

**Submission  
No 21**

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

**Name:** Newcastle Airport Pty Limited

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**Call for Submissions**

**NSW Legislative Council  
Standing Committee on State Development**

**New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017.**

**Prepared by  
Newcastle Airport Pty Ltd**

**HUNTER DEFENCE AEROSPACE PARK**

## Overview

This submission has been prepared by Newcastle Airport Pty Ltd (NAPL) in response to the NSW Legislative Council's Standing Committee on State Development's call for submissions associated with the New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017. The focus of the submission is a 78ha parcel of land adjacent to, and controlled by Newcastle Airport, referred to as the Hunter Defence Aerospace Park (HDAP) or the "site".

In summary, this submission confirms the long-held recognition that the site adjacent to RAAF Base Williamtown has significant potential for the development of an aerospace park. It will then be shown that NAPL's recent engagement is the key to unlocking an aerospace park capable of **supporting 3,000 to 5,000 ongoing jobs and bring more than \$500m annual spend into NSW**. An innovative development approach will be put forward which aligns the strategic direction of the Department of Defence and the NSW Government, as well as harnessing the strengths of the Hunter.

Finally, NAPL has put forward practical and cost effective steps that can be taken by the NSW Government to activate this development. However, due to the timing of Defence sustainment contracts and the competitive nature of the environment, success rests on bold and timely action by all parties.

The characterisation of the site and opportunity are generally supported by detailed studies which can be provided on request. This includes the recently completed *Williamtown Defence and Aerospace Related Employment Zone – Feasibility Assessment* by Allto as commissioned by the NSW Department of Industry.

## Background

In order to achieve its objectives the Defence NSW Strategy identifies five State-wide strategies supported by a number of targeted State and regional initiatives. The focus of this submission is to articulate the unique opportunity available to the Commonwealth and NSW through the implementation of Key Strategies by an engagement with, and support of, NAPL's project to develop the HDAP.

The project also aligns to broader State Government Policy, specifically the desire to support regional development, the 2036 Hunter Regional Plan and the 'asset recycling' strategy; as any investment in the HDAP will remain within NSW government and local government ownership.

The HDAP represents a unique value proposition as the project engages numerous project 'enablers' (Locale, Stakeholders, and Leadership) which create beneficial synergies providing the proposal with a competitive edge over alternate sites in other states and countries and aligning outcomes to Defence NSW Key Strategy Areas. The potential for a significant aerospace park in the Hunter associated with RAAF Base Williamtown has been long recognised; Newcastle Airport's recent move to take control over

land to the south of the current airport site, primed for Defence and Aerospace development, is the key to unlock this valuable opportunity for NSW and the nation.

Critically the HDAP also aligns to the core outcomes of the Defence First Principles Review, undertaken by the Federal Government as articulated through documents such as the Defence White Paper and Defence Industry Policy. Particularly how these reforms are being rolled out within Defences Capability Acquisition and Sustainment Group (CASG) and Estate and Infrastructure Group (E&IG). This synergy with Federal Government key outcomes is vital and greatly enhances the potential for the project's success.

Historically, site constraints have precluded the successful initiation of an aerospace project by a private developer. NAPL has secured control of the site via a Call Option, giving NAPL the ability to purchase and develop a regional aerospace cluster, with immediate effect, enabling alignment to market forces and key Defence contracts. NAPL's demonstrated intent to be the 'Developer and Landlord' provides the project with a 'Key Stakeholder' with the strategic intent and the means to unlock the sites potential.

NAPL, given the appropriate support from the key stakeholders (both in the government and private sectors) to de-risk the project can deliver a Defence focused aerospace park which provides opportunity for entrepreneurs, businesses and educational institutions to thrive, underpins diversification of the regional economy and drives investment and commercialisation of local and regional innovation.

This submission promotes the unique value proposition the HDAP represents for the State of NSW and for the Hunter Region and demonstrates the alignment to the NSW: Strong, Smart and Connected strategy and the achievement of objectives.

## The Opportunity in Detail

The HDAP is a unique aerospace park development that will provide approximately 76ha of special purpose Defence and aviation related employment land with direct airside access adjacent to RAAF Base Williamtown - Australia's premier fighter and training base. The opportunities for the HDAP proposal to provide direct Defence and Civil Aerospace related benefits are excellent.

