

**SUBMISSION TO THE HOUSE OF
REPRESENTATIVES STANDING COMMITTEE ON
PRIMARY INDUSTRIES AND ENERGY**

**INQUIRY INTO INFRASTRUCTURE
AND THE DEVELOPMENT OF
AUSTRALIA'S REGIONAL AREAS**

**DEPARTMENT OF DEFENCE
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Introduction

Interaction between Defence, Government, industry and the wider population is essential to achieve the Defence organisation's mission - **prevent or defeat the use of armed force against Australia and its interests** – and to thereby ensure the nation's overall security. The size of Australia and its geographic position further necessitates the location of Australia's military bases in different areas throughout the country. Therefore, Defence has a critical interest in the development of infrastructure in regional areas, defined as those areas outside the greater metropolitan areas of Melbourne, Sydney, and Brisbane, and the metropolitan areas of Perth and Adelaide. Defence already makes a significant contribution to development of regional infrastructure, through the establishment of defence facilities and by fostering industry development through its capital equipment acquisition program.

The Role of the Nation in Australia's Defence

Industry has always played a significant role in defence by providing both support services and military capability. The relationship between Government, the armed forces, industry and the wider community is most cohesive during wartime; World War II saw this demonstrated to its fullest extent. Peacetime has seen good relationships develop between these parties, although Defence now seeks to take these to a strategic and more cohesive level. Defence believes that fostering closer cooperation will deliver sound economic advantages, to both industry and the community, as well as military ones.

The Australian Defence Force (ADF) is undergoing radical change, partly in response to the changing strategic environment following the end of the Cold War and partly due to a general decline (in real terms) of the level of funding the Australian Commonwealth is willing to invest. Australia's relatively small population base means that the country has to rely on modern, technologically advanced, and often expensive, equipment combined with highly motivated and trained personnel to deter or defeat an attack. However, over recent years Australia's traditional economic and technological edge has eroded as the South East Asia region has witnessed a period of sustained economic growth and increased expenditure on military equipment. In the last 18 months, regional economic instability has seen the deterioration of Australia's strategic circumstances and Defence now has to operate in a far more demanding environment with

comparatively fewer resources.¹ For Defence to continue to provide the same level of security, the combination of these and other factors require innovative ways and means to enhance operational effectiveness within tight resource constraints.

An outcome of the recent Defence Efficiency Review was an increased emphasis on the development of a national approach to defence, which led to the establishment of National Support Division (NSD) within the Defence Headquarters. NSD was tasked with developing strategies that would better engage the nation in its own defence by strengthening and better utilising the wider industrial, government and community resources in support of the defence effort. These resources - loosely called the National Support Base - encompass the full range of organisations, systems and arrangements (both formal and informal) which own, provide, control or influence the breadth and depth of support to the ADF. It includes the wider Defence organisation, Federal and State governments, Australian industry and commerce generally, and represents the most concerted effort to date to better engage industry and the wider community in the defence of Australia and Australian interests. A substantial part of that work is providing Defence input to national infrastructure initiatives.

Defence Contribution to Regional Australia's Development

Defence already had a substantial record in developing Australian industry and infrastructure. In 1984 Government policy recognised that the use of Defence resources to develop capabilities in Australian industry needed to be justified in terms of meeting the ADF's strategic goals.² It was always intended that industry's relationship with the ADF should be based on military requirement, rather than the ADF providing support to industry as such. The 1987 Defence White Paper reaffirmed the ADF's dependence on industry to provide equipment and maintenance support. In turn, Government has supported defence-related industry by providing defence contracts to many Australian companies. Some of the major projects currently underway include the ANZAC frigates, the Mine Hunter Coastal Vessels, Collins-Class Submarines, and the Jindalee Over-The-Horizon Radar. The 1998 Defence Industry Strategic Policy Statement has further emphasised the value of a comprehensive Defence – Industry partnership.

¹ Admiral Chris Barrie, Chief of the Defence Force, 'Change and Australia's Defence Capability for the New Century', Speech to the Royal United Services Institute, Australian Defence College, 10 February 1999.

