

**Submission
No 17**

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

Name: Port Stephens Council

Date received: 16 June 2017



PORT STEPHENS
COUNCIL

Upper House Committees
Legislative Council
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Dear Director,

**Re: NSW Legislative Council's Standing Committee on State Development,
Inquiry into the defence industry in New South Wales.**

Port Stephens Council has a long-standing history of servicing a regional area located on the east coast of Australia. Council's mission is twofold:

- 1) Ensuring leadership and alliances are innovative and entrepreneurial, stimulating growth and profits and delivering to our community a great lifestyle in a treasured environment; and
- 2) Ensuring our services are inclusive, creative and flexible and are grounded in our partnership with our community.

This demonstrates our commitment to service excellence and from this perspective Port Stephens Council has continued to represent the community from an economic, environmental and social perspective.

Importantly, Port Stephens Council recognise the significance of the NSW Legislative Council's Standing Committee on State Development inquiry into the defence industry in New South Wales. The opportunities and benefits to incentivise and grow the defence industry in New South Wales to generate economic development are detailed in the following submission.

Submission

Port Stephens – A Key Regional Economy of NSW

Strategically positioned on the east coast of NSW, Port Stephens spans 858.5 square kilometres and forms part of the Hunter region; the largest regional economy in Australia.

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PORT STEPHENS COUNCIL

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The estimated residential population of Port Stephens is 71,406, as of March 2017. The population is forecast to increase by 18,650 people (25.15%) between 2016 and 2036. This is an estimated growth rate of 1.12% per annum.

Port Stephens' Gross Regional Product is estimated at \$4.203 billion, representing 9.46% of the Hunter Region's GRP of \$44.435 billion (ABS, June 2016). Port Stephens is a significant economic hub with the capacity to create jobs and support a range of lifestyles in both coastal and rural settings.

Port Stephens is a two-hour drive north of Sydney, within 30 minutes of the Port of Newcastle and home to Newcastle Airport, which is located at Williamstown. The airport is a major economic driver for the Hunter region with over 1.2 million passengers per year and potential international capability to increase visitation to the area. As the second busiest airport in NSW, daily services are available to major capital cities on the east coast of Australia and regional centres throughout NSW.

Australia's premier pilot training facility, the Royal Australian Air Force (RAAF) base is also located at Williamstown. Together with the airport these sites continue to attract high tech, innovative businesses to the area. A significant defence and aviation hub is located in close proximity to these sites with the capacity to lead the way in aerospace research and development in the Hunter.

The defence industry is the largest contributor to employment in Port Stephens at the 45 industry-sector level, providing 13% (2,940) of the total 22,689 jobs in Port Stephens. Defence contributes 11.6% of the local economy's \$3.86 billion in total output and is the leading industry sector in terms of value-added, providing 21.7% (\$837.18 million) to intermediate inputs (Remplan, December 2016)*.

This highly established industry sector is embedded in the local economy, as demonstrated by the contribution to both local wages and salaries, and local expenditure. Defence is the leading industry sector in terms of wages and salaries paid to employees who work in Port Stephens, contributing 26.6% (\$597.44 million) of total wages and salaries. Local expenditure equates to 10.1% (\$221.59 million) of the total value of intermediate goods and services purchased by industry sectors within Port Stephens (Remplan, December 2016)*.

Defence is a key driver of the local economy and is recognised as a key propulsive sector in Port Stephens in terms of employment, value-added and regional exports (Remplan, December 2016)*.

**Data taken from Port Stephens Council, Remplan Economic Modelling and Planning System, Port Stephens (A) (Dec, 2016).*

With reference to the New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017, and associated Terms of Reference, a detailed response is provided below identifying opportunities to incentivise and continue to grow this sector to provide economic development opportunities across NSW.

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

The defence industry in Port Stephens is a major contributor to regional exports providing 21.9% (\$1.09 billion) of the total amount of goods and services produced locally, which are sold to consumers, business, and governments based outside of the area.

