results of the study were announced in May 2015, with the Finance Minister declaring that ‘the Government will not proceed with a sale of Defence Housing Australia at this time. However, the Government will review Defence Housing Australia’s accounting, information technology and business reporting systems to improve the transparency of the cost of providing services’.¹⁵⁴ The advisory firm KordaMentha was subsequently contracted to undertake a ‘forensic review’ of DHA.¹⁵⁵

Despite the Government’s public statement committing to maintain ownership of DHA, the departure of DHA’s managing director Peter Howman in late 2015 and the appointment of former Department of Finance Deputy Secretary Jan Mason to replace him in an acting role led to further concerns from the ALP and the Alliance of Defence Service Organisations over DHA’s potential privatisation.¹⁵⁶ But according to the Chairman of DHA’s board, Sandy Macdonald, the transition occurred because:

[Howman] ... no longer was the best person to lead the organisation. Under the DHA Act, he served at the board’s pleasure, and it had come to the board’s notice that there was a loss of confidence with our stakeholders—namely, the departments of Defence and Finance. There was also a level of dysfunction in our head office.¹⁵⁷

Jan Mason was appointed as DHA’s managing director on 2 November 2016.¹⁵⁸ In DHA’s 2015–16 *Annual Report*, Ms Mason described her role’s two main areas of focus as:

- to ensure sustainable government ownership for the long-term following confirmation in May 2015 that DHA would not be privatised and
- to help rebuild DHA’s foundation stones to ensure that, as a government-owned business, it operates commercially.¹⁵⁹

Opposition to privatisation

The Labor Party has consistently opposed DHA’s privatisation, starting from less than a fortnight after initially proposing DHA’s establishment, when the Defence Minister Kim Beazley affirmed in Parliament that the Government would not privatise service housing or move to charge ADF personnel full market rents. According to the Minister, ‘both those options would seriously damage the operational capabilities of the defence forces and would be a marked injustice on service personnel’.¹⁶⁰ This stance has endured, with the Shadow Parliamentary Secretary for Defence, Gai Brodtmann, asserting in 2014 that the potential privatisation of DHA ‘fails the test of good fiscal sense’ as DHA provides reliable revenues to government through annual dividends.¹⁶¹

In late 2014 the Defence Force Welfare Association (DFWA) also criticised any potential sale of DHA, and directly made this point during a meeting with Lazard consultants. According to the DFWA, it expressed the view that ‘privatisation would, by definition, shift the focus away from the current DHA role to one of simply generating a profit for shareholders ... and therefore to the detriment of current DHA clients’.¹⁶² The DFWA has continued express its concerns about DHA’s potential future privatisation.¹⁶³

153. M Cormann (Minister for Finance), [Appointment of advisers for scoping studies for Australian Hearing and Defence Housing Australia](#), media release, 5 August 2014, accessed 20 June 2016.

154. M Cormann (Minister for Finance), [Smaller government—transforming the public sector](#), media release, 11 May 2015, accessed 20 June 2016.

155. Senate Finance and Public Administration Committee, Answers to Questions on Notice, Finance Portfolio, Supplementary Budget Estimates 2015–16, 20 October 2015, [Question F67](#), accessed 22 June 2016.

156. S Conroy, (Shadow Minister for Defence), [Liberals must come clean on plans for DHA](#), media release, 3 November 2015, accessed 22 June 2016.

157. S Macdonald (Chairman, DHA), Evidence to Senate Foreign Affairs, Defence and Trade (FADT) References Committee, [Operations of Defence Housing Australia](#), 23 March 2016, p. 27, accessed 24 June 2016.

158. DHA, [Defence Housing Australia Managing Director appointed](#), media release, 11 November 2016, accessed 14 November 2016.

159. DHA, [Annual report 2015–16](#), p. 5. The source inadvertently noted the date of decision as May 2016.

160. K Beazley, [‘Questions without notice: Defence Force housing’](#), House of Representatives, *Debates*, 11 February 1986, p. 248, accessed 28 September 2016.

161. G Brodtmann, (Shadow Parliamentary Secretary for Defence), [Government must guarantee housing security for defence families](#), media release, 12 May 2014, accessed 17 June 2016.

162. Defence Force Welfare Association (DFWA), [‘Is Defence Housing Australia under threat?’](#), *Camaraderie*, 45.3, 3rd edn, 2014, p. 33, accessed 20 June 2016.

163. DFWA, [‘Current issues: Defence housing’](#), DFWA website, accessed 21 December 2016.

In 2015 the editor of the Australian Defence Magazine, Katherine Ziesing, published her support for DHA to remain in government ownership. Her article specifically cited DHA's high level of service, minimal cost to government and benefit to regional businesses through local contracts (a point also made by the Real Estate Institute of Australia).¹⁶⁴ Ziesing further noted:

The scoping study [undertaken by Lazard] has recommended that DHA be sold for around the \$2 billion mark [with Lazard the proposed facilitator of the sale]. There is a case that the government would make back the sale price of \$2 billion in less than a decade of operations and still have the asset base to leverage.¹⁶⁵

More recently, in March 2016 at a Senate inquiry into the operations of DHA, the Australian Defence Association (ADA) and Returned & Services League of Australia (RSL) strongly objected to DHA's potential privatisation, with ADA Director Neil James declaring:

When the Commission of Audit and people in the Department of Finance look at DHA, they look at it in the wrong context. They look at it as a government business enterprise and an administrative function of government that is a possible candidate for privatisation. As the RSL and we have argued strongly: that is entirely an incorrect perspective in which to view the organisation.¹⁶⁶

Both Neil James and RSL National President Ken Doolan advocated for legislative changes to further diminish the potential for DHA's privatisation, with the latter contending:

DHA should, in this instance, have primacy over the *PGPA Act* [*Public Governance, Performance and Accountability Act 2013*]. In other words, in the same way as other institutions, such as the Australian War Memorial, have their own Act, in this instance the *PGPA Act* should be second place to the *DHA Act*, because—as we have argued and will continue to argue—DHA provides a force enabler. I reiterate what I said before: housing for defence people is absolutely as important as the equipment we supply our soldiers, sailors, airmen and airwomen to go into harm's way.¹⁶⁷