The HDAP site is situated within the Hunter Region in the Port Stephens Local Government area, approximately 15km north of the Newcastle CBD. The site is located adjacent to and adjoining the southern boundary of RAAF Base Williamtown landholding and the Newcastle Airport leasehold area and is bounded by the major arterial roads of Nelson Bay Road, Williamtown Drive and Cabbage Tree Road. The HDAP site encompasses 80% of the DAREZ land identified in land use studies in 2007 and subsequently rezoned in 2009 as a Defence and Airport Related Employment Development zone.



Figure 1 – HDAP Site

The HDAP provides the opportunity to design a defence aerospace estate that enhances integration, collaboration and innovation, starting from subdivision, to lot layout and built form. The importance of collaboration and innovation is recognised in defence and are now to the forefront following recent reforms. However what has yet to be addressed, and thus provides for the next wave of improvements, is purposeful design of the physical space in which activities take place. In addition to ticking all the boxes for cost and efficiency, this innovation design element differentiates HDAP and make it world-leading.

Another key advantage of a ground-up development with NAPL as the developer, is that Defence will be free to engage with their choice of primes, SMEs and research organisation; bringing best-of-breed contractors, innovators and researchers to the site.

Demonstrating NAPL's commitment to the region, it has entered in to a Call Option giving it control over the HDAP site and providing the ability to purchase and develop the site. NAPL is determined through collaborative leadership to augment opportunities for growth and diversity in the Hunter Region.

## Response to Committee Terms of Reference

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

The activity generated by the Department of Defence in maintaining and operating several complex aircraft platforms and the activity of the Newcastle Airport contribute to the unique value proposition for the development of an aerospace cluster. All the conditions to support such a cluster currently exist within the local and regional area, including;

- Strong regional networks
- Shared industry knowledge
- Competitive access to customers and suppliers
- Access to suitable universities and a strong skill base
- The existence of a mix of established and emerging defence related industries and
- Strong R&D in innovation connections in a locale with access to suitable physical and social infrastructure.

A recently completed NSW Government report by Allto consultants concluded NAPL's role in driving the project forward as landlord / developer was seen by stakeholders as a game-changer in comparison to other attempts to activate the land.

Newcastle Airport enables significant freedom in relation to the development model, this is to the overriding benefit of the development concept - that being to undertake a ground up development that works for and enhances defence sustainment activities. As the long-term landowner, NAPL seeks to release land on a lease basis and would be open to construction of facilities, depending on commercial arrangements.

NAPL has proven success in managing and operating the Newcastle Airport site – a critical transport and aviation hub for the Hunter Region co-located with RAAF Base Williamtown. In 2014, the Airport generated \$1.2 billion in economic value and provided 3,346 direct and indirect jobs in the region.

Having the HDAP located in a region with a strong commitment to STEM education, a heritage of quality manufacturing, and aerospace activities maximises linkages that already exist. The NSW Government driving the development of a defence aerospace cluster in an area of strength is a smart move in what is a highly competitive environment.

Another way in which the HDAP will directly maximise the opportunities for NSW companies is being ready for immediate activation for new projects, as it is appropriately zoned, has a live Development Approval and appropriate airfield infrastructure. This means that NSW can be a strong competitor for the pipeline of defence contracts currently and imminently entering the marketplace. There are no other sites in NSW that bring together the same confluence of advantages.

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

Innovation and collaboration will be built into the DNA of the HDAP through a collaborative design process led by NAPL and including all stakeholders, particularly Defence though E&IG and CASG.

RAAF is boldly targeting to become the world's first fifth generation air force, it is difficult to see how this can occur by using second and third generation facilities. NAPL consider it to be both highly symbolic and appropriate that the Commonwealth and NSW government develop Australia's first fifth generation aerospace park at the home of Australia's elite fifth generation fighter base.

Another key point of difference for the Hunter Region is to leverage the work force development and Defence industry innovation that is primed due to work already completed by key stakeholders in the region.

The University of Newcastle (UON) holds a global reputation for delivering excellence in education, research and innovation. UON provides a high-quality learning environment, incorporating problem-based and work-integrated learning, producing first-rate graduates who are ready to compete in the global arena. UON champions the translation of research outcomes and discoveries into innovative products, solutions and policy. This is achieved through collaborative research projects with UON's industry, business and government partners in its local, national and global communities.