Defence has also been a major catalyst for investment in the area through growing existing defence related industry and attracting emerging industry clusters, including the aerospace precinct around Williamtown.

The Williamtown Aerospace Centre (WAC) is a major national and international centre for the aerospace and aviation industry. The WAC enables organisations to be part of Australia's national and international defence technology capability. Current airport and defence-related businesses positioned at the WAC include: BAE Systems, Lockheed Martin; Mercure Hotel; Raytheon Australia; Plexsys; Bohemia Interactive; Airbus; Nova Systems; ViaSat; and Boeing.

In November 2016, it was announced Milskil Pty Ltd, an operational training services provider and strategic partner to the RAAF for the delivery of Air Combat related training, will establish Corporate Headquarters and the Newcastle Operations Business Hub at the WAC following completion of the new building in 2017.

These locally based companies benefit from the proximity to strategic assets located both within the local government area (LGA) and surrounds including Newcastle Airport, Williamtown RAAF base and the Port of Newcastle.

- Newcastle Airport

Located at Williamtown in Port Stephens, Newcastle Airport covers a total area of 28 hectares and is a short 20-minute drive from Port Stephens' two main centres, Raymond Terrace and Nelson Bay. Newcastle Airport has regular services to all major cities along the east coast – including Brisbane, Canberra, Melbourne, Gold Coast, and Sydney – and offers easy connections for onward travel both interstate and overseas. Regional services fly direct to Ballina/Byron Bay, Taree, Dubbo and Coffs Harbour.

Currently, more than 1.2 million passengers use Newcastle Airport as a gateway to the Hunter each year. Approximately 170 flights depart from Newcastle Airport each week, an average of 25 flights per day.

The \$14.5 million terminal expansion project in 2015, which included an \$11.1 million grant from the NSW Government's Hunter Infrastructure and Investment Fund, has increased terminal capacity for additional domestic services, increased the food and beverage offering for its passengers, and provided dedicated facilities for Border Force, in readiness for international services. In 2016, Newcastle Airport signed a landmark agreement with the Department of Defence, extending Newcastle Airport's Head Lease agreement for 60 years, cementing Newcastle Airport as the region's airport.

- ***Williamstown RAAF Base***

Newcastle Airport was initially established as a military facility and continues to support the Williamstown Royal Australian Air Force (RAAF) base - the premier pilot training facility in Australia. Williamstown handles around 1,000 aircraft movements each week, making it the busiest base in the RAAF.

Williamstown RAAF base provides significant economic benefits to the region including; direct and indirect contribution of over \$1.6 billion annually to the Hunter economy; recognised as the largest single site employer in the Hunter; and supports direct and indirect employment of nearly 3,000 people, accounting for 13% of all jobs in Port Stephens. This contribution to local employment will be higher with the proposed redevelopment at the Williamstown RAAF base.

Successful activation of land adjacent to the Williamstown RAAF Base provides further economic opportunity by attracting investment in aviation and aerospace-related industry. This provides increased employment numbers to deliver a significant long-term pipeline of development and support work; growing a large skilled workforce to support sustainment in defence-related activity.

- ***Port of Newcastle***

The Port of Newcastle, 30 minutes from Newcastle Airport, is one of Australia's major trading ports and the world's largest coal export port. As a major economic trading centre for the Hunter and much of northern New South Wales, the Port is a critical supply chain interface for the movement of cargo and fuel import facilities.

The Port of Newcastle also manages an extensive portfolio of 792 hectares including 200 hectares of vacant port side land available for development, with significant deep-water access. The land is zoned for cargo intermodal, distribution, warehousing and manufacturing activities, which provides opportunities for redevelopment for defence and commercial marine purposes.

The diverse industry base in Port Stephens is typically built around the natural environment, its well-established defence and aviation facilities, and both its proximity and access to markets in Sydney and throughout the Hunter and regional NSW.

Port Stephens' strategic location and positioning in terms of assets and infrastructure, provides opportunity for companies from defence to take advantage of export and investment in defence capability. This is a key consideration for government when identifying suitable locations to invest in the defence sector.