The increasing commercialisation of DHA

Although the Government decided in 1998 to retain ownership of DHA, it also determined to restructure it 'on a more commercial basis'.¹⁶⁸ This was not a straightforward proposition for DHA, which asserted the following year that its fundamental requirement to meet the operational needs of Defence 'is not a commercial objective and indeed in certain circumstances may conflict with commercial/market judgement'.¹⁶⁹ The Defence Department's head of personnel (and an ex-officio DHA board member), Major General Peter Dunn, further contended:

[DHA] has to operate with a number of non-commercialities which would drive any other organisation out of business if they were to actually adopt the role. And I would just like to place on the record that we found before, and every time we reviewed the authority's actions, that it actually is not a business. The reason I say that is that we, in Defence, require the authority to produce houses in areas that are absolutely non-commercial, to produce them in numbers that would be non-commercial, and to produce them in areas where there is simply no resale value until such time as the communities develop around them. So it does make for a very difficult decision at various times as to how the funds are distributed and therefore what rents are set because there are no benchmarks in certain remote areas.

164. K Ziesing, 'What does DHA deliver to Defence and government?', *Australian Defence Magazine*, March 2015, p. 26, accessed 10 June 2016; J Kreitals (CEO, Real Estate Institute of Australia), [Evidence](#) to Senate FADT References Committee, *Operations of Defence Housing Australia*, 23 March 2016, p. 9, accessed 24 June 2016.

165. K Ziesing, 'What does DHA deliver to Defence and government?', op. cit.

166. N James (Director, Australian Defence Association), [Evidence](#) to Senate FADT References Committee, *Operations of Defence Housing Australia*, 23 March 2016, p. 4, accessed 24 June 2016.

167. *Ibid.*, p. 5.

168. J Fahey (Minister for Finance and Administration) and B Bishop (Minister for Defence Industry, Science and Personnel), [No sale of Defence Housing Authority](#), op. cit.

169. DHA, Submission to Joint Committee of Public Accounts and Audit, *Inquiry into governance and accountability of Government Business Enterprises*, 28 July 1999, p. S119.

The housing is provided to provide operational capability to the Defence Force and that is something that we flag on every occasion because, without the accommodation, clearly we could not have Defence members in those locations—they would not simply go there.¹⁷⁰

However, in acknowledging these constraints, DHA has concurrently recognised its commercial obligations. It demonstrated this in its *1999–2000 Annual Report*, stating that it ‘will need to substantially improve its commercial performance in order to meet the rate of return expected on the capital employed and the need to restructure the capital base’.¹⁷¹ This restructure included incrementally returning to the Government just over \$1 billion in capital between 2000 and 2004 as special dividends to reduce the amount of Government-owned equity in DHA, and in turn taking on debt through government loans. This debt liability grew from \$100 million in 2000–01 to \$510 million in 2014–15, but had remained steady at this level for the six years up to 2015–16.¹⁷² The result of these measures was an immediate improvement in DHA’s return on capital employed from 1.9 per cent in 1999–2000 to 5.8 per cent in 2000–01, and an average of 8.2 per cent per year over the past decade.¹⁷³

The *2003 Review of the Corporate Governance of Statutory Authorities and Office Holders* (Uhrig Review) also had implications for DHA, particularly in recommending the removal of representational board members and instead emphasising commercial expertise and experience in board composition.¹⁷⁴ This recommendation had also previously been expressed in 1997, as part of the Humphrey Review of government business enterprise governance arrangements.¹⁷⁵ The removal of DHA’s representational board positions was eventually formalised in the *Defence Housing Authority Amendment Act 2006*, which mandated a nine-member board comprising:

- a chairperson appointed by the Minister for Defence
- a member nominated by the Secretary of the Department of Finance
- DHA’s managing director
- two members with a defence background and
- four commercial members.¹⁷⁶

The previous representational board positions were subsequently transferred to a newly created six-member DHA Advisory Committee, chaired by a member of DHA’s board. Membership of the committee incorporated the National Convenor of Defence Families Australia, a representative from each of the three ADF Services and a DHA representative.¹⁷⁷

The Commonwealth has also increasingly sought to reduce its own costs regarding defence housing. For example, in 2014 the Finance Minister announced DHA’s exemption from Public Works Committee oversight for construction projects on non-Commonwealth land, which in its first four months reportedly saved the Government \$3.1 million.¹⁷⁸ In 2014 the Government also amended regulations relating to the *Fair Work (Building Industry) Act 2012*, which removed DHA’s obligation to only use Federal Safety Commissioner-approved firms for construction of single dwellings. This was likely designed to increase competitiveness in the tendering process by allowing a more diverse pool of builders to bid for construction contracts.¹⁷⁹

170. P Dunn, (Head of Defence Personnel Executive, Department of Defence), [Evidence](#) to Joint Committee of Public Accounts and Audit, *Inquiry into corporate governance and accountability arrangements for Government Business Enterprises*, 22 October 1999, pp. PA 160–161, accessed 5 July 2016.

171. DHA, *1999–2000 Annual report*, p. 5.

172. DHA, Annual reports, various.

173. Data supplied by DHA, 7 December 2016.

174. J Uhrig, [Review of corporate governance of statutory authorities and office holders \(Uhrig Review\)](#), 27 June 2003, accessed 16 June 2016.

175. *Review of GBE governance arrangements* (Humphrey Review), Commonwealth of Australia, 1997, p. 27.

176. R Bell, [Defence Housing Authority Amendment Bill 2006](#), Bills digest, 129, 2005–06, Parliamentary Library, Canberra, 2006, p. 8, accessed 16 June 2016.

177. *Ibid.*, pp. 8–9.

178. M Cormann (Minister for Finance), [\\$72.3 million in savings achieved through Repeal Day initiatives](#), media release, 29 October 2014, accessed 22 June 2016.

