

**Submission  
No 6**

## **INQUIRY INTO THE DEFENCE INDUSTRY IN NEW SOUTH WALES**

**Name:** Regional Development Australia (RDA) - Sydney and  
Sydney Aerospace Defence Interest Group (SADIG)

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**The Hon Greg Pearce MLC  
Chair NSW Standing Committee on State Development  
Parliament House  
Macquarie Street Sydney NSW 2000**

**15 June 2017**

Dear Sir,

**Re: Inquiry into Defence Industry in New South Wales**

Regional Development Australia (RDA) Sydney in conjunction with Sydney Aerospace Defence Interest Group (SADIG) welcomes the opportunity to provide this submission to the NSW Standing Committee on State Development conducting the inquiry into the defence industry in NSW. RDA Sydney and SADIG broadly support the NSW Government stated intention from this Inquiry to identify opportunities to incentivize and grow the defence industry in NSW.

RDA Sydney is a COAG initiated partnership between the Australian and NSW Governments created to strengthen communities. It is part of a national network of 55 RDA committees made up of local leaders representing government, business, community groups and other key regional stakeholders to provide targeted advice to government on key issues affecting the economic development of regions.

**Background:** Since 2011 RDA Sydney has facilitated and managed the formation and on-going secretariat of SADIG with key industry and research stakeholders. SADIG currently represents around 225 members in the defence and aerospace industries and their supporting services and research sectors. The formation of SADIG brings together key industry champions from different industry groups to work collaboratively with one voice. Members and supporting partners in national and state industry associations are working together to further develop, and grow existing and additional business opportunities for aerospace & defence

manufacturing industries and sustainment and service businesses in NSW. *Refer: Annex A for background on SADIG.*

Recent research by the NSW Department of Industry states that 'Defence makes a substantial contribution to the NSW economy. In 2014–15 Defence contributed just over 20,000 jobs to the NSW economy with a direct spend of approximately \$7.9 billion, including \$5.5 billion in operations and \$2.4 billion in capital expenditure. (Source: The NSW Government Defence and Industry Strategy 2016). There are over 80 Defence bases and facilities in NSW, in addition there are around 6,500 defence industry jobs and a further 29,500 from supporting industries whose activities make a major contribution to the Sydney and regional economies. The NSW Government Defence and Industry Strategy has set out a new direction for defence and defence industry leadership in this state. The plan to establish Defence NSW with 5 key strategies to improve defence industry growth, sustainment, innovation and new investment is welcomed. The following recommendations are provided to complement and enhance the strategic approach and objectives set out in the 'New South Wales: Strong Smart and Connected – Defence and Industry Strategy 2017'.

**RDA Sydney's response to this Inquiry will be structured around the Standing Committee's Terms of Reference.**

***a. Maximize opportunities for NSW-based companies from Defence's growing exports and investment in defence capability – in both acquisition and sustainment.***

There is an urgent and on-going need to ensure that this state provides a focus and forum through Defence NSW, for defence industry advocacy, engagement and communication. The Objectives and Strategies contained in the 'New South Wales: Strong Smart and Connected – Defence and Industry Strategy 2017' are a starting point and will need to be implemented with well-defined operational plans, budgets, and actions allocated with defined time frames. SADIG (and its partnered NSW based groups) is willing to assist NSW Defence and be a strong advocate for this implementation.

SADIG and NSW partners regularly provide data and survey inputs on the capabilities of industry in NSW. Regular briefings and information sharing are available through several website capability listings and hosted seminar updates to defence, aviation and aerospace industry. Identification of tender opportunities, trade missions, and specific defence programs with Australian industry sovereign capability needs, are regularly promoted through our networks. Recent examples for trade and export development include co-hosting a French Maritime Cluster visit with business matching and a seminar in 2016. A Polish Aviation trade mission to Australia with Austrade was hosted by SADIG for business meetings, industry introductions and referral to skills providers. During the Sydney Pacific Maritime Expos in 2012 business matching and business referral activities were facilitated. A SADIG survey of maritime businesses for input of NSW capability to SEA 1000 was completed in 2015.

