

**Submission
No 11**

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

Name: Illawarra Innovative Industry Network Incorporated (i3net)

Date received: 16 June 2017



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16 June 2017

The Hon Greg Pearce
Chair
Standing Committee on State Development
Parliament House, Macquarie Street
SYDNEY NSW 2000

INQUIRY INTO THE DEFENCE INDUSTRY IN NEW SOUTH WALES

The Illawarra Innovative Industry Network (i3net) welcomes the opportunity to provide a submission to the Inquiry into the defence industry in New South Wales. This submission reflects i3net's views regarding opportunities to incentivise and grow the defence industry in the Illawarra and generate economic development for the region. This submission is made with reference to the New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017, and the Inquiry's "Terms of Reference".

Background:

The i3net is a network of industrial based companies working from the Illawarra. The network was established to promote the collective capability of Illawarra Industry to local, national and international markets. The i3net provides members with a highly valued vehicle for fostering relationships and strengthening Illawarra's business capabilities.

The Illawarra region has a long and proud history of providing innovative products and services to the Australian defence industry. Innovative engineering capability has historically been the back bone of our region's economy, companies such as BlueScope and Bisalloy Steel provide a significant competitive advantage supplying products for defence projects such as the Collins-class submarine, Adelaide-class frigate, Air Warfare Destroyer and Army Bushmaster.



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The i3net has in recent years hosted Navantia Australia, DCNS group and BAE Systems in the Illawarra, to obtain industry briefings regarding future defence projects such as SEA 1000, SEA 5000, SEA 1180 and LAND 400.

Terms of reference:

- 1a. Maximise opportunities for NSW-based companies from Defence's growing exports and investment in defence capability – in both acquisition and sustainment.**

When maximising opportunities for regionally based organisations, consideration needs to be given to not just those companies that have existing relationships with defence or defence primes, but those that have the capability to value add or fill capability holes.

An example of this is the competitive advantage the Illawarra region has by having both BlueScope and Bisalloy as part of its Industrial footprint. There would be further advantage provided by other capability in the region regarding profile cutting, shaping, bending or rolling of plate, the machining of components, brackets and fittings and the fabrication and installation of these items and coating of items before shipping.

We advocate for the following:

- Defence NSW to establish connections with and provide support to the i3net, ensuring closer engagement and understanding of regional capability*
- Defence NSW to collaborate with defence prime contractors to identify capability gaps and potential supply chain opportunities*

- 1b. Encourage defence industry innovation, research and education including developing the future workforce.**

The University of Wollongong and the Defence Material Technology Centre; have the capability of providing high level support, advice and guidance in the research and



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development of innovative processes or products required to complete the future Australian defence build program.

The Illawarra is well known for its capability in the engineering and manufacturing sector, and has a skill base that strongly aligns defence requirements. The i3net supports activities that provide pathways to develop local skill levels for defence requirements.

We advocate for the following:

- *Defence NSW to establish connections with the University of Wollongong and the Defence Material Technology Centre, to ensure a clear understanding of industry skill training required to maximise opportunities within defence acquisition*
- *Both NSW and the Federal Government to provide support for the University of Wollongong and TAFE Illawarra's "Facility for Intelligent Fabrication"*

1c. Identify targets, programs and projects for defence spending in New South Wales

While i3net considers the Illawarra has a distinct Defence Capability Advantage, it is also aware that NSW has considerable strengths in capability that contribute to the development and sustainment of major defence projects. It is critical the NSW Government identifies those opportunities amongst the future defence build program that best align with the State.

We advocate for the following:

- *The NSW Government target major defence projects that build on the existing and potential defence industry capability*
- *Defence NSW provide support to i3net with its ongoing activities to identify supply chain opportunities within current defence projects such as; Land*



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Combat Vehicle System – Land 400, Future Frigate Program – SEA 5000 and Future Submarine Program – SEA 1000.

1d. Maximise the economic benefits of locating defence force bases and defence industries in the regions.

The Illawarra region, including the Shoalhaven, is currently home to a number of Defence force bases that provide a substantial contribution to the region's economy.

As noted previously the Illawarra also has a distinct competitive advantage in the area of Defence Industry with both BlueScope and Bisalloy Steel being located within the Wollongong LGA.

We advocate for the following:

- Further consideration be given to the utilisation of the Port of Port Kembla and Illawarra Regional Airport, as future defence precincts, that would assist with reducing congestion at both Garden Island and RAAF Base Richmond*
- The NSW Government to further promote the use of BlueScope Steel in the future defence build programs. This will not only assist with sustaining Australia's steel Industry but provide support for the key industrial sector here in the Illawarra*

1e. How to establish and sustain defence supportive communities

The establishment and sustainment of defence supportive communities relies very much on communication, consultation and collaboration. It is key that Defence NSW, the CDIC and other relevant organisations work closely with regional community leaders and Industry Networks to ensure there is a clear understanding of the opportunities available and the processes being followed.

We advocate for the following:



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- *The NSW Government provide support to regional networks such as i3net to identify supply chain opportunities within the existing NSW Defence sector*
- *Defence NSW and the CDIC communicate with regional networks regarding programs or funding opportunities to assist with the upskilling and growth of regional businesses*

1f. Further enhance collaboration between the NSW Government and Commonwealth agencies

From our experience there is a good level of collaboration between the NSW Government and Commonwealth agencies here in the Illawarra.

To further enhance this collaboration we advocate for the following:

- *A coordinated approach that ensures all relevant agencies are involved in a team environment that provides ownership and recognition to all parties*
- *The coordinated development of defence industry across all regional NSW areas to ensure an equal and level playing field*

1g. Any other related matter

Open and transparent communication and information sharing is essential to the continued development of the Defence Industry within NSW. Alignment with local Industry Networks such as i3net is paramount in providing the required communication and information sharing with industry, and to maximise the use of regional innovation and industry capability.

Conclusion

It is i3net's opinion that the \$195 billion investment in Australian Defence will provide significant opportunities for regional NSW in particular the Illawarra.

While NSW can boast to be home to the major defence primes, world class R&D institutions and the highest number of defence bases and defence personnel across all states. Regional NSW is home to some of the most advanced and highly skilled defence-related SME's. It is critical that the NSW Government has a focus on



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ensuring this capability is identified, developed and promoted to maximise opportunities amongst local and global supply chains.

Networks such as i3net have an important part to play in ensuring the communication and information available is shared with Industry to maximise these opportunities.

Thank you for considering our submission to the inquiry. Should you wish to discuss this submission further, or have any additional questions, please do not hesitate in contacting

Yours sincerely

Tony Green
Executive Officer