

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

**REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY, DEFENCE
INDUSTRY IN NEW SOUTH WALES**

CORRECTED

At Newcastle on Monday, 18 September 2017

The Committee met at 10:00 am

PRESENT

The Hon. Greg Pearce (Chair)

The Hon. Rick Colless

The Hon. John Graham

The Hon. Paul Green

Mr Scot MacDonald

The Hon. Natasha Maclaren-Jones

The Hon. Mick Veitch

The CHAIR: Welcome, everyone. I acknowledge the Awabakal people who are the traditional custodians of this land. I also pay my respect to elders past and present and extend that respect to other Aboriginals present. Today is the sixth day of this inquiry. The Committee is considering how to incentivise and grow the State's Defence industry. A key area of focus will be to look at ways to further encourage Defence industry innovation, research and education, and workforce development. We are travelling across the State over the next few months to visit stakeholders and conduct hearings. Today we are hearing from the Hunter Business Chamber, HunterNet, Newcastle City Council, representatives of Newcastle City Airport, and 2JC Pty Limited.

Before we commence, I have to make a few comments about the inquiry and procedures for today's hearing. Today's hearing is open to the public and a transcript of the hearing will be placed on the Committee website when it becomes available. I do not think there is any media here. If media is present, I direct them to the public broadcasting guidelines and to register with the secretariat, if they have not already done so. If witnesses need to take questions on notice, I am happy for them to do so. They are required to provide answers within 21 days. If they need to send messages to Committee members, other than speaking out loud, they must do so through the Committee secretariat. I ask that everyone turn their mobile phones to silent. I welcome our witnesses.

JILL GAYNOR, Manager Strategic Planning, Newcastle City Council, affirmed and examined

GREG FENWICK, Economic Development Facilitator, Newcastle City Council, sworn and examined

TONY CADE, Chief Executive officer, HunterNet, sworn and examined

RICHARD ANICICH, Director, Hunter Business Chamber, sworn and examined

The CHAIR: Who would like to make opening statements?

Mr ANICICH: On behalf of Hunter Defence, I will start. Chair and Committee members, thank you for the opportunity to appear before this inquiry today with Tony Cade on behalf of Hunter Defence. In these opening remarks I will make some comments on the terms of reference for this inquiry and also some general comments in support of our submission. Mr Cade and I will then be happy to answer any questions from members of the Committee. You will have read in our submission that Hunter Defence is a joint initiative of the Hunter Business Chamber and HunterNet, which is governed by a memorandum of understanding signed between these two organisations in August 2013. I will not set out all of the objectives. Primarily, it is for the two organisations to collaborate on initiatives for the benefit of regional organisations who support the Defence industry in the community.

My journey in advocating on behalf of this region and on behalf of Defence began when I had a light bulb moment when I attended an industry briefing in 2011. The speaker was Rear Admiral Rowan Moffit, who was then the head of the future submarines program. In his comments he made the startling remark that the New South Wales Government has been missing in action in the Defence space. That phrase resonated with me and I have since used it in many submissions. He spoke of circumstances where Defence personnel wanted to achieve outcomes in other States and they would be able to get the Premier in those States on the phone and that it did not happen in New South Wales. As a result, we were missing opportunities from that perceived lack of interest at the highest levels of the New South Wales Government.

In taking that on board and considering this further through the Hunter Business Chamber, it appeared that there was no clear industry action plan for the Defence sector in this State. We can only speculate that there may have been some sense of complacency with the New South Wales Government because it has more Defence bases and facilities than any other State and it was possibly assumed that that would always be the case and that Defence industries would be attracted to the State simply because those facilities are located here. If we look at the Defence Posture Review, which came out with the White Paper, you can see that Defence bases will gradually move north and we cannot rely on that forever in a day.

It might also be the case that while Defence invests \$5.5 billion annually in its operational expenditure in New South Wales with direct employment of approximately 26,500 people, and an additional 29,500 people employed, the Defence sector contributes only 2 per cent of the gross state product for New South Wales. That figure is far more relevant in regions such as the Hunter where it is 9 per cent to 10 per cent and in the Shoalhaven it is 11 per cent to 12 per cent. That fact is acknowledged in the submission from Defence New South Wales to this inquiry, which states, "Defence investment is one of the key drivers of employment and economic growth in many regional areas." That is why we take such a keen interest in the Hunter.

The Defence New South Wales submission to the inquiry also notes that for every \$1 billion in Commonwealth Defence spending we can attract to New South Wales it will boost our gross state product by \$1.4 billion and support up to 10,000 jobs across the economy. In my submission, these figures alone are sure to incentivise the New South Wales Government to get behind the Defence industry in New South Wales and the many opportunities it presents for jobs and investment growth and the development of advanced manufacturing industries. It is also interesting to note the comments from Peter Scott, the newly appointed Director of Defence New South Wales in the hearing of this Committee on 3 August when he was responding to a question from the chair about naval bases on the east coast. His response included this statement:

I think that if Defence sees that they will be supported by the State Government wherever they look to base any class of ship, that is the best that we can offer.

We, of course, would support the suggestion that some navy vessels could operate from the Port of Newcastle, but the reason I draw the Committee's attention to this comment is the reference to the fact that Defence needs to see that they are supported by the State Government. There has to be a high level of political engagement to achieve this outcome. It has to be a whole-of-government approach and it has to be a bipartisan approach. On

that basis alone, I congratulate this Committee on the work it is doing and the report that it will no doubt deliver with a bipartisan approach, which is key to the future of Defence. What is good for New South Wales is good for the Hunter, and vice versa. What is good for New South Wales is good for the country, and vice versa. Investment in Defence is in the interests of us all. It was for this reason that the Hunter Business Chamber released its Hunter Defence Strategy in February 2013, a copy of which is annexed to our submission. The principal recommendation in that strategy was for the New South Wales Government to develop a comprehensive New South Wales defence industry action plan. It has taken four years to get to that point, but we are here. Sometimes things move a bit more slowly in government, but congratulations to the Government for finally picking up on what we asked it to do in February 2013.

The Chamber and HunterNet were both given the opportunity to comment on a draft of the 2017 strategy prior to its final release, which is evidence of our standing and reputation within the Department of Industry as organisations that can add value to the work of the Government in relation to defence in this region. It was the result of Chamber's input into the draft that the final strategy drew the connection between the Hunter Regional Plan 2036, which was released by the Minister for Planning in October last year, and the recognition of defence as a growth area for the Hunter in that regional plan. It is very important that this Committee also sees that link when it comes out with recommendations to further the implementation of the 2036 plan.

We will take it that our submission has been read by the Committee, but I will emphasise or expand upon a couple of points. The first is that we have the opportunity through supporting defence-related industries to develop smart technologies, advanced manufacturing industries and export opportunities. One key message from the recent naval shipbuilding industry briefing in Newcastle and from the recent Sovereign Industry Capabilities Seminar I attended in Canberra is that the Department of Defence is looking to develop an enduring sovereign Australian capability to deliver affordable and achievable naval shipbuilding sustainment. A point made by Senator Sinodinos at the Newcastle briefing was that by Australian companies gaining a foothold in the global supply chains they can establish their credentials with defence and improve their opportunities to be part of the Australian supply chain. Any support government can therefore provide to Australian companies to grow their export business will ultimately benefit the economy.