To improve the process of tendering by companies for acquisition and sustainment in major projects such as SEA 5000, SEA1000, SEA 1180 it is recommended that NSW Defence consider:

- Tender development guides for these projects be posted on line, and workshops offered in city and selected regional areas.
- Follow-up work with companies include analysis of work packages for joint approaches, or establishing teaming arrangements with local and interstate participants.

It is recommended that the Defence NSW assist by funding support for existing and extensions to industry clusters, with the development of specific strategic plans to embed capability in NSW for key sectors in the defence acquisition and sustainment areas. Areas of existing specialist knowledge and expertise in NSW based business and research capability are robotics and autonomous systems (air land and sea), artificial intelligence, remote sensing, sonar, simulation and virtual/augmented reality, quantum computing, cyber security, astronautics and space.

***b. Encourage defence industry innovation, research and education including developing the future workforce.***

A quote from the 2017 KPMG Report 'Building Defence Capability' The Vital role of Collaboration, states that '*collaboration is an effective response to change and complexity and vital for innovation. It is an effective strategy for the smarter deployment of resources, more effective management of risks and improved performance*'.

Within the established SADIG framework, SADIG Innovation and SADIG Skills forums regularly provide feedback on key issues for innovative improvements through collaboration in the defence, aerospace and aviation sectors.

The Innovation group has, through a series of workshops, identified three areas of focus for NSW Defence industry cluster development and specialization, having potential to establish research clusters with a number of universities and CSIRO. These areas of focus were Unmanned Autonomous Systems, Advanced Composites and Exotic Materials, Astronautics & Space 2.0 (inc. cubesats and geospatial systems). Reports and recommendations to government and industry from these workshops are available. Recent announcements on funding for Co-operative Research Centres in Advanced Composites (at UNSW) and the ARC Training Centre for CubeSats, Unmanned Aerial Vehicles, and their Applications, are testimony to the value of collaboration structures for funding of research and education/skilling for future needs of defence in these specific areas of expertise.

The Skills group has provided input, then championed and supported a UNSW project initiative titled 'Harmonising Australian Aircraft Maintenance Training and Licensing'. The project is well advanced with regard to research and advocacy for improvement to the

aviation repair and maintenance sector, (including defence) and is positioned to achieve a strong globally-oriented aviation/aerospace manufacturing and training industry.

SADIG (with support of the NSW Department of Industry) since September 2015, has initiated and been a strong advocate and facilitator for the planned University of Technology (UTS) hosted NSW Defence Innovation Network (DIN). This planned collaborative structure for research and development is now progressing with commitment from 5 other NSW universities. Plans include research in programs of the Defence Industry & Innovation - Next Generation Technologies Fund (NGTF) and further DIN business research matching and support activities. The majority of the 9 identified NGTF 'Technology Priority Areas' are well established in research and development activities of these DIN partner universities, with significant potential to grow defence business opportunities from these defined defence needs and challenges.

These quoted examples represent a snapshot of activity for model replication in future collaboration and innovation programs in the broader NSW defence economy. In this way SADIG as a cluster needs on-going NSW Government support to continue these initiatives.

***c. Identify targets, programs and projects for defence spending in New South Wales***

NSW defence sector capabilities identified in Section b.(above) highlight areas where further competitive options exist for defence programs and projects to provide NSW with economic and employment benefit.

It is noted that the Centre for Defence Industry Capability (CDIC) is the cornerstone of the Governments strategy for the provision and development of industry capacity and capability to supply defence. The CDIC communications and engagement with NSW defence industry and government interests is both important and strategic in terms of developing capability for current and future programs and projects.

Companies in NSW with proven capability in sustainment for major naval projects such as SEA 5000, SEA1000, SEA 1180 would have registered and had briefings on where there are opportunities to tender or improve their supply chain access. The Joint Strike Fighter (JSF) Program has demonstrated where specialist SME suppliers in NSW (Quickstep, Varley, SEC, Vipac) have been able to gain access to global supply chains. Future tender collaboration with Primes and other suppliers can be improved by ensuring SME's are in a state of readiness to be assessed and then supply to the rigorous standards for defence.

