

Senate Standing Committee on Foreign Affairs, Defence and Trade

Parliamentary inquiry – 21 March 2018

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Impact of Defence training activities and facilities on rural and regional communities – 21 March 2018

Question reference number: 2

Senator: Alex Gallacher

Type of question: Spoken, Hansard page 4

Date set by the committee for the return of answer: 13 April 2018

Question:

CHAIR: If we could just further develop a few questions are around the same subject. This is a statement, and we'll put this as a question on notice as to you. 'As the initial stage of the project nears completion, there is little evidence that local supply-chain companies and contractors have been utilised to work on the project. Admittedly, there's been some use of local accommodation service providers, retailers and local labour, but this has been limited, and appears to be a relatively small proportion of the total proportion of the budget.' We would put a question like that to Defence, but is the tier 1 contractor required to report back to you in the terms of how much they've spent in the region? Can you give us a definitive answer on that?

Mr Grzeskowiak: If this is the Cultana redevelopment project, which has a company called St Hilliers as the head contractor—if I assume it's that contract—

CHAIR: Yes.

Mr Grzeskowiak: Then I think we are asking—are they part of the trial—

CHAIR: Just give me a question of fact—whether it is a relatively small proportion of the budget spend or not—isn't it?

Mr Grzeskowiak: They're not formally part of our local industry capability trial, because that project was more advanced at the time when we decided to launch that trial. We have worked with them to try to adopt the principles that we've put into the local industry capability plan trial. I'll take on notice our ability to get some information for you about the percentage of the work packages and the expenditure that is being conducted and expended in the local area, to Port Augusta and Whyalla.

Answer:

St Hilliers has structured the project to include 36 works packages with a total value of \$56.4 million. To date, 26 of these packages have been awarded, with a total value of \$54 million. Of the 26 work packages awarded to date, ten packages (38 per cent) have been

awarded to sub-contractors from the local area, including Whyalla and Port Augusta. These ten packages have a combined of value of \$31 million, which represents 57 per cent of the total value of works packages awarded to date.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Parliamentary inquiry – 21 March 2018

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Impact of Defence training activities and facilities on rural and regional communities – 21 March – Q3 - Gallacher

Question reference number: 3

Senator: Alex Gallacher

Type of question: 21 March 2018, 6 (spoken)

Date set by the committee for the return of answer: 13 April 2018

Question:

CHAIR: Okay. Just for clarity there: Hilliers would have engaged in what year to get the commencement date that they got? Would they have been bidding in 2015-16?

Brig. Galton: I think 2015. I'll have to confirm that for you though; I haven't got that here. But it was certainly—

CHAIR: It was clearly well outside what we've been talking about—

Brig. Galton: Yes, it was generally before we had the ICP.

CHAIR: And the expectation that we've delivered as a result of an inquiry has coincided with a contractor coming in with a different set of rules?

Mr Grzeskowiak: That may well be the case.

Answer:

In May 2017, and following a competitive two stage tendering process involving 13 tenderers, Defence engaged St Hilliers Property Pty Ltd as the Head Contractor for the main works package for the Cultana Training Area Redevelopment (CTAR) Stage 1 Project. St Hillier's engagement on the CTAR Stage 1 project was prior to the Local Industry Capability Plan (LICP) being released by the Minister for Defence on 31 August 2017.

Although St Hilliers was engaged prior to the LICP, it has made a concerted effort to engage with the local community, and to provide opportunities to local subcontractors where possible. In July 2017, St Hilliers conducted local industry forums, hosted by the Chamber of Commerce and Industry in Whyalla and Port Augusta, South Australia. The purpose of the forums was to introduce the CTAR Stage1 Project to the local community and to engage with local contractors and suppliers in order to maximise opportunities for local industry participation. In March 2018, a further industry forum was conducted with local contractors and suppliers from Whyalla and Port Augusta to advise them of the finishing trades work

packages that were going to be released. Attendance from local contractors and suppliers at these forums was high.

In addition to the industry forums, St Hilliers has undertaken the following activities to ensure maximum local participation:

- advertising for subcontractors/suppliers in local newspapers,
- continuing to liaise with local industry networks and the Chamber of Commerce,
- Sourcing materials from local suppliers,
- entering into supply arrangements with local supplier such as hospitality and fuel services providers; and
- managing a project “positions vacant” data base for all project sub-contractors, to facilitate employment opportunities for local residents.

Senate Standing Committee on Foreign Affairs, Defence and Trade

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

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Impact of Defence training activities and facilities on rural and regional communities – 21 March 2018 – Q6 - Reynolds

Question reference number: 6

Senator: Linda Reynolds

Type of question: Spoken, Hansard pages 9-10

Date set by the committee for the return of answer: 13 April 2018

Question:

Mr Grzeskowiak: At Yampi Sound, through the Australian Wildlife Conservancy, we are heavily engaged with the Dambimangari people.