The second point is that the opportunities for Hunter in particular from the Joint Strike Fighter [JSF] program are well documented and the subject of other submissions to this inquiry. They have also been discussed in previous hearings. I draw the Committee's attention to the Department of Defence's commission of PricewaterhouseCoopers to prepare a report on the economic impact of Australian industry participation in the JSF program. That report was released in February this year and notes that the current cumulative total of Australian JSF production contracts totals US\$681 million and is forecast to reach almost US\$4 billion by 2038. This is in addition to the opportunities to contribute to the global supply chain covering all the activities, maintenance, repair, overhaul and upgrade. In that regard, we have had a fair measure of success in the Hunter through BAE and others, but I draw the Committee's attention to the comment made on page 9 of our submission in relation to TAE, which is one of the significant opportunities that I would have thought is potentially available to the Hunter and New South Wales and that in my view requires leadership from government from the top down.

The third point is the recently announced Thales development at Carrington, which is another exciting new opportunity in this region. I understand the Committee will visit that site at the conclusion of this hearing. In February 2015 the Chamber wrote to the then Premier, Mike Baird, urging the Government to support the development on this site, so it is pleasing to see that this is now happening.

The Committee will also hear this morning from representatives from Newcastle Airport in relation to their plans for the Hunter Defence Aerospace Park on land adjacent to the airport. On behalf of HunterNet Defence, we fully support that proposal. We have met with the chief executive officer and chair of the airport and have been briefed on the proposal, which is fully set out in its submission to the inquiry. We would be happy to answer any questions the Committee would like to put to us on that.

In closing, I draw the attention of the Committee to the summary of our key recommendations on pages 19 and 20 of our submission. In addition we have a concern that the budget we understand has been allocated to Defence NSW is limited given the work that it has to do. In this region, HunterNet in particular and the chamber have been supporting the defence project from fairly limited means to assist Defence NSW in the implementation of the 2017 strategy in this region. We are well ahead of other regions in what we do and what we have been doing here, and we are a perfect example or test case of what can be rolled out in other regions as well, but that all requires resources and support. Anything this Committee can do by way of recommending support for those efforts would certainly be welcomed. We are happy to take questions.

The CHAIR: Thank you very much for that comprehensive summary. Would someone from the Newcastle City Council like to make a short statement?

Ms GAYNOR: Yes. Newcastle City Council has a vision for what Newcastle will be in the year 2030, and that is a smart, livable and sustainable city. We will have diversification of employment, offer affordable lifestyles to people and offer schools and amenities that attract families to our area. The defence industry has a role to play in that and we think Newcastle can provide the type of environment that families are attracted to. Newcastle council has recognised the existing significance of the defence and aerospace industries in our economic development strategy, which was adopted by council in 2015. That document has five key themes, that: Newcastle is the capital of the Hunter; council will play a role in collaborating with other levels of government in facilitating key infrastructure; we need to focus on business growth and employment diversification and creation for the future of our area; we want to foster innovation and creativity across all sectors; and we also want to develop our visitor economy. Obviously a huge part of that is the role Newcastle Airport plays. In the strategy we recognise that defence and aerospace industries are one of our strategic growth areas.

The only other thing I want to comment on is that Newcastle Council has also just adopted a smart city strategy in August this year. We recognise in this document that defence and aerospace industries form an important part of Newcastle's growing reputation across Australia and internationally as a defence industry attraction area and that we have some specific actions here to continue that. That, in addition to the submission we have lodged, is our general opening statement. We are also happy to answer any questions.

The CHAIR: Mr Graham is desperate to ask some questions, but Mr Green wants to go first because he wants to challenge the proposition that this region is well ahead of the Shoalhaven.

The Hon. PAUL GREEN: Mr Anicich's view on the Hunter was quite progressive but I think Shoalhaven is leading the way in defence and small to medium enterprise initiatives. We do want to see the Hunter progress beyond our wildest dreams, though. There is immense opportunity around the base at Williamstown but there is also the issue of contamination. What is the consensus on how to deal with that?

Ms GAYNOR: Use it for industrial land. The standards for decontamination of sites are different for industrial users, so that is one possible way of dealing with that contamination. Obviously a level of clean-up is required, but it could perhaps provide the land area required for new industries.

The Hon. PAUL GREEN: What is council doing to participate in a clean-up?

Ms GAYNOR: The Williamstown area does not lie in the Newcastle Council area; it is with Port Stephens. But there are various committees and investigations underway. The airport, which will address the Committee later in the morning, has recently prepared a master plan for the airport itself and adjoining lands, looking at what growth opportunities exist for new industry adjoining the airport.

Mr CADE: I might just add one quick comment. Recently we had the annual Hunter Defence conference not so far away from here and a specific section of that conference dealt with available technologies and treatment processes. We had one group of speakers from a global company specialising in remediation, rehabilitation and environmental challenges. The feedback that we received at that conference is that currently there is a huge amount of work going on not stepping around the problem but what is the best solution to actually remediate that area, and also to potentially take those learnings from this particular region into other regions, should that be necessary.

The Hon. PAUL GREEN: Was a guesstimation made of the costing involved to remediate?

Mr CADE: Not that I am aware of, no.

The Hon. PAUL GREEN: Ms Gaynor, you talk about the operation of the defence innovation hub at Williamstown Aerospace Centre but what are you doing in the way of trying to build your SMEs around the area?

Ms GAYNOR: As I commented, council does have an economic development strategy. A large part of a council's role relies on making sure we have got a good supply of appropriately zoned land. Newcastle can accommodate, I guess, SMEs on both industrial land, and Newcastle has quite a broad area of mixed use land which is appealing particularly to some of the innovators and research companies in our inner suburbs.

The Hon. PAUL GREEN: It is one thing to have a strategy that sits on the shelf but what are you actually doing in terms of maybe digging up and putting some high voltage lines in for electricity or NBN? How are you setting up sites? Have you set up any sites for this type of development?

Ms GAYNOR: Newcastle Council, along with the university and Newcastle now, were successful in receiving funding from the Hunter Innovation Fund that came through last year for our Smart City project. I will get muddled with all the technical terms but part of that is providing direct connections to areas, setting up a free wi-fi zone within the city centre. We are looking at the roll-out and we are funding a range of specific items, such as Smart poles. It is a city centre focus to start with but that will roll out across the suburbs. They are some of the specific things that we do have underway. Smart city poles, for example, are being installed right now.

Mr FENWICK: Just to further support Ms Gaynor's comments, within the city precinct in the Smart City Strategy there is a zone of about 1.5 kilometres. The NBN or another fibre network will be attached direct to premises to establish that new smart zone which will then also extend out into the Wickham area where it is zoned appropriately for small-scale industry to attract that smart specialisation that the RDA has pointed out in its smart specialisation strategy. The Hunter is very good at that small high-tech specialisation so the Smart City Strategy is designed to pit them in and keep them close to the city centre as well, allowing the SMEs to congregate and coordinate their actions so that there is just that little more value out of it.

Mr CADE: Just a very quick add-on referring to your initial question in relation to SME engagement, there is an advisory panel of which I am a member supporting the defence hub, that is strengthening the links between the defence industry primes, research organisations like the university but not just limited to Newcastle university, and obviously the SMEs. There is a whole range of initiatives that are falling out of the good work that has been done at the hub but one of the very important ones is the adaptation and application of a new SME collaboration model which is called iCluster which was picked up from some learnings from United Kingdom Defence and is actually being used internationally by all of the major primes as an SME engagement tool.

Here in the Hunter we are the first in the country that have signed a licence agreement and we are actually rolling that out amongst the SMEs now just to make sure that we have got the appropriate tools to support that intended outcome you stated.

The CHAIR: There you go. The Shoalhaven should be the second with the licence.

The Hon. MICK VEITCH: I cannot believe they have them.

Mr SCOT MacDONALD: My question is directed to Mr Cade and Mr Fenwick. Your organisations deal with either domestic or international people looking at this area all the time. Will you provide the Committee with a snapshot on what they are looking for and what is, maybe, a turn-off for them if they are looking at basing themselves here, Perth, Sydney or Brisbane? What is working? What is not working in terms of people looking to invest or base themselves here?

