

Office of the Clerk Assistant (Committees)
House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Submission No. 02

(Landing helicopter dockships)

Date: 18/04/13

Dear Sir/Madam,

Re: Inquiries into facilities for Defence's landing helicopter dock ships (LHD's), and air warfare destroyers (AWD's), Sydney NSW

Regional Development Australia (RDA) Sydney on behalf of Sydney Aerospace Defence Interest Group (SADIG) welcomes the opportunity to provide this submission to the Parliamentary Standing Committee on Public Works. Recent announcements from the Committee's Chair Kirsten Livermore MP, to complete inspections and public hearings are supported, for assessment of Landing Helicopter Dock (LHD) Ship sustainment facilities at Garden Island and Randwick Barracks, and the Air Warfare Destroyer (AWD) Ship sustainment facilities at Garden Island, Randwick Barracks and HMAS Watson, Sydney.

This submission consists of four sections and annexes A and B, summarized as:

- **Section 1** - RDA Sydney and SADIG Position
- **Section 2** - SADIG Representation
- **Section 3** - Previous Studies and Inputs
- **Section 4** - Commentary on the Statements of Evidence to the Parliamentary Standing Committee on Public Works, on AWD, and LHD Ship Sustainment Facilities.
- **Annex A** - The Allan Hawke Report of the Review into cruise ship access to Garden Island - 1 February 2012, and Defence Force Posture Review -30 March 2012.
- **Annex B** - SADIG Background

SADIG and RDA Sydney, strongly support the proposals prepared by Department of Defence, Statements of Evidence to the Parliamentary Standing Committee for AWD and LHD Ship Sustainment Facilities. These proposals for FBE improvements and provision of expanded ship sustainment facilities will provide improved ADF operational capability and substantial on-going socio-economic benefits to Sydney and NSW.

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Yours sincerely

Bob Germaine
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Section 1 - RDA Sydney and SADIG Position

The primary impetus for this submission is that SADIG and RDA Sydney strongly support the AWD and LHD Statements of Evidence to the Parliamentary Standing Committee containing proposals for FBE improvements and provision of expanded ship sustainment facilities. Key members of the Executive of SADIG and RDA Sydney would welcome the opportunity to provide input to the Parliamentary Standing Committee on Public Works, when hearings are being held in Sydney.

The SADIG Executive acknowledges the strategic and economic importance to NSW and Australia, for Department of Defence sustainment of Sydney's key maritime, aerospace and defence assets as part of their global supply chain. Sydney and NSW are very well positioned to continue providing sustainment to Fleet Base East (FBE) and to support the new investment in infrastructure proposed for the AWD and LHD Ship sustainment facilities at Garden Island, Randwick Barracks and HMAS Watson, in Sydney. Sydney holds the strategic position by having existing and tested defence infrastructure on the east coast of Australia, that cannot be readily replicated elsewhere. FBE is geographically well located to support both the defence and humanitarian operations in South East Asia.

SADIG and RDA Sydney strongly support the two proposals for FBE improvements and facilities that have been provided. We understand that the NSW Government, through NSW Department of Trade and Investment, will be providing a submission to this Parliamentary Standing Committee on Public Works, that broadly supports the Statement of Evidence, referred to here, and will confirm the depth of industry interest and support.

Section 2 – SADIG Representation

The NSW Defence Capability Study prepared in 2009 by the Australian Business Defence Industry Unit, identified that Greater Sydney had over 209 (62%) of the 335 NSW Defence capability companies in NSW, compared in the Hunter (59) and Illawarra (30). Regional Development Australia, Sydney (RDA) has facilitated the formation, with key industry Sydney stakeholders, of SADIG which was launched on 30th April 2012, by then Minister for Defence Materiel, The Hon Jason Clare MP, and the NSW Deputy Premier, the Hon Andrew Stoner MP, Minister for Trade & Investment. *Refer: Annex B for background on SADIG.*

SADIG currently represents 156 members in the defence/aerospace and the supporting services sector. Members work collaboratively to further develop, and grow the existing and successful aerospace & defence, manufacturing industries and service sectors in NSW.

