

Chapter 2

Issues raised with the committee in Bendigo

Introduction

2.1 This chapter summarises the main issues raised during the committee's hearing in Bendigo and includes an overview of the economic, social and environmental impact of Defence activities and facilities in the region. Key areas discussed with the committee were: communication and engagement mechanisms; barriers faced by local businesses; and Defence and Tier 1 contractor engagement with local businesses.

Puckapunyal Military Area

2.2 The Puckapunyal Military Area (PMA) is a major Defence training base located in central Victoria, close to Seymour within the Mitchell Shire. It was initially used as a mobilisation and training facility in World War 1, and was formally established as a base in 1939.¹

2.3 The PMA is an example of a Category 3 training area. The primary function of such areas is to:

...support the conduct of single Service collective training with limited potential for combined training, and sufficient manoeuvre space for up to sub-unit land, air and sea forces.²

2.4 The PMA includes:

...the Headquarters Combined Arms Training Centre (CATC), the School of Armour (SoARMD) and School of Artillery (SoARTY) as units of the CATC, and, Joint Logistics Unit Victoria (JLU-V) and the Army School of Transport (AST) from the Army Logistics Training Centre (ALTC). The PMA also supports training by other Australian Defence Force (ADF) Units, Defence Cadets and civilian organisations such as Police and Emergency Services. There is also an on-base community comprising of military members and their families who reside in married quarters, with supporting infrastructure including a commercial precinct and primary school. The PMA has an area of approximately 50,000 hectares.³

2.5 Activities carried out at the PMA also include vehicle maintenance, refuelling, printing, and the use of firing ranges and fire training areas. The base contains two sewage treatment plants, a fire station, several electrical transformers, and numerous

1 Department of Defence, *Puckapunyal Military Area, Victoria*, October 2013, <http://www.defence.gov.au/id/Master/docs/NCRP/VIC/0596PuckapunyalMilitaryAreaVic.pdf> (accessed 24 October 2017).

2 Department of Defence, *Submission 9*, p. 4.

3 Department of Defence, *Puckapunyal Military Area High Voltage Upgrade, Statement of evidence to the Parliamentary Standing Committee on Public Works*, February 2016, p. 1.

landfill areas that have been used to dispose of waste materials from historical site operations.⁴

Economic impact of Defence activities and facilities in the region

2.6 Councillor Rhonda Sanderson, Mayor of Mitchell Shire Council, summarised the impact of Defence in the region, stating:

...Mitchell shire is very proud to host the Puckapunyal Military Area in our shire. There's a very long and enduring association between Puckapunyal and our community and between Defence and our community—going back to 1887, in fact—in particular the township of Seymour. Many Seymour residents are ex-military...The PMA supports many positive economic, social and environmental benefits for Mitchell shire.⁵

2.7 Councillor Sanderson described the economic impact of the PMA in the region:

...Puckapunyal is a significant economic generator for our shire and for the region. It's the largest single employer for our shire, with over 1,000 jobs located on base according to the 2016 census, which is about 10 per cent of our workforce. It includes approximately 640 jobs for non-military personnel....It's estimated to generate over \$230 million of local economic activity in Mitchell shire.⁶

2.8 Mr Stuart Locke, President of Seymour Business and Tourism (the local Chamber of Commerce), said expenditure relating to PMA:

...permeates throughout the whole community. Every resident or anyone working on the base—well, there's no-one on the base who doesn't have a job. We're very lucky; we've got a demographic that's fully employed. For them to use Seymour as their first port of call, whether it be for food, drink, health care or education means we are quite fortunate in that respect.⁷

2.9 Mr Chris Cheal, Economic Development Coordinator from Mitchell Shire Council, outlined the current 'utilisation of local suppliers and service providers to provide value for money in procurement at PMA'.⁸ He stated:

Several local businesses benefit by supplying the PMA with goods and services. Some of these examples include passenger transport services, automotive repairs, locksmith services, cleaning, construction, building maintenance, earthworks and land management services...

4 Department of Defence, *Puckapunyal Military Area, Victoria*, October 2013, <http://www.defence.gov.au/id/Master/docs/NCRP/VIC/0596PuckapunyalMilitaryAreaVic.pdf> (accessed 24 October 2017).

5 *Committee Hansard*, 20 November 2017, p. 1.

6 *Committee Hansard*, 20 November 2017, p. 1.

7 *Committee Hansard*, 20 November 2017, p. 14.

8 *Committee Hansard*, 20 November 2017, p. 1.

