

The Senate

Foreign Affairs, Defence and Trade
References Committee

Impact of Defence training activities and
facilities on rural and regional communities

Second interim report

September 2017

© Commonwealth of Australia 2017

ISBN 978-1-76010-649-2

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Phone: + 61 2 6277 3535

Fax: + 61 2 6277 5818

Email: fadt.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate_fadt

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website:

<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>

Printed by the Senate Printing Unit, Parliament House, Canberra.

Committee Membership

Senator Alex Gallacher, Chair	ALP, SA
Senator Chris Back, Deputy Chair (until 22 June 2017 and 12 to 14 July 2017)	LP, WA
Senator Bridget McKenzie, Deputy Chair (from 14 July 2017)	NATS, VIC
Senator David Fawcett	LP, SA
Senator Kimberley Kitching	ALP, VIC
Senator Claire Moore	ALP, QLD
Senator Jacqui Lambie (from 9 August 2017)	JLN, TAS
Senator Scott Ludlam (to 14 July 2017)	AG, WA

Participating members

Senator Chris Back (23 June 2017 to 31 July 2017)	LP, WA
---	--------

Secretariat

Ms Lyn Beverley, Committee Secretary
Ms Suzanne O'Neill, Senior Research Officer
Ms Margaret Cahill, Research Officer
Ms Shannon Ross, Administrative Officer

Table of contents

Committee Membership	iii
Recommendations	vii
Chapter 1	1
Referral	1
Conduct of the inquiry.....	1
Interim report.....	1
Acknowledgement.....	1
Background.....	2
Focus of the inquiry.....	6
Defence presence, expenditure and new investment in the region	7
Chapter 2	13
Issues raised with the committee in Rockhampton	13
Facilitating opportunities for regional and local business.....	13
Mechanisms to enhance engagement	19
Communication about exercises.....	24
Communication about proposed expansion of training areas and land acquisition	25
Further opportunities	31
Environmental impacts of Defence activities.....	35
Other initiatives in the procurement area	37
Chapter 3	41
Issues raised with the committee in Townsville	41
Facilitating opportunities for regional and local business.....	41
Communication mechanisms.....	52
Expansion of training areas and land acquisition	55

The need for more transparency regarding regional engagement	58
Environmental impact of Defence activities	59
Chapter 4.....	61
Conclusion and recommendations	61
Appendix 1	67
Submissions	67
Appendix 2.....	69
Public hearings and witnesses	69
Wednesday 12 July 2017 Rockhampton	69
Friday 14 July 2017 Townsville	71

Recommendations

Recommendation 1

4.8 The committee recommends that, in consultation with the local councils, Defence review its mechanisms for communication and coordination in the Fitzroy and Townsville regions to ensure the most effective flow of information including plans which may generate potential business opportunities.

Recommendation 2

4.10 The committee recommends that Defence make information available to local communities about Defence expenditure in the area.

Recommendation 3

4.13 The committee recommends that Defence commission an independent economic impact assessment of the loss of rateable land which would result from the proposed expansions in these areas.

Recommendation 4

4.22 The committee recommends that Defence review its formal mechanisms for communication and coordination in the areas around the Shoalwater Bay Training Area to ensure that:

- as much information about upcoming training exercises is being disseminated to the local community with as much advance notice as possible; and**
- that a contact point regarding local exercises is available on an ongoing basis and this this information is disseminated regularly.**



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.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 The committee tabled an interim report on 14 August 2017 which focussed on the evidence it received at a public hearing in Port Augusta on 8 June 2017.

1.4 On 12 July and 14 July 2017 the committee held public hearings in Rockhampton and Townsville, Queensland, respectively. A list of witnesses who gave evidence is available at Appendix 2.² The committee has decided to table an interim report which focuses the evidence received in Rockhampton and Townsville.

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

Acknowledgement

1.6 The committee thanks the organisations and individuals who participated in the public hearings in Rockhampton and Townsville as well as those that made written submissions.

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

2 Note: The committee has also held additional hearings in Darwin on 22 August 2017 and Katherine on 23 August 2017. These hearings will be covered in an upcoming report.

Background

2016 Defence White Paper

1.7 The committee's first interim report covers the policy framework. Briefly, the *2016 Defence White Paper* (White Paper) indicates that a number of Australian Defence Force (ADF) training areas in northern Australia will receive upgrades by 2020, including Shoalwater Bay along with a range of ADF bases including Lavarack Barracks in Townsville.³ As noted in that report, the White Paper sets out the government's increase in Defence funding by \$29.9 billion over the period to 2025-26 and enabling investment of \$195 billion in Defence capabilities over 10 years.⁴

1.8 The proposed investment projects outlined in the White Paper in the Townsville and Rockhampton regions are as follows:

- Upgrades at Lavarack Barracks to support new and upgraded land combat and amphibious warfare capabilities, representing an investment over the next decade of about \$50 million. (An additional \$550 million planned from 2025/26 out to 2035/36).
- Updating facilities at RAAF Base Townsville over the next 10 years with an additional \$100 million investment to support the introduction of the F-35A Joint Strike Fighter aircraft. (An additional \$500 million planned from 2025/26 to 2035/36).
- Redeveloping the Townsville Field Training Area with an investment of about \$20 million in the decade to 2025-26. (Further investment of about \$110 million between 2025-26 and 2035-36).
- Upgrading Shoalwater Bay Training Area to support the range of new land combat and amphibious warfare capabilities over the decade to 2025/26, representing an investment of up to \$150 million. (An additional investment of around \$40 million is planned for the decade between 2025/26 and 2035/36).⁵

1.9 Following the release of the White Paper, the then Assistant Minister for Defence, the Hon Michael McCormack MP, and the Minister for Regional Development, Senator the Hon Fiona Nash, welcomed the increased spending and noted that much of this investment will be spent in rural and regional Australia where most defence facilities are based.⁶ They advised:

"This \$195 billion investment means more high paying, highly skilled jobs for rural and regional Australia. It's a huge vote of confidence in rural and

3 Australian Government, Department of Defence, *2016 Defence White Paper*, p. 103.

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

5 See Industry Queensland website <https://www.i-q.net.au/main/defence-plan-delivers-for-regional-queensland> (accessed 22 August 2017).

6 The Hon Michael McCormack MP, Assistant Minister for Defence, and Senator the Hon Fiona Nash, Minister for Regional Development, *Media Releases*, 'Regional jobs boost through Defence White Paper investment', 2 and 3 March 2016.

regional Australia – and rural and regional Australia has the skills and professionalism to deliver.

"This means construction and development in rural and regional areas and jobs in building and construction, information technology and logistics."

"Regional businesses will also have the chance to capitalise on this investment by tendering for the supply of goods and services to Defence."

Assistant Minister for Defence Michael McCormack said investment through the White Paper in Defence industry capability, estate and infrastructure will create jobs and drive investment right across 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."⁷

1.10 The Federal Member for Capricornia, Ms Michelle Landry MP, said the investment would create jobs and deliver substantial benefits to the region:

"I think what's going to be really good about this is that it's the introduction of new armed intelligence and surveillance and reconnaissance manned aircraft in early 2020, so they are really looking for the future and I think this is going to be fabulous for central Queensland," she said.⁸

1.11 During the federal election campaign in June 2016 the Minister for Defence, Senator the Hon Marise Payne, indicated that the government would work with Defence to ensure local businesses are able to participate in the substantial upgrades. The Minister also stated that:

The Turnbull Government is committed to resetting the relationship between defence and industry to ensure more of our Defence dollar can be spent in local businesses.⁹

Increased Singapore Armed Forces training in Australia

1.12 On 29 June 2015 the Australian and Singapore governments signed a Joint Declaration on the Australia-Singapore Comprehensive Strategic Partnership. On 6 May 2016 the two governments announced a substantial new package of bilateral cooperation initiatives to enhance strategic, trade, economic, defence and people to

7 The Hon Michael McCormack MP, Assistant Minister for Defence, and Senator the Hon Fiona Nash, Minister for Regional Development, *Media Releases*, 'Regional jobs boost through Defence White Paper investment', 2 and 3 March 2016.

8 ABC News, 'Defence White Paper: Shoalwater May military training areas to get \$190m over next decade', 26 February 2016.

9 Senator the Hon Marise Payne, Minister for Defence and Ms Michelle Landry MP, Federal Member for Capricornia, Defence Investment to drive jobs and growth in Rocky and Coast, the Turnbull Coalition Team CCHQ 2016, 14 June 2016.

people links. Among a range of defence initiatives, the Partnership agreed to the following:

Australia and Singapore will jointly develop military training areas and facilities in Australia, enhancing Singapore's training. Singapore will have enhanced and expanded military training access in Australia over a period of 25 years.

Australia and Singapore will sign a Memorandum of Understanding to enhance military personnel exchanges and begin civilian personnel exchanges.¹⁰

1.13 On the day of the announcement of the Partnership, the Prime Minister, the Hon Malcolm Turnbull MP, spoke about the benefits that will flow to North Queensland:

It will approximately double the Singapore armed forces existing access to training facilities in Australia, and will give a much needed boost to local economies in North Queensland over the next 25 years. We will jointly develop military training facilities in Northern Queensland, which will be fully funded by Singapore. Singapore will invest up to \$2.25 billion in the expansion of two of our most important military training facilities the Shoalwater Bay training area and the Townsville Training Area. This is going to create thousands of jobs in construction, in tourism, and investment.¹¹

1.14 The Prime Minister, on visiting the Lavarack Barracks on 26 July 2016, advised:

Can I say also the importance of the big investment from Singapore in these facilities here is going to be...a massive investment in infrastructure, military infrastructure in North Queensland and is going to play an important part in ensuring strong growth in jobs, supporting the local businesses here and in the future.¹²

1.15 On 13 October 2016 the Minister for Defence, Senator the Hon Marise Payne and the Singapore Minister for Defence Dr Ng Eng Hen signed a Memorandum of Understanding Concerning Military Training and Training Area Development in Australia (MOU). The MOU delivers:

...a framework to implement increased SAF [Singapore Armed Forces] unilateral training in Australia. It sets the conditions for upgrading the Shoalwater Bay Training Area and Townsville Field Training Area to deliver enhanced training outcomes for both the Singapore Armed Forces

10 Department of Foreign Affairs and Trade, Joint announcement: Australia-Singapore Comprehensive Strategic Partnership, <http://dfat.gov.au/geo/singapore/pages/joint-announcement-australia-singapore-comprehensive-strategic-partnership.aspx> (accessed 23 August 2017).

11 The Hon Malcolm Turnbull MP, Prime Minister, Australia-Singapore Comprehensive Strategic Partnership Announcement, 6 May 2016.

12 The Hon Malcolm Turnbull MP, Prime Minister, Doorstop, Lavarack Barracks, 26 July 2016.

and the Australian Defence Force. Under the initiative, up to 14,000 SAF personnel will conduct unilateral training in Australia for up to 18 weeks per year – significantly increasing current personnel numbers.

The enhanced training access will be in effect for 25 years, with provisions made for Singapore's training presence to increase from 2017. It is expected that SAF personnel numbers and the military equipment brought to Australia will progressively increase as the new infrastructure and facilities are built. As this presence increases, opportunities for local businesses to provide support and services will expand. Up to AUD 2.25 billion will be invested in the Townsville and Rockhampton regions from 2016 to 2026.¹³

1.16 Following the signing of the MOU, the Minister for Defence met with key community stakeholders in Townsville to inform them how the implementation will impact on the community and region:

As part of the memorandum, priority will be given to local businesses around Townsville Field Training Area and Shoalwater Bay Training Area, in support of both the phases of development and the ongoing training activities, boosting regional jobs and growth.

Defence anticipates that there will be local opportunities in the construction, logistics support, retail and tourism sectors.

About \$2 billion will be invested in the training areas to support the increased training activity over the next decade.

Defence will begin engaging with community groups next month and will appoint a dedicated community liaison officer in Queensland to ensure business and the community receive timely updates on the implementation.

Singapore's training presence will begin to increase from 2017. As this presence increases, the demand for support services and opportunities for local businesses will expand.

Defence will provide an Initial Business Case on the upgrades to Government in 2017 and construction will commence from 2019.¹⁴

1.17 On 3 November 2016, the Minister for Defence and the Federal Member for Capricornia visited Rockhampton to meet with local government and business leaders to discuss the opportunities stemming from the Singapore Military Training Agreement and advised that the MOU:

...gives priority to local businesses around Shoalwater Bay Training Area, in support of both phases of development and the ongoing training activities, boosting regional jobs and growth.

...

Ms Landry said the Singapore agreement presented a unique opportunity for local business.¹⁵

13 See <http://www.defence.gov.au/Initiatives/ASMTI/> (accessed 3 August 2017).

14 Senator the Hon Marise Payne, Minister for Defence, *Media Release*, 'Minister Payne Visits Townsville with Singapore Defence Minister Dr Ng', 14 October 2016.

1.18 Under the Australia-Singapore Military Training Initiative (ASMTI) there will be increased Singapore Armed personal numbers and longer training periods with Defence expecting there will be a need for goods and services to support construction of the following infrastructure and facilities:

Training facilities;
Logistics facilities;
Camp facilities;
Information communication technology infrastructure;
Roads; and
Utilities.¹⁶

1.19 Defence also expects the Singapore Armed Forces will have need of other ongoing services, including:

Maintenance;
Health;
Hospitality and catering;
Accommodation;
Transportation;
Tourism; and
Recreation.¹⁷

Focus of the inquiry

1.20 As outlined above, the release of the White Paper and the signing of the MOU; followed by statements from the Prime Minister and ministers including the Minister for Defence, the Minister for Regional Development and the Assistant Minister for Defence, have generated expectations that regional Australia would be able to benefit, directly and indirectly, through the participation of local businesses, particularly SMEs, in building defence capability.

1.21 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 at 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, particularly in relation to land acquisition, as well as communication channels regarding existing training activities.

15 Senator the Hon Marise Payne, Minister for Defence, *Media Release*, 'Minister for Defence Visits Rockhampton', 3 November 2016.

16 Department of Defence, *Submission 9*, pp 9-10.

17 Department of Defence, *Submission 9*, pp 9-10.

Defence presence, expenditure and new investment in the region

1.22 The Queensland Government acknowledged the positive contribution of Defence in the region:

The Federal Government's Defence portfolio maintains a strong and valued presence in Queensland through a number of long standing Defence facilities and assets. The impact of Defence training activities, facilities and assets on rural and regional communities within Queensland is largely positive, and [the Queensland Government] particularly acknowledge[s] the support that Defence personnel provide in rural and regional communities during times of crisis, including the recent Severe Tropical Cyclone Debbie.¹⁸

Rockhampton - Shoalwater Bay Training Area

1.23 The Shoalwater Bay Training Area (SBTA) is a category 1 training area which supports joint and combined manoeuvre for force elements at or above battle group with the potential ability to support live fire training from land, air and sea.¹⁹ The SBTA, encompassing 290,000 hectares of land near the coast and 165,000 hectares of maritime area, sits within the Livingstone Shire and is under the broader Fitzroy region. The closest regional centre is Rockhampton. Based on the land size, the SBTA currently occupies over one-quarter of the total land area of the Livingstone Shire.²⁰

1.24 The 2014-15 and 2015-16 Defence expenditure on the SBTA totalled \$3,748,000 and \$6,235,000, respectively. A breakdown of this expenditure is set out in the following table:²¹

Fin. Year	Military Employee Expenses \$'000	Civilian Employee Expenses \$'000	Facilities Capital \$'000	Facilities Operating \$'000	Grants \$'000	Major Capital Equip't \$'000	Supplier Expenses \$'000	Total \$'000
2014-15	1,300	146	784	707	0	5	805	3,748
2015-16	1,315	146	821	1,002	0	0	2,951	6,235

Townsville

1.25 Townsville is a major base for defence facilities and hosts four major Defence establishments.

18 *Submission 10*, p. 1.

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

20 KPMG, *Socio-Economic Impact of the Australia-Singapore Military Training Initiative – A report for the Department of Defence*, June 2017, pp 6-7.

