

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the impact of Defence training activities and facilities on rural and regional communities – 20 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 - 20 Nov 17 - Bendigo - Broadspectrum - Q2 - McKenzie

Question reference number: Q2

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 29

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

Question:

Senator McKENZIE: In regard to that comment that you can't control who Broadspectrum talks to, how could we change the process or what we do to ensure that those contractors—our tier 1s—actually do engage with small to medium enterprises in the local community?

Ms Wood: We do encourage our big contractors to engage as much as they can with the local community.

Senator McKENZIE: How do you encourage them?

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

Senator McKENZIE: Do you rate them?

Ms Wood: I'm not sure we rate them, but we certainly ask them to report on it.

CHAIR: How do they comply with that? Do they put a report to you?

Ms Wood: There's a reporting requirement in each of those contracts.

CHAIR: Is that a written report saying, 'We engaged with 23 local businesses,' or, 'We didn't'?

Ms Wood: I am not fully across the requirements relating to that in the contract.

CHAIR: Perhaps you could take that on notice, because we'd really like to see some evidence that there are quarterly meetings or explanations or websites or—

Senator McKENZIE: A visit to the chamber of commerce or an ad in the paper.

Mr Patterson: I might be able to expand on that with respect to the capital facilities and infrastructure projects that are underway. You'll probably be aware that Defence is piloting a local industry capability plan across a couple of projects. What we're asking for in that plan is that prospective tenderers provide us with the information in their tender submission as a project plan—how they've engaged with local industry to maximise the opportunities that might be available as a result of that project. That plan is a living document throughout the life of the project. Defence, through our project manager, will continually review that plan to

make sure that they're adhering to the promises they've made with respect to that engagement process.

It's a pilot program, so it's underway right now. We haven't yet seen what this will result in with industry. We have three projects, all of which have been tendered. One tender has closed and is currently under evaluation for the Shoalwater Bay training area project. The others won't be closed until just before Christmas. The third project will be released in early 2018.

Answer:

A report on the number and percentage of small-medium enterprises engaged by the Base Services Contractor is required as part of the Annual Strategic Review for each Base Services Contract. A report on the number and percentage of small-medium enterprises engaged by the Base Services Contractor is required as part of the Annual Strategic Review for each Base Services Contract. These reports are commercial in confidence.

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

Senate Standing Committee on Foreign Affairs, Defence and Trade

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Dealing with SME's

Question reference number: 3

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 30

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

Question:

Senator McKENZIE: But as the person handing out the money, surely Defence can have some criteria for how that contractor should be dealing with SMEs?

Ms Jones: As I said, what happens when we do talk about the specification in a contract is that the subcontractor hasn't actually been compliant. That is usually 99 per cent of the time. But I think our point is that perhaps the process isn't easy. I will have to talk to our contractors about how they might work to make that easier.

Senator McKENZIE: On notice, I would like to understand what the current process is—
Ms Jones: With the contractors?

Senator McKENZIE: Yes.

Ms Jones: They would all have different systems—

Senator McKENZIE: Yes, they will. I appreciate that. I would like to know what the current process is and what steps Defence will take—if Defence can impact on that process at all.

Answer:

Base Services Contractors are required to report to Defence any non-compliance with the relevant State Building and Construction Industry Security of Payments legislation within 7 days of the non-compliance occurring, including any payment disputes between the Base Services Contractor and a sub-contractor, or where the Base Services Contractor has overdue payments to sub-contractors. Information required under this reporting activity includes:

- Supplier Name
- Supplier Australian Business Number
- Value of overdue amount
- Date claim for payment was made
- Reason for overdue payment.

Defence has written to the Estate Maintenance and Operational Services contractors advising of its intention to review their respective sub-contractor payment process in the next three months, with the intent to identify opportunities for improvement.

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) inquiry into payment times and practices was released on 12 April 2017. On 22 November 2017, the Government responded to the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) Payment Times and Practices Inquiry Report. The Government has agreed to mandate a 20 calendar day payment time (reduced from 30 days) for non-corporate Commonwealth entities for contracts valued up to A\$1 million, effective from 1 July 2019.

