

Chapter 1

Referral

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

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.¹

Conduct of the inquiry

1.2 Details of the inquiry were placed on the committee's website at: http://www.aph.gov.au/senate_fadt. The committee also contacted a number of relevant individuals and organisations to notify them of the inquiry and invite submissions by 28 April 2017. Submissions received are listed at Appendix 1.

Interim report

1.3 On 22 August 2017, the committee held a public hearing in Darwin and on 23 August the committee held a public hearing in Katherine, Northern Territory. A list of witnesses who gave evidence is available at Appendix 2. The committee has decided to table an interim report which focuses the evidence received in Darwin and Katherine. In addition to the public hearing in Katherine, the committee also undertook a site visit to RAAF Base Tindal.

1.4 Submissions and the Hansard transcripts of evidence may be accessed through the committee website.

Focus of the committee

1.5 The first and second interim reports provide the background to and policy framework for the committee's inquiry. The committee is investigating how the increased investment in defence will deliver benefits and opportunities for regional economies and communities. It is looking at what mechanisms are in place to ensure local business is aware of and ready to be considered for opportunities, businesses

1 *Journals of the Senate*, No 25—8 February 2017, pp 852–853.

which have been successful and any barriers encountered by others. In summary, the committee wants to test whether the increased spend outlined in the *2016 Defence White Paper* is benefitting regional economies as well as investigate the interaction by Defence with the local economy and communities.

Acknowledgement

1.6 The committee thanks the organisations and individuals who participated in the public hearings in Darwin and Katherine as well as those who made written submissions. The committee also thanks the Department of Defence for facilitating the site visit to RAAF Base Tindal.

Defence presence, expenditure and new investment in the region

1.7 The Northern Territory Government summarised the benefits of Defence as well as the background to the four training areas in the NT:

Defence has a significant positive impact on businesses and local residents, including regional and remote communities in the Northern Territory. Due to the small and dispersed nature of the Northern Territory population and industry, the socio-economic impacts and benefits arising from Defence training operations will not only be felt in the outlying remote and rural communities where these sites are located, but also in the main centres of Greater Darwin and Katherine that act as supply and service hubs.

The four dedicated Defence training areas in the Northern Territory are located on pastoral land acquired by Defence between the 1970s to the 1990s. The Kangaroo Flats Training Area, used as a small arms firing range, is located approximately 30km from Darwin, and the larger training areas in Bradshaw, Delamere and Mount Bundy are between 120km to 270km from Katherine or Darwin.²

1.8 The significant contribution of Defence to the NT economy was also highlighted 'with expenditure comprising 7.3% of gross state product (GSP) in 2015-16 or \$1.67 billion in current terms'.³ The contribution of the US presence was also mentioned:

A 2013 study concluded that a [United States Marine Corps] rotation of 1,100 personnel and associated equipment was expected to result in a total \$7.7 million in direct expenditure into the Australian economy in 2014. The study estimated that the rotation would contribute \$5.6 million to gross state product for the Northern Territory with the impact strongly concentrated in services and government, retail, transport and recreational services.⁴

2 *Submission 15*, p. 3.

3 *Submission 15*, p. 5.

4 *Submission 9*, p. 7. See also *Submission 15*, p. 5; Mr Jason Schoolmeester, Executive Director, Defence NT, *Proof Committee Hansard*, 22 August 2017, p. 10.