Mr CADE: I will focus on the positive first, what is working. I think a huge step forward is the fact that New South Wales now has a strategy. We do collaborate with all regions in Australia and other States. It was always difficult for us to negotiate, I suppose, from the same platform, for example, as our friends and colleagues in South Australia when we were still waiting for a strategy. That has allowed us to go back and revisit our strategies, our business plans, to make sure that we have got complete alignment with the New South Wales strategy, which we have already submitted to Defence NSW, Peter Scott, and to Minister Blair as well.

The obvious characteristics of the region, I suppose, which add to industry attractiveness are obviously the opportunities that will arise from the Joint Strike Force [JSF] project, notwithstanding that we also have a military base at Singleton and we have heard a bit already about the opportunities potentially with naval activity in the port. So that is a huge differentiator for the region. It is just not focused around support of one sector of our ADF, it is all three sectors. I think we have seen all of these companies that are either circling the region—pardon the pun—or have actually started making an investment; we have had interactions with for several years. We have had some extensive discussions with Thales and we have existing relationships and this Committee will hear more about that this afternoon. But also Cvmec, while they were doing their due diligence in relation to their entry into the region, we probably spent, with our colleagues from the Chamber, at least 18 months or thereabouts just reinforcing the attractiveness of the region.

In terms of some of the challenges, as I said, we have a strategy, but we have been waiting for one. We have a great relationship with our colleagues in the department. I think up until now, before the hub, one of the things that we have had to work closely on is making sure that we did not present ourselves as a fragmented group of representatives from different organisations. Part of that is the agreement that we have got—it is essentially a JV arrangement with the Chamber—the close working relationships with the local representatives of the department and also the representatives from the university. I think that now we have actually achieved that collaboration across all of the key stakeholders. That is going to enable all of us to make a bigger contribution to support industry attractiveness in the region.

Mr FENWICK: And not taking anything away from the kind words of Mr Cade, the other thing that council did recognise when we were developing the economic development strategy was the need to be across all levels of government in a cooperative manner. We have definitely improved, not that they were bad, the relationships between ourselves and our friends at the State and the Federal governments so that when someone does present a question or a problem to us about investing in the area we can go to all three levels and make sure that we get that single answer, that single support that is needed to attract people to the area, not necessarily in defence but across all industry sectors as well.

The CHAIR: We might get an answer to the second part of the question in the next session.

Mr SCOT MacDONALD: How important is the M1 upgrade?

Mr ANICICH: Scott and I have had many discussions about this as well. I agree with everything that Mr Cade and Mr Fenwick have said but there is always a wish list of enabling infrastructure to facilitate the attractiveness of the region and get industry here.

The Department of Industry recently, for example, contributed, I think, \$2.6 million to Thales for repairs to the slipway at Carrington, and that sort of thing is welcome. It is not a huge amount of money but some of these other items are. In our submission, and this Committee may also recall that the CEO of the chamber, Bob Hawes, and I appeared before you on the regional development and a global Sydney inquiry recently. In that inquiry, as we have in this, we have indicated there is some enabling infrastructure which would be extremely valuable in being able to attract further industry to the area around the Williamtown base, and you will hear from the next group before the Committee about the Williamtown Aerospace Centre and about the new parcel of land that the airport has taken control of and is wanting to develop there.

But there are two key pieces of road infrastructure, I think, which would really kickstart those developments and ensure that they continue and others expand around them. That is the continuation of the improvements to Nelson Bay Road beyond Kooragang. At the moment, the Government is in the process of duplicating Tourle Street Bridge—something which the former Government could have done for \$28 million and it is now costing \$80 million; but anyway, that is the way things sometimes work. But it is not just the duplication of Cormorant Drive across to the Stockton Bridge; that work has got to continue up to Williamtown.

The other key piece that is on the agenda, and it is on the Infrastructure Australia priority list released in February 2017 as well as a key project that should be developed, is the connection between the M1 and the Pacific Highway at Raymond Terrace. The other piece of the jigsaw puzzle which Mr MacDonald is alluding to there is the connection from that new highway development across to Williamtown and what is Tomago Road and/or Cabbage Tree Road, which is a bit of a goat track at the moment. That road really needs to be upgraded as well, and if it is, you would then have far better transport infrastructure and connectivity to that whole region, both from the north down the Pacific Highway coming south, from the south coming north and across that new loop, but also if the work on Nelson Bay Drive is continued, then you have got it from the port. A key plank in the Hunter Regional Plan 2036 is the two ports strategy and building on the advantages we have with the airport and the port, and the connectivity between those two is also key.

The Hon. JOHN GRAHAM: I want to ask in particular about the export potential of the sorts of options you have talked about. The Federal Government is clearly turning its mind to that, and the Committee has already heard evidence that Australia in this defence space is really importing much more than we export—there is real potential there. That potential is really linked to the Joint Strike Fighter project at the moment, and that is well set out in all the submissions. Have you got any sense of where that sits? When the Federal Government looks at export potential around the country, have you got any sense of where this is going to sit in the priorities? How big an opportunity is this compared to other defence opportunities around the country.

Mr ANICICH: Mr Cade might be able to comment on this. There are companies like Varley, for example, and Ampcontrol, in this region who are winning export contracts.

Mr CADE: It is difficult to quantify it right now because all the work packages have not been released. I think it is going to be a two-pronged approach for most of these companies that are in the defence space. We do have some that are export ready, but others we are working with at the moment and using some of the tools that I mentioned earlier in terms of collaborating directly with the defence primes, principally operating offshore. One of the objectives is to make sure that those companies can become defence ready. One of the big difficulties for both, not just the SMEs and the primes, is that engagement model because historically that has not happened.

There is a big push now, and we are happy with that. However, there needs to be a lot more work done to make sure that there is a clear suite of expectations from both the primes and the SMEs when they start working together on trying to contribute to those supply chains. We have got some further data, which is not in the submission, in relation to the domestic sustainment opportunities for the JSF, and I think specifically around that region, the majority of the generation of economic activity will be about the on-site sustainment opportunities.

The CHAIR: We would be interested if you could give us a little bit more information on that.

Mr CADE: Yes, I will take that on notice.

Mr ANICICH: Just on that, and around the JSF, is the Committee aware of the position Australia has as a partner nation and the ability to win these contracts for the whole of the Asia-Pacific region and the sustainment?

The Hon. JOHN GRAHAM: There is evidence in front of the Committee, but I think it would be interesting if you gave us some more details about how that will unfold in practice.

Mr ANICICH: It has started to unfold already, but there are other opportunities, we think. Australia as a partner nation, one of the five partner nations in the JSF program, has had and continues to have a prime opportunity to win the long-term maintenance sustainment upgrade and overhaul contracts in the whole of the Asia-Pacific region. So it is not just the Australian 72 aircraft that will be based here; it is the aircraft that will be in Singapore, Japan, South Korea, and the US aircraft that are based in Hawaii or Darwin or wherever else. BAE has won, for example, the contract for airframe maintenance for the southern Asia-Pacific region. TAE, which I mentioned briefly earlier, has won the contract for the engine sustainment for the whole of the Asia-Pacific region.

The opportunity I alluded to, and I do not know whether it has ever been taken up by government or not, maybe it has happened—if it has happened that is fine, but if it has not, it should—TAE is a company that emerged from Air New Zealand management buy out and it is based primarily at Amberley. It is in the process, as we understand it, of enlarging its facilities at Amberley. It has a presence here in Williamstown but not a large presence. The bulk of the fleet, two of the three Australian squadrons, will be based here; others will come from other nations for this work. They will come to Williamstown; the engines will have to be disassembled on the aircraft here, broken down, put in crates, shipped to Amberley, the work done. Then the reverse happens: the TAE people here will reassemble them and put them back on the aircraft. It occurs to me that there is a perfect opportunity for someone at a very high level in State Government to pick up the phone to the CEO of TAE and ask the question as to what can be done by the New South Wales Government to attract more of that operation here at Williamstown as opposed to Amberley.