Section 3 - Previous Studies and Inputs

In this submission to the Parliamentary Standing Committee on Public Works, it is noted that the two statements referred to in Section 4, identify the need for the improved and enhanced capability for sustainment of the 3 AWDs and 2 LHD's from Garden Island Defence Precinct, Randwick Barracks, and HMAS Watson, located in Sydney NSW.

The FBE in Sydney is an important and integral part of a substantial defence infrastructure asset base already established in NSW, and the supporting evidence presented has developed a strong case to proceed with the proposed development of the AWD, and LHD Ship Sustainment Facilities.

The recent research completed and conclusions drawn from the Allan Hawke Report of the Review into cruise ship access to Garden Island dated 1 February 2012, and Defence Force Posture Review dated 30 March 2012, are significant in that both recognise the requirement to maintain a credible and effective national defence capability base at FBE. The first review recommended that it's conclusions be considered in light of the subsequent release of the broader Defence Force Posture Review.

Refer specific points in Section 4 below, regarding the Defence Force Posture Review and relevance to FBE home-porting of AWD's and LHD's. It is acknowledged that the Captain Cook Graving Dock is a fundamental component of Navy ship repair and maintenance on the east coast, and a driver for an enduring Navy presence at FBE.

The relative importance of defence to Sydney was confirmed in 2009 where industry activity for the Greater Sydney regions had combined revenue of \$6.6 billion, of which \$932 million was derived from defence activity in 209 companies located in this region. The main defence activities undertaken in the region are Design (33%), MRO (31%), Project Management (30%), In Service Support (26%) and Manufacturing (25%). *Source: 2009 NSW Capability Study by Australian Business Limited Defence Unit.* It is estimated that FBE currently generates around \$261 million in Commonwealth Expenditure and \$509 million in National Output with direct employment of 4670 jobs. *Source: Rizzo Report and Senate Supplementary Estimates 19 October 2011.*

Section 4 - Commentary on the Statements of Evidence to the Parliamentary Standing Committee on Public Works, on AWD and LHD Ship Sustainment Facilities.

Comments are noted below with reference to page number and item number for the Statements of Evidence to the Parliamentary Standing Committee on Public Works, on AWD, and LHD Ship Sustainment Facilities.

AWD Page 2 Item 10 and LHD Page 3 Item 12: Selection of ADF bases is based on two main functions ‘generating and sustaining capability, and mounting and supporting operations’. The importance of industry support for platforms and systems and family friendly locations such as Sydney is recognised as a need in the 2009 Defence White Paper. Sydney is a well established base for ADF personnel, and for the current sustainment and operations of FBE.

AWD Page 3 Item 12 and LHD Page 4 Item 14: Home-porting of the AWD’s and LHD’s in Sydney is reinforced by:

- ‘specific industry support requirements for combat systems’
- having The Captain Cook Graving Dock at Garden Island and
- advantages of existing skilled and readily available staff based in metropolitan Sydney

The quality of life and the proven family friendly environment provide further evidence of the imperative to ensure staff capabilities in on-going ship sustainment for the AWD’s and LHD’s in Sydney.

The value proposition for FBE’s Sydney location is further demonstrated by the home-port capacity to deploy within required ADF time frames, for operations on the east coast of Australia.

AWD Page 3 Item 13 and LHD Page 5 Item 19: Cruise ship industry – Due consideration should be given to the Allan Hawke report dated 1 February 2012 (Key Findings at Annex A) titled ‘Independent Review of the Potential for Enhanced Cruise Ship Access to Garden Island’, with its five options and cost estimates. Also from the findings of the Defence Posture Review, it is noteworthy that recommendations include that “Any option for enhanced cruise ship access to Garden Island in Sydney should not come at the expense of the primacy of Defence access or operational outcomes”. Previous taskforce activities by defence agencies with local and state government authorities, and the cruise ship industry stakeholders will remain a useful option to ensure community support and engagement.

