

**Submission
No 25**

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

Name: Hunter Business Chamber

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Defence Industry in New South Wales

Standing Committee on State Development

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Introduction

This submission has been made jointly by the Hunter Business Chamber and HunterNet as the key collaborators driving the successful Hunter Defence Project.

The Hunter Business Chamber is the largest regional business chamber in Australia and was established in 1886. The Chamber independently represents almost 2,000 member organisations to all levels of government and is the peak industry association in the region, reflecting the interests of all business sectors.

The Hunter Business Chamber works as an integral part of the NSW Business Chamber network and represents business at local, state and federal levels to advocate for an improved operational climate for businesses in this region.

HunterNet is widely recognised within Australian manufacturing and academia as the most successful industry 'cluster' of its type nationally. The organisation involves over 200 companies, active in national and international infrastructure and asset management, energy and resources, defence and advanced manufacturing supply chains. Through its membership, HunterNet represents over 70,000 employees.

The Hunter is well recognised as the home to Australia's most resilient and diverse regional economy. The Hunter region in NSW just north of Sydney covers over 31,000 square kilometres and has over 660,000 people or 9% of the state's population.

The Hunter region has a strong regional defence and defence industry presence. The Hunter is home to RAAF Base Williamtown, Singleton Military Area and other bases such as Myambat Ordnance Facility and Adamstown Barracks.

This presence is supported by the activity of prime contractors to Defence within the Region and the capability of the many small to medium-sized enterprises that service and deliver to the defence industry.

Defence activity within the region has an extensive history of completed defence contracts. The long-term demonstration of past performance and proven success is integral to the region's capacity to win a greater share of defence expenditure in the future. Physical assets are retained at Carrington and Tomago that boast a ship building and repair capability. It is estimated that more than 4,000 Defence and contractor personnel are employed within the region with the industry contributing to around 10% of the gross regional product, with input from support industries.

The Port of Newcastle and Newcastle Airport support this industry with significant amenity and untapped capacity.

Terms of Reference

That the Standing Committee on State Development, with reference to the New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017, inquire into and report on opportunities to incentivise and grow the defence industry in New South Wales to generate economic development and in particular:

- (a) maximise opportunities for NSW-based companies from Defence's growing exports and investment in defence capability – in both acquisition and sustainment

- (b) encourage defence industry innovation, research and education including developing the future workforce
- (c) identify targets, programs and projects for defence spending in New South Wales
- (d) maximise the economic benefits of locating defence force bases and defence industry in the regions
- (e) how to establish and sustain defence supportive communities
- (f) further enhance collaboration between NSW Government and Commonwealth agencies
- (g) any other related matter.

What is Hunter Defence?

Hunter Defence is a joint initiative of the Hunter Business Chamber and HunterNet. It is a strong and well respected brand supporting a strong regional defence presence and the defence industry.

Hunter Business Chamber has registered the following logo and the words "Hunter Defence" as a trade mark under the Trade Marks Act 1995 (Cth) as part of the branding of Hunter Defence with HunterNet;



Hunter Defence provides significant advocacy and collaboration outcomes across the region and developed the first Hunter Defence Strategy delivered in 2013.

It has a track record of advocacy in support of the defence sector in the Hunter and at State and National levels. Examples of this track record include;

- Release by the Hunter Business Chamber in February 2013 of its Hunter Defence Strategy
- Input from both Hunter Business Chamber and HunterNet in the development of the NSW Position Paper on Defence released in September 2013
- Input from both Hunter Business Chamber and HunterNet in the development of the NSW Government Defence and Industry Strategy released in February 2017

- Input from both Hunter Business Chamber and HunterNet provided to the NSW Department of Industry in the preparation of bids by the NSW Government for key defence projects for NSW
- Annual Hunter Defence conference which attracts delegates and keynote speakers from the defence sector nationally and internationally

Hunter Defence also provides the following:

- Coordinates opportunities for businesses to win defence contracts being aware of all key defence projects (land, sea, air, joint and infrastructure) and align with regional capability and capacity
- Improve the skills of small-to-medium enterprises (SMEs) by providing workshops, training and education to ensure that they are “defence ready”
- Share information and work closely with NSW Trade & Investment, Regional Development Australia–Hunter, Industry Capability Network (ICN), Austrade, Enterprise Connect
- Markets the region’s defence capability to a global market
- Develops opportunities with the University of Newcastle and Hunter TAFE for research and skills

The principal objectives of Hunter Defence are set out in the document titled Plan on a Page: Defence NSW Regional Engagement Plan – Hunter Defence, a copy of which is annexed to this submission as **Appendix A**.

Background to the Hunter Defence strategy

The Hunter Business Chamber was motivated to release a Hunter Defence Strategy in February 2013¹ in recognition of the significant contribution to the regional economy from the defence presence in the Hunter, along with recognition of a lack of apparent appreciation in policy formulation at a state level of the potential benefits to the overall state economy from the defence sector.

The NSW Government was frequently referred to as “missing in action” when it came to support for industry in the defence sector compared with other states. There was anecdotal evidence that senior defence personnel did not have the same level of access to, or support from NSW Government as they enjoyed in other states which demonstrated a far greater willingness to attract defence contracts for the benefit of industry in their states compared with New South Wales.

