



The Hon. Andrew Stoner MP
Deputy Premier
Minister for Trade and Investment
Minister for Regional Infrastructure and Services

Submission No. 04

(Air Warfare Destroyers)

Date: 18/04/13

Ms Kirsten Livermore MP
Chair of the Public Works Committee
PO Box 6021
Parliament House
Canberra ACT 2600

Sub

- **Air Warfare Destroyer Ship sustainment facilities at Garden Island, Randwick Barracks and HMAS Watson, Sydney, NSW.**
- **Landing helicopter dock sustainment facilities at Garden Island and Randwick Barracks, Sydney, NSW.**

Dear Ms Livermore,

I write to you regarding the Public Works Committee's inquiries into the Air Warfare Destroyer (AWD) and Landing Helicopter Dock (LHD) ship sustainment facilities. I wish to reaffirm the NSW Government's interest and support for these projects to be based in Sydney as proposed by the Department of Defence. The projects currently propose to provide permanent training, systems support and maintenance facilities, and berthing infrastructure in order to maintain AWD and LHD capability and support the mounting of AWD operations.

I also note that the new Hobart Class destroyers will be based at the Garden Island Defence Precinct in Sydney. NSW's Defence industry has significant experience and expertise in acquisition and sustainment for equipment and Defence facilities. In total, around 33,880 jobs in Defence and the defence industry are based in NSW.

The NSW Government strongly supports investment in the development and sustainment of these facilities. NSW hosts a thriving, diversified and multi-faceted defence industry that is well integrated into other sectors, particularly maritime. NSW is currently home to a significant proportion of Australia's Defence capabilities, and military and civilian workforce.



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- NSW hosts 80 Defence establishments and bases with close and intrinsic relationship to the local economy and businesses;
- Sydney hosts Navy's east coast Fleet Base and primary dry docking facility at Garden Island in Sydney Harbour;
- The Garden Island Defence Precinct houses a number of establishments that deliver a variety of work for the Navy, with a work force of between 3,000 and 4,000.
- Approximately 28 per cent of Australia's military and civilian personnel are currently located or based in NSW.

NSW understands that the inquiry will focus on the importance of ensuring the proposed works will meet the need and provide value for money for the Commonwealth. The real advantage that Sydney and NSW offer is the ability to partner and develop relationships between a number of stakeholders that connect universities, CSIRO and industry. Three of the largest industry players with international reach are already based in Sydney. Thales is headquartered in Sydney Olympic Park with a research centre in Rydalmere while BAE Systems and Raytheon are based in Macquarie Park.

Sustainment for Defence in NSW

Sustainment expenditure is an increasingly important subset of the Defence related expenditure in NSW, accounting for 55 per cent of the total expenditure on Defence equipment. A number of small and medium enterprises in the State provide current sustainment to these existing facilities. Sydney and NSW possess capabilities related to the Department of Defence Priority Industry Capability (PIC) and Strategic Industry Capability (SIC) themes that will drive sustainment for the next decade.

Industry clusters have formed organically over time around many of these bases to support and service the specific needs of the Defence assets and platforms at those bases. Seven of the top ten Defence industry clusters around bases in Australia are in NSW. These include the two largest Defence industry clusters in Australia, based in central and western Sydney.



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Defence Skills and Workforce

The profile of employment by Defence in NSW is very close to the overall Australian Defence profile. In fact, NSW is closer to the national average than all other states, which suggests that NSW provides the full range of skills that Defence requires in its operations. The number of those with a certificate qualification from NSW is also roughly commensurate to all those with a certificate from Victoria, Queensland and South Australia. This suggests that the range of skills provided from NSW is also complemented by a depth of the labour force that is exceptional when compared to the rest of the nation. This represents a particular advantage that NSW offers to Defence in the current sustainment initiatives that are not readily available in other States.

NSW main advantage in skills for Defence comes in the composition and number of those with a Bachelor degree or higher. In particular, NSW is a major contributor to engineering and IT education in Australian Universities. NSW generates around 30 per cent of the nation's engineering and IT graduates each year. In terms of student numbers, in 2011 NSW generated as many Engineering graduates as did Queensland and WA combined while it generated nearly as many IT graduates as Queensland, WA and SA combined. This reflects the deep skills base present in NSW when compared to other Australian states.

Strength of NSW Defence Clusters

Strong Defence clusters are critical to the development and support for the sector. Strong clusters are difficult to establish, expensive to replicate and take considerable time and resources to sustain the necessary skills and networks that drive innovation and productivity. The sustainment multiplier of 3 to 4 is considerably higher than establishment multiplier due to the close linkages between a facility, economy, members of the clusters and associated networks. The Garden Island Defence Precinct and HMAS Watson have gained from these strong linkages and have delivered an outstanding outcome to the ADF. Also located in Sydney is HMAS Watson, the Navy's premier maritime warfare training establishment.



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Cruise Ship and Naval Facilities in Sydney

The NSW Government is keen to ensure that Sydney can accommodate the growth needs of the cruise industry, and is working with the Navy to explore the options under which the cruise industry could be provided with further access to Garden Island without compromising Navy needs. These consultations would also include security and emergency issues pertaining to the dual use of the facility.

The NSW Government is pursuing action to improve the functionality and capacity of the Overseas Passenger Terminal (OPT) at Circular Quay. The NSW Government is undertaking capital works at the OPT that includes a special heavy-duty anchor placed at Campbell's Cove to allow large ships such as the 345-metre Queen Mary 2 to dock safely. The broadening of the price structure to spread the cruise ship arrivals over a longer period is expected to reduce the peak summer demand for berths. Sydney Ports is preparing a master plan for redevelopment of the OPT to enable it to meet the growth needs of the cruise industry. A new \$ 57 million cruise terminal facility at White Bay received its first cruise liner on the 15th of April.

Consultations with Stakeholders

The NSW Government has consulted extensively with a number of stakeholders that include Regional Development Authority (RDA) Sydney, Sydney Defence and Aerospace Interest Group (SADIG) and Joint Defence Industry Organisations (JDIO).

Temporary Office and Facilities Arrangements

The NSW Government, through the Department of Trade & Investment, is willing to coordinate and assist with temporary office facilities should the need arise during the redevelopment for AWD and LHD facilities at Garden Island.



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Project Delivery System

The NSW Government, through the Department of Trade & Investment, looks forward to working with the Project Manager and Managing Contractor in actively promoting the engagement of small and medium enterprises in the design and construction packages.

Support into the Future

As evidenced by the competitive advantages outlined above, NSW is well placed to support Defence in meeting its current and future strategic and economic challenges. Sydney and NSW provide the Navy with existing facilities, infrastructure, critical skills and a highly skilled workforce that is strongly interwoven to a number of existing clusters.

I look forward to the deliberations of the Committee and will continue to support the Department of Defence's projects in NSW.

Yours sincerely

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NSW Deputy Premier
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