

**Discussion paper
response
Submission
No 19a**

INQUIRY INTO DEFENCE INDUSTRY IN NEW SOUTH WALES

Organisation: Shoalhaven City Council

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**Submission to
Standing Committee on State Development**

Defence Industry in NSW Discussion Paper

**Submission by
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Submission by: Economic Development Office, Shoalhaven City Council
To: Standing Committee on State Development
Subject: Defence Industry in NSW Discussion Paper

The Shoalhaven City Council appreciates the opportunity to make comment on the questions raised from the deliberations of the Committee into the Defence Industry in NSW.

Council's Economic Development Office made a submission to the original inquiry and followed this up with a supplementary submission and appearance before the Committee when it met for consideration of evidence in Nowra.

Hereunder are answers to the matters raised in the discussion paper. Council's earlier submission and the evidence of Mr Greg Pullen, Economic Development Manager, also sit as supporting material to these answers.

Question 1

What additional measures, if any, should the NSW Government implement to improve coordination across government agencies, to support the delivery of the *New South Wales: Strong Smart and Connected, The NSW Government Defence and Industry Strategy*?

Local defence support businesses, state and local government formed the Shoalhaven Defence Industry Group in 2000 to drive collaboration, innovation and advocacy for the industry. This group, like other entities such as HunterNet, Sydney Aerospace and Defence interest group, would benefit from support from Defence NSW to continue to promote the capabilities of the SME's involved in each network.

Question 2

Should the NSW Government establish a whole of government Ministerial Council to provide effective governance of the *New South Wales: Strong Smart and Connected, The NSW Government Defence and Industry Strategy* implementation? If so, what form should this body take, and who should it be comprised of?

If a Ministerial Council is to be formed then it needs to consider membership of regional players such as local government representatives and regional industries including SMEs. There is a risk to accessing regional capability in the NSW defence sector if the Ministerial Council is not representative of all participants.

The Shoalhaven's large percentage of Defence industry and employment has not come by accident. Shoalhaven City Council has worked hard in Canberra and other places to ensure the continuation of HMAS Albatross as

- an essential airfield
- an important cog in the Department of Defence training system
- a host to various lodger units

Shoalhaven City Council lobbied for the relocation of Defence operations from Sydney and Canberra and has supported contractors in contract bids and negotiations. Key to our success has been understanding and knowing senior Defence personnel in key roles. Ongoing lobbying has been a key strategy in growing our defence and defence support industries.

The foundation of this success has been the identification of regional attributes and the development of implementation strategies to leverage off of these identified attributes.

Question 3

What more can the NSW Government do to ensure that its commitment to Defence and the defence industry is clear to stakeholders?

Shoalhaven City Council would like to congratulate the NSW Government on their commitment to supporting Defence and in the creation of Defence NSW. Defence NSW needs to promote their work and the capabilities of the NSW Defence and Defence Support industries. A key component of promotion would be to engage both NSW and Federal MPs at the local level and ensure that they understand and appreciate all aspects of Defence in their communities. It is also important to ensure regional managers of all NSW government departments are aware of Defence in their region and its impacts locally.

Question 4

- a) What are the potential benefits of an aerospace precinct at the Western Sydney Airport and how can the NSW Government support this initiative?
- b) What further steps can the NSW Government take to support New South Wales's strengths in critical defence capability areas?

- a) Airfields at Richmond, Newcastle and Nowra are established aerospace precincts in their own right. It is important to promote the benefits of, and build on the strengths of, what is currently established. It is not clear that the establishment of an aerospace precinct at the Western Sydney Airport would offer any additional benefits.
- b) Concentrate on developing "Centres of Excellence" rather than a widespread smattering of activities.

Question 5

What steps can the NSW Government take to support the enhancement of Australian sovereign defence capability?

1) Provide entre into global supply chains and assist NSW business to register and profile their industries in a way to attract interest from international and local primes.

2) Where possible, write up case studies of industries that have captured overseas contracts through supply chain links, thus stressing the need for SMEs to promote their capability.

Question 6

What further steps can the NSW Government and the defence industry take to optimise its chance of success in securing Future Submarine basing and accompanying sustainment work on the east coast of New South Wales?

Long term planning and negotiations are essential. The seeds need to be sown with successive Chiefs of the Navy and Department of Defence that NSW has options and that these can be explained when the time is appropriate. You need to do this continually for the next 10 years or more, never let up. The proposition needs to be constantly refined and presented to those that are prepared to listen and could evolve into a key decision maker when the time is right. Shoalhaven City Council did this with relevant phases of AIR9000 and did well from that effort.

Question 7

- a) What steps can the NSW Government take to increase understanding of New South Wales defence industry capability with potential for export?
- b) What steps can the NSW Government take to enable New South Wales based defence industry to take full advantage of the supports provided by the Australian Government in this area?
- c) Should New South Wales seek to identify a state based export target to improve performance in this area? If so, what factors should the NSW Government take into consideration in determining this target?
- d) How best can the NSW Government support and lead a collaborative 'Team Australia' based culture to maximise the economic benefits for all states and territories from Defence expenditure?