Senator REYNOLDS: Can we get some information on that, because I wasn't aware of that

Senator REYNOLDS: Could you take that on notice and provide some further detail on that. That's terrific, I wasn't aware of that, so thank you. That is very good.

Answer:

On 12 August 2016 Defence signed a contract with the Australian Wildlife Conservancy (AWC) to trial land management and conservation services throughout the 560,000 hectare Yampi Sound Training Area. This arrangement does not impact the use of the Yampi Sound Training Area as a Defence training range. The two activities of 'Defence training' and 'conservation' are not incompatible.

The AWC is a not-for-profit, conservation-based land management organisation. It manages over 4.6 million hectares of land across Australia specifically for the protection and conservation of Australia's native plants and animals. The AWC also funds scientific research that underpins its land management practices.

Yampi Sound Training Area has been Defence-owned since the 1970s and is home to more than 1,000 plant species, over 50 mammal species, more than 170 bird species and around 100 reptile species. The key focus of the AWC engagement is the continued conservation of these species, which include endangered species that have disappeared from most of their former distributions.

The AWC contract includes a requirement that Indigenous persons with a cultural heritage interest in the land must be involved in management activities and a Dambimangari People Engagement Plan must be prepared. In 2016-17 Dambimangari representatives were involved in delivery of fire management programs and some survey work. This involvement is expected to increase over the life of the contract.

In December 2017 the AWC and Dambimangari Aboriginal Corporation announced a partnership for management of large land holdings to the north of Yampi Sound Training Area owned by the Dambimangari people.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Parliamentary inquiry – Impact of Defence training activities and facilities on rural and regional communities - 21 March 2018

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Impact of Defence training activities and facilities on rural and regional communities – 21 March – Q7 - Reynolds

Question reference number: 7

Senator: Linda Reynolds

Type of question: Spoken, Hansard p.10-11

Date set by the committee for the return of answer: 13 April 2018

Question:

Senator REYNOLDS: I think you've just captured, perhaps unintentionally, some of the issues for the Western Australian exploration companies. Again, this is in the broader issue of the use of training areas. They'll have a look at the contracts, for example, at Woomera, where there is obviously the issue of unexploded ordnance and other issues. So they have a look at the contracts for there, and then they have a look at the contracts that the department has presented to them to sign for the Yampi Sound. I've got to say your staff have been fantastic. I raised the issue with them and they've come over and had good negotiations. What it has shown me in relation to this inquiry is that once they've got permissions from the state governments—again, they're very well aware of their environmental responsibilities and everything else—the issue is that, the current drafts of the contract with Defence are drafted in a way that makes it almost impossible. For them to raise money to explore they need to have some certainty of tenure, or at least of access, not only to explore but to mine, because there's no point exploring if they're not going to be able to do mining activities. In those areas that they're looking at—some of it is quite difficult terrain—if Defence is going to use that whole land, it's very difficult. It's better off telling them up-front, 'Actually, we're just going to ban you from all of this area that we think we're going to use,' rather than making them jump through very expensive hoops. A lot of them are very small businesses, so they spend a lot of money and many years up there, but they get to the point where they can't actually proceed or they can't raise money because they can't get some guarantee that if they find anything they can mine it.

It's not a criticism, but it's just something that I want this committee to look at further. How can we make the process work for Defence? And if there is land there that can be ecologically managed, and it's land that Defence are unlikely to use—as you know, a lot of these are very small areas, but they need access—is there a way that we can smooth the process so that explorers can continue exploring, having written certainty that they'll actually be able to mine?

Mr Grzeskowiak: We're looking at that at the moment; that issue had previously come to my

attention. I do note that we've got several companies that are doing explorations, and therefore the process is clearly not impossible. We would seek to protect the Commonwealth's position diligently in these negotiations, but I'm not against having a look to see if we can't reach better agreements.

Senator REYNOLDS: Again, this is not in any way a criticism; it's just a practical smashing together of industries. In this case, junior explorers—who are generally mum-and-dad companies who put their everything into spending years exploring—find something, but if they can't actually get the guarantee that they can mine then they've lost all their money and they can't raise money to mine. So it's finding what Defence genuinely needs and is likely to need, and balancing it. I think it's getting closer, but I don't actually feel that it's there yet. So if we could get some further information on that, because it won't be the last time this issue occurs, with people wanting to explore and perhaps mine on Defence land.

Mr Grzeskowiak: Yes, we'll have a look at that. Maybe we should come and have a briefing with you, just to get into the detail a bit more from a Western Australian perspective.