² Department of Defence, *Industry Policy*, 1984.

Defence has had a long involvement in regional Australia. Many of Australia's defence facilities are deliberately located in regional areas in order to meet our strategic defence requirements, and draw on resources from local infrastructure to perform their role. The ADF uses large areas of regional Australia for training. Formal (bilateral) consultative arrangements are in place to discuss a range of strategic issues between Defence and the State and Territory Governments, many of which relate to development in, and Defence access to, regional areas.

In the past two decades, the disposition of the Australian Defence Force has undergone considerable change. The Defence estate has expanded considerably over the period, driven principally by capability considerations related to the Defence of Australia. Much of this expansion has been in regional areas and more than half of the ADF is now regionally based. A substantial number of elements from all three Services have moved to the Northern Territory and Western Australia. The new force disposition includes the establishment of a forward chain of RAAF air bases (including bare bases) in the north, the development of Fleet Base West at HMAS Stirling (with half the Fleet home porting there) and the move of a large part of the Army to Northern Australia. During the past decade Defence has invested \$1bn in the Darwin/Top End regions and illustrates Defence's commitment to basing its forces in regional areas. In most cases these enhancements and additions to Defence facilities have been made without compensating reductions or cost savings elsewhere in the Defence estate.

The Defence Efficiency Review (DER), and the Defence Reform Program (DRP) which followed, identified a program for substantial one-off savings in the order of \$500m, to be achieved mainly through property disposals and inventory rationalisation.³ The DER in particular noted there were important on-going efficiency gains to be made by the consolidation of a number of smaller bases into larger ones. Significant recurrent savings of at least \$900m per annum are expected to be achieved under the DRP through increased efficiencies and facilities rationalisation, and this may have implications in some regional areas (as well as metropolitan areas). Nevertheless, rationalisation and consolidation of the Defence estate is essential to achieve the re-direction of Defence resources to allow reinvestment in enhanced combat capability and operational readiness.

³ Department of Defence, *1997-98 Annual Report*, Canberra, p. 13.

The impact of Defence's presence in regional Australia

Regional areas benefit substantially from the presence of Defence bases and other facilities. The operational requirements of these bases and the needs of personnel stationed there provide a significant injection into regional economies. Local reserve units are made up of local community members, and civilian contractors, many of which are local firms, use local personnel to support their contracts. Additionally, Defence personnel make cultural contributions to the regional communities through their sporting activities and general involvement in wider society. Nevertheless, it is through direct investment that the regional areas benefit most from Defence. It is estimated that Defence will spend \$373m in 1998/99 on capital facilities investment, and around \$150m on on-going repair and maintenance of Defence facilities.

A number of Defence-specific issues hamper or preclude increased or continuing Defence investment in regional infrastructure. These include:

- the cost of operating and maintaining existing bases that no longer meet strategic or operational requirements;
- the costs of building new bases, when there is no clear operational need to replicate existing ones;
- the extensive timeframe for transplanting facilities (which can be 10 years and more);
- the availability of family support, including spousal employment opportunities, educational facilities, and a number of other needs to ensure that service personnel are not overly disadvantaged because of the particular requirements of a military career;
- community attitudes relating to noise and other effects of the Defence presence; and
- the accessibility of local infrastructure such as transport, communications and distribution networks.

Future Infrastructure Needs of Defence in Regional Australia

Strategic and operational support issues, rather than the need to support regional Australia, drive decisions concerning the siting of Defence bases. There are a broad range of criteria that bear on analysis and considerations relating to the siting, retention or disposal of Defence facilities.

The most important criterion is a base's geographical ability to fulfil operational and support requirements. Defence has a vital interest in the development of local civil infrastructure that can

support or enhance military operations and capabilities. Other criteria includes:

- sustainability (the ability to conduct operations for a specified period of time);
- current utilisation and relevance of facilities to existing Defence needs;
- vulnerability to attack;
- national support (eg proximity to civil infrastructure and opportunity for collocation and, where practicable, joint use of facilities, with good examples being the possible commercial use of the proposed ammunition wharf near Eden, NSW and the establishment of an Aviation Technology Park adjacent to the Naval Air Station at Nowra, NSW);
- the extent to which personnel requirements are met (such things as geographical stability for ADF personnel, spousal employment opportunities, quality of life and integration of Defence personnel within the community);
- community impact and pressures (eg environmental); and
- cost and affordability (efficient and effective use of ADF resources to provide the capability needed - in these terms cost factors range wider than the facilities costs alone, and involve whole of life considerations).