The Hon. JOHN GRAHAM: And they are still prior to making some of the big decisions about their investment that might make that possible?

Mr ANICICH: I do not know where that is up to, but if the question has not been asked it should be asked, in my view.

The Hon. MICK VEITCH: Recommendation 11 in the Hunter Defence submission says, "Government formulate a published strategy for Richmond and Badgerys Creek or seek Federal support to do so", and you go on to talk about a fully developed integrated defence ecosystem so we avoid those one-off situations that arise from the development of Badgerys Creek. This flows across into another inquiry that this Committee is conducting, which is looking at how regions can leverage off activity in Sydney. Can I just explore this a bit further? What would you like to see in that published strategy?

Mr ANICICH: We are sensible enough here in the Hunter to know that it is not all going to happen in the Hunter, and we will promote Hunter-based solutions for the benefit of the State and the nation in defence and in other areas. We also appreciate the political attraction of Western Sydney as a growth area and that it needs a huge amount of spending on infrastructure and all the rest of it. But one concern in relation to the Badgerys Creek development is that there appears to be a significant focus by the State Government on developing what they call the aerospace industry in Badgerys Creek. Badgerys Creek will not be online until the mid-twenties or whenever it is. The fact is, we already have an aerospace industry here in the Hunter—it is not just Defence; Jetstar also have a maintenance facility at Williamstown.

We have the capability now to be furthering and enhancing that aerospace capability and developing advanced manufacturing and smart technologies all around it. So I guess what we are seeking to say is we recognise that Badgerys Creek will always be very high on the agenda, but do not forget the existing capability

in the Hunter and develop the strategies and plans to enhance that, and that can happen now—not wait until 2026 when Badgerys Creek is online.

Mr CADE: I will add to that. I suppose our concern was that the future development around our own airport precinct and Badgerys Creek do not have to be mutually exclusive. If you look at our current infrastructure, it is almost a case—and there have been discussions in Sydney about this—of an A for aerospace and a D for Defence. That will apply to both regions, but, given the background—and this Committee is aware of this—and what is coming in terms of the Joint Strike Fighter [JSF], the A may be a smaller A and the D may be bigger in Williamstown, and the opposite might apply in Badgerys Creek. One of the issues that we want to bring to the Committee's attention is that there is the consideration of both of the regions as part of an eco-precinct in one whole.

The Hon. MICK VEITCH: Essentially you are saying that the State Government should be actively engaging with the Feds around the development of a published strategy.

Mr CADE: Yes.

Mr ANICICH: But which acknowledges the opportunities in both regions.

The Hon. MICK VEITCH: Yes, so not mutually exclusive but happy to work together.

Mr ANICICH: Correct.

The Hon. MICK VEITCH: Essentially the other inquiry is trying to work out how the regions can leverage off the back of Sydney and the activity in Sydney, with Badgerys Creek being a significant opportunity for a lot of the regions. That is why I am interested in it.

The CHAIR: Picking up that, given that you are such a ferocious—in the good sense of the word—advocates for the Hunter, one thing that has come up a few times in how Australia presents overseas is that there is confusion from the competition between the States in the national Defence advocacy, particularly from some of the primes, about some purchases from overseas suppliers. It was suggested that we should have a "Team Australia" approach, and perhaps a State like New South Wales could play a leadership role putting together that operation. Do you have any views on that proposition?

Mr ANICICH: Essential, absolutely essential. A good example of it is going back to the JSF. One of the contract packages was recently awarded to BAE, which is around logistics. Part of that came from Minister Pyne leading a "Team Australia" delegation to Luke Air Force Base, the home of JSF, with representatives of the Australian industry and State governments. We recognise that it is no good for the Hunter, for example—although it is not in a position to do so—to go to Luke Air Force Base and say, "We want this in Williamstown". It is not going to work that way, but it is vitally important. It is also important for this Committee to make recommendations to the State Government that it should try to take the lead in working with the Federal Minister for Defence to ensure that that is the way it works.

I think this Committee took a submissions from the Department of Defence and Defence NSW, as well as Chris Jenkins from Thales, saying exactly what you are saying, Chair. We do not necessarily want to get into a bidding war with other States, particularly for work—although there are examples of that such as TAE but it is very important to have a collaborative approach in relation to naval shipbuilding. Some of the work can be done in South Australia and Western Australia, but there is a lot of systems integration work and smart technology work that can be done in the Hunter and other parts of New South Wales, including Shoalhaven. A collaborative approach is very important.

Mr CADE: Not surprisingly, I concur with my colleague. Looking at it from another angle, from the States' perspective, it does present a very fragmented look. We have seen representatives from different States have their own stand at trade shows. We have also been party to "Team Australia" delegations. The first one that we were involved with was in 2015 at the Paris Air Show. It involved a whole range of meetings with primes associated with the F-35s. In a lot of cases, for some of those small and medium enterprises [SMEs] that is where relationship building commenced. It proves to us that having a united approach as part of "Team Australia" works, but we have also seen when it does not work. Any discussions with our friends from other States, given the work program ahead in the Defence pipeline, there is a recognition that no one State can do it all. At different times people need to play to their strengths and their geographic advantages.

The Hon. PAUL GREEN: The crumbs that fall from the table are very big crumbs.

Mr CADE: They are.

The Hon. NATASHA MACLAREN-JONES: I would like your views on New South Wales support of research and development [R and D], compared to other States. I note your earlier comments that we have been behind over the years, and I am interested to know whether we are investing enough in supporting R and D. Are we competitive enough? If not, what more needs to be done?

Mr FENWICK: Quickly, from my relationships with the State and Federal government representatives in the area, a lot of the R and D focus is definitely with the Feds through the commercialisation programs and things like that. I do not think that in any of the conversations I have had in the last few years there has been any sort of significant attention at a State level given to R and D programs.

The CHAIR: That was a pretty clear answer.

Mr CADE: I probably would not be as harsh as that. Again, the strategy sets a path forward, and it was definitely not silent on the need for R and D. We have taken a view to date that we have not really been in a position to wait, so a lot of activities have been driven by industry and SMEs that are involved in those smart technologies. What we are seeing now with the development of the hub and the collaboration across industry, business and research organisations is a more coordinated approach. That will result in better utilisation of finite resources. I agree that we have come from a poor base relatively speaking, when we look at some colleagues in other States. Having said that, we are optimistic that we have a path forward.

The Hon. RICK COLLESS: I have a general question on the scale of what is happening as the F/A-18 squadrons are taken away. How many aircraft in total were in that contingent and how many JSFs are going to be located in Williamtown? I think two out of three squadrons.

Mr ANICICH: I can answer the second part of the question, because the commitment for the JSF at the moment is a total of 72 aircraft—that is, three squadrons and two will be based at Williamtown and one at RAAF Base Tindal. There was talk in the early days of the fourth squadron, but whether that eventuates, who knows? As to the number in the current—

The Hon. RICK COLLESS: The reason for my question is that I noticed in the submission that the total staff numbers on the JSF were going to increase from 3,500 to 5,000. Is that a result of more aircraft being located at Williamtown, or a higher level of technology required?

Mr CADE: It is technology driven, essentially. I do not have the exact numbers, but that is something we could take on notice. Our Defence project director would know the numbers off the top of his head, because he is still flying. We will take that question away, if we could—

Mr ANICICH: In an F/A-18.