179. [Fair Work \(Building Industry—Accreditation Scheme\) Amendment Regulation 2014](#), item 16, accessed 4 July 2016; [Fair Work \(Building Industry\) Act 2012](#), subsection 35(4), accessed 4 July 2016. The 2014 amendments are incorporated in the current [Fair Work \(Building Industry—Accreditation Scheme\) Regulation 2016](#), Part 3, accessed 4 July 2016.

International comparisons

New Zealand

Prior to July 2008, the New Zealand Defence Force (NZDF) either directly provided housing to its personnel or compensated them for accommodation costs through private rental or mortgage subsidies.¹⁸⁰ But this came to be regarded as ineffective because the NZDF's housing stock was generally of poor quality, with most properties having been constructed in the 1950s and since fallen below acceptable standards due to insufficient maintenance or renovation.¹⁸¹ The management of the housing stock was also highly decentralised, through local camp and base service centres.¹⁸² And finally, the method of determining housing subsidies meant that their value varied among different personnel, including some who received nothing.¹⁸³

In response to these circumstances, in 2008 the NZDF transitioned to a Universal Accommodation Component (UAC) payment, incorporated into personnel salaries, to subsidise housing costs in the private rental market. The rationale behind the new policy was twofold. Firstly it was argued that 'service personnel and their families should live among the communities they serve' and, secondly, that the new policy would also 'reduce the ownership costs associated with Defence housing' and enable the Government to 'reinvest any sale proceeds into front line capabilities'.¹⁸⁴

The UAC was established as part of the NZDF's updated military remuneration scheme, provided to personnel either privately renting or residing in military barracks. Personnel living in defence-owned housing did not receive the UAC because they received directly subsidised rent; however, other NZDF personnel at that residence could receive UAC if they were not signatories on the tenancy agreement.¹⁸⁵ The UAC payment was also not affected by posting location, but a Variable Accommodation Component has been recommended (but not yet implemented) to offset higher costs in certain markets, such as Auckland.¹⁸⁶

The July 2010 *Defence Assessment* acknowledged that NZDF personnel obtaining housing from the private market allowed the NZDF to reduce its expenditure, while also gaining revenue through selling off unused housing stock. The assessment accordingly recommended that the NZDF continue its housing disposal program and even 'be more ruthless in disposing of facilities that are beyond economic repair'.¹⁸⁷ To achieve this, the 2010 Defence White Paper suggested that an 'additional financial incentive' may be required to transition defence personnel out of current service housing and into private accommodation.¹⁸⁸ Additionally, the 2010 'Value for Money' review of the NZDF suggested that the 'NZDF should give personnel residing in Defence houses notice that they will need to exit from housing within an agreed period'.¹⁸⁹ In July 2011, the Minister for Defence, Wayne Mapp, affirmed this position by informing an Estimates committee that 'in future staff should make provision to buy their own homes' and that 'we would prefer people to take their pay and, in essence, rent their own premises'.¹⁹⁰

The Ministry of Defence report *Management of the Disposal of Surplus NZDF Housing*, published in November 2011, noted that since the introduction of the UAC, approximately a quarter of the NZDF's 2,400 service houses had been vacated.¹⁹¹ These properties were identified as ready for immediate sale, with another 30 per cent to be sold in the following two to five years.¹⁹² Ultimately, the Ministry of Defence forecast a significant reduction

180. Pacific Road Group, [Value for money review of New Zealand Defence Force](#), August 2010, p. 187, accessed 3 February 2016.

181. Foreign Affairs, Defence and Trade Committee, [2006/07 financial review of the Ministry of Defence and the New Zealand Defence Force](#), House of Representatives, Wellington, February 2008, p. 3, accessed 13 January 2016.

182. New Zealand Defence Force, ['New/moving/posting?'](#), website, accessed 3 February 2016.

183. Pacific Road Group, *Value for money review*, op. cit.

184. New Zealand Defence Force, [Defence white paper 2010](#), Wellington, November 2010, p. 70, accessed 13 January 2016.

185. New Zealand Army, [Army News](#), Issue 390, 12 August 2008, p. 23, accessed 13 January 2016.

186. Pacific Road Group, *Value for money review*, op. cit., pp. 187, 190.

187. New Zealand MoD, [Defence assessment 2010](#), Wellington, July 2010, pp. 95, 100, accessed 13 January 2016.

188. New Zealand Defence Force, *Defence white paper 2010*, op. cit., p. 70.

189. Pacific Road Group, *Value for money review*, op. cit., p. 190.

190. Foreign Affairs, Defence and Trade Committee, [2011/12 Estimates for vote Defence and vote Defence force](#), House of Representatives, Wellington, July 2011, pp. 3, 18, accessed 13 January 2016.

191. New Zealand MoD, [Management of the disposal of surplus NZDF housing](#), 23 November 2011, p. 1, accessed 3 February 2016.

192. *Ibid.*, p. 3.

in total service housing to only 464 premises by 2015.¹⁹³ Reporting from August 2015 indicated that the NZDF's current housing stock was 1,627 properties, revealing a much slower rate of disposal than earlier predicted.¹⁹⁴

Some factors potentially limiting a quicker disposal rate were identified in the original November 2011 report. These included the need to appropriately stagger the disposal of housing at each location, to 'avoid flooding the market'.¹⁹⁵ The report also acknowledged that the reliance on external providers to facilitate the disposal program created some disconnect between the various stakeholders involved, and so additional reporting mechanisms and improved internal communications were subsequently recommended.¹⁹⁶ Previously, the 2010 'Value for Money' review of the New Zealand Defence Force further lamented that the payment of UAC to personnel housed in barracks was also 'likely encouraging individuals to stay in barracks reducing NZDF's ability to divest of old barracks stock'.¹⁹⁷