Defence is conscious of potential environmental, social, economic and infrastructure issues that may arise as a result of property and/or facilities rationalisation. Any proposed change in the disposition of Defence units is subject to a process of detailed development, analysis and consultation prior to seeking Government approval. Defence does not take lightly the costs associated with rationalisation, and considers every issue on an individual basis. Sometimes though, Defence must accept the unfortunate consequences of rationalisation, in deference to the maintenance and/or enhancement of national security.

With the changing structure of the ADF, Defence expects to make greater use of civilian infrastructure assets to support operations, either in Australia or overseas. Therefore, the distribution of Defence facilities across Australia necessitates Defence's encouragement of infrastructure investment in regional areas. Some of the areas that Defence is specifically interested in include:

- the provision and distribution of fuel;
- communications and Information Technology services;
- access to ports and harbours, roads and railways;

- health care facilities;
- access to major utilities such as water and electricity; and
- food supplies.

Defence is examining opportunities for the private sector to develop specialised military infrastructure, through consideration of a 'Private Funding Initiatives' concept. Under this approach, Defence may use private sector expertise to own, construct and manage these specialised resources.

Defence is currently working with other Commonwealth agencies, such as the Department of Industry, Science and Resources and the Department of Transport and Regional Services, and various State Governments to explain Defence's interests in infrastructure planning and development, both in regional and urban Australia. Defence expects that its demand for support can stimulate business and economic development. Indeed, it already is a significant purchaser of some existing civilian infrastructure services.⁴ Defence intends to articulate this demand to private sector infrastructure developers, as well as other interested Government agencies.

Conclusion

Defence contributes to Australia's regional infrastructure through the disposition of its forces and through the activities that they undertake. It also has a fundamental interest in the development of regional infrastructure, for the potential use the ADF might make of it supporting its operations. There are several factors that need to be taken into account when considering Defence's real ability to stimulate infrastructure development:

- Deficiencies in infrastructure may discourage, but not preclude, the location of substantial ADF elements in regional Australia. Conversely, a Defence decision to locate an ADF facility in a region is likely to create commensurate avenues for services that can benefit the non-defence community. RAAF Base Tindal is an example of this.
- Defence in general, and the ADF in particular, is a microcosm of the wider community. Hence provision of development-enhancing infrastructure will encourage Defence families to stay. The relocation of the Army to Darwin provides a case in point.

⁴ For example, Defence is QANTAS's largest corporate customer.

- Defence basing decisions are typically driven by strategic and operational imperatives. In the case of Tindal, for example, the strategic imperative was a need for greater ADF presence in Northern Australia; its operational imperative was the requirement of access to airspace. Defence basing decisions are typically not influenced by the potential for development of a region and it should be regarded as a user and follower, rather than a provider/administrator of regional development.
- Obviously, though, and as shown by experience, a sustained ADF presence can create significant direct and indirect employment. Direct employment opportunities will increase with the contracting out of garrison support, while indirect employment is provided by the demand for services by ADF families. However, the actual development of a base generates little sustained employment.
- Defence depends on both Government and the private sector to provide infrastructure for its use. Defence would consider the possible convergence of its and the community's expectations when looking to state and local government for basic infrastructure, where the market cannot, or will not, supply that required. The Committee might note that Defence will provide substantial specialised infrastructure itself (eg dedicated military ranges).

Defence has long recognised the need to coordinate its requirements of regional infrastructure and is finding the current Defence – State / Territory Government Consultative Arrangements suitably helpful in that regard. However, Defence is cognisant of the necessity for more focused, in-depth machinery, including at the regional and local government level, to ensure that the ADF is able to influence the development of infrastructure and to access it to meet its operational needs.