21 Department of Defence, *Submission 9*, Annex B, p. 38.

1.26 Lavarack Barracks is a major Australian Army base located in Townsville. The barracks is a large working, training and accommodation facility, home to about 4,500 soldiers and 280 civilian employees. It covers approximately 750 hectares.²²

1.27 Royal Australian Air Force (RAAF) Base Townsville is an important forward operating base located north-west of Townsville. It is home to:

- No 383 Squadron - Contingency Response
- No 452 Squadron Townsville Flight - air traffic control
- No 27 (City of Townsville) Squadron - Airbase Operations
- No 38 Squadron (38SQN)
- Combat Survival Training School - evasion and escape training
- Army's No 5 Aviation Regiment - Black Hawk and Chinook helicopters
- 1 Expeditionary Health Squadron Detachment Townsville
- No 2 Security Squadron detachment Townsville²³

1.28 The 2014-15 and 2015-16 Defence expenditure on Lavarack Barracks, RAAF Base Townsville, Ross Island Barracks and Mount Stuart Training Area was \$643,100,000 and \$598,888,000 respectively. A breakdown of this expenditure is set out in the following table:²⁴

Fin. Year	Military Employee Expenses \$'000	Civilian Employee Expenses \$'000	Facilities Capital \$'000	Facilities Operating \$'000	Grants \$'000	Major Capital Equip't \$'000	Supplier Expenses \$'000	Total \$'000
2014-15	453,859	19,353	78,518	36,009	0	94	55,267	643,100
2015-16	492,062	17,840	51,111	11,202	-	56	26,616	598,888

1.29 Townsville Field Training Area (TFTA) [incorporating the Star Ai Weapons Range] is a category 2 training area which supports the conduct of single service collective training and has the potential for joint or combined training.²⁵ The TFTA

22 See <http://www.defence.gov.au/id/Master/docs/NCRP/QLD/0229LavarackBarracksQLD.pdf> (accessed 31 August 2017).

23 Royal Australian Airforce website, http://www.airforce.gov.au/Bases/Queensland/RAAF_Base_Townsville/?RAAF-AQHvg+AI3KO3I5K4KLSAQivFoH44MgHq (accessed 23 August 2017)

24 Department of Defence, *Submission 9*, Annex B, p. 38.

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

covers over 200,000 hectares of land and includes a number of weapons ranges and is generally used for aircraft and personnel training activities.²⁶

1.30 The 2014-15 and 2015-16 Defence expenditure on Townsville Field, Cowley and Tully Training Areas totalled \$6,336,000 and \$11,205,000 respectively. A breakdown of this expenditure is set out in the following table:²⁷

Fin. Year	Military Employee Expenses \$'000	Civilian Employee Expenses \$'000	Facilities Capital \$'000	Facilities Operating \$'000	Grants \$'000	Major Capital Equip't \$'000	Supplier Expenses \$'000	Total \$'000
2014-15	4,049	206	466	82	0	295	1,239	6,336
2015-16	4,339	223	2,616	2,027	50	28	1,921	11,205

1.31 Port of Townsville's Berth 10²⁸ – upgraded in 2013 in collaboration with Defence, the approximately \$85 million facility was co-funded by Defence. The berth was purpose-built to host the Royal Australian Navy's two newest and largest landing helicopter dock vessels, HMAS *Canberra* and HMAS *Adelaide*, and includes fuelling and tank-staging areas, a terminal building and is supported by a quarantine wash-down facility. Defence has priority berthing arrangements in place to utilise the Berth 10 facility.²⁹

1.32 Defence provided detail on the level of expenditure in Townsville in the financial year 2015-16:

...it was around \$609 million in the region, in Townsville and the Townsville field training area. We think around \$11 million or \$12 million of that was directly associated with the training area and the bulk was obviously associated with Lavarack Barracks.³⁰

1.33 Defence was asked on notice to provide a more detailed breakdown of these figures which had not been received at the time of tabling this report.

26 KPMG, *Socio-Economic Impact of the Australia-Singapore Military Training Initiative – A report for the Department of Defence*, June 2017, p. 1.

27 Department of Defence, *Submission 9*, Annex B, p. 38.

28 Port of Townsville Ltd is a Queensland government-owned corporation which has responsibility for the operations of the port, including berth and shipping management, safety, port security and provision of support services. The port provides accessibility for Defence vessels into Northern Australia. See *Proof Committee Hansard*, 14 July 2017, p. 31.

29 *Proof Committee Hansard*, 14 July 2017, p. 31.

30 *Proof Committee Hansard*, 14 July 2017, p. 23.

Singaporean expenditure

1.34 Visiting Singaporean Armed Forces (SAF) have a long term presence at Shoalwater Bay in QLD and also RAAF Base Pearce in WA and the Army Aviation Centre in Oakey QLD. Defence reported that 'Singapore currently spends in excess of \$20 million annually through Australian commercial enterprises in the central Queensland region, particularly the Rockhampton area'.³¹

1.35 The SBTA currently hosts SAF for up to 45 days between August and December to conduct the unilateral Exercise Wallaby.³² Ms Mary Carroll, Chief Executive Officer, Capricorn Enterprise,³³ advised the committee that '[i]t's...been broadly considered that the Singapore Armed Forces inject about \$35 million annually into our local economy'.³⁴

1.36 By extrapolating the current level of expenditure by the proposed extension of the ADF and SAF training activities, the KPMG report *Socio-Economic Impact of the Australia-Singapore Military Training Initiative – A report for the Department of Defence*, June 2017, estimated the level of additional average annual expenditure in the regions as a result of the proposed ASMTI:³⁵

	Fitzroy	Townsville
Additional average annual training expenditure (\$ million)	31.4	31.2
Additional permanent staff annual expenditure (\$ million)	5	5

Exercises

1.37 Exercise Talisman Sabre is a biennial combined Australian and United States training activity which has been conducted since 2005. It is designed to train the participating military forces in planning and conducting Combined Task Force operations to improve the combat readiness and interoperability between the respective forces.³⁶ Exercise Talisman Sabre is conducted at Shoalwater Bay, QLD, Bradshaw, NT, Mount Bundey, NT and numerous other sites in QLD and NT.³⁷

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

32 KPMG, *Socio-Economic Impact of the Australia-Singapore Military Training Initiative – A report for the Department of Defence*, June 2017, p. 1.

33 A not-for-profit, apolitical, membership based organisation providing economic development support to regional industry in Rockhampton and the Capricorn Coast. See *Proof Committee Hansard*, 12 July 2017, p. 27.

34 *Proof Committee Hansard*, 12 July 2017, p. 27.

35 KPMG, *Socio-Economic Impact of the Australia-Singapore Military Training Initiative – A report for the Department of Defence*, June 2017, p. 19.

36 Department of Defence website, <http://www.defence.gov.au/Exercises/TS17/> (accessed 23 August 2017).

37 Department of Defence, *Submission 9*, p. 3.

1.38 Commodore Allison Norris, Director General, Simulation and Training, and Exercise Director, Talisman Sabre 2017, Department of Defence, advised the committee that just over \$5 million will be directly injected into the local area for Talisman Sabre 2017; and when national suppliers are added, which will include subcontractors in the local area, the amount contracted increases to just over \$10.3 million. She further noted that this amount was just under half of the entire budget for Talisman Sabre in 2017.³⁸ A breakdown of the approximate \$5 million expenditure was also provided by Commodore Norris:

Local businesses are approximately \$1.1 million. If you then go to local branches, which would be Rockhampton branches of chains, there is \$155,000. Regional comes to \$66,000. Fuel provision for the local area is just over \$2.9 million. I currently have an indication from US contracts of about \$700,000, but I expect that will increase because we are still creating contracts at the moment. Payments to local landowners for leases are approximately \$111,000.³⁹

Proposed expansion of the SBTA and TFTA

1.39 In late November 2016 landowners in areas adjacent to the SBTA and TFTA were advised by the Department of Defence of the proposed expansion of the training areas in order to:

...enable the Singapore Armed Forces and Australian Defence Force to conduct complex training concurrently. It will also provide state of the art training facilities which will enhance the capability of the Australian Defence Force.⁴⁰

1.40 Although Defence had indicated in the letters of advice to landowners that the expansion of the SBTA and TFTA was to accommodate the increased levels of training under the Australia-Singapore Comprehensive Strategic Partnership, the Defence website clarifies the reason for the expansion:

For the Australian Defence Force to safely and sustainably conduct battle preparedness Defence will have to expand its training areas. This remains true irrespective of Singaporean use of Australian facilities.

The development of an amphibious capability has placed greater demands on Australia's existing amphibious training facilities, which is not sustainable in the long-term. The restructure and mechanisation of Army's Brigades, and the incoming fleet of armored fighting vehicles have

38 *Proof Committee Hansard*, 12 July 2017, p. 49.

39 *Proof Committee Hansard*, 12 July 2017, p. 49.

40 Letter to Mr Craig Mace from the Department of Defence, dated 22 November 2016, Attachment to *Submission 29*.

increased the required training area to enable Army to undertake sufficient levels of high-intensity combat readiness, safely and sustainably.⁴¹

1.41 On 23 February 2017 the Minister for Defence announced the finalisation of the master planning activity for the upgrades to the SBTA and TFTA. This process identified the training needs and options on how Defence could best achieve the upgrades, with the least amount of land.⁴² The Minister advised that as a result of the master planning process Defence was able to significantly reduce the scope of the training area expansion that would be needed to meet the ADF's training requirements, and confirmed advice of 7 February 2017 that Defence would only purchase land from willing sellers.⁴³

1.42 Mr Steven Grzeskowiak, Deputy Secretary, Estate and Infrastructure Group, Department of Defence, advised the committee about the factors driving the proposed expansion to the SBTA and TFTA:

Our need for training areas that can accommodate the training that we need to do in the future was signalled in the white paper last year. Obviously, many of our training areas are established for a long time. Over a period of the last 10 years, we've started to look at expansion.

...

As you are aware, we're still working on what the training areas will look like. The minister made very strong statements that there would be no acquisition of land that people did not want to sell, so conversations are ongoing on the moment about what that means. We don't know what the answer's going to be at this point in time. There are a range of reasons why the training areas need to be modernised. Some of those go to the Australian Defence Force capability that's coming online in the future requiring larger areas and some of it goes to the comprehensive strategic partnership with the Singaporeans, which is part of a broader government-to-government agreement. One of the factors in that agreement is that the Singaporeans are ramping up their training here, and there is an investment to the order of \$2 billion over time to create the facilities that you need to be able to do that.⁴⁴

41 Department of Defence website, Australia-Singapore Military Training Initiative, Frequently Asked Questions – Training Area Expansion, <http://www.defence.gov.au/Initiatives/ASMTI/FAQ-training-area.asp> (accessed 25 August 2017).

42 Senator the Hon Marise Payne, Minister for Defence, *Media Release*, 23 February 2017.

43 Senator the Hon Marise Payne, Minister for Defence, *Media Releases*, 23 February 2017; and 7 February 2017

44 *Proof Committee Hansard*, 12 July 2017, p. 50.

Chapter 2

Issues raised with the committee in Rockhampton

2.1 This chapter summarises the main issues raised during the committee's hearing in Rockhampton. It considers the current level of local business engagement with Defence and future opportunities; the challenges facing local business, including Indigenous organisations; mechanisms to enhance engagement; communication by Defence about exercises and the proposed expansion of training areas and land acquisition; and the environmental impacts of Defence activities.

Facilitating opportunities for regional and local business

Utilising the skills in the region

2.2 The committee heard from a range of Rockhampton businesses on their engagement with Defence. Mr Zane Keleher, an Engineering Specialist at Penti-M Engineering in Rockhampton, advised the committee that while the company had been in business for 28 years and is close to the army barracks and Shoalwater Bay Training Area (SBTA), it has had very minimal engagement with Defence. Mr Keleher explained that the company was interested in taking advantage of any regional opportunities for engagement with Defence but noted that it has been challenging to understand the processes and find appropriate contacts.¹

2.3 Similarly, Mr Christopher Goodwin, General Manager of SMW Group, which provides a variety of engineering services, advised the committee that they have not had a lot of exposure to Defence but are interested in getting involved in supply.²

2.4 Mr Andrew Godwyn, Senior Logistics Manager, Primary Industries QLD Pty Ltd, advised the committee of the company's long-standing association with the Singapore Army over the last 16 years for the supply of logistical support while based in Rockhampton. This support includes maintenance and repairs to vehicles, equipment supply, food supply, transport, electrical supply and shipping. The committee heard that Primary Industries QLD Pty Ltd is a local company which currently employs 24 people and expands to 70 staff during the operational periods, particularly Exercise Wallaby.³ However, this company has only engaged in what it described as a 'very, very small amount' of work with the Australian Army.⁴

2.5 The committee was interested to obtain more detail on why Primary Industries QLD Pty Ltd has been able to engage and foster a long standing contractual arrangement with the Singapore Army but has not been as successful in developing similar opportunities with the Australian Defence Force (ADF). However, as the initial contract was let in 1999 the detail was not available, but it was noted that when

1 *Proof Committee Hansard*, 12 July 2017, p. 21.

2 *Proof Committee Hansard*, 12 July 2017, p. 21.

3 *Proof Committee Hansard*, 12 July 2017, p. 21.

4 *Proof Committee Hansard*, 12 July 2017, p. 22.

Primary Industries QLD Pty Ltd took over the contract the Singapore base was already established in Rockhampton and it was suggested that there would have been some personal interaction at that stage. It was also noted that the Singapore army has permanent staff based in Rockhampton and that 'they get to know most of the council people, the airport people and everybody else that they deal with.'⁵

2.6 Councillor Margaret Strelow, Mayor, Rockhampton Regional Council, advised that she felt there needed to be more up to date information available on the social and economic benefits of the Defence presence in the Rockhampton region; however, she suggested some examples of successful engagement. Her view is that local businesses were engaging more successfully with Singapore Defence than with the Australian Defence Force:

Obviously there are a couple of companies here who do continue to provide. There is Rocky's Own, who are a local transport company, and they have been very effective. Once again, they are probably more visible with Singapore than they are with Australian Defence. And Flexihire do provide facilities.⁶

2.7 Mr Michael Colen, Manager Executive Services, Gladstone Regional Council, was unable to point to any successful examples of local suppliers building relationships with Defence and securing opportunities.⁷

Challenges for local business

2.8 The three companies the committee heard from all reported challenges in engaging with, and attaining information from, Defence on procurement opportunities. None of the companies were aware of any processes where Defence had engaged with the local small business community to provide awareness of the capacity they required and related opportunities.⁸

2.9 Mr [Goodwin] advised that he has sought to engage with Defence to seek out opportunities in the region and explained his frustration in obtaining information:

We are registered with AusTender, QTenders et cetera and we participate with the ICN Gateway. As an example of where we found it extremely difficult to try and understand what the Defence requirement is, we've recently taken on a dealership for a brand of equipment which we know Defence has. We've tried to contact Defence in several ways to see what their requirements are, how we can assess what we can offer so whenever Defence equipment comes through this area, we can actually support it.

I was referred to the Joint Logistics Unit up in Townsville—Ross Island—who I was told control all of the spending in this area. I tried about five or six different phone calls, but I could never get the same person or find

5 *Proof Committee Hansard*, 12 July 2017, p. 23.

6 *Proof Committee Hansard*, 12 July 2017, p. 4.

7 *Proof Committee Hansard*, 12 July 2017, p. 4.

8 *Proof Committee Hansard*, 12 July 2017, p. 25.

anyone who I could talk to about what would happen here in the Shoalwater Bay region. I even reverted to Facebook: they had a Facebook page, and I left a Facebook message. Unfortunately, I haven't had any response at all—not that I expected a response from Facebook, but that is what we had to revert to.⁹

2.10 Mr Ben Hughes of Hughes et al, a business providing tailored local content advice, services and products to all tiers of business, advised the committee that from his experience the biggest challenge for local engagement is the lack of coherent information and an understanding of the status of the project cycle:

That is a responsibility of the project itself to ensure that communication is clear and transparent, and that often presents the largest barrier to locals participating.¹⁰

2.11 Mr Hughes also talked about the importance of the procurement cycle aligning with the market requirements to enable local providers to be ready to and have appropriate pre-qualifications in place to participate and be 'tender ready' and provide relevant information within the required timeframe.¹¹ Mr Hughes emphasised the importance that Defence:

... get out into the marketplace with clear communication around standards, expectations and timings of procurement packages and when they would be coming available is the first major point I would make. The second one is to ensure that their policies and their processes cascade down through their supply chain. And what I mean by that is that it is all well and good for the proponent—being Defence, or their main contractors—to go to market, but they have to ensure that their second-, third- and fourth-tier contractors have the ability to go to market as well.¹²

2.12 Mr Hughes emphasised the importance of Defence's role in developing supplier capability in regional areas by providing feedback to businesses:

...it is incumbent on a major project to go shopping in the local region but they do not necessarily have to buy in the local region if that local region does not have the capability, capacity and attractiveness to meet the commercial requirements, but they should go shopping. That shopping exercise should result in feedback from the major project to those small businesses that is not just a 'congratulations, you are successful and we are going to put you through to a tender process' but more important for the vast majority is giving the feedback to the organisations on why they did not meet that standard and then use that information in partnership, for example, with State Development, which is something we are doing with one of my clients at the present moment, to seed intelligence into that supplier development profile. The supplier may not be capable enough to

9 *Proof Committee Hansard*, 12 July 2017, p. 22.

10 *Proof Committee Hansard*, 12 July 2017, p. 37.

11 *Proof Committee Hansard*, 12 July 2017, p. 37.

12 *Proof Committee Hansard*, 12 July 2017, p. 37

deliver on Defence, but that does not mean that they should not be educated as to why, given supplier development and then be able to meet the requirements in a year or two for another project.¹³

2.13 Mr Hughes also raised the issue of the perceived insurance and risk associated with smaller consortia in regional areas compared to tier 1 contractors which may not favour their selection:

Often it comes back to insurance and risk. The small companies may not be able to offer the level of bank guarantee for a particular piece of work, or they may not be able to carry the capital costs in the first instance, which would preclude them from being able to be considered for that work.¹⁴

2.14 Ms Mary Carroll, Chief Executive Officer of Capricorn Enterprise, responded to the proposal of a procurement model that required a tier 1 contractor to have a percentage of local engagement. She was positive, but noted that a contractor could cover off that requirement but engage the local contractors at a reduced rate and load the balance for their own company.¹⁵

2.15 Ms Debra Howe, Director, Strategic Growth, Livingstone Shire Council, discussed the difficulties that local businesses encounter in engaging as a sub-contractor to a tier 1 or 2 contractor as well as the definition of local:

We understand that there may not be businesses here that are the size of tier 1 and tier 2 that are required to potentially deliver some of the work, but how are the contracts actually put into place that mandate the definition of local in terms of tier 1s and tier 2s procuring in our economy and actually realising the quite magnificent stats that are now represented in this KPMG report about the billions of dollars and the millions of dollars and the hundreds and hundreds of jobs that will be played out here?

My challenge is that this be audited in a couple of years from now to show us the capacity that was built and delivered as a result of that spend. We need the local market to not be adversely affected by the size of their operation or by the accreditations and things that they must have in order to do business to deliver a federal government-funded something. Just the very nature of those businesses needing to go through that process, get those accreditations and then maintain those costly accreditations annually in the hope that they might pick up some crumbs that drop from tier 1 or tier 2 is actually not helping this economy in any way. So the definition of 'local' needs to be looked at, and it needs to be delivered in real time in this economy.