In November 2008, the Ministry of Defence's *Briefing to the Incoming Government* noted that the improved housing and accommodation allowances were implemented to directly reduce attrition of NZDF personnel (alongside improved overall remuneration), and assessed that the UAC 'appears to be having a positive impact on personnel retention'.¹⁹⁸ However, between 2010 and 2012, less than 60 per cent of NZDF personnel surveyed were satisfied that accommodation assistance was appropriate and most believed that Defence housing was of unacceptable quality.¹⁹⁹

The recently published 2016 Defence White Paper (New Zealand) noted:

The Defence Force is reviewing its personnel accommodation assistance policy. While the review has not been finalised, the provision of accommodation assistance will be fiscally responsible, be applied consistently and transparently, and will be provided for personnel where there is a demonstrable need and a clear benefit to operational effectiveness.²⁰⁰

Canada

The bulk of Canada's defence housing was established following the Second World War but construction ceased at the end of the 1950s. This was due to changing military demands, a larger pool of available private accommodation and, significantly, a Treasury Board decision which only authorised Defence housing in locations with insufficient private housing.²⁰¹ The National Joint Council's 'Isolated posts and government housing directive' also affirmed:

Government accommodation is only provided where: (a) it is necessary for the delivery of government programs to combine an employee's place of work and residence or for the employee to live at the job location; or (b) no suitable living accommodation is available in the vicinity. It is the policy of the government that occupants of government housing be accorded treatment equivalent to that accorded to persons renting similar accommodation from private or commercial sources ... [Rents] should not form part of an employee's compensation.²⁰²

As a response to high operating costs, a lack of management accountability and poor maintenance services for defence housing, the Canadian Forces Housing Agency (CFHA) was established in 1995.²⁰³ Although this Agency appears conceptually similar to DHA in Australia (and CFHA's first initial director of operations was seconded from DHA²⁰⁴) there were critical differences in the organisational structure and resourcing.

193. Ibid., p. iii.

194. Radio New Zealand, 'Defence sells houses, pays increased rent', website, 5 August 2015, accessed 3 February 2016.

195. New Zealand MoD, *Management of the disposal of surplus NZDF housing*, op. cit., p. 3.

196. Ibid., pp. v, 10–11.

197. Pacific Road Group, *Value for money review*, op. cit., p. 188.

198. New Zealand Ministry of Defence (MoD), *The Defence portfolio (briefing to the incoming government)*, Wellington, November 2008, pp. 12, 14, accessed 13 January 2016.

199. New Zealand Defence Force, *Ongoing attitude survey (multiple years)*, accessed 13 January 2016; New Zealand Defence Force, *NZDF ongoing attitude survey: quarterly trend report*, Wellington, January–March 2012, p. 6, accessed 13 January 2016.

200. New Zealand Government, *Defence white paper 2016*, White paper, June 2016, p. 58, accessed 4 July 2016.

201. Parliament of Canada, *Evidence* to the Standing Committee on National Defence and Veterans Affairs, 5 March 1997, accessed 27 May 2016.

202. National Joint Council, *Isolated posts and government housing directive: Part VI – Government housing*, 1 August 2007, accessed 27 May 2016.

203. Parliament of Canada, *Evidence* to the Standing Committee on National Defence and Veterans Affairs, 5 March 1997, op. cit.

204. Ibid.

In terms of structure, the CFHA was created as a 'provisional special operating agency' within the Department of National Defence, with the provisional status removed in 2004.²⁰⁵ Accordingly, as part of a government department, CFHA has no independent legislative authority to act commercially and is accountable to the Department's Assistant Deputy Minister (Infrastructure and Environment).²⁰⁶ The CFHA's position within the public service also produces significant resourcing constraints, including deterrence from generating profits, the inability to borrow funds for capital works, and regulatory hurdles in contracting and property management.²⁰⁷ The CFHA's founding CEO, Mike Nelson, explained in 1998:

The creation of CFHA was an important first step towards resolving the Ministry's housing problems but, as regards our mandate, funding and flexibility, we are very limited. As I have pointed out, we have no power in relation to the real estate sector. We can't buy, we can't sell, we can't rent and we don't have access to real estate funding. As far as our mandate goes, we are limited to maintaining and using existing housing units. We must find a solution to these deficiencies, probably by giving the agency an organizational structure that is better suited to the work it has to do.²⁰⁸

The Standing Committee on National Defence and Veterans Affairs (SCONDVA) bluntly assessed in a 1998 report that 'the Canadian military is facing a housing crisis' with 'accommodations that are among the worst to be found in this country', based on 'years of neglect'.²⁰⁹ Accordingly, it recommended that the CFHA be given an expanded operational mandate and the ability to use the proceeds of housing stock sales to fund new construction works and receive low-interest loans from the Government to fund necessary improvements.²¹⁰ However, these recommendations did not receive bipartisan support, as the Opposition (Reform Party) instead called for the CFHA to be scrapped and control of defence housing to be returned to local military base commanders.²¹¹ For its part, the Department of National Defence responded by allocating \$40 million for housing improvements in 1999 in addition to future unspecified annual allocations.²¹²

In the four years following the SCONDVA report, the CFHA spent \$219 million in bringing 30 per cent of its housing stock to a 'minimum maintenance standard'. The upgrade cost for the total housing stock was estimated to be almost \$600 million, with two-thirds of this needing to be financed through government appropriations. In citing these figures in January 2003, the National Defence Chief Review Services was further concerned that 'there has not been a stable target end-state for the ... housing portfolio'.²¹³ This was despite there being an accommodation policy released in June 1999 and a site-by-site housing requirements study completed in April 2001.²¹⁴

In 2004 the CFHA's 'rationalization framework' was approved by the Treasury Board, with a view to rejuvenating its housing portfolio over the next 20–25 years to an estimated requirement of 12,500 married quarters.²¹⁵ In terms of housing for single personnel, a 2009 Defence survey of base commanders and officers responsible for accommodation identified that just over 40 per cent of the 17,081 accommodation units were substandard, falling below approved functional accommodation standards. The Canadian Army fared particularly poorly, with two-thirds of its total single accommodation deemed substandard, including six bases (comprising almost 5,000 housing units) where more than 85 per cent was regarded as substandard.²¹⁶ The survey further reported that

205. Parliament of Canada, Evidence to the Standing Committee on National Defence and Veterans Affairs, 5 March 1997, op. cit.; Parliament of Canada, [Evidence](#) to the Standing Committee on National Defence and Veterans Affairs, 11 May 2004, accessed 30 May 2016.