***d. Maximise the economic benefits of locating defence force bases and defence industry in the regions***

Well established industry networks exist to support defence force base activity and collaboration in regional locations like the Hunter, Shoalhaven, and Illawarra Regions. For the remainder of the state including Murray-Riverina, Capital, and Northern NSW the need

for easily accessible information is supported as outlined in the 2017 NSW Defence and Industry Strategy. For communication with industry and to enhance capability development and export market entry, it is recommended that regular seminars, briefings and communications are provided through NSW Defence. This approach applies equally to metropolitan Sydney, where many defence capable businesses exist, and substantial economic development is provided through sustainment (eg. FBE, Watson and Richmond) and the defence base support services.

Collaboration and facilitation activities could be improved by using and expanding the models in established NSW regional networks, with support of NSW Defence. The existing Austrade, AIDN and KPMG Capability Directories do provide coverage of regional NSW businesses to allow business matching to opportunities. However more investment in NSW data acquisition of the right quality, is needed and the responsible national agencies (e.g. CDIC, DFAT and NSW ICN) be encouraged to establish up-to-date and comprehensive directories to assist in the goal of developing Australian sovereign industry capability and in making the right locational decisions.

Enhancing the roles and joint communications with Sydney and regional NSW industry networks including their collaboration structures, can ensure the communication reach and impact on business, and their communities.

***e. How to establish and support defence supportive communities***

Not in a position to comment.

***f. Further enhance collaboration between the NSW Government and Commonwealth agencies***

The formation of Defence NSW and appointments of a NSW Director and Advocate will provide needed impetus and resources to enable improved seamless Commonwealth agency communications and relationships. Program delivery in NSW will be further assisted by the staffing in NSW for the Centre Defence Industry Capability (CDIC), AUSTRADE, and the planned UTS hosted Defence Innovation Network (DIN). Enhancing the roles and joint communications with Sydney and regional NSW industry networks including their collaboration structures, can ensure the reach and impact on business, and their communities. This 'whole-of-state' and 'between state' approach should be implemented as soon as feasible with strong support and advocacy to the Federal Government Ministries including the Departmental heads. It is well known that the Victorian Defence Alliance and South Australian's Defence Teaming Centre are well resourced and capable in developing their states initiatives to enhance program and project location decisions, tendering, export opportunities, business matching etc.

The approach to collaborate with other States and their Primes in developing sovereign industry capability could enable and facilitate joint tendering opportunities. There have been recent statements that the current Australian state rivalry for major defence projects to be located in one state, is economically inefficient and more costly to defence to implement. The stated approach by NSW Defence to 'working with other states and territories to ensure a national approach to helping defence' is supported and likely to yield the best longer term results. This approach would be reinforced by establishing a framework and structure in NSW for selected centres of excellence, for some of the 9 identified NGTF 'Technology Priority Areas' (cited in section b.).

**g. Other related matters**

Recent analysis by RDA Sydney identified the potential for industry development and employment generation opportunities created by the presence of a Western Sydney Airport. This report was released in 2016 and titled '*Strategic Industries Development around the Western Sydney Employment Area*'. Defence and aviation/aerospace industry investment and employment generation opportunities are substantial and will be created by the construction and operations of a Western Sydney Airport and the associated development of specialist industry clusters and research institutions. This report highlighted (Section 3.2 Pages 35-41) major opportunities in the aerospace and defence sectors including:

- Developing major additional global aerospace and defence OEM supply and MRO maintenance capacity and capabilities by creating a virtual collaborative industry cluster utilising the latest new materials and technologies.
- Developing a new Aerospace /Autonomous Space Centre bringing together the NSW industry and research autonomous and space industry capabilities and strengths.
- Establishing a NSW Defence Science Institute (like Victoria) with industry and university research institutions, and the NSW Chief Scientist's office and DoI to accelerate opportunities nationally and internationally for NSW.

