Submission to 2015 Defence White Paper

Independent Consultancy background. MMC is proud to make this submission as an independent Australian management consultancy with a 25 year track record working with Department of Defence, RAAF, RAN, DMO, Aerospace and Defence Industry Primes and SMEs. MMC is a Defence Recognised Supplier; strategy and improvement program consultancy for the RAAF (RAAFQ), RAN (NQM and Chief of Navy Symposiums) and Australian Army (AIM Program). MMC is a Department of Industry Tailored Advisory Services consultancy for the 'SCIIP1II' under the Entrepreneurs' Infrastructure Program for Defence and Rail Tiered suppliers. MMC Managing Director is a Fellow of the Australian Institute of Company Directors and a Certified Management Consultant.

MMC has made previous submissions to The Rizzo Report and in 2014 to the Productivity Commission Report on the Australian Automotive Industry (also to the Bracks Automotive Review). MMC was selected by AMSAT International (ACT) as the AusAID ASEAN Automotive Technical Specialist for the Australian and ASEAN Research and Best Practices publication to Best Practices and Strategies Peer Reviewed Publication in IJQRMM. MMC provides consulting and technical support under the Federal Government Automotive Supplier Development Program with the client, GM Holden. MMC is a member of Hunter Defence Forum.

Recommendation – staged relocation of Garden Island Depot to Newcastle:

Garden Island Depot or “Fleet Base East” Sydney NSW is the RAN’s first ship Maintenance and Repair facility. It has the longest dry dock in the Southern Hemisphere and is of strategic and operational importance to Navy and the Australian Defence Force. However, its operating environment and stakeholders has substantially changed and a staged transition to another appropriate site must be identified and proposed for Defence White Paper 2015.

This is not a ‘Move North” so to speak as has been canvassed but a staged and planned ‘Three Horizon’ strategy that transitions the Garden Island / Fleet Base East Navy Depot capabilities to a proposed and mostly vacant Hunter River site in Newcastle Harbour NSW.

- **Horizon 1 2014 – 2015 Analysis** - Federal and NSW Government commission a feasibility of the BHP Steelworks and Onesteel sites for Defence / RAN purposes
- Secure one or both sites for then scoping the DoD, RAN and DMO requirements
- Conduct Stakeholder Engagement process in Sydney and Newcastle
- **Horizon 2 2015- 2020 Design**: Finalise the strategic plan for the RAN Newcastle establishment and ship repair facility and scope building a Sinkrollift docking facility
- **Horizon 3 2020- 2040 Build**: Newcastle Transformation and GI Depot Transition

DMO has estimated that Garden Island Naval Depot will require about $1.5 billion over 10 years to maintain and sustain its capabilities for the RAN. DMO has identified over 30 stakeholders who have expressed immediate and future needs for the Garden Island site for non-Navy purposes. Most notably is the International Cruise Ship industry so important to NSW and Australian tourism and income. Two land-side opportunities now present themselves for the RAN and the Federal and NSW State Governments to consider and as we recommend, to excise the options to secure two land assets in Newcastle Harbour being:

I. The vacant BHP Rod and Bar Division Steel works site which had a strategic review, stakeholder engagement planning process, sponsored by the BHP Property Division in Melbourne, to redevelop it as a planned Multi-modal terminal, and

II. Onesteel Waratah next to the BHP Mayfield site that has been recently announced of its eventual closure
These two sites have access to the deep water Hunter River which did receive bulk metallurgical coking coal and iron ore along with loading dock capabilities. The Hunter River and Newcastle port is managed by the Newcastle Port Corporation. This recommendation acknowledges that some personnel may be eventually affected in relocating to Newcastle and such a transition needs planning, consultation and resourcing.

**Impact of Newcastle on RAN Establishments from exiting GI / Fleet Base East environ**

The UK has Portsmouth and USA has Norfolk Establishments (bases) for the ship repair and is decoupled from a capital city. The size and height of the AWD and LHD’s will affect local residents and other stakeholders and will question such docking in Sydney Harbour, especially stern to bow. Other Sydney Harbour RAN Establishments can remain without a GI Depot / Fleet East Base should Newcastle Depot be established.