- a) Exports of any product can come through government assistance (Austrade, trade missions etc) or by the sheer hard work and ingenuity of business principals. Both paths need to be recognised as appropriate and successful. In the Shoalhaven we have both types in the defence export arena. The Economic Development Office of Shoalhaven City Council is a believer that you can take the horse to water but then it is up to the animal itself.
- b) Awareness of products and programs is essential. Case studies of both types of approach are essential and need to be written up.
- c) Successful export programs are dependent on many factors – exchange rates; capacity; economic cycles etc. To lock in a target may be folly. Incremental growth is a better KPI.

- d) NSW needs to participate in Team Australia events and “support” the local contingent to be part of a NSW/Australia promotion.

Question 8

- a) What steps can the NSW Government take to better understand defence industry capabilities in New South Wales?
- b) What role should Defence NSW have in building connections between local industry and primes?
- c) Is the development of a Defence Capability Directory, such as that developed in the ACT, a useful model for the NSW Government to consider and adopt?

- a) “Defence support industry” is akin to “Tourism”, it is an activity that we can all see and appreciate but it cuts across all ANZSIC categories and is not presentable as a single industry sector statistic. Some work in this definitional space needs to be done to identify those businesses with defence industry capabilities and to have businesses themselves recognise their role in the defence supply chain.
- b) Building connections between local industry and primes should be the primary function of Defence NSW. Defence NSW should have a role in continually reviewing how local SME’s present to primes and global supply chain networks. Defence NSW should support business by the use of industry experts to create industry profiles that meet the expectations of primes.
- c) A Defence Capability Directory is just one small part of an overall strategy to raise the profile of NSW Defence and Defence support capabilities. Networking is a far more beneficial method to garner information on capabilities and to encourage collaborations between businesses that meet the needs of our Defence force. It must be noted that in order to be fully aware of the capabilities of regional businesses it is necessary that Defence NSW staff be located where the businesses are – that is in regional NSW.

Another key role of Defence NSW is to support SME access to supply chains through promotion of capabilities and assistance with access to funding and tender writing.

Question 9

Are there any additional steps that the NSW Government and ACT Government can take to enhance collaborative working arrangements for the benefit of defence industry?

Here a grownup approach by bureaucrats needs to be reached. Industry does not see borders, why should others. In the Shoalhaven area, we have 2 military bases and we talk about them collectively. It just so happens that one is located in Jervis Bay Territory not Shoalhaven City or NSW.

Question 10

- a) What actions are currently being implemented by the NSW Government and other educational providers to promote STEM skills in primary, secondary, and tertiary education institutions?
- b) What further steps can the NSW Government take to promote STEM subjects and associated defence industry careers? Should the NSW Government launch an advertising campaign to promote the study of STEM subjects as well as promote New South Wales as a technology leader?
- c) Should the NSW Government take steps to embed defence-related industry interaction, within the education syllabus?

a) This is a broader issue than just the defence industry. No comment

b) + c) An advertising/educational campaign to highlight the prevalence of Defence and Defence support industries in NSW and their contribution to our economy would be beneficial. Students have limited understanding of the wide variety of opportunities that are present in this sector and the fruitful careers that can develop within it. Once the industry has exposure and is an attractive employer students then need to understand that to work in a defence support industry in IT, engineering, logistics.....does not require you to be in uniform and march in a parade. A concentrated campaign that has the handle "I work in industry and I support the Australian military effort".

Question 11

- a) What steps can the NSW Government take to close gender gaps in the participation of females in STEM career pathways as relevant to the defence industry?
- b) What barriers exist for females seeking to undertake STEM education and access defence industries? What steps can the NSW Government take to address such barriers?

No comment. A general industry concern not just defence.

Question 12

- a) What benefits have been delivered by the ME Program to date? Based on this evidence, what steps should the NSW Government take to support the program and explore its roll out across the state?
- b) Are there any other best practice examples being implemented in New South Wales that also merit further consideration?

No comment

Question 13

- a) Should the NSW Government consider a defence industry technical skills development fund as part of its strategy to entice prospective students to undertake defence industry related courses at universities?

b) Are there other approaches the NSW Government can take to promote tertiary pathways for defence industry workers?

What is a defence industry related course? Engineering yes; linguistics yes
Introduce a program of assistance directly to the defence industry to offer scholarships in high school, TAFE and University branded as "NSW Defence Industry Support Program". Some Shoalhaven industries have done this support for selected students.

Question 14

Should the NSW Government help facilitate increased coordination between government, the defence industry, and universities in the creation of university courses that meet the needs of defence industry businesses? How can the NSW Government achieve this?

