

**Submission
No 12**

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

Name: Shoalhaven Defence Industry Group

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Submission to NSW Defence Industry Inquiry

from

Shoalhaven Defence Industry Group

1. Transportation to major centres from the Shoalhaven

1.1 For a sustained and vibrant Defence Industry in the Shoalhaven, there needs to be good ground transportation. This will offer potential commute and relocation solutions to attract a skilled workforce, encourage Industry to invest in the region and ensure good connection with both Sydney and Canberra.

1.2 The Berry Bypass, impending Albion Park Bypass and the potential future Berry to Bombaderry road upgrade all provides excellent road connection to Sydney from the Shoalhaven. Thanks to the Government, this very good road network is complemented by a similarly very good train service. Sydney is a key Defence Customer base and wider Defence industry location although; the Defence footprint in Sydney is largely an operational focus.

1.3 Arguably, Canberra is the major Defence Industry Customer focus centre. There is also an increasing international air service to the City. Therefore, a good transport connection between the Shoalhaven and Canberra is critical for Shoalhaven Defence Industry. There is no direct train service between the Shoalhaven and Canberra so road is the only ground transport connection. Routing via the Kangaroo Valley and the Hume Highway is only feasible when travelling from well north of Nowra. However, the major Defence Industry hub is Nowra. But road options from Nowra to Canberra are via Main Road 92, which is sub-optimal. It must be acknowledged that the initial road sections out of both Nowra and Canberra are satisfactory but for the most part, the middle road sections between Nowra and Canberra are very poor; being narrow and/or unpaved.

Recommendation – continue the improvement and upgrade of Main Road 92

1.4 Consideration might also be given to unlocking the potential of the Illawarra Regional Airport. Regular Passenger Transport (RPT) or Charter services to Melbourne and Brisbane for example may offer a wider access to the market for Shoalhaven Defence Industry.

2. Shoalhaven Defence Industry Diversity

2.1 Given the large aviation footprint of Navy by way of HMAS ALBATROSS, it is logical Shoalhaven Defence Industry is focussed largely on aviation technology and related services. The NSW Government Defence and Industry Strategy 2017 reflects this. However, the region is not a large-scale aerospace specialist provider and the NSW Government is looking to the potential of Western Sydney as a future aerospace precinct. Helicopter MRO might be a small to medium scale focus.

2.2 Smaller Defence Industry capabilities are active in the Shoalhaven but predominantly the naval air station imparts a strong flavour on local Defence Industry. Notwithstanding, driving large-scale growth of Defence Industry in the region will likely come from providing service to a (future)

Defence capability; a functional activity from which to focus industry capability. This could be separate from the naval air station driven activity of today providing large-scale diversification.

2.3 The Strategy outlined for the Shoalhaven mentions the need to evaluate ways to enhance the presence of naval weapons ranges in Jervis Bay (Initiative 1B ... and 4E). The Defence White Paper 2016 states the need to improve maritime and land force strike capabilities through the acquisition of ‘deployable land-based anti-ship missiles to support operations to protect deployed forces and vital offshore assets such as oil and natural gas platforms.’

2.4 The naval weapons ranges at Beecroft Head in the Shoalhaven would be ideal to support testing and training of Army’s future deployable land-based anti-ship missile systems. Regional infrastructure, both Defence and Industry, is well capable of hosting the wider support requirements of such system. Army may desire batteries of these deployable anti-ship missiles located at Army facilities further north in Australia but the major storage and support could be done in NSW and the Shoalhaven – for testing and exercises, store munitions at ALBATROSS, with a local support capability to facilitate activity at Beecroft weapons range.

Recommendation – begin an active program to capture work-share of the acquisition and support of Army’s future deployable anti-ship missiles, with the Shoalhaven as a key component

3. Humanitarian and Disaster Relief

3.1 Humanitarian and Disaster Relief (HADR) remains a key capability for Government and ADF. Fundamental skills and capability to provide HADR will be shaped by a real-world events and Government’s direction of contribution. Individual and small team direct capabilities might be easily practiced elsewhere by way of trade activity for example.

3.2 After Cyclone Tracey in 1974, a small and rather crude “village” was constructed at the Jervis Bay airfield to enable Navy crews to practice HADR skills. The need for this facility waned, in-part because the infrastructure was not maintained but also because unit-level HADR activity was not a priority for scarce training time.

