



**THE FOREIGN AFFAIRS, DEFENCE AND TRADE
REFERENCE COMMITTEE INQUIRY INTO THE IMPACT OF
DEFENCE TRAINING ACTIVITIES AND FACILITIES ON
RURAL REGIONAL COMMUNITIES**

Submission from the South Australian Government

March 2017

Introduction

On 8 February 2017, the Senate referred an inquiry to the Foreign Affairs, Defence and Trade References Committee (the Committee) into the impact of Defence training activities and facilities on rural and regional communities. The Terms of Reference for the inquiry include consideration of economic, social and environmental impacts; consultation and communication with local government and community organisations; investments in new facilities, infrastructure and operations; utilisation of local suppliers and service providers to achieve value for money; encouraging awareness of tendering opportunities for rural and regional businesses; and other related matters. The South Australian Government will address these considerations in its submission.

Background

There are two significant test and training areas in South Australia: Cultana Training Area (CUTA) and the Woomera Range Complex (WRC). The two ranges have very different usage profiles and operating environments, CUTA is a Defence owned training area primarily utilised for two week exercises involving up to 200 soldiers, with one larger exercise, involving thousands of soldiers biannually. The WRC has a small parcel of Commonwealth owned land, with the remainder of the range controlled through state and federal legislation, which imposes restrictions and exclusions on access during trial activities to meet security and safety requirements. The usage rate of the range is managed within the regime outlined in the Woomera Prohibited Area Legislation (2014) and the Department of Defence determines the size of the support footprint required for each activity.

The CUTA is located approximately 320km from Adelaide, between Port Augusta and Whyalla on the north-west coast of the Spencer Gulf. In 2014 and 2015, Defence expanded the CUTA westward, increasing its total size from approximately 50,000 hectares to approximately 209,300 hectares. This was achieved through the acquisition of six pastoral leases, to the west of the current training area between Port Augusta, Whyalla and Iron Knob. A small number of full time staff are employed at CUTA, whose main purpose is to maintain and operate the training facilities.

The WRC encompasses 122,000 square kilometers of arid land and is the largest land-based range in the world. Woomera Village (part of RAAF Base Woomera) is located in the south-east corner of the range and is approximately 500km from Adelaide. The WRC's strategic importance lies in its principal attributes of being one of the largest and 'electronically clean' Defence test ranges left in the world still capable of testing new generation, beyond-visual-range precision-guided weapons and large Aerial and Ground Autonomous systems within its land borders.

In response to concerns from mining companies, pastoralists, tourism companies, indigenous groups and other stakeholders, Dr Allan Hawke was tasked to examine the usage of the Woomera Prohibited Area and develop a model that met the requirements of all stakeholders. The subsequent report was accepted by the Australian Government and a 'co-existence' model developed in consultation with the South Australian Government, was adopted in legislation, which restricts Defence use to geographic and frequency of activities to balance Defence requirements with other range users, provide planning certainty for mining investment and outline mechanisms for compensation where range users are impacted adversely.

The implementation of the legislation is managed through the Woomera Prohibited Area (WPA) Coordination Office (WPACO) in the Department of Defence with policy and governance overseen by the WPA Advisory Board (WPAAB), currently suspended. Daily trials are managed through Woomera Test Range staff located in the Air Warfare Centre at RAAF Base Edinburgh. The South

Australian Government works with the Department of Defence, to ensure Defence consistently engages and effectively coexists with non-Defence users of the WPA in accordance with the *Defence Legislation Amendment (Woomera Prohibited Area) Act 2014*. Defence SA and the Department of State Development are members of the WPA Advisory Board and are part of the WPA Coordination Office, and monitors the continuing implementation of the legislative framework introduced in August 2013 and to be reviewed in 2018.

A smaller training area, Murray Bridge Training Area (MBTA) is located approximately 70km east of Adelaide and 7km east of the rural city of Murray Bridge. The MBTA is located on an area of over 4000 hectares. The range is suitable for small arms and low-level artillery fire, but with restrictions on tracked vehicle traffic and firing height. The main activities at the base are the use of weapons ranges and firing ranges and smaller, platoon sized infantry training or Army reserve training courses. A very small number of full time staff are employed at MBTA to maintain and operate the training facility.

This report will primarily address the two major ranges, as the proximity of the MBTA to Adelaide dictates that not all impacts and issues are regional.

