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Senator Alex Gallacher
Chair
Senate Foreign Affairs, Defence and Trade References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Gallacher

Thank you for your invitation to provide a written submission to the Senate Foreign Affairs, Defence and Trade References Committee inquiry into the impact of Defence training activities and facilities on rural and regional communities (the Inquiry).

As Chief Minister of the Northern Territory and the Minister for Trade, Business and Innovation, with responsibility for the area of Defence related industries, I recognise the significance of the economic benefits that Defence brings to the Northern Territory. I also understand the need to balance the strategic importance of the Northern Territory as a location for major Defence training areas with the impacts such training areas may have on the economy and liveability of the local communities.

The Department of Trade, Business and Innovation is currently researching the impacts of Defence training activities and facilities on communities within the Northern Territory. A submission will subsequently be prepared and submitted online to the Inquiry.

Yours sincerely

MICHAEL GUNNER

21/3/17

**Northern Territory Government Submission to the Foreign Affairs, Defence and Trade
References Committee Inquiry into the Impact of Defence training activities and
facilities on rural and regional communities
May 2017**

Key Points

- A strong defence presence in the north is fundamental to Australia's security, regional stability and economic future.
- The Northern Territory's strategic location, sparsely populated areas and geographical expanse makes it ideal for Australian and foreign Defence force training activities.
- Australian and foreign Defence forces will benefit from enhancements to existing training areas in the Northern Territory that increase current utilisation and allow for specialised training.
- There is a strong strategic and operational rationale for new tri-Service training facilities, including amphibious training in the Northern Territory.
- Positive interactions with visiting forces, appropriate environmental management and the socio economic benefits that flow on to communities have enabled Defence to successfully operate training facilities in the Northern Territory.
- Northern Territory industry has demonstrated capability to support the delivery of complex projects for Defence and the resources sector.
- Providing opportunities for Northern Territory industry to contract for Defence facilitates a responsive, cost efficient, comprehensive and capable support to the operations of the Australian Defence Force, Australian Border Force and Australia's strategic allies.

Introduction

The Northern Territory Government welcomes the opportunity to contribute to the Inquiry into the impact of Defence training activities and facilities on rural and regional communities. Due to the location of the training facilities in the Northern Territory, the impact on remote communities, including Aboriginal communities, is also relevant.

The changing political and military dynamics in the Indo-Pacific region reinforces the importance of a strong Defence presence in northern Australia and its ability to maintain operational effectiveness through training. Darwin's position within the region makes it a significant mounting base for the nation's defence, national security and border protection operations, as well as supporting Australia's ability to quickly deploy and sustain forces into the region for surveillance, humanitarian assistance and disaster relief. In addition, a strong Defence presence projects security for the economic interests and investments in resource-rich northern Australia.

The Northern Territory has a strong reputation as a regional training hub, hosting three major land, air and sea bi-annual training exercises with international forces and a number of micro-exercises with regional forces held every year. Given its strategic location along principal sea and air trade routes, small population and geographical expanse¹, the Northern Territory has some of the largest exercise and training areas in the world. The location of these training areas allows for free airspace, open waters and minimal constraints and competing interests from surrounding land use.

Successive Northern Territory Governments have recognised the contribution of Defence to the Northern Territory economy and community. Equally, the Federal Government's 2016 Defence White Paper and the 2015 White Paper on Developing Northern Australia demonstrate the importance of the Northern Territory to the national agenda.

The pivot towards the Indo-Pacific region presents significant opportunities for the Northern Territory to position itself as a Defence service and supply hub for northern Australia and neighbouring countries. To achieve this goal, it is vital that the scope and scale of Defence personnel, interests and activities in the Northern Territory continue to expand, and for local service and supply capabilities to develop to a stage that will enable businesses to compete at a national and international level. Ultimately, a responsive and competitive Northern Territory Defence industry is a fundamental input to a strong Defence force.