We're confident that our local companies provide excellent value for money. They're located very close to the PMA, so they're able to have low transport costs because of this and they can guarantee quick response times. So that value proposition is very clear in respect of those things.⁹

2.10 Mr Locke similarly noted some businesses have 'found a niche in the PMA economy', nominating motels, dry cleaners and carpet cleaners as examples of local businesses benefiting from activities at the PMA.¹⁰

2.11 Mr Cheal also told the committee many 'people on the base will do their shopping at one of Seymour's four supermarkets, and that is good for Seymour'.¹¹

2.12 Ms Linda Beilharz OAM, Chair of Regional Development Australia (RDA) Loddon Mallee, added:

I know that family members who are not part of the Defence organisation at Puckapunyal but live there do work in Bendigo. In terms of economic value for our region, that facility is quite important to us here.¹²

2.13 Ms Beilharz indicated that there were 213 direct jobs across the Monegetta site at Macedon Ranges and the Australian Geospatial-Intelligence Organisation (AGO) in Bendigo.¹³ She suggested that this equated to:

...something like \$38 million in salaries and wages going to those people within our [region] and a contribution of \$75 million to our region from all the different inputs and outputs from those sites being there.¹⁴

2.14 She also noted local manufacturing businesses undertaking work for Defence were important to the region's economy.¹⁵

Social impact of Defence activities and facilities in the region

2.15 Councillor Sanderson mentioned some of the ways in which the local and base communities already interact, such as commemorative events, Anzac Day parades and the annual Base Command and Defence Community Organisation Welcome Day for new residents at the PMA.¹⁶

9 *Committee Hansard*, 20 November 2017, pp. 1–2.

10 *Committee Hansard*, 20 November 2017, p. 12.

11 *Committee Hansard*, 20 November 2017, p. 4.

12 *Committee Hansard*, 20 November 2017, p. 18.

13 *Committee Hansard*, 20 November 2017, p. 18.

14 *Committee Hansard*, 20 November 2017, p. 18.

15 *Committee Hansard*, 20 November 2017, p. 18.

16 *Committee Hansard*, 20 November 2017, p. 5; Mitchell Shire Council, *Submission 38*, [p. 3].

2.16 Mr Locke outlined how demographic changes at the PMA have altered its social impact on nearby communities:

The base was once full of families. Now it's more trainees on specialised training. We see the trainees on the base for a series of weeks or months and then they depart.

...

Demographic changes also led to the demise of the Puckarook Football & Netball Club... It was in existence for a number of years, but I think it has run out of puff and that's pretty much because there are fewer family units on the base than there were.¹⁷

2.17 He also highlighted the impact of demographic changes on local schools:

The loss of the youth population that went with the units moving away affected the local schools. They're still affected today as lost student numbers equal lost funding, which equals reduce[d] curriculum choice, which equals less attractive scores and so the downward spiral continues. The units that left were very much family-orientated units; they were mother, father, children. Now they're more trainees coming in on specialised courses.¹⁸

2.18 The committee heard that community interaction is further constrained by difficulties accessing facilities at the PMA for non-Defence community members, and limited options for people living at PMA to travel to Seymour. For example, Councillor Sanderson said:

The high level of security combined with the distance between the base and Seymour means the interaction between the base and Seymour can be challenging at times. Recent security changes have meant that getting to the base can be difficult. Access to Seymour and neighbouring towns is also difficult for Puckapunyal residents and especially the trainees, many of whom don't have a vehicle with them when they come to train at Pucka[punyal]. As a result, both the communities suffer despite the opportunities that exist.¹⁹

17 *Committee Hansard*, 20 November 2017, p. 13.

18 *Committee Hansard*, 20 November 2017, p. 12.

19 *Committee Hansard*, 20 November 2017, p. 2.

2.19 She added:

I know from experience that some trainees can be quite isolated. If someone can manage to get a car they might all car pool but sometimes they're just stuck on the base for the duration of their training, pretty much. That's unfortunate, because they could be visiting the different townships in Seymour, socialising and learning a bit more about the local community. But they're not, so that can provide some challenges.²⁰

2.20 Mr Locke indicated some trainees might not engage with the local community because they leave the region altogether on weekends:

On weekends there is a massive exodus of trainees to Melbourne or wherever else to get off the base. We noted that change and that we have a very low uptake of public transport users during the week but an incredibly high one on weekends. It's just a fact. We train the new enrollees in courses on the art of myki, our state government transport system.²¹

Fostering further connections

2.21 The committee heard about opportunities to enhance community interactions by improving access, establishing new community events, and sharing facilities such as the military museum located in the grounds of the PMA.

Improving access

2.22 Mr Cheal spoke about the consequences of the PMA security arrangements. He told the committee 'Mitchell Council fully understands the need to operate under safe base Charlie', but noted:

...we do recognise that it's made interaction more difficult even between local sporting clubs. I've consulted with schoolchildren for the Seymour structure plan and they told me that it's difficult to visit a friend after school if they're on Pucka[punya]. They can't just have friends come over. It's easier for kids under a certain age—I think it's 14 or 15. I'm not 100 per cent certain about that age cut-off to get onto base. But even for parents to try and get on to pick them up afterwards can be difficult.²²

2.23 Mr Cheal suggested the creation of tailored security arrangements to address this barrier, such as a pass allowing local residents to register to pick up their children more easily.²³

2.24 Mr Locke suggested:

...the possibility of a bike path between the two communities. Whilst it's of no real advantage to us, being unable to get into the base, for the PMA community, which is a young community, that would be a bonus to the residents of the base via their health and interactions. My experience with

20 *Committee Hansard*, 20 November 2017, p. 4.

