



Australian Government

Department of Defence

Senate Select Committee on the Effectiveness of the Australian Government's Northern Australia Agenda

**Department of Defence
Written Submission**

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Defence welcomes the opportunity to provide a submission to the Senate Select Committee on the effectiveness of the Government's Northern Australia agenda.

Defence has made a substantial contribution to the Northern Australia agenda. The region is the frontline for our nation's defence, the gateway for our security cooperation into the region, and a hub for our military capabilities. As a result, and as foreshadowed through the 2016 Defence White Paper, Defence has maintained a strong presence across Northern Australia and is making significant investments in infrastructure, reflecting the importance of the north to our nation's current and future defence and national security.

Defence Infrastructure Investment in Northern Australia

The Defence Estate is a critical enabler of a more capable, agile and potent defence capability, supporting the generation and sustainment of the Australian Defence Force.

The Integrated Investment Program (IIP), which accompanied the 2016 Defence White Paper, committed to a range of infrastructure-related investments in Northern Australia. Over the next 20 years commencing FY2019/20, the IIP includes:

- \$18.5 billion in Defence facilities in the Northern Territory;
- \$4 billion in Defence facilities in Western Australia; and
- \$5.5 billion in Defence facilities in Queensland.

Specific projects include:

- Redevelopments of "backbone" engineering infrastructure at existing Defence bases and facilities in Darwin, Cairns, Townsville, Katherine and northern Western Australia;
- New and upgraded facilities and infrastructure to support the Joint Strike Fighter at RAAF Base Tindal;
- Upgrades to the RAAF Bases Darwin and Townsville, and the airfield at the Cocos (Keeling) Islands (among others) to support the introduction of the new P-8A Poseidon maritime surveillance and response aircraft;
- Further investment in a number of ADF training areas in Northern Australia including Shoalwater Bay Training Area (QLD), Bradshaw Field Training Area (NT) and Yampi Sound Training Area (WA) to better support joint training;
- Runway upgrades at RAAF bases Learmonth and Tindal to support refuelling operations, and upgrades to fuel infrastructure at both bases;
- New and enhanced facilities for the storage and maintenance of high technology weapons and explosive ordnance at RAAF Townsville and Tindal (among others);
- Upgrades to air traffic control systems across the country alongside upgrades to civil aviation systems;
- Airfield upgrades and base improvement works at RAAF Tindal to support the Growler and Wedgetail capabilities;
- Upgrades and systems replacements at the Regional Operations Centre at RAAF Tindal as part of the enhanced integrated air and missile defence system;
- Additional facilities, including at RAAF Townsville, to support the unmanned aircraft capability; and
- Developing options for a new Northern Advanced Joint Training Area with the capacity for large-scale, joint and combined amphibious training.

Northern Australia is also a hub for our defence cooperation with regional partners and the primary staging ground for the US force posture initiatives which include two elements: the Marine Rotation Force Darwin and Enhanced Air Cooperation. The US force posture initiatives contribute to deepening inter-operability and enhancing capabilities through increased combined training and exercises, stepping up our engagement with regional countries and better positioning both nations to respond to crises in the region. The US force posture initiatives also deliver economic opportunities for Northern Australia through infrastructure investment and the provision of support services. Australia and the US are investing approximately \$2 billion in the Northern Territory under the initiatives.

A range of US and Australian-funded infrastructure projects supports implementation and ongoing operation of the US force posture initiatives. Projects include parking aprons, aircraft maintenance support facilities and fuel storage, accommodation upgrades (including physical fitness facilities and messes) and upgrades to training areas and ranges. There are currently two US funded projects in delivery at RAAF Base Darwin:

- An aircraft parking apron, valued at \$23,654,358 (USD). This project was awarded to AECOM Construction Inc. in May 2018. Many Australian businesses have been subcontracted for this project.
- An aircraft maintenance support facility (AMSF), valued at \$2,146,930 (USD). This project was awarded to Sunbuild Pty Ltd (a Northern Territory business) in July 2018.

Upcoming US projects include a bulk fuel storage facility at RAAF base Darwin and an Earth Covered Magazine at RAAF Base Tindal. The US funded projects are managed by Naval Facilities Engineering Command Pacific. Construction contracts for the US-led projects are competed through an open tender process in which Australian and overseas companies can participate. The major Australian funded projects are progressing through Gate 2 Government approval. Projects include airfield works and associated infrastructure at RAAF Base Tindal, upgrades to training areas and ranges in Northern Territory, and base support infrastructure improvements at Robertson Barracks.

Northern Australia is also supporting the Australia-Singapore Military Training Initiative, a key initiative under the Australia-Singapore Comprehensive Strategic Partnership. This will involve enhanced military training areas in Central and North Queensland, which will benefit the Australian Defence Force, provide significant local economic opportunities, and enhance Australia's bilateral defence relationship with Singapore. Over the life of the initiative the Singapore Government will invest \$2.25 billion to purchase land and develop training areas. According to a KPMG Socio-Economic Impact of the Australia-Singapore Military Training Initiative (2017), the two regional economies could benefit as follows:

- Approximately \$150 million per annum at each site during site development.
- Generating approximately 250 jobs per annum at each site during site development.
- Approximately \$36 million per annum in each region for the duration of the 25-year Initiative.
- Generating approximately 75 jobs per annum in each region for the duration of the Initiative.

Investment in maintaining the current Defence estate

In addition to forecast capital works, Defence invests in its infrastructure through the Estate Works Program. This is primarily a maintenance/sustainment program, intended to keep the current estate in a safe, compliant with a range of legislative and building requirements and in a fit-for-purpose state.

