

**Discussion paper
response
Submission
No 16a**

INQUIRY INTO DEFENCE INDUSTRY IN NEW SOUTH WALES

Organisation: Australian Industry & Defence Network NSW (AIDN)
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12th February 2018

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AIDN NSW RESPONSE TO THE DISCUSSION PAPER - DEFENCE INDUSTRY IN NSW

BACKGROUND

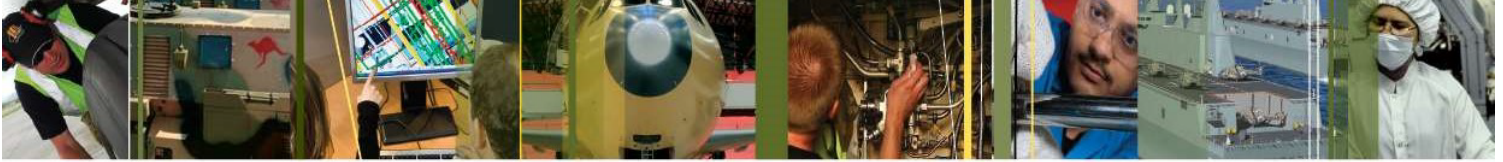
AIDN NSW is the NSW chapter of the 'Not-for-Profit' organisation the Australian Industry & Defence Network Incorporated (AIDN), which is the national industry association for small-to-medium enterprises (SMEs) wishing to do business in the defence and security sectors. Established in 1995, AIDN represents the interests of Australian SMEs in the defence and security industry sectors by advocacy, representation and member services to maximise their defence and security related business.

AIDN is made up of chapters from all states and territories and has a combined national membership network in excess of 750 principally SME companies. Its chapter structures are optimised to reflect the nature of the defence and security industries in each State and Territory, which ensures that its national direction is informed by a full range of industry views.

AIDN NSW is an incorporated association under NSW legislation and was established in 1994. It represents some 130 companies working in the defence and security sectors.



MAXIMISING DEFENCE RELATED BUSINESS FOR NSW SMALL TO MEDIUM ENTERPRISES



RESPONSE TO THE DISCUSSION PAPER

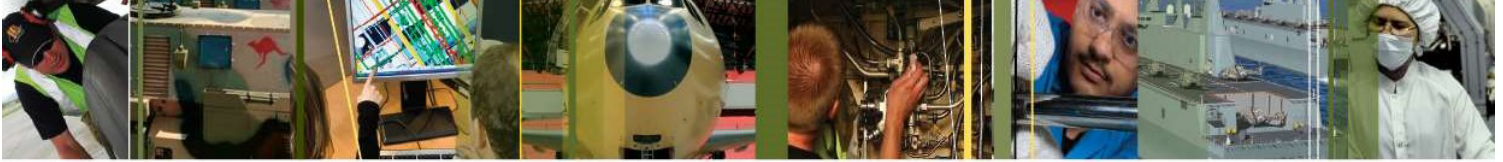
This Response adds to the AIDN NSW Submission to the NSW Inquiry into the Defence Industry. As requested in the Discussion Paper, it will address a number of the questions put.

Questions 1, 2 and 3:

Anything less than whole of government support for the defence industry in NSW will likely lead to adverse outcomes for NSW. There are a two main reasons for this:

- The governments of South Australia, Victoria, Western Australia and Queensland have well-established whole of government mechanisms to support their defence industries. In comparison with these, Federal Government and Defence do not see NSW as being “defence friendly”. This can only be reversed by a well-supported Premier taking the lead in engaging with Federal Government and Defence at the highest levels, starting with the Defence Minister and Defence Industry Minister then progressing to the Prime Minister.
- The whole of government mechanisms in other states are already influencing potential prime contractors on the location of their facilities for projects. The more these companies locate outside NSW, the more likely it is that their supply chain will be outside NSW to be near them. This may even be the case where a NSW company has a better product or service, or is better placed to form a mutually beneficial strategic relationship with the prime contractor.

