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Dear Sir/Madam,

Impact of Defence Training Activities and Facilities on Rural and Regional Communities

Please find attached a submission in regards to the above mentioned inquiry.

Yours sincerely

Claire Wiseman
Chief Executive Officer

SUBMISSION FOR THE INQUIRY INTO THE IMPACT OF DEFENCE TRAINING ACTIVITIES AND FACILITIES ON RURAL AND REGIONAL COMMUNITIES

The Far North SA Region

The Far North region of South Australia, as per Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of just under 800,000km² with a population of ¹28,212 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta, the largest city in the region (population of ¹13,985).

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

The Far North region is also home to the Department of Defence Cultana Training Facility and the Woomera Range Complex.

Consultation and Communication with Local Government and Community Organisations

Regional Development Australia Far North (RDAFN) has worked with the Defence industry for a number of years, particularly in relation to the expansion of the training facility at Cultana, near Port Augusta. This partnership has been successful and we have enjoyed reasonable two way communication. However, the end results haven't always delivered good outcomes for local and regional businesses. For example, extensive work was carried out with the Department of Defence in 2009 when RDAFN hosted a forum titled "Dealing with Defence", via a request from the Department of Defence to host it. The forum focused on creating business opportunities by supplying goods and services to Defence. The session was well attended by local and regional businesses. However, soon after the session was conducted, the Department of Defence withdrew contact with local suppliers, no explanation was given. RDAFN and local suppliers attempted to contact the Department of Defence but were advised to seek sub-contracts with major contract holders who deal directly with the Department. No follow up explanation or contact was received from the Department. Unfortunately, this incident tainted local supplier's confidence in future dealings with the Department.

Since then RDAFN has continued to work with local businesses and suppliers and promote opportunities when Defence contracts have opened up, as follows:

- February 2010 – RDAFN assisted organise and promote community information sessions in Port Augusta and Whyalla for the Cultana Expansion Project.

¹ ABS Census Data, 2011

- September 2012 – Department of Defence Supply of Foodstuffs Contract for Cultana Training Facility – RDAFN worked with local small businesses e.g. butchers, fruit store etc, and assisted in completing documentation to be pre-qualified.
- December 2014 - Promotion of Cultana Expansion Tendering opportunities briefing held in Port Augusta on 11 December 2014 with the Project Director from the Department of Defence in attendance. More than 100 contractors attended this briefing.
- March 2015 – Worked with Rowan Ramsey, Federal Member for Grey to promote the requirements for businesses who wish to tender for the Cultana Expansion project including procurement requirements and general information.

The briefing session held on 11 December 2014 is particularly relevant in terms of this submission, where it was promoted heavily that local contractors would have access to a large number of the construction contracts for the \$70m expansion of the Cultana training facility. Unfortunately, this didn't turn out to be the case.

The history of communication with the Department of Defence is varied. In the past, RDAFN has had a good relationship with them and has liaised closely regarding various projects and exercises in the region. However, over time this relationship has dwindled, which could be the result of key contact people moving on from the Department. It is very worthwhile revisiting and rebuilding these relationships. RDAFN plays a key role in forwarding information to other organisations and businesses which in turn builds the profile for the Department of Defence and keeps communication lines open. In small and regional communities and areas, this is important. With a large training facility such as Cultana the local businesses and organisations need to feel part of the facility and have some sort of ownership and pride in the facility being situated here. This can be achieved by the Department of Defence opening up the lines of communication and access to the facility e.g. guided tours once a year or the offer of more presentations to local community organisations.

Appendix A outlines results from a survey RDAFN conducted regarding the information sessions that were held in 2014 regarding pre-qualification for Defence contracts. The results show that the information sessions were heavily promoted by RDAFN and local members of Parliament, not by Defence. This is particularly important to note. RDAFN plays a key role in the dissemination of information on behalf of the Department of Defence, however, without this role there is a concern that information would not be disseminated and received.

Economic, Social and Environmental Impacts

In December 2011 RDAFN provided a response to the Cultana Training Area Expansion – Public Environment Report dated October 2011. This response supported the expansion project but highlighted a few environmental concerns for example, ensuring that dust, noise and visual disturbances are kept to a minimum and that army exercises are spread out across the land to reduce the impact on native flora and fauna. To our knowledge, dust and noise are kept to a minimum where possible, and we understand that native flora and fauna audits are being carried out to ascertain impact.

The response letter also highlighted economic issues around the acquisition of pastoral land and the effects of disruptions to flights at the Port Augusta Airport due to additional restricted airspace over the Cultana area. Once again we are unaware of any major disruptions or effects this has had.

