

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the impact of Defence training activities and facilities on rural and regional communities – 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Inquiry into the impact of Defence training activities and facilities on rural and regional communities - 21 Nov 17 - Wodonga - Q2 - Investment on Training centres - McKenzie

Question reference number: 2

Senator: Bridget McKenzie

Type of question: Spoken, Hansard pages 35 and 36

Date set by the committee for the return of answer: 15 December 2017

Question:

CHAIR: Well, this is a very well-traversed topic now, and I suppose my question would be: is Defence able to particularise and publish the economic impact that it has around its bases on a geographical basis? If you were to take Puckapunyal or the barracks or training centre here, do you have economic stats to say, 'We invest this much money and this is the economic spin-off'?

Mr Patterson: I can provide you with some information on the facilities projects that we have around Australia at the moment. I have it in aggregate at the moment, not against state, but I can provide that information on notice.

Senator McKENZIE: I think what the chair's asking is, rather than us do all the maths, does Defence have a regional impact figure for their bases, from an economic—and maybe social and environmental, but that might be too much—perspective?

Ms Jones: I think we'll have to take that on notice. Our previous responses to questions on notice had been that we're not able to easily break down our subregions. As we mentioned yesterday, if things are paid on credit card, the company on the invoice may be based somewhere different to where a service is delivered. The chief financial officer has said that our systems aren't designed to collect that kind of detailed information. We also think that it's going to be difficult for us to do that, and the onus is on business to give us more information as well. However, we'll take it on notice and we'll see what we can drill down and provide.

Answer:

Notwithstanding Defence's commitment to develop metrics regarding regional expenditure on estate construction 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. To capture such information would require a significant impost on industry to

identify where all goods and/or services under the contract are being produced or delivered. In addition Defence's existing financial information systems would require significant investment to be able to capture and report this information.

Defence does use the vendor's billing address to produce electorate expenditure reports, however this only identifies where the invoices are raised rather than where the work is carried out or produced.

Defence is able to identify the value of major capital infrastructure project expenditure on bases, primarily associated with major redevelopments. Further information is provided under Q12.

Defence does not undertake economic impact studies on the impact of the projects on the local community. State or local government agencies may undertake these assessments. Defence is willing to contribute, through the provision of publically available data, to the conduct of a thesis by another agency, on the economic impact of Defence expenditure on the local community.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the impact of Defence training activities and facilities on rural and regional communities – 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Spotless Contract

Question reference number: 3

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 36

Date set by the committee for the return of answer: 15 December 2017

Question:

CHAIR: If we were to ask you the value of the Broadspectrum contract in this region, would anybody have that?

Ms Jones: I'd have to take that on notice, because it wouldn't be by region; they also look after some areas in northern New South Wales.

Senator McKENZIE: Rather than region—what by per base?

Ms Jones: Probably not by per base. At the moment I could give you a value of the contract.

Senator McKENZIE: Broadspectrum's contract?

Ms Jones: Yes. Can I table that? Spotless: the 10-year amount would be just over the \$2 million mark.

CHAIR: Billion or million?

Ms Jones: Million.

CHAIR: Ten years for \$2 million.

Ms Jones: It doesn't sound right, does it? That's what they sent me.

Senator McKENZIE: No.

Ms Jones: Can I take that on notice—I apologise.

Answer:

The Spotless contract is valued at approximately \$205 million per annum.

The Spotless contract is part of a larger Estate Maintenance and Operations Services (EMOS) contract for Southern NSW and Queensland regions. The contract provides a range of services including Estate Upkeep and Maintenance, Land Management, Transport Services, Pest and Vermin and Cleaning.

With regard to the Albury Wodonga Military Area (AMWA), for the Financial Year 2016-17, the expenditure directly attributed to the AMWA was \$13.332 million. This figure also excludes costs, such as management overheads, attributed at the regional or whole of contract level.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the impact of Defence training activities and facilities on rural and regional communities - Wodonga - 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Contracts

Question reference number: 4

Senator: Alex Gallacher

Type of question: Spoken, Hansard page 37

Date set by the committee for the return of answer: 15 December 2017

Question:

CHAIR: Which we all fully support and there is evidence here that you are doing that very well, as you have said, in certain areas. What is in the contract that you let to the primes about engagement with regional and rural economies in the terms of reference of this inquiry? Do you put inquiry requirements on environmental, social outcomes and also regional engagement?