Mr CADE: —in an F/A-18. However, our understanding is the bulk of that increase is going to be associated with the increased sustainment needs of the new aircraft.

Mr ANICICH: And not just the Australian aircraft but the regional opportunities as well.

The CHAIR: Thank you for appearing before the Committee today and for your submissions. You will have 21 days in which to respond to the questions you have taken on notice, and the secretariat will help you with the process.

(The witnesses withdrew)

PETER GESLING, Chairman, Newcastle City Airport, sworn and examined

PETER COCK, Chief Executive Officer, Newcastle City Airport, affirmed and examined

JAMES GARVEY, Director, 2JC Pty Limited, Director WAC Holdings, affirmed and examined

The CHAIR: Would you like to make an opening statement?

Dr COCK: Yes, we will. I have 1½ minutes, so I will not recount our submission. It is important to introduce Newcastle City Airport. We are wholly government owned by Port Stephens in Newcastle City Council and its current contribution is approximately \$1.2 billion to the regional economy. We have recently completed a 20 year master plan with a 60 year vision. That document is the first to show that the airport and the potential for aerospace advance manufacturing has been integrated, so I think it is an important step forward. That was a trigger for the decision for the airport to acquire the land adjacent to it, which is a 78 hectare site which can be used for aerospace defence. As stated in our submission, the opportunities are real and immediate. We have a view that the estate is an estate of scale and it is about integration, innovation and an inclusion of small and medium-sized enterprises [SMEs]. To restate our requirements, or what we think the Committee can do, it is important to put on the record that we think we need the State to actively engage in promoting defence industries in Williamstown. We are also looking to receive some establishment infrastructure to develop the estate.

Mr GARVEY: I will try to stick to the three minutes, but I will be rather quick. Thank you for the opportunity to address the Committee. 2JC Pty Limited are the owners of land along Cabbage Tree Road, Williamstown. I have provided updated maps to you in my submission. I am also one of the owners of the Williamstown Aerospace Centre, WAC Holdings. We sold off the lot from the Mercure Hotel and have constructed and own the four defence industry tenanted buildings, including firms Raytheon, Lockheed Martin and Boeing. The 2JC land provides the opportunity for further expansion of the Williamstown Defence and Airport Related Employment Zone [DAREZ] area. However, the expeditious and timely rezoning of the land and the establishment of road, sewer, water and utilities infrastructure will give the State and the Hunter region an unprecedented opportunity to establish the area as the world-leading aerospace in defence technology estate, yielding jobs and growth for years, indeed decades, to come. I cannot overstate the need for speed in this rezoning process.

The WAC Holdings 2.5 hectare site has only two rather small buildings remaining for lease, with these forecast to be built out by 2019. The area is currently not satisfying demand for defence SME owners who are driven to own their own facilities but fund their firm's jobs and growth. I have had to turn people away in the past few months because of that. Many of these companies are integral to the Joint Strike Fighter [JSF] supply chain and the Wedgetail supply chain and are part of the wider defence industry. You may think there is plenty of land with development approval, however, the constraints and impediments to the development of that land are substantial. Either investment through waving State infrastructure contributions [SIC] on to water or service levies under the Roads and Maritime Services or direct road cost funding will create a limited time frame opportunity to capture the Hunter region and the State's share of the record Defence spending by the Federal Government. This approach is in keeping with this Government's visionary investment in 2011 of the funding of Hunter Water's water and sewer infrastructure for the Williamstown area and the duplication of the Tourle Street Bridge. Government and councils are now reaping the rewards through land tax rates and local employment with these companies moving off the base.

The number one issue that will enable New South Wales to truly capture the 40-year platform investment that the Joint Strike Fighter represents is by having Hunter Water lead and provide the Defence Royal Australian Air Force [RAAF] base, which is the solution to connecting to the modern Williamstown sewer infrastructure, not waiting for Defence to find the solution; they will not find it—not in our lifetime. The subsequent decommissioning of the 1950 sewer treatment plant will enable BAE Systems to design a more world-leading facility with integrated supply chain manufacturers and services moving to the area. If this is delayed, firms will find premises in other locations that typically will not be removed for the next 10 or more years and New South Wales will miss out. I have had firsthand experience of this when Defence started moving contractors off the base and Williamstown had no private land ready for facilities. I can name about half a dozen companies and I have not been able to draw back yet. It is this term of the Government that will fund the

infrastructure that guarantees that New South Wales will become Australia's aerospace State and deliver all the jobs and growth that will follow.

Finally, I thank the three councils—Newcastle, Port Stephens and Singleton. For the past eight years they have supported the Williamstown Aerospace Centre and its regional marketing campaign when we attended five Avalon air shows and two or three Defence and Industry conferences in Adelaide. These three councils have understood and very much supported the economic development and vision, and now the reality, that the Williamstown Aerospace Centre represents.

The CHAIR: In 2011, I was responsible for Hunter Water, so I am pleased to have been able to help a little bit there. I am no longer responsible for it, but I do know the risks, so I will check up on that.

The Hon. MICK VEITCH: One of the submissions talks about the impact of perfluorooctanesulfonic acid [PFOS] and perfluorooctane sulphonate acid [PFAS] contamination at Williamstown. Your submissions are saying that there is an opportunity to reinvigorate the economic viability of the Williamstown area. How significant an impact has the PFOS contamination been on the businesses that are surrounding the Williamstown base?

Mr GARVEY: It is fairly certain that most of the area that we are talking about—the airport—is contaminated. We have not tested our land at WAC Holdings, and I do not think there is any need to. The latest submission for the building that we completed in August—which is fully tenanted and which you will visit this afternoon—required us to confirm to the Environment Protection Authority [EPA] and council that when we were digging the various footings for our buildings we did not affect the groundwater to the extent that we were moving groundwater around. It required us to have more shallow and wider detention basins, and due to the flooding issues there we have to build basins underneath all of the car parking lots. It is significant, and to achieve some of the major road infrastructure that the airport and 2JC land will require, it needs dewatering. It will require some coordination between council and the EPA that I would say, to date, has not been seen. I think that is fairly clear. The good thing is that we are on private land and we do not have to worry about the wider area outside of it.

Dr COCK: It has not affected the running of our business. We are still running. We turned off the bore water to our plants so we are using potable water now, but that is a minor impact. We have undertaken a number of constructions in that time such as car park expansions; we are currently in the process of expanding one of our car parks. That requires dewatering so we are currently talking with the State EPA about that. They are being quite pragmatic in their views, and that is pleasing to a business. We are refinancing at the moment. What would be helpful is for some of those pragmatic views to be put in a form that is bankable—for want of a better term—so we can take it our potential lenders and say, "This is the position." It is about clarity of how we will go forward—that is what banks are interested in—to ensure that we can return income off the land they are loaning us money to buy. I am a trained environmental scientist. Having come from that background I think that the PFAS is not going to impact on the ability to develop the estate. I think it is about managing it. The broader impact is in respect of the community and the hardship it has brought, whether real or perceived. It is not my position to say that, but I know there are a lot of articles and a lot of stress in the community about it. We say: Use economic engines with money that is already going to be outlaid to improve the situation.

Mr SCOT MacDONALD: Mr Garvey, can you elaborate further on the number of positions coming off-base and going to places such as the precinct? Can you give us the context of that and what it means?