1.9 Mr Jason Schoolmeester, Executive Director, Defence NT,⁵ also spoke about the economic impact of the US marines and added:

I think the important thing to understand is that the marines are here for training, so they do come here and they are actually on training for the majority of the time they're here. When they are in town, they are very active in the community. They have done very well in maintaining a social licence here in terms of outreach programs at schools. They have even been helping out a local group in trying to salvage a World War II vessel, the HDML 1321. They are very active in the community here when they are not training.⁶

1.10 The Northern Territory Government has highlighted the significant expenditure in the NT as outlined in the Defence White Paper:

1. \$8 billion spend upgrading Defence facilities in the NT over the next 10 years, with a further \$12.2 billion to be spent in the NT in the decade post 2025.
2. Infrastructure works at RAAF Base Tindal to support a squadron of the F-35A Joint Strike Fighters, seven P8-A Poseidon aircraft and seven MQ-4C unmanned aircraft.
3. 12 new Offshore Patrol Vessels begin service from 2020, replacing the current Armidale Class Patrol Boats, with a number of these home ported in Darwin.
4. Upgrades to Bradshaw Field Training Area, Robertson Barracks and Larrakeyah Barracks as well as consideration of a new Northern Advanced Joint Training Area with a potential rail link to RAAF Base Tindal.
5. Purpose built facilities at Delamere Air Weapons Range to support personnel training on the EA-18G Growler aircraft.
6. Consideration of the construction of a new roll-on/roll-off wharf in Darwin to support amphibious operations of the new Canberra Class Landing Helicopter Dock vessels.
7. An increase in the number of multinational exercises the ADF participates in across our immediate region and the broader indo-Pacific.
8. Reiteration to work towards the full United States Marine Air-Ground Task Force of around 2500 personnel rotating through Darwin by 2020, with more rotations of United States aircraft expected through northern Australia.⁷

5 Defence NT is part of the NT Government and works to coordinate the NT Government's strategic engagement with Defence to provide opportunities and increase industry engagement, business development and employment in the NT.

6 *Proof Committee Hansard*, 22 August 2017, p. 10.

7 <https://nt.gov.au/industry/defence-support/defence-presence-in-nt>, accessed 27 September 2017.

Exercises

1.11 Mr Luke Bowen, General Manager, Defence NT, spoke about the opportunities provided to the NT by Defence exercises:

International exercises held in the NT have the potential to boost the local economy directly through the provision of ancillary services to military forces and the flow-on benefits to other sectors, such as hospitality and retail. The scope of economic impact will depend on the amount of goods and services sourced locally. Foreign military forces training in the NT, and the proximity of Darwin to regional overseas markets, provide real opportunity for local industry to export sustainment services. This can consist of the provision of ship-husbandry services, maintenance of equipment, supply of consumables to international customers, and other exportable services. The capacity to realise export opportunities will, however, require a stable local sustainment industry to underpin export ventures in the future.⁸

1.12 In relation to training exercises, Mr Brendan Dowd, CEO, City of Darwin, indicated:

Whilst the regional Defence training exercises have minimal direct impact on the City of Darwin's services, it is known that the increased presence of Australian and international defence personnel during significant land-, sea- and air-training exercises has a positive effect on our economy. During training exercises, some small to medium business enterprises provide supply in service functions. This in turn has the opportunity to create economic growth, employment and training opportunities. Having said that, we would submit that this is an opportunity that needs to be further leveraged. Being innovative and agile in the current economic climate is essential, and new opportunities through partnerships are critical to success.⁹

1.13 Mr Bowen added that the NT provides opportunities for increasing the scope and scale of Defence training operations:

The NT's climate and extensive open tracts of land, water and airspace present new training opportunities for Defence—for example, in adverse weather training, equipment testing, vital asset protection training and so on. The NT has the capacity and local advantage for increased scope and scale of training operations among not just Australian defence forces but also visiting international forces, for regional training exercises.¹⁰

City of Darwin

1.14 Mr Dowd highlighted the strong Defence presence in Darwin:

8 *Proof Committee Hansard*, 22 August 2017, p. 9.

9 *Proof Committee Hansard*, 22 August 2017, p. 1.

10 *Proof Committee Hansard*, 22 August 2017, p. 9.

