

Chapter 3

Conclusion and recommendations

3.1 This chapter outlines the conclusions and recommendations of the committee arising from the hearing in Port Augusta.

3.2 The committee was pleased to hear the overall message that the Defence presence is welcomed and supported in local communities. The committee would like to see Defence able to capitalise on the tremendous goodwill in the region and the local knowledge, local experience and local skills. It is an opportunity missed for Defence, and for the region, if it does avail itself of these local resources to the greatest extent possible.

3.3 The committee recognises that Defence cannot source everything it needs locally as do the local communities. However, the clear message from the hearing was that local business wish to have the opportunity to be fairly considered when Defence is sourcing goods and services.

Business opportunities

3.4 The committee agrees that communication, coordination and streamlining the dissemination of information are critical to maintaining and improving the relationship between Defence and the local community. In this regard, the committee acknowledges the efforts made by Defence to disseminate information on business opportunities as a result of the Cultana Training Area Expansion Project as well as the efforts by the Tier 1 contractor St Hilliers to engage with the local community. The committee appreciates the view expressed by Defence representatives at the hearing that they recognise using local contractors or subcontractors or sourcing local suppliers is synonymous with getting value for money.

3.5 The committee was also encouraged to hear Defence indicate that the take away message from the hearing was 'that we need to try to be better at providing visibility about what is going on and where [to] go to get more information'.¹

3.6 The committee heard from people satisfied with the level of communication from Defence and others about business opportunities, and those who feel they need more information. However, communication needs to be a two way street. Defence will require clear contact points who will be able to disseminate and coordinate information for the local community. The committee discussed with witnesses whether such this contact point or group could also facilitate the collection of data to supplement information about local skills and capabilities.²

3.7 The committee recognises that each area has its own communication mechanisms and it is not for the committee to tell local communities how to best organise them. The committee considered that there were a number of mechanisms in

1 Mr Grzeskowiak, *Proof Committee Hansard*, 8 June 2017, p. 32.

2 Mr Johnson, *Proof Committee Hansard*, 8 June 2017, p. 4.

existence which could, with support, form solid platforms for ongoing communication and coordination across the region for Defence and others.

3.8 The committee was pleased to hear of the new initiative to bring together significant stakeholders from the region and develop a coordination framework. This forum held its first workshop in May 2017 and includes participation from the RDAs, AusIndustry, chambers of commerce and industry, local government, the Department of State Development and Defence. Defence appears to be engaged with this forum to provide information about sector opportunities that are relevant to the region and also key contacts. It would seem to the committee that this group will go a long way to addressing the coordination and dissemination of information issues and supports Defence's continued involvement.

3.9 The committee hopes this forum could also be used as a conduit to provide Defence and contractors with information on the local businesses, skills and capacity in the region. Ensuring local business is in the best position to take advantage of commercial opportunities to engage with Defence will require support. The forum could draw on other expertise as required, through engaging with the Office of the Industry Advocate and the new Centre for Defence Industry Capability to provide training and capacity building as required.

3.10 The committee encourages this forum to learn from strategies initiated in other sectors to strengthen opportunities for collaboration across businesses companies. These could be explored for use in relation to Defence opportunities. The committee also notes the Cultana Expansion Area Environmental Advisory Committee, which includes Defence, will address emerging issues from a community or environmental perspective.³

Local initiatives

3.11 The experiences of several witnesses affirmed the importance of going beyond information-sharing to develop concrete progress toward collaboration. The committee received evidence concerning a range of initiatives which could assist local businesses. These included:

- businesses connecting directly with Tier 1 contractors;
- the labour pooling initiative which is helping business maintain the important contracts in the local area while exploring opportunities for future work; and
- raising awareness for businesses that, as subcontractors, they could offer what they can provide rather than assume they have to fulfil a whole contract.

SA industry advocate

3.12 The committee commends the establishment of the Industry Advocate in South Australia and the willingness of this office to engage at national, state and regional levels.

3 Mr Dorward, *Proof Committee Hansard*, 8 June 2017, pp 33-34.

Recommendation 1

3.13 The committee recommends that Defence engage with the Office of the Industry Advocate to investigate opportunities for events or workshops which also include regional areas and local businesses.

Exercises

3.14 The committee acknowledges that Defence is making a concerted effort to provide information to local communities about exercises, but there seem to be challenges in contacting Defence when the exercise has ended. Apart from the apparently temporary liaison officer for Exercise Hamel-16, it appears Defence has no point of contact permanently located in the area to facilitate relationships for the training exercises expected to be conducted at Cultana on a regular, if intermittent, basis.

