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Defence White Paper 2015
R1-3-A135
Russell Offices
Department of Defence
PO Box 7901
CANBERRA BC ACT 2601

21st October 2014

Re: Defence Issues Paper 2014

Regional Development Australia Pilbara appreciates the opportunity to provide input into the Defence Issues Paper 2014.

Please do not hesitate to contact RDA Pilbara CEO Diane Pentz or myself should you wish further information on the submission attached hereto.

Yours sincerely

Fiona White-Hartig
Chair
Regional Development Australia Pilbara
Submission:  *Defence Issues Paper 2014*

From:  Regional Development Australia Pilbara

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**I. Introduction**

Regional Development Australia (RDA) is an Australian Government initiative bringing together a national network consisting of 55 committees, designed to strengthen regional communities through a partnership between Australian, State, Territory and Local Governments.

RDA Pilbara is a non-profit community based organisation formed as part of the Federal Government’s Regional Development Australia initiative. The committee comprises local leaders from throughout the region who volunteer their time to work with government, business and community groups to deliver better services to the Pilbara by identifying and addressing the economic, social and environmental issues affecting them.

The Government’s Defence Issues Paper is strongly welcomed by RDA Pilbara and is seen as an opportunity to provide input from the regional areas of Australia.

The following submission is presented from the perspective of the role that is played by RDA Pilbara. It responds to a number of the questions posed in the Defence Issues Paper in the specific context of the Pilbara – and the role that the Pilbara plays in the economic health of both Western Australia and Australia.

It is recognised that the Pilbara is one of the key engines to growth and has been of major importance both to Western Australia and to the nation in terms of it contribution to resources exports, employment and taxation revenue.

The aim of this submission is to provide a rationale for enhancing the defence presence in the Pilbara. Given that the Region’s security and safety includes both resources supply line continuity and the security of the area including the strategic production sites, it is clear that the Australian Government has a crucial role to play in delivering defence activities and responsibilities, together with other relevant stakeholders.

Importantly, there is also a need for the business and wider community to understand and accept their roles and responsibilities in the areas of security and safety. As the local face of the partnership between the Australian, State and Territory and Local Governments to support the growth and development of the Region, the RDA Pilbara Committee is ready to assist the networks and collaborations between government agencies, regional development organisations, local businesses, community groups and other key regional stakeholders in developing a sustainable defence strategy.

**II. Themes**
The Defence issues paper provides guidance to and lists a possible range of themes to be covered in a submission. While RDA Pilbara recognises the interconnectedness of the themes, its submission will only focus on those that talk
directly to the rationale for having a permanent defence presence in the Pilbara. They are as follows:

- Australia's Strategic Policy Approach
- Strategic Interests
- Objectives for the ADF
- Australia's military strategy
- ADF Force Posture and bases;
- International relationships;
- Defence and Regional Australia.

III. General Context

The Terms of Reference clearly embrace current regional concerns within the Pilbara, including the rise of the Indian Ocean rim as a region of global strategic significance, and considering the implications for ADF Force Posture of the need for energy security, including security issues associated with expanding offshore resource exploitation in Australia’s North West and Northern approaches.

With there have been concerted calls for a defence base to be located in the Pilbara Region, it is reassuring to note the statement that the Review will be informed by the work currently under way in relation to base consolidation, through which Defence is assessing basing requirements and developing options for changes to Defence’s estate over the next 25 year period. This implies that the process is dynamic and changes could be made to the status quo.

There is an increasing view in the Pilbara that a visible deterrent in the form of a military base located in the Region, is essential. The 2009 Defence White Paper, Defending Australia in the Asia Pacific Century: Force 2030 appropriately has a strong focus on the Asia-Pacific Region, while the Indian Ocean Region is continuing to emerge in terms of new and greater security risks and issues – and with the projected growth of these regions as global players, the Pilbara Region’s resource developments take on a higher security profile through to and beyond 2020.

The Department of Defence in its recent submission on Developing Northern Australia stated that: “Northern Australia is at the centre of our maritime strategy of manoeuvre, power projection and layered defence in Australia’s northern approaches, supported by bases and facilities in the south. It is critical to the mounting of operations from Australia into the South Pacific, South-East Asia and the Indian Ocean regions. This includes surveillance, humanitarian assistance and disaster relief, and stabilisation operations. Northern Australia is also key to our active defence posture in signalling our capability and intent to defend Australia and its interests.”

However it is of note that the actual concentration of permanent military forces in Northern Australia is in Darwin, Townsville and Cairns. There is no substantial presence in either the Kimberley or the Pilbara.

IV. The Importance of the Pilbara – Defending Critical Infrastructure and Strategic Interests

Military strategy has a concept of defending the high ground or securing ground of critical importance.
It is the view of this submission that the Pilbara is of critical strategic importance to Australia and any incident or perceived threat that would affect the region would have enormous consequences on the economic health of the country.