Ms Wood: I am not sure I can answer that question. We would have to look specifically at those contracts because each of our contracts is quite different. We can certainly take that on notice.

Answer:

Environmental Outcomes

All Base Services contractors are required to comply with strict environmental requirements including compliance with the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act).

In addition, Base Services contractors are required to comply with the requirements of Defence's Environmental Management Systems (EMS), and to develop, implement and maintain an (EMS) and Environmental Management Plans (EMP).

Base Services Contractors are also required to comply with:

- Defence Energy Management Plans;
- Defence Heritage Management Plans;
- The Defence Pollution Prevention Strategy (DPPS);
- The Defence Waste Minimisation Policy (DWMP);
- Green Procurement principles; and

- The Defence Water Management Strategy.

Social Outcomes

Small to Medium sized Enterprise (SME) Engagement: All Base Services Contractors are required to effectively manage the relationship with, and the performance of, sub-contractors in the day to day delivery of services. The Estate Maintenance and Operation Services (EMOS) Contractor must manage the relationship with all their sub-contractors, and provide information, training and ongoing support to their sub-contractors to enable them to improve their service delivery and continue to meet Defence's changing requirements.

The Contract also specifically requires each EMOS Contractor to engage with a range of SMEs, and provide additional ongoing support to these SMEs to enable them to improve their service delivery, develop their capabilities and to continue to meet Defence's changing requirements.

Indigenous Engagement: All Base Services Contractors have an Indigenous Opportunity Plan in place. With the subsequent rollout of the Indigenous Procurement Policy since the inception of the Base Services Contracts, the Base Services Contractors have also been providing enhanced reporting on a quarterly basis to Defence of both workforce Full Time Equivalent employees and subcontracts entered into with Indigenous-owned enterprises.

Regional Engagement:

There are no specific contractual obligations in the Base Services Contracts in relation to regional engagement.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the impact of Defence training activities and facilities on rural and regional communities

Public Hearing – Wodonga – 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Inquiry into the impact of Defence training activities and facilities on rural and regional communities Public Hearing – Wodonga - 21 Nov 17 - Q5 - Bandiana - McKenzie

Question reference number: 5

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 38

Date set by the committee for the return of answer: 15 December 2017

Question:

Senator McKENZIE: Can I have an example of how you've given SMEs appropriate opportunities to compete for work here at Bandiana?

Mr Patterson: I can confirm this on notice, but my expectation would be from the Defence Logistics Transformation Program and a \$58 million job at Wadsworth Barracks a number of the trades that were engaged by the managing contractor, which was a joint venture between John Holland and Joss, would certainly fit the SME category. The difficulty we have with that particular project is it was completed a few years ago, so it's difficult for us to gather some information retrospectively.

Senator McKENZIE: How long ago?

Mr Patterson: It was completed in 2016, I believe. I will confirm that shortly.

Senator McKENZIE: Last year.

Mr Patterson: I believe it was early 2016. I'll confirm that, though.

Brig. Purdey: The work that was done here at Bandiana was, I would have said, four or five years ago, actually.

Mr Patterson: Sorry, I haven't got the completion date here.

Answer:

The Defence Logistics Transformation Program (DLTP) works at Bandiana were completed on 5 September 2015, with the Defects Liability Period concluding in September 2016. The DLTP Bandiana works were known as Works Package 1b (WP1b) and were delivered under Defence's Managing Contractor Contract by a joint venture between John Holland and Joss Contractors.

The Defence Logistics Transformation Program Works Package 1b works totalled \$63.5 million (excluding GST). Final costs for WP1b were higher than originally budgeted because trade savings generated at Works Package 1a (Moorebank) were directed to the Works Package 1b to provide additional approved scope elements.

The Managing Contractor uses trade packages to deliver the construction work. Each trade package is tendered to the market, and the focus of the procurement process is to ensure that amongst other things, a competitive tender process is established, consistent with the requirements of the Commonwealth Procurement Rules (CPRs). Due to the value, risk and the discrete nature of the trade packages, SME's are well placed to compete for, and win Defence work.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Impact of Defence training activities and facilities on rural and regional communities - 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Contracts

Question reference number: 6

Senator: Bridget McKenzie

Type of question: Spoken, Hansard pages 38 and 39

Date set by the committee for the return of answer: 15 December 2017

Question:

Ms Jones: A food provider which is Compass ESS—I have some good news stories there for us. Over the last 12 months Compass has purchased goods and services to the value of \$7.5 million to service the contract with Defence. The kinds of companies that have benefited from this are Border Markets at \$1.8 million; Kennedy's at \$1.9 million; Rivchem is approximately \$400,000; Superior Food Services is almost \$4 million; Wagga Catering is \$6 million. In exercises, the local Hay Bowling and Golf Club and the Balranald football and netball clubs have helped us with staging. One was just over \$20,000 and one was just over \$18,000. They do support local and go to local providers for food and such.