The Hunter Defence Strategy stated that “*Success in the Hunter will be facilitated by the execution of a winning NSW Defence Industry Strategy and effective engagement between State and Commonwealth governments*”, a point consistent with the Standing Committee’s terms of reference. Whilst there were obvious benefits for the Hunter economy if the Strategy was implemented, it was not just about the Hunter.

The Chamber preferred to refer to its Strategy as a “Hunter driven solution for the benefit of the whole of the State and for Australia”.

¹ Hunter Defence Strategy *Emerging Excellence*, February 2013

The Strategy proposed a number of action items, including;

- Developing a comprehensive NSW industry action plan with a clear focus on existing regional areas of defence industry strength (such as the Hunter) and the capacity for growth across the state,
- Regional representation in defence industry planning.

A copy of the Strategy is annexed to this submission as **Appendix B**. The release of the NSW Position Paper on Defence in September 2013 by the then Deputy Premier and Minister for Trade and Investment and the release of the Defence and Industry Strategy in February 2017 are seen by Hunter Defence as significant steps in the right direction by the NSW State Government but the key will be in the execution of the 2017 Strategy.

Response to Terms of Reference

(a) maximise opportunities for NSW-based companies from Defence's growing exports and investment in defence capability – in both acquisition and sustainment

Naval Shipbuilding Plan

The Department of Defence's Naval Shipbuilding Plan was released by the Prime Minister and the Minister for Defence on 16 May 2017.

Hunter Defence was disappointed to see that there is not one reference to the Hunter or its history of naval shipbuilding in the Plan which is primarily focused on South Australia and Western Australia. The Plan refers to the Osborne Shipyard in Adelaide and the Henderson Maritime Precinct in Perth as Australia's "principal shipbuilding yards" and includes a reference to Garden Island as one of Australia's principal naval sustainment yards.

It should be remembered that five of the six Huon class minehunter vessels were built by Australian Defence Industries in a purpose built facility at Carrington between 1994 and 2003 and a significant proportion of the modules for the Hobart Class Air Warfare Destroyers were fabricated in Newcastle. With the transition away from the mining services industry and associated manufacturing jobs, there is an available skilled workforce in the Hunter capable of meeting future shipbuilding contract requirements.

Hunter Defence appreciates the need to obtain the benefits of scale by concentrating large manufacturing projects in a limited number of sites but urges the Committee to make recommendations to the New South Wales Government that it take all necessary steps to maximise opportunities for NSW industry to participate in the opportunities presented by the Naval Shipbuilding Plan. It says at paragraph 6.2 of the Plan that "*All States and territories will be involved in the naval shipbuilding enterprise*" but then refers to South Australia and Western Australia "*as the construction centres of the naval shipbuilding industry*" whilst "*other States and Territories are also engaged in the sustainment of naval capabilities*".

The Plan also notes at paragraph 6.4 that "*all States and Territories support in some way local companies that are part of the supply chain for the construction and sustainment activities in the naval shipbuilding industry*".

With the support of Hunter Defence, the Department of Defence is holding a “Naval Shipbuilding Industry Briefing” in Newcastle on 6 July 2017 to discuss opportunities in the Future Frigate and Offshore Patrol Vessel Programs. The Briefing will be opened by Senator Sinodinos. The briefing invitation notes that “the Government is committed to maximising the opportunities for Australian industry to participate in the Government’s national naval shipbuilding endeavour that will see approximately \$90bn invested over the coming decades”.

Opportunities from the introduction of the Joint Strike Fighter (JSF)

The initial benefits to the Hunter Region with the arrival of the first JSF aircraft at Williamtown RAAF Base from 2018 will be significant. The real benefit though from the arrival of this next generation fighter aircraft over its 30 to 50 year life span will be in support and sustainment. This benefit is not just for the Hunter Region but for the entire New South Wales economy.

RAAF Base Williamtown is located on land owned by the Commonwealth Department of Defence. The airport also includes facilities for Newcastle Airport’s civil operations, owned and operated by Newcastle Airport Pty Ltd (NAPL). This is situated on a parcel of land leased from the Commonwealth and within the leasehold area are a number of subleases which service both civil and defence needs.

NAPL recently acquired an extensive area of land around the leased civil facility. The land has been zoned and identified as Newcastle Defence Aerospace Park. It is ideally situated to accommodate by airside and landside access to the Commonwealth lands including airport, aprons and runways. This land, along with the extensive Commonwealth holdings, are not only strategic and significant for the region but also for the State and the Nation and their identification in the recent state based Hunter Region Strategy as a global gateway is justified. It is consistent with Action item 7.1 in the Hunter Regional Plan 2036 which says:

- 7.1 *Facilitate development opportunities on land surrounding Newcastle Airport and Williamtown to cluster emerging high-technology industry, defence and aerospace activities²*

This action falls under Direction 7 in the Regional Plan which is to *Develop advanced manufacturing, defence and aerospace hubs.*