AWD Page 5 Item 19 and LHD Page 6 Item 25: Traditional Contracting Methodology -The decision and conclusion to use a traditional contracting methodology, to deliver better value for money, will provide substantial opportunity for NSW based businesses to tender for and contract to defence. SADIG strongly supports this approach and if required by ADF or DMO, will assist in the promotion and sourcing of expressions of interest or business matching activities to source qualified suppliers.

AWD Page 23 Item 102 and LHD Page 24 Item 103: Details for Project Delivery System -The appointment of a Managing Contractor, and the requirement to actively promote engagement of small to medium enterprises in trade packages, is supported. The SADIG membership offers to participate in briefings, workshops and any other communication activity to promote the trade packages, and to assist in identifying potential suppliers of goods and services. NSW Department of Trade and Investment, provides regular business and SME briefings, and could offer support in this areas for promotion and staging briefing activities.

AWD Page 24, Item 106 and LHD Page 25, 107: Public value- The AWD project estimates of 535 fulltime jobs (over 29 months), and for LHD 360 full time jobs (over 26 months), possibly underestimates the impact of employment multipliers in support and service sectors. The current employment at FBE is estimated to be 2670 jobs, and under a best case scenario with the proposed 3 x AWD, and 2 x LHD sustainment using conservative multipliers, there are 11,081 jobs.

For a worst case scenario, again using conservative multipliers, there are 3710 jobs. *Source: Special Report Issue 31-Naval Gazing: The future of Australia's naval shipbuilding and repair sector, Monday 31 May 2010.* It should also be noted that the employment multipliers used in 'The Impact of Major Defence Projects: A case Study of the Anzac Ship Project' Australian Industry Group, Feb 2000, p.44, identifies that each additional \$100 million spent in Australia by the government generates \$195 million in national output and 1022 jobs per annum.

To summarise, SADIG and RDA Sydney, strongly support the proposals prepared by Department of Defence, Statements of Evidence to the Parliamentary Standing Committee for AWD and LHD Ship Sustainment Facilities. These proposals for FBE improvements and provision of expanded ship sustainment facilities will provide substantial strategic capability improvements to the ADF and on-going socio-economic benefits to Sydney and NSW.

Annex A

Submission to Parliamentary Standing Committee on Public Works, March 2013.

Allan Hawke Report of the Review into cruise ship access to Garden Island - 1 February 2012, and Defence Force Posture Review -30 March 2012.

The **Review into cruise ship access to Garden Island** took into account the increase in use of Garden Island by new, larger Royal Australian Navy ships including the Landing Ship Dock vessel HMAS *Choules*, the two *Canberra* class Landing Helicopter Dock ships, and three *Hobart* class Air Warfare Destroyers. The review also undertook to carefully assess whether there is scope for a more flexible approach that balances Navy's needs with cruise industry requirements to secure berth bookings for cruise ships well in advance of their visit to Sydney Harbour.

The Garden Island review report can be found at:

www.defence.gov.au/oscdf/CruiseShipAccessReview/default.htm

The Review recommended:

- the Review's findings and recommendations be considered in the light of the Australian Defence Force Posture Review outcomes
- the Review's findings and recommendations be considered in the light of the NSW Government Transport Infrastructure and Tourism reviews, expected in May 2012
- Inter-Governmental consultation should take place to ensure any berthing access at Garden Island does not financially disadvantage the Commonwealth
- should the Australian Government determine the national interest includes offering use of part of Garden Island to assist the cruise industry's projected berthing requirements:
 1. enhanced access should be contingent on agreement of legal instruments to effect transfer of assets and liabilities
 2. current procedures (described above) whereby the cruise industry provides advanced notice requests for berth access at Fleet Base East/Garden Island should be refined and formalised
 3. the Minister for Defence (through the Chief of Navy) should have the discretion to suspend all non-Defence access to Garden Island when there is an urgent national requirement or significant security or public safety concern
 4. proceeds arising from leasing arrangements should be hypothecated to Defence for offsetting Navy infrastructure enhancements and operating costs
 5. consultation should occur between Defence, the NSW Government, cruise industry representatives and the NSW Department of Roads and Maritime Services to address traffic impacts of cruise activity on the site

6. consultation would also be required on security and emergency management issues and
7. further community consultation should be conducted to understand the impact on local residents and to identify mitigation strategies preserving amenity and heritage values for both local residents and the general public.