Department of Finance will be revising the relevant Resource Management Guide (RMG-417) closer to implementation of the change. Defence incorporate changes into the contracting templates consistent with the revised RMG.

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the Impact of Defence Activities and Training Areas on Rural and Regional Communities - Bendigo – 20 November 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Public Transport Victoria/Puckapunyal

Question reference number: 4

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 31

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

Question:

CHAIR: What about this PTV issue—the bus operator? Were you here for that evidence this morning?

Ms Jones: About Anzac Day, or—

CHAIR: No.

Senator McKENZIE: No, about Public Transport Victoria upgrading the bus infrastructure—the bus site.

Ms Jones: The bus stops, yes. I didn't quite follow his conversation so I'll have to get more information about the bus stops.

Senator McKENZIE: It sounds like there was a bit of a stand-off between Public Transport Victoria and the Puckapunyal site itself around who was responsible, who owned the infrastructure, who had access to it to upgrade it et cetera. So it hasn't been upgraded?

Ms Jones: No. I'll have to take that on notice. I thought his major issue concerned the availability of timetables and that as well.

Senator McKENZIE: Yes, because that's all part of it.

Ms Jones: That's true. I was going to explore options. Those timetables can be put on our departmental based websites with the URLs and apps—

Senator McKENZIE: In Victoria, every Public Transport Victoria bus stop is the same, and I guess they are wanting it to be the same, and the timetables displayed on a box on the pole et cetera.

Ms Jones: Sorry, I wasn't sure about who was going to fund that in his conversation. Was he expecting Defence to fund those upgrades or Victorian public transport?

Senator McKENZIE: My understanding was that this was an access issue. I took it that there was a stand-off. But could you shed light on that at all? I think the local council had written to the defence minister about the issue as well.

Ms Jones: I will have to take that one on notice, I'm sorry. No-one seems to understand that yet.

Answer:

Bus stops and shelters have been on site at Puckapunyal for many years and these items have been maintained by the Department of Defence on the understanding that they belonged to Defence.

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

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

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

Defence and Public Transport Victoria will cooperate to ensure its bus stop standards are applied. Defence will contact Public Transport Victoria to re-commence discussions to achieve this outcome.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: AAFCANS

Question reference number: 5

Senator: Bridget McKenzie

Type of question: Spoken, Hansard page 32

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

Question:

Senator McKENZIE: With regard to AAFCANS agreeing to competition on base, has there been an instance where that has occurred on other bases?

Brigadier Purdey: When we talk about competition, there are a number of different services that are supplied at Puckapunyal.

Senator McKENZIE: No, I appreciate that. But you're talking about a licensing agreement, so I'm assuming the same licensing agreement is on all bases around Australia, with whoever the provider is. Is there an example where you say, 'Well, yes, you can come in if there's agreement'? Can you on notice perhaps provide us with an understanding of where that group has agreed to another service provider coming on base, on any other base, with a different type of service?

Ms Jones: I may be able to answer that question about Singleton, because that's run by the infantry army themselves, so it's not actually a commercial provider. We can check where the profits go, but I imagine it's similar to AAFCANS, where it's reinvested in either the museum or services.

Senator McKENZIE: Maybe I'm not making myself clear. The brigadier just stated that, if somebody off base wanted to come on site on a Sunday with a coffee van, because of the licensing agreements with AAFCANS, that would have to be subject to agreement.

Ms Jones: Correct. All people—

Senator McKENZIE: Correct. I want to understand if that has ever been agreed to anywhere.

Ms Jones: Okay. We wouldn't have a coffee van, because we have many licensing agreements with civilians—

Senator McKENZIE: A coffee van or whatever. When I said 'competition', I meant ones offering the service that AAFCANS offer but that AAFCANS, for commercial reasons, obviously have decided not to offer in those hours. Also, I think the base, offering a food or beverage service. Would there be anything in the contractual arrangements to stop that occurring?

Ms Jones: The only issue we'd need to be concerned about is around security if we've got

large groups of people gathering at the front of the base—whether there would be any security implications.

Senator McKENZIE: Given where Puckapunyal is, it would only be people on base that would be stepping outside!

Ms Jones: But, generically, that would be the answer. And, yes, we can look at that.