I have one anecdote. I'm not prepared to name the business, but I have an example I would like to share anecdotally of a company that's in fact based in Rockhampton, that is doing some civil engineering for Defence via a tier 2 contractor. They are receiving \$100 an hour for their work and the Gold

13 *Proof Committee Hansard*, 12 July 2017, p. 38.

14 *Proof Committee Hansard*, 12 July 2017, p. 38.

15 *Proof Committee Hansard*, 12 July 2017, p. 32.

Coast based company that has the contract charges Defence \$250 an hour for that work—a direct bill for the work happening here. I suggest that not only would you achieve the jobs that are aspired to in this document, you would achieve it 10 times over should you spend your dollar once and wisely in our local economy.¹⁶

2.16 Brigadier Beutel responded to the above evidence by stating that the systems in place would enable Defence to have visibility of such an occurrence and he had not seen this happening:

...I do not see how that could actually happen. Under a managing contract form of contract, for the head or the prime contractor, the tier 1 contractor, their contract value is for a management fee and what we refer to as a contractor-work-fee delivery, which is basically their overheads to manage the construction project for it. That is fixed going forward.

As to the actual contracts that are let as part of the trade packages to undertake the works, we have visibility of all the contracts that go out and then the preferred tenderer. That comes back in through the managing contract, so we actually get to see that. Whatever the subcontractor to the managing contractor has in their contract, that is what the contract is, for the value of it, and that is paid again through the trust account, so we have that visibility. Under a head contract, again I do not see how that could work without even having a trust account there because of the stat dec requirement for a head contractor to provide to us to state that a subcontractor has undertaken this work for this amount. So I do not see how something like that could actually occur, unless a contractor is running two sets of books. Again, that is just my assumption. In the seven years that I have been intimately involved in this part of the business, both as a colonel and as the brigadier responsible for it, I have never seen any evidence of that at all.¹⁷

2.17 Mr Neil Lethlean, of Capricorn Enterprise, provided evidence on the importance of structuring the procurement process so that the work going out to tender is not necessarily under one large package, but broken down to enable local competition:

If you put all the major components of the spend under one package, you're going to attract a prime. If you break the packages down to where it can be competitively tendered by local capability then you're going to succeed locally, because the locals have the benefit. They have the benefit of being local and the use of the terrain. They have experienced staff. So I think that more and more the work projects and work programs can be broken down. We understand that it's quite extensive. Defence are proposing to spend up to \$140 million, commencing next year. They are in the process of engaging a contractor to manage the whole project. But, when you look at

16 *Proof Committee Hansard*, 12 July 2017, p. 5.

17 *Proof Committee Hansard*, 12 July 2017, p. 60.

the scant detail that's gone out about the work programs, the bulk of those can be dealt with by local business.¹⁸

2.18 Ms Mary Carroll of Capricorn Enterprise, noted that this approach has been adopted by local government authorities on major projects, where they have broken down to smaller packages to enable local businesses to be more competitive.¹⁹

2.19 Councillor Bill Ludwig, Mayor, Livingstone Shire Council, explained his concerns about the need to ensure that procurement policies provide opportunity for engagement of local businesses:

We need to get the federal government to look at their procurement policies. A lot of the time you cut out the local people because it can only go to tier 1s. We've now proven Livingstone with a \$30 million project in partnership with the state government: Panorama Drive. If we break some of those things down into components, we can build the local capacity. We ended up with just about 100 per cent local jobs when we were able to work with Main Roads. State and local government sat down and made sure we got best value for money, and that's what the federal government wants to do. There is risk management, and we're delivering a project on budget and on time and we're also building capacity in this region for our people to do those major projects.²⁰

2.20 The committee sought Defence's view on the viability of the proposal of making contracts smaller and whether there has been an evaluation of deviating from the prime contractor procurement practice:

The first point I make is that we do not have a one-size-fits-all approach, and it is based on the risk of the project and how we can best mitigate that risk going forward.

As to the value for money aspect of it, or how we can get more competition in the market, under a managing contract form of contract, No. 1, we get competitive tension in that project, first off, by the engagement of the managing contract, because that will be competed for—not necessarily by all the tier 1s; it could be tier 1s, tier 2s and tier 3s. We do not have a tier 1 rule. That is another misconception that I have heard—that we have this tier 1 rule. That is not the case. For a managing contract, it goes predominantly out to an open tender for an ITR process short-listing. So we get competitive tendering, because, again, the managing contractor's submission to us, for the planning phase and then the delivery phase, is based on technical merit and a value-for-money assessment. Under a managing contractor, where we get the competition is again through the trade packages. I can give an example. One project for \$100 million may actually have 10 or 12 or 13 various trade packages which will then all be competed for on the open market.

18 *Proof Committee Hansard*, 12 July 2017, p. 32

19 *Proof Committee Hansard*, 12 July 2017, p. 33.

20 *Proof Committee Hansard*, 12 July 2017, p. 4.

As to the head contractor model, just quickly: they can self-perform the works, but a majority of the head contractors like to look to use local subcontractors, in relation to how they perform, and they declare that to us as part of the contract. But again, the head contractor provides us with a fixed lump sum head contract, and we hold them to that and they have to achieve that competitive edge in the market to make sure that they achieve that lump sum figure that they have tendered for, and that's what we are paying them to do.²¹

2.21 Mr Steven Grzeskowiak, Deputy Secretary, Estate and Infrastructure Group, Department of Defence, welcomed the opportunity to participate in the hearing in Rockhampton to hear from the local community about issues relating to procurement opportunities for locals and how their processes may be impacting this. However, he emphasised Defence's obligation to operate within the Commonwealth Procurement Rules:

The way we will look at this will be about trying to let local businesses know as much about what is going on and to help them engage rather than some other processes we have heard about in some of the places where weighting factors can advantage a local, which we don't think is something we are able to do under the Commonwealth procurement rules as currently written. If they were to change, that is a different issue, but that is not within our gift. It is a broader government issue through the Department of Finance.²²

Mechanisms to enhance engagement

Improving communication and coordination

2.22 The committee heard about the initiatives of the Capricorn Enterprise, a not-for-profit, apolitical membership based organisation which provides economic development support to regional industry in Rockhampton and the Capricorn Coast. The Chief Executive Officer of Capricorn Enterprise, Ms Mary Carroll, advised that the organisation acts as an independent voice for the business community and provides economic development services to Livingstone Shire Council.²³

2.23 Ms Carroll also advised that Capricorn Enterprise has positive working relationships with a range of government and industry groups, including Defence representatives. She set out some recent and (then) forthcoming events:

- 2 February 2017 – in partnership with Austrade, an industry forum for SMEs in regard to procurement requirements to engage with Defence
- 31 July 2017 – hosting key briefings with Mr Sean Hawkins, Director of the Singapore Joint Development Implementation Team and Mr Mick Reilly, Business Community Liaison Officer for Defence

21 Brigadier Noel Beutel, Director, General Capital Facilities and Infrastructure, Department of Defence, *Proof Committee Hansard*, 12 July 2017, pp 60-61.

22 *Proof Committee Hansard*, 12 July 2017, p. 63.

23 *Proof Committee Hansard*, 12 July 2017, p. 27.

- 30 August 2017 – in partnership with AusIndustry and Centre for Defence Capabilities and personnel from the Singapore-Australia initiative – a forum with three existing primary (or tier 1) contractors to discuss with local industry the procedure to engage with primes as contractors and subcontractors.²⁴

2.24 Mr Neil Lethlean, Economic Development Manager at Capricorn Enterprise advised the committee of his role in running business development programs to look for new opportunities for local businesses:

It has got to be understood that Defence in this region does not have a large permanent presence. Western Street houses permanent personnel. But Shoalwater Bay, from a regional perspective, is the most important asset. Understanding the work programs that are programmed there over the next decade or more, it is our responsibility as that independent voice, as that independent networking facilitator to engage with local industry that wants to be engaged with defence.²⁵

2.25 Mr Lethlean summarised Enterprise Capricorn's key role:

...we are looking to engage with industry to make it aware of Defence requirements. We understand that Defence is not there to take risk. It has a well entrenched system for procurement and engagement through its primes and qualified contractors. But my ambition, working with the Centre for Defence Industry Capability and AusIndustry representatives, is to ensure that local industry that wants to engage in the Defence industry programs is totally aware of what those requirements are and can prequalify to become engaged in that network. That is my primary responsibility.²⁶

2.26 Mr Grant Cassidy, a board member of Regional Development Australia Fitzroy and Central West, and also Chair of the Capricornia Business Advisory Alliance, explained that the Alliance was established by the Federal Member for Capricornia, Ms Michelle Landry MP, as an advisory committee to look at local opportunities in relation to the Singapore project:

...to take the lead to steer the region in the lead up to the upcoming billion-dollar-plus investment and to make the most of business opportunities to drive our regional economy, assist with SME business growth and, importantly, jobs creation. Far too often, we have seen in regions like ours that it is very fragmented and makes it near impossible for government departments such as Defence or even prime or tier-1 contractors to easily work with local businesses.²⁷

24 *Proof Committee Hansard*, 12 July 2017, p. 27.

25 *Proof Committee Hansard*, 12 July 2017, p. 28.

26 *Proof Committee Hansard*, 12 July 2017, p. 28.

27 *Proof Committee Hansard*, 12 July 2017, p. 29.

2.27 The committee heard evidence from Mr Cassidy that the information sessions which Defence has held were only advertised in the state newspaper and there was no local information:

...when this was raised through the local federal member to the department, the reference was that there was no consideration that there would be any businesses in this region that would be capable of winning that work.²⁸

2.28 Ms Carroll was supportive of the proposal for a group of local governments with similar issues in dealing with Defence. However her preference would be for a broader grouping encompassing other sectors:

...I think that it needs to be local government, business and industry working together, hearing the same things and not having duplication of committees. You, like I, probably do not like going to meetings for the sake of a meeting, and you want to be clear and concise. Collaboration and partnership has to occur, and, if the majority are willing, the minority need to be brought into the fold. I think that your idea is a very good one, but I think it needs to expand to business and industry and not just to local government. CQ, as I said, is the six local government authority areas. Obviously, you can't have a committee of 50, but it absolutely needs to involve a more-broad remit than just the specific interests of one local government versus another.²⁹

2.29 In response to the suggestion that there be some form of standing forum between Defence and local governments to deal with issues in relation to the SBTA, Mr Grzeskowiak noted that ongoing arrangements are in place for state and territory governments, but Defence would not have any issues about being involved in more localised processes.³⁰

Developing local capability

2.30 Mr Craig Wilson, Project Engineering Specialist with QMI Solutions and member of the Queensland Division of the Industry Capability Network, noted some of the initiatives they undertake to assist in developing capability and align it with the requirements of major Defence projects. These include programs and workshops which are run for Defence Industries in Queensland:

Those are Defence Business 101: what is the supply chain beast; and what does it mean? I think that probably is also touching on the requirements of trying to get work in Defence. I have done that program with Major General Mick Fairweather over the last four years. We have touched on hundreds of companies in trying to help them understand what is required, what the depth of requirement is and their own preparation and positioning for the various aspects and the complications of dealing with Defence.³¹

28 *Proof Committee Hansard*, 12 July 2017, p. 33.

29 *Proof Committee Hansard*, 12 July 2017, p. 35.

30 *Proof Committee Hansard*, 12 July 2017, p. 58.

31 *Proof Committee Hansard*, 12 July 2017, p. 40.

2.31 Specifically in relation to workshops run in the Rockhampton area, Mr Wilson advised:

We have delivered the three programs of Defence Business 101, quad charts and the tendering for defence in Rockhampton in association with DIQ and the Department of State Development. We have also run a number of profile improvement workshops helping people on that journey to be able to express their business on their registration on ICN, and we do one-on-one workshops with them.³²

2.32 However:

In every case in the Rockhampton region, we have been struggling for numbers. I am not sure what that really is about. It is disappointing sometimes, and it is not until we really push the barrow, if you like, right at the last minute to get people to come along to these things. As I said, we've run them a number of times. We've probably run the three programs at least twice over the past three or four years in Rockhampton, Gladstone, Maryborough, Mackay and Bundaberg, and in all of those areas we've struggled to get numbers. I'm not sure what the answer is. We're there, we're running the programs, and we probably get a dozen companies come along, or a dozen people, in general.³³

Encouraging collaboration

2.33 Mr Cassidy, Chair of the Capricornia Business Advisory Alliance, commented on a coordinated approach to tendering for Defence work:

An opportunity has already been identified to cluster local businesses to be engaged in a consortium model to be tender ready as an alternative or parallel framework to the normal prime or tier 1 tender and contract relationship with Defence. There is, however, as you have heard this morning, genuine concern within the local business community that the traditional tier 1 or prime contract model will not drive the desired level of local economic benefit and associated local jobs unless there's a change in the traditional tender model.

...

Regional Development Australia Fitzroy and Central West are also undertaking a sector based capability audit to enable our local business community to firstly identify and then promote the diversity and strength of what's available right here in this region, allowing Defence to have a clearer understanding of what local suppliers can offer, both in the construction of new facilities and during the annual training exercises. If we can cluster appropriate businesses across sectors who are enthusiastic to work in the defence space, then this will enable even the smallest operation to join with others in their sector to pitch for work.³⁴

32 *Proof Committee Hansard*, 12 July 2017, pp 41-42.

33 *Proof Committee Hansard*, 12 July 2017, p. 42.

34 *Proof Committee Hansard*, 12 July 2017, p. 29.

2.34 Mr Cassidy advised the Alliance's role and the progress they expect to make in the next 12 months:

By this time next year we should be well and truly across the scope of work that Defence are currently doing at Shoalwater Bay. We should be a fair way down the track of then having an understanding of what local capabilities we need to either look at clustering or identifying from the local perspective, and we should be having some fairly advanced discussions with Defence as to how best to package that up to try to get the bulk of those dollars spent locally in this community. That is what I would hope would be happening.³⁵

2.35 Mr Goodwin of the SMW Group, further advised that he had previously been involved in a successful cluster arrangement in Townsville put together by the state government and suggested there may be similar opportunities in the Rockhampton region:

It enabled 10 or 12 Townsville businesses to collaborate and provide a service through a tier 1 or to compete with a tier 1 provider, which we did. We managed to obtain a large equipment service contract at Lavarack Barracks and we were competing against the likes of Thiess and Leighton at the time. As a region, we also need to understand those opportunities and what we can do together as a group of companies within the region. We need to get together and deliver on services that the ADF wants. But, for us to be able to develop that cluster, that service or that capability, we need to understand what the ADF wants, and, listening to everybody here, we don't know what that is.³⁶

2.36 Mr Goodwin reiterated the benefits of a coordinated approach for local businesses:

If you look at the capability within the Rockhampton region, we have got everything to be a tier one supplier. If you look at us as individuals, of course we do not. If we could get some form of support or coordination together, definitely we will go a long way to supporting it.³⁷

Engaging with Tier 1 contractors

2.37 Mr Wilson of the Industry Capability Network, noted that they see engagement with tier 1 contractors as an important way for regional businesses to engage with Defence. He suggested that a possible next stage was to introduce primes to regional areas to enable regional companies to understand what they require.³⁸ Mr Wilson also explained that the Australian Industry Defence Network of SMEs assist SMEs to find their way through the process.³⁹

35 *Proof Committee Hansard*, 12 July 2017, p. 31.

36 *Proof Committee Hansard*, 12 July 2017, p. 24.

37 *Proof Committee Hansard*, 12 July 2017, p. 25.

38 *Proof Committee Hansard*, 12 July 2017, p. 41.

39 *Proof Committee Hansard*, 12 July 2017, p. 40.

Drawing on other successful processes

2.38 It was noted that the Singapore Joint Development Implementation Team is based in Townsville. The committee heard evidence from Capricorn Enterprise that they would prefer to have a Defence contact or presence in the region, noting that Townsville is a seven hour drive from Rockhampton.⁴⁰

Communication about exercises

2.39 The issue of dissemination of information about Defence training activities was also raised as an ongoing concern during the committee's hearing in Rockhampton. Mr John Baker, a member of Agforce and a local grazier, raised concerns about the lack of notification to landholders and other locals about exercises which may impact on the community, such as road closures. He explained that it is crucial for landowners to be notified of training exercises conducted in airspace as some graziers have light aircraft or helicopters, or engage contractors for mustering. He understood that notice of such activity does appear on Facebook and in the local pub, but suggested that a local contact point from Defence would assist.⁴¹

2.40 Commodore Norris added that in relation to the Talisman Sabre exercise, Defence had been engaging with Rockhampton Regional Council in particular, but also with Livingstone Shire Council.⁴²

Noise impacting on cattle

2.41 Mr Bill Geddes, a local landowner, called for better consultation for things like noise and plane activities over animals, especially cattle at weaning time.⁴³ Mr Roger Toole, Committee Member of the North Queensland Regional Airspace and Procedures Advisory Committee and landholder around Shoalwater Bay also voiced his concern about low flying planes and the difficulty in getting information from Defence and then conveying his concerns to the relevant areas in Defence:

I was heavily involved in that with the squadron leader in Canberra about the ROZ [restricted operating zone] for Talisman Sabre. I need to advise you that I have been trying to get something done about that for a month. We knew there was going to be a problem. It has taken me four weeks of banging on every door I could find in the military to get somebody to take notice of what I was talking about.

Craig Mace had the experience last Sunday of a C-130 right over the top of him with a mob of cattle. If we had been able to get to somebody and get them to listen to what we were saying—and we weren't saying it just for the sake of it. I've been flying all my life. I've been in the military and I understand what can happen with these aircraft at low level. I'm also a grazier. We were very aware of what was going to take place, and it took us

40 *Proof Committee Hansard*, 12 July 2017, p. 31.