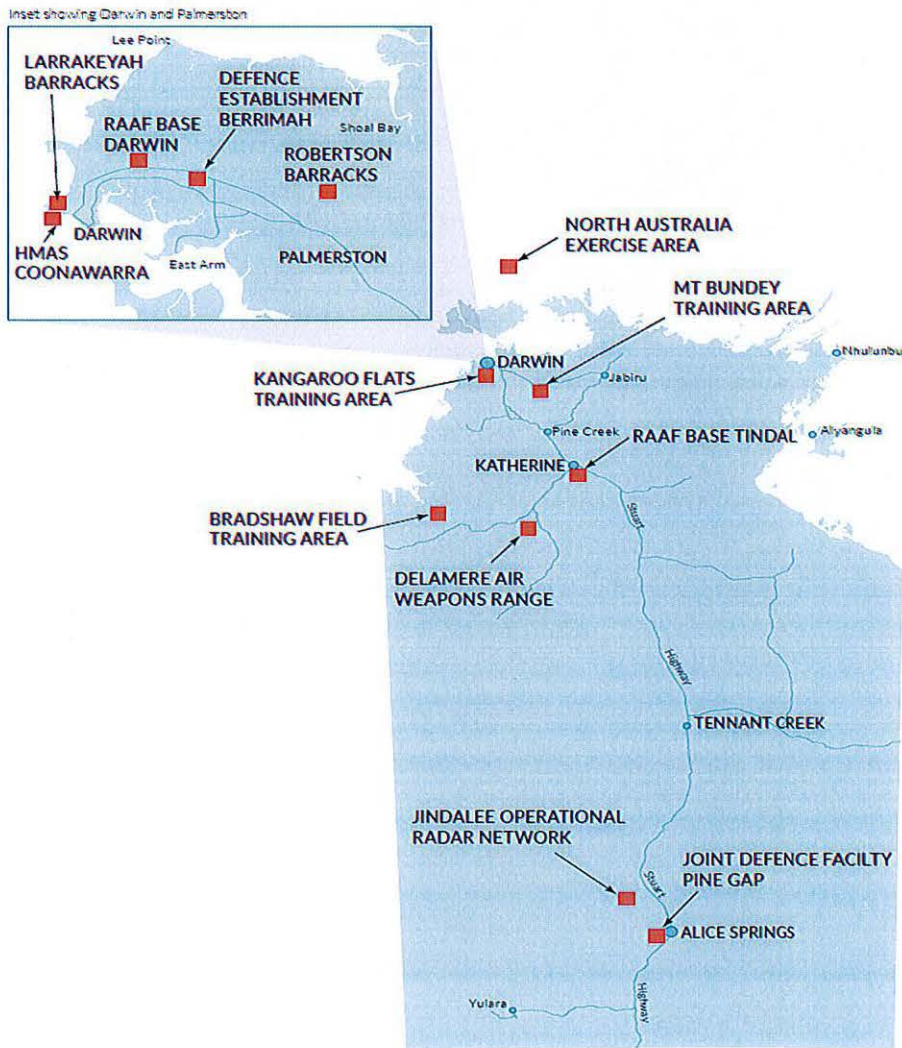
¹ The Northern Territory has a total land mass of over 1.3 million square kilometres, representing 17% of Australia.

Response to Terms of Reference:

(a) economic, social and environmental impacts of Defence training activities and facilities

Defence has a significant positive impact on businesses and local residents, including regional and remote communities in the Northern Territory. Due to the small and dispersed nature of the Northern Territory population and industry, the socio-economic impacts and benefits arising from Defence training operations will not only be felt in the outlying remote and rural communities where these sites are located, but also in the main centres of Greater Darwin and Katherine that act as supply and service hubs.

The four dedicated Defence training areas in the Northern Territory are located on pastoral land acquired by Defence between the 1970s to the 1990s. The Kangaroo Flats Training Area, used as a small arms firing range, is located approximately 30km from Darwin, and the larger training areas in Bradshaw, Delamere and Mount Bundy are between 120km to 270km from Katherine or Darwin.



This map is produced from various sources. Department of Treasury and Finance cannot guarantee the accuracy, currency, or completeness of the information. To be used as a guide only.
 Source: Department of Treasury and Finance; Department of Defence; Darwin Strategic Support Group; Department of the Chief Minister

Figure: Training Areas and Military Bases in the Northern Territory

Socio-environmental impacts

The areas outside the training facilities in the Northern Territory are generally uninhabited except for small Aboriginal communities, some mining and pastoral interests, and in the case of the Kangaroo Flats Training Area, tourism and horticulture. Consequently, their relative isolation and distance from main population centres limit community impacts.