206. Treasury Board of Canada Secretariat, [Becoming a Special Operating Agency](#), May 1998, accessed 30 May 2016.

207. Parliament of Canada, Evidence to the Standing Committee on National Defence and Veterans Affairs, 5 March 1997, op. cit.

208. Parliament of Canada, [Evidence](#) to the Standing Committee on National Defence and Veterans Affairs, 17 March 1998, accessed 31 May 2016.

209. Parliament of Canada, [Moving forward: a strategic plan for quality of life improvements in the Canadian Forces – Chapter III: The housing crisis](#), Standing Committee on National Defence and Veterans Affairs, October 1998, accessed 31 May 2016.

210. Ibid.

211. Parliament of Canada, [Moving forward: a strategic plan for quality of life improvements in the Canadian Forces – dissenting opinion – Reform Party](#), Standing Committee on National Defence and Veterans Affairs, October 1998, accessed 31 May 2016.

212. Department of National Defence (DND), [Government responds to quality of life report](#), media release, 25 March 1999, accessed 31 May 2016.

213. DND, [Survey of progress and management practices: Canadian Forces Housing Agency health, safety and security repair program](#), January 2003, pp. 1–2, accessed 31 May 2016.

214. DND, [2000 annual report to the Standing Committee on National Defence and Veterans Affairs on quality of life in the Canadian forces](#), 24 March 2000, p. 5, accessed 28 September 2016; DND, [2002 annual report to the Standing Committee on National Defence and Veterans Affairs on quality of life in the Canadian forces](#), 29 March 2002, p. 9, accessed 28 September 2016.

215. Parliament of Canada, [Evidence](#) to the Standing Committee on National Defence and Veterans Affairs, 11 May 2004, accessed 31 May 2016.

216. Defence R&D Canada, [Canadian Forces individual accommodation requirement study: accommodation providers report](#), July 2009, p. 10, accessed 1 June 2016.

more than 70 per cent of respondents supported Defence-provided accommodation even where local rental markets were perceived as adequate (in contrast to the current policy), and there was little support for external providers building or managing on-base accommodation.²¹⁷

A 2010 audit by Defence's Chief Review Services further highlighted that resource constraints had severely limited the housing recapitalisation program, as CFHA's insufficient revenues had led to a \$155 million cumulative funding gap over the past five years. This underfunding had enduring implications for housing quality, as demonstrated by the audit's analysis that the percentage of the CFHA housing portfolio rated as good had only increased from two to six per cent in the past four years.²¹⁸ Additionally, the audit criticised CFHA for not having produced complete and audited annual financial statements, despite this being a requirement in the CFHA's charter, and thus 'reduc[ing] the credibility of CFHA's annual report as a whole'.²¹⁹ Five years later, the most recent CFHA annual report continues to publish unaudited financial statements.²²⁰

As part of a wide-ranging 2013 study into the well-being of defence families, the Defence Ombudsman included an assessment of their accommodation. The study contended that CFHA had not been appropriately resourced since its inception and that nearly 30 per cent of its housing portfolio remained of a 'poor' standard.²²¹ This was largely corroborated by data in the CFHA's own 2014–15 annual report which indicated that only 74 per cent of occupants 'are satisfied or somewhat satisfied with their current accommodation'.²²² The Ombudsman further claimed that an estimated \$2 billion would be required to 'bridge the current gap in the sub-standard quality', but the Defence Department has subsequently ruled out the possibility of such a large appropriation.²²³

In 2015 the Canadian Auditor General's office assessed the current state of the defence housing portfolio, which consisted of just over 12,000 housing units at 25 sites, accommodating approximately 15 per cent of serving personnel.²²⁴ Its report identified that there continued to be no clearly defined requirements regarding the appropriate amount of housing, despite Defence's accommodation policy being under review since 2009 and not being due to be formally updated until late 2018 (with implementation in late 2019).²²⁵ The official Government response to the Auditor General's report further acknowledged that the Defence Department anticipated that a long-term accommodation plan would be published as late as the end of 2019, though status updates would be produced throughout the process. However, the Government response also highlighted the more positive development of a new Housing Agency Information Management System having been rolled out, to better assess and record the condition of CFHA's housing stock.²²⁶

In a subsequent hearing by the Standing Committee on Public Accounts in March 2016, the Auditor General also criticised Defence for not having a better understanding of the private housing market, as per its policy directives, and lamented:

The [CFHA] spent about \$380 million on military housing between the 2012–13 and 2014–15 fiscal years without a plan to guide its spending and without accurate information about the condition of units. As a result, it cannot ensure that funds spent on housing units were used effectively on the highest priorities.²²⁷

In response, the CFHA's CEO, Dominique Francoeur, informed the Committee that she had recently received more clarity regarding the annual appropriations CFHA would receive and that this would assist in better

217. *Ibid.*, p. iv.

218. DND Chief Review Services, *Audit of financial stewardship of the CF housing portfolio*, March 2010, pp. 4–6, accessed 1 June 2016.

219. *Ibid.*, p. 12.

220. Canadian Forces Housing Agency (CFHA), *Annual report 2014–15: CFHA in action*, 2015, accessed 1 June 2016.

221. DND Ombudsman, *On the homefront: assessing the well-being of Canada's military families in the new millennium*, November 2013, pp. 52, 54, accessed 1 June 2016.

222. CFHA, *Annual report 2014–15: CFHA in action*, *op. cit.*, p. 26.

223. DND Ombudsman, *On the homefront*, *op. cit.*, p. 53; Office of the Auditor General of Canada, *Canadian armed forces housing*, Fall 2015, p. 9, accessed 2 June 2016.