41 *Proof Committee Hansard*, 12 July 2017, p. 19.

42 *Proof Committee Hansard*, 12 July 2017, p. 58.

43 *Proof Committee Hansard*, 12 July 2017, p. 17.

a month of banging on doors to get somebody to take notice of what we were doing. They were very lucky that they didn't have their children in the lead on those cattle, because there could have been a very serious accident. It does happen.

We have the same situation about to happen, four weeks after this exercise finishes, with the Singaporeans. I only, this morning, got a copy of the AIP SUP [Aeronautical Information Publication Supplement] for Exercise Wallaby 2017. They are also planning to run low-level flights over cattle properties with C-130s. That is a real problem. Nobody has been informed that these things are going to take place. I know that there has been information given about when the exercise starts and what have you, but there was no information given to anybody about surface to 2½ thousand feet in Talisman Sabre over those cattle pockets until I got the AIP SUP. I thought, 'Goodness me, what's going on here?' Nobody wants to see the exercise stopped, but Defence need to understand that these people are like everybody else and that they are putting lives and businesses at risk doing what they are doing—especially when we can't get to anybody's door to find out what is going on. It took a month.⁴⁴

2.42 Defence acknowledged the impact of aircraft noise during training exercises on the local community, including graziers, and confirmed that there had been recent complaints. Commodore Norris outlined the steps taken to address this issue, including implementing a restricted operating zone to ensure that there are not low passes, except on approach to the airfield for take-off and landing through the flight path.⁴⁵ Commodore Norris further advised that Talisman Sabre has a hotline set up which is manned 24/7 to respond to such concerns and reassured the committee that Defence would ensure that they maintain their activities in a safe and appropriate manner.⁴⁶

Communication about proposed expansion of training areas and land acquisition

Defence engagement and consultation process

Rockhampton community perspective

2.43 Councillor Bill Ludwig, Mayor, Livingstone Shire Council, expressed his concern and disappointment on the processes and level of consultation by Defence on the proposed expansion of the training areas in the Livingstone Shire. Councillor Ludwig advised that the council was given confidential briefings and were informed that Defence would be handling the communication with the public. He advised that property owners 'got letters about five weeks before Christmas and effectively the

44 *Proof Committee Hansard*, 12 July 2017, p. 63.

45 *Proof Committee Hansard*, 12 July 2017, p. 49.

46 *Proof Committee Hansard*, 12 July 2017, p. 63.

letters were the precursor to compulsory acquisition, and that's where the bushfire started.'⁴⁷

2.44 Councillor Ludwig was of the view that there was no mechanism in place for consulting on the expansion and suggested that the process would have been improved with the establishment of a reference group to consult and disseminate information. He advised that he made his dissatisfaction with the process known to Defence and the Minister:

I said, 'You guys got it horribly wrong. You came and you outlined to local government, to the council, what you intended to do.' Then they went and blew it because they did not get everybody in the tent. They did not form a reference group where they could have put the information out broadly. They elected to send letters to people five weeks before Christmas. Those people felt that they were being picked off one by one. They felt that they were being intimidated and bullied. That came out of those meetings. I have never seen my community as angry as they were at those meetings. I went, 'Rule 101: how not to do a consultation; how not to engage.' Put that into *Hansard* and say, 'Never, ever do what they did.' If they had started with the town hall meetings, they could have given an overview and then prepared people for what the process was going to be rather than give them letters. And then when they had the one-on-ones, when the property owner said, 'By the way, what if we don't want to sell?' they said, 'We're just going to be compulsorily acquiring you anyway.' Throw petrol onto the fire and you have an idea of what happened at the end of last year and what transpired at the start of the year when people were so angry and up in arms. We ended up having to settle it down, but everybody had to go through so much angst. Because we were given confidential briefings, we were not able to flag to our community in advance. We were told that the ADF was taking the lead on this and we were told from the minister all the way down: 'Trust; we've got this in hand.' They read out all that stuff. That is what they will be doing. And that is what transpired.⁴⁸

2.45 Although outside the Livingstone Shire area, Councillor Strelow, also offered her view of the consultation process concerning the proposed expansion of the training areas:

As I heard from the community, for those first letters the timing was appalling. But the ADF did not actually know what they wanted... That was after they had already created the problem by sending letters to a broad group of people without really knowing whether they were going to need their land or not, not being able to justify why they might need it, where a boundary might go. All it did was create this huge amount of uncertainty when they could not answer any decent questions. If they had had some clear understanding of what they needed first and then engaged directly, I think a lot of the problems could have been resolved.⁴⁹

47 *Proof Committee Hansard*, 12 July 2017, p. 3.

48 *Proof Committee Hansard*, 12 July 2017, p. 8.

49 *Proof Committee Hansard*, 12 July 2017, pp 8-9.

2.46 The committee also heard directly from landowners in the area around the SBTA who were impacted by the proposed expansion plans as well as local business owners who may be impacted by the reduction of productive land in the area resulting in a reduced clientele base. Mr Bill Geddes, a local landowner, was concerned about the lack of information that has been forthcoming:

There are properties that have supposedly been bought by the Defence department, and no-one is actually coming forth and giving people information. We are obviously laymen. We know how things work and we make stuff work. If you've got country separate to the Shoalwater that they have purchased, do they intend to fence that separately? How do they intend to run it? Do they eventually want to choke the other properties out in between? That's the indication we all get. At the end of the day, they should come forward and put on the table what they are intending to do.⁵⁰

2.47 Mrs Danielle McKenzie, Chairperson of the Marlborough Against Defence Land Grab and the owner of Marlborough Motors, further explained that Defence engagement was only with landowners and that local business owners potentially impacted by the expansion plans were not engaged as they were not considered stakeholders.⁵¹ Mrs McKenzie gave details of her attempt to seek information from Defence:

I rang up to ask if I could get a one-to-one appointment, only to be laughed at. They had no idea why I was going to make an appointment. I was a business owner, not a landowner, so why would I want an appointment? They are taking my clientele base. Everything that makes my business a business, they are about to take from me. I'm not being compensated at all, and I am going to have to file bankruptcy. I am very concerned about my position right now. Basically, we walked into the meetings to be rolled out a map saying: 'We could potentially take this. This is a most likely. We don't know. Hang in there.' What a joke! That is basically what we had to live with and what we still are living with.⁵²

Defence perspective

2.48 Mr Grzeskowiak stated that the processes implemented by Defence in relation to engaging with the community on the proposed expansion of the SBTA and TFTA were informed by the Cultana Training Area expansion process in South Australia. He advised that Defence's approach was intended to let locals know as soon as possible about what was proposed, but acknowledged that there should have been more direct engagement rather than just sending letters. His view was that they have learnt from the process so far and advised that a local community engagement officer has now been appointed who will be based in Townsville.⁵³

50 *Proof Committee Hansard*, 12 July 2017, p. 16.

51 *Proof Committee Hansard*, 12 July 2017, pp 16-17.

52 *Proof Committee Hansard*, 12 July 2017, p. 16.

53 *Proof Committee Hansard*, 12 July 2017, p. 50.

2.49 Brigadier Timothy Bayliss, Director General, US Force Posture Initiative; and Program Manager, Australia-Singapore Military Training Initiative, Department of Defence, provided some more detail of the current arrangements:

We have got a permanent office established up in Townsville, and they travel back and forth between Rockhampton and Townsville in order to manage that engagement. I also travel frequently up from Canberra to engage directly with local councils and chambers of commerce—indeed, I will be up here over the next few weeks talking through the detail of the socioeconomic report.⁵⁴

Potential economic impacts

2.50 The committee heard of both the potential positive and negative impacts of the proposed land acquisition to expand training areas. Livingstone Shire Council raised the issue of the impact of a further reduction in the rate-base on revenue as a result of the training area expansion. The council provided an estimate of the rates loss under the current Defence occupation of 25 per cent of the Shire:

Currently (not including recent acquisitions) there is an estimated loss of rates revenue of approximately \$32 million for the last 52 years, up to \$50 million taking into consideration the potential lost opportunity costs and investment in the region.⁵⁵

2.51 Councillor Ludwig noted that the proposed acquisitions would increase the level of Defence occupation to 30 per cent of the Shire and he highlighted the potential economic impact:

We knew that there would be some acquisitions, but we almost fell off our chairs when we saw the scope of it...[T]hat's a huge hit. Forget about the rate base; look at the economic exodus of beef production and all the flow-on through the meatworks, the supply chains and everything else.⁵⁶

2.52 The Livingstone Shire submission advises that:

The increased financial pressure on the entire rateable Livingstone Shire community by a significant reduction in rates revenue from SWBTA expansion property purchases currently being undertaken must also be accounted for and offset both financially and through long-term investment in the host council area.⁵⁷

2.53 Councillor Ludwig raised his concerns about how much investment would flow into expenditure on infrastructure:

54 *Proof Committee Hansard*, 12 July 2017, p. 50.

55 Tabled document No. 23, 12 July 2017, Livingstone Shire Council, Briefing note for Senate Inquiry impact of Defence training activities and facilities on rural and regional communities, Meeting Wednesday, 12 July 2017, p. 1.

56 *Proof Committee Hansard*, 12 July 2017, p. 3.

57 *Submission No. 5*, Livingstone Shire Council, p. 2.

When I saw the map that they put on the table of what they would like to do, and we did the calculations, we thought, 'There'll probably be about \$500 left over by the time they acquire all of that land,' and we weren't going to see a cracker go into infrastructure and all of those other things. I thought, 'How is this going to play out?' You need to look at those significant maps, and I think everybody was caught on the hop, because I think the generals got together and thought, 'Here's an opportunity for us to have this bigger than the proverbial *Ben-Hur*,' when really what they should have been doing is looking at the shared uses, which they're starting to do now.

In fact, if they spent the \$1 billion buying the land, there'd be no injection. It'd all be going out, because we'd be losing all the productive capacity of that land and all of the support jobs and industry that go with that. So I think that's where they're coming from. Let's see how much land we can get. When you look at their map to increase it to 30 per cent of our land base, we then had some really serious concerns, but we had to wait to see how that was going to play out, and that played out very quickly.⁵⁸

2.54 Mr Peter Fraser, President of the Capricornia Chamber of Commerce advised:

I certainly wouldn't tell the Singaporeans how to spend their money but, to go one step further, if the infrastructure spend that they were intending to do at Shoalwater Bay included potentially building an airport or even building some form of residential accommodation or shops for their 18,000 troops to use, this would have a significant detrimental effect on all the economies around Shoalwater Bay.

...

Without any knowledge of what the infrastructure spend looks like to a Singaporean who's making the call, this could have enormous ramifications for our local economy, and we just don't know at the moment.⁵⁹

2.55 Another impact of the reduction on productive land in the Shire is the flow-on effect to local businesses currently supporting agricultural producers in the region. Mrs Joanne Rea, a committee member of the Marlborough Against Defence Land Grab noted the importance of the cattle industry in particular to Rockhampton's economy:

...Rockhampton is a cow town, so there are a lot of stock and station agents. There are people whose businesses rely on supplying people who own cattle properties. They can't just say, 'Well, I do business in Rocky, so I'm going to repurpose to try to get Army contracts.' The hoops are just too numerous and the bars just too high, and the history required is too stringent. So, perfectly good businesspeople are going to be put out of business, simply because the product they supply is a product for cattle property owners and not for Defence.⁶⁰

58 *Proof Committee Hansard*, 12 July 2017, p. 9.

59 *Proof Committee Hansard*, 12 July 2017, p. 10.

60 *Proof Committee Hansard*, 12 July 2017, p. 17.

2.56 Mrs McKenzie voiced concerns of other local business owners, not exclusively servicing the agricultural sector, on the expansion plans:

If the Australian Defence Force continues to purchase land from willing sellers over the years to come and slowly remove local businesses' clientele without a promise of financial replacement or compensation, this will clearly mean for local businesses like me that the financial struggle will slowly and eventually drain them out, forcing us and many others to close doors. How do we then relocate, repurchase and restart after being financially disabled? We can't.

...

And we can't sell our business now, because this is known. Who's going to want to buy my business? Who's going to want to buy anything in Marlborough?⁶¹

2.57 Mrs McKenzie explained to the committee that she does get 'highway work', but 90 per cent of her business is reliant on the surrounding clientele which lie within the Defence expansion area.⁶² Mrs McKenzie also raised the question of whether compensation to business owners affected by the land acquisition would be considered:

I think the Defence Force needs to recognise that it is not just landowners that are being impacted by this; local businesses are going to suffer dramatically from this. I can't repurchase; I can't restart my life, my business, my family without any compensation or financial replacement of financial loss from what they are taking from me. I've tried really hard to work with the Australian Defence Force. They can't provide me with a guarantee that they will replace our financial loss. Until they do, I will continue to push as hard as I can for compensation.⁶³

2.58 Brigadier Bayliss responded to the concerns raised about the potential detrimental effects of the proposed expansion to the regional economy, particularly in relation to the agricultural sector:

The socioeconomic report which has just come out does acknowledge the potential impact, in terms of the agricultural sector in particular, were we to take this land or purchase this land. It acknowledges the impact it may have on the agricultural sector itself. It also acknowledges the benefits in terms of the construction industry, which will benefit from the development of this, and the enduring effect of the increased activities we will conduct in the region. It balances it out. The big message that I get out of the socioeconomic report is: how do I maximise the benefits, in terms of local industry involvement, and how do I minimise that impact into the agricultural sector? And the things that we're looking at to inform our decision-making as we go forward are: what do we have to do to get local

61 *Proof Committee Hansard*, 12 July 2017, pp 13 and 16.

62 *Proof Committee Hansard*, 12 July 2017, p. 17.

63 *Proof Committee Hansard*, 12 July 2017, p. 18.

industry more engaged in the project and, indeed, how do we lessen that agricultural impact by either purchasing land of lesser agricultural value, minimising the amount of land that we purchase or looking at creative potential solutions for how we work together with the agricultural sector to further minimise the impact in that sector?⁶⁴

2.59 Ms Debra Howe, Director, Strategic Growth, Livingstone Shire Council, questioned some of the findings and assumptions of the KPMG report:

KPMG said the Defence spend at Shoalwater Bay does not just include capital; it includes wages and salary for both military personnel and civilians. It defies logic that people who come and go over short visits drop their wages in our economy; when you roll that up and say it is X million dollars and so many hundreds of jobs as a direct result of that contribution being spent at Shoalwater Bay, I do not believe that is factually correct. The people who are paid to go there go there for a reason. They will bring their cut lunch—or whatever analogy you like use. They are self-contained and they leave. So I think there needs to be a reality check around how the figures are used and the feel-good value that is supposedly left behind. We are asking for that to be real.⁶⁵

Further opportunities

Opportunities for growing regional infrastructure from enhanced Defence presence

2.60 The Rockhampton Regional Council advised the committee of the opportunities it saw for developing a 'set-aside military area' at the Rockhampton Airport⁶⁶ which could include housing. Noting the costs of transporting equipment, which it suggested are not used anywhere but Shoalwater Bay, the Council highlighted the potential benefits for Defence of a more permanent presence in the region.⁶⁷

2.61 Councillor Margaret Strelow, Mayor, noted that, while the council is very supportive of the presence of military exercises, the current level of activity is beginning to impinge on the space at the airport for general aviation, particularly affecting the council's wish to develop freight export through the airport.⁶⁸ Councillor Strelow elaborated:

We actually have an area adjacent to the tarmac that we have a master plan for that would be able to be locked up and owned; perhaps multi-user just

64 *Proof Committee Hansard*, 12 July 2017, p. 51.

65 *Proof Committee Hansard*, 12 July 2017, p. 10.

66 Rockhampton Airport is a commercial unit of the Rockhampton Regional Council which is responsible for its management and operations. It is located 5km from Rockhampton city centre with both domestic and international aircraft servicing the Rockhampton terminal. See <http://www.rockhamptonregion.qld.gov.au/CouncilServices/Rockhampton-Airport> (accessed 7 August 2017).

67 *Proof Committee Hansard*, 12 July 2017, p. 3.

68 *Proof Committee Hansard*, 12 July 2017, p. 3.

with Defence only and we could get the security right. We would gladly enter into a commercial relationship about that.⁶⁹

2.62 The council further noted that it had been putting proposals for this type of development to Defence for some time.⁷⁰ Mr Grzeskowiak confirmed that Defence was aware of the Council's proposal:

I think we've seen the proposals over some years; this is not an idea that's very new. Thus far, our view has been that we wouldn't require that. That's our view thus far. Whether that would change going forward with an increased exercise presence I don't know, but if people come to us with those sorts of proposals we'd consider them. But our first consideration is: is there a Defence capability need for that or not? Our judgement thus far has been that there is not.⁷¹

2.63 Councillor Ludwig, Mayor of the Livingstone Shire, presented the committee with a range of potential infrastructure opportunities in regard to the proposed expansion of the training areas. Ms Howe, Director, Strategic Growth, emphasised the opportunity for Defence involvement in infrastructure projects with shared benefits to not only improve capacity for Defence activities now, but provide an ongoing legacy to the region. Upgrades to road infrastructure in the shire were noted as a key area where immediate direct and shared benefits could be delivered for both Defence and regional primary producers. In particular the upgrade to Stanage Bay Road was cited as having potential to generate opportunities to grow beef cattle production, tourism and fisheries industries.⁷²

2.64 Mr Grzeskowiak noted that Defence has paid \$8.6 million, excluding GST, to the Livingstone Shire Council for roads over the past decade; with \$450,000 contributed as a user-pays fee over the last 10 years for Stanage Bay Road.⁷³ He further advised:

If we are developing the training area, particularly if there was an expansion involved as part of that development, the road capacity and whether we needed to invest in that would be part of that consideration in the planning in detail of what the infrastructure development would be. I can't say what the answer would be but it would certainly be one of the things that would be considered.⁷⁴

69 *Proof Committee Hansard*, 12 July 2017, p. 3.

