

# 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 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.<sup>1</sup>

## 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](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 8 June 2017, the committee held a public hearing in Port Augusta, South Australia. A list of witnesses who gave evidence is available at Appendix 2.<sup>2</sup> The committee has decided to table an interim report which focuses the evidence received in Port Augusta.

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

## Background and industry policy framework

1.5 The 2016 Defence White Paper sets out the government's intent to strengthen and increase investment in defence capabilities to meet the challenges of the strategic environment.<sup>3</sup> This is supported by an increase in defence funding, which will grow to \$42.4 billion in 2020-21, reaching two per cent of Gross Domestic Product. Across

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

2 Note: To date the committee has also held additional hearings in Rockhampton on 12 July 2017 and Townsville on 14 July 2017. These hearings will be covered in an upcoming report.

3 Australian Government, Department of Defence, *2016 Defence White Paper*, p. 10.

the 10-year Defence budget model defence will receive an additional \$29.9 billion over the period to 2025-26 and enabling investment of \$195 billion in Defence capabilities over 10 years.<sup>4</sup>

1.6 To ensure the Australian Defence Force (ADF) can work at the highest level of effectiveness the government has indicated that it will implement a range of infrastructure initiatives to support future ADF operations, including upgrading training facilities over the next 10 years.<sup>5</sup>

1.7 The 2016 White Paper also signalled a new approach to Australian defence industry policy with a focus on small to medium enterprises (SMEs). This focus was reiterated in the 2016 Defence Industry Policy Statement which emphasised the importance of SMEs and local businesses to support Defence across the country.<sup>6</sup> A new Centre for Defence Industry Capability funded to 2025-26 at a cost of \$230 million 'will connect Defence needs with the innovation and expertise of defence industry, as well as help grow a competitive, sustainable Australian defence industry base'.<sup>7</sup>

1.8 In line with the focus on SMEs the Department of Defence (Defence) referred to the Commonwealth Procurement Rules (CPRs)<sup>8</sup> which:

...reaffirm the Government's requirement for non – corporate entities (of which Defence is one) sourcing at least 10 per cent of procurement by value from small and medium enterprises. Defence has consistently exceeded this target.<sup>9</sup>

1.9 Defence clarified that the 10 per cent figure is a national, not regional target.<sup>10</sup>

1.10 The Australian Industry Capability Program is designed to meet key objectives of the 2016 Defence Industry Policy Statement. It requires tenderers for major defence capability projects to actively find ways for Australian industry to be involved.<sup>11</sup> On 29 June 2017, the Minister for Defence Industry, the Hon Christopher Pyne MP, announced that the program would be strengthened 'in line with the

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4 Australian Government, Department of Defence, *2016 Defence White Paper*, pp 9, 24.

5 Australian Government, Department of Defence, *2016 Defence White Paper*, pp 19, 101.

6 Australian Government, Department of Defence, 2016 Defence Industry Policy Statement, p. 8.

7 Australian Government, Department of Defence, *2016 Defence White Paper*, p. 110.

8 The Commonwealth Procurement Rules are the keystone of the government's procurement policy framework. They are the basic rule set for all Commonwealth procurements and govern the way in which entities undertake their own processes. See <https://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/> accessed 24 July 2017.

9 Department of Defence, *Submission 9*, p. 33.

10 Mr Steve Grzeskowiak, Deputy Secretary, Defence Estate and Infrastructure Group, *Proof Committee Hansard*, 8 June 2017, p. 29.

11 The Hon Christopher Pyne MP, Minister for Defence Industry, Speech to CEDA State of the Nation 2017, 1 June 2017.

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Government's defence industry policy of maximising Australian industry involvement in meeting Australia's defence capability goals, creating thousands of long-term jobs across the country and economic growth'.<sup>12</sup>

1.11 At the launch of the 2016 White Paper, the Prime Minister spoke about the job creation aspects:

Importantly, this White Paper will also affect the working lives and prospects of many civilian Australians - creating thousands of jobs across the regions and the cities of Australia.

...

