INDUSTRY DEVELOPMENT  ADVANCE CAIRNS PRIORITIES 2020/21

CAIRNS MARINE PRECINCT
COUNCIL: CAIRNS  STATE ELECTORATE: CAIRNS  FEDERAL ELECTORATE: LEICHHARDT

THE ISSUE

The Cairns Port is a critical enabler of the Tropical North Queensland (TNQ) economy, with the region welcoming the Federal Government’s commitment to base at least four new Offshore Patrol Vessels (OPVs) in Cairns. The sustainment and maintenance of vessels in northern Australia aligns well with existing shipbuilding commitments in southern Australia, and complements Australia’s Step-Up to the Pacific foreign policy initiatives.

As one of three Regional Maintenance Centres (RMC) for the Royal Australian Navy (RAN), the others being Darwin and Perth, Cairns provides a national naval sustainment and maintenance hub enabling the Cairns Marine Precinct (CMP) to build on its present commitments of servicing vessels from HMAS Cairns, Darwin, the United States and the Pacific Islands.

The significant Defence and Border Force contracts managed out of the precinct ensures a skilled, year-round permanent marine and engineering workforce of 4600.

Cairns is also home to a large and diverse marine sector with 1603 commercial vessels across tourism, fishing and shipping, and an active cruising yacht squadron. The precinct also hosts superyachts and cruise liners visiting the Pacific and supports the aviation and education sectors through its economic multiplier effects.

Having now expended the $24 million Federal Government commitment, Stage 1 of the Cairns Marine Maintenance Precinct upgrade has delivered preliminary improvements to wharves, hardstands, slipways and services. Moving forward a combined State and Federal commitment of $174 million is sought for Stages 2 and 3, which will lead to significant increases in precinct capacity and complement the Department of Defence $420 million commitment to expand the HMAS Cairns naval base.

State funding of $150 million is sought in two tranches during the next term of government – $40 million over two years as part of Stage 2 (to meet the Navy’s Cairns RMC timetable) and a further $110 million in 2022-24 for Stage 3 upgrades.

The initial $40 million is for investment in agreed RMC upgrades under the auspice of Ports North, the three shipyards and TAFE and also includes $1 million for an industry-led precinct-wide business case, which will subsequently inform the Stage 3 investment of $110 million.

At a Federal level, Stage 2 requires $24 million to be shared across each of the three shipyards in 2020-2021.

The $174 million investment in additional capacity and skills will ensure that Cairns complies with the RAN’s Plan Galileo which requires that Cairns be fully operational as Regional Maintenance Centre North East by 2022.

The commitment will also give effect to CMP Master Planning objectives while providing post-COVID-19 economic stimulus, creating much-needed jobs, diversifying the regional economy and ultimately providing for a more secure Australia in line with Pacific Step-Up and Defence initiatives.

1 Department of State Development, Manufacturing, Infrastructure and Planning. Manufacturing Hub Delivery Model: Cairns, Townsville, Rockhampton. November 2018. The specialisation ratio is measured by comparing an industry’s share of total employment in a particular regional economy with the corresponding share of total employment for the overall Queensland economy for a given time period. An industry recording a ratio above 1.2 is considered ‘specialised’ in terms of employment, indicating its comparative importance.

BRIEFING NOTE

SUMMARY

• Australia’s Defence shipbuilding programs have recently been substantially boosted from 12 to 26 vessels.

• The Cairns Regional Maintenance Centre (RMC) is a national defence asset that currently employs 4600 people.

• The State-recognised RMC requires government funding commitments, aligned with policies which create jobs, build vital infrastructure, diversify the region’s economy, provide positive economic return and facilitate ongoing private investment.

• A $174m investment is sought from the Queensland and Federal Governments to develop the precinct and create new direct and indirect Queensland jobs, adopt new technology and build tomorrow’s workforce to RMC standards.

• This commitment enables a fully operational RMC by 2022 as required by the Royal Australian Navy.
On 1 July 2020 the Morrison Government announced a $270 billion investment over the next 10 years to upgrade the capability and potency of the Australian Defence Force. The 2020 Defence Strategic Update signals a key change in Australia’s defence posture as it prioritises the Indo-Pacific region.

