

**Discussion paper
response
Submission
No 5a**

INQUIRY INTO DEFENCE INDUSTRY IN NEW SOUTH WALES

Organisation: Regional Development Australia (RDA) Illawarra
Date received: 12 February 2018



**A Submission to the NSW Legislative Council
Standing Committee on State Development**

by Regional Development Australia - Illawarra

Defence Industry in NSW

**Response to Discussion Paper
– November 2017**

12 February 2018

1) Introduction

Regional Development Australia (RDA) – Illawarra made a submission to the Defence Industry in NSW Inquiry in June 2017 (submission number 5).

The CEO of RDA Illawarra also appeared at the Nowra Hearing of the Standing Committee on State Development on 29 June 2017.

The purpose of this Submission is to respond to the Discussion Paper of November 2017. This submission addresses one of the Questions posed in the Discussion Paper, specifically:

Question 6:

What further steps can the NSW Government and the defence industry take to optimise its chance of success in securing Future Submarine basing and accompanying sustainment work on the east coast of New South Wales?

This submission will outline specifically:

- The steps the NSW Government can take to secure Future Submarine basing on the east coast of NSW
- The opportunity for regional economic impact
- The economic impact of four submarines being based in Port Kembla.

2) The Illawarra Region

The Illawarra region includes the Local Government Areas (LGAs) of Wollongong, Shellharbour and Kiama and is home to around 300,000 people. It shares a northern border with Sydney and southern border with the Shoalhaven.

The Illawarra region is located in close proximity to key Defence operations, as well as half way between Sydney and Canberra. This proximity is a key strategic competitive advantage, especially if East Coast Defence growth occurs in the long term.

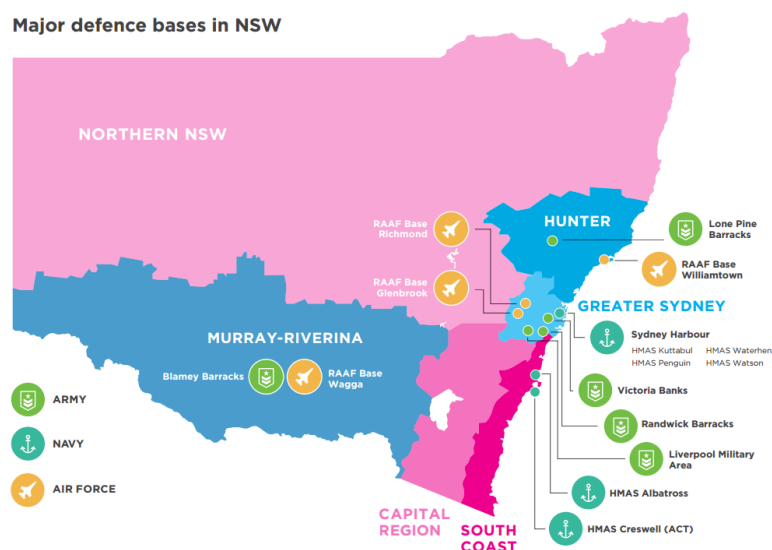
A small maritime Defence presence in the Illawarra would have a tremendous positive impact on the Illawarra's economy.

The Illawarra is well positioned as a capable and smart region to support the NSW Government's strategy to increase Defence investment in NSW and grow our market share of Defence spending. The Illawarra Defence Industry Ecosystem is strong and highly developed skills are extant in the region.

Defence specialty steel production has been a rich part of the tapestry of the region's heritage and the innovation and skills to support the steel industry is highly developed. BlueScope's Port Kembla steelworks is the largest steel production facility in Australia and specialty steel manufacturer, Bisalloy, is located nearby.

The Illawarra has a skilled workforce, particularly in steel and heavy industry and presents an excellent lifestyle opportunity for Defence personnel with close proximity to Sydney, Canberra, Kingsford Smith airport, HMAS Albatross and HMAS Creswell. Traffic is less congested, housing more affordable and staff training and research provided through TAFE and the University of Wollongong would support Defence operations.

