



Australian Government

**Australian Government response to the
Senate Standing Committee on Foreign Affairs,
Defence and Trade Final Report:**

**Impact of Defence Training Activities and
Facilities on Rural and Regional Communities**

November 2018

Recommendation 1

The committee recommends that Defence review its procurement and purchasing policies and procedures to ensure they are providing appropriate and up to date guidance to Defence staff that will assist them implement the Defence White Paper, associated industry policy documents and the Local Industry Capability Plan Pilot.

Government response

Agree

Defence's procurement guidance has been reviewed and amended to support a "Smart Buyer" approach as required by the First Principles Review. The Smart Buyer approach is complemented by a range of current and planned industry related guidance. The Defence Industry Participation Policy and associated implementation guidance, informed by the Local Industry Capability Plan pilots, is currently under development and is an integral part of the Defence Industry Policy Agenda designed to maximise Defence opportunities for competitive Australian businesses.

Recommendation 2

The committee recommends that Defence conduct a detailed evaluation of the Local Industry Capability Plan pilot which should be made publicly available.

Government response

Agree

The terms of the pilot contracts are such that relevant information will not be readily available until mid-2019. A detailed evaluation will be completed after that time.

Recommendation 3

The committee recommends that Defence provide an update to the committee about its progress to develop the assessment model by 31 August 2018.

Government response

Agree in part

The Defence Industry Participation Policy is still being developed. Defence is aiming to release the policy later in 2018. Given this timeframe, it would be optimal to report back to the committee in the last quarter of 2018, once industry feedback on the Defence Industry Participation Policy has been considered.

The Defence Industry Participation Policy Participation Schedules/Plans to be used for procurements above \$4 million and the Local Industry Capability Plans for major capital facilities above \$7.5 million will help strengthen Defence's assessment of economic benefit when evaluating Defence tenders.

Recommendation 4

The committee recommends that Defence develop general guidance for base commandants to achieve an appropriate level of engagement with the local community which includes ensuring contact points are available to stakeholders in the local community.

Government response

Agree

Defence conducts annual Defence Consultative Forums and Defence Industry Forums with every State and Territory Government. These forums provide an opportunity for major Defence activities and business opportunities to be brought to the attention of the relevant State or Territory Government. The State and Territory Consultative Forums also provide the opportunity for State and Territory Governments to brief Defence on issues of relevance to Defence capability.

In addition, the Centre for Defence Industry Capability and Defence Teaming Centre have strong relationships with the State and Territory Governments, promoting the Australian Government's defence industry and innovation policy and opportunities for local companies. The Centre for Defence Industry Capability run frequent 'Doing business with Defence' events in addition to project specific outreach events.

The above State and Territory level engagements are reinforced through the establishment and maintenance of meaningful local relationships at the regional level as recommended by the Committee. Senior Australian Defence Force Officers and Base Support Managers working at regional locations are well placed to engage with local communities as they are more easily able to sustain those relationships. Regional Public Affairs offices currently communicate Defence activities through local and wider media outlets.

Defence is committed to establishing and maintaining relationships with local community organisations. Defence, through local Senior Australian Defence Force Officers and other mechanisms, aims to nurture relationships with all communities and organisations to:

- demonstrate Defence as a transparent and supportive member of the local community;
- communicate an integrated message to the broader community about Defence business, employment, training, community opportunities, and how to access those opportunities;
- enable communities, groups, organisations and individuals to provide feedback to Defence; and
- Inform the community of major activities including exercises and hazard reduction burns. This is communicated via public notification in local media.

Recommendation 5

The committee recommends that the Centre for Defence Industry Capability ensure its processes and communication mechanisms specifically consider how best to provide information to SMEs in rural and regional areas.

Government response

Agree

The Centre for Defence Industry Capability (CDIC) has a national focus and already undertakes regular engagement with companies in regional and rural areas that are in Australia's defence industry or aspire to be. The CDIC also draws on the wider AusIndustry network of advisers across Australia.

While the CDIC has predominantly focused on maximising the readiness and involvement of Australian-based companies and supply chains supporting major capital equipment procurements, the CDIC is also expanding engagement in areas of non-materiel and major capital facilities procurement recognising that Australian industry supports Defence from almost every sector of the Australian economy. This approach was reflected in the conduct of a number of the CDIC's Introduction to the Defence Market Seminars being undertaken in regional centres and will remain an important element of the CDIC's role

Recommendation 6

The committee recommends that the Centre for Defence Industry Capability publicly report on its engagement with Small to Medium Enterprises (SMEs), particularly engagement with SMEs in rural and regional areas.

Government response

Agree

The annual *Defence Industry and Innovation Programs Update Report* reports on the progress of the CDIC, the Defence Innovation Hub and the Next Generation Technologies Fund. The first report was released by the Minister for Defence Industry on 5 May 2018 and covered the period 5 December 2016 to 31 December 2017. Future reporting will be conducted annually, by financial year.

The program performance of the CDIC is reported with strategic qualitative measures, supported by quantitative performance information. In future *Defence Industry and Innovation Programs Update Reports*, this information will be used to report the Centre for Defence Industry Capability's engagement with small and medium enterprises specifically in rural and regional areas. A copy of the first report can be found at:

<https://www.business.gov.au/centre-for-defence-industry-capability/resources/dii-update-report-2017>.

Recommendation 7

The committee recommends that Defence collate the information provided in Local Industry Capability Plans relating to local engagement and local economic benefits to produce a regular public update about Defence activities in the regions.

Government response

Agree in part

Defence proposes to provide Industry Briefs as part of the standard project tender process and deliver the relevant information as part of those briefs.

Recommendation 8

The committee recommends that Defence review the reporting requirements of Tier 1 contractors to ensure relevant regional/local information is provided and Defence consider how best to make this publicly available.

Government response

Agree

As part of the Local Industry Capability Plan pilot process, the guidance on reporting is evolving to ensure that this information is provided. Information will be provided to all Tiers as part of future tender Industry Briefs.

Recommendation 9

The committee recommends that building on recommendations 7 and 8, Defence work towards providing detailed information about the number and types of goods and services, the use of local suppliers and the proportion of total project spend flowing into the local economy.

Government response

Agree in part

Notwithstanding the efforts by Defence to develop metrics about procurement details associated with expenditure on estate projects, Defence does not track expenditure within the corporate financial system on the vendor activity by location of the production, or the delivery of goods and services.

From June 2018, system enhancements implemented as part of the SAP Procurement Reporting Framework for contracts over \$10,000 will capture the postcode where the majority of goods and/or services are delivered or performed for contracts over \$10,000. Where the goods and/or services are delivered across a range of locations the single postcode captured will relate to where the largest portion of the goods and/or services are delivered or

performed. For goods or services delivered outside of Australia the system will capture the country in which the goods or services are delivered or performed.

These system enhancements will not apply to purchases on credit cards or of military inventory purchases.