21 *Committee Hansard*, 20 November 2017, p. 13.

22 *Committee Hansard*, 20 November 2017, p. 5.

23 *Committee Hansard*, 20 November 2017, p. 5.

many of the young fellas who come on a course is that they bring their bikes and ride into Seymour to catch the train or to go shopping.²⁴

2.25 Mr Locke also discussed the issue of updating public transport infrastructure such as timetables on the PMA to make it consistent with what is provided outside the base.²⁵ He indicated there was a longstanding 'impasse' between Public Transport Victoria and Defence regarding responsibility for the installation of the new signage and equipment on the PMA.²⁶

2.26 On notice, Defence advised the committee that bus stops and shelters at the PMA have been maintained by Defence on the understanding that they belonged to Defence. Defence also provided further information:

In March 2010, Metlink (working for then Victorian Department of Transport—now Public Transport Victoria) requested access to Puckapunyal to maintain and upgrade the bus stops. Defence advised that a licence agreement would need to be put in place to allow this to occur in line with public liability requirements and to meet Defence conditions for access.

Subsequent correspondence between the Victorian Department of Transport and Defence included Defence offering to consider a proposal by the Victorian Department of Transport that would negate the need for a licence agreement. Ultimately, the Victorian Department of Transport advised that they did not own the bus stop infrastructure, and therefore no licence agreement was necessary as Defence had responsibility for maintaining or upgrading the bus stops.

Defence continues to maintain the bus stops at Puckapunyal on a break/fix basis using Defence's Base Services Contract contractors.²⁷

2.27 Furthermore, Defence advised that they will contact Public Transport Victoria to recommence discussions to ensure that bus stop standards are applied at the PMA.²⁸

Additional community events

2.28 Mr Cheal told the committee about a community market in Seymour:

One of our local businesses held a market in Seymour last year, trying a new initiative. Historically, Seymour has had a monthly Saturday market. Another business started up a Sunday market, and that was really popular because it was promoted well on the base. So there is definitely a desire for

24 *Committee Hansard*, 20 November 2017, p. 13.

25 *Committee Hansard*, 20 November 2017, p. 10.

26 *Committee Hansard*, 20 November 2017, p. 11.

27 Department of Defence, answers to questions on notice, 20 November 2017 (received 13 December 2017), p. 6.

28 Department of Defence, answers to questions on notice, 20 November 2017 (received 13 December 2017), p. 6.

things to do on the weekends—particularly on Sundays, which can otherwise be a very quiet and isolating day.²⁹

2.29 Mr Locke provided an example of an event planned to foster connection between PMA residents and the broader community:

It's a little difficult for us now as a community to welcome new arrivals. We're not really notified of when the turnover occurs. Obviously, it's quite hard now for businesses to get on the base for an open day. So, rather than having an open day on the base, we're looking at trying to hold an open day in the form of a film night to get the residents of Puckapunyal to come out to Seymour and have a good time.³⁰

Possible Defence use of community facilities

2.30 Mr Locke identified 'a general decline in the facilities for the base', including the closure and lack of maintenance of some recreational facilities.³¹ He raised the possibility of 'better utilising the facilities outside the base, rather than trying to revalue and upgrade the facilities there'.³²

2.31 Mr Locke suggested Defence could subsidise the use of the amenities in Seymour, such as the golf course, leisure centre, and shire pools, arguing this 'would be at less cost to the ADF and a big benefit to the local communities'.³³ He also raised the possibility of the hospital in Seymour delivering more health services to the PMA residents.³⁴

Community use of Defence facilities

2.32 Councillor Sanderson 'strongly supported' Defence's intention to upgrade the Royal Australian Armoured Corps Memorial and Army Tank and Artillery Museum (the tank museum).³⁵ She also supported the proposal to move the tank museum to the edge of the PMA to make it more accessible, stating:

We believe there is a rough time line for that of 2022. If that could be stuck to or perhaps even brought forward, that would be wonderful for the local community as well as for the trainees and the museum staff to have the exhibits displayed as they should be with honour and respect, and to proper standards as well. The new museum would greatly enhance and strengthen the combined tourism economy of Seymour.³⁶

29 *Committee Hansard*, 20 November 2017, p. 4.

30 *Committee Hansard*, 20 November 2017, p. 13.

31 *Committee Hansard*, 20 November 2017, p. 12.

32 *Committee Hansard*, 20 November 2017, p. 12.

33 *Committee Hansard*, 20 November 2017, p. 12.

34 *Committee Hansard*, 20 November 2017, p. 12.

35 *Committee Hansard*, 20 November 2017, p. 2.

36 *Committee Hansard*, 20 November 2017, p. 2.