The Australian F35 fleet will require ongoing operational and deeper maintenance in the Hunter region. While the operational maintenance will likely occur in the new facilities on base, elements of deeper maintenance will likely occur off-base in upgraded and new facilities. These facilities will be in the vicinity of RAAF Base Williamtown in the Newcastle Defence Aerospace Park. Lockheed Martin, the aircraft manufacturer, has not yet defined the deeper maintenance requirements of the F35 in detail. However, the Australian government announced early in 2015 that BAE Systems and TAE will be providing maintenance, repair, overhaul and upgrade responsibilities for the F-35 Joint Strike Fighter airframe and engine². These Prime contractors will establish in the Hunter and not elsewhere in Australia assuming they are provided sufficient support and can make a positive assessment of the attractiveness of the region. Supporting the regional establishment of F35 maintenance operations is a major focus of Hunter Defence.

² www.minister.defence.gov.au/2015/02/10/minister-for-defence-joint-strike-fighter-regional-support-in-australia/

The real significance of the F35 maintenance for the Hunter and NSW is the opportunity to provide deeper maintenance of other F35 fleets in the Asia Pacific Region. As the Federal Government announcement indicates, the BAE and TAE scopes extend to a regional focus. This includes aircraft operated by Singapore, South Korea, Japan and the US Marine Corps based in Hawaii. Furthermore, the F35 through life support is underpinned by a global supply chain philosophy. This highlights the additional potential for maintenance of componentry from fleets located in Western Europe and continental USA. This F35 Regional Maintenance Hub to be located in the vicinity of RAAF Base Williamtown is a very significant enterprise with the opportunity to provide significant export revenue to the benefit of the economies of the Hunter Region, NSW and Australia.

Early estimates of the initial (direct jobs) and multiplier effects of the F35 deeper maintenance hub in the Hunter Region are identified in Table 1 below.

Table 1 – Anticipated Impact on Regional Jobs associated with F35 maintenance

Item	Initial Effect	Total Effect*
Deeper Maintenance of Australian sovereign F35 Fleet only (airframe and engines)	330	528
Regional F35 Deeper Maintenance for selected aircraft from Asia-Pacific fleets (airframe and engines) including: Singapore, South Korea, Japan, and the US Marine Corps (Hawaii).	330	528
Total	660	1,056

*Total Effect follows application of the representative benchmark multiplier of 1.6.

The table excludes the following:

- Jobs introduced at RAAF Base Williamtown itself, including uniformed Defence, Defence civilian and other contractors. This is estimated at 1000 direct jobs, as indicated by Table 1.
- Any jobs to be created during the construction phase of any new or upgraded facilities for Deeper Maintenance. The scope of these facilities and requirements are not yet known.
- Other high-tech/advanced manufacturing industries which may establish over the life of the F35 due to synergistic demands (e.g. from other advanced aircraft, defence platforms or from other sectors)

The impact of the F35 Regional Maintenance Hub will be dramatic and is likely to attract a new industry base of professional, scientific and other personnel with high-level tertiary and vocational (technical) qualifications. Also notable will be the source of investment funding to establish and operate the regional hub. Funding sources may include a mixture of the US Government, Lockheed Martin, BAE Systems, TAE and others.

Hunter Defence will focus its efforts on attracting the new businesses from interstate and overseas to set up in NSW. Hunter Defence will support the NSW Government's initiatives to leverage private sector expertise for the benefit of the state³.

One significant opportunity Hunter Defence urges the Committee to consider in its recommendations is the opportunity to attract TAE to establish a greater presence in the Williamstown precinct. TAE's operations are currently centred mainly at Amberley with a smaller presence at Williamstown.

Having secured the engine maintenance and sustainment contract for the whole of the Asia Pacific region and with the majority of the Australian fleet to be based at Williamstown, it would appear logical for TAE to establish a greater presence at Williamstown. Similar to the approach taken in relation to the LAND 400 project the Committee should make recommendations supporting a similar approach with this potential opportunity. This opportunity is arguably recognised in the 2017 Strategy which notes at page 26 – *"There is also significant opportunity to establish Williamstown as the centre of Australian participation supporting the Joint Strike Fighter fleets in the Asia Pacific region"*.

(b) encourage defence industry innovation, research and education including developing the future workforce

Regional networks supporting the implementation of the 2017 NSW Government Defence and Industry Strategy

Initiative 4C in the 2017 Strategy is to grow and connect regional networks to enhance collaboration and develop business opportunities.

This is an objective of the existing alliance between the Hunter Business Chamber and HunterNet under the Hunter Defence umbrella. Hunter Defence is therefore perfectly positioned to be the regional network in the Hunter Region to implement the 2017 Strategy in this region in partnership with Defence NSW.

However, both the Chamber and HunterNet are not for profit organisations reliant on membership revenue to sustain its activities, including their advocacy in support of the Defence sector for the benefit of the State economy.

Hunter Defence urges the Committee to include in its recommendations support for reasonable recurrent funding from the Department of Industry to supplement the existing investment by Hunter Defence and thus to support the ongoing work of Hunter Defence in the implementation of the 2017 Strategy and its ongoing advocacy and support for the Defence sector in partnership with Defence NSW.