AIDN NSW does not have strong views on the form to be taken by the whole of government approach other than it must be headed by the Premier and include all relevant ministerial stakeholders.



Question 3 – Coordination of Industry Organisations in NSW:

In NSW, there are a number of industry organisations representing those operating in the defence sector. Some are regionally based, others cover the state. Currently there is little coordination between them, formal or informal. From time to time, these organisations communicate on behalf of their memberships. Sometimes these communications clash with a resultant lack of clarity in the overall industry message coming from NSW. While views from the various organisations may and will differ due to their differing objectives, better coordination between them on areas of common interest would improve the overall message.

Some 5 years ago, AIDN NSW facilitated the establishment of a group called the NSW Joint Defence Industry Organisations (NSW JDIOs) with a view to improving coordination. The group wrote to and received a positive response from the then Premier concerning a “one voice” approach from industry to government. Unfortunately, support for the NSW JDIOs has waned over time.

Given the current environment, AIDN NSW calls on the government to take leadership through Defence NSW to improve the coordination between industry groups in NSW. The objective would be to ensure that NSW industry is seen to have a strong voice in the national defence industry debate.

Question 4:

AIDN NSW supports the establishment of an aerospace precinct at Western Sydney Airport. Not only will it facilitate development of common infrastructure for NSW defence companies, it will also demonstrate strongly the commitment of the NSW government support for the defence industry. As such, it has a strong potential to influence prime contractors to locate their defence and aerospace facilities in Western Sydney.

Question 5:

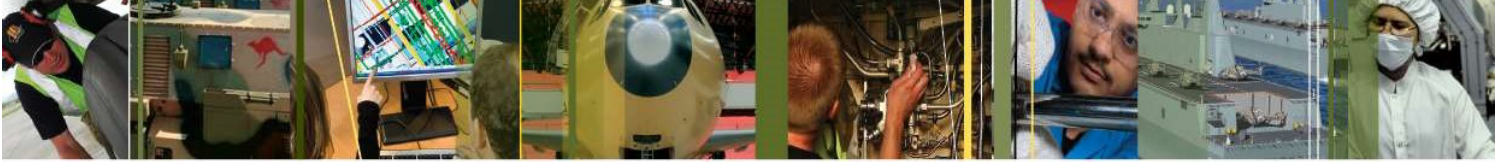
AIDN NSW proposed a methodology for supporting Sovereign Industrial Capability in its submission to the Inquiry. The submission included proposals for:

- Mandatory inclusion of relevant Sovereign Industrial Capability in the AIC plans for projects, with clear objectives and milestones, appropriate public reporting of implementation status and a strategic approach to implementation through comprehensive requirements.
- The Defence Industry Capability Plan (DICP) to further inform rigorous priorities for AIC Plans in projects, and to enhance self-reliance through broadly based support for Sovereign Industrial Capability and key technology areas where Defence should carefully nurture its organic SME industry. SMEs particularly contribute to core Defence capability in new technology areas such as ICT, Cyber Security and Simulation Technology.
- Innovation to be a key objective within the Defence Industrial Capability Plan, with a focus on developing capability to drive innovative solutions for projects in the Integrated Investment Program (IIP).

These proposals remain relevant for NSW government support.

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Question 6:

AIDN NSW believes that support for East Coast basing of Future Submarines can be achieved best when support from the Premier down is available to show NSW's commitment. Beyond that, support for and the establishment of critical infrastructure for such a basing will be fundamental.

Question 7:

With the recent release of the federal government's comprehensive Defence Export Strategy, support for exports can best be facilitated by working with Defence and its strategic export partners to showcase the strengths on NSW industry to achieve export.

Question 9:

Collaboration between the NSW and ACT governments has shown a sound basis for further Australian collaboration and is to be encouraged. Together with the proposed leadership in coordination of industry's voice, such collaboration has the potential to increase the size of "the pie" for all.