2.33 The Mitchell Shire Council argued such a move would:

- Provide Seymour and the surrounding area with an engaging military heritage visitor attraction to strongly complement the Vietnam Veterans Walk and the Australian Light Horse Memorial Park.
- Greatly enhance and strengthen the combined offer of Seymour, and the *Heart of Victoria* tourism region, around military heritage attractions.
- Boost tourism, visitor numbers, jobs and other tourism businesses in Seymour, Mitchell Shire and the wider *Heart of Victoria* region.³⁷

2.34 Mr Cheal said:

You could imagine a fantastic facility and new museum at the fence line that is more accessible to people at the outside but still able to be secured if necessary from on base because it does have some operational tanks within its collection. I also see opportunities, perhaps for a cafe with coffee available on weekends.

...

The grey nomads are a significant part of our tourism market. Seymour is obviously on the highway for most people heading north from Melbourne, a source market for grey nomads. If we could have a tank museum, I cannot stress how much I think it would help boost the military tourism.³⁸

2.35 On notice, Defence provided the number of visitors to the tank museum between October 2016 and October 2017:³⁹

Visitor Numbers	
ADF/APS/Cadets	6,052
Civilian	2,564
School students	506
ADF/ADO trainees	546
Total	9,668

Management of environmental impacts

2.36 Mitchell Shire Council judged that the 'PMA is generally well managed in terms of environmental impacts'.⁴⁰ Its submission stated 'the large area of the site

37 *Submission 38*, [p. 3].

38 *Committee Hansard*, 20 November 2017, pp. 6–7.

39 Department of Defence, answers to questions on notice, 20 November 2017 (received 12 December 2017).

including newly forested land, accommodates a variety of flora and fauna and is likely to be a significant reservoir and bio-link for a wide range of species in central Victoria'.⁴¹

2.37 Mr Cheal noted:

...the PMA actively manages environmental issues such as weeds, pest animals and biosecurity threats. There have been issues in the past with Johne's disease, but that has been managed very well. Apparently, there is a wild goat population that lives on the base and we have sheep farmers just nearby to the base. Issues like that are very important to be managed carefully and we believe that PMA does that very effectively.⁴²

2.38 Mr Locke briefly raised the 'massive amount of kangaroos on the base' as a possible issue relating to the environmental management of the PMA.⁴³

Communication and engagement mechanisms

2.39 Witnesses made a number of suggestions for how to ensure local businesses are aware of business opportunities with Defence and Tier 1 contractors, and how to publicise the capacity of local businesses to tender for Defence work.

Use emergency services as a model of positive engagement

2.40 The PMA is represented on the local Municipal Emergency Management Planning Committee (MEMPC). The MEMPC is part of Mitchell Shire Council's governance structure supporting the development and implementation of the local Municipal Emergency Management Plan.⁴⁴

2.41 Mitchell Shire Council described Defence collaboration on emergency services as 'a positive example' of consultation and communication with local government and the community.⁴⁵ Mr Cheal stated:

Recently, the communications have been very good between PMA, in particular the Country Fire Authority and council. Joint emergency management exercises with PMA have been conducted and they have improved the lines of communication and understanding about capacity and

40 *Submission 38*, [p. 4].

41 *Submission 38*, [p. 4].

42 *Committee Hansard*, 20 November 2017, p. 2. Bovine Johne's disease is 'a fatal wasting disease of cattle, goats, alpaca and deer caused by a chronic bacterial infection', Agriculture Victoria, *What is Bovine Johne's disease*, page updated 12 July 2017, <http://agriculture.vic.gov.au/agriculture/pests-diseases-and-weeds/animal-diseases/beef-and-dairy-cows/bovine-johnes-disease/what-is-bovine-johnes-disease> (accessed 13 December 2017).

43 *Committee Hansard*, 20 November 2017, p. 13.

44 *Submission 38*, [p. 4]; Mitchell Shire Council, *Emergency Management*, <https://www.mitchellshire.vic.gov.au/services/emergency-management> (accessed 10 January 2017).

45 *Committee Hansard*, 20 November 2017, p. 3.

capability. We would point this out as an example of when everyone is willing and comes to the table communication can really assist and aid in improving operational outcomes in an area, and there could be some examples there coming back to something like procurement.⁴⁶

2.42 Mitchell Shire Council outlined the following plans to further develop these cooperative arrangements:

Relief and recovery arrangements are being reviewed to reflect PMA's management of civilian staff and residents living on the base during and after an emergency event. PMA are developing arrangements to look after civilian staff and residents without the need to send them to Seymour where they may overwhelm existing facilities and services.

...An emergency services multi-agency welcome is being considered for the new base commander early 2018; it is planned to bring together agency representation from emergency services, Council and support agencies to meet the new base commander.⁴⁷

Establish a regular roundtable meeting

2.43 In addition, Mitchell Shire Council suggested the creation of quarterly roundtable meetings to discuss commercial opportunities with representatives from Defence, local government and chambers of commerce, and development agencies such as Regional Development Australia and Regional Development Victoria.⁴⁸ Mr Cheal explained:

I believe that just having the opportunity to have that round table, to understand perhaps what opportunities are coming up over the coming six- or 12-month period, would really just help to get the message out there.