Mr GARVEY: Mr Colless asked about how many people were on the base and coming off at a presentation last December. There was a Defence fellow saying that, with 4,200 people on the base now, their projections were 6,000. That is not all Joint Strike Fighter; also at the bases you have the former GTE SPO, which is now the Surveillance and Control Systems Program Office, and the Wedgetail SPO. The Wedgetail is significant and I do not think that always plays into everyone's thinking. They think it is all about Joint Strike Fighter. We only had our first dedicated Joint Strike Fighter tenant at the WAC Holdings in August. All the others there are doing radar work or surveillance and control work. The Wedgetail opportunity has not really been mentioned. It is amazing what you find out on soccer fields in the Hunter. One of the dads was saying, "I work for Boeing. I'm flying to Malaysia and then I'm flying to Korea." He was working to have the Wedgetail upgraded with the work they are doing at Williamstown done on the fleets of these countries. Those opportunities are enormous, and they are not even talked about.

In terms of numbers coming off, due to the security concerns on the base and the number of, for lack of a better word, blue shirts going onto the base, they want to get them off because they have a limited catchment area. They also realise that they cannot carry the costs of all the maintenance of that building, and that is a big

part of what the private sector can provide: provide the buildings, provide the area. It is literally very close. They can all meet in the terminal of the airport. Sometimes the meetings are a lot easier on our side of the base in the private world.

The Hon. MICK VEITCH: Is that coordinated? Defence is transferring that across, but is it happening without coordination?

Mr GARVEY: Defence runs in such silos. There is the surveillance and control silo versus the operating people, and the operating people and the surveillance and control sometimes do not speak all that well. Then there are contractors. Because of the large funding in the programs it is not really coordinated overly well. I know that Raytheon was my first tenant from WAC Holdings. It moved into the terminal building because it was told it did not have any time to move and it had to get out, but it needed a workshop area and that was the reason it then left the terminal for one of our buildings. It is not very coordinated at all, I can assure you. They do not get a lot of warning. I know one firm that had six weeks. It looked after all the panelbeaters for all the Air Force trucks, fire trucks and all that fleet, and it was a company that got just six weeks notice. It is in Medowie in the back of a panelbeaters shop trying to do that. It had all that knowledge about putting in security and whatnot. It is a company, like some of the other areas, that would come right back in because it is integral to what the base does, but Defence sometimes do not think through the estate and the full ramifications for the supply chain.

Dr COCK: The importance of the point Mr Garvey is making about the need for secure environments cannot be understated. Some of the material for JSF but also Wedgetail is highly classified, particularly for JSF, as the Americans put significant controls. Our concept for the estate is that there would be a gated area. As Newcastle Airport deals with aviation and security already, we would apply those same kinds of principles. We kind of get it: We deal with Defence, and it understands that we get it. I think there needs to be a zone on our estate which is gated, with other people who want to be there but are outside that more secure zone. We have already started talking with BAE about the concept and looking positively at it.

The Hon. RICK COLLESS: I return to the issue of the dewatering. To what extent are we talking about dewatering? Are we talking about reducing the groundwater level by a particular amount? How much water is involved? Presuming that that water is contaminated, what is going to happen to it?

Dr COCK: The dewatering that we are contemplating is part of our master plan—we have a master drainage strategy—is not putting in cut-off drains as you would in farmland to lower watertables to make land usable. The plan is that the land has to be built up. There are significant tens of millions of dollars in fill that needs to be brought on that site. The dewatering is temporary dewatering to put in facilities—for example, in our car park. We are putting a pipe under a road, so we have to dewater to do that. We have written correspondence from the NSW EPA that says so long as the water is filtrated back into the ground on or approximate to the site, that is adequate and sufficient. That is what I was talking about: If that advice could be broad, it is very manageable, and it is the way you would normally do dewatering in a construction context. It is not wholesale dewatering; it is minor dewatering. You put the water back on the site so it is going back into the groundwater it came from.

The Hon. RICK COLLESS: Does that whole area have a relatively high watertable?

Dr COCK: Absolutely, yes.

Mr GARVEY: It is RL1 and less in some areas. That means it is one metre above sea level, so bringing in the fill is the obvious way to deal with the contamination issue and then changing its use, which is currently for most of the land residential and rural. Both objectives of the zone have been sterilised. Moving to a more industrial zoning is a better use of the land, and maybe give some of the attendant neighbours an exit strategy out of some of the land. That is the good side of maybe what has caused the contamination, if there is a good side.

Dr COCK: On a more regional basis, Newcastle Airport, Port Stephens Council and the Department of Industry are working on a regional drainage strategy which is improving the drainage of the area into Fullerton Cove. Fullerton Cove is a RAMSAR wetland and there is PFOS, so it is not without challenges, but it will open up more broadly than ours. We are the airport's owners and we have a broader interest in regional development. It is not just about our site being developed; it is about regional development. There is the broader issue of making regional drainage work better, which means you can lower your lot levels a little bit, and then there is the site-specific dewatering to put in a footing.

The Hon. RICK COLLESS: You talked about building up the level of the land. Obviously that is going to take huge amounts of fill. What plans are there to do that and where is it going to come from?

Dr COCK: We do not have detailed construction plans but there are sources of clean fill proximate to the area. When we start constructing, that has to be managed as a construction management plan to ensure that construction traffic is safe on public roads.

Mr SCOT MacDONALD: WestConnex.

Mr GARVEY: NorthConnex, actually. There are a few parties that are associated with 2JC Pty Ltd that want to bring fill up its virgin excavated natural material [VENM]. That is why we currently have a DA in front of council to do that. That is what we are trying to achieve.

The Hon. RICK COLLESS: It is a long way to bring it, though.

Mr GARVEY: I think they are bringing it to Lake Munmorah now. They are bringing it to a few different areas. There are plenty of trucks in the Hunter that bring sand to Sydney and come back empty right by the airport and right by that whole area.

The CHAIR: When you were talking about the airport master plan, you put some serious numbers on it with the current \$1.2 billion contribution to the region. It is a 20 year master plan with a 60 year vision. Can you give us some more detail on that? What is that vision? Where will you end up?

Dr COCK: Our reason for being is to be the airport the region deserves. It is about not trying to be Badgerys Creek; we are the region's airport. But the term "deserves" is really important for us because it is about driving the regional economy. Airport master plans are driven primarily by passenger numbers, so we have done a bottom-up assessment of that, which is looking at city pairs and where people from our region want to connect to, but also a top-down assessment, which is talking about econometrics and what the economy is doing. Our current projections are that on the moderate growth we should be somewhere around 3½ million passengers. Our vision document, the 60 year, which is what we are safeguarding for, is that the airport may need to be anywhere between five and 10 million passengers a year—

The Hon. JOHN GRAHAM: Where are you at the moment?

Dr COCK: We are at 1.25 million. It is a significant development. That is why we have purchased additional land because we are safeguarding future for the region. I guess that is why it is so important that any industrial development which develops a region is fully integrated with the airport development. That was the other reason in terms of land we needed but also to make sure those opportunities both work together. The original DA kind of turned its back on the airport. They absolutely need to be integrated. I have got full board and shareholder support for that.

Mr GESLING: We have got shareholder support behind that as well. The shareholders have signed off on that vision and it has given us the imprimatur to go and talk about it. We are talking that up in the region now. When we get the Defence approval for the master plan, which is expected before the end of the year, it will be released publicly and allow that into the marketplace to develop the land.

Dr COCK: It is also worth saying that the master plan is entirely consistent with the Hunter Regional Plan 2036 and that we engage with Roads and Maritime Services, NSW Planning and council. We have also gone to the public and talked to the public about it as well. Because of the scale of what we are going to do, our aim was to fully integrate with the region and not be a little isolated site.

The Hon. PAUL GREEN: Page 11 of your submission states:

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 site provides other strategic benefits to NAPL beyond the usual acceptable rate of return when considered by most commercial developers.

What are the strategic opportunities on rate of return on that land if it can be decontaminated or the water is addressed?