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

- Defence and Airport Related Employment Zone (DAREZ) and Williamtown Aerospace Centre (WAC)

Commonwealth, State and Local Government commitment and recognition of Williamtown as a strategic economic asset, places it well in terms of major employment growth. Existing facilities, a highlight of regional plans and the availability of land for growth, will see the continued development of the land surrounding Newcastle Airport in terms of high-technology industry, defence, aerospace and air industry activities.

The Defence and Airport Related Employment Zone (DAREZ) located in Port Stephens, is recognised as a nationally significant employment zone. The DAREZ has strategic significance in terms of the potential to contribute to economic activity and industry throughout the region in the commercial, industrial and technological fields. The DAREZ provides protection and support to operations of Newcastle Airport and the Williamtown RAAF base (a significant element in the Australian Defence Force capability); and as a strategic location in terms of accessibility to Newcastle and the M1.

The Williamtown Aerospace Centre (WAC), currently situated within the DAREZ, enables organisations to be part of Australia's national and international defence technology capability.

The WAC provides significant economic benefits to the region including; capacity to support direct and indirect employment of more than 9,000, people; a potential income effect estimated at \$250 million; and high-technology industry cluster supporting Newcastle Airport and the Williamtown RAAF Base.

- Williamtown Innovation Hub

The University of Newcastle's Integrated Innovation Network (I2N) will include an Innovation Hub at Williamtown as the latest addition to their innovation ecosystem. The Williamtown Innovation Hub is in the final design stages and will open in September this year at the Williamtown Aerospace Centre (WAC).

The Williamstown Innovation Hub exemplifies the benefits of centralising entrepreneurial activities in the one space. Innovation hubs are recognised as 'breeding grounds' for ideas where close proximity spurs collaboration and uncovers opportunity. The new innovation hub is aimed at taking UON's research technology applications and translating them into the commercial and defence markets.

The Williamstown Innovation Hub will also offer corporate desks, meeting rooms and breakout spaces ideal for small-to-medium defence organisations and commercial enterprises. Desks will also be allocated to UON PhD students and UON researchers working on defence projects, bringing together ideas, research and industry. A suite of networking events and seminars will feature regularly at the new space, offering opportunities for engagement with local and national companies in the defence, security, IT and transport sectors.

The opening of the innovation hub in the Port Stephens LGA aims to forge stronger ties to encourage defence industry innovation, research and education. This is an example of successful collaboration between research/education, industry and government.

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

Port Stephens is home to one of Australia's most strategically significant defence hubs; the Williamstown RAAF Base. Over the next six years, the RAAF will be investing over \$1 billion in capital works at Williamstown. The current redevelopment and expansion of the RAAF base will accommodate new F-35 Joint Strike Fighters (JSF) and associated support activity, which will arrive into the RAAF fleet from 2018. To support this increase in activity, the Williamstown RAAF Base anticipates future capital works to include: Williamstown Redevelopment, Stage 2 from 2014 - 2019 (\$219 million); New Air Combat Capability Works (\$679 million), and Runway Extension (\$200 million).

Projects for consideration for defence spending in New South Wales include:

- 1) An additional runway at Newcastle Airport to increase the capability of the defence sector in terms of aircraft movements. There is currently one runway at RAAF Base, Williamstown / Newcastle Airport. An additional runway, together with the extension of Newcastle Airport's Head Lease agreement with the Department of Defence, will provide economic development opportunities for both the airport and defence industry.
- 2) Opening up adjacent land to the RAAF (DAREZ lands) to attract investment in business; providing employment opportunities, potential for first-class facilities, and a large-skilled workforce to support manufacturing and sustainment in aerospace. This includes working in partnership with key Federal, State and Local Government agencies to resolve localised drainage matters in addition to the provision of core infrastructure services enabling viable private sector investment.