70 *Proof Committee Hansard*, 12 July 2017, p. 3.

71 *Proof Committee Hansard*, 12 July 2017, p. 60.

72 Tabled document, 12 July 2017, Livingstone Shire Council, Briefing note for Senate Inquiry impact of Defence training activities and facilities on rural and regional communities, Meeting Wednesday, 12 July 2017, p. 1

73 *Proof Committee Hansard*, 12 July 2017, p. 53.

74 *Proof Committee Hansard*, 12 July 2017, p. 53.

2.65 Another area of potential infrastructure development which was raised was improved telecommunications, where certain areas experience issues with service failures during major joint army exercises.⁷⁵ Ms Howe elaborated at the hearing:

So spend on the facilities and on other infrastructure, but please allow that to be a legacy to the communities that are impacted—for example, telecommunications. Don't try to call Grandma when you have Talisman Sabre on, because if you're a resident you cannot get bandwidth. To Defence's credit, after we submitted our proposal, they have this time installed some additional facilities to increase their capacity and be less detrimental. Why do that temporarily and take it away? Why not do that and upgrade the facility, and leave that legacy to the community which they're operating in?⁷⁶

2.66 Ms Mary Carroll, Chief Executive Officer, Capricorn Enterprise, set out for the committee what she saw as future development opportunities:

Major opportunities include the commencement of our two anchor major resorts on the Capricorn Coast, including Great Keppel Island and Capricorn Resort; the sealing of Stanage Bay Road, which would enhance the opportunities for Stanage Bay as mentioned by Livingstone Shire Council Mayor Bill Ludwig this morning; and elevating the Blue Route through Byfield in regard to accessing and servicing facilities at Yeppoon. I'm sure you're familiar with the terminologies of the Blue Route, the Green Route, the Brown Route and, to a lower standard, the Yellow and Grey routes.

I note that a recent KPMG report, released yesterday, includes the major projects, including the two resorts at Great Keppel Island and Yeppoon. It also includes the Stanage Bay Road opportunities for tourism. Mayor Ludwig also mentioned this morning the ecotourism opportunities for Three Rivers, which is currently locked up by Defence, and we support the view expressed by the mayor this morning.⁷⁷

Underutilisation of the Shoalwater Bay Training Area

2.67 Mr Peter Fraser, President, Capricornia Chamber of Commerce, noted opportunities from greater utilisation of the SBTA:

It's more so in the amount of times it's used. Its two-pronged: the amount of times that it is used currently and the Australian allies that currently use it, and the present standing ADF contingent here in the local area. I will address the first part of it first. Talisman Sabre is currently on. It is a biennial event. It is on for three weeks. We get our inflow of US servicemen for that three-week period. I think it's already mentioned that they tend to not stay in our region or to spend a lot of money. We certainly

75 Tabled document, 12 July 2017, Livingstone Shire Council, Briefing note for Senate Inquiry impact of Defence training activities and facilities on rural and regional communities, Meeting Wednesday, 12 July 2017, p. 1

76 *Proof Committee Hansard*, 12 July 2017, p. 10.

77 *Proof Committee Hansard*, 12 July 2017, p. 27.

don't see it. I've talked to many, many people, and they can certainly recognise the presence of Singaporean soldiers from time to time, but the US defence personnel to a much lesser extent.

...

The 2004 study mentioned that for the 2,000 US servicemen surveyed the average spend was around \$2,500 in Central Queensland. I personally cannot see that from my last exposure to Talisman Sabre here two years ago, and I've seen very little of American servicemen in our shopping centres currently in the area. The other point I was looking to raise is that at the moment we have I think 6,000 or 6,500 Singaporean soldiers who come through our training facility every year. That is being looked to be increased to 14,000. I think their current tenure here is six weeks, and they might have a couple of days off, perhaps book-ended on both ends. That is being increased to 18 weeks. So, there is clearly opportunity there. With the last Talisman Sabre we had a contingent of 600 Japanese, and I think we had 500 New Zealand servicemen come through. So clearly there appears to be an appetite for the ADF to include our Pacific neighbours. I would certainly suggest, not being a serviceman obviously, that, given the capabilities from there being 52 weeks in a year, we are underutilising it simply based on the amount of time.⁷⁸

Shared use of land arrangements

2.68 Councillor Ludwig acknowledged that there may be potential for opportunities for shared use of land arrangements for some parts of the training areas where appropriate, which may be a solution for proposed future expansion plans. He also suggested the use of leases as a potential way forward.⁷⁹ He also suggested that:

There may be an opportunity for us to get some land back at Three Rivers. Three Rivers is like our Fraser Island. It has been locked up. Halfway down the beach there has been a border and there are major big signs: 'Keep Out', 'Keep Out', 'Keep Out.' Talk about visual pollution in a pristine area! ADF have in recent years, the last couple of years since I have become mayor again, acknowledged that it is of no strategic use to them. So there are some of those other areas where there may also be some ecotourism at times when they are not going to be used and in areas that are not going to be compromised by unexploded ordnance or safety issues. What we do not get back is that we cannot get our rate base back, but also you will not get full capacity back. But certainly in the beef industry and in the new area where they want to establish flyovers and things like that in their buffer zones, perhaps they can maintain their agricultural production. In a war situation the troops are going to be going through places that are going to have farms and cattle. That can be managed, and it would actually put a level of realism into what they are doing.⁸⁰

78 *Proof Committee Hansard*, 12 July 2017, pp 6-7.

79 *Proof Committee Hansard*, 12 July 2017, p. 7.

80 *Proof Committee Hansard*, 12 July 2017, p. 7.

2.69 The possibility of opening up the Three Rivers area was put to Defence who advised that they would be open to looking at the proposition.⁸¹

2.70 The committee noted that the Capricorn Conservation Council in its submission stated its strong opposition to the suggestion of 'unlocking' the Three Rivers for ecotourism due to the fragility of the coastal zone. The Council commented on:

[the] risks to nearby high value ecosystems, already under pressure from unauthorised entry and the escaped fires from recreational drivers and illegal campers would be exacerbated if this current buffer zone was exploited for tourism.⁸²

Environmental impacts of Defence activities

Land management of training areas by Defence

2.71 Noting that Defence has had a presence in the area for approximately 50 years, the committee sought details on the reasons for the emergence of recent issues, including in the area of land management.

2.72 The Marlborough Against Defence Land Grab Committee raised concerns about the management and condition of Defence land. They suggested the engagement of a land manager by Defence, rather than an environmental officer, to tackle concerns over grass cover and erosion control.⁸³ Mr Bill Geddes, a local landowner, explained that with better maintenance, and therefore making better use of existing property, Defence may reduce their need to acquire more land.⁸⁴ Mr Geddes further explained:

And it's not just bringing in the bulldozers. Land clearing is so much more. It's exactly what I said about maintaining someone's garden. If someone told you to stop pruning your garden and keeping your house up, it's not going to last long, is it? But that's exactly what happens. It's like they go on holidays. They just leave it be. Then, when they do get a fire up there, it's a humongous big sucker, and quite often it's started from the activities that they run anyway. So, at the end of the day, it's just common sense. They're buying country that they want because it's in the condition that they want it at, but they're not keeping the stuff they've already got up to the standard that they're trying to buy it at. It doesn't make sense.⁸⁵

2.73 The Capricorn Conservation Council expressed its concerns that the increasing frequency of military exercises:

...will limit the capacity of environmental manager[s] and contractors to properly assess and manage whole of landscape environmental impacts
...The reducing time gaps between exercises combined with the last decade

81 *Proof Committee Hansard*, 12 July 2017, p. 62.

82 Capricorn Conservation Council, *Submission 30*, p. 4.

83 *Proof Committee Hansard*, 12 July 2017, p. 14.

84 *Proof Committee Hansard*, 12 July 2017, p. 15.

85 *Proof Committee Hansard*, 12 July 2017, p. 15

of weather extremes...suggest the need for more investment and longer periods for flora and fauna recovery, lest the values which underpin Shoalwater's 'due use' decline beyond their point of resilience.⁸⁶

2.74 Defence explained to the committee that their approach is to look to optimise the use of the current training areas before they look to expansion:

The training areas we have are fantastic, but they have limitations. I look at some geography factors around Shoalwater Bay where a third of the range itself is water. There is a large range that runs through the middle of the range which limits our ability to manoeuvre and fire. There are also damp areas which affect our ability to move heavy equipment into it. I look at our environmental constraints in order to comply with our obligations under environmental law which require us to rest areas and let them recuperate. Then I look at the concurrency issues that we have; if I look just at the Singaporean training, they train on the training area for six weeks a year and consume the whole range, and there is no ability for ADF to train on the range at the same time. So, when I look at our initiative which looks to expand the training to almost triple that amount, the maths do not work in terms of occupying the range at the same time.

Then I look at the future requirements for ADF. As the dep sec said, we have got heavier vehicles coming down the range with the LAND 400s, where the weight of our vehicles will double, which will create more damage to our environment that we will need to then manage more carefully. We are looking at ranges for our weapons systems that are just getting longer. So, when we look at potentially rocket-based artillery systems in our future, we just need more space in order to accommodate the future requirements for the ADF.

Particularly pertinent for Shoalwater Bay are our growing amphibious requirements. In order to meet that training requirement, Shoalwater Bay provides the only real option in order to do the large-scale activities...⁸⁷

2.75 Mr Geddes and Mr Baker noted that Defence used to engage 'day-to-day property managers' who could operate as a local point of contact who are no longer there. Mr Baker advised that:

As a representative of AgForce, I've been talking to some of the landholders up there, and they were saying the defence department used to have some rangers in the area who would patrol the area and keep an eye on things and that sort of thing and then they would liaise with the landholders who were adjoining the area. They would be a point of contact if there were any issues—maintaining fences and those sorts of things. But in recent times, apparently, that hasn't happened and there's no point of contact—someone you can ring up and get on the phone and say, 'What's going on? Can we sort this problem out?' There isn't that contact.⁸⁸

86 Capricorn Conservation Council, *Submission 30*, p. 3.

87 Brigadier Bayliss, Department of Defence, *Proof Committee Hansard*, 12 July 2017, p. 51.

88 *Proof Committee Hansard*, 12 July 2017, p. 15.

2.76 Mr Grzeskowiak, confirmed that two people used to be based locally for dealing issues around the Rockhampton estate, including land management, but were relocated to Townsville approximately two years ago. He confirmed that they were still available for that purpose, but said that they would review the current arrangements going forward particularly in light of the Talisman Sabre exercise and also the comprehensive strategic partnership.⁸⁹

2.77 During examination of the Queensland Department of Aboriginal and Torres Strait Partnerships, Mr David Thompson, Program Manager, Rockhampton Office, agreed with the proposal put forward that there may potentially be opportunities to Aboriginal and Torres Strait Islander businesses to be involved in the management of Defence land training areas:

I think it is an opportunity to have a range of positions based within Defence to be able to do restoration work after each exercise has been carried out, to bring the land back and to look after some significant sites or some cultural area sites that are on that parcel of land, because it is quite a significant amount of land.⁹⁰

2.78 Mr Grzeskowiak noted that Defence has ongoing environment and land management programs in place for all Defence properties and he confirmed they also have in place bushfire management and weed management plans.⁹¹ Defence confirmed that the SBTA Environmental Advisory Committee (SBTAEAC) was established in 1998 as a result of a recommendation of the 1994 *Commonwealth Commission of Inquiry into the Shoalwater Bay Training Area*. The SBTAEAC meets twice per year and has wide ranging membership including representatives from Defence, Commonwealth and State agriculture and environmental organisations, local government, local Indigenous groups, neighbouring landowners and conservation groups.⁹²

Other initiatives in the procurement area

Indigenous procurement policy

2.79 Mr David Thompson, Program Manager, Rockhampton Office of the Queensland Department of Aboriginal and Torres Strait Islander Partnerships advised the committee that there were currently approximately 80 Aboriginal and Torres Strait Islander businesses across the region participating in state government procurement. However, he was not aware any Aboriginal and Torres Strait Islander businesses currently involved in Defence procurement in the region.⁹³

89 *Proof Committee Hansard*, 12 July 2017, p. 50.

90 *Proof Committee Hansard*, 12 July 2017, p. 46.

91 *Proof Committee Hansard*, 12 July 2017, p. 53 and 57.

92 Department of Defence, Answers to a question on notice from the hearing on 12 July 2017, received 28 August 2017.

93 *Proof Committee Hansard*, 12 July 2017, p. 43.

2.80 Mr Grzeskowiak was able to advise that Defence currently contract Spotless to perform service delivery and management in the region, which in turn subcontracts to around 20 local companies, of which two are Indigenous owned.⁹⁴

2.81 In relation to the possible reason why there is limited engagement with Indigenous businesses, Mr Thompson suggested the need to develop more relationships leading to joint venture arrangements. He further advised that there has not been contact with Defence in relation to the Rockhampton region.⁹⁵

2.82 Mr Thompson believed that the smaller size of Aboriginal and Torres Strait Islander businesses was a factor impacting the level of engagement with Defence:

I think the challenge is for the Indigenous businesses to be a prime, or a tier 1, contractor. Whilst Defence, or the Australian government, has put out a commitment to increase Indigenous spend within their portfolios, the bar is too high in relation to that because Indigenous businesses are mainly mums and dads, with the odd apprentice or trainee in places. So we do not have the turnover, the capital or the assets to be able to compete for some of the bigger spend that Defence Force does. So how do we do that through a joint venture arrangement? How do you manage that locally rather than through a prime based out of Brisbane, Melbourne or Sydney, or so forth. How do we pull together an alliance where we can actually take out the mitigation for risk for the Indigenous parties to be a major shareholder in the project or in the contract? So that is a challenge. We can do it with the state projects, because some of the Indigenous parties are quite capable of delivering, whether it be civil construction, general maintenance housing and so forth. But from a Defence perspective, it's probably a lot larger. But it's not just the construction side of things; it's the ongoing maintenance and upkeep, so I think there's another key area where the Aboriginal parties need to be involved. They're on country; it's their land. It's probably a good thing that Defence looks at that as well, and what the benefits would be.⁹⁶

2.83 Mr Thompson told the committee about its publication *Deadly Directory*, which lists all the Aboriginal and Torres Strait Islander businesses in the region and includes the ABN number for each and the details of the services delivered. Mr Thompson also advised the committee that the department was aware of, and has engaged, the Industry Capability Network in their workshops.⁹⁷

2.84 It was noted by the committee that at the national level, Defence exceeded its target of 70 contracts with Indigenous businesses in 2015-16, awarding 285 contracts valued at \$141 million. This compares to the state government's Indigenous spend of \$134 million.⁹⁸

94 *Proof Committee Hansard*, 12 July 2017, p. 48.

95 *Proof Committee Hansard*, 12 July 2017, p. 43.

96 *Proof Committee Hansard*, 12 July 2017, pp 43-44.

97 *Proof Committee Hansard*, 12 July 2017, p. 45.

98 *Proof Committee Hansard*, 12 July 2017, p. 44.

2.85 Mr Grzeskowiak noted significant growth in Defence Indigenous procurement in the last two years. He noted that the 2015-16 result of \$141 million was an significant increase to the figure from only two years before of approximately \$2 million; and represented approximately half of all Commonwealth expenditure to Indigenous companies as recorded through Supply Nation and the Indigenous Procurement Policy.⁹⁹

2.86 Mr Grzeskowiak noted that he had recently been appointed the Defence Indigenous champion because of his interest in this area and spoke about some recent initiatives:

I recently had a meeting with representatives from around 20 of the Indigenous companies that we deal with, mainly in the construction and services sector—that's my area of business in Defence—and they gave me some really good messages about how we can continue to take this forward. Interestingly, one of the key messages—and I think we are hearing that in some of these hearings as well—is that it's no good to have a huge splash of cash in a particular financial year or over a couple of years. What small companies in particular need to see is a steady and growing stream of work, particularly for the Indigenous companies, who are very keen to take on Indigenous apprentices. Obviously an apprentice needs to be there for a few years, and so you need some form of surety of supply.¹⁰⁰

99 *Proof Committee Hansard*, 12 July 2017, p. 48.

100 *Proof Committee Hansard*, 12 July 2017, p. 48.

Chapter 3

Issues raised with the committee in Townsville

3.1 This chapter summarises the issues raised during the committee's hearing in Townsville, including the current level of local engagement with Defence and future opportunities; challenges facing local government and local businesses; and mechanisms for communication with Defence, particularly in relation to enhanced local business engagement and the proposed expansion of training areas.

Facilitating opportunities for regional and local business

Utilising the skills in the region

3.2 The committee heard from a range of businesses across different sectors undertaking significant business with Defence in Townsville and the region and which were all generally positive on their experiences in engaging with Defence.