Skills training and the ME Program

Hunter Defence draws the Committee's attention to the very successful ME Program conducted by RDA Hunter⁴ with funding from the Department of Defence. This is relevant to paragraph 1(b) of the Committee's Terms of Reference.

³ <http://nsw.liberal.org.au/baird-government-to-create-150000-more-jobs/>

⁴ RDA Hunter 2017 Hunter Investment Prospectus, page 16

The ME Program began in 2010 as a Hunter initiative to halt the decline of students studying STEM subjects and to boost the growth capacity of the Hunter's STEM sensitive industries including Defence. To date the Program has provided over 25,000 high school students with innovative educational and industry based experiences that reflect the skills they will require in the future.

The ME Program focuses on developing a smarter workforce by developing student knowledge and skills in future technologies in areas such as Robotic Systems, 3D Design and Printing, Virtual Reality, Unmanned Aerial Vehicles, Coding and Embedded Systems. Participating schools work closely with local industries to develop the enterprise skill sets which are required in order to pursue careers in the STEM based industries and Defence.

The Hunter based program is supported by over 50 innovative businesses who allow schools access to resources.

(c) Identify targets, programs and projects for defence spending in New South Wales

Opportunities from the 2016 Defence White Paper and 2016 Investment Program

Hunter Defence draws the Committee's attention to the following extracts from the 2016 Defence White Paper and 2016 Investment Program which have potential to benefit the Hunter Region and which should be supported by the NSW Government.

- White Paper #4.65 (p101) – New and upgraded facilities and infrastructure will be established over the course of this decade at RAAF Base Williamtown, ... and Defence Establishment Myambat, including in support of the operation of the Joint Strike Fighter.

[Comment: The projected capital works budget for the next 10 years is approximately \$1.1bn including the Williamtown Redevelopment Stage 2, New Air Combat Capability Works and Runway Extension.]

- Investment Program (at p19, #36) notes existing capabilities and approved acquisitions that contribute to Australia's strike and air combat capability include – fighter and strike aircraft (24 F/A-18F Super Hornets and 72 F-35A Lightning II Joint Strike Fighters) and our current fleet of 71 F/A-18A/B 'classic' Hornets which is being progressively retired. At #37 it notes that these capabilities will be enhanced through "future replacement of the Super Hornets."
- White Paper (at p95, #4.42) notes that "options to replace the Super Hornets in the late 2020s will be considered in the early 2020s in light of developments in technology and the strategic environment and will be informed by our experience in operating the Joint Strike Fighters".
- Investment Program (at p96, #5.11) – notes that the "Super Hornet fleet has been extended beyond its initial bridging capability timeframe and is now planned to be replaced by around 2030. Its replacement could include either a fourth operational squadron of Joint Strike Fighters or possibly a yet to be developed unmanned combat aerial vehicle.

The decision on the replacement of this air combat capability will be best undertaken post 2020 when technology and emerging threat trends are better understood, and we have the benefit of our initial Joint Strike Fighter operating experience”.

[Comment: As the current Super Hornets are based at RAAF Base Amberley, this procurement project could be of particular interest and relevance to the Hunter and to NSW if it lead to a downgrading of the strike fighter capability based at RAAF Base Williamtown and also impacted on regional support and maintenance facilities for the JSF aircraft fleet with the majority of the Australian fleet to be based at Williamtown.]

- Investment Program (at p20, #39) notes existing capabilities and approved acquisitions in relation to land combat and amphibious warfare capability include “protected mobility (such as Bushmasters and the Hawkei)” and at #39 refers to new investments including “acquiring a new generation of armoured vehicles”.

[Comment: To the extent that this includes the LAND 400 project this is of potential particular interest and relevance to the Hunter and to NSW.

In late 2015 the Chamber, HunterNet and RDA Hunter were approached by a team within the NSW Department of Industry to assist with input into a proposal being made by the NSW Government to the shortlisted tenderers for the LAND 400 contract seeking to attract the successful tenderer to establish a manufacturing and long term maintenance facility in Newcastle.

This was a significant development for a number of reasons. Firstly, the fact that the Department of Industry was making such a bid in cooperation with Property NSW which owns the relevant site at Mayfield and, secondly, that the Department engaged with regional stakeholders to provide input into the preparation of the bid.

Even if this bid is unsuccessful it is important that the Department receives bipartisan support to bid for major defence contracts in NSW in the future and uses the LAND 400 example as a model for future opportunities.]

- White Paper #4.70 (p102) – notes that beyond 2025 the Defence estate footprint (comprising some 600 sites with around 30,000 assets and a gross replacement value of approximately \$68bn – Investment Program #2.7, p42) will need to be “further developed to accommodate our new high technology capabilities and ensure that Defence is appropriately postured for future strategic requirements and the implication of climate change..... It will also include considering the long term future of some Defence bases, such as Garden Island in Sydney Harbour as issues such as urban development, encroachment and capacity constraints within existing infrastructure affect the ADF’s ability to safely and effectively execute its mission.”
- Investment Program (at p46, #2.24) notes that “Garden Island is currently the primary base that supports maritime operations from Australia’s east coast. Defence assesses that Garden Island will need over \$700m in works over the next ten years to enable it to continue an expanded fleet.”