We could then communicate better with local companies through the chamber of commerce perhaps, let them know that opportunities are coming up and to start thinking about how to do it, and maybe demystify some of the processes around procurement and help them realise that there might be smaller parts of a contract that can be bid for.⁴⁹

Engage regional development organisations

2.44 Ms Beilharz noted there are not currently strong connections between RDA Loddon Mallee and Defence, stating:

We've done regional planning, and the regional planning has identified opportunity and need. I don't think that the Defence Force participated in that process. That means it hasn't been alerted to us in the early stage of what the opportunities might be.⁵⁰

46 *Committee Hansard*, 20 November 2017, p. 3.

47 *Submission 38*, [p. 4].

48 *Submission 38*, [p. 2].

49 *Committee Hansard*, 20 November 2017, p. 5.

50 *Committee Hansard*, 20 November 2017, p. 20.

2.45 She indicated RDA Loddon Mallee would be seeking opportunities to engage further with Defence.⁵¹

Create contact points

2.46 Witnesses suggested the level of Defence consultation and engagement with the local community depends on the particular individual holding the role of base commandant.⁵² Councillor Sanderson acknowledged the 'exceptional' work of the Puckapunyal Army base commander, Colonel Marcus Constable, to engage with the local community.⁵³

2.47 However, the committee heard that much of the commercial work potentially available to local businesses is managed by the Base Services Contractor, rather than base commandant. Ms Alice Jones First Assistant Secretary, Service Delivery, Defence, stated it is the role of the Estate Maintenance and Operation Services (EMOS) manager 'to liaise with the SMEs around possible opportunities, within their [remit], to do with base service contracts'.⁵⁴

2.48 On notice, Defence advised:

The [Base Services] Contract specifically requires each EMOS Contractor to engage with a range of small-medium enterprises (SMEs), and provide additional ongoing support to these SMEs to enable them to improve their service delivery, develop their capabilities and to continue to meet Defence's changing requirements.⁵⁵

2.49 The Department also noted that the Base Services Contractor must report annually on the number and percentage of SMEs engaged annually. These reports are provided to Defence and are commercial in confidence.⁵⁶

2.50 Mr Locke illustrated how Defence and EMOS personnel can inform local businesses and support them to seek commercial opportunities. He described how his own bus company had been supported to become a preferred operator, explaining to the committee:

...it was more about, again, this procurement panel and knowing who to speak to and what to do and how to find out about it. The local base manager insisted then on us meeting the contractor, Broadspectrum, and starting a process of applying to be on that preferred operators panel, which we've done. We now provide quotes for tasks, and at times we are hired;

51 *Committee Hansard*, 20 November 2017, p. 21.

52 See, for example, Councillor Sanderson, *Committee Hansard*, 20 November 2017, pp. 2–3.

53 *Committee Hansard*, 20 November 2017, p. 5.

53 *Committee Hansard*, 20 November 2017, p. 5.

54 *Committee Hansard*, 20 November 2017, p. 28.

55 Department of Defence, answers to questions on notice, 20 November 2017, (received 13 December 2017), p. 2.

56 Department of Defence, answers to questions on notice, 20 November 2017, (received 13 December 2017), p. 2.

our vehicles, our drivers and their local knowledge are utilised. We're thankful for that, and thankful to the base manager who helped open some doors for us.⁵⁷

2.51 Witnesses discussed the possibility of creating clearer structures for disseminating information about business opportunities. For example, Mitchell Shire Council called for the '[i]dentification of clear 'contact points' within ADF for local government and local businesses in relation to forthcoming opportunities'.⁵⁸

2.52 Mr Locke supported the idea of Defence contacting Seymour Business and Tourism or the Mitchell Shire Council to communicate opportunities for small businesses to engage with Defence work.⁵⁹

Utilise local channels of communication

2.53 The committee heard that different types of businesses become informed of commercial opportunities through different channels. For example, Mr Sam White, General Manager of Hofmann Engineering, said that Hofmann Engineering monitors digital platforms and employs product managers to keep track of Defence procurement processes.⁶⁰

2.54 However, Mr Locke suggested Defence should be:

...a little more aware that small business doesn't really function in the cyber world as much as people think it does. Even I still view the local paper when we know that there are things going on out on the base. The world deals with big business, and small business seems to be left wondering how big business does find these tenders. It's not that small business has really any desire to win large tenders—we don't have the ability to do so—but we don't even seem to be able to contact the winners of those large tenders to find out if we can help to value-add their operation.⁶¹

2.55 Mitchell Shire Council similarly supported the provision of information through regular local advertising channels, such as regional newspapers.⁶²

Opportunities for collaboration

2.56 Mitchell Shire Council suggested local businesses should be supported to engage with Defence work by '[r]aising awareness amongst local businesses of, as subcontractors, what they could provide, rather than assuming that they have to fulfil a whole contract'.⁶³

57 *Committee Hansard*, 20 November 2017, p. 11.

58 *Submission 38*, [p. 2].

59 *Committee Hansard*, 20 November 2017, p. 15.

60 *Committee Hansard*, 20 November 2017, p. 25.