3.3 Simon George & Sons, a fruit and vegetable wholesale business operating in Australia since 1927 and in Townsville since 2006, has had a longstanding relationship with the ADF for the provision of fresh fruit and vegetables. Mr Larry Griffin, General Manager Townsville, told the committee that Simon George & Sons 'has a proven history of being loyal purchasers of local produce from Townsville and surrounding growing districts.'¹ Mr Griffin informed the committee that the company had just been through a national tendering process and was awarded a contract for the supply of produce for the Army (excluding Townsville) and to provision naval vessels along the eastern seaboard, and did not have any problems with the tendering process. In relation to the company's interactions with Defence, Mr Griffin was very complimentary:

I think they do an excellent job. In our direct dealings with Defence they have given us plenty of lead time to allow us to source the right product at the right price from the right regions, and they take feedback on board with regard to substitutions, whether it is a quality issue or an out of season. They have always given us strong feedback on anything we have provided when we have asked and they pay in a very timely manner.²

3.4 The committee also heard from the Port of Townsville Ltd, a Queensland government-owned corporation, which is a multicargo port, utilising eight berths that handles a diverse range of cargo and facilitates access for cruise ships. Additionally, it provides accessibility for Defence vessels into northern Australia. Mr Jacob Kalma, General Manager Operations and Logistics, provided the committee with details of Defence's important role within the Port of Townsville:

The proximity of Lavarack Barracks has meant the Port of Townsville is convenient, strategically placed and cost-effective for interservice activities

1 *Proof Committee Hansard*, 14 July 2017, p. 31.

2 *Proof Committee Hansard*, 14 July 2017, p. 37.

such as disaster relief. To enhance loading operations, Defence developed a small staging area at the port, approximately a hectare, as well as permanent office space for Navy personnel to utilise. The Port of Townsville Ltd worked in collaboration with Defence to upgrade berth 10 in 2013. The berth was purpose-built to host Navy's two newest and largest landing helicopter dock, LHD, vessels, HMAS *Canberra* and HMAS *Adelaide*. This approximately \$85 million facility, which was co-funded by Defence, includes fuelling and tank-staging areas and a terminal building, and is supported by a DAWR AQIS quarantine wash-down facility. Defence has priority berthing arrangements in place to utilise the berth 10 facility as required.³

3.5 Mr Kalma also informed the committee of future opportunities through Defence engagement:

With the recently announced joint military arrangements with the Singaporean government, the port is well positioned to support increased navy ship visits from the Singaporean navy. We have hosted several of their naval visits in the past and are expecting four port calls in September 2017. The priority arrangements for foreign defence vessels at berth 10 are an important component in this military partnership.

The Townsville White and Grey Ship Attraction Committee, for which the Port of Townsville provides a chair, works to ensure defence vessels visiting Townsville are made aware of all the wonderful tourism opportunities that are available in our region. The committee is also working on establishing regular annual events with Navy, such as exhibition rugby games, to increase the Navy's participation in the social aspects of Townsville.

The \$1.64 billion Townsville port expansion project, which will widen the sea channels in stage 1—the channel capacity upgrade—is now in the final stages of environmental approval processes. Widening of the sea channel will provide safer access for larger defence vessels. This project will include the development of a new reclamation area, which will provide extra berths as well as additional backing land areas, which will be available to be utilised by port users. These additional berths and available land, as well as the existing facilities within the port, provide Defence with several options to cater for any potential future needs in terms of operational requirements.⁴

3.6 In regard to the opportunities for local businesses, Mr Kalma advised:

A lot of the transport is done by Defence transport themselves. However, in terms of supplying and provisioning the ships, there is a large opportunity for local businesses to be involved. Also, from a tourism perspective, people come ashore and have a weekend here in Townsville. With the crew

3 *Proof Committee Hansard*, 14 July 2017, p. 31.

4 *Proof Committee Hansard*, 14 July 2017, pp 31-32.

at the local restaurants, bars et cetera, we see a lot of that input and value from that side.⁵

3.7 Mr Kalma advised the committee that the Port of Townsville values the relationship with Defence and it wants to:

...build and further develop the relationship between the community, the port and Defence, and we see that it can only get better and improve. We also see opportunity within the port to expand Defence's presence by having more land available as well as more berthing opportunities.⁶

3.8 The committee also heard from Shamrock Civil Engineering (Shamrock), a privately owned civil construction contractor, with over 120 employees, which has been operating for 22 years with base locations in Townsville and Ipswich. Mr Clinton Huff, Business Development Manager North Queensland, advised that over the past 10 years Shamrock has undertaken various projects with Defence, either through direct contract with Defence or as a subcontractor to tier 1s in larger contracts.⁷

3.9 In regard to the utilisation of local suppliers, Shamrock advised that it has a policy to purchase everything locally if possible:

We purchase everything we can based out of Townsville. The only time we will move outside Townsville is if we cannot actually find it here, and then it is based on going to the next most regional location until you can get it. That is our internal policy. We have found that by doing that it reduces the costs in the delivery of the projects, because you're not paying for travel costs to bring people in or other equipment in.⁸

3.10 Mr Huff also noted that in the tender documentation there is encouragement to use local businesses in the delivery of the works.⁹

3.11 The committee heard evidence from Cubic Defence Australia Pty Ltd (Cubic) on its experience in engaging with Defence on work with its training activities and facilities in the region. Cubic is an Australian arm of a global corporation and is based in Townsville providing support for ADF training activities by supplying specialist technical simulations of systems and services. Cubic's submission outlined the scale of its operations:

Cubic commenced operations in Townsville in 2007, and has since experienced year-on-year growth to exceed annual revenue of \$29 million in 2016 with more than 110 full-time employees. In support of ADF training activities across the country, Cubic also employs more than 150 casual staff. Whilst our programs have expanded across a broad geographical footprint, we have maintained our head office in Townsville,

5 *Proof Committee Hansard*, 14 July 2017, p. 35.

6 *Proof Committee Hansard*, 14 July 2017, p. 38.

7 *Proof Committee Hansard*, 14 July 2017, p. 32.

8 *Proof Committee Hansard*, 14 July 2017, pp 32-33.

9 *Proof Committee Hansard*, 14 July 2017, p. 33.

which is also the home for the largest concentration of our workforce (48 staff). In 2016, Cubic Defence Australia's operations resulted in over \$9 million being injected into the local Townsville economy.¹⁰

3.12 The General Manager of Cubic, Mr Miles Macdonald, advised the committee that Cubic is a medium sized company that has successfully contracted with a large number of locally-based SMEs which supply a range of goods and service to their operations:

We have a huge spectrum. We have some small one- and two-person consulting professional service providers who provide us specialist training expertise. We have manufacturing here in Townsville. Townsville Sheetmetal, for example, has done some excellent manufacturing work for us over the years, including design and delivery of complex, environmentally protected communication shelters. Yes, so we have a very broad range. We have telecommunication companies that provide maintenance subcontracts for us across the country.¹¹

3.13 Beyond the direct revenues for the work conducted, Mr Macdonald particularly talked about the potential flow on benefits and capability building potential of engaging local businesses. In the case of the example of Townsville Sheetmetal mentioned above, Mr Macdonald advised:

...Townsville Sheetmetal, are an excellent company, very flexible. They have been able to use the work that we have flowed to them to improve their own design processes and procedures, so that now when we go back to them for more work it is much more efficient, and their quality and speed in putting something together is better every time.¹²

Opportunities for growth with increased Singapore investment

3.14 The Mayor of Townsville City Council, Councillor Jenny Hill, advised the committee about the flow on opportunities from an enhanced Singapore presence, including the potential for increased exports to Singapore, particularly in agriculture and aquaculture.¹³ She also informed the committee of recent opportunities in the area of telecommunications:

We have recently given our telecommunications contract to Optus, and Optus has helped us open up those doors into Singapore and Singtel. We are now moving towards building a tier 3 data centre—the only one of its type outside of a capital city. That brings us a number of opportunities, particularly in developing cyber security as part of that tech centre. I see that as being fundamental to the new industries and the new technologies as we move into the digital age. Singaporeans are in that space as well and are willing to partner with us in the creation of training opportunities and job

10 Cubic Defence Australia, *Submission 22*, p. 1.

11 *Proof Committee Hansard*, 14 July 2017, p. 18.

12 *Proof Committee Hansard*, 14 July 2017, p. 20.

13 *Proof Committee Hansard*, 14 July 2017, p. 4.

opportunities in that field. This deal with Singapore can bring a lot of benefits to Townsville, and not just in the defence space.¹⁴

Challenges for local government

Loss of rates income

Townsville City Council

3.15 Councillor Hill stated her support for the location of military training facilities in the region. The submission observed that the city was proud of its historical and current military role and there was strong support to sustain and expand Townsville's capability as a base for ADF operations and personnel.¹⁵

3.16 However, Councillor Hill raised the issue of the loss of rateable land due to the presence of Defence establishments and the impact on the Council's income base, noting the Defence does not pay rates. She advised that the rate base for Townsville generated close to 91 per cent of its income for the 2015-16 financial year and that the further uptake of land by Defence may impose an unfair burden on residents, with the Council forced to either reduce services or increase rates to compensate. She particularly noted the burden placed on smaller councils.¹⁶

3.17 It was acknowledged that Defence do make a contribution, but as to whether that contribution makes up for the loss of rates income was questioned, and Councillor Hill advised that no real work has been done on this subject:¹⁷

Townsville has benefited significantly from Defence; there's no question of that. But we also have a very large population living and working in our community. So, we have the capacity to capture some of that value through property rentals and property rates. It doesn't quite make up for the capital works we have to contribute to ensure that Defence still has connectivity to water and sewerage and for some of the roads in the area, but it does go some of the way to making up for that.¹⁸

3.18 Councillor Hill proposed a solution:

I would like the committee to think about a special payment for all local councils for land occupied by Defence to compensate them for the loss of rateable income, as the Federal Assistance Grants do not cover this sort of loss in a community.¹⁹

...

There have been ups and down[s]...when the Financial Assistance Grants have been paid, as you know. The Financial Assistance Grants were set.

14 *Proof Committee Hansard*, 14 July 2017, p. 4.

15 Townsville City Council, *Submission 12*, p.3.

16 *Proof Committee Hansard*, 14 July 2017, p. 1.

17 *Proof Committee Hansard*, 14 July 2017, p. 1.

18 *Proof Committee Hansard*, 14 July 2017, p. 2.

19 *Proof Committee Hansard*, 14 July 2017, p. 1.

There was no inflationary increase for a number of years. I think that cost us well over a million dollars during that time.

...If you were to speak to anyone in the Local Government Association of Queensland, the reality is there's been a decline in recent years in grant funding and a greater push to own source revenue.²⁰

Charters Towers Regional Council

3.19 Councillor Elizabeth Schmidt, Mayor of Charters Towers Regional Council, also raised concerns about the loss of rateable income, particularly in relation to the proposed expansion of the Defence training areas in the Shire and that a potential loss of rates would impact on the Council's ability to take care of the community's needs. She noted that the current loss of rates income from the TFTA was approximately \$260,000 per annum; and with the proposed expansion, the potential rates losses would double that amount, resulting in a shortfall of approximately five per cent of the Council's rate base revenue stream.²¹

3.20 Councillor Schmidt acknowledged that Defence contributes financially to assist with road repairs and maintenance around the current training areas, and emphasised that the Council would like to see this done in a timely manner when issues are identified. The Council further proposed that the training areas be subject to an annual contribution to council to adequately compensate for the loss of rates revenue every year.²²

3.21 Ms Glenys Schuntner, of the Regional Development Australia Townsville and North West Queensland (RDATNWQ) also noted the burden placed on local governments managing large road networks, such as Charters Towers, which are impacted by the size and volume of equipment operated by Defence, and which will only increase by an enhanced presence:

On limited budgets, that is a real challenge for them. Certainly we would like to flag that, in any expansion of Defence, we welcome the infrastructure and, in particular, roads. We already touched on ports earlier today. That really needs to be considered and how that can be effective for both Defence and the local community without sending the local councils broke.²³

Challenges for local business

Businesses investing time and resources

3.22 The committee heard about the experiences of CQG Consulting, a Queensland owned consultancy providing planning, environmental and engineering services throughout Australia for 13 years, with the head office in Rockhampton. The owner, Ms Patrice Brown, talked to the committee about the difficulties she had encountered

20 *Proof Committee Hansard*, 14 July 2017, p. 2.

21 *Proof Committee Hansard*, 14 July 2017, p. 6.

22 *Proof Committee Hansard*, 14 July 2017, p. 7.

23 *Proof Committee Hansard*, 14 July 2017, p. 41.

in engaging with Defence for the provision of services. She advised that the Defence Environmental and Heritage Panel was established in 2014 and CQG Consulting reviewed the process and documentation to tender and with the estimated cost of \$20,000, they instead decided to seek to team up with one of the large consultancies as local providers:

I flew down to Canberra and attended the pre-tender briefing. The room was full of consultants from large firms. Over 100 people spilled out of the room. I approached many of the representatives there, offering our services as sub-consultants with qualified and experienced staff based in regional Queensland, with prior experience working on Defence environmental projects, including in a number of the training areas. We had expected there to be some interest in this offer given our proximity to the Shoalwater Bay training area, our involvement in projects over many years in the Townsville and Rockhampton regions, and especially our skill sets. However, after some follow-up, this did not eventuate, and we missed the opportunity to be part of the 2013 to 2017 panel.²⁴

3.23 Ms Brown advised that with the announcement of the Australia-Singapore Training Initiative and the expansion of training areas in the region, CQG Consulting decided to invest time and resources to tender for the next Environmental Panel, but was disappointed to learn that the existing panel was to be extended for two years, to 2019. She noted that this was a particularly important time to potentially take advantage of the opportunities arising from the proposed expansion plans, but the panel extension was:

essentially locking us out of potential work packages with Defence during a critical stage of the setting up of environmental studies and ongoing monitoring that could help inform land planning and impact assessments associated with the preparation and expansion of the training areas at Shoalwater Bay and the TFTA. This was particularly disappointing given our proximity to these training areas and our knowledge of these environments.²⁵

Procurement processes and suggestions for improvement

3.24 Ms Brown commented on the proposal put to her of the formation of a consortium model where local companies link up and agreed on the this model should be able to work in Townsville, but provided the following caveat:

The model in itself, in an ideal world, sounds perfect, and that's what we should be doing. And if we were smart Queenslanders, smart Australians, we would be doing that. But that's not what happens in reality. I draw back to Gladstone as a typical example. There was a huge amount of investment and a huge amount of effort made by local businesses and local professionals to be ready for the influx of the gas companies when they came to town. There were a number of networks set up, there was the ICN—there were various things, all those sorts of tools—and we had the

24 *Proof Committee Hansard*, 14 July 2017, p. 17.

25 *Proof Committee Hansard*, 14 July 2017, p. 17.

nodding and we had the impact assessments where there were commitments made by those proponents to engage local businesses. Local in that sense was determined to be 'Australia and New Zealand'. We were blindsided by that. There are now some opportunities coming up with follow-on work, after the big boys have left town in some respects. It could work, but it needs to have the right sorts of people leading it, and there needs to be genuine commitment from Defence that they will take that seriously and that they will direct the tier 1s to that panel—and not just give lip service to it, as we've seen too many other times before, otherwise we'll lose people's enthusiasm.²⁶

3.25 Mr Miles McDonald, of Cubic Defence Australia, described their experience with the consortium model and how this approach may be viewed by Defence as carrying greater risk:

If we take the case of the consortium that you spoke about before, we certainly have a couple of contracts with Defence in the training space, where we have done exactly that—brought together a large number of very small companies and bid as a consortium. One of the things that we have found in that situation, though, is that very often that is seen as a high-risk solution by the Defence procurement organisation, who have the luxury of either bidding with a single, solid prime or going with a company that has got 10 companies they have to hold together. When risk analysis is done of that, sometimes it means those consortiums are overlooked. I haven't put the thought into the wording and I don't believe it would be our place to tell Defence how to do that, but I guess the intent we would be looking for is to extend the principles behind Australian industry involvement regionally and look at what is the benefit to the local region of that procurement of something that is happening in the military.²⁷

3.26 Councillor Schmidt proposed amending the procurement framework and processes to allow smaller rural based businesses to compete for the delivery of services which support the training area. Some suggestions included:

This support may be through the provision of targeted training for local businesses on procurement and tendering processes, preparing responses and opportunities to network with larger providers who may be able to secure local contractors as part of their submissions. The inclusion of a higher local content that specifies the use of businesses within the locality through the tendering process may also assist.²⁸

3.27 While noting its success in engaging with Defence, Shamrock advised that the tendering process through AusTender 'can be cumbersome'.²⁹ In its submission Shamrock outlined some issues it had experienced in the Defence tender process in recent years and offered potential solutions. These included:

26 *Proof Committee Hansard*, 14 July 2017, p. 19.

27 *Proof Committee Hansard*, 14 July 2017, pp 19-20.

28 *Proof Committee Hansard*, 14 July 2017, p. 7.

29 *Proof Committee Hansard*, 14 July 2017, p. 33.