[Comment: This raises the possibility that the projected constraints with Garden Island creates an opportunity for some naval fleet presence in Newcastle Harbour or new ship repair and maintenance facilities, which fits with Port of Newcastle’s five year development plan and the planned development of the Carrington marine precinct.

The review of existing defence bases in the context of urban development, encroachment and capacity constraints could also be a long term issue for Williamstown RAAF Base and that needs to be closely monitored by defence sector interests in the Hunter and NSW.]

- Investment Program (at p47, #2.28) – “to support the Joint Strike Fighter, new and upgraded facilities and infrastructure will be established over the course of this decade to FY 2025-26 at RAAF Bases Williamstown, Tindal, Townsville, Darwin, Curtin, Scherger, Learmonth, Pearce and Edinburgh.”
- Investment Program (at p47, #2.28) – “Work at Defence Establishment Myambat will also be conducted to support the introduction of new weapons including for the Joint Strike Fighter”.
- Investment Program (at p95, #5.7) – Strike and air combat infrastructure summary – “significant investment is planned this decade to FY 2025-2026 in new infrastructure and facilities that support the ADF’s strike and combat capabilities. Key proposals include upgrading facilities at RAF Tindal (NT), RAAF Williamstown (NSW), RAAF Scherger (Qld), RAAF Bases Learmonth and Curtin (WA).”

[Comment: refer to earlier comments in relation to the current capital works program at Williamstown RAAF base.]

- Investment Program (at p100, #5.26) – Integrated air and missile defence – “as part of the enhanced integrated air and missile defence system, the Regional Operations Centres at RAAF Williamstown and Tindal, and the Vigilaire air surveillance system will be upgraded or replaced to enable integration with a broad range of systems and sensors.”

Enabling infrastructure

In a recent submission to the Standing Committee on State Development’s inquiry – “Regional Development and a Global Sydney” – the Hunter Business Chamber made a submission to the effect that enabling infrastructure is a key to unlocking the potential for economic growth, jobs creation and increased housing supply.

In relation to supporting development in the area surrounding the RAAF Base Williamstown and Newcastle Airport, that submission referred to the following as essential enabling infrastructure;

- M1 to Pacific Highway upgrade plus the upgrade of Tomago Rd/Cabbage Tree Rd and the upgrade of Nelson Bay Rd from the Stockton Bridge to the Airport (the upgrade of Cormorant Drive from the Tourle St Bridge to the Stockton Bridge is already underway - \$35m was allocated in the 2016 Budget for this specific project, jointly funded with the Federal Government). The economic benefits of these works are directly linked to improving access to and from Newcastle Airport and the Port bringing benefits to tourism and growth opportunities for the industrial land in the Tomago/Williamstown precincts. It improves access not just from the south on the M1 but also from the north on both the New England Highway and the Pacific Highway. In the 2016 State Budget an amount of \$7m was allocated for planning works for the M1 to Raymond Terrace extension. The Tomago Rd/Cabbage Tree Rd sections are certainly an important part of the Airport and Port precincts access solution.

This project is listed as a proposed initiative in Infrastructure Australia's Infrastructure Priority List published in February 2017 as having a "near term problem timescale" which suggests the project would also gain Commonwealth support.

Hunter Defence takes this opportunity to draw this Committee's attention to this key piece of enabling infrastructure which is important to attracting defence related industries to the Hunter and maximising the economic benefits of locating defence industries in the Hunter region.

(d) maximise the economic benefits of locating defence force bases and defence industry in the regions

The Defence presence in the Hunter

The Hunter hosts a significant proportion of defence bases and activities within New South Wales, possibly more than in any other Region in the State or nationally.

RAAF Base Williamtown

- Located around 30km north of Newcastle, RAAF Base Williamtown is Australia's premier fighter aircraft base, and will be the first and primary location for the F35 Lightning II (Joint Strike Fighter). Training areas nearby include Salt Ash Air Weapons Range (the major training support facility for air-to-ground engagement and gunnery training), and an air-to-air training area off the coast. Employment on the base itself is significant, at around 4,000 people, generating about \$280m in annual salaries. This is made up of approximately 2,500 permanent ADF personnel, 700 Australian Public Service (APS) personnel and approximately 500 Defence contractors, with additional reservists and Defence cadets on site at any given time.
- RAAF Base Williamtown is currently the home of the Air Combat Group (ACG) and is expected to remain the home base for a number of other operation and training squadrons, including Air Force's Surveillance Response Group, which provides the early warning and response capability of the Australian Defence Force. Headquarters Surveillance and Response Group is at RAAF Base Williamtown.