It is important to note that international Defence Prime, Northrop Grumman Australia has recently announced that they will establish a centre of excellence at the future Western Sydney Airport. Their interest to invest in high technology, and support their global supply chains in electronics and advanced manufacturing is significant as it is the first major defence industry company to commit to this new airport. NSW Government planning will need to ensure adequate economic corridors and technology defined land is allocated for future industry development. The establishment of clustered business hubs for specialist high technology enterprises is strongly recommended for the Western Sydney Airport. Government and related industry bodies will need to provide the leadership impetus, resources and planning vision to make this a reality, and ensure the benefits of longer term economic development are realized.

We thank you for the opportunity to provide input to the Standing Committee on State Development Inquiry. If there are matters needing further explanation, or questions on the items raised in this Submission then please contact

Yours sincerely

**Dr Robert Lang**  
**Chair**  
**Regional Development Australia, Sydney**



## Annex A - SADIG Background

Following three Aerospace Defence Roundtable events in 2009-2011 facilitated by RDA Sydney, the need was identified to improve the connectivity between companies and business opportunities, by improving the collaboration between business, government and various leading industry stakeholder groups operating in the greater Sydney region in a similar way to HunterNet in the Newcastle region, and Shoalhaven Defence Industry Group in the Illawarra region of NSW.

SADIG and its members have established co-operative structures with 7 NSW Universities, the Australian Industry Defence Council (AIDC), Australian Business Defence Industry (ABDI), Australian Industry Defence Network NSW (AIDN-NSW), Centre for Defence Industry Capability (CDIC), Defence Science Institute (DSI), Capability Acquisition and Sustainment Group (CASG), Manufacturing Skills Australia (MSA), and NSW Department of Industry (NSWDol). This collaborative structure ensures the defence and aerospace industry sectors in the Greater Sydney Region of NSW have collective voice and a platform to input and advise government on key industry development issues.

**SADIG VISION:** To provide a focus and a forum for Sydney's Aerospace and Defence Industry sectors and to facilitate their growth; to work closely with Government agencies and industry associations to attract a higher percentage of Defence and Aerospace Business into the Greater Sydney Region.

**SADIG PURPOSE:** To identify new additional strategic opportunities which can only be tackled on a collaborative basis; to provide feedback to industry members and other stakeholders, including the State and Commonwealth Governments, on the make-up and health of the Aerospace and Defence Industry sectors; to identify key factors and trends affecting it and to help facilitate industry access to available Government support and services.

**SADIG POSITION:** We help our members to help themselves by facilitating, encouraging and supporting collective efforts and initiatives designed to benefit the industry as a whole.

SADIG operates with an advisory Executive Committee and three special interest groups: Supply Chain, Innovation and Skills.

## References:

- AIDN NSW Maritime Capabilities 2017
- Defence Industry Investment Program (DIIP) - 2017
- Defence White Paper 2013
- Defence White Paper 2016
- Defence Industry and Innovation: Next Generation Technologies Fund
- KPMG 'Building Defence Capability' The Vital role of Collaboration. February 2017.
- NSW Government – 'New South Wales: Strong Smart and Connected' – Defence and Industry Strategy 2017.
- NSW Position Paper on Defence – September 2013
- RDA Sydney 2016 'Strategic Industries Development around the Western Sydney Employment Area'.
- SADIG Defence White Paper (DWP 2015) NSW Workshop Report - 19 June 2015
- SADIG Astronautics and Space 2.0 Forum - 18 June 2015
- SADIG Composite Materials Workshop and Focus Group Report – 31 March 2015
- SADIG Autonomous Systems Focus Group Report - 24 July 2015
- SADIG Submission - Inquiry into facilities for Defence's landing helicopter dock ships (LHD's), and air warfare destroyers (AWD's), Sydney NSW - April 2013.
- SIAA Advancing Australia in Space - White Paper March 2017
- University of Technology NSW – Defence Innovation Network Proposal May 2017