

## Department of Defence

### Joint Standing Committee on Treaties Public Hearing - 22 September 2014

#### Treaties Tabled 26 August and 2 September 2014 – Question on Notice No. 1 - Contracts

**Member Thomson** asked on 22 September 2014, Hansard page 3:

**Mr KELVIN THOMSON:** Article 17 indicates that the US is obligated to strive to use Australian goods, products and services, including Australian workers and commercial enterprises, to the greatest extent practicable. Does that represent any change from the situation which provided prior to this? Secondly, what can you tell us about how many contracts have gone to Australian businesses or jobs to Australian workers so far?

**Mr Baxter:** The force posture initiatives are a step change in our alliance with the United States, because while we have had in the past thousands of members of the US military forces coming to Australia for short periods of training—for instance, you would be familiar with exercise Talisman Sabre—this is the first time we have had such a large group of US forces rotating through Australia for long periods of time. So the commercial opportunities that will be provided to Australian business will in a sense be different because, as you would be aware, the agreement has a 25-year life period, and we are setting up this initiative on a long-term basis. So there will be investments made in infrastructure that will support the force posture initiatives throughout the duration of the agreement. So they will be of a different nature from short-term deployments of US forces to participate in exercises or other activities in Australia. I would have to take on notice the number of contracts that have been let so far. I know there was one contract last year for \$11 million let to Australian building companies to provide the increased temporary accommodation to facilitate this year's rotation. But we see that as the force posture initiatives develop there will be a number of opportunities for Australian business in the North.

#### **Response:**

One of the benefits of the Force Posture Initiatives is the opportunities it provides for Australian industry. For example, in 2014, Defence understands that 17 Australian businesses were engaged as contractors in support of the US Marine Rotational Force – Darwin.

In May 2013, Defence released the outcomes of assessments of the predicted social and economic impacts associated with rotations of 1,100 US Marines in northern Australia in 2014.

The Economic Assessment suggested that a rotation of 1,100 Marines was expected to contribute an additional \$5.6 million to the Northern Territory Gross State Product in 2011-12 dollars.

It also found that the impact on Northern Territory industry would most strongly benefit the retail trade, transport, recreational and other business service sectors.

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### Joint Standing Committee on Treaties Public Hearing - 22 September 2014

#### Treaties Tabled 26 August and 2 September 2014 – Question on Notice No. 2 - Contracts for fresh produce

**Mr Roy** asked on 22 September 2014, Hansard page 4:

**CHAIR:** So you think that you will be using existing defence contractors and just increasing the size of the contract, as opposed to a whole new tender?

**Mr Baxter:** I would have to look at where the existing contracts are and take that on notice. There will clearly be a need to increase the volumes, whether they are provided under existing contracts, or whether we go to new contracts.

**Mr WHITELEY:** In my humble opinion, it would not be fair to utilise existing tenders. That would be my view, given that we are talking about a whole different business model here. So to suggest that we would use current providers and they just get a benefit would not seem to be a fair outcome to me.

**Mr Baxter:** No.

**Mr WHITELEY:** I would be interested to receive more detail in relation to that. I mean we are talking about more than a doubling of this facility's participation. That is an extremely significant increase in the provision of fresh food, vegetables, protein, so on and so forth. I think there are some significant benefits to be gained here for local suppliers from as far away as Tasmania, dare I suggest.

**Mr Baxter:** Very much so. I will just ask my colleague Mr Culley, if I may.

**Mr Culley:** There are extant contracts that are in place to support the current effort in the Northern Territory. I would have to take on notice your direct question on the precise way forward. I would suggest there probably is some leveraging of the extant contracts, but I would have to take on notice precisely how that step-function is being structured within the contract solution.

**Mr WHITELEY:** Do you think that is a fair outcome though, that we are dealing with a completely different business model than someone who would have tendered some years ago based on a particular provision compared to the potential. Now wouldn't that put existing contractors at a distinct advantage?

**Mr Baxter:** We will obviously have to meet our legal obligations under existing contracts. I certainly take your point. As we move into much higher levels of rotation over the next several years, we will clearly need to look at how we provide those services and the contracting processes behind them.

**Mr WHITELEY:** I would be pleased to receive a little bit more detail on that if you could.

**CHAIR:** You can take that on notice. Thank you.

#### Response:

Garrison and specialist military support services for 2014 have been delivered to United States Forces via extant Defence contracts. Such support is provided by local contractors or by national-level contractors employing Northern Territory residents. When developing logistics support contractual arrangements for services, Defence ensures surge provisions are included to cater for increased service requirements. These contracts are currently adequate to meet the level of support required by the US Marine Corps.

The support concept for future US Marine Corps rotations is yet to be finalised, and will form an important part of considerations as planning develops. It is anticipated that support to future rotations will similarly be provided through the scaling-up of extant Defence contracts through existing surge provisions.

Should planning activities identify requirements that cannot be met from within extant arrangements then these will be discussed and sourced through additional procurement if required.

Any procurement activities for United States Forces have been and will be undertaken in accordance with the Australian Government's Commonwealth Procurement Rules.

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**Joint Standing Committee on Treaties Public Hearing - 22 September 2014**

**Treaties Tabled 26 August and 2 September 2014 –  
Question on Notice No. 3 - Aboriginal-owned enterprises**

**Senator Sterle** asked on 22 September 2014, Hansard page 6:

**Senator STERLE:** Mr Baxter, as part of the procurement and the construction for Robertson Barracks, you said \$11 million was spent. Were there any Aboriginal-owned enterprises that tendered on that work or engaged in that work?

**Mr Baxter:** Not that I am aware of, but I will take that on notice.

**Response:**

No.