[Note: The committee would appreciate a written response before deciding whether a briefing is required.]

Answer:

The Department of Finance (Finance) administers access to Commonwealth-owned land for mineral exploration and mining under the *Lands Acquisition Act of 1989*. The Minister for Finance is responsible for authorising access to Commonwealth-owned land for exploration and the Governor General is responsible for authorising access to Commonwealth-owned land for mining. If authorisation to access Defence-managed Commonwealth land is granted, it is granted conditionally upon negotiation of a Deed of Access with Defence.

Commonwealth Government practice for the use of Commonwealth land, as administered by Finance, is to provide for co-existence with the resources sector, provided this does not interfere with the primary use by the Commonwealth. This has included working with the Western Australian (WA) Government to amend the WA Mining Act to ensure exploration and mining permits can be granted over Commonwealth land.

Defence has a well-established approval framework, which is regularly reviewed and updated. This framework has been developed in conjunction with Finance to ensure it complies with the Commonwealth framework. When Defence receives an application for access to the Defence estate for exploration or mining, Defence conducts a risk assessment to evaluate the potential impact on current and planned Defence requirements. As part of the risk assessment, Defence seeks to identify mitigation strategies that may allow the mineral exploration or mining activity to co-exist with Defence operations.

In many cases, exploration activities by the resources sector are not invasive and do not pose unmanageable concerns to Defence operations. Defence currently has five active Deeds of Access with the resources sector across the Defence estate. In addition, Defence has negotiated Deeds of Access with numerous exploration companies of varying size which have completed their exploration activities on the Defence estate and subsequently terminated their Deed of Access. The most recent example of a resources company completing its exploration activities occurred at Yampi Sound Training Area (YSTA).

Exploration activities require separate consideration to the impact of mining activities. Initially, Defence is only able to assess the exploration application. It is difficult for Defence to assess the impact of a potential mine, in the absence of a specific application. It should be noted that historically a very small proportion of exploration activities result in a viable mining operation. Defence and Finance both advise a mining company seeking access for exploration that agreement for exploration does not necessarily mean access will be granted for mining.

There have only been three instances where Defence did not support a request to access the Defence estate. In these instances, an unacceptably high safety risk from concentrated unexploded ordnance, unacceptable impacts of sand mining in a sensitive environment, and unacceptable impacts on Defence capability, precluded Defence from supporting access.

Defence acknowledges that increased activity from the resources sector provides benefits to State, Territory and Commonwealth Governments, where this does not prevent Defence from using its training areas for their primary purposes. Any action to terminate a Deed of Access would need to be done reasonably and in good faith, meaning that the Commonwealth cannot act arbitrarily. To date, Defence has not terminated any Deeds of Access.

Defence has been asked why the access framework for the Woomera Prohibited Area (WPA) does not apply to the entire Defence estate. The legislative and governance arrangements for the WPA are different because the Commonwealth, apart from several small land parcels, does not own or lease the WPA, which is mainly South Australian Crown land or native title freehold.

Defence grants or refuses non-Defence user access to the WPA under the *Defence Act 1903 (Cth)*, the *Defence Force Regulations 1952 (Cth)* and the *Woomera Prohibited Area Rule 2014*. Defence's use of the WPA as a Prohibited Area declared for the testing of war materiel also differs markedly from Defence uses of training areas. Under the WPA legislative arrangements, the Minister for Defence may cancel a permit if deemed necessary for the defence of Australia.

The YSTA in WA is one of only four Category One training areas in Australia capable of supporting joint and combined manoeuvre exercises whilst permitting safe separation of this training from the accompanying airspace. The remote location of YSTA also makes it unique for the conduct of sensitive training activities, and avoids interference with communication networks shared with civilian and commercial users. It is therefore imperative for Defence to ensure that it maintains the security of YSTA for its primary purpose of delivering Defence capabilities.

Defence continues to work with smaller resources companies in seeking to resolve recent Deed of Access concerns. Defence appreciates the concerns of smaller companies in securing finance when Defence needs to reserve the right to terminate a Deed of Access if necessary to do so. Defence acknowledges that there are alternatives for Defence to provide increased certainty to the resources sector by withholding access for resources companies to Defence training areas, or portions of training areas, or to ask the WA Government to avoid issuing tenements. Defence expects that both the State and the broader resources sector would not support either of these approaches, and would consider that the current governance arrangements act to facilitate a greater level of access to Defence land by the resources sector.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Impact of Defence Training Activities and Facilities on Rural and Regional Communities – 21 March 2018

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SSCFADT - Impact of Defence training activities and facilities on rural and regional communities – 21 March – Q9 - Gallacher

Question reference number: 9

Senator: Alex Gallacher

Type of question: Spoken, Hansard page 16

Date set by the committee for the return of answer: 13 April 2018

Question:

CHAIR: We note that the Centre for Defence Industry Capability is hosting a series of Introduction to the Defence Market Seminars in state capitals and regional areas between March and May of 2018. Are you able to update how they have gone, number of attendees, range of organisations represented and content delivered?