Dr COCK: What we were getting at there is developers might like 20 per cent or 25 per cent return on their money. Often the developer's model is they develop an estate and they either lease it out and then sell it off to a trust—an investor—or they just exit and give the roads to council. The airport operates very differently. We are there. We have got a 60-year lease with three 10-year options. Our desire is not to get rid of the land. We are

going to be landlords there in perpetuity. It provides airport infrastructure. As opposed to the existing DA some of the uses will not be for industrial; they will be for airport purposes.

Our shareholders are willing to not have to get a 25 per cent return—our hurdle rate is significantly less than that—because they know it brings economic activity into the region. They appraise that in terms of the workforce and the communities that are being developed. That is why we are different from a traditional developer. We have got a different model and a different outlook. It is also important that we have got a different approach to doing things. We are a big, responsible corporate and we do things in a kind of different way to what a traditional property developer might do.

The Hon. PAUL GREEN: How are you building up your skills base through TAFE or university to meet that time line of need as you move along trying to build your business?

Dr COCK: Some of these SMEs and perhaps primes will come to the site. I think it is about maximising. As James has noted, lots of people want to be at the site but how do we maximise that opportunity for the region, for the State and then for Australia? We have already started discussions with TAFE and HunterNet about how you provide vocational employment on the site. Vocational employment is critical—it is not all about universities. But we are also having preliminary discussions with the University of Newcastle about participation on the site as well.

Mr GARVEY: A point about the university—they are one of our tenants; I think you will be visiting this afternoon—and the hub they have set up there: They are already looking at expanding that. The regional initiative when the Williamstown Aerospace Centre was going to the Avalon shows for a number of years, the university was the one that really joined us and we separated from the New South Wales Government for a few years when the focus was not quite there and we wanted to get our vision out more broadly to not be within the New South Wales basis and people may not realise how important that show is.

I can assure you that it is critical to be able to go to the executive vice-presidents who come over from the US primes and say, "We have a university here and now they have jumped on board as being part of the fabric of the estate." That is really important from that side when you ask about the skills that you bring. That is why it has been so important to pull our region together. You heard me thank the councils. If you look back to the five or six brochures that we have brought to Williamstown, the university has always been a key element of it. It has taken vision, from when I started on the site in 2004, to now say we are going to engage with industry. This is where I think having a mix of profit motive of private players is important.

I appreciate the airport's need to take things in what I would say a risk averse manner. In doing that, we do not capture the opportunity that is in front of us, and that is the real concern. It is a limited timeframe when the joint strike fighter arrives in a couple of years. We can talk about it in 2022-23. There will be decisions made in the next two to three years if we do not have land ready and then under a varied land ownership model. It cannot all be leased. We are now running into that problem. We are only leasing, due to small size. We need our options for people to purchase land and then plan the whole area so it is done properly. So you are looking at 2030 and maybe just not 2025. That approach is how it gets started in the early days.

I take up the point raised by Dr COCK about the stringency if the EPA could give us clarity on dealing with the contamination, and there are simple ways to deal with it. No-one would value the site that I bought 2JC. I have owned it for a year and a half; no-one would value it. They just said, "We're not valuing that land." That approach is still in the marketplace now. That was sold by administrators.

The Hon. PAUL GREEN: What do you need from the New South Wales Government to release the opportunities that exist around your airport?

Dr COCK: To take up a point raised by Mr Garvey, I think time is of the essence. We have got a program now to get the first road accessing the BAE site up and running by the backend of calendar year 2018. We actually want to go with it now. We are actually spending hundreds of thousands of dollars on planning and getting geotech and all that stuff, so we are getting on with that now. That first road is going to serve both the airport and estate purposes and is likely to cost in the order of \$15 million. That is what quantity surveyor estimates tell us.

Mr SCOT MacDONALD: Are you able to point out where it is?

Dr COCK: I can. This is the road coming off Williamstown Drive coming in and servicing the back of the BAE site. It also serves the airport. I will provide this map to the Committee. It serves both the airport and BAE. We are in negotiations with BAE now.

The CHAIR: Will you draw a line on the map?

Dr COCK: We are currently in negotiations about taking options on this land. We are working with BAE about expanding. We hope in short months, not six months, we will come to an understanding with BAE about options on this additional land. In answer to your question, we want help from the State Government with opening this up, with not all of it paid but some of it—perhaps \$5 million from the Newcastle airport, \$10 million from the State or a split like that. The other part we need is the access from the airside, so a taxi way needs to be built. We think that enabling infrastructure is something which the Government could provide through its regional economies fund. We have already started talking with government about that and we will be progressing a bid in relation to that—that whole-of-government approach to promoting the Williamstown area as a defence aerospace hub looked at not in an exclusive way with other parts of the State but for what it is fit-for-purpose for. I would reiterate the comments from the Business Chamber and HunterNet.

The Hon. PAUL GREEN: Because yours is not just Defence; it is also about export opportunities too, is it not?

Dr COCK: Absolutely. We see a big advantage in advanced manufacturing because there are lots of spin-offs from defence industries to mining, and lots of spin-offs from mining to defence industries. Our broader view is not to forget about the miners in the upper Hunter. That needs to be taken into consideration as does how you maximise the broader regional opportunities and not have an estate which is entirely dependent on Defence, because then it is not as sustainable. What we want to get is something that has both advanced manufacturing but also Defence and focuses on export earnings as well.

Mr GESLING: That is why the education component is so important too. Skills is one thing, but it is also how does that flow back into other elements of the economy? That is the rationale of both Mr Garvey and the airport use in talking of the education side of it.

The Hon. JOHN GRAHAM: I turn to the comments you made about the contamination, just looking for the economic outcomes given that money is already going to have to be outlaid in this area, because I think that is quite an interesting question. This contamination issue is going to take some time to be resolved. It probably will involve some sorts of assistance. What opportunities are there for the airport or for the aerospace park, as Federal and State governments are looking at this issue in the region?

Dr COCK: Where construction costs are more and above what would normally be implemented, I think there is a good case to be made that that should be paid for for builders. But I think where I was going was that sustainment money on the F35s is already going to be paid. By using that money in this area, that creates economic activity. So it is not using new money, it is using old money to solve the problem. I think that is a clever way of using it, which goes to using the money for developing industry to develop assets which are also used by the airport, which is important to the region in more than just defence. I think that is clever use of money as well.

The Hon. JOHN GRAHAM: Just turning to the general economic development impact to the airport, you are running 1.25 million passengers at the moment. Feel free to take this on notice, but what proportion of the flights in New South Wales would that be?

Dr COCK: I will take it on notice, but, off the top of my head, Sydney is doing 30 to 40 million passengers, to give you the difference of scale.

The Hon. JOHN GRAHAM: So it is significantly smaller than, say, the region's population compared to the number of flights.

Dr COCK: We have done studies and we think we still leak around one million passengers, if not more, down to Sydney. We have got a marketing program at the moment, not about inbound passengers but to our local communities, to use the airport more. We are investing about half a million dollars this year in activating the airport.

The Hon. JOHN GRAHAM: And that is crucial to the general economic development of the region?

Dr COCK: Absolutely, yes, and it takes pressure off Sydney. Whilst we are the minnow and they are kind of the elephant, if you mix metaphors, that extra amount of people is important, and it is also economic activity. We get lots of stories about it is easier for the region to do business in Brisbane than it is to do business in Sydney because they can be in Sydney. So we are trying to enhance connections into Melbourne and Brisbane to create that sort of economic activity for the region.

The Hon. JOHN GRAHAM: And you are saying the development of an aerospace park would have knock-on impacts—obviously jobs benefits, but it also has airport impacts; it helps you reach those much higher passenger goals as you develop?