The University of Newcastle is acutely aware of and enthusiastic for the opportunities the HDAP provides for ongoing and enhanced relationships with defence contractors associated with RAAF Base Williamtown. The development of the HDAP provides further impetus to grow the STEM capabilities present in the Hunter and to develop a high value skilled workforce. Defence research is already a focus area at UON and the opening in July 2017 of a Defence Innovation Hub at Williamtown is indicative of the sector's desire to increase opportunities for innovation, commercialisation and research within Defence and defence-related industries.

Hunter and North Coast TAFE is a leading regional provider of vocational education and training in Australia, supporting and empowering thousands of students to achieve their career goals each year. Innovation is something that has always been at the forefront of education and training at TAFE. TAFE works closely with industry and employers to ensure that training reflects the changing needs of employers today and for the future. It has been identified that skill shortages involving aircraft maintenance engineering are already prevalent in the aviation industry. The HDAP has the opportunity to provide a skills based centre of excellence for TAFE based aircraft maintenance engineering leveraging both Defence and civil providers on the airport site.

Within the Hunter Region, Training Services NSW in partnership with RDA Hunter have developed the innovative VET pre-employment STEM-Ship program, designed to equip young people with the skills to be more adaptable to the jobs of tomorrow. Students complete work placement at some of the Hunter's leading STEM based industries and SMEs, including Defence contractors currently found in the Williamstown area.

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 Hunter based program is supported by over 50 innovative businesses who allow schools access to resources, such as facilities, personnel, programs and contributes to school projects with a view to developing a skilled workforce for the future.

It is expected the development of the HDAP will provide additional opportunities for the STEM-Ship program to be supported by additional defence related industries in the area, developing local students in high technology services, keeping local knowledge in the Hunter area.

It is important to note that development of a skilled workforce is something that is actively currently occurring in the Hunter. ABS data demonstrates an increasingly skilled workforce, with an increase in the number of Hunter people seeking higher qualifications. Additionally, most employment growth has been in the knowledge-based industries, and these new jobs require employees with skills and higher qualification levels. The Hunter Region has a strong emphasis on education and training both at the personal and organisational level. It is the home of a wide range of quality educational institutions and organisations.

### **Identify targets, programs and projects for defence spending in NSW**

The HDAP presents a rare opportunity to build a nationally significant, unique industry cluster which is a catalyst for ongoing economic growth. The repercussions of the project will be felt throughout NSW and beyond including employment, population retention and growth, skills development and export potential, benefits that will flow from the precinct given the appropriate level of stakeholder support.

The nature of the capabilities required for the supply of defence and related services is fundamentally different to many other industries. Strong competition already exists both to grow the NSW's share of defence contracting and also for Australia to compete in the international market for global supply contracts. The development of the HDAP, leveraging the existing Air Combat capability concentrated at Williamstown, has the ability to enhance the attractiveness of Williamstown and the broader Hunter region for both the Australian Air Force and also for regional international defence contractors.

From 2018 RAAF Base Williamstown will welcome the first of 72 JSF aircraft, the largest congregation of the fifth generation aircraft fighter in Australia. This delivery represents the highest singular opportunity



for Defence support activities in Australia in modern times. Spending associated with the JSF alone is expected to reach \$300 million per annum by mid next decade, resulting in a substantial economic impact and 3,000 jobs for defence and civilian workers.

The JSF platform will be in service for many decades to come, so investment made now will have significant time to achieve payback. The status of the global supply chain for this platform is such that significant contracts are in the process of being awarded, a coordinated and concerted effort over the next five years is needed by all levels of NSW Government to maximise benefits for NSW and Australia.

RAAF Base Williamtown is also the home of the Wedgetail Airborne Early Warning & Control (AEW&C) aircraft. The sustainment of this platform is in the order of \$180M/year. The creation of the HDAP would provide a strong impetus to expand further opportunities for the support of the Wedgetail program seeking to have this activity centred in NSW. Currently this aircraft travels to Queensland for maintenance, though it is understood that Defence are in or about to start the process to review the location of these maintenance facilities.

In addition to these known opportunities Defence is currently replacing additional capabilities through the purchase of the P-8 aircraft to replace the P3- Orion aircraft, currently based in South Australia and the PC-21, which will replace the P-9 training aircraft. Leveraging the development of the HDAP, Defence NSW in collaboration with NAPL, could work with Defence to ensure maintenance for new aircraft types is delivered to NSW.

It is noted that both the Wedgetail and the P-8 aircraft are based on the B737 airframe. Bringing the capability to service these aircraft together would make sense from a sustainment perspective. Also as B737 are a common narrow body civilian aircraft there would be synergies with civil aviation, noting that NAPL already hosts service facilities for the Airbus A320, another common narrow body civilian airframe.