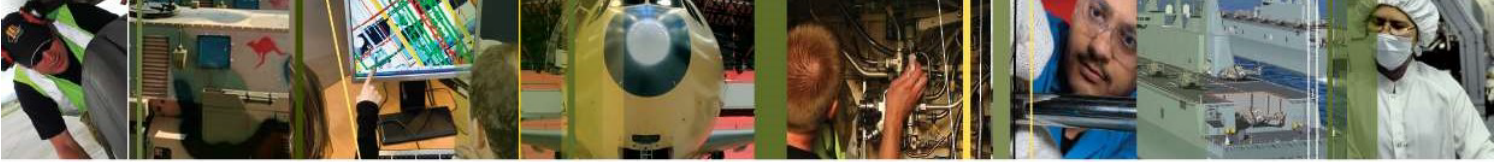
Questions 14-17:

AIDN NSW is strongly supportive of further work to facilitate collaboration between the defence and tertiary education sectors. Industry will benefit from the skills available for its workforce. Innovation is also critically important for the defence sector, particularly SMEs. Further support for and enhancement of the Defence Innovation Network is strongly supported as part of a comprehensive approach to support innovation.

Question 19:

Steps to support relationships between SMEs and primes have already been covered under the responses to various questions addressing comprehensive support from the Premier, better collaboration between industry organisations, establishment of the Western Sydney Airport Aerospace Precinct and support for infrastructure for Future Submarine basing. It can be further supported by:

- Good awareness of the capabilities of NSW industry via capability directories, such as the sectoral directories facilitated by AIDN NSW with Defence NSW support,
- Strong support for the establishment of manufacturing facilities in NSW by prime contractors,
- Facilitation of functions to promote interaction between primes and NSW SMEs, and
- Continuing support for NSW companies and trade shows in Australia and as part of Team Australia internationally.



Question 20:

AIDN NSW can attest that its members support changes to the procurement landscape as included in its submission. Further, it is advised that these changes for part of a comprehensive policy position put to the Federal Government by AIDN National.

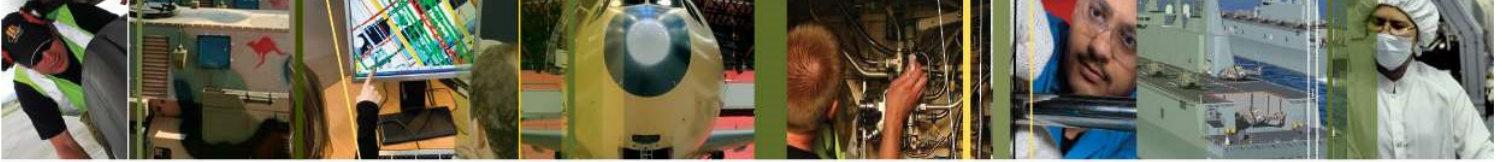
Enhancement of the flow of procurement opportunities has been covered in various aspects in answers to previous questions.

Question 23:

Two examples of infrastructure support already given include the Aerospace Precinct and for Future Submarines. Regional and innovation hubs are also supported.

General:

AIDN NSW supports the submissions made by its members Ocius Technology and Bisalloy. Copies are attached.



CONTACT DETAILS

For further details on this submission, AIDN NSW can be contacted via the Executive Officer:

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We trust these responses will be looked on favourably.

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President
AIDN NSW

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MAXIMISING DEFENCE RELATED BUSINESS FOR NSW SMALL TO MEDIUM ENTERPRISES

Date

The Director
Standing Committee on State Development
Legislative Council
Parliament House, Macquarie Street
Sydney New South Wales 2000
Email statedevelopment@parliament.nsw.gov.au

Dear Director,

Support for setting up a 'non-exclusive' designated 'box' for testing unmanned systems in a marine environment off the NSW Coast.