Dr COCK: Absolutely. What the master plan does is make sure the roading is integrated estate and the airport, but also make sure the drainage is integrated, make sure the land uses are integrated. This is the first time it has ever been viewed, how do you get the synergies from both?

The Hon. JOHN GRAHAM: Are you saying that it does not get in the way of those plans to expand or it actively helps you reach those much higher goals?

Dr COCK: It actively helps. For example, if you are building for the estate and we need a new road for the airport, if that can be work on the same road then you are actively promoting both

The Hon. JOHN GRAHAM: So helping you reach those larger goals with knock-on effects into the regions, the aerospace park development is one of the key things that the Government could look at to do that. What are the other constraints that are in the way, or things that the Government could do to assist with those long-term goals that you have told us about?

Dr COCK: I think leveraging off partnerships at a State Government level to create international traffic into the airport would be vital. I think to some extent it is a badge of honour to the region that it can have international traffic. The State Government spends lots of money on tourism partnerships, and other States subsidise regional international routes. I think that a State Government focus on making sure there is an alternate international gateway into New South Wales is a strategic and critical element. If you look at Queensland, they have got Cairns, the Sunshine Coast, the Gold Coast and Brisbane—they have got four. New South Wales has only got one. I am not saying anything bad against Sydney Airport—those guys are trying—but they have got significant capacity issues at the moment, in terms of traffic at least.

The Hon. JOHN GRAHAM: Turning back to the Defence side of things, if we are really looking at generating some export opportunities out of the significant defence industries here, developing that international air relationship is pretty crucial to making the most of those opportunities.

Dr COCK: Absolutely. One of the interesting things we did in our master plan was look at the relationship between one runway with Defence on one side and civilians on the other. Our modelling shows that at the five to 10 million passenger mark we can still work cooperatively with RAAF, and RAAF are pre-eminent on the runway—their needs go first—but we can still reach those passenger numbers and RAAF can have all the flying they need according to the day. Crucially in our master plan was we engaged strongly with RAAF. We have got a very good and collaborative relationship with those guys, to the extent that they have asked us about the Wedgetail in terms of the airframe maintenance and if we have got land available. So we have strongly promoted, of course as we would, getting the Wedgetail heavy maintenance down from Amberley onto our site. I think it is very much an assessment of a long list of places by Defence, but we were very strong in putting our region up there because airframe maintenance of the Wedgetail is a critical element.

The CHAIR: Could I just clarify something? You mentioned you thought there was a leakage of around one million passengers from the region. Is that people who are not travelling to routes that are already served out of Newcastle or is that people who go to Sydney to do international flights and that sort of thing?

Dr COCK: It is both. I am taking a holiday to the US next year; it is quicker for me from my house to arriving in LA to fly through Newcastle Airport. So in terms of unserved routes—LA is a serviced route because people can check their bag, fly to Brisbane and they turn up in LA with their bag. We have pretty good services to Brisbane—11 flights a day. People are still driving down to Sydney to go to Brisbane—not as many, but it is also international flights and things. For example, Perth is pretty poorly served out of our airport. One of our marketing things is not to promote flights which we do not think work, so we do not promote Perth out of Newcastle. It is a combination of people understanding where they can get to and understanding that it is quicker to fly through their home airport, even though it might be one more stop in time, than it is to drive down to Sydney.

The Hon. RICK COLLESS: Just a follow-up question. What is the procedure then for initiating international flights from Newcastle Airport? Is that the responsibility of the State or Federal government, or principally the responsibility of the airport negotiating with the airlines?

Dr COCK: The latter. It is about us negotiating. It is almost like pitching for business deals. We have got a team of two people who go to airlines and tell them the economics of the route. New Zealand would be a very likely prospect for us, but it just so happens that on trans-Tasman at the moment there is lots of traffic, so

that is a bit more difficult. Where airlines are at at the moment is they are not increasing fleet size; they are taking the yield on their current fleets. It is not if we think the route would work or not—Adelaide is a really great example and particularly relates back into Defence. They think Adelaide will work from our airport, they have told us, but they have said, "We are not sure if it will make more money than this route" or "We are not sure if it will make more money than that route". Also what airlines say to us is in the first two or three years you need people to change behaviours. So they are not confident that the route will work for the first few years.

No-one is in the business—Newcastle Airport in particular—of subsidising a route that is not going to work economically. That is not where we are at, but people and airlines need to know that someone is going to help them for the first couple of years while they start establishing that traffic. Their traffic does get established. Sunshine Coast started an Auckland route, and the visitor economy and tourism from New Zealand shot through the roof. I spoke to someone from AccorHotels about the recent arrival of Singapore Airlines in Canberra. AccorHotels told me there was a noticeable uplift in the yield—which is dollars per room or bed nights per room or whatever metric they use—as soon as that flight established. The interesting thing about value capture is that the airlines take a lot of the risk and we take risk, but the value capture goes to the region.

The Hon. RICK COLLESS: What about international flight facilities—Customs and other services? Do you have those facilities at your airport? If you were able to negotiate an international flight, would it be the Federal Government's responsibility to put those facilities in place?

Mr GARVEY: It is a good question.

Dr COCK: We can thank the State Government for that. We have recently put in the required international facilities from a State Government grant. We had \$11.1 million to build the warm shell, and the fit-out was \$1.6 million—half State Government, half Newcastle Airport. I think that is a great model for co-contributions, based on help and not dependency. There are additional facilities that Customs and Border Force would need, but they are minor. The benches and everything are there, so if you bring us a flight, we will take it today.

The CHAIR: I know that Mr Garvey wants to add to that response, and this will probably be the last question of this hearing.

Mr GARVEY: I am happy to have the last word. That brings up some of the points about the airport having the pedigree to hopefully get those international flights as the terminal has recently been made ready. This Defence inquiry may compare Williamstown and what the Snow family did with the Canberra Airport, where they were able to garner a lot of the Defence and wider industry support to come in as a commercial operator driven by the profit motive. They were the only developer who acquired an airport lease under the previous Howard Government. One of the things that concerns me is if the focus for the future on the land around the airport goes to an organisation that is risk averse, owned by two councils and in the past has not worked with the adjoining business owners.

I need to get on record that over the years the development of our land has been made difficult by Newcastle Airport, with a lack of collaboration and understanding of the fact that if we both grow the pie larger, we will both benefit. This has been taken to the point, under the leadership of Peter Cock, that our last two buildings have had their development applications [DAs] objected to, unreasonably so. We have to work with the greater group for the filling of the land to deal with some of the contamination issues and get it ready for future uses that are now possible through a rezoning. I have proven that I have done that, when you look at the councils and the groups that come along to the Williamstown Aerospace Centre marketing campaign each year—I have been doing that since 2004 and it is now 2017. It scares me if we take all the available land and put it on the horse of one particular organisation and say, "You run the race", when they have never run a race before.

The CHAIR: Thank you; it is great to get some local colour. Unfortunately, we will not be able to resolve that issue, but I believe that under the current leadership of the airport there will be collaboration. Dr COCK, would you like to respond?

Dr COCK: We did object to those developments just because they were inappropriately zoned in relation to noise. I am not going to argue with Mr Garvey because that is not the point of the Committee, but it is worth adding that we are very much for profit. When I was saying that we do not want to make 25 per cent, that is because we are not property developers. But we are very much for profit and we have returned \$8 million to the local community over the last four years. I have a strong profit driver. I was chief operating officer of Perth Airport where I ran a 14 million person airport and a 300-hectare commercial property estate. We have done it.

The CHAIR: In my former life as a lawyer, before I went mad and went into politics, we acted on the consortium that bought Perth Airport, so I know it very well. Thank you for appearing before the Committee today.

(The witnesses withdrew)

(The Committee adjourned at 11:34)