Answer:

Q..... But you're talking about a licensing agreement, so I'm assuming the same licensing agreement is on all bases around Australia, with whoever the provider is. Is there an example where you say, 'Well, yes, you can come in if there's agreement'? Can you on notice perhaps provide us with an understanding of where that group has agreed to another service provider coming on base, on any other base, with a different type of service?

Answer

Yes. A mobile coffee van operates at Holsworthy Army Barracks. This is provided by an independent operator (Sunrise Coffee Van trading as 'Sams's Coffee Van') operating on a two year licence sponsored by the Base Support Manager – Holsworthy (September 2017 to September 2019). AAFCANS does not provide a mobile coffee service on this site but has recently advised the Base Support Manager – Holsworthy that they are considering the commercial viability of providing a similar service on this site.

The engagement of another service provider is allowed under paragraph 28 of the *Army and Air Force Canteen Service Regulations 2016*, which specifies that the AAFCANS Board...

“may, with the approval of the Commanding Officer of an Army or Air Force installation, grant, upon such terms and conditions as the Board determines, to any person a licence to trade in an Army or Air Force installation for the purpose of rendering a service not catered for in that installation by the Canteen Service (AAFCANS)”.

AAFCANS also source specialised traders to provide different services, such as hairdressers, banks, etc. These providers have signed an AAFCANS Trading License (to which Defence has no input), and which impose restrictions on trading hours and/or certain products that the Licenced Trader has agreed to under the terms of the Licence.

Q. When I said 'competition', I meant ones offering the service that AAFCANS offer but that AAFCANS, for commercial reasons, obviously have decided not to offer in those hours. Also, I think the base, offering a food or beverage service. Would there be anything in the contractual arrangements to stop that occurring?

Answer.

The *Defence and AAFCANS Agreement 2015-2020* is the overarching agreement on canteen services supplied by AAFCANS on Army and Air Force bases. This agreement stipulates the hours and allowable services that are able to be provided through AAFCANS on these bases.

As noted under paragraph 28 of the *Army and Air Force Canteen Service Regulations 2016*, the Board has the authority to grant a licence to any person for the provision of a service not catered for by AAFCANS.

Senate Standing Committee on Foreign Affairs, Defence and Trade

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: EMOS

Question reference number: 8

Senator: Alex Gallacher

Type of question: Spoken, Hansard page 33

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

Question:

CHAIR: What does that mean, literally, that you will seek out the local chamber of business and commerce?

Mr Patterson: There are probably two aspects to this. As you mentioned before, through our parliamentary public works committee consultation we undertake we have very much picked up on feedback, certainly from these hearings that have been held and also some other concerns about consultation over the last 12 months or so, how better to promote Defence to maximise local opportunities. So as part of our consultation for the parliamentary works committee processes we are expanding that to the industry capability networks, local chambers of commerce and so on. If there is an established market sector that would be keen on accessing, we would extend the consultation to those areas, too.

The reliance on the local industry capability plan is for the contractors to actively seek out the capacity and capability of the local markets, and how they have sought to maximise those opportunities, which they will provide back to Defence as part of their tender submission. It forms part of the overall value-for-money assessment of their tender.

CHAIR: How does that process dovetail with the EMOS manager scenario? Do they have a like method of engagement with local communities or do they just ring up their mates in another place? Do they actually demonstrate to you an attempt to invite tenders from local communities?

Ms Wood: We might need to take that on notice to see how they are actually engaging. The local industry capability plan pilot is part of a broader piece of work to develop a defence industry participation policy. The pilot will inform the work around that policy.

Answer:

The Estate Maintenance and Operational Services (EMOS) contractors do not use the same process as that used by Capital Facilities & Infrastructure.

The EMOS contractors engage with local industry directly, including local suppliers and trades people in the normal course of providing their contracted services to Defence. This

engagement is focussed on ensuring continuity of Defence capability and developing effective relationships with local industry and suppliers.

Under their contract, each EMOS contractor is required to engage with a range of small to medium sized enterprises (SMEs) and provide additional support to enable SMEs to improve their service delivery, develop their capabilities and to continue to meet Defence's changing requirements.