Recent analysis by the NSW Department of Industry (AALTO 2017) has identified that industry interest in a defence and aerospace precinct at Williamtown is indeed higher than it has been in the past. The opportunity associated with the HDAP is also strongly supported with the growing STEM capabilities present in the Hunter Region, a vital resource to maintain and support this capability.

The HDAP will facilitate growth in the Hunter Region as the Southern Pacific regional support facility for the JSF and also leverage this expertise to develop further global opportunities for JSF activities and fast jet MRO. BAE Systems, an anchor tenant at Newcastle Airport, has already identified additional opportunities to compete for global logistical chain contracts relating to the JSF should appropriate additional lands become available for development to expand their footprint on the airport site.

The HDAP will also provide an opportunity for private sector businesses to create or to mature existing synergies with Defence to service the requirements of the RAAF Base, as well as opportunities to further

support the development of Newcastle Airport's operation. This can be seen through the recent growth of the Williamtown Aerospace Centre at Williamtown which has experienced exponential growth as the delivery of the JSF comes online. The strong regional networks of skills, suppliers and hard infrastructure provide the ingredients for HDAP to be a highly successful aerospace precinct.

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

The Defence industry is already the largest contributor of jobs in the Port Stephens LGA providing 2,940 jobs and providing \$3.86B to the local economy. Newcastle Airport is also a major employment contributor, in 2014 the Airport generated \$1.2 billion in economic value and provided 3,346 direct and indirect jobs in the region.

The impact of this cluster is significant to the local economy and provides significant employment for the State. Studies completed as part of the 2008 DAREZ project and repeated in 2016 by NAPL, identified the HDAP as a significant future employment zones for the Hunter region. These studies estimate that the HDAP could provide 3,000 to 5,000 jobs when fully developed.

At this scale, HDAP would classify as a Nation Employment and Innovation Cluster, and would potentially receive support from the Federal Government.

The nature of the site is of sufficient scale to suit the range of economic activity required to realise the potential Defence related economic benefits and allows a staged development to align with sector growth and market demand during the upcoming decades. Specifically re-zoned in 2009 to B7 under the local LEP – Defence and Airport Related Employment Development is explicitly required to facilitate the future development of the land as an employment area relating to defence and airport operations for RAAF Base Williamtown and Newcastle Airport.

The HDAP site provides direct access to major arterial road networks, enhancing connectivity regionally and nationally. The current RMS project, which is in the development and approvals phase, will extend the M1 to Raymond Terrace and will further enhance the connectivity of the site and amplify the benefit of this already planned expenditure.

The land includes appropriately surrounding land uses – Aviation and rural – which aligns to the long term intended land use outcomes, providing safeguarding for the RAAF Base and Airports operations in the long term.

### **How to establish and sustain defence supportive communities**

The Defence community is already a key part of the fabric in the Hunter region through the location of RAAF Base Williamtown and Singleton Army Base. The development of the HDAP in the Hunter region will deliver significant strategic, economic and innovative opportunities for the region as well as offer the opportunity to expand the already vibrant local Defence community.

The Hunter has the largest share of both regional population and regional employment and is located in the State's fastest growing corridor – Northern edge of Sydney to Newcastle. The Hunter comprises around 8% of economic activity in NSW, with regional output of approximately \$41 billion in 2016.

The Hunter Regional Plan 2036 notes many of the strengths of the region including its diversifying economy, strong communities, excellent educational facilities and its growing linkages by sea and air to other national and international sources of talent and capital. The NSW Government Defence and Industry Strategy notes in its vision that 'Newcastle Airport' is synonymous with technology, defence and aerospace industries.

### **Further enhance collaboration between the NSW government and commonwealth agencies**

NAPL believes that aligning objectives is the best way to enhance collaboration. HDAP provides clear alignment to local, State and Federal government objectives.

At a local government level, the zoning by Port Stephens Council has already been undertaken. Also thought its ownership of NAPL, both Port Stephens and Newcastle City Council are strongly supportive of the development of the HDAP.

The project aligns with the vision for Newcastle to be a smart, liveable and sustainable city. Newcastle is currently a focus of the NSW Government revitalisation agenda with the smart city initiative a focus of the future vision. With the recent \$18million investment in Smart City infrastructure, Newcastle is experiencing unprecedented growth – the HDAP has the potential to provide additional support and leverage to the achievement of the Smart City vision.