61 *Committee Hansard*, 20 November 2017, pp. 14–15.

62 *Submission 38*, [p. 2].

63 *Submission 38*, [p. 2].

2.57 Mr Cheal expanded:

In terms of encouraging local businesses, again I've seen in the recommendations [from previous interim reports of the inquiry] and have also heard through our chamber of commerce of being aware of the opportunities at that smaller level. A great example out of South Australia was that any businesses would balk at the idea of going for a contract to build a submarine, but there may be a certain type of widget that is required. There is that small opportunity if those opportunities were identified and then communicated locally.⁶⁴

Barriers faced by local businesses

2.58 The committee heard about challenges for local businesses that seek work with Defence and Tier 1 contractors, and discussed some suggestions for addressing these challenges.

Access to the PMA

2.59 Mr Locke told the committee that security arrangements limiting access to the base act as a barrier for small businesses:

Some of the small businesses I spoke to, who I assumed had contracts and ongoing work out on the base, now have dropped off because of the obligation to fill in all the paperwork and to hold passes at the gate. If you're supplying parcels or you're supplying gravel, it's not worth your time to sit and be processed when you could be doing other work. One operator in particular said, 'I just don't do it any more'.⁶⁵

Documentation

2.60 Witnesses provided different perspectives on the extent to which dealing with documentation was problematic for businesses.

2.61 Mr White, General Manager of Hofmann Engineering, suggested that the requirements of Defence contracts were not too excessive in his experience, stating:

They make good business sense. They're not extremely onerous. At the end of the day, it's about the people on the front line. If you don't get the paint right, for example, the last thing we want is a vehicle being seen... inappropriately.⁶⁶

2.62 He implied that, regarding paperwork, the military were no worse than other industries, stating the 'documentation is significant and necessary, but, if you wanted to do the work today and get paid tomorrow, that is just in no way realistic'.⁶⁷

2.63 In contrast, Mr Cheal told the committee about some small businesses within the local community 'that feel that the procurement process is overly onerous and can

64 *Committee Hansard*, 20 November 2017, p. 8.

65 *Committee Hansard*, 20 November 2017, p. 11.

66 *Committee Hansard*, 20 November 2017, p. 24.

67 *Committee Hansard*, 20 November 2017, p. 25.

work to exclude some companies from providing services even though, as we've heard, it's such a large part of our economy'.⁶⁸

2.64 Mitchell Shire Council suggested procurement arrangements should be simplified for local businesses wherever possible.⁶⁹

Payment processes

2.65 Mr Locke underlined the challenges faced by small business in receiving payment from Defence contractors, drawing on the experiences of his own business. He described:

...the time lapse and the compliance to adhere to a system of invoicing with Broadspectrum that, frankly, borders on the comical. Despite the employees in the company, and their best endeavours to get our claims processed, no-one really seems to understand why some invoices are paid and some invoices aren't. There seems to be a host of different reasons for not being paid. In my invoice folder, that I have here from my accounts lady, it shows the oldest invoice is from July; it's now November. That's a bit of an issue for small businesses.⁷⁰

2.66 Mr Locke also related the experiences of a local locksmith who has undertaken specialised training and accreditation to work in high security areas within the PMA.⁷¹ While the locksmith had not experienced payment delays when working with Defence directly, Mr Locke told the committee:

The current contractor, Broadspectrum, held up all of his live invoices for a very long period of time—six months or so. He eventually found out that he had not filled in an equipment supply form, which is quite odd, because he does not supply equipment but instead supplies a service. It took several months to get to the bottom of the cause. For him, the frustration is that his bills are only hundreds of dollars, and to go hunting to find the answers is really negating any profit he would have made for those particular jobs.⁷²

2.67 When asked what would assist small businesses to bid for Defence work, Mr Locke recommended 'less onerous compliance and less of the whole red tape of filling in forms'.⁷³ He added '[m]ost of what you fill in is not even relevant to your operation'.⁷⁴

68 *Committee Hansard*, 20 November 2017, p. 2.

69 *Submission 38*, [p. 2].

70 *Committee Hansard*, 20 November 2017, p. 11.

71 *Committee Hansard*, 20 November 2017, p. 10.

72 *Committee Hansard*, 20 November 2017, p. 10.

73 *Committee Hansard*, 20 November 2017, p. 15.

74 *Committee Hansard*, 20 November 2017, p. 15.