The larger training facilities in Bradshaw and Delamere are covered by Indigenous Land Use Agreements with Traditional Owners that require the use of the areas in an environmentally responsible manner. This requirement applies to all forces training in these facilities.

The North-West Mobile Force (NORFORCE), which includes a highly respected Aboriginal contingent, has also been instrumental in generating local support for Defence. Formed in 1981, NORFORCE is an infantry regiment of the Australian Army Reserve that carries out surveillance and reconnaissance for the remote areas of Northern Australia.

In 2013 a study on the potential impact of the United States Marine presence in the Northern Territory² was released. The study anticipated minimal social impacts due to the small size of the Marine contingent against the rest of the population, and the limited time they are expected to spend in Darwin outside training or living on base.

Local community involvement is an important component of the Marine Rotational Force which helps facilitate goodwill. The Marines participate in a number of community activities including donating blood to the Australian Red Cross, holding leadership discussions and speeches at community forums, conducting community clean-ups and teaching physical fitness and physical education classes at local schools³.

In addition, community and environmental considerations are incorporated in the pre-operational planning of major joint exercises held in the Northern Territory in order to identify and mitigate any negative impacts. Community engagement strategies also enhance local support e.g. free community events are held during Operation Pitch Black to showcase the air capabilities of participating forces.

Overall, it appears that community support for Defence can be generated through consultation, prompt response to socio-environmental concerns, and ongoing positive engagement of local residents, land owners and community groups.

Economic impacts

The Northern Territory economy is sensitive to fluctuations in the Defence population, the frequency and size of training activities, major infrastructure investments, and the scope and scale of opportunities for local businesses to engage in Defence sustainment and infrastructure programs. While the direct economic impact of training activities and facilities in outlying communities may be limited, there are wider economic benefits across the Northern Territory.

² Deloitte Access Economics Report, 10 April 2013 "Social Impact of rotations of up to 1,100 US Marines and associated equipment in Northern Australia Report"

³ <http://www.defence.gov.au/Initiatives/USFPI/Marines.asp>

Defence training facilities and its operations help improve social and welfare outcomes in remote communities where there is little economic activity. Indigenous Land Use Agreements for Bradshaw and Delamere include provisions for Aboriginal employment, and the presence of Defence training facilities has led to the creation of sustainable Aboriginal-owned businesses in the region. For example, since June 2008 the 100% Aboriginal owned and operated company Bradshaw & Timber Creek Contracting and Resource Company Pty Ltd has successfully tendered and delivered several Defence maintenance and construction contracts for over \$6 million⁴.

The company now has a permanent staff of 10 that can expand up to 30 in the dry season, an office in Timber Creek and a fully-owned range of contracting equipment capable of carrying out work for Defence, the Northern Territory Government, general contracting and civil works.

Overall, Defence is a significant contributor to the Northern Territory economy with expenditure comprising 7.3% of gross state product (GSP) in 2015-16 or \$1.67 billion in current terms. The 2013 Deloitte Report estimated a contribution of 0.3% of GSP or \$5091 per Marine resulting from the increase in the scale of training activities in 2014. The cost-sharing agreement for the US Force Posture Initiative is also expected to create significant infrastructure investments in Greater Darwin and Katherine.

International exercises held in the Northern Territory deliver a significant boost to the local economy, including businesses providing ancillary services to Defence and other sectors such as retail, tourism accommodation and hospitality. Exercise Pitch Black and Exercise Kakadu are held on even years and each military exercise can involve around 3000 personnel over a three week period. In 2014, 10 countries and up to 110 aircraft participated in Exercise Pitch Black injecting \$25 million into the local economy⁵. In 2016, Exercise Kakadu involved 19 ships and 18 aircraft with 19 countries participating⁶.

Talisman Sabre is a biennial combined US and Australian training activity. In 2015, up to 30 000 Defence participated in simultaneous exercises held at the Shoalwater Bay Training Area in Queensland and the Fog Bay/Bradshaw Field Training Area in the Northern Territory.⁷

While the impact of temporary training forces to the Northern Territory economy is substantial, there are wider socio-economic benefits for increasing the presence of permanent Defence personnel and their families. At 5% of the total population, the Defence population makes an important contribution to the local economy. Its size also impacts on the ability of the Northern Territory Government to deliver a wide range of services and facilities at a scale that is expected of a capital city, thereby facilitating Defence personnel retention.