Further economic issues and impacts are discussed in other areas of this submission e.g. utilisation of local suppliers.

Utilisation of Local Suppliers and Service Providers to Achieve Value For Money

The Department of Defence provides the following information on the Cultana Area Expansion Project, Frequently Asked Questions website²:

Will the expansion of Cultana create jobs for locals?

Media reports that suggested there will be large number of jobs created as a result of the expanded training area are misleading. The project will generate short-term employment during the construction phase through on-site labour and construction materials fabrication and supply. This will have a positive economic impact on local communities.

The proposed works, including training facilities, camp accommodation and environmental sustainability works will be delivered by one or more Head contracts. Defence anticipates that local building sub-contractors would be employed on a large proportion of the construction works by the Head Contract. Increased use of the expanded Cultana Training Area by the Australia Defence Force will provide further opportunities for the local communities through the purchasing of supplies.

What opportunities will there be for local business from Whyalla and Port Augusta?

The purchasing of fresh rations is managed by Defence's Garrison Support Service Contractor in South Australia. The contractor is required to utilise local suppliers where possible.

All suppliers must be Hazard Analysis Critical Control Point (HACCP) accredited to comply with Defence contractual requirements.

Basic rations such as bread and mils are currently sourced locally.

Refer to Appendix A for results from a survey recently carried out by RDAFN in relation to the use of local suppliers for the Cultana training facility and expansion project. This survey shows mixed results in terms of local businesses experience with working with Defence contracts. RDAFN is aware of some local businesses outside of this survey that they have worked with and who have had fantastic results from the presence of Defence in the region. These include everything from the local hairdressers and pizza shops to wholesale food suppliers.

It is important to note that the majority of local and regional businesses are small and medium enterprises (SMEs). Therefore, when dealing with a large Department such as Defence, it is quite daunting for these SMEs to go through the rigorous procurement and prequalification processes that are sometimes required. RDAFN did extensive work with local suppliers and businesses and assisted them

² <http://www.defence.gov.au/id/cultana/FAQs.asp>

with the paperwork and requirements for the prequalification process. Without this assistance, these businesses may not have been able to complete the paperwork.

Sometimes the sourcing of just basic rations such as bread and milk locally are not always seen as enough from other businesses.

It is recommended that Department of Defence carefully consider the use of local and suppliers for other goods and seek to engage with organisations such as RDAFN and Business Port Augusta who can give an overview of what local and regional businesses have to offer as well as provide a platform for ongoing engagement with these.

The ³Commonwealth Procurement Rules state that *The Australian Government's procurement framework is non-discriminatory. All potential suppliers to government **must**, subject to these CPRs, be treated equitably based on their commercial, legal, technical and financial abilities and not be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services.*

For small and medium enterprises it states, *To ensure that Small and Medium Enterprises (SMEs) can engage in fair competition for Australian Government business, officials **should** apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials should consider, in the context of value for money:*

- a. the benefits of doing business with competitive SMEs when specifying requirements and evaluating value for money;*
- b. barriers to entry, such as costly preparation of submissions, that may prevent SMEs from competing;*
- c. SMEs capabilities and their commitment to local or regional markets; and*
- d. The potential benefits of having a larger, more competitive supplier base.*

The Australian Government is committed to non-corporate Commonwealth entities sourcing at least 10 per cent of procurement by value from SMEs.

*Rules that **must** be complied with in undertaking procurement are denoted by the term **must**. The term **'should'** indicates good practice.*

The Commonwealth Procurement Rules need to be highlighted at this point, in particular the reference to businesses not being discriminated against due to their size or technical and financial abilities. It is sometimes too easy for goods and services to be sought from larger companies and businesses and whilst the promise is often made to access or utilise local labour or sub-contracts for goods and supplies, this is not necessarily carried out. It is recommended that all major contracts or head-deeds with companies have a clause which specified that goods, services and labour must be sourced locally for any sub-contracts where possible and that they must show that they have made the effort to do this.

³ Commonwealth Procurement Rules, Effective from July 2014, Pages 7 & 16

Some excerpts from the ⁴Defence Industry Policy Statement are as follows:

The First Principles Review established a strong case for organisational change and to Defence's approach to interacting with industry. The First Principles review was critical of the current 'one size fits all' approach to procurement strategy as it inhibits strategic engagement with industry....

...move to a leaner 'smart buyer' model that better manages risk, leverages industry, is simple, more commercially oriented and delivers value for money.

Defence will continue to implement these initiatives and identify new opportunities to reduce the cost and impost on businesses of regulatory measures. For Australian companies, this means it will be easier for them to compete for and win Defence business.