Australian military innovation will spur greater and broader economic activity. It will bring benefits to local businesses and communities right across our nation.<sup>13</sup>

1.12 The Minister for Regional Development, Senator the Hon Fiona Nash and the Assistant Minister for Defence, the Hon Michael McCormack MP also highlighted the potential of jobs for regional Australia:

Regional Australia will be a major beneficiary of this investment which will translate into the creation of thousands of local jobs to assist in base redevelopment and upgrades as well as wider economic benefits for local communities.<sup>14</sup>

1.13 More recently, at a June 2017 speech to the Committee for Economic Development of Australia (CEDA), the Minister for Defence Industry also referred to the creation of local jobs:

We are investing at least \$200 billion in defence capability through the Integrated Investment Program across the decade to 2026-27.

There is more than enough in our defence spending plans for the entire nation to benefit.

They rank among the biggest defence industry proposals in the world.

The Government's commitments will create local jobs and opportunities across Australia.

The national, systematic approach the Turnbull Government is taking to deliver our defence program will realise significant flow-on benefits for industry across Australia with job creation along the length of the supply chain.

It's why I talk about "our great national endeavour".

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12 The Hon Christopher Pyne MP, Minister for Defence Industry, 'Turnbull Government moves to increase Australian involvement in Defence projects', *Media release*, 29 June 2017.

13 The Hon Malcolm Turnbull MP, Prime Minister, 'Launch of the Defence White Paper', 25 February 2016.

14 Senator the Hon Fiona Nash, Minister for Regional Development, 'Regional Jobs boost through Defence White Paper investment', *Media release*, March 2016.

So many sectors are involved.

Everyone can play a part.

And everyone will benefit.<sup>15</sup>

### **Focus of the inquiry**

1.14 As outlined above, the release of the 2016 White Paper, the 2016 Defence Industry Policy Statement, the strengthening of the Australian Industry Capability Program and statements from the Prime Minister and ministers including the Minister from Defence Industry, the Minister for Regional Development and the Assistant Minister for Defence have generated expectations that regional Australia will be able to benefit, directly and indirectly, through the participation of local businesses, particularly SMEs, in building defence capability.

1.15 A key focus for the committee therefore is investigating whether regions, local communities and businesses have sufficient awareness of and effective access to information about the plans to upgrade training facilities so that they can be in a position to offer goods and services. In addition to looking channels of communication, the committee spoke with businesses currently working with Defence to hear what has assisted them and those who may wish to do business in order to understand what assistance may be required. The committee is also interested in the communication of Defence with stakeholders in the local communities who will be affected by the upgrades as well as communication channels regarding existing training activities.

### **Acknowledgement**

1.16 The committee thanks the organisations and individuals who participated in the public hearing in Port Augusta as well as those who made written submissions.

### **Defence presence, expenditure and new investment in the region**

1.17 There are two significant test and training areas in South Australia: the Cultana Training Area and the Woomera Range Complex. Defence reported that in 2015-16, expenditure across the Cultana Training Area and Woomera Range Complex totalled over \$18 million to the regional economy of South Australia.<sup>16</sup>

#### ***Cultana Training Area Expansion Project***

1.18 Located approximately 320 km from Adelaide, between Port Augusta and Whyalla, the Cultana Training Area is a Defence owned training area 'primarily used for two week exercises involving up to 200 soldiers, with one larger exercise, involving thousands of soldiers biannually'.<sup>17</sup> Defence noted that the expansion of the Cultana Training Area is required to support future joint training needs and the

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15 The Hon Christopher Pyne MP, Minister for Defence Industry, Speech to CEDA State of the Nation 2017, 1 June 2017.