There are over 20 squadrons and headquarter units situated at the base operating the following aircraft:

- F/A 18 A/B 'Classic' Hornet
- BAe-Hawk 127
- B737 AEW&C 'Wedgetail'
- PC-9

The following squadrons are based at Williamtown;

- Headquarters Air Combat Group
- No 81 Wing
- No 78 Wing
- No 453 Squadron (453SQN) Williamtown Flight
- No 3 Squadron (3SQN) operating F/A-18 Hornet aircraft
- No 77 Squadron (77SQN) operating F/A-18 Hornet aircraft

- No 2 Operational Conversion Unit (2OCU) operating F/A-18 Hornet aircraft
- No 76 Squadron (76SQN) operating Hawk Mk127 aircraft
- No 4 Squadron (4SQN) operating PC-9/A Forward Air Control aircraft
- No 2 Squadron (2SQN) operating AEW&C E-7A Wedgetail aircraft
- No 2 Expeditionary Health Squadron, Headquarters
- No 1 Combat Communication Squadron Flight Williamtown
- No 453 Squadron (453SQN) Headquarters
- No 26 (City of Newcastle) Squadron - Airbase Operations
- No 381 Squadron - Contingency Response
- No 1 Security Force Squadron, Headquarters

In addition the base hosts the following DMO units:

- Tactical Fighter Systems Program Office (TFSP0)
- Ground Telecommunications Systems Program Office (GTESPO)
- Airborne Early Warning & Control Systems Program Office (AEW&CSPO)

Singleton Military Area

- The Singleton Military Area (SMA) is home to the Lone Pine Barracks, which supports the School of Infantry (SOI) and the Special Forces Training Centre (SFTC). The base houses a permanent Defence workforce as well as a large number of units that visit the training range on an annual basis, employing around 500 people. In a year there may be up to 4,500 trainees, 30 reservists and 4,000 ADF cadets passing through the base.
- The SMA is used extensively by the Army, in particular to support training conducted by the SOI and SFTC. The SMA is a proclaimed Defence Practice Area (DPA) and is a key ADF facility for undertaking field training including specific weapons and ammunition training. There are also numerous other formations and units that rely on SMA to conduct field and air training.

Myambat Explosive Ordnance Depot

- Australia's largest and most comprehensive ammunition storage depot on an area of about 1,800ha near Denman which is used to store, maintain and distribute all forms of ammunition and explosives used by the ADF. This facility is being upgraded as part of the JSF project.

Army Barracks at Adamstown

- This facility comprises 10 different units with 50 regular soldiers and 1,500 reservists. The Base also has three cadet units, one Army and two Air Force units.

Benefits to NSW

Job Creation & Multiplier Benchmarking

- The core benefit and outcome of implementing Hunter Defence's strategy, in partnership with Defence NSW, will be job creation through capability development. Jobs created and sustained in the Defence industry will include those in the following sectors:

- Manufacturing, and in particular advanced manufacturing;
 - Construction and asset management;
 - Logistics - primarily air and road (and to a lesser extent rail);
 - Consulting, professional & technical services; and
 - Other services (including accommodation, food, cleaning, etc).
- A defence industry operating across these sectors and being supported by others provides a very significant multiplier in a regional centre. A study on the impact of the successful Mine Hunter Coastal project in the Hunter during the 1990s and 2000s concluded that the multiplier for this major Defence project was very substantial and included significant regional value add.
 - The recent Newcastle Airport Economic Impact Assessment⁵ is a contemporary economic impact study with demonstrable geographic alignment with the scope of the Hunter Defence Strategy. The 2014 study analysed the impact of the current developments in the Newcastle airport study and identified the following:
 - A multiplier of 2.0 during the \$14M construction phase of the current development project, supporting 52 jobs across the region; and
 - A multiplier of 2.154 during the operational phase of the redeveloped airport, supporting 84 new ongoing jobs in the region.
 - The Newcastle Airport Cluster consists of industry in the following sectors:
 - Professional, Scientific, Computer & Electronic Equipment Manufacturing;
 - Aircraft Manufacturing; Air & Space Transport; Transport Support Services & Storage;
 - Food & Beverage Services; Rental & Hiring Services (except Real Estate); and
 - Retail Trade.

The cluster includes the BAE systems facility that maintains the RAAF's Hawk aircraft and the Jetstar Engineering facility that provides deeper maintenance for the A320 family aircraft.

When the existing Defence and private sector capabilities in the Hunter centred on the Williamtown RAAF base and Newcastle Airport are taken into account, it should be clear to the Standing Committee that there is an existing aerospace industry with significant growth potential (see also the reference to this submission on page 7). land).

In those circumstances, Hunter Defence questions the initiative in the Defence and Industry Strategy in February 2017⁶ to explore Western Sydney Airport as a future aerospace precinct through engagement and partnership with Commonwealth Governments, particularly when the Badgery's Creek airport will not be completed until the forecast date of 2026. The Standing Committee should make a recommendation that the NSW Government's initial focus and investment should be in supporting the existing aerospace industry and precinct in the Hunter.

⁵ www.newcastleairport.com.au/corporate/about/economic-impact

⁶ Defence and Industry Strategy in February 2017, initiative 2D on pg 32

This opportunity is arguably recognised in the 2017 Strategy which notes at page 26 – *“There is a significant existing fixed-wing maintenance and training capability at RAAF Base Williamtown and the Jetstar maintenance facility at Newcastle Airport.”*

The attraction of the Hunter region for the location of defence force bases and defence industries

Consideration of maximising the economic benefits of locating defence force bases and defence industry in the regions. That gives rise to a consideration of the benefits of investing in the Hunter region and the community and social benefits of the Region, including housing affordability, transport, education opportunities and lifestyle.

