

# Defence industry in New South Wales

## Site visit report

The Hunter  
September 2017



## Site visit to the Hunter Region

The Standing Committee on State Development visited the Hunter region on 18 September 2017. It has a strong defence presence, hosting key RAAF and Army bases, including RAAF Base Williamtown, as well as a diverse industrial base which services the defence sector. Some 4,620 people are employed in the Hunter region in Defence and defence related industries and the regional economic contribution of the sector 2014-2015 was estimated to be \$1.31 billion.<sup>1</sup>

Committee members undertook site visits to a number of defence related businesses and organisations operating in Newcastle and the Williamtown area. This report provides an overview of the key learnings.

### Thales Australia, Port of Newcastle

Thales Australia provides a diverse range of products and services to defence, aerospace security and transport markets in Australia and worldwide. It is one of seven prime contractors for the Australian Defence Forces. Thales Australia employs over 3,400 people across 35 sites and in 2016 generated revenues well above \$1 billion. Over the last 10 years, Thales Australia has exported more than \$1.6 billion of technology based products from Australia.<sup>2</sup> In New South Wales, Thales employs approximately 1,900 staff across eight major sites, and engages more than 450 New South Wales SMEs within its supply chain.



The committee travelled to Thales Australia's facility at the Port of Newcastle and met with the following representatives:

- Mr Greg Kocher, Project Manager, Maritime/Ship Repair, Thales Australia
- Ms Sarah Yuen, MHC Program Manager, Thales Australia
- Mr Richard Anicich, Director, Hunter Business Chamber.

With assistance from the NSW Government, Thales has recently announced an initial \$6 million investment to reactivate the Port of Newcastle as a marine sustainment precinct. The committee was briefed on the proposals which will create an additional 70 new jobs for the Hunter. The proposal comprises a three-step plan to re-establish both naval ship repair and commercial

<sup>1</sup> NSW Department of Industry, *New South Wales: Strong, Smart and Connected*, p 35.

<sup>2</sup> Evidence, Mr Chris Jenkins, Chief Executive Officer, Thales Australia, 3 August 2017, p 37.

capabilities to the Newcastle region. The first Phase consists of a 12 month remediation process of Fitzroy Street wharf. This will include the construction of a slipway and the reactivation of the main warehouse maintenance facility. Once completed, the ship repair facility will be operational and available for small to medium sized vessels.

The second phase will involve the re-establishment of large ship lifting and maintenance capabilities; and the establishment of a marine disposal facility. A floating dry dock for large commercial and naval vessels, repair of the existing quay line and the development of new office and warehouse spaces will take place. After completion, the ship repair and marine disposal facility will be operational and available for large naval and commercial vessels.

The final phase will establish a secure disposal facility that is compliant with the International Traffic in Arms Regulations (ITAR). The construction time of the disposal facility will be 9 months. After construction is completed, an environmentally compliant disposal facility will be available to Defence.<sup>3</sup>

## **Defence Security Aerospace 18 Hub, Williamtown Aerospace Centre**

In November 2017, the University of Newcastle (UON) will open a new collaborative space dedicated to Defence, Aerospace and Cyber Security engagement between industry, government and academia. The committee visited the DSA Hub 18 to meet with the following representatives:

- Professor Deb Hodgson, Pro-Vice Chancellor, Research and Innovation, University of Newcastle
- Ms Mikey Pinkerton, Manager, Entrepreneurship and I2N, University of Newcastle.
- Mr James Garvey, Director Williamtown Aerospace Centre, was also in attendance.

Professor Hodgson and Ms Pinkerton advised the committee that the Hub will comprise co-working space for 18 desks, with meeting rooms, breakout spaces and small rooms for confidential communications. An equal allocation of desks will be provided to Defence Industry Scholarship PhD students, UON researchers working on defence projects and corporate clients, specifically SME and Prime Defence organisations.

As well as providing the physical space, a suite of networking events and seminars offering opportunities for engagement with local and national companies in the defence sector are being developed collaboratively with Defence and defence industry partners.

## **Dexata, Williamtown Aerospace Centre**

Dexata is a company specialising in breakthrough analytic capabilities within the Intelligence, Surveillance and Reconnaissance (ISR) domain. It currently has locations in Australia (NSW and Victoria) and the UK. The committee met with Mr Mike McMahon, Chief Executive Officer, and Mr David Jarret, Product Manager, Air Battle Management, at its facility at Williamtown Aerospace Centre.