3.3 However, larger team and inter-agency planning and activity is more complex and variable. Task Group, whole-of-ADF and broader ‘Coalition’ response to HADR can be a demanding undertaking in respect of planning and execution. The Shoalhaven region is ideally placed to host a Defence Industry led HADR centre that caters for ADF and the wider (national, regional and global) constituency. A Peace Keeping Centre exists within the ADF Warfare Centre at RAAF Williamstown. Perhaps a HADR Centre could exist in the Shoalhaven.

Recommendation – support Defence Industry in examining the potential for a Humanitarian and Disaster Relief (HADR) facility (college) that would be in the Shoalhaven region

4. ADF Centres of Excellence

4.1 In respect of existing ADF capability, there may be opportunity to establish centres of excellence or form industry clusters around enduring ADF warfighting functions such as Electronic Warfare (EW) and Anti-Submarine Warfare (ASW). While Adelaide hosts significant ADF EW capability for example, it does not preclude regional NSW from developing niche Defence Industry capabilities in EW.

Recommendation – identify opportunities within key enduring ADF warfighting capabilities from which niche Defence Industry capabilities might be further developed

5. Establishment of a Credit Agency

5.1 In the main, regional areas such as the Shoalhaven have banking facilities more attuned to the requirements of agriculture and small(er) local/consumer based businesses - otherwise known as agribusiness banking. Added to this are the banks' perceived (correct?) understanding that the customers' wish to work with a local bank manager and the consequent local levels of authority.

5.2 This works well should you be a farmer or working in a supporting field as the bank is well tuned to the general needs and problems associated within that industry. The model quickly falls apart when dealing in defence. The concepts, the time and the products are outside the comfort level of the "local" banks.

5.3 Regional branches do not understand defence or its project structure. This makes it exceptionally difficult for defence related businesses, especially SMEs, to secure funding for the larger multi-million dollar projects where the family home, business premises and cash reserves do not meet the required collateral.

5.4 A case study:

Global Defence Solutions Pty Ltd (GDS) worked for seven years with Defence responding to Requests for Information, providing briefs on equipment and procedures prior to the issue of a Request for Tender for the supply of a Deployable Catering Capability for the RAAF (to be supplied against a Defence Specification).

During this period, GDS had kept its bank manager briefed on the project and once the tender was released detailed discussions on funding commenced. Positive discussions ensued throughout the tender process. GDS was named as the preferred tender and the bank indicated that all was in place for the contract negotiations. Approximately two weeks after contract signature, the bank withdrew its support to GDS citing "its concern with the possibility of Defence being unhappy with the final product and being left holding goods for which there was no alternate buyer".

No one within the bank would elaborate any further nor take any calls from GDS on the matter. Once you have been "turned down" by one of the big banks, it is extremely difficult to get any of the others to listen to you. Fortunately, after four weeks, GDS was able to secure the funding through Westpac and continue the project.

The project proceeded and was successfully delivered to a satisfied customer.

Recently, at the Lewis Essington Awards (13 June 2017), GDS, together with the Project Office recently won an award under the category Minor Acquisition Under \$50 Million:

Air Force Minor 0972 - Deployable Catering Capability: RAAF Combat Support Group and Global Defence Solutions

Part of Air Force's combat capability is the ability to sustain (feed and water) forces at deployed air bases. Under this Minor program, the program office was able to get a program of work back on track after a long delay in the initial stages of the project. Working with contractors in Australia, New Zealand, France and Denmark, the capability was declared operational earlier this year with its first showing at the Avalon Air Show. The judges noted that just because elements are Military Off the Shelf (MOTS) does not mean that the entire solution is MOTS and congratulates the team on their success.

Now that GDS has delivered the products to the Australian Defence Force, it has received significant interest from overseas defence forces for its products.

5.5 A mechanism is needed where an independent body, which understands defence, is able to review and vouch for the capability of the company and assist the company in obtaining credit. In essence a domestic version of EFIC. The Australian Defence Force (ADF) is world renowned as being an astute buyer. Many other nations will buy your equipment if the ADF has already done so because they know that the equipment has been tried and tested.

Recommendation - establish at the NSW Government level a body able to review and vouch for the capability of a defence company and assist the company in obtaining credit for a defence project.

Should you have any questions or require additional information on these topics please contact:

Submitted for and on behalf of:

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