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Senator Alex Gallacher  
Chair  
Senate Foreign Affairs, Defence and Trade References Committee  
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Canberra ACT 2600  
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24<sup>th</sup> April 2017

**Re: Impact of Defence training activities and facilities on rural and regional communities**

Dear Senator Gallacher,

Thank you for the opportunity to provide input to your inquiry into 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.

Spencer Gulf Cities is an alliance of the Port Augusta, Whyalla and Port Pirie Mayors and Councils, formed in 1998 as a forum for the three cities to progress the transition the Upper Spencer Gulf to cleaner, more innovative, liveable and economically diverse cities.

The Upper Spencer Gulf in South Australia is in close proximity to some of the most significant mineral and renewable energy resources<sup>i</sup>, natural biodiversity<sup>ii</sup> and landscapes in the world. In addition, the three cities of Whyalla, Port Augusta and Port Pirie have a strong heritage, culture and capability in manufacturing and provide a range of retail, sports, arts, health, education and specialist services for surrounding rural communities.

There is considerable potential to build on these comparative strengths and reposition the economy as a hub for renewable energy; defence; intermodal transport and logistics; value-adding and innovation in agriculture; event and marine-based tourism; advanced manufacturing to support the mining and energy sectors; and delivery of government services and higher education/research<sup>iii</sup>.

These opportunities are already emerging in the region, with the redevelopment of Nyrstar's Port Pirie lead smelter to a modern, multi-metals recovery and e-waste processing facility; expansion of Sundrop Farms arid horticulture operation near Port Augusta; the expansion of the Cultana Defence Training Area; Whyalla's Muradel Bio-fuel initiative and Betatene's long-standing operation in Whyalla as one of the world's largest producers of food and pharmaceutical grade beta carotene.

These examples pave the way for the economic and social transition of the Upper Spencer Gulf.

To achieve this, the region must first overcome a number of challenges, including the loss of over 2,000 jobs - or 4% of the region's population - over the past two years, due to the closure of Alinta Energy's Port Augusta powerstation, continuing uncertainty at Whyalla's Arrium OneSteel plant and downscaling of several nearby mining and resource sector operations.

In addition to heavy traditional reliance on single industries, negative external perception also challenges the three cities; incessant socio-economic disadvantage; and a lack of relevant higher

education and vocational training opportunities in the region perpetuating an unfortunate trend in 'fly-in, fly-out' technical and professional services. Unemployment rates in the Upper Spencer Gulf remain above state and national averages, with the rate of youth unemployment nearly double these figures<sup>iv</sup>.

The Upper Spencer Gulf has long played a part in supporting the Defence industry and has identified the expansion of the Cultana training facility and new Military vehicle and vessel construction as opportunities to grow the region's involvement and capabilities in Defence Industries.

We were very pleased to learn that Cultana is expanding into one of the Australian Defence Force's largest training areas capable of supporting major joint combined exercises, with the facility providing ideal terrain and climate for year-round armoured, mechanised and cavalry forces training.

Maximising the local business opportunities of the Cultana expansion for the Upper Spencer Gulf is a key consideration that will require a coordinated and concerted effort between Defence SA and Office of Industry Participation, Department of Defence and Regional Development boards in the Upper Spencer Gulf.

As part of this expansion, a wide range of initial construction and ongoing range maintenance support will be required.

We believe that maximising local business participation in Cultana's expansion, maintenance and servicing is a key opportunity for the Upper Spencer Gulf, however contracting with Defence has traditionally been a highly prescribed and notoriously difficult process for local businesses, based on Commonwealth Procurement Rules (CPRs), Government policies connected to procurement and Government policies related to Commonwealth funded construction projects.

The three Upper Spencer Gulf cities of Port Pirie, Port Augusta and Whyalla are also interested in maximising local business activity during military exercises and periods of troop rest and recreation.

Experiences from across the three cities during the recent 'Exercise Hamel', for example, indicates potential for substantial injection into the local economy during these military exercises.

The three Councils unanimously reported the Australian Defence Force was excellent in their local engagement and making the community feel part of the exercise.

It was also reported that, whilst Defence may have existing contracts for various supplies required throughout the exercise, there was – pleasingly - a proportion of local business used on an ad-hoc basis, with some national ADF contracts also using local businesses as sub-contractors.

Unfortunately, the sheer number of military purchases meant in some cases local businesses quickly ran out of stock and were uncertain about the ongoing level of military spending during the remainder of the exercise and therefore how much stock to re-order.

Our association is very interested in ensuring that future military exercises continue to engage with all three cities; and for local businesses to be used where possible to supply an increasing range of goods and services, as well as the construction of more permanent training facilities in Port Pirie.

In order for communities to adequately prepare for future military exercises, however, it will be important for the ADF to provide early and ongoing advice in relation to dates, troop numbers and indicative services likely to be required or sought out during such exercises.

From a local infrastructure perspective, site access requirements for vehicles and equipment via neighbouring public air, road, rail and seaports provides both an opportunity and a concern for Councils.

For example, heavy military vehicle access on local Council roads that were not designed for this purpose will need further negotiation and discussion regarding potential upgrades and cost-sharing arrangements.

On the other hand, under-utilised port, rail and air facilities across the three cities do offer alternative access opportunities for an expanded Defence presence in the region.

The final component of our interest in Defence Industries lies with potential opportunities for the Upper Spencer Gulf to contribute towards construction of the Australian Government's commitment to a continuous shipbuilding program for major surface combatants and minor war vessels and to the construction of 12 new submarines.

This would build on the region's history of shipbuilding and Defence operations and assist in generating local employment and business opportunities.

As an example, whilst Whyalla based Ottoway Engineering is a key capability partner with the ASC Pty Ltd in the supply of various items for the Air Warfare Destroyers being built in South Australia, including assembled pipe spooling modules and pipework supports, most of the current Defence capability is based in Northern Adelaide.

To that end, we are particularly interested in fostering stronger links between Upper Spencer Gulf enterprises and Northern Adelaide's Techport Australia, Technology Park and Edinburgh Defence Precinct as a logical step to leverage the formative Defence capabilities in the region and particularly, in close proximity to Cultana.

To successfully achieve this, access to expertise and support to maximise local USG business engagement with Defence contracts would be extremely valuable.

To maximise the local benefit from increased Defence presence and future opportunities for our region, we would support and welcome establishment of an ongoing, coordinated effort between the Department of Defence, Defence SA, Office of Industry Participation, the new Centre for Defence Industry Capability, Councils and businesses in the Upper Spencer Gulf.

We would be very pleased to provide you with the reports and references contained within this submission and wish your inquiry every success and look forward to your final report.

Yours sincerely

Mayor Sam Johnson  
Chair – Spencer Gulf Cities

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<sup>i</sup> USGCPG; July 2015; Opportunities for Growth -Renewable Energy and CleanTech Sectors, Upper Spencer Gulf, South Australia

<sup>ii</sup> BM Gillanders, AIT Tulloch and S Divecha. 2015. Regional Biodiversity Management Plan. Upper Spencer Gulf Regional Sustainability Planning. Report prepared for the Upper Spencer Gulf Common Purpose Group

<sup>iii</sup> "Transforming the Upper Spencer Gulf" - Synthesis of existing reports and strategic initiatives; Report to the SA Upper Spencer Gulf Economic Transition Taskforce; Prepared by the Upper Spencer Gulf Common Purpose Group (10/05/16 – V6)

<sup>iv</sup> DEEWR (2015) Quarterly Small Area Labour Market Reports