The subsequent **Defence Posture Review by Allan Hawke and Ric Smith dated 30 March 2012** drew the following three relevant conclusions on FBE, its operation and considering alternate locations on the east Australian coast (numbered as in the Defence Posture Review):

6.18 Fleet Base East in Sydney Harbour remains a highly effective homeport location for Navy vessels. It is an appropriate homeport for the Hobart class AWD. Particularly given the specific industry support requirements of its Aegis Combat System and the lack of alternatives in the short term; although it should not be the only naval base capable of supporting extended AWD deployments. The Captain Cook Graving Dock is a fundamental component of Navy ship repair and maintenance on the east coast and a driver for an enduring Navy presence at Fleet Base East.

6.20 The Independent Review of the Potential for Enhanced Cruise Ship Access to Garden Island sets out five options for accommodating enhanced cruise ship access to Garden Island. Options include establishing dedicated naval wharf space and infrastructure at Glebe Island (Option Three), investing in a new wharf at Garden Island (Option Four) or transferring Navy's Amphibious and Afloat Support Group to a new fleet base facility (Option Five). Any option for enhanced cruise ship access to Garden Island in Sydney should not come at the expense of the primacy of Defence access or operational outcomes.

6.21 A supplementary fleet base would complement, and relieve pressure on, FBE. It is important to note that, if an additional fleet base were developed, there would be increased operating and management costs for Defence and Navy involved with maintaining three major fleet bases. The cruise ship access review's report concludes that it is unlikely that a new fleet base could be fully operational before around 2025. It estimated a cost of at least \$1 billion for establishing a supplementary base (at Newcastle rather than Brisbane, and not including Future Submarine basing as proposed in this Review) able to accommodate the large amphibious ships. The full costs of developing a supplementary fleet base for the Future Submarine and the large amphibious ships at Brisbane would be higher than this figure.

Annex B - SADIG Background

Submission to Parliamentary Standing Committee on Public Works, March 2013.

Following three Aerospace Defence Roundtable events in 2009-2011 facilitated by RDA Sydney, the need was identified to improve the connectivity between companies and business opportunities, by improving the collaboration between business, government and various leading industry stakeholder groups operating in the greater Sydney region- in a similar way to HunterNet in the Newcastle region, and Shoalhaven Defence Industry Group in the Illawarra region of NSW.

SADIG and its members have established co-operative structures with the Australian Industry Defence Council (AIDC), Australian Business Defence Industry Unit (ABDIU), Australian Industry Defence Network (AIDN), Defence Materiel Office (DMO), Manufacturing Skills Australia (MSA), and NSW Trade and investment (NSW T&I). This collaborative structure ensures the defence and aerospace industry sectors in the Greater Sydney Region of NSW have collective voice and a platform to input and advise government on key industry development issues.

SADIG VISION: To provide a focus and a forum for Sydney's Aerospace and Defence Industry sectors and to facilitate their growth; to work closely with Government agencies and industry associations to attract a higher percentage of Defence and Aerospace Business into the Greater Sydney Region.

SADIG PURPOSE: To identify new additional strategic opportunities which can only be tackled on a collaborative basis; to provide feedback to industry members and other stakeholders, including the State and Commonwealth Governments, on the make-up and health of the Aerospace and Defence Industry sectors; to identify key factors and trends affecting it and to help facilitate industry access to available Government support and services.

SADIG POSITION: We help our members to help themselves by facilitating, encouraging and supporting collective efforts and initiatives designed to benefit the industry as a whole.

SADIG operates with an advisory Executive Committee and three special interest groups:

- Supply Chain
- Innovation
- Skills