

Chapter 4

Conclusion and recommendations

4.1 This chapter outlines the conclusions and recommendations of the committee arising from the hearings in Rockhampton and Townsville.

4.2 The evidence from the hearings and contained in the submissions generally indicated strong support for the significant and longstanding Defence presence in the Fitzroy and Townsville regions. The committee heard from a range of witnesses who recognised the benefits to the local economy from the Defence facilities and training activities over a number of years and the future opportunities of enhanced training exercises, particularly through the Australia-Singapore Military Training Initiative. However, the committee also heard about a number of issues and concerns from local government, local business, and community members arising from the Defence presence and the proposed expansion of training activities in the region.

Business opportunities

4.3 A key issue raised was the ability for local business to engage in Defence procurement opportunities and the committee is keen to see mechanisms in place to ensure local businesses are able to maximise the potential benefits flowing from the increased Defence presence.

4.4 The committee heard from some larger companies which had secured contracts with Defence and were utilising local businesses where possible. These companies generally indicated that they have had positive interactions with Defence. However, smaller businesses advised the committee on the challenges they had faced in getting information about opportunities and navigating Defence's procurement processes. The message the committee received from the hearings was that there needs to be more information flowing to local businesses about opportunities and the requirements for engaging in Defence contracts.

Local communication mechanisms

4.5 The committee was encouraged by some initiatives intended to facilitate better communication between Defence and local businesses regarding procurement opportunities and the processes to engage in those opportunities. For example, the committee heard that in Townsville there is a group convened by AusIndustry in Partnership with Defence with representation from local government and enterprise groups which is designed to capture opportunities out of the Australia-Singapore Military Training Initiative. The committee was encouraged by the initiatives of local and regional enterprise bodies in running information sessions and facilitating forums with key officials and tier 1 contractors.

4.6 The committee welcomes the creation of the Australia-Singapore Military Training Initiative Business and Community Liaison position to lead local engagement for the Initiative on behalf of Defence, keeping community leaders and

local elected representatives informed.¹ The committee also views the creation of a Townsville Defence Liaison Officer by the Townsville City Council as positive step to assist local engagement.

4.7 The committee was pleased to hear that Defence has no issues being involved in localised communication processes.

Recommendation 1

4.8 The committee recommends that, in consultation with the local councils, Defence review its mechanisms for communication and coordination in the Fitzroy and Townsville regions to ensure the most effective flow of information including plans which may generate potential business opportunities.

Visibility of local engagement

4.9 The committee heard some notable examples of the level of Defence expenditure on local suppliers that tell a positive story about Defence engagement. The committee sees the capture and availability of local procurement information as an important element in fostering engagement and a positive relationship with local communities. Defence recognises the importance of visibility of information on local engagement and the committee welcomes Defence's intention to produce more the metrics on levels of local engagement and making it publicly available.

Recommendation 2

4.10 The committee recommends that Defence make information available to local communities about Defence expenditure in the area.

Economic impacts

4.11 The committee heard about the likely reduction in rate-based revenue as a result of expansions. While acknowledging the contribution of Defence, communities told the committee that the increased presence would put pressure on local infrastructure and the loss of land would have a flow-on effect to local businesses currently supporting agricultural producers in the region. Communities were more than willing to work with Defence to ensure shared benefits.

4.12 The committee believes that there should be more data available in relation to the economic impacts of Defence activities on the community and that it is necessary for this aspect to be reviewed.

Recommendation 3

4.13 The committee recommends that Defence commission an independent economic impact assessment of the loss of rateable land which would result from the proposed expansions in these areas.

1 Senator the Hon Marise Payne, Minister for Defence, *Media Release*, 'Business and Community Liaison for the Australia-Singapore Military Training Initiative', 28 June 2017.