<table>
<thead>
<tr>
<th>RAN Establishment</th>
<th>Impacts</th>
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<tbody>
<tr>
<td>• HMAS Watson</td>
<td>• No immediate change for Sydney Harbour Establishments</td>
</tr>
<tr>
<td>• HMAS Penguin</td>
<td>• Maritime Head Quarters at HMAS Kuttabul not affected</td>
</tr>
<tr>
<td>• HMAS Waterhen</td>
<td>• Thales and BAE and their tiered suppliers would continue their sustainment support to the current FBE and other Sydney Harbour Establishments with opportunity to expand at Newcastle</td>
</tr>
<tr>
<td>• HMAS Kuttabul</td>
<td>• North Sydney Institute TAFE Maritime Simulator no change</td>
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<tr>
<td></td>
<td>• No change for HMAS Creswell or HMAS Albatross</td>
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**Additional Newcastle Harbour attributes for building new depot**

**Defence** - Newcastle is protected by Singleton Army Base in the Hunter Valley and RAAF Base Williamtown with Surveillance and Response and Air Combat Groups and two training squadrons. It will be home base for the JSF Lockheed Martin F-35A ‘Lightening 11’.

The DMO operates three SPOs from Williamtown: Tactical Fighter SPO managing the acquisition and through life support of F/A-18 and Super Hornets (engines maintained by TAE – Boeing) and Hawk trainer aircraft (BAE); it has Ground Telecommunications SPO supports surveillance, control and communications equipment for the AEW&C SPO supporting Wedgetail Aircraft

**Defence Primes and Suppliers.** International Defence primes located in Newcastle - Williamtown area include:

- BAE Systems, Boeing Defence Australia - TAE
- Raytheon, Lockheed Martin and Thales Australia

**Local-based prime contractors** include - Forgacs Engineering (building 27 of the 93 blocks for the AWD program); Varley Group with specialist defence technology Solutions firms including ATSA Defence Systems, Bohemia Interactive, C-E, CoBond Advanced Composite Defence supplier, Lovell’s Group, Nova Systems, Puzzle Precision, RPC (supplying composites for the RAN ANZAC Coning Towers and Collins Sub ‘Windows’) and Unitronix.

**Tertiary institutions** – University of Newcastle, Defence Innovation Cluster and TAFE NSW. UoN will establish a research hub in 2015 for Defence Manufacturing and Research.

**Government and Infrastructure benefits**
I. Newcastle Ship Repair Depot compared to Garden Island can within a planned transition strategy, deliver a Total Value proposition, an Efficiency Dividend by reduced Total Cost of Ownership to support the new generation RAN fleet

II. It provides a tangible mitigated risk to Australia's premier tourist capital city

III. It can complement to soon to be commenced Civic to Newcastle Rail line truncation to open the CBD to Newcastle Harbour

IV. Takes advantage of Hunter River frontage industrial sites

V. Builds a more integrated and secure environmental complaint Naval Depot for the onerous 2016 EPA licence conditions, plus Commonwealth and State OH&S Acts

VI. Provides additional and more desired International Cruise Ship docking and Immigration Security

VII. Enable the Tourism Growth and continual upgrading needed for a Naval Depot for both Australian and Defence Alliance Partner Fleets

VIII. GI Depot / Fleet Base East would need additional investment just to maintain capability and remain relevant within the RAN and DMO Sustainment strategies

IX. This Newcastle NSW Infrastructure (Defence) investment will better link with the proposed 'Inland Rail' between Melbourne and Brisbane

X. A Newcastle Naval Depot will be consistent with the NSW 2013 Defence Plan

DMO in Transition alignment

A Newcastle Naval Ship Maintenance, Repair and Sustainment purposed depot supports DMO transition strategy underway to re-focused Planning and Governance functions over the traditional Supplier overseeing and intervention into their Operations.

The SPO's and Prime Contractors and their Tiered Defence Suppliers, can provide renewed facilities and technologies through a purpose built platform and architecture, to support them and Australia's Defence needs for the next 100 years which Garden Island had served us well.