...the City of Darwin acknowledges the strong Defence presence within its locality, and this is essential to the security and stability of Australia. The contribution by Defence to the Northern Territory's economy has been recognised both in the federal government's 2016 Defence white paper and in the 2015 white paper on developing Northern Australia, and is indeed welcomed by the Territory government and by the City of Darwin.¹¹

1.15 Mr Dowd told the committee about the Darwin City Deal¹² and indicated that it will include engagement with Defence:

The City of Darwin, in conjunction with the Territory and federal governments, is seeking to leverage off the willingness to invest in the capital city of northern Australia through initiatives like the Smart Cities and Suburbs Program and the development of the Darwin City Deal. Central to the development of the Darwin City Deal are liveability, productivity and place-making, and the development of the City Deal will be consistent with the federal government's framework and is intended to be measured in accordance with the National Cities Performance Framework. It is about working together to create jobs within the city centre, developing cultural and recreational opportunities, building on tropical design and heritage and creating learning and innovation stimuli. There is extensive work to be done in developing the City Deal for the City of Darwin and our project partners. This will include engagement with Defence on investment strategies and a presence within the city centre...¹³

1.16 The municipal services provided to Defence as well as areas of collaboration were outlined to the committee:

At one or two of the bases, there are waste collection services that are provided by the council. There is a large amount of collaboration in regard to significant ceremonial events. As Mr Bruhn referred to, we have a number of freedom-of-entry parades that we grant over the year. Some years there are two or three of these. We have returning home parades for people that have undertaken service in international theatres of conflict. We work with [Defence Housing Australia], or certainly have worked in the past with DHA, on residential developments such as the Muirhead development in the northern suburbs. Indeed, this morning, Darwin's first dog park is being opened, and that's been a really positive, constructive and collaborative arrangement between DHA and the City of Darwin—funded by DHA but worked up in conjunction with us. So these are community facilities as a result of the Defence presence here in Darwin that are highly valued.¹⁴

11 *Proof Committee Hansard*, 22 August 2017, p. 1.

12 The Darwin City Deal initiative is a joint project between the Northern Territory Government, the City of Darwin and Charles Darwin University to design a 10-year plan for the Darwin city centre that sets a long term and sustainable vision for the future. See <https://darwincitydeal.nt.gov.au/>, accessed 11 October 2017.

13 *Proof Committee Hansard*, 22 August 2017, pp 1-2.

14 Mr Dowd, *Proof Committee Hansard*, 22 August 2017, p. 5.

1.17 Mr Dowd highlighted the key areas where the City of Darwin is looking to work with Defence:

In conclusion, the City of Darwin would like to collaborate with Defence in the following key areas. Firstly: early genuine engagement on proposed developments within the City of Darwin municipality, particularly in the initial stages of planning. We believe that this would be beneficial to all parties. Secondly, collaboration on major exercises, particularly when these involve the use of any city infrastructure. Thirdly, ensuring that procurement policy and other regulatory settings do not pose unreasonable barriers to local businesses seeking to supply service to Defence training opportunities. Lastly, ensuring that social and cultural exchange opportunities are maximised, particularly when international training opportunities are present...¹⁵

1.18 The need to achieve good Defence and community outcomes was emphasised:

...where we would seek to get greater degrees of communication opening up is in terms of the really significant work, the strategic work, that impacts on the City of Darwin. We, unashamedly, are looking to develop and grow the economy. The city deal environment is underpinned by a theme—in my opinion, at least—of the long-term transitioning of economies and communities. Defence, being such an important element of the economy of Darwin and such an important element strategically for the defence of Australia, should be a significant player in that. We need to collectively, not just one side or the other, improve the quality of the relationship and the quality of the communication to get better defence outcomes but also better community outcomes.¹⁶

1.19 The NT Government indicated that the Department of Trade, Business and Innovation is currently researching the impact of Defence training activities and facilities on communities within the Northern Territory and a supplementary submission will be provided to the inquiry.¹⁷

City of Palmerston

1.20 Mr Ricki Bruhn, CEO, City of Palmerston, told the committee that Palmerston is the closest regional centre to Robertson Barracks and it has many Defence residences:

The City of Palmerston has always enjoyed a close association with Darwin's Defence forces—in particular, the Robertson Barracks. Our city of almost 36,000 people is home to a large contingent of Defence personnel and their families, who are welcome members of the Palmerston community.¹⁸

15 *Proof Committee Hansard*, 22 August 2017, pp 1-2.