Background:

- Unmanned vehicles in the air, sea and subsea domains are growing rapidly.
- Autonomous Warrior AW 18 War-games between the 'five eyes' allies is coming to Jervis Bay in Nov 2018.
- Norway set up in Dec 2017 the world's first area for testing unmanned vessels inside the Trondheimsfjorden fjord in Northern Norway.
<https://www.km.kongsberg.com/ks/web/nokbg0238.nsf/AllWeb/166309633F206651C125804200250951?OpenDocument>. It is within a fiord and in enclosed waters.
- The International and National rules of the road and safety requirements are yet to be written for unmanned systems.
- To facilitate the development of safe unmanned systems testing for long periods over many miles in a safe but dynamic environment is required to learn how they behave and what measures need to be taken to develop safe vessels and safe 'rules of the road'.
- This is similar to an initiative for driverless cars being trialed in Homebush.
<https://www.transport.nsw.gov.au/projects/programs/smart-innovation-centre/driverless-vehicle-projects>

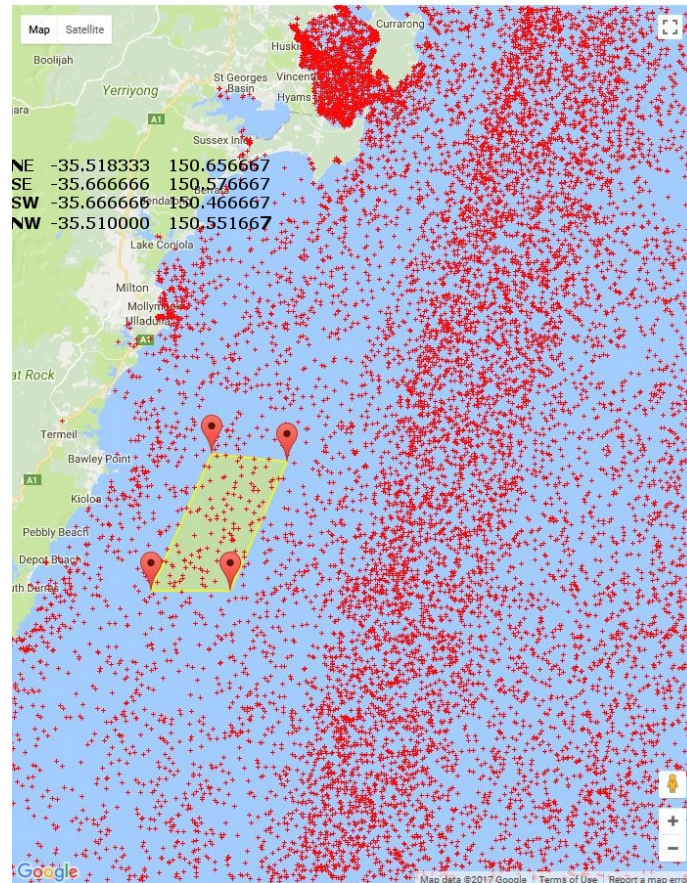
2018 Initiative:

We therefore support the initiative for a 'box' off NSW coast designated non-exclusively for the testing unmanned sea and air systems. It is called a 'box' as it is considered a 3-dimensional space i.e. including underwater, surface and air domains.

The 'box' proposed is between Bawley Point and Depot Beach. It is 49 square nautical miles. The distance from Ulladulla Harbour to the NE corner of the 'box' is 18nm. The distance from Batemans Bay to the SE corner of the 'box' is 12nm.

Consultation with Ulladulla local fishermen & Marine Rescue agree this area as suitable as they do not fish there due to an atoll reef in the centre of the 'box'.

January to September 2017 Vessel Traffic - AMSA Craft Tracking System Data



Proposed 'Box' off NSW coast.

The plan would be for industry, Transport NSW and AMSA to work together with local authorities and communities to promulgate information to locals, tourists, operators and mariners the use of this non-exclusive 'box' as a potential testing area for unmanned systems. This would also include community liaison, public service announcements, advertisements in local papers and editorial in Australian and International papers and via AMSA and Marine Rescue information would be promulgated to mariners via general shipping alerts to be on the 'look out' for unmanned systems.

As there is no one on board an unmanned vehicle the main safety risk identified is colliding with another vessel. A secondary risk would be environmental damage caused by leakage from a damaged unmanned vehicle.