A Newcastle Naval Ship Repair Depot and Establishment will be an immediate and lasting Infrastructure signature, legacy and re-invigorate one of Australia original industrial sites as we take our position with our Defence partners and demonstrate such commitments within our alliances for their State of Art navies to operate on Australia's Eastern Oceans.
Submission to 2015 Defence White Paper

McLean Management Consultants Pty Ltd (MMC) submission to the 2015 Defence White Paper will be as an Independent Australian management consultancy with a 25 year track record working with Department of Defence, RAAF, RAN, DMO, Aerospace and Defence Industry Primes and SMEs. MMC has made previous submissions to The Rizzo Report and in 2014 to the Productivity Commission Report on the Australian Automotive Industry.

Recommendation:

To strengthen Australia’s Sovereign Defence Capability it will be necessary for Priority Defence Industry Capabilities to be incorporated in the 2015 Defence White Paper and Government Defence and supporting industry policies. This will be critical to give strategic guidance by the Australian Government to guide major investment decisions required by Australian Defence Industry Primes and their supply chains, to provide and sustain enhanced defence capabilities for immediate and future horizons.

Context:

Regional Defence Industry Clusters such as Hunter Defence already have a critical mass of Capability and Capacity underpinned by Defence bases, Primes, Defence Contractors, SMEs, Universities and TAFEs which can be strengthened and aligned to Priority Defence Industry Capabilities.

The clarification of Defence Industry Priorities by the Australian Government in the 2015 Defence White Paper will provide guidance to State and Local governments in their investment and continuing support of Regional Defence Industry Clusters.

Discussion:

1 Strengthening Australian Sovereign Defence Capability
   1.1 The clarification of Priority Defence Industry Capabilities is needed to provide strategic direction for Australian Defence Industry
   1.2 The vital contribution of Australian Defence Industry Clusters

2 Defence Clusters - Collaboration and Fostering Innovation
   2.1 HunterNet Cooperative
   2.2 Defence and Defence Industry in the Hunter and Central Coast Region
   2.3 The University of Newcastle Defence and Security Innovation Cluster
   2.4 Proposed Defence Manufacturing and Research Hub at the University of Newcastle.
   2.5 Hunter Defence Land Systems – LAND 400 Task Force
2.6 Prosed formation of Hunter Defence Land Forces Collaboration Hub
1 Strengthening Australian Sovereign Defence Capability

1.1 The clarification of Priority Defence Industry Capabilities is needed to provide strategic direction for Australian Defence Industry.

David Fawcett, Liberal Senator South Australia, in his address on, Sovereign Aerospace Skills in Australia observed that; “Australia has a relatively small defence capability in a Global sense and it is therefore very important to understand Australia’s Sovereign Defence Capability and Risk and accordingly Federal Government Strategic Defence Policy needs to recognise the contribution of Australian Defence Industry to Australian Defence Capability.

To Grow Australia’s Sovereign Defence Capability it will be necessary for Priority Defence Industry Capabilities to be brought forward into the Defence Capability Plan and incorporated in the 2015 Defence White Paper.”

[4 July 2014, University of Sydney Conference on 75 Years of Aeronautical Engineering]

The 2015 Defence White Paper is being prepared with the context of Defence First Principles Review and structural reforms to DMO which will demand enhanced Defence Industry Capabilities to ensure Australia’s Sovereign Defence Capability through Acquisition and Sustainment.

The clarification of Priority Defence Industry Capabilities in the 2015 Defence White Paper will provide strategic direction for Australian Defence Industry.

Most importantly, a clear statement of strategic direction by the Australian Government and the Department of Defence will be a critical prerequisite to underpin the major investment decisions required by Australian Defence Industry and international partners, to provide the required enhanced defence capabilities.

1.2 The vital contribution of Australian Defence Industry Clusters

Regional Defence Industry Clusters such as Hunter Defence already have a critical mass of Capability and Capacity underpinned by Defence bases, Defence Primes, SMEs, Universities and TAFEs which can be strengthened and aligned to Priority Defence Industry Capabilities.

The clarification of Defence Industry Priorities by the Australian Government will also provide guidance to State and Local governments in their continuing support of Regional Defence Industry Clusters.