224. Office of the Auditor General of Canada, *Canadian armed forces housing*, *op. cit.*, p. 1.

225. Office of the Auditor General of Canada, *Canadian armed forces housing*, *ibid.*, pp. 5–7; Parliament of Canada, *Evidence* to the Standing Committee on Public Accounts, 22 March 2016, pp. 2, 10, accessed 28 September 2016.

226. H Sajjan, *Government response to 'Report 5, Canadian Armed Forces Housing, of the Fall 2015 reports of the Auditor General of Canada'*, 29 September 2016, accessed 1 November 2016.

227. Parliament of Canada, *Evidence* to the Standing Committee on Public Accounts, *op. cit.*, pp. 1–2.

planning, based on economies of scale. She also asserted that the quality of housing stock was improving, as 87 per cent was considered by CFHA as ‘average or above average, which means “like new”’.²²⁸

The United Kingdom

In 1992, the Ministry of Defence’s (MoD) ‘Housing Task Force’ published its concerns regarding the poor quality of the Defence-owned service family accommodation (SFA). Within the report, the Task Force specifically recommended that a ‘Housing Trust’ be established to own and maintain this accommodation, which could be leased back to the MoD.²²⁹ This appears to be a largely similar concept to DHA, in the Australian context. However, such plans were abandoned in 1994 due to the Government’s position that this concept did not go far enough in transferring ‘ownership and risk to the private sector’.²³⁰ Instead, in 1996 the MoD sold approximately 57,000 properties across England and Wales (almost 80 per cent of its total SFA stock) for approximately £1.7 billion to Annington Homes Limited (AHL), which itself was bought for £3.2 billion by the European private equity firm Terra Firma in 2012.²³¹

Shortly after the sale to AHL, a National Audit Office report highlighted assessments from MoD property advisers and internal MoD analysis revealing that the sale price was potentially as much as £150 million less than the assessed value of the estate. The MoD rationalised this discrepancy through the belief that AHL was accepting the transfer of risk.²³² But in May 2007, the Chief Executive of Defence Estates, Vice Admiral (VADM) Timothy Laurence, acknowledged that ‘I think with the benefit of hindsight, looking back now, [the sale to AHL] does not strike me as being a great deal; and the price of the property that was sold has risen very significantly’.²³³

As part of the 1996 sale arrangement, the MoD would lease back required SFA properties and retain responsibility for all maintenance and improvements.²³⁴ Despite the MoD receiving advice that an estimated £470 million was required to bring all married quarters up to standard, Treasury agreed to provide just £100 million (six per cent) of the total sale proceeds for housing improvements over the following five to seven years.²³⁵ As at March 2016, the MoD leased 38,886 SFA properties from AHL. An additional 10,880 properties were either owned by the MoD, sourced from the private market, or obtained through Private Finance Initiative (PFI) means.²³⁶ The PFI process essentially gives private sector contractors responsibility for the design, financing, construction and operation of an asset.²³⁷

In late November 2005 the MoD began contracting out maintenance and improvement works for its UK properties, with Modern Housing Solutions (MHS)—a joint enterprise between Carillion, Atkins and Enterprise—being awarded the £690 million seven-year contract.²³⁸ In 2007 VADM Laurence contended that maintenance arrangements ‘are satisfactory’, while acknowledging that the contract with MHS ‘is taking time to settle down but it is beginning to work a lot better’.²³⁹ Despite this assurance, maintenance standards failed to improve, and a July 2008 House of Commons Defence Committee report stated that ‘we were very disappointed that the Government ... failed to acknowledge the serious shortcomings in the administration and maintenance of Service accommodation’.²⁴⁰

228. *Ibid.*, pp. 9, 8.

229. National Audit Office (NAO) (UK), *Ministry of Defence: the sale of married quarters estate*, HC 239, 22 August 1997, p. 10.

230. *Ibid.*

231. NAO, *The sale of married quarters estate*, op. cit., pp. 7, 16–17; Terra Firma, ‘[Terra Firma acquires Annington for £3.2bn](#)’, 19 November 2012, website, accessed 17 May 2016.

232. NAO, *The sale of married quarters estate*, op. cit., pp. 4, 33, 43.

233. House of Commons (HoC) Defence Committee, [The work of Defence Estates](#), Fifteenth report of session 2006–07, 24 July 2007, p. Ev. 5.

234. NAO, *The sale of married quarters estate*, op. cit., pp. 19–20.

235. *Ibid.*, p. 20.

236. Ministry of Defence (MoD) [Armed Forces Pay Review Body: forty-fifth report 2016](#), 8 March 2016, p. 32, accessed 17 May 2016.

237. HoC Scrutiny Unit, [Private finance initiative—its rationale and accounting treatment](#), Background note, June 2008, p. 1, accessed 8 July 2016.

238. Building.co.uk, ‘[Modern Housing Solutions wins £690m MOD contract](#)’, website, 15 November 2005, accessed 17 May 2016.

239. HoC Defence Committee, *The work of Defence Estates*, op. cit.

240. HoC Defence Committee, [Recruiting and retaining Armed Forces personnel](#), Fourteenth report of 2007–08, 15 July 2008, p. 53, accessed 28 September 2016.