⁴ Based on Austender data.

⁵ <https://www.airforce.gov.au/pitch-black-2016/?RAAF-3xDAz1/hk42suVVSpr1Cu8g/PIWlvnlr>

⁶ <http://www.navy.gov.au/operations-and-exercises/kakadu-2016>

⁷ <http://www.defence.gov.au/Exercises/TS15/>

Improvements to existing facilities and expanding the range of training available from the Northern Territory can assist in attracting permanent military units to the north, thereby increasing the local Defence population.

(b) consultation and communication with local government and community organisations

Early engagement with local councils and the Northern Territory Government, ideally at the planning stage, will continue to help facilitate and generate local support for Defence as well as explore ways for closer collaboration, e.g. assessing the potential impact of the movement of heavy vehicle and equipment to local roads enables contingency planning. Any potential disruptions to other road users, such as the resources or tourism industry can also be mitigated in advance.

Defence operations are generally self-sustaining in order to avoid pressures on local services. There are however possible areas where Defence could create legacy socio-economic benefits for local communities. Where feasible, outsourcing some internalised functions to local councils may create sufficient demand for new community services such as opportunities for improved waste management.

Many remote communities outside the main centres are not equipped to handle large industrial waste as demand for these facilities are sporadic. Typically, Defence maintains and carries out works to manage the increased demand on existing facilities during training exercises at no cost to local councils. The local council has been in negotiations with the Department of Defence regarding a waste management facility at Timber Creek to service the Bradshaw Field Training Area and the wider community. This will enable the local council to expand its revenue base and provide facilities for the proper disposal of industrial waste produced by other activities such as construction works.

(c) investments in new facilities, infrastructure and operations

There is a strong strategic and operational rationale for improvements to be made to existing training areas in the Northern Territory, and the development of new training areas that better suit the needs of Australian Defence and foreign Defence forces.

Investments in large scale permanent urban warfare training facilities for example, will attract and increase usage of existing sites by Australian Defence and foreign forces, including in the wet season. There may also be opportunity to open up these facilities for police and emergency services training. In addition, it could warrant increasing the number of permanent mobility ground based units in the Northern Territory, thereby increasing the size of locally-based Defence personnel.

Specialised adverse weather training facilities can be constructed to test how military equipment will perform during operational deployment such as training for vehicle bog recovery and testing of military equipment in hot and humid conditions. With capacity to expand, existing training areas in the Northern Territory can be further enhanced to provide corps training for vehicles, continuation training and development, safe driver training and military vehicle testing.

The vast waters around north Australia is used in naval and border force operations. With limited maritime activities and associated restrictions, it is ideal for continuous conventional training and large scale naval exercises providing Defence and foreign forces the ability to train in an area where military operations are likely to be launched.

With an established offshore oil and gas industry, Northern Territory waters provide further opportunity for vital asset protection training.

In 2020, the Northern Territory will welcome the first of Australia's F35 fighters. The open and expansive land and skies of the Northern Territory offer the perfect research, testing, training and exercise space for all kinds of platforms and systems. Fully-instrumented training ranges located close to regional partners, and testing piloted and unmanned vehicles under all atmospheric conditions would provide operational advantages.

In March 2016, four options for new future amphibious defence training areas in the Northern Territory were proposed as part of a NT Government Defence Training Area Development Options Paper. Three of these sites were identified by the Australian Defence Force in their original request for information on suitable sites.

The Northern Territory Government proposed an area in East Arnhem Land as an alternative that meets all of the requirements of Defence and the ability to support tri-Service training. The site has large tracts of uninhabited land ideal for land manoeuvre training. Beach access and tidal variations of less than two metres are ideal for amphibious operations and naval training. In addition, it can support air and naval gunfire training as the airspace is clear of air traffic.

The township of Nhulunbuy is located within range to provide enabling support services and recreational facilities, with well-equipped modern airport and natural deep water port and associated marine infrastructure including significant wharf facilities, fuel bunkering and resupply capacities. Health services include a level-3 regional hospital with trauma, surgical and maternity facilities, private medical, dental and allied health services as well as visiting specialists.