The Pilbara Region comprises just over 500,000 square kilometres, stretching from the western coastline of Western Australia to the Northern Territory border in the east and representing nearly 20% of Australia’s landmass. It encompasses iron ore ranges, tin, manganese and gold deposits, coastal solar salt fields and the North West Shelf oil and gas fields.

The iron ore and petroleum (including LNG) sectors in the Pilbara account for some 96% and 97% respectively of exports of these commodities by Western Australia. The Pilbara also has the second largest gold mine in Western Australia, the second largest coastal solar fields in the world and deposits of tin, copper and manganese. Nickel, silver, gems and uranium are also present.

The 2013/14 value of exports by Western Australia was $132 billion. This is projected to increase to between $150 and $200 billion by 2018 (dependent on commodity prices) as all of the current construction and expansion projects realise their full potential. This future value is 150% of the projected GDP of New Zealand and greater than the individual GDP of 117 of the world’s 184 nations. To further emphasise the point iron ore is the single largest commodity exported by Australia, with natural gas in 4th place and Pilbara’s exports of these products equated to nearly 30% of Australia’s total exports. Western Australia exports account for nearly half of Australia’s total merchandise exports.

The value of recent investment in infrastructure in the Pilbara through both public funds such as the Royalties for Regions, and from the private resource industry companies has been massive. Western Australia accounted for 27% of Australia’s business investment in 2013-14 and 51% of the value of Australia’s resource projects under construction or committed in April 2014. In September 2014 there was $160 billion of resource projects under construction or committed in Western Australia and a further $108 billion under consideration. These projects include port, rail, mine expansions, gas processing plants and new mines and LNG field developments.

For its part the Western Australia State Government is supporting, for example, the development of strategic industrial areas near Onslow and the proposed Anketell Port.

Any significant incidents (such acts of terrorism) or major natural disaster that had more than a very short temporary impact would have dire consequences on the economic health of the country. Such an occurrence could take various forms but the most obvious would be damage to or destruction of vital infrastructure such as at the ports, gas processing plants, pipelines or rail infrastructure. There would also be collateral damage to future perceived risk to investment in these industries in a highly competitive world market.

On the natural disaster front cyclones are the most likely event with major cyclones causing very considerable damage and occurring on a regular basis in the Pilbara such as in 1975 (Joan), 1989 (Orson), 1995 (Bobby) and 2007 (George).
Minimising risk, through enhanced capacity to support the local emergency and police services and developing a strategic, in-depth response capability by having an enhanced defence presence in the Pilbara is justified under the above scenarios.

V. Impact on International Relationships

The Pilbara does not, as far as can be seen, present a location for defensive or offensive strategies that could be compete with for instance Darwin or Cairns in terms of proximity to critical sea routes. It does, however, have two of the largest ports in Australia in Port Hedland and Dampier that are serviced by major international transport operations and these may be considered as suitable for basing some naval capacity that could cover the extensive coast from Geraldton to Derby.

Also as a major supplier to important international partners such as China and India, and a region that has attracted investment from China in particular, the perceived confidence in the security of these investments and future ones would be enhanced by a defence presence. This could be naval, air force or army or a combination of all three.

Global investor confidence remains extremely fragile. Perceptions of risk remain high. In addition the competition from other countries (such as in South America, Africa and Central Asia) to attract the same type of investors that Australia wants is rising. A significant investment in the defence infrastructure in The Pilbara would send very positive signals to such global investors.

VI. Technology and Training Benefits for a Defence Presence in the Pilbara

The Pilbara is a harsh environment. Much of the land is extremely dry, the summers get very hot and as mentioned it is cyclone prone. Industry has adapted to this environment with technology and systems that are geared to keep operating despite these challenges. It is proposed that certain units of the defence forces (such as engineering, signals, and equipment maintenance) could learn and share knowledge with the local expertise that keep the resource industry wheels turning.

The Pilbara also has comparative advantages as an environment for training defence forces in harsh climate survival techniques.

VII. Meeting the Criteria for ADF Base Location

The Pilbara is a fragile and unusual environment. The distance between urban centres is vast, and population density is sparse. The Defence submission on Northern Australia states that “Defence bases in Northern Australia are located sufficiently close to key infrastructure such as ports and airfields to allow the efficient mounting of operations and exercises and the approaches to the continent if required. The ADF is also primarily based in large population centres near industry support vital to generating and sustaining military capability.”

In the past this view would have discounted the Pilbara towns as suitable locations for a defence base. However there has been significant population and services growth in Port Hedland, Karratha and to a lesser degree Newman. Karratha has just
recently achieved city status and is expected to provide all of the services and amenities that you would expect to find in much larger cities.

Investment in social, economic and logistics infrastructure has been very significant in recent years, and for example, Karratha has a new high school, new Leisureplex, new industrial zone, new hospital under development, planned upgrades to its airport and a re-developed city centre. New residential areas have either been developed or are in advanced planning stages. In broad terms the criteria for supporting a substantial defence base now exist.