Later, in June 2010, Prime Minister David Cameron affirmed his desire to establish ‘a new military covenant that’s written into the law of the land’.²⁴¹ The Armed Forces Covenant, established by the UK Government in May 2011, stated with regard to housing:

In addressing the accommodation requirements of Service personnel, the MoD seeks to promote choice, recognising the benefits of stability and home ownership amongst members of the Armed Forces where this is practicable and compatible with Service requirements, and also that their needs alter as they progress through Service and ultimately return to civilian life. Where serving personnel are entitled to publicly-provided accommodation, it should be of good quality, affordable and suitably located.²⁴²

Just over a year after the Covenant was initiated, concern regarding the poor state of housing remained, as demonstrated by Julie McCarthy, the Chief Executive of the Army Families Federation, who stated:

In terms of housing, it is probably fair to say that most families feel it is failing. There are the reductions in funding for general upgrades, but look at the funding pause between 2013 and 2015, where there will be no upgrades at all. Families feel that that could be addressed. As part of the Covenant, they feel that that should be addressed first. Before we get into all the other stuff, that should be right.²⁴³

The proposed three-year ‘pause’ in MoD’s planned SFA upgrades, instigated as part of a department-wide savings program, was calculated to save less than £150 million over the three-year period, but result in almost £200 million of additional costs over the following decade.²⁴⁴ The House of Commons Defence Committee labelled the pause a ‘false economy’ and chastised the decision as sending ‘the wrong signal to Armed Forces personnel about the importance the Government attached to the Armed Forces Covenant’.²⁴⁵

The Armed Forces Covenant process also included a specific task force, which published its report in September 2010. The report suggested there was a possible benefit to having ‘a single independent housing provider’ for defence housing, much like the Defence Housing Trust proposed almost 20 years earlier. It also proposed that a ‘one-stop shop’ for SFA needs, queries and complaints could be established through a commercial provider.²⁴⁶ Instead, the Government’s response to the report stated that it would focus in the near term on developing a new National Housing Prime Contract, and optimising current contractual arrangements.²⁴⁷

The Defence Infrastructure Organisation subsequently announced the National Housing Prime contract in May 2014. This contract, awarded to the joint venture CarillionAmey (Housing Prime) Ltd, included provision for posting relocations, property allocation and furnishing.²⁴⁸ Two years later, CarillionAmey’s performance was heavily criticised in the House of Commons Committee of Public Accounts’ report into the state of SFA.²⁴⁹ This criticism largely stemmed from CarillionAmey’s inaction in response to required maintenance, with it only having achieved its responsiveness target in one of the 14 months from December 2014 to January 2016.²⁵⁰ The number of maintenance-related complaints CarillionAmey received also rose over 70 per cent in the 12 months from February 2015.²⁵¹ Following the intervention of the UK Defence Secretary in February 2016 and the enacting of a three-month improvement plan, CarillionAmey’s performance improved markedly; however, the Secretary of Defence has indicated that he will ‘consider contract termination should performance drop below contractual levels’.²⁵²

241. UK Government, [Military covenant to be enshrined in law](#), media release, 25 June 2010, accessed 20 May 2016.

242. MoD, [The Armed Forces Covenant](#), May 2011, p. 7, accessed 28 September 2016.

243. HoC Defence Committee, [The Armed Forces Covenant in action? Part 2: accommodation — second report of session 2012–13](#), 13 June 2012, p. Ev 3, accessed 28 September 2016.

244. *Ibid.*, p. 29.

245. *Ibid.*, p. 30.

246. MoD, [Report of the Task Force on the Military Covenant](#), September 2010, p. 15, accessed 23 May 2016.

247. MoD, [The Government’s response to the report of the task force on the military covenant](#), p. 14, accessed 23 May 2016.

248. Defence Infrastructure Organisation (DIO), [Contract award: next generation estate contract \(NGEC\) national housing prime contract](#), media release, 12 May 2014, accessed 18 May 2016.

249. HoC Committee of Public Accounts, [Service Family Accommodation—ninth report of session 2016–17](#), 13 July 2016, p. 3, accessed 25 October 2016.

250. NAO, [Service Family Accommodation: memorandum for the House of Commons Committee of Public Accounts](#), June 2016, p. 28.

251. *Ibid.*, p. 26.

252. S Lovegrove, [‘CarillionAmey improvement plan’](#), correspondence from the Permanent Secretary of Defence to Meg Millier MP, Chair of the House of Commons Public Accounts Committee, 23 September 2016, accessed 25 October 2016.

The Defence Continuous Attitude Survey has also highlighted service personnel's high level of dissatisfaction with SFA. For example, the 2016 survey of Armed Forces personnel indicated that only 50 per cent were satisfied with the standard of SFA (down from 57 per cent in 2015), 32 per cent were satisfied with the response to maintenance requests (down from 42 per cent in 2015) and 29 per cent were satisfied with the quality of maintenance (down from 37 per cent in 2015).²⁵³

Another method Defence has used to provide housing is through the previously mentioned PFI process.²⁵⁴ For example, the MoD PFI project, Allenby/Connaught, proposed to construct or refurbish 562 buildings over eight years to accommodate 18,700 personnel, the majority of which is single living accommodation.²⁵⁵ However, PFI projects have been criticised as representing poor value for money, by providing short-term finance through higher interest inflexible long-term contracts instead of conventional debt.²⁵⁶

As much of the current SFA program is regarded by the Government as either physically unsuitable or economically unsustainable, the Ministry of Defence is currently exploring a 'Future Accommodation Model' (FAM). This aims to align with the 2015 Strategic Defence and Security Review's commitment to 'make a new accommodation offer to help more personnel live in private accommodation and meet their aspirations for home ownership'. Further objectives are to cease allocations of housing based on rank and relationship status (currently SFA is unavailable to de facto couples) and instead provide offers based solely on need.²⁵⁷

Additionally, the Director of MoD Service Personnel Policy, Gavin Barlow, has raised the prospect of adapting some military career paths to be made deliberately less mobile, or have less obligation to relocate.²⁵⁸ Barlow has also identified the possibility of an accommodation allowance, noting:

That is very definitely something that we are actively looking at. It looks on the face of it like a possible radical change that one could make ... But it is not straightforward, particularly from a purely financial perspective, especially in the MoD's case. We have a large number of personnel who do not take up their entitlements, particularly to Service Family Accommodation. Essentially, they live on the market without any subsidy or support from us for their own private housing. Moving to a situation in which an allowance is made more generally available to personnel to enable a wider range of choice for the majority might be quite expensive and difficult to do, but it is certainly on the table. There are different ways in which you could make such an allowance work—at least in theory.²⁵⁹