-
- The cost and administration required to maintain an Office of Federal Safety Certification, which is required for applications for higher value tenders, but not required for lower value ones. An improvement may be to place a weighting on whether or not a company has this certification in tender assessments.
 - Some recent tenders have lacked a quantified Bill of Quantities to allow the tenderers to base their tender price on. An improvement may be to let these tenders on a Schedule of Rates basis to then pay actual costs for works completed, or to ensure a Bill of Quantities is provided with the tender documentation.
 - In a recent tender the tender delivery period was to be postponed six months, but the successful tenderer would be required to hold a tender price over which they would have no control of their input costs including high volume/value variable items such as fuel. An improvement may be improved forward programming of maintenance and construction works to be locked into the Training Area operations program at suitable timeframes without due interference, and not in the traditional wet seasons.
 - Tenderers are asked to provide their proposed Key Project Team members at the time of tendering which are aligned to their known Works Program and the capability sets for each person. It is not helpful to the tenderer when the tender decision is delayed as this changes the proposed constructions dates and impedes the tenderer's ability to retain employees in a holding pattern awaiting notification of the tender outcome. An improvement may be to have timely advice provided to tenderers if they have been successful or not.
 - Contractors are being requested to provide Commissioning Hand Over Take Over Plans and Operations and Maintenance Manuals as a contractual requirement for most tenders lodged. These can cost in the vicinity of \$10,000 to \$15,000 to produce and are cost aligned to the project delivery. For items that are of low risk or repetitive an improvement may be to adopt a previously developed plan and have that utilised across all like projects.
 - The standard of tender documentation has decreased significantly over the past two years, through not including a Scope of Works, Design Survey levels, Geotechnical Reports or Bills of Quantities in some cases. This lack of information increases the risk profile for the tendering contractors and as such increases the price for delivery accordingly due to the unknown variables aligned with the project delivery. An improvement may be for the Project Delivery Service contractors to include all relevant information within the tender packages released, providing a more fair and equitable tender process with the same inputs from each tenderer, rather than each tenderers own assumptions.³⁰

3.28 Mr Macdonald of Cubic, suggested that capacity building could be enhanced for local businesses if the procurement processes included an evaluation criteria which gives credit for the regional management and delivery of programs within formal procurements, that is 'for the nature as well as the amount of local business that occurs'.³¹

3.29 In response to the above suggestion, Defence noted the changes to the Commonwealth Procurement Rules which came into effect on 1 March 2017. One of the new requirements is for Commonwealth officials to consider the broader benefit to the Australian economy for procurements of \$4 million and over in value:

With respect to that new CPR requirement—and, again, this is in our construction services tendering and contracting templates—updates have included this requirement and will also now be considered as part of the value for money assessment. So it is not an actual criteria, because we cannot put a bias or a balance or a weighting against that, but it is actually going to be taken into account in that value for money assessment, which is part of the technical assessment.³²

3.30 Cubic also contended that there would be value in Defence increasing government program management and procurement presence in the region to facilitate easier engagement.³³ Mr Macdonald further suggested value in breaking down tendering projects for specialist capabilities where appropriate to provide specialist SMEs more opportunity.³⁴ The Cubic submission set out further detail on this initiative:

Where appropriate, particularly for niche capabilities, priority should be given to SME suppliers rather than large consolidated prime contracts. This would enable those SMEs to form teams of local small businesses to bid for direct contracts, rather than being relegated to sub-contractor status.³⁵

3.31 Acknowledging the reasons why Defence establishes national procurement panels, Ms Brown called for more flexibility in Defence's procurement processes to:

...genuinely give businesses a fair go in the regions in which it operates and trains, to open up its procurement panels for these businesses and to make it easier for its own personnel to procure local services and products without having to only source through the national panels.³⁶

...

But there needs to be more flexibility for individuals within Defence to also go and procure outside the panel where it is identified that there is value for

31 Cubic, *Submission 22*, p. 2; *Proof Committee Hansard*, 14 July 2017, 16.

32 *Proof Committee Hansard*, 14 July 2017, p. 27.

33 *Proof Committee Hansard*, 14 July 2017, p. 16.

34 *Proof Committee Hansard*, 14 July 2017, p. 16.

35 Cubic, *Submission 22*, p. 2.

36 *Proof Committee Hansard*, 14 July 2017, p. 17.

money, they need it in a timely way and they see some benefits either because of specialist or skills in a certain area of expertise in the regions. I think that is more what it is about—it is opening that up for more flexibility for Defence personnel to go outside the panel when they see fit.³⁷

3.32 Defence advised the committee that they do use panels extensively and noted that they are encouraged under the Commonwealth Procurement Rules. However, they can procure off panels even where a panel exists. Mr Grzeskowiak noted that 'if a panel exists we do tend to use them, but there are mechanisms for procurements outside the panels for specialists or whatever might be needed.'³⁸

3.33 Defence noted in its submission the introduction of Dynamic Sourcing for Panels (DS4P), a new system based on AusTender, which it is currently working to implement for selected Defence panels and for access to other government agency panels. Defence advised that the new system 'may provide greater visibility of local and regionally based suppliers who may meet Defence procurement requirements'.³⁹ DS4P's features were set out in Defence's submission:

Buyers – identification of the right panels, search for and shortlist suppliers, access panel docs and templates, and run RFQ [request for quotation] processes, cloning of regularly used searches and processes; Impact of Defence training activities and facilities on rural and regional communities

Suppliers – greater visibility to buyers of supplier's approved goods/services, and more consistency across agency RFQ processes, use of standard templates.⁴⁰

3.34 When asked about the potential of this new process, Mr Grzeskowiak advised:

It's very early days for us in this. This is a very new idea, so I couldn't say that we've fully understood this and how it might work, but it's something we're working on with the Department of Finance. It's really enabling panels that exist to be used more broadly than perhaps they have been in the past, but it seems to be a potential opportunity for broadening those panels.⁴¹

3.35 Ms Schuntner of RDATNWQ, acknowledged that large companies are doing 'great business' in the Townsville region; however, she believed the current Defence procurement practices were not highly conducive to developing new regional and rural supply chains. She voiced her support to a recommendation in the submission of the Regional Australia Institute which recommended the establishment of a Rural and

37 *Proof Committee Hansard*, 14 July 2017, p. 21.

38 *Proof Committee Hansard*, 14 July 2017, p. 23.

39 Department of Defence, *Submission No. 9*, pp 35-36.

40 Department of Defence, *Submission No. 9*, pp 35-36.

41 *Proof Committee Hansard*, 14 July 2017, p. 26.

Regional Procurement Policy, similar to the Indigenous Procurement Policy, which would be designed to target rural and regional business engagement and growth.⁴²

Definition of 'local'

3.36 A number of witnesses raised the issue of the need for a standard definition of 'local' in the context of Defence procurement activities. This would ensure that various stakeholders apply a consistent approach when assessing the impact of Defence training activities and facilities on rural and regional communities and the ability to engage local businesses.

3.37 Brigadier Noel Beutel, Director General Capital Facilities and Infrastructure, Department of Defence, noted that each state has a different definition of 'local' and added that:

...in one example a company which has been in place for 20 years, which is 50 kilometres down the road from a certain area, is not considered as local for a company that sits just outside a Defence establishment.⁴³

3.38 Mr Griffin, of Simon George & Sons, noted that as a supplier of fruit and vegetables, their definition is going to be a bit different than others. 'We do buy as much as we can in the regional area, and we classify that as from Bowen up to the tablelands.'⁴⁴

3.39 Mr Huff of Shamrock also called for a tightening up of the definition of 'local' in relation to procurement processes.⁴⁵

Communication mechanisms

3.40 The committee heard about some communication mechanisms in place which are working well to facilitate local business engagement with Defence, planned arrangements designed to enhance engagement, and suggested arrangements for consideration.

3.41 Mrs Marie-Claude Brown, Chief Executive Officer, Townsville Chamber of Commerce, advised the committee that the current AusTender portal is working well to enable businesses to find out about potential opportunities, advising that the 'portal provides equitable and fair access to everyone across the country.'⁴⁶

3.42 While Mrs Brown noted that there was always room for improvement, she was very positive about Defence's connection and interaction to the local community:

42 *Proof Committee Hansard*, 14 July 2017, p. 39; see also Regional Australia Institute, *Submission No. 6*, p. 3.

43 *Proof Committee Hansard*, 14 July 2017, p. 27.

44 *Proof Committee Hansard*, 14 July 2017, p. 34.

45 *Proof Committee Hansard*, 14 July 2017, p. 38.

46 *Proof Committee Hansard*, 14 July 2017, p. 40.

Defence is also very good at relationships. It has developed relationships with local suppliers over a long time and it has been able to maintain that relationship; so it has that reputation.

...

I think Defence's direct contract with local suppliers is on the right track. The mood of small businesses is appreciative of the opportunity. As has been mentioned before, it is nice to have predictable money. Those relationships tend to last for a long time.⁴⁷

3.43 Townsville Enterprise and RDATNWQ both saw a need to ensure that the smaller communities are not left out of the training opportunities from an enhanced Defence presence. Ms Schuntner advised:

...I would say that some of the program delivery which is already occurring could be beefed up. We are about educating processes for Defence procurement—how to get ready to be servicing Defence. While historically workshops have been held in big centres like Townsville, I would like to encourage them to be taken to communities like Charters Towers, where businesses, which are so busy in day-to-day survival, do not have time to travel even a couple of hours for a workshop and cannot desert their business for a day. On the ground activity can certainly really help.⁴⁸

Mechanisms for communication between Townsville City Council and Defence

3.44 The Townsville City Council's submission outlined how the Townsville City deal will improve visibility for local businesses about defence industry investment in Townsville and encourage local business involvement. The deal proposes a 'Defence Hub' initiative which will provide a mechanism for consultation and is designed to:

- Strengthen engagement between the Australian Defence Forces, Department of Defence, Defence Industries Queensland, and Townsville City Council; and
- Improve visibility for local businesses about defence industry investment in Townsville and encourage local business involvement.⁴⁹

3.45 Also part of the Defence industry consultation set out under the City Deal is the creation of a Townsville Defence Liaison Officer to 'leverage existing support delivered by locally-based AusIndustry...and Queensland Government programs to build a diversified and sustainable local industry.'⁵⁰ Councillor Hill updated the committee that the Council is currently in the process of appointing someone to that position.⁵¹

47 *Proof Committee Hansard*, 14 July 2017, p. 40.

48 *Proof Committee Hansard*, 14 July 2017, p. 41.

49 *Submission 12*, Townsville City Council, Attachment A, p. 6.

50 *Submission 12*, Townsville City Council, Attachment A, p. 6.

51 *Proof Committee Hansard*, 14 July 2017, p. 4.

3.46 Councillor Hill also informed the committee about the Council's initiative of an accord with Defence and explained briefly what it would encompass:

We want to sign off an accord with Defence, similar to what we've done for families and for refugees, because we are a garrison city. We want to acknowledge what Defence means to us—All the good and all the bad. It's not just about income. It's about lifestyle and it's about understanding that there is a high suicide rate in Defence. It's about understanding that many of the servicemen who come out are suffering with PTSD.⁵²

3.47 Councillor Hill further advised that Defence has not signed off on the proposed accord but had not provided feedback to the Council on the reasons why.⁵³

A regional consultative forum

3.48 The committee canvassed the idea of forming of a standing regional consultative forum to engage with Defence, composed of representatives from Defence, local governments, business groups, etc.

3.49 Mrs Brown of the Townsville Chamber of Commerce, informed the committee that Defence already has in place a community stakeholder group. However, she noted that the:

..agenda is much softer than what you are proposing. So I think that the structure is already there. Defence for several years has engaged with the community, but it has always been at a community level, a relationship-building exercise, rather than actually getting to the nitty-gritty of what conversations could be. Perhaps there is an opportunity to strengthen that agenda.⁵⁴

3.50 Ms Schuntner of RDATAWQ noted that they are a member of the cross-departmental group that involves all levels of government to discuss preparation for capturing opportunities out of the Australia-Singapore Military Training Initiative.⁵⁵ She elaborated:

I would call it a semiformal group, if I can use those words. It is not a formal committee with a formal incorporation or structure to it but it is convened by AusIndustry in partnership with Defence representatives. It is attended by, for example, Townsville Enterprise, Townsville Chamber of Commerce, Charters Towers Regional Council, Townsville City Council, Regional Development Australia, and we usually have representatives from the Queensland government's Department of State Development and other departments. So it is a really excellent example of how we in North Queensland do collaborate across all three levels of government to be able to have those meetings. We have been able to have those over the last six to nine months. It is really a background piece to providing and sharing

52 *Proof Committee Hansard*, 14 July 2017, p. 4.

53 *Proof Committee Hansard*, 14 July 2017, p. 5.

54 *Proof Committee Hansard*, 14 July 2017, p. 42.

55 *Proof Committee Hansard*, 14 July 2017, p. 39.

information on the way forward, raising some of the issues that I raised earlier and others have raised about how do we get our companies Defence-ready, how do we capture the opportunities and also, in the process, how do we face challenges with managing expectations as well? That is a group that is at operational level, if I may call it that but, certainly, it would probably complement the work of the other proposed high-level committee perhaps.⁵⁶

3.51 Ms Brown of CQG Consulting talked about the importance of the various stakeholders working together to promote local business engagement with Defence. She noted the important roles of enterprise organisations and local councils, but noted that there was room for improvement with business driving it, rather than local government or the enterprises.⁵⁷

A Council network

3.52 The committee put forward the suggestion of some form of network of city and regional councils which have relationships with Defence and face similar issues, as a way of assisting them to deal with similar challenges. Both Councillor Hill and Councillor Schmidt, saw benefits in forming links and sharing knowledge and noted that this was already happening to some degree.⁵⁸

Expansion of training areas and land acquisition

Consultation

3.53 At the committee hearing in Townsville the committee heard from a number of graziers from Charters Towers who have been affected by proposed expansion of the Defence training areas in the region. The committee heard that the proposed expansion area was comprised of 23 properties. All graziers giving evidence were highly critical of the failure of Defence to adequately consult with the local community on the proposal which resulted in a high level of stress and anxiety. Mr Blair Knuth, a grazier in Charters Towers, spoke about his dissatisfaction with the process:

Come to the people first and work out what we want to do. We are not against this initiative. We are against how it was handled. It was handled extremely poorly. It was given to us a few days before Christmas. The amount of angst that that put on these families is unbelievable. There is a family north of us who don't own a computer. They are an older couple. They were beside themselves for all of that time. They have worked hard for that property for all of our lives. They don't have children. That was their child. They just wanted to retire there forever. This is not taken into account. As citizens of this country, we not just numbers; we're not just an area on a map that can be dealt with willy-nilly. Come and talk to us. We may actually have some solutions that are going to work.

56 *Proof Committee Hansard*, 14 July 2017, p. 42.

57 *Proof Committee Hansard*, 14 July 2017, pp 21-22.

58 *Proof Committee Hansard*, 14 July 2017, pp 4 and 12.

That did not happen. What has Defence done by doing this? Every single neighbour of Defence land in this country now is wondering who is next. They have taken away the confidence and that relationship.⁵⁹

3.54 Mr Paul Burke, Regional Manager North-East, Agforce Queensland, described the impact on those families:

The fact that producers were ringing us as an organisation in a complete state of shock, having seen a map in a newspaper without having any knowledge. In a lot of cases they had no network to be able to ring someone within Defence to be able to understand what was going on. The Defence Force then dragged out the process in a lot of cases by giving differing information to different people in different circumstances. When they were contacting landholders, they were telling one landholder one thing and telling another landholder another thing. There was a mentality of divide and conquer, which certainly, prior to us becoming involved, was becoming very evident.⁶⁰

3.55 The witnesses expressed their relief that there was now confirmation that forced land acquisition would not proceed, but sought assurances that this would continue to be the case.

3.56 The issue of the future valuation of the properties in question following this acquisition proposal was also raised. Owners were concerned that the property value has been negatively impacted with the speculation around acquisition. Mr Glenn Spurdle, a grazier in Charters Towers, expressed his concern about this issue:

Probably one of the most asked questions among the properties is about getting the value back into the properties. At the moment if one of those properties had to be sold, it would only be sold to Defence. It could not be sold to anybody else because no-one would be interested after everything that's gone on. It's one question that gets asked all the time among ourselves and at any meeting—we've got to get the value back into it. The country is the best country in the Dalrymple Shire—there is no doubt about that—and at the moment, with what's gone on, the value has dropped right out of it. You wouldn't get anyone to even look to go there, because you wouldn't know how long he'd be there. It's a pretty important issue.⁶¹

3.57 Mr John Brownson, a grazier in Charters Towers, advised the committee about lesser quality land west of Charters Towers as an alternative to the land under Defence's proposal, which people are willing to sell. He further advised that he had arranged for Defence to look at this alternative land.⁶²

59 *Proof Committee Hansard*, 14 July 2017, p. 8.

60 *Proof Committee Hansard*, 14 July 2017, p. 10.

61 *Proof Committee Hansard*, 14 July 2017, p. 14.

62 *Proof Committee Hansard*, 14 July 2017, p. 9.

3.58 On a positive note, Councillor Schmidt commented that she believed the relationship between Defence and the Charters Towers Regional Council had improved since the land acquisition proposal began:

The council have a really good relationship with those and, with the new liaison officer being appointed, I think that will improve. But there have been some significant lessons learnt, and my relationship as mayor with the ADF is way better than it was this time a year ago. I think we can build on that as a community, and I am very keen to do that. I am happy to work with Mayor Hill, given that we are the only two local governments affected in this area, to make sure that this never happens again, particularly from the position of our community.⁶³

Defence perspective

3.59 Mr Grzeskowiak acknowledged the 'powerful evidence' from the graziers about the land acquisition consultation processes and confirmed to the committee that there would be no acquisition of land unless the seller is willing.⁶⁴ Mr Grzeskowiak also recognised that Defence did not handle the process as well as it should have:

Our intent was driven by a desire to get things out quickly. That was informed by an experience we had with Cultana in South Australia, where it was not done that well. If we had our time again, we would engage first with just talking to people about ideas—taking ideas from the local graziers.⁶⁵

3.60 Brigadier Timothy Bayliss, Director General US Force Posture Initiative, Department of Defence, apologised for the hurt that occurred to the local community as a result of Defence's processes. He advised that he signed the letter that went to graziers:

The letter that I sent out initially was actually an invitation for the start of dialogue; it was not an initiation of a compulsory acquisition. It was a start to invite people to come and talk to us about potential land acquisitions and planned purchases. That was the initial part of the conversation. Compulsory acquisition was introduced by a third party—I'm not sure where. As we went through the discussion, it became necessary for us to advise government that our preference was strongly to only approach willing sellers. However, based on department advice the government decided to remove forcible acquisitions off the table in about February.⁶⁶

3.61 Defence was asked on notice to provide more detail on the steps required to be undertaken prior to notification of proposed land acquisition by the Commonwealth occurring, but at the time of tabling a response had not been received.

63 *Proof Committee Hansard*, 14 July 2017, p. 12.