See figure below of major defence bases in NSW, with the Illawarra located on the East Coast, one hour north of HMAS Albatross and one hour south of Sydney Harbour.



3) What steps can the NSW Government take to secure Future Submarine basing on the east coast of NSW?

The NSW Government could take a leadership role to achieve optimal economic outcomes for the State of NSW, and effectively secure our future share of Defence spending. The opportunity for submarines to be based on the east coast of NSW has been mooted and is a long-term opportunity which could be explored by the NSW Government, in partnership with stakeholders in potential submarine base locations, including Port Kembla.

There are several practical steps that the NSW Government could take to secure Future Submarine basing on the east coast of NSW, and thereby securing future economic benefits to the NSW economy.

RDA Illawarra suggests that the NSW Government could lead activities such as:

- Develop a **Statement of Intent** to advise the Federal Government (Defence/Navy) that the NSW Government intends to identify potential future submarine base options in NSW
- Lead a **Working Group** to work with Defence to deliver the following outcomes for the NSW:
 - Clearly **understand the future submarine base needs** of Defence/Navy, including:
 - Technical specifications, such as requirements for berthing, land and supply chain/connectivity implications
 - Human resources, such as skills and associated suppliers
 - Other requirements, such as housing, schools, etc.
 - Develop a **short-list of potential Ports** or alternative sites for submarine base options in NSW
 - Facilitate **collaboration** between regional stakeholders, such as RDA Illawarra, NSW Government and Defence/Navy
 - **Visit short-listed potential NSW Port sites** for submarine basing, including the Port of Port Kembla
 - Develop a plan to ensure the long term future economic benefits are maximised for NSW from Defence opportunities.

4) Potential for regional economic impact

A small maritime Defence presence in the Illawarra would have a tremendous positive impact on the Illawarra's economy. The University of Wollongong undertook a study tour to San Diego in April 2016 to learn about the social and academic impacts of San Diego Naval Base from a regional development and education perspective. San Diego's military and defence complex is a critical economic driver in the region. The University of Wollongong concluded that the city of Wollongong has the potential to become a microcosm of the San Diego success story.

The ['NSW Defence Strategy, NSW Strong, Smart and Connected', February 2017](#), has a planned initiative, 4A, to 'Explore opportunities to help reduce congestion in Fleet Base East' as well as to support the growth of the Defence industry in the Illawarra region.

Defence has made significant commitments to Garden Island over the next decade, including upgrading wharves through the Integrated Investment Program. There is also pressure on Sydney Harbour from growth of the cruise ship industry. RDA Illawarra has advocated for Port Kembla as a potential option to support Garden Island/Navy East Coast operations for future long term strategic consideration by Defence.

In June 2015, RDA Illawarra and a regional consortium developed a report [The Jewel of the East Coast: The Case for Relocation of Royal Australian Navy Fleet Base East to the Port of Port Kembla](#). This submission by Illawarra regional stakeholders was supplementary to the submission by Senator The Hon Concetta Fierravanti-Wells (October 2014) to the Defence White Paper.

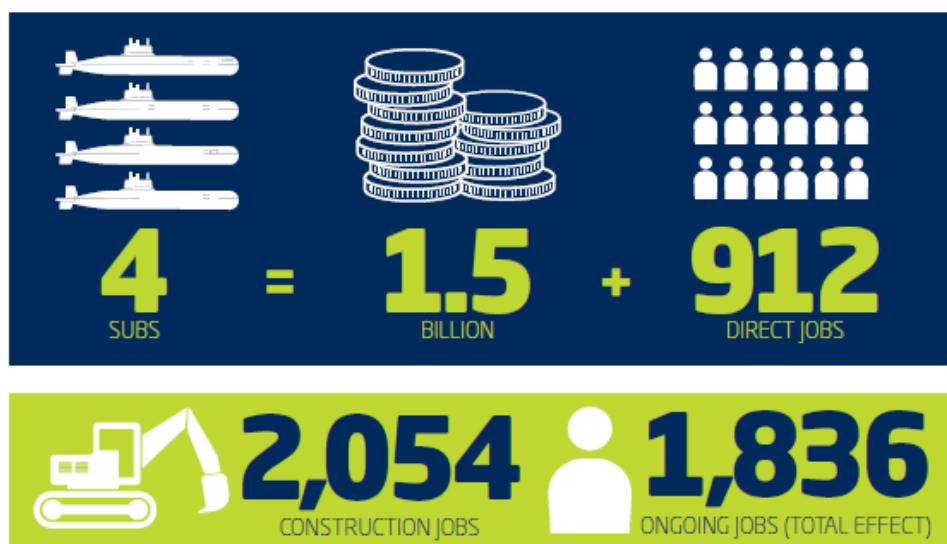
The **Port of Port Kembla is an economic asset of national significance**, critical to the future economic growth and development of the Illawarra and NSW. Port Kembla is currently under-utilised and there are berthing and land facilities available. The **key advantages for Defence operations** include:

