

**Submission
No 27**

INQUIRY INTO THE DEFENCE INDUSTRY IN NEW SOUTH WALES

Name: Newcastle City Council

Date received: 29 June 2017

Submission - Newcastle City Council
Standing Committee on State Development
Inquiry into the Defence Industry in New South Wales

"Legislative Council - Standing Committee on State Development
Defence Industry in New South Wales
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 the NSW Government and Commonwealth agencies
- g) any other related matter."

Submission by Newcastle City Council to the *New South Wales: Strong, Smart and Connected Defence and Industry Strategy 2017*

On behalf of Newcastle City Council I seek to highlight the opportunities that are well represented in Newcastle and The Hunter Region for the development of world class Defence Industry projects.

Newcastle is at the economic and cultural centre of the Hunter Region - Australia's most productive region - and home to more than 750,000 people. Attracting 10.1million visitors each year, it accounts for 8% of economic activity in NSW, with an output of \$41billion in 2016. Newcastle was recently named as one of the world's top 'smart cities to watch in 2017' by global magazine National Geographic Traveler, as a city that is rising to the challenges of 21st century urban life.

Newcastle is the Australian exemplar of successful post-industrial transition to a diverse, knowledge-based, professional services economy. It is acknowledged by multiple Australian sources, including Austrade and the Australian Smart Communities Association (ASCA), as a leading Australian smart city. This recognition is based on our firm commitment and rapid progress in establishing Newcastle and the Hunter Region as an internationally recognised centre for technology innovation, including defence industries.

The Hunter Defence joint initiative involves close industry partnership between HunterNet and the Hunter Business Chamber and supporting relationships with the University of Newcastle, Hunter TAFE and the RDA Hunter ME program. Industry members within HunterNet Cooperative Limited include established Defence sector participants such Varley Engineering, Bohemia Interactive,

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Dexata, Downer Infrastructure, Innovasys, Ratheon and many others, all locally represented and heavily involved in defence related projects. As a key supporter of HunterNet, Newcastle City Council will continue to facilitate ongoing interaction between all levels of Government to maintain sustainable, smart manufacturing and innovation hubs throughout the Hunter Region.

Hunter Defence provides significant advocacy and collaboration outcomes across the region and brings growth to defence industries in the Hunter through the following:

- Coordination of opportunities for businesses to win defence projects – land, sea, air and joint infrastructure
- Improving the skills of small-to-medium enterprises (SMEs) by providing workshops, training and education to ensure that they are “defence ready”
- Marketing the Hunter Region's Defence capability to a global market and to enable exports where appropriate. For example through presence at events including the Avalon Airshow.

Hunter Defence will complement the activities of Defence NSW created in February 2017, to deliver the NSW Defence and Industry Strategy.

The following major projects and initiatives are already underway:

- The operation of the Centre for Defence Industry Capability (CDIC) focussing on Industry Development, Innovation facilitation, and Business Competiveness and Exports.
- The operation of the Defence Innovation Hub in the Williamtown Aerospace Centre
- The construction of the (5+ year) New Air Combat Capability (NACC) facilities project which will result in nearly \$1.0 Billion of investment in facilities and infrastructure at RAAF Base Williamtown to accommodate the new F35 Joint Strike Fighter.
- The commencement of the \$150M RAAF Base Williamtown Stage Two project which will provide essential upgrades to operating facilities and essential infrastructure (to support non-F35 needs).
- The selection of RAAF Base Williamtown as one of two Australian sites for a ‘Regional Sustainment Hub’ to be established to provide Deeper Maintenance for F35 fleets globally.
- New major Defence acquisition opportunities which have been or will be soon released by the Federal Government, including for LAND 400 (Combat Recon Vehicle replacement), SEA 1000 New Submarine, SEA 5000 Future Frigate, and Pacific Patrol Boat replacements.
- The tapering and eventual closing of maintenance work on Australia's F18/A Classic Hornet aircraft fleet conducted at RAAF Base Williamtown, as this aircraft is replaced by the F35.

RAAF Base Williamtown will be the primary location of the F35 Lightning II (Joint Strike Fighter) in Australia. The operations and maintenance of F35 aircraft at RAAF Base Williamtown will demand a broad range of specialist businesses ranging from consulting to technical and manufacturing enterprises, supply and R&D services. Specialist integrated logistic support (ILS) capabilities and expertise will also be established in NSW. These will be working with/for the DMO Systems Program Office (SPO) dedicated to the sovereign Australian F35 fleet, and additionally, where possible, for non-Australian aircraft undergoing deeper maintenance in Australia. This includes aircraft operated by Singapore, South Korea, Japan and the US Marine Corps based in Hawaii. With the introduction of the F35 the on-base working population at RAAF Base Williamtown is expected to increase from 3,500 to 5000 personnel. All of these factors point towards the Hunter Region being a key focus for multiple generations in the Defence Industry sector.

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The Hunter Region is also renowned for its leadership in the Mining Equipment, Technology and Services (METS) sector. The recent national METS survey preliminary results indicate 85% of NSW METS businesses are engaged in other industries. Of the "other industries", 39% are engaged in the Defence sector. There are existing strong synergies between the Advanced Manufacturing and Defence industries which will grow over time.

Newcastle and the Hunter Region are also known for their strength in innovation. The Hunter Research Foundation Centre (HRFC) has been monitoring the level of innovation in the Hunter economy since 2009. The results of recent surveys indicate an improvement in key innovation indicators as the region proactively faces the challenges of building new opportunities in an increasingly competitive global market. After several years of declining innovation, Hunter companies have responded to the challenges of building new markets post the slow-down in the unprecedented investment in mining that has occurred over the past 5 years. The HRFC March 2017 Quarter update revealed that 46% of Hunter businesses introduced new or improved products or services in 2017, the highest proportion since HRFC began data collection in 2009.

In further support to the development of the Defence Industry in the Hunter region, the Australian Government announced early in 2015 that BAE Systems (Williamstown) and TAE Aerospace will be providing maintenance, repair, overhaul and upgrade responsibilities for the F-35 Joint Strike Fighter airframe and engine. These prime contractors will expand their established presence 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 should remain a major focus of the NSW Government and Hunter Defence.

The 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. 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 Williamstown 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.

To support the Defence Industry in NSW, the education focus that will support the development of a future workforce needs to not only concentrate on an improvement in STEM based education at a school level but also support the capability of SMEs in NSW. Newcastle and the Hunter Region are ideally placed to support the local SMEs at this level through formal training opportunities at University and TAFE; and less formal courses provided by RTOs and Hunter Defence. The NSW Government needs to provide the necessary facilitation to assist businesses in achieving the appropriate defence accreditation and avoid the consequences of being reliant primarily on the heavy manufacturing side of the sector.