Procurement processes

4.14 As noted in its first interim report, the committee recognises the constraints of the Commonwealth procurement framework in prioritising local engagement. At the hearings the committee heard suggestions about changes to the Commonwealth Procurement Rules in order to encourage more local content. Some proposals included a requirement that tier 1 contractors be required to have a percentage of local engagement or a weighting on the level and nature of local content in the assessment criteria. The committee was pleased to note that in the context of the updated CPRs and 2016 Defence Industry Policy Statement, Defence is currently:

...reviewing how principles relating to Australian Industry involvement and economic benefit assessment could be applied more consistently across materiel and non-materiel procurements of \$4 million and above, including addressing local industry activities.²

4.15 The committee welcomed the announcement by the Minister for Defence, Senator the Hon Marise Payne, on 31 August 2017, of the Local Industry Capability Plan pilot which aims to provide local industry with more opportunity to participate in major Defence infrastructure projects. The new framework will be piloted by three projects that will go to the market shortly, including the Shoalwater Bay Training Area Redevelopment and Townsville Field Training Area Mid-Term Refresh.³ The Minister's announcement advised:

The pilot projects will require tenderers bidding for major capital facilities projects to state clearly how they have engaged with local industry in providing their tendered solution, and how local industry will specifically be involved in delivering the work packages that underpin the project.

...

The pilot projects will inform the development of a Defence Industry Participation Policy the Minister for Defence will release in the first half of 2018. The Policy will provide a more consistent approach to maximising Australian and local industry involvement in Defence procurement of \$4 million and above, recognising that Defence procures a range of different equipment, services, and support across many sectors of the Australian economy.⁴

4.16 The Minister explained the objective of the pilot:

2 Department of Defence, *Submission No. 9*, p. 28.

3 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

4 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

“This is fundamentally about ensuring that local companies in the vicinity of our Defence bases, facilities and training areas are properly considered and provided the opportunity to compete and win work,”...⁵

4.17 Some evidence from the hearings also suggested that Defence consider moving away from the prime contracting model and structure its procurement into smaller packages to enable small to medium enterprises to be more competitive.

4.18 The committee notes advice from Defence that it does not use a one-size-fits-all approach to tendering with the method based on the risk of the project and how best to mitigate that risk. Defence reported that the managing contractor model facilitates competition to achieve value for money. Defence also highlighted that under a managing contractor there will be various smaller trade packages to be competed for. In addition, in using this model, a majority of head contractors will look to use local subcontractors.

Exercises

4.19 The committee heard from local community members about the lack of effective notification by Defence about forthcoming exercises in training areas and the difficulty in locating an appropriate contact to convey concerns. The committee sympathises with local residents about disruptions like road closures and aircraft noise, particularly the concerns of local graziers which were conveyed at the hearing in Rockhampton. Defence acknowledged the impact of aircraft noise from exercises on the local community and advised of the implementation of a restricted operating zone around the SBTA.

4.20 The committee welcomed the advice from Defence that for Exercise Talisman Sabre, a 24 hour hotline had been set up to respond to concerns. However, it appears from the evidence that there was not widespread knowledge of this contact number in the community. The committee hopes to see this as an ongoing arrangement for future exercises and with more effective dissemination of this information.

4.21 The committee reiterates its view from the first interim report that it sees value in a formal post exercise debrief with community representatives to discuss lessons learnt and future improvements.

Recommendation 4

4.22 The committee recommends that Defence review its formal mechanisms for communication and coordination in the areas around the Shoalwater Bay Training Area to ensure that:

- **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 this this information is disseminated regularly.**

5 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

Proposed expansion of training areas and land acquisition

4.23 The committee heard persuasive evidence from landowners and business owners in areas adjacent to the SBTA and TFTA who are impacted by the proposed expansion plans. Witnesses advised that committee of their anxiety as a result of the processes Defence followed, which did not provide sufficient information or consultation, particularly in regard to direct engagement in the initial stages. The committee notes Defence's acknowledgement that lessons have been learnt from this process and supports the appointment of a community liaison officer in Townsville.

Environmental impacts

4.24 The committee also heard concerns about the environmental impacts and land management issues in relation to Defence training areas, particularly around Shoalwater Bay. Defence confirmed that it has in place environment and land management programs. However, it also advised that two people used to be based locally to deal with issues concerning the Rockhampton estate, but had been relocated to Townsville. The committee welcomed Defence's advice that it would review the current arrangements, particularly in light of the proposed increased level of training in the future.

4.25 The committee also anticipates a further response from Defence on notice about the problem of the infestation of Siam weed which was raised by graziers from the Charters Towers areas and which it heard about at the Townsville hearing.

Senator Alex Gallacher
Chair