Economic Social and Environmental Impacts

The Upper Spencer Gulf (USG) region within which both the CUTA and the WRC lie, has been significantly affected by the recent downturn in the resources sector. The cities of Port Pirie, Port Augusta and Whyalla are heavily reliant on extractive industries represented by a few major companies. These cities must diversify into other industry sectors in order to secure their sustainability into the future.

The USG region has long played a part in supporting the defence industry and has identified the expansion and use of the CUTA as an opportunity to grow the region's involvement and capabilities through participation in construction activities and garrison support activities for Army. An increased Army presence in the region is expected to have significant economic benefits in particular for Port Augusta and Whyalla.

A study undertaken by KPMG in 2009 found that the CUTA directly and indirectly support 13 jobs in the USG economy with the majority in government administration, defence industry and property and business services industry. It is estimated that direct employment at the CUTA would support a small level of employment in the surrounding regional economy. Since the study was commissioned, the CUTA has undergone significant expansion and in 2016 an Australian Defence Force exercise was conducted with approximately 10,000 soldiers over four weeks. Whilst the normal tempo of training creates economic benefits consistent with the 2009 study, large exercises every two to three years create fluctuating, inconsistent economic benefits that cannot be relied on for economic sustainability.

From an environmental perspective the expansion of the CUTA in 2014/15 has positively impacted on local flora and fauna being spread over a greater area, reducing the general environmental impact. The area's soil structure has benefitted from the Defence exercises, which compacted the soil and reduced the impact of dust on the communities along the coast. Defence is also required to complete environmental clearance certificates for all trials on the range and consult with indigenous groups in line with the Indigenous Heritage Management Plan (IHMP) for planning and cleaning up after Defence trials.

Woomera range sensors and equipment are being upgraded under Defence Project AIR3024 and will be followed by major upgrades to the airfield and support facilities in the Woomera village. This will ensure the range is capable of supporting the introduction of fifth generation weapons systems including the Joint Strike Fighter and the Growler Fleet Electronic Warfare Aircraft. Approximately 150 uniformed, Australian Public Service and contractors are currently employed at the WRC to maintain and operate the training facilities.

The upgrade to the Woomera village will commence in 2021 (planned) and will include improvements to accommodation, housing, social and work spaces as well as village infrastructure, including critical services. The permanent village population will increase, as will the capacity to support larger numbers of transient trial staff during more frequent and larger trials. This will ensure Woomera remains a suitable and modernised community to support permanent residents, travelers and other range users when required.

CONSULTATION AND COMMUNICATION WITH LOCAL GOVERNMENT AND COMMUNITY ORGANISATIONS

Maximising the local business opportunities of the Cultana expansion for the USG region is a key consideration. Close coordination between the relevant council areas, the South Australian Government and the Department of Defence is required to maximise opportunities for the local community, address concerns and remediate any damage to the local infrastructure in a timely manner. Sufficient advance notice from the Department of Defence of large exercises is required in order to ensure this coordination can be effective. Local communities can often become frustrated by the impact of these exercises on their lives without perceiving any benefit to their communities.

Establishing an appropriate communication mechanism within the region, requires a coordinated and concerted effort between local businesses, local government, and state government organisations including Defence SA and the Office of the Industry Advocate and the Department of Defence and Regional Development Australia associations in the USG region. This will ensure that local communities have a full understanding of their requirements and potential investment opportunities.

The WPAAB consists of members from the Department of Defence, industry, finance and representation from the South Australian Government, who work together to engage with the relevant stakeholders to reflect issues and feedback on the implementation of the WPA legislation. The relevant stakeholders are given the opportunity to provide feedback to activities which occur at WPA.

The Department of State Development also coordinate a weekly schedule of related events and activities taking place in the USG region, to provide stakeholders with advance notice to facilitate collaboration and to minimise duplication of effort. The schedule is updated weekly and circulated for information and input. This communication tool can be used in the future to inform the local communities of any upcoming exercises in the region.

INVESTMENTS IN NEW FACILITIES, INFRASTRUCTURE AND OPERATIONS

The Department of Defence's expansion of the CUTA is now part-way through the development phase during with the infrastructure necessary for the management and use of the training area will be established.