- Deep water port, with fast access to continental shelf, which is not weather limited
- Low density recreational craft traffic, which makes security access control easier
- Advanced manufacturing with 24/7 maintenance in an industrial setting
- Ease of access and logistics connectivity
- Crew response times less than 30 minutes
- Housing affordability up to 30% cost saving on current Defence housing
- Access to highly skilled workforce and spousal employment opportunities
- Access to world-class education facilities and R&D capabilities.

RDA Illawarra, in conjunction with regional stakeholders and specialist consultants, has undertaken further analysis on the opportunities for Defence at Port Kembla during 2016 and 2017. We understand that the Standing Committee may already have access to this work, however, are able to provide a copy of this additional study work upon request and on a Commercial-in-Confidence basis.

5) Economic Benefits of four Submarines based in Port Kembla

As a part of the aforementioned work, we have analysed the economic benefits to the Illawarra Region if Navy were to locate four of the new submarines to Port Kembla. The economic benefits to the Illawarra-Shoalhaven region for this scenario are estimated at \$1.5 billion capital investment and an ongoing 912 jobs created.



Economic modelling using REMPLAN identified the impact from this scenario from both a construction capital investment and ongoing Defence workforce in Port Kembla is as follows:

Impact Summary	Construction		Ongoing Jobs	
	Direct Effect	Total Effect (incl industrial & consumption)	Direct Effect	Total Effect (incl industrial & consumption)
Output (\$M)	\$1,500	\$3,197	\$339	\$627
Employment (Jobs)	2,054	6,976	912	1,836
Wages & Salaries (\$M)	\$236	\$609	\$162	\$228
Value-added (\$M)	\$460	\$1,176	\$235	\$377

Assumptions

Capital Investment assumption of \$1.5 billion is based on the spatial analysis work and preliminary estimate conducted in 2016.

Job creation of 912 ongoing jobs was based on the assumption of:

- Four submarines, each with a crew of 10 officers and 50 sailors
- Assumes 2.8 people ashore for each submariner afloat.

6) Conclusion

RDA Illawarra is a strong advocate for the potential for Defence operations to be located at Port Kembla. RDA Illawarra is willing to participate in a NSW Government initiative/collaborative to ensure that economic benefits are maximised for NSW, but also for the Illawarra region.

The Illawarra region is located in close proximity to Defence operations in NSW at Sydney and on the South Coast. The port of Port Kembla has a number of key strategic advantages to Defence and a potential submarine base. The port of Port Kembla is currently under-utilised and has capacity to manage growth from both a berths and land perspective, as well as strong levels of transport connectivity to and from the region.

A small defence maritime presence in the Illawarra region will have a huge economic impact. RDA Illawarra is exceptionally keen to assist and help crystallise the submarine base opportunity for the good of the Port of Port Kembla, the Region and the State of NSW.

RDA Illawarra is willing and ready to continue our work to pursue Defence operations growth in the Illawarra region. We are able to provide further Commercial-in-Confidence documents, should you require additional analysis work undertaken. RDA Illawarra is willing to work with stakeholders across all tiers of government, industry bodies and the private sector to bring the economic opportunities to fruition.