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MANAWATŪ REGION DEFENCE SECTOR

EXECUTIVE SUMMARY
MARCH 2021

Executive Summary

The defence industry plays a major role in the Manawatū region economy. There are a significant number of people employed at the three defence bases in the region (Linton Military Camp, Hokowhitu Campus and RNZAF Base Ohakea). In addition, major construction projects planned over the next 15 years will provide an additional boost to economic activity.

Measuring economic benefits

Statistics New Zealand annual employment estimates suggest there were 3,940 people employed in the defence sector in the Manawatū region in February 2020, accounting for 6.3% of the total workforce in the region. The sector has been an important contributor to growth in the region, with employee numbers increasing by 1,540 (a 65% increase) from 2000, accounting for nearly 10% of jobs growth in the region over the last 20 years. Total jobs in the region increased by 35% over this period.

The number of regular and civilian personnel employed directly by the Defence Force in the region was 3,246 people in 2020, with the remaining personnel employed by contractors working at the three bases in the region.

The combined NZDF total annual Manawatū region personnel (salary and wage costs) expenditure is approximately \$235 million, accounting for over 7% of salaries and wages paid in the region. The Defence Force share of salaries and wages is higher than its share of the number of employees because it has a high share of its workforce that is employed full-time compared with the overall workforce in the region.

The economic benefits to the Manawatū region from having New Zealand Defence Force (NZDF) establishments at Linton Army Camp, Hokowhitu Campus and Ohakea Airbase are much broader than the salaries and wages paid to employees. Economic activity created also comes from the payments to contractors at the three bases, and the purchases of goods and services from local businesses.

Manawatū region defence sector GDP was estimated to \$368 million in the year ended March 2020, 5.6% of total GDP in the region. Defence sector GDP increased by 45.6% between 2000 and 2020, which was slightly weaker than the 49.5% increase in total GDP in the region. The sector's share of GDP is smaller than its share of jobs and total earnings. The low GDP share compared with the contribution of the sector to jobs and earnings reflects the challenges with measuring economic activity in some sectors.

Infometrics economic multipliers suggest the full economic impact of having the Defence Force based in the Manawatū region is \$520 million. This estimate is based on the direct and indirect effects of the increase in economic activity created by the Defence Force.

There are around 3,150 people employed at Linton and the Hokowhitu Campus, with 2,322 people employed in military and civilian roles, accounting for around 6% of the total work force in Palmerston North. This makes Linton the largest defence base in New Zealand, with more personnel than the Devonport Naval Base.

The Camp was significantly expanded in size in the early 1990s, providing a significant boost to economic and population growth in the city during that time. Further growth has occurred in more recent years, with transfers of personnel from Waiouru and Burnham. Linton is home to half of the Defence Force's Army personnel.

Personnel numbers at Ohakea are currently 950, accounting for 10% of the total workforce in Manawatū District. Personnel numbers are expected to increase to 1,200 by 2023 to accommodate the transfer of No. 5 Squadron from Whenuapai from 2023.

Increasing population growth and diversity

A further positive economic impact from the presence of the Defence Force in the region comes from the demographic change which is occurring in the region, especially in Palmerston North. The city has a young population due to the age of the people who come into the city as tertiary students and new enlistments to the Defence Force, who are posted to Linton after their initial training. As a result the city is not experiencing the same aging in its population compared with the overall trend.

Linton has the youngest workforce of the three bases in the region, with a median age of 27 years for the 2,005 regular personnel based at Linton and a median age of 52 years for the 210 civilian personnel. The median age for the city's population in June 2020 was 34.2 years. The workforce at Ohakea is a little older than for Linton, with a median age of 31 years for the 776 regular personnel at Ohakea and 48 years for the 148 civilian personnel. The median age of Manawatū district's population in June 2020 was 40.9 years.

Both Māori and Pacific ethnic groups are more prevalent among personnel based at Linton, with 21.6% identifying as Māori and 4.4% as Pacific. At Ohakea the Māori share is 6.1% of the workforce while Pacific ethnicities account for 1.5%.

Recognising the contribution of the Defence Force

Recognition of the special contribution made by the Defence Force to the region culminated in the updating and resigning of a Statement of Intent on 3 May 2019 by Palmerston North City Council Mayor Grant Smith, Chief of Defence Force Lieutenant General Tim Keating, and Manawatū District Mayor Helen Worboys. The document recognises the common interests that exist between the three parties and records the intention to work together to create mutual benefits. The Statement of Intent provides a framework for the next 10 years, to ensure that the relationship is actively managed and that where possible, collaborative outcomes are identified and implemented. The Statement of Intent was the outcome of discussions between the Mayors and Chief of Defence Force that sought to integrate the Defence Force into the long term planning and to align the focus of the three groups beyond the military posting cycle and the effects of elections.



Conclusions

The establishment of three defence bases in the Manawatū has been an important contributor to economic growth in the Manawatū region since the late 1930s. They bring significant economic benefits to the region through the growth of the work force at the bases, the growth in the region's population through the families associated with the Defence Force personnel, and purchases from local suppliers. While most of the Defence Force's major purchases come from overseas suppliers, there have been opportunities for local companies to develop new business opportunities through the supply of products and services to the local bases.

The \$235 million Defence Force salary and wages contribution from Linton and Ohakea is only part of its economic contribution to the region. Both bases bring young people into the region who would not have necessarily chosen to move to the region and many stay, choosing to bring up their families here. The training and skills development provided by the Defence Force is a significant benefit. Many Defence Force personnel bring partners with them with skills needed in the local work force. This assists local employers who have experienced difficulty attracting staff to the region.

WORKFORCE



3,940

6.1% of total employment

EARNINGS



\$235M

6.4% of total earnings

GDP



\$368M

5.6% of total GDP

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY



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