16 Department of Defence, *Submission 9*, p. 8.

17 South Australian Government, *Submission 3*, p. 2.

capability of 1<sup>st</sup> Brigade and 7<sup>th</sup> Battalion, Royal Australian Regiment (7 RAR) Battle group which is established at Edinburgh SA:

Defence has expanded the existing Cultana Training Area westward, increasing its total size from approximately 50,000 hectares to approximately 209,300 hectares. This has been achieved through the acquisition of six pastoral leases, to the west of the current training area between Port Augusta, Whyalla and Iron Knob.<sup>18</sup>

1.19 In June 2014, the South Australian Government granted Defence a Miscellaneous Lease for Defence Purposes over the Cultana Expansion Area.<sup>19</sup> In July 2014, a ceremony marking the expansion of the Cultana Training Area was held.<sup>20</sup>

1.20 Brigadier Noel Beutel, Director Capital Facilities and Infrastructure, Defence, informed the committee that the total approved budget for Stage 1 of the Cultana Training Area Expansion project is \$84.5 million and this will deliver 'a new range control, an urban operations training facility, a wash point, explosible ordnance facilities and some work on the network roads'. Construction is to commence from mid July 2017 for 13 months and on 31 May 2017 the head contract was awarded to St Hilliers Property Pty Ltd as a cost of \$63.2 million.<sup>21</sup> Stage 2 is yet to go through the approval process.<sup>22</sup>

### ***Regular exercises***

1.21 Exercise Hamel is the Army's largest exercise conducted on an annual basis.<sup>23</sup> In July 2016, the Army conducted Exercise Hamel 16 which was centred on the Cultana Training Area and involved around 8 000 people from across the three services and coalition partners. Brigadier Cameron Purdey, Director General Logistics, Army, Department of Defence, told the committee that the exercise cost \$11 million, with \$4.2 million spent in South Australia and \$2.7 million in the local community.<sup>24</sup> On notice, Defence undertook to provide the committee with a further breakdown of the figures including each of the businesses and services that were provided.<sup>25</sup>

### ***Environmental management***

1.22 The South Australian Government reported:

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18 See <http://www.defence.gov.au/id/Cultana/Default.asp> accessed 21 July 2017.

19 See <http://www.defence.gov.au/id/Cultana/Default.asp> accessed 21 July 2017.

20 Parliamentary Secretary to the Minister for Defence the Hon Darren Chester MP, Parliamentary Secretary to the Minister for Defence – Defence celebrates expansion of Cultana Training Area, *Media release*, 31 July 2014.

21 *Proof Committee Hansard*, 8 June 2017, p. 25.

22 Brigadier Purdey, Department of Defence, *Proof Hansard*, 8 June 2017, p. 23.

23 Brigadier Purdey, Department of Defence, *Proof Hansard*, 8 June 2017, p. 22.

24 Brigadier Purdey, Department of Defence, *Proof Hansard*, 8 June 2017, p. 23.

25 Brigadier Purdey, Department of Defence, *Proof Hansard*, 8 June 2017, p. 23.

From an environmental perspective the expansion of the CUTA [Cultana Training Area] 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.<sup>26</sup>

### ***Woomera range complex***

1.23 The Woomera Range Complex (WRC) 'has a small parcel of Commonwealth owned land, with the remainder of the range controlled through state and federal legislation'.<sup>27</sup> It covers 122 188 square km in north-west South Australia<sup>28</sup> and is Australia's most important weapons testing range. Woomera Village which is part of RAAF Base Woomera is located in the south-east corner of the range and is approximately 500km from Adelaide.<sup>29</sup> Defence advised that under Project AIR3024, the Woomera Test Range Remediation Project:

...Defence will upgrade outdated systems and technology, together with infrastructure and facilities. Parliamentary approval has been given for the facilities component of the project. The budget of the facilities component of the project is \$48.6 million. Construction is expected to commence in 2017. The significance of the Woomera Range complex is evident in the 2016 Defence Integrated Investment Program which identifies expenditure of between \$500 and \$750 million (between 2018 and 2026) for capabilities to support increased cooperation and joint exercises and training.<sup>30</sup>

1.24 The South Australian Government provided further detail:

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.<sup>31</sup>

1.25 In relation to Woomera Village:

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26 South Australian Government, *Submission 3*, p. 3.

27 South Australian Government, *Submission 3*, p. 2.

28 See <http://www.defence.gov.au/woomera/about.htm> accessed 21 July 2017.

29 South Australian Government, *Submission 3*, p. 2.

30 Department of Defence, *Submission 9*, p. 8.

31 South Australian Government, *Submission 3*, p. 4.

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, travellers and other range users when required.<sup>32</sup>

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32 South Australian Government, *Submission 3*, p. 4.