64 *Proof Committee Hansard*, 14 July 2017, p. 23.

65 *Proof Committee Hansard*, 14 July 2017, p. 23.

66 *Proof Committee Hansard*, 14 July 2017, p. 23.

Economic impact

3.62 The committee heard about the impact of the land acquisition on the level of business at the Townsville abattoir which was described as a major employer in Townsville. It was estimated that the proposed land acquisition would have taken a significant number of cattle out of the supply chain, impacting on the abattoir's business. Mr Burke, of AgForce Queensland, suggested the abattoir had not been consulted during the earlier period of negotiation.⁶⁷

3.63 Mr Burke described some of the broader economic and social impacts on the region from the proposed acquisition:

More broadly, there are the impacts on small business and schools in the region. Every one of those 23 grazing families purchase their tyres in Charters Towers, purchase their fuel in Charters Towers and purchase their groceries in Charters Towers. Most of them sit on the parents and friends association, the local rugby club, the local car club. Every single one of those families would not be able to stay in that region if they want to continue farming. The land physically is not there to purchase so they would have had to have left the region. That will have a massive impact on the social fabric of that town from now to the end of time and that cannot be understated.⁶⁸

3.64 Defence responded to questions on the issue of compensation for businesses adversely impacted by land acquisition. Some witnesses before the committee at the Rockhampton hearing specifically raised the issue of compensation. Mr Grzeskowiak advised that there was no automatic process but that it would be open to anyone to make a claim.⁶⁹

The need for more transparency regarding regional engagement

3.65 Defence presented some impressive details on expenditure in Townsville using local contractors and suppliers for on capital facilities and infrastructure:

To give a couple of examples of projects here in Townsville, one is the Defence Logistics Transformation Program. This is a national program of works. One component of that was undertaken here at Lavarack Barracks and, from 2013, we started construction. It was completed mid-2016. The total value of that project was about \$130 million here in Lavarack Barracks. Sixty-three per cent of the trade packages for that construction went to local contractors. That equated to about 86 per cent of the total trade cost—or about \$112 million—again, to local contractors.

The Air 9000 5C project, out at RAAF Base Townsville, is for new facilities to support the introduction of the new Chinook helicopters into Army. It is a smaller project of about \$50 million in total project value. Where we sit at the moment, noting that project is still in construction, is

67 *Proof Committee Hansard*, 14 July 2017, p. 10.

68 *Proof Committee Hansard*, 14 July 2017, p. 10.

69 *Proof Committee Hansard*, 14 July 2017, p. 29.

that 85 per cent of the trade packages have gone to local subcontractors and suppliers, which equates to about 88 per cent of the trade cost, or about \$36 million. Finally, Land 121 is about a \$130 million investment here at Lavarack Barracks as part of a national program of works. This is being undertaken under a managing form of contract. But 85 per cent of the trade packages so far have been awarded to local contractors and 60 per cent of the trade costs, or about \$76 million so far, have gone to local contractors.⁷⁰

3.66 Defence also raised the issue of getting more visibility on these types of local procurement details that tell a positive story, by producing the metrics and making them available.⁷¹ Brigadier Beutel explained:

In some recent discussions with Minister Payne we discussed the requirement for us to be able to tell a better story and to get those types of details. We are starting to work with the minister's office going forward to produce those metrics and to provide them. I use these metrics quite a lot. I get invited to a lot of industry based conferences. I'm about to go to Darwin in August to talk with the Northern Territory construction forum. I will be using that forum to talk about not only the Defence procurement process and what opportunities coming up but also what we are achieving to produce that story. I would point out that those metrics for Townsville are very good. We won't get that everywhere, though.⁷²

Environmental impact of Defence activities

3.67 Mr John Brownson, a grazier in Charters Towers, talked to the committee about the problems of Siam weed infestation that he suggested was brought in by Defence:

It grows at an extremely invasive rate. I think we are going to have a massive problem with that now as well. Defence was told of this two and a half or more years ago. They said they had it under control, but now they say they have lost control completely. We're going to have to suffer the consequences of this as well now, on top of everything else.⁷³

3.68 Mr Grzeskowiak advised that he was not personally aware of this issue and undertook to follow-up on the matter. Mr Anthony Luke, Director Enabling Support – Army, Department of Defence, advised the committee of the control processes in place for vehicles exiting and entering the range which includes a wash point.⁷⁴

70 Brigadier Noel Beutel, Department of Defence, *Proof Committee Hansard*, 14 July 2017, p. 26.

71 Brigadier Noel Beutel, Department of Defence, *Proof Committee Hansard*, 14 July 2017, p. 27.

72 *Proof Committee Hansard*, 14 July 2017, p. 27.

73 *Proof Committee Hansard*, 14 July 2017, p. 9.

74 *Proof Committee Hansard*, 14 July 2017, p. 29.

Chapter 4

Conclusion and recommendations

4.1 This chapter outlines the conclusions and recommendations of the committee arising from the hearings in Rockhampton and Townsville.

4.2 The evidence from the hearings and contained in the submissions generally indicated strong support for the significant and longstanding Defence presence in the Fitzroy and Townsville regions. The committee heard from a range of witnesses who recognised the benefits to the local economy from the Defence facilities and training activities over a number of years and the future opportunities of enhanced training exercises, particularly through the Australia-Singapore Military Training Initiative. However, the committee also heard about a number of issues and concerns from local government, local business, and community members arising from the Defence presence and the proposed expansion of training activities in the region.

Business opportunities

4.3 A key issue raised was the ability for local business to engage in Defence procurement opportunities and the committee is keen to see mechanisms in place to ensure local businesses are able to maximise the potential benefits flowing from the increased Defence presence.

4.4 The committee heard from some larger companies which had secured contracts with Defence and were utilising local businesses where possible. These companies generally indicated that they have had positive interactions with Defence. However, smaller businesses advised the committee on the challenges they had faced in getting information about opportunities and navigating Defence's procurement processes. The message the committee received from the hearings was that there needs to be more information flowing to local businesses about opportunities and the requirements for engaging in Defence contracts.

Local communication mechanisms

4.5 The committee was encouraged by some initiatives intended to facilitate better communication between Defence and local businesses regarding procurement opportunities and the processes to engage in those opportunities. For example, the committee heard that in Townsville there is a group convened by AusIndustry in Partnership with Defence with representation from local government and enterprise groups which is designed to capture opportunities out of the Australia-Singapore Military Training Initiative. The committee was encouraged by the initiatives of local and regional enterprise bodies in running information sessions and facilitating forums with key officials and tier 1 contractors.

4.6 The committee welcomes the creation of the Australia-Singapore Military Training Initiative Business and Community Liaison position to lead local engagement for the Initiative on behalf of Defence, keeping community leaders and

local elected representatives informed.¹ The committee also views the creation of a Townsville Defence Liaison Officer by the Townsville City Council as positive step to assist local engagement.

4.7 The committee was pleased to hear that Defence has no issues being involved in localised communication processes.

Recommendation 1

4.8 The committee recommends that, in consultation with the local councils, Defence review its mechanisms for communication and coordination in the Fitzroy and Townsville regions to ensure the most effective flow of information including plans which may generate potential business opportunities.

Visibility of local engagement

4.9 The committee heard some notable examples of the level of Defence expenditure on local suppliers that tell a positive story about Defence engagement. The committee sees the capture and availability of local procurement information as an important element in fostering engagement and a positive relationship with local communities. Defence recognises the importance of visibility of information on local engagement and the committee welcomes Defence's intention to produce more the metrics on levels of local engagement and making it publicly available.

Recommendation 2

4.10 The committee recommends that Defence make information available to local communities about Defence expenditure in the area.

Economic impacts

4.11 The committee heard about the likely reduction in rate-based revenue as a result of expansions. While acknowledging the contribution of Defence, communities told the committee that the increased presence would put pressure on local infrastructure and the loss of land would have a flow-on effect to local businesses currently supporting agricultural producers in the region. Communities were more than willing to work with Defence to ensure shared benefits.

4.12 The committee believes that there should be more data available in relation to the economic impacts of Defence activities on the community and that it is necessary for this aspect to be reviewed.

Recommendation 3

4.13 The committee recommends that Defence commission an independent economic impact assessment of the loss of rateable land which would result from the proposed expansions in these areas.

1 Senator the Hon Marise Payne, Minister for Defence, *Media Release*, 'Business and Community Liaison for the Australia-Singapore Military Training Initiative', 28 June 2017.

Procurement processes

4.14 As noted in its first interim report, the committee recognises the constraints of the Commonwealth procurement framework in prioritising local engagement. At the hearings the committee heard suggestions about changes to the Commonwealth Procurement Rules in order to encourage more local content. Some proposals included a requirement that tier 1 contractors be required to have a percentage of local engagement or a weighting on the level and nature of local content in the assessment criteria. The committee was pleased to note that in the context of the updated CPRs and 2016 Defence Industry Policy Statement, Defence is currently:

...reviewing how principles relating to Australian Industry involvement and economic benefit assessment could be applied more consistently across materiel and non-materiel procurements of \$4 million and above, including addressing local industry activities.²

4.15 The committee welcomed the announcement by the Minister for Defence, Senator the Hon Marise Payne, on 31 August 2017, of the Local Industry Capability Plan pilot which aims to provide local industry with more opportunity to participate in major Defence infrastructure projects. The new framework will be piloted by three projects that will go to the market shortly, including the Shoalwater Bay Training Area Redevelopment and Townsville Field Training Area Mid-Term Refresh.³ The Minister's announcement advised:

The pilot projects will require tenderers bidding for major capital facilities projects to state clearly how they have engaged with local industry in providing their tendered solution, and how local industry will specifically be involved in delivering the work packages that underpin the project.

...

The pilot projects will inform the development of a Defence Industry Participation Policy the Minister for Defence will release in the first half of 2018. The Policy will provide a more consistent approach to maximising Australian and local industry involvement in Defence procurement of \$4 million and above, recognising that Defence procures a range of different equipment, services, and support across many sectors of the Australian economy.⁴

4.16 The Minister explained the objective of the pilot:

2 Department of Defence, *Submission No. 9*, p. 28.

3 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

4 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

“This is fundamentally about ensuring that local companies in the vicinity of our Defence bases, facilities and training areas are properly considered and provided the opportunity to compete and win work,”...⁵

4.17 Some evidence from the hearings also suggested that Defence consider moving away from the prime contracting model and structure its procurement into smaller packages to enable small to medium enterprises to be more competitive.

4.18 The committee notes advice from Defence that it does not use a one-size-fits-all approach to tendering with the method based on the risk of the project and how best to mitigate that risk. Defence reported that the managing contractor model facilitates competition to achieve value for money. Defence also highlighted that under a managing contractor there will be various smaller trade packages to be competed for. In addition, in using this model, a majority of head contractors will look to use local subcontractors.

Exercises

4.19 The committee heard from local community members about the lack of effective notification by Defence about forthcoming exercises in training areas and the difficulty in locating an appropriate contact to convey concerns. The committee sympathises with local residents about disruptions like road closures and aircraft noise, particularly the concerns of local graziers which were conveyed at the hearing in Rockhampton. Defence acknowledged the impact of aircraft noise from exercises on the local community and advised of the implementation of a restricted operating zone around the SBTA.

4.20 The committee welcomed the advice from Defence that for Exercise Talisman Sabre, a 24 hour hotline had been set up to respond to concerns. However, it appears from the evidence that there was not widespread knowledge of this contact number in the community. The committee hopes to see this as an ongoing arrangement for future exercises and with more effective dissemination of this information.

4.21 The committee reiterates its view from the first interim report that it sees value in a formal post exercise debrief with community representatives to discuss lessons learnt and future improvements.

Recommendation 4

4.22 The committee recommends that Defence review its formal mechanisms for communication and coordination in the areas around the Shoalwater Bay Training Area to ensure that:

- **as much information about upcoming training exercises is being disseminated to the local community with as much advance notice as possible; and**
- **that a contact point regarding local exercises is available on an ongoing basis and this this information is disseminated regularly.**

5 Senator the Hon Maris Payne, Minister for Defence, *Media Release*, 'Strengthening opportunities for local industry', 31 August 2017.

Proposed expansion of training areas and land acquisition

4.23 The committee heard persuasive evidence from landowners and business owners in areas adjacent to the SBTA and TFTA who are impacted by the proposed expansion plans. Witnesses advised that committee of their anxiety as a result of the processes Defence followed, which did not provide sufficient information or consultation, particularly in regard to direct engagement in the initial stages. The committee notes Defence's acknowledgement that lessons have been learnt from this process and supports the appointment of a community liaison officer in Townsville.

Environmental impacts

4.24 The committee also heard concerns about the environmental impacts and land management issues in relation to Defence training areas, particularly around Shoalwater Bay. Defence confirmed that it has in place environment and land management programs. However, it also advised that two people used to be based locally to deal with issues concerning the Rockhampton estate, but had been relocated to Townsville. The committee welcomed Defence's advice that it would review the current arrangements, particularly in light of the proposed increased level of training in the future.

4.25 The committee also anticipates a further response from Defence on notice about the problem of the infestation of Siam weed which was raised by graziers from the Charters Towers areas and which it heard about at the Townsville hearing.

Senator Alex Gallacher
Chair

Appendix 1

Submissions

1. Great Barrier Reef Marine Parl Authority
2. Spencer Gulf Cities (SGC)
3. Defence SA
4. Regional Development Australia Far North
5. Livingstone Shire Council
6. Regional Australia Institute
7. National Farmers' Federation (NFF)
8. Townsville Enterprise
9. Department of Defence
10. Queensland Government
11. Dianne Priddle and David Jefferis
12. Townsville City Council
13. Williamtown and Surrounds Residents Action Group
14. Confidential
15. Northern Territory Government
16. Charters Towers Regional Council
17. City of Whyalla and Whyalla Chamber of Commerce
18. Gladstone Regional Council
19. Mr Ben Hughes
20. Mr Peter Bahr
21. Burdekin River Pastures and Revegetation Contractors
22. Cubic Defence Australia
23. Rockhampton Regional Council

24. Capricornia Chamber of Commerce
25. Industry Capability Network Queensland
26. CQG Consulting
27. Shamrock Civil Engineering
28. Townsville Chamber of Commerce
29. Mr Roger Toole
30. Capricorn Conservation Council
31. Helping People Achieve
32. Master Builders NT
33. Northern Land Council
34. Mr Rankin Kundle

Appendix 2

Public hearings and witnesses

Wednesday 12 July 2017 Rockhampton

Rockhampton Regional Council

Councillor Margaret Strelow, Mayor

Mr Ross Cheesman, Deputy Chief Executive Officer & General Manager Corporate Services

Livingstone Shire Council

Councillor Bill Ludwig, Mayor

Ms Debra Howe, Director, Strategic Growth

Ms Leise Childs, Senior Land Protection Offices

Capricornia Chamber of Commerce

Mr Peter Fraser, President

Gladstone Regional Council

Mr Michel Colen, Manager Executive Services

Mr Billy Geddes, Private capacity

Marlborough against Defence Land Grab

Ms Danni McKenzie, Organiser and owner of Marlborough Motors

Ms Joanne Rae, Committee member

Mr John Baker, Private capacity

Mr Zane Keleher, Penti-Engineering

Mr Chris Goodwin, SMW Group

Mr Andrew Godwyn, Primary Industries QLD

Regional Development Australia Fitzroy & Central QLD

Mr Grant Cassidy, Board member (and Hospitality/Gladstone ports)

Capricorn Enterprises

Ms Mary Carroll, Chief Executive Officer

Mr Neil Lethlean, Economic Development Manager

Mr Ben Hughes, Hughes et al

Mr Craig Wilson, Industry Capability Network

Queensland Department of Aboriginal and Torres Strait Partnerships

Mr David Thompson, Program Manager, Rockhampton Office

Department of Defence

Mr Steve Grzeskowiak, Deputy Secretary Estate & Infrastructure

Brigadier Noel Beutel, Director General Capital Facilities and Infrastructure

Ms Helen Blain, Director Environment and Heritage Policy Development

Air Commodore Sue McGready, Director General Estate Service Delivery

Brigadier Timothy Bayliss, Director General US Force Posture Initiative

Brigadier Cameron Purdey, Director General Logistics - Army

Commodore Allison Norris, Director General Simulation and Training

Ms Jane Wood, Acting Assistant Secretary Non-Materiel Procurement

Friday 14 July 2017 Townsville**Townsville City Council**

Councillor Jenny Hill, Mayor

Mr Robert (Bob) Hicks, Private capacity

Mr Glenn Spurdle, Grazier, Private capacity

Mr John Brownson, Grazier, Private capacity

Mr Blair Knuth, Grazier, Private capacity

Charters Towers Regional Council

Councillor Elizabeth Schmidt, Mayor

Agforce Queensland

Mr Paul Burke, Regional Manager North-East

Cubic Defence Australia

Mr Miles Macdonald, General Manager

CQG Consulting

Ms Patrice Brown, Company Director

Department of Defence

Mr Steve Grzeskowiak, Deputy Secretary Estate and Infrastructure

Brigadier Noel Beutel, Director General Capital Facilities and Infrastructure

Brigadier Timothy Bayliss, Director General US Force Posture Initiative

Mr Anthony Luke, Director, Enabling Support - Army

Simon George and Sons Food wholesalers

Mr Larry Griffin, General Manager

Port of Townsville

Mr Jacob Kalma, General Manager Operations

Shamrock Civil Engineering

Mr Clinton Huff, Business Development Manager North Queensland

Townsville Chamber of Commerce

Mrs Marie-Claude Brown, Chief Executive Officer

Townsville Enterprise

Mr Michael McMillan, Director Policy and Investment

Regional Development Australia Townsville and North West Queensland

Ms Glenys Schuntner, Chief Executive Officer