Section 2 uses the Hunter Defence Cluster to illustrate how clusters play a vital role in fostering collaboration and innovation.
2 Defence Clusters - Collaboration and Fostering Innovation

*Innovation is the Ultimate Strategic Advantage for Defence*

2.1 HunterNet Cooperative

HunterNet is a network of 200 engineering and related firms in the Hunter and Central Coast Regions of New South Wales, which is recognised both in Australia and internationally as a successful model for collaboration and fostering innovation.

HunterNet is structured with Three Core Forums:

1. Resources and Energy Forum,
2. Infrastructure and Asset Management Forum, and
3. Defence Forum with a full time Project Director

Hunter Defence Forum members include Defence Primes, Defence SMEs, and University of Newcastle and is supported by the Australian and NSW governments, and provides a monthly Forum and annual Defence Conference that encourages collaboration and innovation aligned with defence Acquisition and Sustainment needs.

Hunter Defence have recently formed Three Defence Task Forces based on Hunter and Central Coast regional capabilities;

1. Maritime Systems
2. Aerospace, and
3. Land Systems – Army LAND 400.

2.2 Defence and Defence Industry in the Hunter and Central Coast Region

There are two major military bases located in the Hunter region; Army at Singleton and RAAF at Williamtown.

**RAAF Base Williamtown** is the primary fighter base and headquarters for RAAF Surveillance and Response Group, Air Combat Group and two training squadrons and will be home base for the Joint Strike Fighter Lockheed Martin F-35A ‘Lightening 11’.

The DMO operates three SPOs from Williamtown: Tactical Fighter SPO which manages the acquisition and through life support of F/A-18 and Hawk aircraft and the Ground Telecommunications SPO supports surveillance, control and communications equipment and AEW&C SPO supporting Wedgetail Aircraft.

The Hunter region is a natural cluster for both large and medium sized defence enterprises. International Defence primes include:

- BAE Systems
- Boeing Defence Australia - TAE
- Raytheon
- Lockheed Martin, and
Local-based prime contractors include Forgacs Engineering and Varley Group with specialist defence technology firms including ATSA Defence Systems, Bohemia Interactive, C-E Solutions, Lovells Group, Nova Systems, Puzzle Precision, RPC Technologies and Unitronix.

2.3 The University of Newcastle (UON) Defence and Security Innovation Cluster

The University of Newcastle (UON) Defence and Security Innovation Cluster aims to encourage greater engagement between the university and the established defence industry in Newcastle and the Hunter Region.

Through the development of a framework for collaboration, the Cluster aims to create an environment where new opportunities for innovative solutions and research breakthroughs can be generated and translated into practice for the benefit of the defence sector and its personnel.

2.4 Proposed Defence Manufacturing and Research Hub at the University of Newcastle.

The Australian Research Council has announced a new funding scheme for Industrial Transformation Research Hubs. The scheme is intended to establish long term relationships between university research centres and critical or developing high technology industries.

The University of Newcastle aims to establish a new research hub in 2015 for Defence Manufacturing and Research.
2.5 Hunter Defence Land Systems – LAND 400 Task Force

Formation Hunter Defence Land Systems – LAND 400 Task Force demonstrates a regional commitment to developing innovative solutions to secure Australian industry content in one of Defence’s most significant capability programs both in terms of acquisition cost and its impact on the Army’s war fighting capability.

Hunter Defence Land Systems ©

The strategic intent in formation of Hunter Defence Land Systems – LAND 400 Task Force was to leverage the Integrated Capacity of Hunter and Central Coast firms to provide Australian Industry Content in Army Land Systems and specifically Army LAND 400 and is aligned with the Government’s Australian Industry Content Objectives for LAND 400.

Bede Boyle is the founding chair of Hunter Defence Land Systems – LAND 400 Task Force.

2.6 Prosed formation of Hunter Defence Land Forces Collaboration Hub

The task force is in the process of facilitating the formation of Hunter Defence Land Systems Collaboration Hub to formally engage with Government, Defence, International Primes and the proposed Defence Manufacturing and Research Hub at the University of Newcastle.

Bede Boyle
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Bede Boyle
Senior Advisor Defence
McLean Management Consultants Pty Ltd
www.mclean-mc.com.au
boyle.bede@bigpond.com
+61 (0) 419 213 010