Opportunities to mitigate reimbursement challenges

2.68 Ms Jones responded to Mr Locke's locksmith case study:

Some of our payments are delayed because they don't attach the certification which actually proves that the equipment is safe—so our fire extinguishers work and we can maintain our airfield. Some of that does require the subcontractor to be a little more responsible and organised in how they put their paperwork in as well. I think there is a bit of mutual obligation there, but I do agree with you that we perhaps need to look at how we can encourage our contractors to improve the process.⁷⁵

2.69 She agreed to:

...have a chat with our providers—my specialty is in service delivery—around using some co-design and working out how we can get their forms to be a little more intuitive or easy to use, maybe. Most of the time it is due to a lack of the right information, but I think we need to improve the process.⁷⁶

2.70 Mr Locke provided an example of the type of training that businesses find useful in this context. He told the committee that the staff of a heavy-diesel repair, manufacturing and parts supplier company based in Seymour:

...would like to make it known that the webinar training session they do in order to handle the payments process by the ADF is fantastic. We would really like to think that perhaps the contractor on the base could deliver some sort of similar package, because in the case of this particular business, and with others in the case study, they have trouble with the invoicing and payment schedule they work with under the contractor system.⁷⁷

Building capacity

2.71 Mitchell Shire Council suggested local businesses should be supported to tender for Defence work. It raised the possibility of 'events or workshops targeted at helping to train and boost capacity in local businesses'.⁷⁸

Possible business opportunities

2.72 Mr Cheal told the committee that coffee is not available on the PMA on Sundays, and suggested this was because a single entity has 'the sole contract for providing food services on the base', and therefore 'it's not possible for someone [else]

75 *Committee Hansard*, 20 November 2017, p. 31.

76 *Committee Hansard*, 20 November 2017, p. 30.

77 *Committee Hansard*, 20 November 2017, p. 9.

78 *Submission 38*, [p. 2]. The submission referred to a recommendation made in a previous interim report of this inquiry: 'Recommendation 1 3.13 The committee recommends that Defence engage with the Office of the Industry Advocate to investigate opportunities for events or workshops which also include regional areas and local businesses.' Senate Foreign Affairs, Defence and Trade References Committee, *Impact of Defence training activities and facilities on rural and regional communities: First interim report*, August 2017, p. 33.

to come onto base and provide that service on a Sunday, even though they're not trading'.⁷⁹

2.73 Ms Jones told the committee:

AAFCANS [the Army & Air Force Canteen Service] did trial coffee being available on Saturdays and Sundays, but it ran at a loss. There wasn't a demand for it. As one of the previous speakers said, most of their trainees head out for the weekend. It was actually trialed.⁸⁰

2.74 When asked by the committee about the potential for a local business to provide additional food or beverage services on or close to the PMA, Brigadier Cameron Purdey, Director General, Logistics, Department of Defence, stated:

The arrangements for licensing of local businesses on the Puckapunyal Military Area are controlled either through Defence Estate and Infrastructure Group or through AAFCANS. There would need to be agreement about what sort of footprint was being placed on the base.⁸¹

2.75 Ms Jones also noted there may be security considerations regarding the provision of food and beverage services to residents of the PMA close to the front of the base.⁸²

Defence and Tier 1 contractors and their engagement with local businesses

Encourage and quantify local business engagement

2.76 Ms Jane Wood, Acting Assistant Secretary, Non-Materiel Procurement, Department of Defence, noted Defence encourages 'big contractors to engage as much as they can with the local community'.⁸³ She stated:

There are reporting requirements in each of the base services contracts that Alice [Jones] mentioned for them to tell us how they're engaging with local communities, which SMEs they're engaging with and how they're trying to encourage local businesses to participate in what they're doing.⁸⁴

2.77 Mitchell Shire Council nominated a range of measures which Defence could adopt to further 'maximise the opportunities for local suppliers to provide goods and services to PMA'.⁸⁵

2.78 These measures included requiring Defence contractors and subcontractors to comply with local content minimum quotas.⁸⁶ Mr Locke also indicated he was

79 *Committee Hansard*, 20 November 2017, pp. 4, 6.

80 *Committee Hansard*, 20 November 2017, p. 32.

81 *Committee Hansard*, 20 November 2017, p. 32.

82 *Committee Hansard*, 20 November 2017, p. 32.

83 *Committee Hansard*, 20 November 2017, p. 29.

84 *Committee Hansard*, 20 November 2017, p. 29.

85 *Submission 38*, [p. 2].

86 *Submission 38*, [p. 2].

supportive of the suggestion that Tier 1 contractors should be required in their contracts with Defence to engage with local businesses.⁸⁷

2.79 On the general topic of local content provisions, Mr White stated:

It's been wonderful. From our perspective, particularly here in Bendigo, we've noted it from the state government with the trains et cetera. It's great to see an initiative like that starting to drive through into the military side of things; it's a moving space—is that the nice way to put it?—and if we don't embrace it, the likes of Hofmann that is, we probably won't be able to take the opportunity to areas where we see it can really improve for us in Australia.⁸⁸

2.80 Mr Cheal discussed the possibility of adding rural and regional SMEs to the list of exemptions under the Commonwealth Procurement Rules. He argued 'I think that would be of great assistance because many do struggle with the processes you need to go through and the certifications that you might need to hold'.⁸⁹ Mr Cheal noted:

A common comment that I've heard from businesses over the last two years since I've been at council is that many of the contracts are nationally procured. So, if we were to take food services, for example, there's a national procurement system in place and there's one provider of food on the base, effectively—food, coffee shops and the like—so there are difficulties then in getting services in there.⁹⁰

2.81 The committee heard that a local small business franchise, Cartridge World, had previously supplied some PMA sites and received payment via credit card.⁹¹ However, Mr Locke explained that this 'sound relationship' ended once the particular person procuring Cartridge World's services went on leave and 'it was revealed that the preferred supplier was not being used'.⁹² Mr Locke told the committee the Cartridge World franchisee sought to become a preferred supplier for Defence, but 'he was told that there was not any way that could be achieved'.⁹³

2.82 Mr Locke emphasised:

Local businesses just want the chance to tender for services and at least have some access to the panel for procurement, if they meet the criteria. They don't know why they aren't allowed to.⁹⁴

87 *Committee Hansard*, 20 November 2017, p. 15.