..ensure Defence meets industry's expectations in relation to equity, particularly in the conduct of procurement practices

...reduce the cost of engaging with Defence for industry providers

...simplify Defence processes so that similar key enabler requirements are obtained through single procurement processes, rather than multiple approaches to market.

Further consideration of service delivery will occur; for example, individual regional base service contract will be rolled into the national base services contracts where appropriate.

Reflecting on the above relevant Defence Industry Policy Statement excerpts there are both some positive and negatives. The positives are in that our views are certainly that the 'one size fits all' approach is inhibitive for SMEs located in regional and remote areas in that they are competing at the same level as major companies for, sometimes, minor contracts. One issue with moving to a 'smart buyer' model and the focus on value for money sometimes means that once again, SMEs are unable to compete against the larger companies when focusing on this as an outcome. SMEs overheads are often the same as larger companies, however, they have less options for spreading the costs out and therefore will be seen to charge higher prices than the larger companies.

The focus seems to be mainly on Australian 'companies' which gives the impression that the initiatives are not SME focused, and with SMEs being more dominant in many regional and remote areas, they may still be at a disadvantage if their needs and capabilities are not considered.

Whilst reducing the cost of engaging with industry and streamlining the processes is positive, it would seem that a single procurement process may once again mean that regional and remote SMEs miss out on opportunities. This statement leans towards there not being any second chances.

⁴ 2016 Defence Industry Policy Statement, Commonwealth of Australia

Investments in New Facilities, Infrastructure and Operations

There is no clear evidence that the Department of Defence has contributed to any investments in new facilities, infrastructure and operations outside of the Cultana Training Facility and Woomera Range Complex within the Far North Region. Whilst there are on-flow effects from the above mentioned facilities as already outlined, an important confidence building exercise for regional areas such as this would be for the Department to be seen to be contributing to some minor local investments. These could be in the form of visible support for local community and charity organisations to investments into infrastructure, such as local roads, that are affected by the increase of heavy vehicles due to the Defence exercises.

Encouraging Awareness of Tendering Opportunities for Rural and Regional Business

As previously outlined, the Department of Defence can certainly increase its role in encouraging awareness of tendering opportunities. Most opportunities have been heavily promoted by organisations such as RDAFN and local Council or members of Parliament.

At the same time as increasing and encouraging awareness of these opportunities, it is also important that the opportunities are 'realistic'. Local and regional businesses need to be informed of what they can realistically tender for. Experience has found that a lot of work has been put into pre-qualification by SMEs when they had no chance of competing against larger tier one companies. This effort takes time and money for the business, sometimes when they can't really afford it. More information also needs to be provided as to who the larger companies are, what the sub-contract opportunities are and how these can be tendered for.

Summary

Overall, these are certainly positives and negatives in relation to the overall contribution and impact of Defence training activities on rural and regional communities such as ours.

Some recommendations from research carried out and experiences of RDAFN are as follows:

- Greater transparency around realistic tendering and contract opportunities for local and regional businesses
- Streamlined tendering processes which enable SMEs to compete equally with major suppliers with a real focus on sourcing locally or regionally and strict monitoring of this being adhered to
- Greater Department of Defence communication with key organisations, business and community leaders including updates on projects, opportunities and major activities
- Greater Department of Defence presence in the regional townships outside of general duties e.g. presentations at events and to schools
- Consistent and planned purchasing of local goods outside of major contracts (whilst the little bursts as reported in the survey results are great at the time for local businesses, they are not consistent nor do they allow businesses to prepare for an influx or major purchases of goods)
- Increased investment in local infrastructure, minor and major and evident support of local organisations and events e.g. sponsorship opportunities.

APPENDIX A

RDAFN carried out two surveys to gain information direct from Port Augusta businesses and the general public in relation to Defence activities at the Cultana training facility. For the business only survey, RDAFN directly targeted businesses who attended previous workshops in 2014 and who they worked with for pre-qualification for Defence contracts. The general survey was sent out to all Port Augusta businesses as well as being promoted via the RDAFN website and Facebook site to target local residents. A media release was sent out to promote both surveys which results in an interview on ABC radio as well as a story on Southern Cross Television GTS/BKN television news and stories in local papers. However, despite all the promotional effort, only four (4) targeted business and ten (10) general survey responses were received. Whilst this number is very disappointing, the responses and feedback received cannot be discounted. The survey results are summarised as follows:

Business Survey –

Of the respondents all were aware of information sessions that were held in 2014 regarding local procurement opportunities for the Cultana Expansion Facility Project and heard about it via emails from RDAFN/local members of Parliament or via advertisements in local papers placed by the same. Of those that attended the sessions (50%) one mentioned that the only information to come from the session was about the project but no real focus on opportunities.