This should be one of the key roles of Defence NSW.

Question 15

What measures can the NSW Government take to improve access to advanced trade courses in regional areas? For example, should the NSW Government provide financial support to create defence industry traineeships and apprenticeships in regional areas?

- The development of virtual training delivery coordinated by an RTO and overseen by Department of Defence or defence industry.
- Subsidisation to industry to allow small cohorts to be trained (anywhere)
- Financial support should be provided to regional SMEs to create defence industry traineeships and apprenticeships in regional areas

Question 16

What further steps can the NSW Government take to promote collaboration between Defence, industry and academia?

No comment

Question 17

What steps can the NSW Government take to further support research and innovation activities being undertaken by defence stakeholders?

They way to do this is via SMEs, rather than through the primes. My experience informs me that SMEs have an R&D need to do something core, and then along the way, discover it may have a defence application. How is this to be captured earlier, that is the question?

Question 18

What steps can the NSW Government take to support New South Wales defence industry, and academic institutions tap into the opportunities created from Federal Government investment in a national space agency?

No Comment

Question 19

a) What steps can the NSW Government take to further support relationships between Small and Medium Enterprises and key suppliers and procuring entities?
b) What steps can the NSW Government take to ensure that federal support programs and initiatives are comprehensively utilised by New South Wales based industry?
c) Should the NSW Government invest further in supporting Small and Medium Enterprises to access trade shows and exhibitions? Are current efforts sufficient and are there any lessons for improvement?

- a) Provide practical assistance to SMEs to register onto Supply Chain Listings – (use a subsidised consultant that can prepare objective material and key words for inclusion)
Regional information and networking sessions
- b) Involve CoA input into regional networking sessions either through program offices or bidding primes
- b) YES, YES, YES. Develop case studies but the story needs to be told that benefits from defence take TIME and PERSISTANCE.

Question 20

a) Is there widespread industry support for the changes to the procurement landscape as identified by the Australian Defence Industry Interest Group?
b) What actions should the NSW Government take to enhance the flow of Defence procurement opportunities to New South Wales Small and Medium Enterprises and New South Wales industry more generally?

The method of procurement for small to medium purchases needs to be articulated and explained to SMEs. They hear about the major contracts with primes and become disheartened with the paperwork. There is a need to create a differentiated marketplace where the SMEs are more comfortable. NSW should be advocating for this and working with SMEs to take advantage.

Question 21

a) What further actions can the NSW Government take to provide additional support to businesses seeking to become 'defence ready'? What form should this support take?
b) What other examples of exemplar practice exist to support New South Wales industry become 'defence ready'?

Not all businesses are suited to the “defence supply culture”. The difficulty is that the SMEs are smitten by the big numbers and are looking through rose coloured glasses until they become aware of the process. Breaking down the numbers (and timeframes) is essential to entice SMEs to engage. Sometimes the SMEs are nimble enough to adapt but the procurement process deters many.

Question 22

- a) What actions can the NSW Government take to assist Small and Medium Enterprises to access the finance necessary to pursue business opportunities? Does the establishment of a body, with responsibilities akin to the Export Finance Insurance Corporation, merit further investigation?
- b) What steps can the NSW Government take to ensure that New South Wales industry is aware of and is making use of the services offered by the Export Finance Insurance Corporation?

- a) Defence support industries are finding it increasingly difficult to access finance from banks. Anecdotal evidence shows that banks are increasingly unwilling to lend to defence support as they see this as an unethical investment. Banks need to be educated about the nature of defence and the positives that it has in terms of humanitarian work and national security. A submission by the NSW Government to the current banking inquiry may be warranted if evidence can be assembled. The establishment of a government financier does have merit and should be investigated more fully.

Question 23

- a) What enabling infrastructure projects should the NSW Government target to support defence industry start up and growth?
- b) What measures can the NSW Government take to help attract defence industry workers to regional areas? For example, should the NSW Government establish a community development fund to help create defence supportive communities in regional towns?

Shoalhaven City Council is much appreciative of NSW Government assistance with the infrastructure at the Albatross Aviation Technology Park to produce subdivided industrial land adjacent to a taxiway. There is a need to be flexible with interpreting what assets financial assistance can and cannot be applied to. There was an instance that 3 adjacent buildings needed to meet CoA firefighting requirements to the Defence spec. This spec was substantially above the municipal spec to meet BCA firefighting requirements. Council proposed a single “private” off line firefighting reserve system to meet the requirement at an annual connection fee charge to pay for operations and maintenance. Funding was sought from the CoA for the CapEx but was not forthcoming. To meet requirements, each of the 3 facilities built their own storage and pumpworks which would no doubt have been charged back to the CoA.

It is stories like this that make one question, the over expenditure in this Defence sector and the need for a forum to seek better solutions. NSW could assist in the advocacy of efficiency or productive collaborative solutions by having the ability to open the necessary doors and support others.