The following table lists the investments made in the Northern Australian region from the inception of the Estate Works Program in 2014 until 2019.

STATE	AMOUNT	STATUS
QLD	\$237,601,014	In delivery or Completed works
NT	\$499,070,241	In delivery or Completed works
WA	\$ 50,100,939	In delivery or Completed works
TOTAL	\$786,772,194	

The Estate Works Program is a rolling three-year program. The scheduled spend for Northern Australia is:

STATE	AMOUNT	STATUS
QLD	\$129,557,380	Delivery in 2019-20
NT	\$298,993,444	Delivery in 2019-20
WA	\$ 24,188,991	Delivery in 2019-20
TOTAL	\$452,739,815	

Building Australian Industry Capability

To support this significant infrastructure investment in Northern Australia, Defence is implementing a range of programs to build defence industrial capability, including in Northern Australia.

In August 2017, the then Minister for Defence announced the Local Industry Capability Plan (LICP) pilot program. The LICP maximises local opportunities for companies to compete for and win work within Defence projects. The Northern Territory, Queensland and WA infrastructure projects have recorded high local engagements compared to the rest of the nation: at 71% local for Northern Territory; 68% local for Queensland; and 86% local for Western Australia.

For example, in September 2018, Laing O'Rourke was announced as the Managing Contractor for the Planning Phase of the Shoalwater Bay Training Area Facilities Project under the Australia-Singapore Military Training Initiative referred to above. Consistent with the LICP initiative, Laing O'Rourke has committed to sourcing in the order of 80 per cent of the value of the sub-contracted works, estimated at \$480 million, from the Central Queensland region.

On 28 March 2019, then Minister for Defence Industry launched the Defence Policy for Industry Participation (DPIP) to support Australian small businesses in positioning themselves to meet Defence's requirement to generate economic growth and support greater employment across Australia. The DPIP introduced new requirements for tenderers to address Australian industry involvement for all Defence procurements of military and other goods and services above \$4 million, and the procurement of construction services valued at or above \$7.5 million.

Defence is currently constructing, or has recently completed, works on 17 projects in Northern Australia. Overall, Defence's prime contractors have let 479 sub-contracts, valued at approximately \$566.5 million to local industry in Northern Australia over the 17 projects. Defence recently awarded a contract for delivery of aircraft apron works at RAAF Base Darwin. These works will be delivered under the AIR 7000 2B Facilities Project and are valued around \$82 million.

In addition to these programs, Defence is making it easier for the defence sector in northern Australia to work with Defence. The Centre for Defence Industry Capability (CDIC) has a national team of Defence Industry Facilitators and Defence Business Advisers engaging with small businesses across Australia to assist them to take advantage of defence market opportunities. Since its launch on 5 December 2016, as at 31 July 2019, the CDIC has approved 18 applications for advisory and facilitation services and awarded two grants to businesses across Northern Australia to better enable them to work with and support Defence.

Building a skilled workforce

In February 2019, the Government released the Defence Industry Skilling and STEM Strategy to implement initiatives designed to help Australia's defence industry to meet their workforce skills requirements over the coming decade. The Strategy establishes a new National Defence Industry Skills Office (NDISO) to improve collaboration and coordination between defence industry stakeholders, including with states and territory governments, businesses and the education sector.

Through the Strategy, the Government has agreed to fund defence industry skills support through the Defence Industry Skills Flexible Funding Pool to the total value of \$32 million from 2018-19 to 2021-22. This includes a new \$4 million per year skilling support grants program administered through the CDIC, focusing on improving accessibility for small to medium enterprises and reducing the barriers faced by defence industry in upskilling or retraining their people and \$1.4 million per year to expand the Defence Industry Internship Program to 50 student placements per year. These initiatives will be available to eligible defence industry businesses and students in Northern Australia. The Funding Pool is in addition to the Government's support for the Naval Shipbuilding College.

A skilled workforce will be critical to the success of the National Naval Shipbuilding Enterprise. The Government is working together with industry to ensure that a workforce with the right skills is available when required to meet the needs of the naval shipbuilding industry. The Naval Shipbuilding College (the College) is a Government initiative aimed at ensuring a coordinated, national approach to workforce development and skilling across the National Naval Shipbuilding Enterprise. The College, funded at \$62 million over three years, commenced operation in March 2018 and is working to progressively facilitate the increased capacity and capability of Australia's skilled workforce, in line with naval shipbuilders' needs as they evolve.

The College is engaging closely with selected ship and submarine designers and builders, and forming strong partnerships with national education and training providers. In Far North Queensland, the College has endorsed programs of study at TAFE QLD's Cairns campus. In the Northern Territory, Charles Darwin University campuses in Darwin and Alice Springs are currently undertaking self-assessment with a view to become an endorsed provider in the future.

Emerging national and international trends

Defence regularly reviews its assessment of the strategic environment to examine emerging national and international trends and their impact. Identified trends such as rapid demographic growth in the Indo-Pacific will present opportunities for increased trade and

people-to-people links with Northern Australia. However, it will also make sea lanes in maritime South East Asia a more congested and potentially contested space. Increased economic activity in the South West Pacific and the Southern Ocean will mean there will be continued concurrent demands for Defence activities and engagement. Investment and development in Northern Australia and the enhancement of national critical infrastructure, including electricity, rail, and road networks, supports Defence to be capable, effective and resilient in an increasingly complex strategic environment.

Defence appreciates the opportunity to support the Senate Select Committee.