One business did apply for a tender for the supply of goods and found the tender process “took a while”. This business was not successful in gaining a tender and received no feedback. The others who did not tender gave the following reasons as to why: “onerous pre-qualification process”, “work force at that time was not sufficient”, and “based on information that you needed to be a tier one company”.

One business did report that they had benefited from “additional trade and services” as a result of the training exercises and activities at the facility.

General comments received were “we used to supply the Defence units every year they were here, particularly the Darwin based forces, but since they changed to a multinational supplier we receive no support whatsoever” and “appears to still be at the top end level with little information coming out to this region”.

Summary/Analysis: Without RDAFN and local members of Parliament and the likes advertising the opportunities and promoting it to businesses, they may not have been aware of them. Defence needs to be more proactive in the smaller and regional communities and to ensure that “real” information and opportunities are promoted to businesses. A review of the tendering process is required to ensure that it is streamlined and accessible for small businesses.

General Survey –

Of the ten respondents, four were residents and six were businesses. Of the businesses, they are in the retail, earthmoving, food wholesaler and tourism industries. When asked if adequate notice is given when Defence exercises/training activities are being held at Cultana four responded “no”, three responded “yes” and two responded with “doesn’t affect us” and one didn’t respond.

The question was asked “do you think the presence of Defence personnel in the community and region has a positive or negative impact, or both? Please explain”. One negative answer was received with the following explanation “It creates noise, pollution and then have taken over much loved rural land, they have taken over recreational areas. They create issues on the roadways. Apart from the token gestures of involving themselves in local towns and communities, they are not “seen” to help local businesses or residents. They take but do not give back to the economy of the region. They are invisible to the region as far as investing and using local people, businesses and industries!” The positive responses, in summary were “they come into Port Augusta and spend money at the supermarkets and takeaways”, “positive impact both economically and socially. It was great to see the Defence personnel out in the community, visiting schools and chatting with citizens. It’s also positive that Defence personnel are positive role models for our young people. While in Port Augusta, all personnel are spending money, shopping at our stores, eating at our cafes and restaurants and their presence brings a greatly needed economic boost to our region. Would love to see a more permanent Defence presence in the region so these benefits can be further extended”, “at least we get to see what tax payer dollars gets spent on” and “because it means more money is spent in the region”.

When asked if the respondents were aware of any investments in facilities, infrastructure and operations that Defence has made in the community, the majority answered “no” with one comment made about “there seems to be a general upgrade of facilities at the base” and one positive story about “they did that big exercise last year in the region, but because the weather was so bad they had to buy up everything from Big W, Target, camping stores etc to keep troops warm. That was one great token. After the exercise finished they donated these items they purchased back to community places that was fantastic, but I do not know of them investing in local business operations, especially small business!”

General comments received were: “Sorry if I come across negative, not against the Defence being in the region but they have taken a lot of our regional lands and resources, but aren’t seen to be giving much back. Other than lucky big company tenders that were successful I don’t see them investing in local businesses or operations or communities. Except for the token stuff they parade in the media. How about Defence are seen much more to invest particularly in local industries and small businesses, struggling in the region.” “It would be a help for both retailers and the army if there was more information flow between both parties so we can better understand their needs.” “They need to put a little time into repairing some of the roads that they destroy.” “Let’s explore opportunities for having a permanent Defence in Port Augusta. The benefits are many and it’s great for our economy and out community.” “When the Hammel exercise was held Port Augusta, Whyalla and Port Pirie benefited from the army being here they spend large amount of money in all 3 towns it would be beneficial for the area to have army here on a regular basis.” “I would like to see them given leave at some time during their training stay to actually provide an opportunity to shop if they wanted to.” “The road from the airport to Cultana Training Facility needs repair and updating. Defence would gain greater support from the Port Augusta community if they held an open day showing the development of the new facilities. Also, needs to be greater opportunities for more local businesses to benefit, rather than just fast food and supermarkets. I support the community days where army equipment and personnel are on display in the local community.”

Summary/Analysis: Most respondents believed that Defence personnel in the area resulted in positive outcomes for the community. It appears that when personnel interact with the community more e.g.

schools visits, presence at events, it creates more awareness for residents and businesses and also contributes to the local economy. The investment back into the community raises issues with lack of it perceived by the community. This may come down to the lack of promotion, by Defence themselves, of the positive impacts. Benefits to local and regional businesses and the opportunity for them to participate in tenders and contracts is important for the local economy. Whether Defence utilises small or larger business, the end result is that these businesses employ locals and support the community charity organisations and events therefore this all feeds back and results in a boost for the local and regional economy.