Three projects have been developed to provide facilities and infrastructure on the CUTA, with an approximate value of \$80 million:

- Hardened and Networked Army – environmental vehicle wash point.
- Enhanced Land Force Stage 2 – range facilities and infrastructure including an explosive ordnance storage and distribution facility.
- Major Capital Facilities Program – range facilities and infrastructure. (Note this element is yet to be approved by the Australian Government)

Defence anticipates that local building sub-contractors will be employed on a large proportion of the construction works by the Head Contractor. There will be significant business opportunities, as long as the preference is given to local suppliers including those indigenous companies registered through the Supply Nation initiative as part of the Commonwealth Indigenous Procurement Policy. However many local businesses will not track defence procurement portals, simply because large exercises at the CUTA are so infrequent. A method of advertising these opportunities locally needs must be explored to assist USG communities to maximize business opportunities.

The WRC upgrade is a \$297 million program, which includes \$47 million of facilities work on the range. Historically approximately 85 per cent of facilities works are completed by local companies benefiting local communities and organisations. Additionally, Defence will utilise the Commonwealth Indigenous Procurement Policy, providing opportunities for local indigenous companies.

The 2016 Defence Integrated Investment Program recognises the critical importance of key enablers in supporting the future force and new capabilities including testing and training ranges. The IIP details the requirement to upgrade the CUTA as part of a total planned investment of \$1 billion - \$2 billion over the period 2017/27. The WRC is also identified as a critical national asset with \$500 million - \$750 million identified as required investment in infrastructure in FY 2025/26. Ongoing support to all Defence facilities in South Australia remains a critical employment driver to local supply chain companies in the Northern suburbs of Adelaide and increasingly key regional centers surrounding the CUTA and the WRC.

UTILISATION OF LOCAL SUPPLIERS AND SERVICE PROVIDERS TO ACHIEVE VALUE FOR MONEY

Defence utilises centralised contracting for many base supplies and this is reflected in the Woomera community and workforce. This support provides significant opportunities for local communities around Woomera, Maralinga and Coober Pedy areas.

However, in the CUTA region local business owners have reported they have not been provided with opportunities to tender for civil works and road repairs. It has been noted that a contract was awarded to an interstate supplier, with no approach to any of the local businesses. The region is keen to explore how it can be considered for future works.

The USG region does comprises a number of businesses, that have the experience and capabilities in delivering civil and heavy industry works, due to their exposure to the mining sector. These companies are available to support the expansion; however, some businesses may experience capacity pressures and will need to make a decision whether to grow and diversify into the Defence sector or miss out on business opportunities.

ENCOURAGING AWARENESS OF TENDERING OPPORTUNITIES FOR RURAL AND REGIONAL BUSINESSES

Contracting for construction works for Defence training areas is highly prescribed and complex based on the Commonwealth Procurement Rules (CPRs) related to Australian Government funded construction projects. Significant compliance costs and a competitive market mean that businesses in the USG region need to invest significant time and money to supply to the Defence sector with only a small chance of success.

Recommendations

1. The South Australian Government recommends that Commonwealth Procurement Rules provide incentive to generate economic development and contribution for local suppliers in regional communities.
2. That the Committee look to increase the profile of the CUTA and allow it to be utilised by non-ADF Defence organisations, thus increasing the economic benefits to the area and reducing the issues experienced at other Defence training areas.
3. That the Committee considers close coordination between the relevant council areas, the South Australian Government and the Department of Defence to maximise opportunities for the local community, address concerns and remediate any damage to the local infrastructure in a timely manner. Sufficient advance notice from the Department of Defence of large exercises is required in order to ensure this coordination can be effective.
4. That the Committee acknowledge the requirement for different training environments by Defence, and consider regular use of Cultana to ensure the USG region can forecast demand and improve economic sustainability of the region.
5. That the committee consider the Woomera Prohibited Area Advisory Board construct and recommend it be retained to ensure interests of all Woomera range users are reflected in the review of legislation, due in 2018.

Conclusion

The two significant Defence training areas in the USG region have a positive economic impact when Defence activities occur in these areas. Increased utilisation of the local suppliers for infrastructure projects, garrison support and supplies would be greatly beneficial for the area.

In addition, increased use of the CUTA by Defence, while considering the environmental impacts of extensive use in the area, would provide consistency of demand and enable improved provisioning by local industry and should increase the ability of local industry to meet Defence's needs.