88 *Committee Hansard*, 20 November 2017, p. 26.

89 *Committee Hansard*, 20 November 2017, p. 8.

90 *Committee Hansard*, 20 November 2017, p. 3.

91 Mr Chris Cheal, Coordinator, Economic Development Unit, Mitchell Shire Council, *Committee Hansard*, 20 November 2017, p. 3.

92 *Committee Hansard*, 20 November 2017, p. 9.

93 *Committee Hansard*, 20 November 2017, p. 10.

94 *Committee Hansard*, 20 November 2017, p. 10.

2.83 Responding to this case study, Ms Wood said:

I understand that printer cartridges are part of the whole-of-government arrangements and, as you might be aware, Defence is mandated to use those arrangements; we don't have any options. In respect of printer cartridges, I understand that it's a Defence policy rather than a government policy that we use our stationery providers for those and whole-of-government office machines providers. It is Defence policy...In saying that, the Defence policy is that you use those arrangements unless there is a good reason not to, and I suspect that value for money would be a good reason if it's cheaper to get it from the local community.⁹⁵

2.84 On notice, Defence provided further evidence and advised that purchasing from Cartridge World ceased in 2011 upon the Department of Finance's establishment of a mandatory whole-of-government arrangement for the supply of products for printers. Under the new arrangements, printers and multi-function devices are either purchased under a maintenance agreement where toner supplies are provided by the supplier with the associated cost charged to Defence, or entities purchase a printer outright and subsequent toner supplies are purchased via another mandatory whole-of-government standing offer for stationery and office supplies.⁹⁶

2.85 Furthermore:

Defence, over the past two years, has also implemented a print device rationalisation project where the network printers are being removed and replaced with MFDs [multi-function devices]. Therefore, the requirement for Defence to purchase toner supplies directly has greatly reduced and, other than specialist type printers, will gradually be phased out.⁹⁷

2.86 While the committee accepts that Defence is required to adhere to the mandatory whole-of-government arrangements, the evidence provided to the committee suggested that the information to explain the cessation of the purchasing arrangement was not comprehensive and resulted in a sense of frustration and confusion from the local business owner.

2.87 Mitchell Shire Council further expressed support for a recommendation from the first interim report of the committee, specifically:

Recommendation 4 3.21 The committee recommends that Defence review Defgram 218/2017 to clarify or issue supplementary guidance to staff that local purchases outside the Standing Offer Panel is also encouraged as required.⁹⁸

95 *Committee Hansard*, 20 November 2017, pp. 34–35.

96 Department of Defence, answer to question on notice, 20 November 2017, (received on 20 December 2017).

97 Department of Defence, answer to question on notice, 20 November 2017, (received on 20 December 2017).

98 Senate Foreign Affairs, Defence and Trade References Committee, *Impact of Defence training activities and facilities on rural and regional communities: First interim report*, August 2017, p. 34.

2.88 Mr Craig Patterson, Acting Director General Capital Facilities and Infrastructure, told the committee about pilot projects that are currently being undertaken by Defence. As highlighted in chapter 1, the Explosive Ordnance Logistics Reform Program is one of the pilot projects requiring potential contractors to develop a local industry capability plan to encourage contractors to actively seek out the capability of local markets. This information will be provided to Defence as part of their tender submission.⁹⁹

Reporting local expenditure

2.89 Mitchell Shire Council also recommended:

...regularly reporting on the value of Defence expenditure on locally sourced goods and services – both directly and through contractor/sub-contractor arrangements, to provide a transparent and trackable account of the benefits accruing to local businesses.¹⁰⁰

2.90 Mr Cheal asserted this:

...would give everybody a clear metric to look at and see how well the base is doing at procuring locally. It would give the local businesses a target to look at each year and try to exceed, because it is also up to local businesses to put in bids.¹⁰¹

99 *Committee Hansard*, 20 November 2017, p. 33.

100 *Submission 38*, [p. 2]. The submission referred to a recommendation made in a previous interim report of this inquiry: 'Recommendation 5 3.29 The committee recommends that Defence make information available to local communities about Defence expenditure in the area. In consultation, with the local community, Defence should consider how best to present and disseminate this information.' Senate Foreign Affairs, Defence and Trade References Committee, *Impact of Defence training activities and facilities on rural and regional communities: First interim report*, August 2017, p. 35.

101 *Committee Hansard*, 20 November 2017, p. 8.