The recently released Hunter Regional Plan 2036 clearly outlines the ongoing development of the regional airport and a defence aerospace centre to be core drivers of growth in the region in years to come.

In 2015 the Federal Government released its First Principles Review of the Department of Defence. Following on from this significant reforms have already taken place and are continuing to be implemented. Documents such as the Defence Industry Policy Statement through to Plan Jericho specific to the RAAF, state and reinforce the principle element innovation. Defence clearly values collaborative relationships between Academia, Public Research Agencies, Industry (both SMEs and Prime contractors, both of whom are already located and working in the Hunter Region) and Industry Growth Centres.

Defence's use of PFAS chemicals in past decades has caused both soil and groundwater contamination at its Williamstown site. The HDAP presents as an effective and suitable land use in a location effected by PFAS. The economic effects of the projects will drive positive commercial and economic impacts to the surrounding local area alleviating a number of the current community concerns associated with the impact of the PFAS on economic viability in the Williamstown area.

The HDAP provides a viable option for the State Government and Defence to engage with the local community providing a positive local impact.

A common purpose of developing a national employment and innovation cluster to sustain defence assets based on the shared principles of innovation and collaboration could not help but enhance collaboration between NSW and Commonwealth agencies.

### **Other Related Matters**

#### **NAPL as a counter party**

NAPL operates a commercially successful regional airport which returns substantial dividends to its two local council shareholders. NAPL has provided development and management of the airport site through appropriate commercial, infrastructure and security for the development of assets and services. These currently support prime defence contractors such as BAE Systems, which in turn support RAAF Base Williamstown.

In addition, NAPL has demonstrated compliance with the RAAF Base's operational requirements such as the control of activities within the airside zone whilst maintaining the required high level of security. The existing relationship between NAPL and BAE demonstrates the Airport's ability to provide the conditions required for key defence industries to successfully operate and provide the essential support services for the RAAF. There is an ability to transfer this acumen to provide the support to Defence and aligned industries through the development and ongoing management of the HDAP.

#### **Ways to Activate HDAP**

A developer considering the HDAP land is faced with uncertainty about the costs and timing of many elements, all of which equate to risk and a rate of return which may be unacceptable to a commercial developer. The demonstrated intention of NAPL to be the site developer and landlord demonstrates NAPL's distinctive approach to the development and recognises that the site provides other strategic benefits to NAPL beyond the usual acceptable rate of return when considered by most commercial developers.

The benefits of developing the HDAP are clear, attracting many hundreds of millions of dollars in spend annually to the Hunter Region of NSW. This has the potential to create 3,000 to 5,000 direct jobs and many more indirect. NAPL believes that developed in conjunction with the civilian airport and with some initial stimulation from Government, the estate will be economically self-sustaining, eventually building a significant income stream for the local government shareholders.

There are however, threshold issues together with the need to de-risk the project to facilitate investment and allow the development to move at a pace that will allow the current pipeline of defence contracts to be captured.

NAPL welcomes the opportunity to speak with the NSW Government on how the correct environment can be developed. Though indicatively the following are likely to be part of a required package of support:

- > A strong support from Defence NSW to lobby to ensure that all commonwealth defence aerospace projects are located in NSW at HDAP, for example joint bids to bring the Wedgetail sustainment.
- > Regional drainage issues are currently unnecessarily increasing development costs, expedited approvals of these issues would be an enabler.
- > Clarity on expedited approvals process for dealing with PFAS issues from a State Government perspective. Clarity on the approval processes associated with the land development and particularly a commitment to expedited timeframes would significantly reduce risk.
- > Waiving of State Government contributions in the establishment of the development, ie capital contributions such as Hunter Water, RMS and the State infrastructure levy. It is considered that without appropriate support, HDAP will not be viable and so the defence industries will be located in other states.
- > Accelerating local and regional infrastructure to increase the attractiveness of the development to prospective tenants. This includes items such as roads, public transport and regional drainage.
- > Assistance with enabling infrastructure. There is a significant upfront cost to providing estate backbone infrastructure, such as roads and utilities. NAPL would request the State Government consider supporting the establishment infrastructure, particularly where it supports both the HDAP and Newcastle Airport.
- > Project specific support to be determined when individual developments are brought forward.

Representatives from Newcastle Airport request the opportunity to address the Committee in person to further outline the benefits of the HDAP for the Hunter and NSW.

Newcastle Airport can be contacted via its