The Hunter region is a master of its own destiny and has successfully undertaken strategy of industrial diversification and growth over the past 20 years.

As a leading hub of business and infrastructure, the Hunter serves an immediate geographic footprint that provides vital services to Sydney, the Central Coast, Mid North Coast and New England North West districts. The region’s influence stretches far beyond our national borders through Newcastle Airport and the Port of Newcastle. There are direct flights from Newcastle Airport to Sydney, Canberra, Melbourne, Brisbane, the Gold Coast and a number of regional locations in NSW. The airport has the facilities to handle international flights.

Major industry sectors in the Hunter include; defence/aerospace, coal mining, energy production, manufacturing, viticulture, equine, health, tourism, education and retail.

The Hunter consistently outperforms state and national trends with lower levels of unemployment, growth in manufacturing, high standards of education, innovation, research and development and also provides a safe and certain investment platform for a broad cross section of industries.

Newcastle is the second largest city in NSW and the regional capital. It is currently undergoing an unparalleled period of transformation and growth. The NSW Government is currently investing approximately \$550m in urban renewal and revitalisation projects in the Newcastle CBD. Newcastle offers a competitive advantage for businesses seeking to expand operations and is the headquarters to a number of major Australian companies.

The Hunter provides an unmatched quality of life with a full range of housing options from the sophisticated urban apartments, beachside living, family friendly suburban environments to semi-rural and rural lifestyles. The Hunter is lucky enough to offer all of the vital elements that make a region or a city a first class place to live.

The region enjoys world class health and education facilities and outstanding cultural infrastructure such as art galleries, museums and theatres. The Hunter is home to excellent retail outlets, world renowned vineyards and restaurants and some of Australia’s best beaches and rainforests.

The University of Newcastle is ranked in the top 1% of universities in the world. There is an extensive TAFE network in the Hunter and many highly regarded public and private primary and secondary schools.

In short, it is hard to find a place that ticks as many lifestyle boxes as the Hunter region. The Hunter already has a strong record with defence. Defence force housing is abundant and education strands have been designed to support defence careers. There is strong industry support in both capability and capacity and surrounding communities such as Medowie are well established to provide vital support services.

(e) how to establish and sustain defence supportive communities

Defence supportive communities

The Hunter has well established local and defence friendly communities surrounding Williamtown RAAF base and Singleton Army barracks. Businesses have been established to support training skills for Defence and there is a strong defence reserve support network across the Hunter.

In September 2016 the Hunter Defence Support Network launched its Honorary Commander Program. This is a program designed to connect businesses in the region with ADF personnel based in the Hunter in order to provide additional support to ADF families through various community activities and events and to grow the awareness of businesses in the region with the defence operations in the Hunter. The program draws on the example of the Fighter Country Partnership with Luke Air Force Base in Arizona.

The launch saw 12 Hunter businesses partnered with different squadrons or units based at RAAF Williamtown.

Hunter Defence therefore urges the Committee to consider recommendations in its findings for financial support and commitment from the NSW Government for this initiative in communities which are home to significant Defence establishments. This is an opportunity for a whole of Government approach to supporting Defence personnel and their families.

(f) further enhance collaboration between NSW Government and Commonwealth agencies

The Hunter Region boasts an established network of economic and social infrastructure that supports the Defence industry. These infrastructure networks span the Port of Newcastle, the airport, the transport network, services capability, industry support, education and training facilities and importantly, a community understanding and welcoming of the Defence role in the region. This is a vital ingredient and should be a major point for consideration in the decision making process for all levels of government when determining the direction of funding and support for Defence initiatives. The existence of the support infrastructure reduces the burden on the local community to adjust or prepare for an outcome. It also relieves government of the risk and responsibility to financially underwrite or support broad networks required to be in place that go beyond the core project or initiative considered in the first place.

The Hunter has demonstrated it has a capacity and capability across this Defence support ecosystem to not only accommodate existing Army and RAAF precincts but also an adaptive ability to provide for new initiatives and projects. We have already noted the previous ship building role the region has undertaken.

This capacity has not been lost. The skills and support structures around them have transitioned and remain in the region. The opportunity to establish an additional focus on Naval operations is significant and of value to both the State and Commonwealth governments. Lead in times and preliminary planning costs are reduced when projects are engaged where skills, knowledge, industry support and the economic and social infrastructure is in place.

This will allow for more confident and cooperative collaboration between State and Commonwealth agencies on the basis the Hunter has a clear 'prequalification' in Defence capability and support unmatched anywhere else in NSW.