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

Similar to other advanced economies around the world, the Hunter region has been experiencing economic restructuring with a shift away from traditional goods-producing sectors like mining and manufacturing to high value-added knowledge-based service sectors. The changing nature of the workforce and industry in regional areas stresses the importance of maximising opportunities for local business and developing the future workforce from defence growing exports and investments in defence capability.

The recent level of investment in infrastructure at the Williamstown RAAF base, together with the expansion of Newcastle Airport, the opportunities presented at Williamstown Aerospace Centre (WAC) for aerospace and aviation users to have commercial and industrial space in close proximity to national transport links, and the collaborative entrepreneurial space at the Williamstown Innovation Hub, demonstrate the economic benefit of co-locating defence force activity next to business and industry.

e) How to establish and sustain defence supportive communities

Port Stephens has successfully integrated over 2,000 defence families into the local community; through children attending local schools, involvement in sporting teams, and participation in volunteer organisations, cultural and community activities.

Recognition of the contribution of defence to the local economy, in terms of employment, and wages and salaries is an important step in establishing and sustaining defence supportive communities, particularly when opportunity for local employment is present.

For example, the latest Small Area Labour Markets (SALM) data for the March quarter 2017 indicates a labour force of 33,400 people in Port Stephens with 31,865 (95.4%) employed and 1,535 unemployed (4.6%). This unemployment rate of 4.6%, for Port Stephens is slightly lower when compared with the NSW State figure of 5.1% for the same period. Hence, the defence industry sector plays an important role in the local economy providing 13% (2,940) of the total 22,689 jobs in Port Stephens. The contribution the Williamstown RAAF Base makes to employment and expenditure in the local economy is well-recognised within the community.

In addition, the involvement of defence business leaders in the activity of local Councils, local business and community activities, plays an important role in establishing and sustaining defence supportive communities.

f) Further enhance collaboration between the NSW Government and Commonwealth agencies

Council can play a role to support and sustain defence communities through a balanced approach to strategic planning, development assessment and providing economic opportunity through an appreciation and acknowledgement of the economic, social and environmental impacts of defence-related activity. This assists in the development and growth of the defence industry, provided information is consistently communicated from all tiers of government, to the local community.

Opportunity to further enhance collaboration between the NSW and Commonwealth agencies is evident in co-locating research/education, industry and government activity associated with the defence sector, whilst encouraging commercial and entrepreneurial activity to support work in this area. Examples include the Williamstown Innovation Hub (public sector investment) and Williamstown Aerospace Centre (private investment).

g) Any other related matter

As a leading regional Council in NSW in terms of financial sustainability and economic stability, Port Stephens Council welcomes the inquiry to further maximise the opportunities to incentivise and grow the defence industry in New South Wales to generate economic development, particularly in Port Stephens.

Port Stephens Council recognise the importance to collaborate with NSW Government to advance manufacturing, cybersecurity, aerospace, information and communication technology and many other areas directly relevant to the needs of defence.

Summary

The Defence sector in Port Stephens is a major contributor to the local, regional, and national economy through employment, exporting, and value-adding. Together with the linkage and synergies from the collaboration between research/education, industry and government, there is an emphasis on growing this sector in terms of acquisition and sustainability, whilst growing companies and strengthening industry clusters to meet the needs of today's society.

There is further scope within the LGA to advance the defence industry through the provision of an additional runway at Newcastle Airport, currently shared between the airport and Williamstown RAAF Base, together with supporting infrastructure to open employment lands adjacent to the airport.

An appreciation of the assets, infrastructure and community networks involved to support the successful integration of new, existing and intensified activity in defence, is a key consideration for government.

Port Stephens Council is a prime example of a local government entity that has enabled activity in this area whilst maintaining and supporting a cohesive environment in terms of economic, social and environmental outcomes.

Please note Port Stephens Council supports this submission to be made available publicly and/or on the website and we welcome the opportunity to present further on the details outlined above. For further information, please do not hesitate to contact

Yours sincerely,

Wayne Wallis
General Manager

16 June 2017

Telephone enquiries

Please quote file no: PSC2007-4175