Mr Ablong: I can get you some specific details, because they have been doing a lot of work. We can take it on notice, but as of February of this year the Centre for Defence Industry Capability has received over 320 applications from Australian companies, of which 302 have been accepted and are being pushed through the various processes. We have received 26 applications for Capability Improvement Grants, of which 23 have been approved, with a total value of \$942,337 in grants so far. There are a number of things inside what the Centre for Defence Industry Capability is doing that are starting to impact upon industry's ability to engage with Defence, but I'll get you a more detailed brief and provide that to the committee.

Answer:

Centre for Defence Industry Capability 'Introduction to the Defence Market' seminars

The Centre for Defence Industry Capability (CDIC) is delivering a series of 'Introduction to the Defence Market' seminars, intended for businesses seeking to learn about the opportunities in the defence market.

The Seminars have attracted a diverse range of small and medium enterprises (SMEs) and the support of local business chambers and incubators that look to support their local businesses in new ventures. In support of the seminars, State and Territory governments and defence industry associations have also been invited to attend and present on local initiatives and the support they have available.

As at 28 March 2018, the Centre for Defence Industry Capability has successfully delivered seminars in seven locations. A breakdown of locations, and the number of individual registrations, is provided below:

Location	Date	Registrations
Brisbane, Queensland	6 March 2018	140
Sunshine Coast, Queensland	8 March 2018	70
Townsville, Queensland	13 March 2018	56
Rockhampton, Queensland	14 March 2018	57
Cairns, Queensland	15 March 2018	43
Canberra, Australian Capital Territory	26 March 2018	90
Albury/Wodonga, New South Wales/Victoria	28 March 2018	32

Ten further seminars are planned to take place across Australia throughout April and May 2018.

Location	Date
Sydney, New South Wales	10 April 2018
Wollongong, New South Wales	12 April 2018
Newcastle, New South Wales	12 April 2018
Melbourne, Victoria	17 April 2018
Geelong, Victoria	19 April 2018
Launceston, Tasmania	19 April 2018
Perth, Western Australia	1 May 2018
Darwin, Northern Territory	8 May 2018
Katherine, Northern Territory (on demand)	9 May 2018
Adelaide, South Australia	15 May 2018

The content of each seminar is tailored for the needs of businesses in each location with presentations on the following areas delivered:

- categories and types of procurement;
- how to access the defence market;
- Australian Government and State and Territory Government support mechanisms available to industry; and
- an overview of Australian defence industry policy information, including core initiatives such as the Australian Industry Capability program and the Defence Export Strategy.

Where possible and appropriate, each CDIC seminar also incorporates:

- SME case studies: A successful defence industry SME is invited to speak to provide their perspectives on the opportunities and challenges of participating in the Australian defence market; and
- Prime contractor engagement: One of the seven prime contractors involved in the Global Supply Chain program is invited to speak about their participation in the program, their experience with the Australian Industry Capability program and the Australian defence market.

Other Centre for Defence Industry Capability activities

The CDIC has been established to provide a focal point and single front door to Australian industry, particularly SMEs, into Defence. It has made a substantial input to defence capability, growing the capability and capacity of Australia's defence industry, and providing leadership across the defence industry.

The CDIC has provides advisory services and facilitated engagement between businesses and innovators, government agencies, and industry organisations. These services are complemented by a range of other activities that serve to decrease barriers to SMEs engaging with the defence market and contributing to defence capability. These include:

- The delivery of outreach, education and awareness events across Australia, attended by around 1,000 SMEs and 3,000 participants.
- Teaming with the Australian Cyber Security Centre and the Australian Government Security and Vetting Agency to provide seven Defence Industry Security and Cyber Awareness Forums across Australia.
- Increased Australian presence at the Defence and Security Equipment International (DSEI) 2017 in the United Kingdom and at the 2018 Singapore Air Show.

The CDIC also continues to play an important role in the development and implementation of Defence major projects and policies. Notably, the CDIC is:

- Continuing to support the National Defence Industry Skills and Jobs Information Campaign.
- Preparing for expanded support services to SMEs under the 2018 Defence Export Strategy, including through managing the additional \$4.1 million per annum for grants to help build the capability of SMEs to compete internationally.
- Supporting major Defence major capital equipment programs, including consideration of Australian industry opportunities for the Future Frigate and F-35 Joint Strike Fighter Programs.