The strategy will see continued investment in 12 Arafura Class offshore patrol vessels, and extra spending on six new Cape Class patrol boats and up to eight new vessels optimised for mine countermeasures and hydrographic survey, taking Australia’s total shipbuilding activity from 12 to 26 vessels. The CMP is Australia’s main Patrol Boat maintenance centre. It has serviced the Defence, Border Force and marine industries for many years and, as home to Fleet Base Pacific (HMAS Cairns), is one of the few ports in Australia that can offer the Department of Defence significant expansion opportunities in berth and land facilities.

Under the Security of Critical Infrastructure Act (2018) the Cairns port is a critical national infrastructure asset. It is the northern most naval base on the eastern seaboard and plays a key strategic role in Australia’s northern naval capability. In acknowledging this role, in 2017-2018 the Federal Government committed to upgrading the precinct through staged investment. There is unmet and growing demand in naval, commercial and superyacht maintenance opportunities that supports a step change in ship maintenance capacity in the CMP.

There has been significant investment by State and Federal Governments in facilities in South Australia, Western Australia and the Northern Territory. Without a significant step-up in infrastructure and capability at Cairns, the existing CMP based operators may not be able to compete for all future sustainment contracts, and/or maintain or grow their business. This will result in a potential decline in market share, loss of economic opportunity and overall regional activity levels in allied industries will also sharply decline.

Table 1: Capability enhancements needed in Cairns marine precinct to maximise jobs and diversify regional economic growth

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<td>6 – 8 hectares of additional land for vessel lay down purposes, separate landside areas for superyacht maintenance and refits (up to 3 hectares)</td>
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**OUR RECOMMENDATION**

- That the Queensland Government support and facilitate the Federal expansion of HMAS Cairns, ensuring the Department of Defence delivers on the initial $300 million upgrade of the navy base by 2025.
- That the Queensland Government invests $150m in Stages 2 & 3 to further develop the Cairns Marine Precinct to Regional Maintenance Centre requirements and the Federal Government commits $24 million for stage 2, delivering a strategic national Defence asset which meets the security needs of the 2020 Defence Strategic Update and provides for a virtual sustainment college that delivers a skilled local workforce.
- $1m of the QLD Government investment will fund a comprehensive planning and business case for the precinct which details demand, economic benefits, operating model, risk assessments, cost benefit, gap analysis of skills and infrastructure, funding etc.
- That the Queensland Government work with the Federal Government to secure the long term, continuous maintenance and sustainment industry for Defence and Border Force vessels in Cairns, and support the home porting of Naval Platforms, including OPVs and their associated sustainment and maintenance work.

**INFRASTRUCTURE** Investment in ‘fit for purpose’ infrastructure opportunities is key to unlocking the maritime opportunities for Cairns with completion of the Ports North master plan a critical enabler. As outlined in Table 1, this investment needs to cater for larger vessels (up to 120m), have ship-lift capacity of 3500-5000 tonnes, provide up to 350m of extra wharf, see multiple large vessels simultaneously in dry dock and allow considerable extra land for maintenance activities. The facility must also have the capacity to allow future expansion in the long term. This program of work should be guided by a comprehensive planning and business case for the precinct which details demand, economic benefits, risk assessments, operating model, cost benefit, gap analysis of skills and infrastructure and funding.

**WORKFORCE** To capture unmet demand and opportunities, the CMP expansion needs to be complemented by a significant step up in industry workforce skills, training and development, both within the shipyards and also within the sector support industries. The Queensland Government has a clear mission to grow Queensland’s Defence industry and to increase the number of Queenslanders working in Defence manufacturing from 6,000 to 10,000 over the next decade.

To support the Cairns RMC, there is a major role for training to upskill existing workers, contextualise training for the marine sector, and to recruit and grow the workforce through stronger training pathways.

Informed by the precinct’s business case, a range of upskilling initiatives will need to be undertaken. Among those to be considered is a virtual sustainment college through the Great Barrier Reef International Maritime College. The College will develop and deliver agile micro credentials that meet future Defence sustainment demands.

**NEXT STEPS**

**BACKGROUND**

On 1 July 2020 the Morrison Government announced a $270 billion investment over the next 10 years to upgrade the capability and potency of the Australian Defence Force. The 2020 Defence Strategic Update signals a key change in Australia’s defence posture as it prioritises the Indo-Pacific region.

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