Mr McMahon briefed the committee on the company's origins and the products it delivers. Mr Jarret provided the committee with additional information on Dexata's Horus technology which is a globally unique product which is designed to enhance surveillance of Australian skies by

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<sup>3</sup> Presentation, Thales Australia, Carrington Shipyard Proposal.

providing air surveillance operators with greater certainty in immediately identifying flights that exhibit unusual or suspicious behaviour. The objective of the technology is to identify, validate and appropriately respond to a developing event, in the shortest possible timeframe. The project is part of ongoing collaborative exploration with the RAAF to test the utility of such capabilities in an operational environment.

Discussing the challenges and opportunities facing New South Wales defence industry, Mr McMahon and Mr Jarret raised the following points:

- Ongoing investment in R&D is critical for companies operating in the defence sector. Therefore, incentives from State and Federal Governments to promote and enable R&D are important. In providing such incentives, it is important to understand the long lead-in times that characterise defence products from development to actual application in the defence forces.
- Taking steps to secure a local future expertise in highly skilled areas is important.
- SMEs can find it challenging accessing domestic and international markets. Further NSW Government assistance to enable SMEs to attend trade shows and exhibitions would be welcomed. NSW Government should take steps to provide similar funding in this regard to comparative states and territories.

### **Bohemia Interactive Simulations, Williamtown Aerospace Centre**

Bohemia Interactive Simulations specialises in the creation of software that military and defence organisations use worldwide for tactical training and mission rehearsal. With operations in Australia, the United States and Europe, it currently employs around 250 staff, in its Australian office. Its customers include military organisations including the U.S Marine Corps, Australian Defence Force, UK Ministry of Defence, as well as industry prime contractors such as Thales, Lockheed Martin and others.

The committee received a briefing from Mr Ryan Stephenson, Managing Director of Bohemia Interactive Simulations at its site at Williamtown Aerospace Centre on the origins of the business and nature of the products it provides. The committee was also provided with a demonstration of the simulations which enable the training of military personnel in virtual environments, thereby supporting live training by providing a safe and cost-effective place to learn tactics, techniques and procedures.<sup>4</sup>

Speaking with the committee, Mr Stephenson spoke of the benefits of locating in a cluster alongside industry peers and representatives from academia. However, he emphasised the constraints placed on the business by limited access to the NBN. Given the nature of the business, this barrier would ultimately constrain business growth as the existing band width only provided the capacity for a fixed number of software programmers. Mr Garvey, co-owner of the Williamtown Aerospace Centre, reiterated this issue noting that this constraint remained despite ongoing liaison with the providers and efforts to reroute the necessary infrastructure on-site.

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<sup>4</sup> Information obtained from the following sources: Presentation: Mr Ryan Stephenson; Fact Sheet: Bohemia Interactive Simulations, Who we are.

## BAE Systems, Aerospace Headquarters, Williamtown

BAE Systems, Williamtown is the Aerospace Headquarters and is located adjacent to the Williamtown Aerospace RAAF base. Whilst currently undertaking complex repairs for Hawk and Hornet, it has recently been awarded globally significant contacts relating to the next generation of aircraft, the Joint Strike Fighter or F-35.

In November 2016, BAE Systems was assigned the role of Southern Pacific Regional Depot Airframe Maintenance, Repair, Overhaul and Upgrade (MROU) provider for the F-35 supporting not only RAAF aircraft, but aircraft of other nations in the region.

The committee met with Mr Andrew Chapman, F35 Campaign Manager, BAE Systems and Mr Darren Shaw, F35 Project Manager, who advised the committee of the opportunities arising from the F-35 program of works. In supporting the JSF program, it is estimated that approximately 200 high tech jobs will be created during the jet's 30 years of service.

Mr Chapman also emphasised the importance of securing and training future workforce and spoke of BAE System joint initiatives to work Aeroskills into TAFE programming. He also spoke of the importance of exposing young people to the opportunities within the sector, advising of transitioning young people through a capability pipeline, starting at work experience programs for schools (years 11 and 12), through to more formal programs such as the ME Program, and into higher education. The graphic below illustrates the program adopted by BAE systems to secure the future workforce.



Source: Mr Andrew Chapman, BAE Systems.