16 Mr Dowd, *Proof Committee Hansard*, 22 August 2017, p. 5.

17 NT Government, *Submission 15*, p. 1.

18 *Proof Committee Hansard*, 22 August 2017, p. 2.

1.21 Mr Bruhn also spoke of the positive relationship with Defence:

The City of Palmerston believes the presence of Defence facilities, training activities and Defence personnel in our region has been a positive experience which has also contributed to the growth of community development in Palmerston. I believe the suburb of Durack was created predominantly to service Defence personnel, and that continues to happen in other Palmerston suburbs. Palmerston is predominantly a community of young families and we will continue to welcome and support our Defence families.¹⁹

Defence business opportunities

1.22 Mr Schoolmeester provided statistics on small businesses in the NT:

In terms of the Territory context, in 2016 our business count was 14,310 active trading businesses. The ABS defines small business by level of employment as follows: small business, zero to 19 employees; medium, 20 to 199 employees; large, over 200 employees. The Territory being a small jurisdiction, 95.2 per cent of our businesses are small businesses, 4.6 per cent are medium and 0.2 per cent are large. Nationally, 97.5 per cent of the businesses were small.²⁰

1.23 Mr Bowen spoke about the relationship between the NT Government and Defence and the benefits of local businesses having the opportunity to bid for Defence contracts:

The NT government is committed to continue supporting defence operations in the NT and to ensure that the benefits from the Defence presence are returned to the community through increased employment and business development opportunities, especially the opportunity to contract for ongoing defence contracts. These opportunities will not only enable the NT economy to diversify, grow and become increasingly self-sufficient; they will also promote a more competitive and sustainable industrial base to support defence operations from the north.²¹

1.24 Mr David Malone, Executive Director, Master Builders Northern Territory, acknowledged the opportunities that the Defence spending over the next decade will provide in the NT:

Based on what we know today, the Defence infrastructure program will be one of the largest capital flows into the territory over the next decade. It almost matches the capital program of the Northern Territory government and is larger than any known private sector flow at this particular stage. How this program is delivered will therefore not only shape our industry but the territory as well. We acknowledge it is the major program for Defence and it must be delivered in a cost-effective and timely manner. We also acknowledge that the key priority is, without a doubt, to have those

19 *Proof Committee Hansard*, 22 August 2017, p. 2.

20 *Proof Committee Hansard*, 22 August 2017, p. 12.

21 *Proof Committee Hansard*, 22 August 2017, p. 9.

facilities available when they are needed. We have been a Defence town for a long time, and we understand the requirement for that.²²

1.25 Mr Dick Guit, President, Master Builders Northern Territory, echoed these sentiments, stressing that they would like to maximise the opportunities for businesses to bid for the work:

The 2016 Defence white paper flagged the intent to spend up to \$20 billion over the next two decades on the construction of new facilities in the Top End. Master Builders NT commissioned research to put a number around part of that opportunity. Reasonable levels of local involvement can lift our economy by almost five per cent. We're not asking for special treatment. I can assure the committee that, as far as Master Builders is concerned, that couldn't be further from the truth. We believe in competition. It provides the client with the best market test for value for money. But we also believe that government should take steps to maximise the opportunities for all Australian businesses to bid for Australian government work.

In recent times, there has also been bipartisan support for the northern Australian agenda, and, similarly, all sides of politics have reaffirmed their view that Defence spending can be leveraged to drive economic growth, especially through SME engagement. So the opportunity clearly exists. Likewise, there appears to be almost universal support for using the capability and capacity of our industry.²³

22 *Proof Committee Hansard*, 22 August 2017, p. 28.

23 *Proof Committee Hansard*, 22 August 2017, p. 28.