Senator McKENZIE: Can I have that broken down for Bandiana and for Puckapunyal on notice?

Ms Jones: Yes. Sorry, if I go back to the amount for Spotless, it was \$205 million, not \$2 million. My apologies. I didn't put the millions on the table.

CHAIR: Over 10 years, that's about \$20 million a year. What is involved with that? Is that guards and gardening?

Senator McKENZIE: Do they just hire people? Are they just a hire company?

Ms Jones: No. I will just get some details for you. The emails provide coordination of the services over a base. They also provide input into the projects for the upkeep and the maintenance. They provide cleaning coordination. The emails play a coordination role. In land management is where there are a lot of costs around preventing fire, culling of kangaroos and vermin, and estate upkeep.

CHAIR: To me that sounds like local employment.

Ms Jones: Yes, and they do employ lots of local people.

CHAIR: But you can't actually identify how many local jobs are created by the expenditure of the \$20 million?

Ms Jones: I can tell you how many local jobs; I need some cost modelling to work out the economic benefit. That is not a skill we do in-house.

CHAIR: How many local jobs are created?

Ms Jones: Don't forget Spotless do more than just this region. They do all of New South Wales. I'm not sure I have the numbers. I'll have to take that on notice.

Answer: Senator McKENZIE: Can I have that broken down for Bandiana and for Puckapunyal on notice?

Bandiana:

Compass (ESS) provide Hospitality and Catering services for Bandiana. The break down by Supplier for Compass (ESS) for Bandiana for the period January 2017 to November 2017 is as follows:

Bidvest	\$2,699,364.94
Border Markets	\$439,434.48
Kennedy's Meats	\$429,421.99
Wagga Catering	\$931.81
Wayne Talay	\$189.90
Total	\$3,569,343.02

Compass (ESS) advised that it has 67 staff members engaged in a mix of 55 full-time/part-time and 12 casuals.

They have also advised that all staff are employed from within the local area.

Puckapunyal:

Broadspectrum (BRS) provide Hospitality and Catering services for Puckapunyal Military Area (PMA). The break down by supplier for Broadspectrum (BRS) for PMA for the period November 2016 to November 2017 is:

SAJ-Fruit and Vegetable	\$430,921.00
Bidfoods-Dry goods	\$879,690.00
Regency-Meats	\$860,068.00
M&J Chicken	\$211,675.00
Goodman Fielder-Bakery Goods	\$145,135.00
LD&D-Milk-Dairy Products	\$86,388
Aquanas-Frozen and Dry goods	\$20,000.00
Borthwick-Sweets & Bakery Goods	18,496.00
Breadwinner	17,958.00
Bunzl-Consumables	17,880.00
Total	2,688,211.00

Broadspectrum advise that it has 53 staff members engaged in a mix of full-time, part-time and casuals.

They have also advised that all staff are employed from within the local area.

CHAIR: How many local jobs are created by the expenditure of the \$20 million a year for Spotless?

Based on the payroll date of 17 November 2017, Spotless has advised that they have the full time equivalent of 111.75 permanent employees in the Albury Wodonga Military Area, which includes Bandiana.

Spotless has also advised that there are 252 individual sub-contractors in the Albury Wodonga Military Area. It is not possible to accurately ascertain the volume of work undertaken solely in Bandiana (Wodonga), as these sub-contractors may also undertake work at Wagga Wagga, where there are other Defence facilities covered under the contract.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Parliamentary inquiry into the impact of Defence training activities and facilities on rural and regional communities – 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Local Staff Contracts

Question reference number: 10

Senator: Alex Gallacher

Type of question: 21 November 2017, Spoken, page 41

Date set by the committee for the return of answer: 15 December 2017

Question:

Ms Jones: I do have numbers of staff employed by Spotless, Bandiana, if you would like. At the moment Spotless employ 131 staff at Bandiana.