Fears that the FAM will push many Defence personnel into an unaffordable private rental market, and create subsequent retention issues were raised during a debate in the House of Commons in October 2016.²⁶⁰ In response, the Parliamentary Undersecretary of State for Defence Personnel, Mark Lancaster, asserted that SFA would continue—and even be expanded in some areas. However, the Undersecretary also contended that the current SFA system 'is characterised by chronic wastefulness' and as the Department's rental costs were set to rise, the FAM was a necessary change, with pilot programs due to commence in late 2018.²⁶¹

Key themes

Despite the differences in geography and resourcing in each jurisdiction, New Zealand, Canada and the UK share similar challenges to Australia when it comes to defence housing. A consistent theme across all these case studies is the desire by governments to reduce their own expenditure on defence housing as much as possible. In New Zealand and the UK, this has resulted in their governments leasing the bulk of defence housing properties while Canada has continued to limit spending on maintaining and improving its defence housing

253. MoD, [UK Regular Armed Forces Continuous Attitude Survey 2016](#), 19 May 2016, pp. 31–32, accessed 21 December 2016; MoD, [UK Regular Armed Forces Continuous Attitude Survey 2015](#), 21 May 2015, pp. 29–30, accessed 21 December 2016.

254. HoC Scrutiny Unit, [Private finance initiative—its rationale and accounting treatment](#), Background note, June 2008, p. 1, accessed 8 July 2016.

255. DIO, ['Allenby/Connaught project summary'](#), website, 18 January 2013, accessed 17 May 2016.

256. I Khadaroo and A Abdullah, ['Why private finance initiatives are so addictive—and yet offer such poor value for money'](#), *The Conversation*, blog, 2 September 2015, accessed 17 May 2016; T Bromund, ['Contracting out in Defence: lessons from the British experience for the US and Great Britain'](#), The Heritage Foundation, website, 28 May 2009, accessed 17 May 2016.

257. MoD, ['What you need to know about the Future Accommodation Model'](#), MoD website, 25 August 2016, accessed 25 October 2016.

258. HoC Defence Committee, *The Armed Forces Covenant in action? Part 2*, op. cit., p. 37.

259. Ibid., p. Ev 14.

260. A Trevelyan, ['Ministry of Defence Future Accommodation Model'](#), United Kingdom, House of Commons, *Debates*, 19 October 2016, col. 368WH, accessed 1 November 2016.

261. M Lancaster, ['Ministry of Defence Future Accommodation Model'](#), United Kingdom, House of Commons, *Debates*, 19 October 2016, col. 373WH–374WH, accessed 1 November 2016.

stock. Although these expenditure reduction policies have conceptually reduced the economic risk carried by these governments, they have potentially increased the operational risk for each country's respective militaries in not being able to guarantee high-standard accommodation for their personnel across all bases and facilities.

This has resulted in relatively poor satisfaction with defence accommodation in New Zealand, Canada and the UK, compared to that experienced in Australia. While recent surveys in New Zealand, Canada and the UK have failed to show more than 75 per cent satisfaction with service accommodation, tenant satisfaction with DHA-managed housing has averaged 88 per cent over the last five years.²⁶² This is likely the result of DHA's ability to more flexibly maintain and improve its housing stock in comparison to Canada, and to be more responsive and accountable in relation to maintenance requirements than in New Zealand and the UK.

As the only country assessed in this research paper to have privatised its defence housing (selling off the majority of properties to a single commercial entity), the UK example offers valuable and significant insights. The most apparent is that the initial sale was almost certainly not the best deal achievable for the Government, because while the commercial returns on residential housing might not be especially attractive, the long-term value of such assets should not be underestimated. Further, by locking itself into contracts for the provision and maintenance of service accommodation without sufficient means of enforcing standards, the UK Government has been unable to alleviate subsequent criticism from defence personnel, their families, and advocacy groups.

Conclusion

The ADF, and by extension the Australian Government, has long sought the most effective means of accommodating its personnel. This has often meant navigating the problematic balance between the military's requirements for operational flexibility and high levels of morale with the Government's need to ensure the best value possible where taxpayers' dollars are involved.

While DHA's establishment has successfully reversed the previous trend of poor quality defence housing, this has been achieved amid the tension between its obligation to support the ADF, and its commercial imperatives to be self-reliant and deliver financial returns. However, it has generally managed to harmonise both objectives, gaining a high degree of satisfaction from defence personnel and achieving consistent profit levels in a constrained property market.

Defence housing will almost certainly remain a significant political, economic and military capability issue into the future, given its national footprint and the \$10 billion housing portfolio managed by DHA.²⁶³ Likewise, the potential for privatisation will also endure, as DHA will almost certainly be mentioned in the context of the continuing role of government business enterprises. The examples of New Zealand, Canada and the UK also offer valuable lessons, most notably regarding the trade-off between economic and operational risk and the impact this can have on defence personnel and their families.

262. DHA, *Annual report 2014–15*, p. 41.

263. *Ibid.*, p. 153.

Appendix – list of relevant legislation and reports

Legislation

- [Defence Act 1903](#)
- [Commonwealth and State Housing Agreement \(CSHA\) Act 1945](#)
- [Housing Agreement Act 1956](#)
- [Housing Agreement Act 1961](#)
- [Defence Housing Australia Act 1987](#)
- [The Commonwealth and State Housing Agreement \(Service Personnel\) Act 1990](#)
- [Defence Housing Authority Amendment Act 2006](#)

Reports

- *Accommodation for married servicemen* (Garland Review—1977)
- *Task force on Australian Public Service and Defence force housing programs: interim report on program effectiveness* (Monaghan Review—1985)
- *Supporting service families* (Hamilton Review—1986)
- [Personnel wastage in the Australian Defence Force](#) (Cross Review—1988)
- *Serving Australia: the Australian Defence Force in the twenty first century* (Glenn Report—1995)
- [National Commission of Audit](#) (1996)
- [Commonwealth Competitive Neutrality Policy Statement](#) (1996)
- [Review of Australian Defence Force remuneration](#) (Nunn Review—2001)
- [Review of the corporate governance of statutory authorities and office holders](#) (Uhrig Review—2003)
- [National Commission of Audit](#) (2013)

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