There is a base of experienced local contractors, suppliers and commercial services that support the local construction, forestry, tourism and resources industries and until 2014, Rio Tinto's alumina production. These businesses operate with an emphasis on Aboriginal employment and training outcomes. Local industry capacity can be ramped up to support the requirements of Australian and foreign defence forces training in the area.

The impact of military training areas on land and coastal waters held under the *Aboriginal Land Rights (Northern Territory) Act 1976* or the impact on the rights of land owners would need to be considered when making new investment decisions. It is recommended that prospective Defence organisations undertake early engagement and consultation with the Land Councils, Traditional Owners and local communities to lay the groundwork for support.

This process could include:

- i. consultation on the construction of infrastructure and where possible, making such infrastructure available for use by the local communities
- ii. social impact management planning to be completed at the same time as environmental impact assessments are undertaken when planning for major exercises and new investments, and
- iii. making social impact management plans and environmental impact assessments publicly available.

Traditional Owners will have a choice when negotiating land tenure options; however, training areas present an opportunity for employment and economic development. A commitment to secure economic benefits that flow to local communities will help generate support.

(d) utilisation of local suppliers and service providers to achieve value for money

(e) encouraging awareness of tendering opportunities for rural and regional businesses, and

(f) other matters

The economic benefits from training facilities and activities in the Northern Territory can be maximised by providing local businesses with the opportunity to tender for work. With a population that is 30% Aboriginal, the Northern Territory is well placed to support Defence to meet its Commonwealth Procurement Rules and Indigenous Advancement Strategy targets.

Synergies with the expanding resources sector are generating a more diverse, capable and cost-efficient industrial base in the Northern Territory. Local industry capability has been improving over the years as businesses gain experience from working with multinational companies, including those in the maritime industry.

Large scale heavy industry has undergone wholesale transformation in recent years and continues to grow in line with the resource sector and broader industry growth. As a result, local industry is now equipped to support the large, sophisticated platforms arriving into the Australian Defence Force inventory for deployment and operations in the region.

The Northern Territory Government is committed to further strengthening the capabilities of local industry to support Defence. The Northern Territory Government's strategy and associated implementation plan to support Defence and Defence industry in the Northern Territory is currently being re-aligned with the 2016 Defence White Paper, the US Force Posture Initiative and the changing dynamics of the Indo-Pacific region. This includes supporting the development of a skilled and stable workforce and flexible supply chains that can sustain major assets on time and on budget.

Important to this are mechanisms that provide the Northern Territory Government early notice of potential opportunities that will help identify support requirements to build industry capability, including the facilitation of collaboration arrangements. This will give industry, workforce and training organisations time to prepare and ramp up.

As the youngest Australian jurisdiction, there are obvious positive impacts of ongoing engagement with Defence construction and sustainment programs, including the repair and maintenance, and supply of components for vehicle and equipment. These opportunities can be facilitated by determining whether work that is being done outside the Northern Territory can be done locally.

It enables Northern Territory businesses to enhance their manufacturing and fabrication capabilities and engage in innovation, thereby enhancing their competitiveness. These activities are critical to the expansion and diversification of the Northern Territory's economic base. At the same time, it facilitates a capable, cost efficient and responsive local industry to support Defence.

Defence procurement can be designed to assist Northern Territory businesses build up their capabilities and capacities to deliver efficiencies and value for Defence alongside the advantage of faster and more flexible response times. Procurement design considerations include:

- i. long term supplier contracts to improve business certainty, and encourage innovation, increasing specialisation and business investment that can deliver efficiency benefits
- ii. the design of defence contracts into smaller sizes or packages that support competition with and within the Northern Territory Defence Support industry, and
- iii. "local industry" defined by region rather than nationally.

The Federal Government has made clear its intention to unlock the potential of northern Australia over the next 15 to 20 years. Developing and sustaining a significant Defence presence, along with the infrastructure, industrial base and skilled workforce that support its operational capabilities will help deliver this agenda.

Ultimately, the Northern Territory and Defence share mutually beneficial interests. A robust local Defence Support industry can provide for more capable support to the operations of the Australian Defence Force, Australian Border Force, and Australia's strategic allies in the Indo-Pacific region. At the same time, the support from Defence to build up the capabilities of local businesses and communities can help generate sustainable economic development opportunities and diversification, thereby reduce reliance on the national economy.

Further Information

For further information on this submission please contact:

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