Requirements for vessels to operate autonomously within this 'box' would be negotiated with AMSA and Transport NSW.

The aim would be to start some testing after Easter 2018 and particularly leading up to AW 18.

2019 onwards:

After sufficient testing and safety 'track record' the industry will work with AMSA to develop 'rules of the road' for unmanned vessels to travel autonomously unaccompanied outside of the 'box'.

This area is ideally located as it is largely out of shipping lanes, has the blessing of the local fishermen and Marine Rescue, is near Jervis Bay and is subject to all open sea states and the East Australian Current (EAC).

This would be the second such area in the world and the first in the world in open waters for testing unmanned marine systems.

Thank you for your consideration

Regards

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Submission: Bisalloy Steels Pty Ltd

www.bisalloy.com.au

Bisalloy Steels is Australia's only manufacturer of high-tensile and abrasion-resistant quenched and tempered steel plate used for armour, structural and wear-resistant steel applications; products which are marketed under the brand name BISALLOY®.

Bisalloy Steels has had a long and collaborative association with the ADF. For 25 years the Bisalloy story has been one of working in tandem with Australian steel producers, defence scientists, international organisations and manufactures of military ships and vehicles, to produce some of the best armour plate products in the world. The relationship between Bisalloy and the ADF includes Bisalloy being the key armour supplier for several projects including the Collins-class Submarine and the Bushmaster Protected Mobility Vehicle.

We feel that Bisalloy are not only the best placed supplier, but also the most suited, to supply the speciality high performance materials required for Australia's ongoing defence – both in terms of quality standards, product range, and technical support, as well as an understanding of the local requirements here in Australia.

Bisalloy has to conform to a myriad of Australian Standards, both in terms of business practices (including those required as an ASX listed company) and products, to ensure not only the highest quality standards are met, but that there is full traceability and responsibility in all respects. This is not the case with equivalent imported products. This is a key factor when working with other suppliers in the Australian defence industry supply chain.

The science, technology and manufacturing processes developed for the production of these low sulphur, micro alloyed high performance steels has flowed on to the production of all Bisalloy steel products, including for commercial purposes. Further, the requirement from various defence organisations has ensured Bisalloy's Quality Assurance system meets the requirements of ISO 9001, with stringent quality controls developed in order to qualify the performance of materials being used in commercial or military critical products.

In 2016 the company's defence business in armour plate accounted for 9.0 per cent of all steels produced, and the long term aim of Bisalloy is to grow this number significantly. The majority of this projected increase in output will be for the major upcoming projects in Australia, as well as export to key markets, especially the Middle East and Asia.

The strength and reliability of BISALLOY® Armour steel has long been selected to support Australia's defence forces and is an achievement which brings great pride to Bisalloy Steels – the SEA1000 Future Submarine project is an excellent opportunity for Bisalloy to demonstrate its capabilities to international manufacturers.

In order to support this program Bisalloy are already looking at possible further improvements to production facilities, and possible requirements of internal project support teams – details around these will be finalised when the design and mobilisation activities between Australia and DCNS are finishing.

Bisalloy Steels is confident that Australian steels compete on the world stage both in terms of quality and value. They point at their success with exports that have been a direct result of involvement on Defence programs in the 1980's. Bisalloy Steels point to a case study included in ACIL Allen report on "Naval Shipbuilding and Through Life Support Economic Value to Australia" in December 2013 as proof of this assumption.

As a local company, Bisalloy has a team of Wollongong based technical support specialists (qualified to PhD level) for specialised training and R&D work etc. Further to this, Bisalloy are able to deploy these technical specialists to work closely with the University of Wollongong (and other tertiary institutes, including TAFE NSW) to work with and train students and interns, to develop new generations of talent in the industry, and to develop new grades of high performance steel.

From its Unanderra, Wollongong, based production facility, Bisalloy is in a position to design, develop and manufacture a wide range of high performance steels for Australia's armour plate needs, and Bisalloy will continue to engage and work collaboratively with the Australian government, ADF and other key stakeholders to contribute to these nationally significant projects.