CHAIR: And they would all be locals?

Ms Jones: Yes, they all live locally.

CHAIR: You wouldn't be employing someone from Sydney.

Ms Jones: No. They all live locally. In addition to that the security contractors, the people who check you when you're going in and out, would be local as well. The logistics contract with Broadspectrum, I assume, employs local people as well. But we will take on notice to give you some more accurate numbers. They'll be accurate at the time we take them, of course. They go up and down.

Answer:

Broadspectrum employs 186 staff in the Albury Wodonga Military Area performing the following functions:

Firefighters – 24

Logistic Personnel (Stores trades) – 21

Tradesman, clerical and stores - 141

Wilson Security sub-contract to CONSEC, which employs a total of 55 staff. They all live locally within the Albury Wodonga area.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the Impact of Defence Training Activities and Facilities on Rural and Regional Communities – 21 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Broadspectrum Victoria

Question reference number: 11

Senator: Bridget McKenzie

Type of question: Spoken, Hansard pages 41 - 42

Date set by the committee for the return of answer: 15 December 2017

Question:

Senator McKENZIE: I want to understand, for each base in Australia, how often the commandant meets with local council. I want to get a sense of the range of interaction that's occurring between base and rural and regional communities. We're finding that it's different for every space and place. That's okay, but I have been to only two bases, so I would like to get a picture, in a nice, neat little table, of what's going on. If there's a biannual meeting between commandant, RDA, council et cetera, or if it's only on a needs basis, or if it's never, I want to have an understanding of that.

Ms Jones: So nationally—is that what you're looking at?

Senator McKENZIE: Yes, for every base in Australia.

Ms Jones: Each base has a slightly different nature, so there'll be variety in all of that.

Senator McKENZIE: I know, but I'm assuming we embed bases in communities and I want to understand that relationship.

Ms Jones: Yes.

...

Senator McKENZIE: If we start with my question about what a commandant's engagement with local community is, maybe we could add another column around the EMOS—somebody who's in charge of engaging with business. I'm sure there are some out there that are doing a fabulous job integrating into community, having those conversations and understanding local capability and there'll be others that don't. If I could have some sort of oversight on that it would be great.

Ms Jones: The first regional people who spoke to us did talk about Spotless being on theirs. It is the EMOS in this area, so that was a positive report. But we need to work I think with Broadspectrum with Victoria.

Senator McKENZIE: I don't think we've taken the over who, so if I could have that on a little spreadsheet, that would be awesome.

Answer:

It is not feasible to provide the information in the format it has been requested.

Defence currently has over 700 properties Australia-wide, both owned and leased, with over 130 major bases in each State and Territory, many with differing command arrangements.

A Senior Australian Defence Force Officer (SADFO) is appointed by the Chief of the Defence Force and the Secretary of Defence, at the majority of these bases and sites. The SADFOs represent ADF interests via a 'whole of Defence' approach. This includes managing and executing any Defence Assistance to the Civil Community, such as support following natural disasters, as well as broader community engagement activities.

SADFOs work in conjunction with the Base Support Manager (BSM). The BSM oversees the operations of the base and other service delivery matters. This involves routine engagement with the local community.

Formal and informal community engagement is driven by the specific geographic and situational environment in which the base operates, and is continually assessed by the SADFO, as well as the local BSM and team. A well-established process is in place for community consultation regarding the construction of new Defence facilities, where the community is invited to participate and provide comment. In some instances there may be little consultation, as there may not be any issues of concern. In other instances, there may be frequent engagement on specific issues, such as aircraft noise or environmental matters.

As noted in the response to a previous QoN, there is no specific requirement for the Estate Maintenance and Operational Services contractor to engage with the community, except in those circumstances where its activities directly impact on the local community or where it may lead to routine engagement on behalf of the base.

An annual program of Consultative Forums with each State and Territory Government is also in place and attended by Senior ADF personnel. These forums were established in 1999 with the intention of having Defence's interests included in the development of each State and Territory's long term strategic plans. The forums also provide the respective State and Territory Governments with a conduit for having their interests included in Defence's strategic planning processes. Nine Consultative Forums are held each calendar year - one for each of the eight Australian States and Territories and one for the Department of Infrastructure and Regional Development, which administers the Ashmore and Cartier Islands, the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands, the Coral Sea Islands, Norfolk Island and the Jervis Bay Territory, on behalf of the Federal Government.