3.15 The committee understands that it may not be possible to have a contact point on the ground at all times in areas where there is not an ongoing Defence presence, but nominating a position for contact and disseminating that information regularly would seem to be a useful step in establishing and maintaining a good relationship with the local community.

3.16 Other coordination activities should also be considered. For example, the debrief referred to by Mr Stuppos following Operation Hamel appears to have been an internal meeting.⁴ The committee sees value in the suggestion by Dr Johnson of a formal post exercise debrief with community representatives to discuss lessons learned and possible improvements.⁵

Recommendation 2

3.17 The committee recommends that Defence review its formal mechanisms for communication and coordination in the Upper Spencer Gulf region to ensure:

- **the most effective flow of information including plans which may generate potential business opportunities;**
- **as much information about upcoming training exercises is being disseminated to the local community with as much advance notice as possible; and**
- **that a contact point regarding local exercises is available on an ongoing basis and that this information is disseminated regularly.**

Recommendation 3

3.18 The committee recommends that Defence hold a post exercise debrief with the local community representatives on a trial basis and then, in consultation, evaluate whether it would be useful for stakeholders on an ongoing basis.

4 Mr Stuppos, *Proof Committee Hansard*, 8 June 2017, p. 41.

5 Dr Johnson, *Proof Committee Hansard*, 8 June 2017, p. 49.

3.19 The committee understands the frustration felt by some local business regarding Defence exercises. While appreciative of the unexpected surge in business, local businesses reported their disappointment that they had little forewarning and so they were unable to maximise this opportunity. Advance notice is critical to allow local shop-owners and business to prepare supplies. The committee was pleased to hear that an agreement has recently been negotiated to provide more notice.

Purchasing foodstuffs

3.20 The committee believes that it is important for the government's intent of engaging with SMEs to be clearly reflected in agency instructions. While the committee accepts that the intention of Defgram 218/2017 is to inform staff of the re-tendering of the standing panel and encourage its use, it is concerned that the wording used does not inadvertently discourage staff from using the ability to purchase locally as required.

Recommendation 4

3.21 The committee recommends that Defence review Defgram 218/2017 to clarify or issue supplementary guidance to staff that local purchases outside the Standing Offer Panel is also encouraged as required.

Current Commonwealth procurement framework

3.22 The committee recognises the limitations of the current Commonwealth procurement framework and wishes to look more closely at the South Australian model and its applicability to Commonwealth procurement. The committee asked Defence to review the evidence from the Industry Advocate and advise the committee whether the model could be applied in Defence. The committee appreciates the willingness of Defence to engage with this model and the willingness of the Industry Advocate to engage with Defence.

3.23 The committee notes the recent work of the Joint Select Committee on Government Procurement which was established to inquire into the Commonwealth Procurement Framework, particularly the amended CPRs. The Joint Select Committee recommended the formation of an independent Industry Participation Advocate modelled on the South Australian system to facilitate consideration of Australian economic benefit required by clause 10.30 of the CPRs.⁶

3.24 The Joint Select Committee also recommended that rural and regional small and medium businesses be added to the list of exemptions under Appendix A: Exemptions from Division 2 of the Commonwealth Procurement Rules.⁷

3.25 The committee will review the work of the Joint Select Committee and consider further work to explore the applicability of the South Australian model and

6 Joint Select Committee on Government Procurement, *Buying into our Future: Review of Amendments to the Commonwealth Procurement Rules*, June 2017, p. vi.

7 Joint Select Committee on Government Procurement, *Buying into our Future: Review of amendments to the Commonwealth Procurement rules*, June 2017 p. 134.

the other relevant recommendations made by the Joint Select Committee. The committee will return to this issue in another report.

Regional information

3.26 The committee agrees that there should be a greater level of visibility and transparency of Defence engagement with the local communities. National figures mean little to the local areas. The committee notes that Defence was able to provide the committee with some information breaking down contracts by region and took on notice to provide further breakdowns.

3.27 Defence also indicated that it will be able to track regional information regarding the Cultana expansion project through St Hilliers as the prime contractors and their subcontracting processes.⁸

3.28 As the regional information appears to be available or at least able to be sourced, the committee considers that making this information available for local communities will assist with their relationship with Defence.

Recommendation 5

3.29 The committee recommends that Defence make information available to local communities about Defence expenditure in the area. In consultation, with the local community, Defence should consider how best to present and disseminate this information.

Senator Alex Gallacher
Chair

8 Mr Grzeskowiak, *Proof Committee Hansard*, 8 June 2017, p. 29.