In summary the major towns in the Pilbara, and in particular the City of Karratha, now provide the liveability and connectivity required by Defence as well as the hard and soft infrastructure that can be effectively shared by both civil and military uses.

VIII. Social Impact Through Enhanced Defence Presence

What then would be the possible social impact of a permanent military presence in Karratha, for instance? It is our submission that this would have significant benefits on the following:

*Demographic diversity:* On average defence forces have a multiplier of about 1.3 in terms of family members that accompany personnel. This means that for every 100 personnel a further 130 family members are added to the community which can have very significant social benefits to Pilbara communities which have higher than average single male residents per population compared to the rest of Western Australia due to the workforce of the resource industries.

*Education and health services:* A cohort of permanent military personnel with their families would have a significant positive impact on the demand for and provision of education and health. More teachers and health professionals would be required to service their needs.

*Sport and Recreation:* By definition military personnel tend to be fit and outgoing. In the Pilbara one of the negative consequences of the high reliance on Fly In Fly Out (FIFO) workers for the resource industry combined with the adoption of 12-hour shift work has seen a decline in young people who can support local sports and recreation clubs. It is envisaged that military and their families could breathe life back into these struggling clubs, and improve the overall social cohesiveness of the communities.

*Role models for young indigenous people:* The social challenges faced by young indigenous Australians have been well documented. In the Pilbara job opportunities and career paths are limited. It is envisaged that a permanent defence presence could have an important role in demonstrating up close the benefits of a career in the armed services to such young people who may have had minimum, if any exposure to such a path. This would build upon the current Defence position as a leading employer of Indigenous youth through the Regional Force Surveillance Units (RFSU) in Northern Australia.

Parallels can be seen in Northern Australia with the North-West Mobile Force, which draws heavily from Indigenous Australians, and is mainly an Army Reserve.
It is noteworthy that within the Pilbara there is a significant indigenous, and the town of Roebourne, which is close to Karratha, plays an important part in the cultural fabric of the indigenous peoples of the region. Roebourne could act as node for the community engagement activities of any defence presence.

IX. Regional Economic Impact

At this point in time there is no commitment to establish a significant military presence in the Pilbara, nor has the quantum of such a presence been defined. However using a hypothetical establishment of a base with 5,000 personnel then some basic modelling of the impact can be done as shown in the attached table:

![Impact Summary Table](image)

Source: City of Karratha

The direct addition of 5,000 jobs in the Defence sector of the City of Karratha economy is estimated to lead to a corresponding direct addition of about $783m in Output from the local Defence sector. From this direct expansion in the economy it is anticipated that there would be a flow on effects into other related intermediate industries, creating a further increase of $175m in Output. This would convert to an impact employment multiplier of 1.22.

There would be an additional contribution to the City of Karratha economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this induced effect would result in a further increase in Output of nearly $34m.

The total impact would be an estimated rise in Output of about $1 billion.

There would be sourcing from local suppliers for defence needs as well as the local consumption effect by defence personnel and their families spending in the local
economy. This in turn would create more jobs and these new jobs would also have a consumption effect. The combination of all direct, indirect and induced effects would result in a total estimated increase of about 5,600 jobs located in the City of Karratha.

The combined impact on value addition in the local economy would be in the order of $530m, while the impact of wages and salaries would be about $320m.

Perhaps even more important than the numbers is the fact that a significant, permanent defence presence will provide an important new economic pillar to the local economy, which has been over-dependent on the resource industry. This can have a catalytic effect in transforming the Pilbara into a sustainable, normalised community that is less affected by the resource industry business cycles. It could provide the much needed stimulus to nascent sectors such as tourism, business services, light engineering and marine services. In the short term the construction sector would also benefit.

X. Conclusion

RDA Pilbara concludes its submission by paraphrasing what has already been acknowledged by Defence and by Government that Northern Australia plays a unique role in supporting the defence and national security of our whole continent and this importance will only increase as the world’s economic and strategic centre of gravity shifts towards our region. “Northern Australia is at the sharp end of our nation’s defence, but is also a gateway to the region and our defence cooperation with our allies and regional partners. This strategic importance should not be understated.”

Our perspective is that the Pilbara can no longer be ignored in fulfilling this strategic intent and the benefits of locating a permanent defence presence in our region far outweighs any short term costs.

RDA Pilbara looks forward to the outcome of the Defence Paper and would be pleased to provide any further input or consultation if so required.

References:
1. Regional Development Australia – Pilbara: Briefing Paper: 13 102011 Strategic Security In The Pilbara Region/Australia’s North West
3. Defence sector forecasting for the City of Karratha (unpublished economic data)
4. Western Australia Economic Profile –September 2014. Western Australia Department of State Development
5. Defence Submission to Parliamentary Inquiry on Developing Northern Australia. Submission Number: 221