The resolving of the Regional Plan will also permit the two levels of government to understand, commit to and fund on a cooperative basis further initiatives that will grow this capability. It will be vital that the respective agencies engage in the process to finalise the regional plan and there are frameworks already in place to achieve this at a State level. The Regional Leadership Group corrals executives from respective State agencies who work as a clearing house to prevent blockages on the initiative and project pathways. It includes representatives from Department of Premier and Cabinet, Department of Industry, department of Planning and Environment, and RDA Hunter. RDA Hunter as a body with both Commonwealth and State auspice plays an important role in coordinating and has an existing strong relationship with Australia's Department of Defence. RDA Hunter co-ordinates resources and policy implementation across three levels of government, local and State-wide industry/business organisations, research institutions, and education and skills training bodies to fully bind this realm.

(g) any other related matter.

Hunter Regional Plan 2036 and the Defence industry

The Hunter has a plan for growth and economic development.

The Hunter Regional Plan 2036 released on 16 October 2016 (the Regional Plan) noted;

- the Hunter has the largest share of both regional population and regional employment and is located in NSW's fastest growing corridor from the northern edge of Sydney to Newcastle, an area predicted to have a population of 1.1m by 2036.
- the region benefits from direct access to national and international markets through the global gateways of Newcastle Airport and the Port of Newcastle. They have enabled the Hunter to become the largest regional economy in Australia.
- The Hunter drives around 28% of regional NSW's total economic output and is the largest contributor to the State's gross domestic product.
- Newcastle is the regional capital. The Regional Plan projects job number growth in the Newcastle CBD over the next 20 years from 25,000 to 33,000 as a result of the region's potential to attract a growing number of national corporate headquarters. Accommodation, food and entertainment will add value to the city's economy. They will be supported by upgrades to tourism infrastructure that will enable more visitors to arrive in the city centre by sea and air, expanding on the more than one million people that currently visit Newcastle each year.

- The Regional Plan includes as one of its goals – develop advanced manufacturing, defence and aerospace hubs – the action points to achieve this objective include;
 - facilitate development opportunities on land surrounding Newcastle Airport at Williamtown to cluster emerging high-technology industry, defence and aerospace activities,
 - grow and diversify the manufacturing sector through local planning and appropriate planning controls,
 - promote manufacturing business export opportunities and become part of global supply chains,
 - facilitate research partnerships between tertiary education providers and business,
 - protect strategic defence establishments with appropriate planning controls and compatible adjoining land uses.

The Regional Plan is underpinned by an implementation plan with specific priority actions for 2016-2018. Hunter Development Corporation is the agency charged with implementation of the Regional Plan.

Hunter Defence therefore urges the Committee to consider recommendations in its findings for the provision of adequate resourcing of Hunter Development Corporation to enable it to facilitate the implementation of the Defence related initiatives in the Regional Plan.

Summary of key recommendations to Inquiry

A summary of the key recommendations from this submission is as follows;

1. That the NSW Government's initial focus and investment should be in supporting the existing aerospace industry and defence related precincts in the Hunter.
2. That the Department of Industry receives bipartisan support to bid for major defence contracts in NSW in the future and uses the LAND 400 example as a model for future opportunities.
3. That the New South Wales Government take all necessary steps to maximise opportunities for NSW industry to participate in the opportunities presented by the Commonwealth Naval Shipbuilding Plan.
4. That naval shipbuilding construction supply chain and sustainment activities are a priority target for investment and job creation in New South Wales and ensures that the New South Wales Government "has a seat at the table" in negotiations with the Minister for Defence and the Department of Defence when it comes to securing these opportunities for Australian industry.
5. That the Government works proactively with other stakeholders to attract businesses to the Hunter region which have secured contracts as part of the global supply and sustainment chain for the JSF aircraft.
6. That the Government support reasonable recurrent funding from the Department of Industry to support the ongoing work of Hunter Defence in the implementation of the 2017 Strategy and its ongoing advocacy and support for the Defence sector.

7. That the Committee considers recommendations in its findings for broader financial support and commitment from the NSW Government for the ME Program.
8. That the Committee considers recommendations in its findings for financial support and commitment from the NSW Government for this initiative in communities which are home to significant Defence establishments.
9. That the Government adequately resources The Hunter Development Corporation to enable it to facilitate the implementation of the Defence related initiatives in the Regional Plan.
10. That the Government, in recognition of the existing and potential future opportunities around defence industry growth in the Hunter, take immediate steps to identify and quarantine land at strategic locations such as Williamstown, to prevent escalation or development in conflict of the land use interface (eg buffers, precluding residential, areas for future growth).
11. Government formulate a published strategy for Richmond and Badgery's Creek or seek Federal support to do so, and determine how these key into the Regional Strategy/NSW Defence to fully develop an integrated defence ecosystem and avoid one off situations.
12. That the Government develops and supports defence industry in NSW and that it takes every opportunity to ensure Defence NSW and the Department of Industry has a substantial presence at trade shows such as Pacific 2017 international maritime exposition and LandForces 2018. Most other States and Territories participate in these industry conferences and New South Wales cannot afford to be "missing in action" if it wants to be taken seriously in the Defence sector.
13. That the government continues to support the network of agencies and the coordinating framework capable of improving engagement with the Commonwealth, industry and community stakeholders to further progress the merit case for making the Hunter a focus for defence industry and investment.

Hunter Defence appreciates the opportunity to make submission to the above Inquiry and would welcome any further engagement around this matter.

Contact

For further information please contact: