

Impact of Defence training activities and facilities on rural and regional communities

On 8 February 2017 the Senate referred the following matter to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 30 November 2017:

Impact of Defence training activities and facilities on rural and regional communities.

Submissions to this inquiry closed on 28 April 2017. The Queensland Government response is being coordinated by the Department of Agriculture and Fisheries (DAF).

Terms of Reference

The impact of defence training activities and facilities on rural and regional communities, with particular reference to:

- a. economic, social and environmental impacts;
- b. consultation and communication with local government and community organisations;
- c. investments in new facilities, infrastructure and operations;
- 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. any other related matters.

Committee Secretariat contact:

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Phone: +61 2 6277 3535

Fax: +61 2 6277 5818

fadt.sen@aph.gov

Defence Training Initiatives and Queensland's Defence Industry – Department of State Development

The impact of defence training activities and facilities on rural and regional communities, with particular reference to:

a. Economic, social and environmental impacts

The Shoalwater Bay Training Area (SWBTA) and the Townsville Field Training Area (TFTA) are two strategic training sites for the Australian Defence Force (ADF). The SWBTA is also used by the ADF to conduct biennial joint training exercises with the US Military (Operation Talisman Saber) and used by the Singapore Armed Forces (SAF) to conduct annual six-week training activities (Exercise Wallaby).

A number of assessments of economic benefits from defence training activities in SWBTA have been undertaken. For example, **a 2004 study shows that in the years in which operation Talisman Saber was underway, the total expenditure associated with training exercises and expenditure by visiting defence force personnel (ADF, SAF and US) injects up to an estimated \$53 million into the local economy annually.**¹

Separately, Capricorn Enterprise has publicly stated that SAF training activities alone contribute an estimated \$35 million to the region's economy annually.

Under the Australia-Singapore Military Training Initiative, the SAF plans to increase its training activities in the SWBTA to bi-annual events and increase the maximum number of troops trained from the current 6000 to 14 000 for up to a total of 18 weeks annually. **The economic impact from future SAF training activities will be significantly greater.**

DSD notes that the Department of Defence has commissioned KPMG to undertake a socio-economic impact assessment of the development of TFTA and SWBTA and additional training activities on the surrounding communities and the Queensland economy. This study should provide a contemporary understanding of the economic and social impacts of expanded training activities in the two North Queensland locations.

b. Consultation and communication with local government and community organisations

(This ToR item relates to Department of Defence processes and DSD is not offering any comment on this matter)

c. Investments in new facilities, infrastructure and operations;

Under the Integrated Investment Program 2016, the ADF plans to invest **at least \$100 million** (possibly up to \$200 million) at the SWBTA redevelopment.

Further significant investments under the Singapore Military Training Initiative are also planned. Investments of up to SG\$2.25 billion (currently equivalent to **AU\$2.1 billion**) in the expansion of two military training facilities - SWBT and TFTA over 25 years have been proposed.

¹ Stehlik, D., Jennings, G., and Dwyer, L., (2004), *A Socio-Economic Impact Study of Defence Force Activity in Central Queensland Australia*. Prepared for The Commonwealth Department of Defence.

A significant proportion of these investments will be in infrastructure such as new roads, road upgrades, upgrading of camp facilities and clearing and expansion of training fields.

There may be opportunities for local and state governments to work closely with ADF and SAF to collaborate on the upgrade of common user infrastructure and facilities such as ports, airports, roads, ordinance storage, telecommunication towers, etc.

Improvements to certain infrastructure will benefit other users in the region. For example, any upgrades to Stanage Bay Road, a key road link to SWBTA, has the potential to benefit the cattle/beef industry, horticultural operations located along the road and a growing seafood industry based around the township of Stanage Bay.

d. Utilisation of local suppliers and service providers to achieve value for money;

Local suppliers and service providers are already contracted to provide services to ADF and/or SAF either directly or through sub-contract arrangements with prime contractors. These suppliers are well placed to meet new demand for services from additional infrastructure development and operations associated with expanded training activities in the future.

A bulk of expenditure from both the ADF and SAF for expansion of training areas is likely to be spent on developing and upgrading land based infrastructure and facilities required for training activities. This will generate opportunities for businesses in both Townsville and Rockhampton areas.

There is adequate capability and providers in both the regions to undertake capital facility construction and maintenance works. Queensland regions, owing largely to the presence of a substantial resources industry, are particularly well equipped with heavy machinery and heavy and civil engineering construction capabilities to service these needs for defence activities.

Along with the resources sector, Queensland's mining equipment, technology and services sector has developed a significant amount of advanced manufacturing, equipment and technical skills across the state and provides capabilities that are readily transferable to the defence industry.

Furthermore, there has been a substantial volume of infrastructure works at defence sites in Queensland in recent years and many companies have experience conducting business in the defence sector and identify themselves as defence suppliers.

Ongoing training activities generate demand for transport and logistics services and provision of supplies. There are well established transport and logistics suppliers in both Townsville and Rockhampton regions and they are already servicing demand generated by both permanent defence industry presence (in Townsville) and regular on-going training activities.

Local suppliers are also well placed to provide services such as estate management of training areas, repair and maintenance of roads and facilities and provision of supplies to support training activities.

The increase in the complexity of training exercises for modern warfare requires the use of land, air and naval/amphibious military hardware, communication support and battle field simulation. This in turn generates the need for services such as maintenance, repair and overhaul of military hardware and support from providers of specialist services.

Demand for such services already requires defence contractors to locate personnel to the region during the duration of the training exercises, generating businesses opportunities for local accommodation, transport, restaurants and recreation outlets.

The presence of a large of number of personnel during training events also creates opportunities for non-defence businesses. Trainees use rest and recreation days and post-training opportunities to partake in local tourism and recreation activities.

e. Encouraging awareness of tendering opportunities for rural and regional businesses; and

One of the roles of DIQ, located within DSD, is to support Queensland's defence industry. DIQ takes a multiple approach to this end including:

- working in collaboration with the Department of Defence to identify supply chain opportunities for local suppliers
- working with DSD's regional offices to conduct industry briefings and provide information to local businesses working for, or wishing to work in, defence industry
- working in partnership with the Industry Capability Network (ICN) Queensland to help local suppliers develop and improve their capability to supply the defence industry
- maintaining a comprehensive defence directory to help find companies with defence capability in Queensland
- referring suitable Queensland companies to defence contractors looking for specific capability.

New initiatives are being developed to improve regional businesses' awareness of defence industry opportunities. For example, under the recently signed Townsville City Deal, initiatives are being put in place to improve defence industry consultation.

f. Any other related matters.

As part of the Advance Queensland Program, defence and aerospace are two of the six industry sectors identified as emerging priority industries to be supported by the government to build their competitive strengths and create the knowledge-based jobs of the future.

The Queensland Government established DIQ to help create a smart, connected and efficient defence sector within the state.

DIQ:

- supports national and international prime contractors to find defence capabilities in Queensland
- helps companies working or wishing to work in defence to up-skill and make connections with defence contractors and suppliers
- assists the ADF to expand its presence in Queensland.

Defence industry is an emerging sector in Queensland and has undergone rapid growth both in size and diversity of capability supplying both the national defence market as well into the global defence supply chains.

A DIQ survey shows that in 2013-14, Queensland companies had an estimated sales turnover conservatively at \$4.2 billion and supporting at least 6500 jobs.² The survey results also show that approximately 87 percent of the Queensland defence industry businesses are small to medium sized enterprises (between 1 and 200 employees).

Defence presence in Queensland's north makes a major contribution to the region's economy. In 2011, it is estimated defence personnel made up 4.7 percent of Townsville's population while at the same time contributed an estimated 11 percent to Townsville Gross Regional Product.³

While the nature and magnitude of impacts from a permanent defence presence such as that in Townsville is different from the training based periodic presence in the Central Queensland region, the frequency and number of personnel training in the SWBTA in the future will expand significantly.

For example, under the expanded Australia-Singapore Military Training Initiative, SAF training activities could potentially last up to 18 weeks annually. This, together with regular ADF training activities, the biennial training activities with the US Military, and the occasional multi-lateral training initiatives, add up to a significant and regular defence presence in the Central Queensland region.

The Australia-Singapore Military Training Initiative provides Queensland's defence industry with the opportunity to develop tangible relationship with SAF and lays the foundation for entry into export markets, including Singapore and neighbouring Asian countries which are undertaking expansion of their military capabilities and investing in advanced military platforms.

DSD views that in the long-term, Queensland companies can leverage these direct opportunities to capitalise on Singapore's increasing dependence on Australia for defence training that may include:

- export of goods and services related to defence industries
- high technology and innovation such as design and testing of remotely piloted aircraft
- quality training systems for maintenance, repair and overhaul of small aircraft engines including helicopters.

The Australia-Singapore Military Training Initiative will also offer Queensland defence industry opportunities to bolster defence, science and technology links, in partnership with the Australian Defence Science and Technology Group, especially with combat systems command, control, communications, computers and intelligence integration.

The Australia-Singapore Military Training Initiative is an important part of the Australia Singapore Comprehensive Strategic Partnership which outlines how Australia and Singapore will further strengthen their relationship, including economic, security, foreign policy and people-to- people links.

² Queensland Defence Industry 2013-14 Survey, (2016), Office of the Chief Economist, Department of State Development.

³ Welters, R. Dr, (2013), *The Australian Defence Organisation and Tropical Australia: Its Socio-Economic Impact in Cairns, Darwin and Townsville*. The Cairns Institute, James Cook University.

In addition to the Australian Singapore Military Training Initiative, Queensland continues to work positively with the Department of Defence on a number of major procurement opportunities, including attracting the \$20 billion LAND 400 project, to nurture opportunities for Queensland defence companies to supply local and export defence markets. The economic significance of Department of Defence's investment in Queensland cannot be underestimated.