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Illawarra Shoalhaven **DEFENCE INDUSTRY CONFERENCE** REPORT



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The Illawarra Shoalhaven Defence Industry Conference, hosted by Business Illawarra and held on 4 April at Novotel Wollongong Northbeach, was an important forum for conversations about our region's future defence industry opportunities at a regional, state and national level - and a showcase of our defence industry capability.

Attendees on the day included senior members of industry and all levels of government together with representatives of peak groups, who heard from the Assistant Minister for Defence, as well as senior decision-makers and expert industry panellists. They attained an understanding of the opportunities and challenges within the current environment, and attain a clear assessment of the geopolitical and domestic situation, and what the future holds in respect to defence policy.

A feature of the event was the launch of the [10-Year Illawarra Shoalhaven Defence Industry Strategy](#), presented by KPMG, and prepared for Business Illawarra in conjunction with its partners the NSW Government and the Illawarra Shoalhaven Joint Organisation.

The day was divided into four sections:

1. Government overview – outlining both the federal and state government agenda with respect to defence industry;
2. Industry response – how our defence industry can rise to the challenges of a renewed focus on sovereign capability and a dramatic lift in procurement opportunities;
3. Launch of the Illawarra Shoalhaven 10-year Defence Industry Strategy; and
4. Discussion of the Strategy by local industry leaders.

Business Illawarra would like to thank all event attendees, speakers and panellists, and particularly acknowledge the following sponsors:

- KPMG Australia
- Bisalloy
- Illawarra Shoalhaven Defence Industry Network
- Invest Wollongong



Commonwealth overview

The event was opened by Member for Cunningham, **Alison Byrnes MP**, who welcomed attendees and provided an overview of the region's historical strengths in steelmaking, manufacturing and innovation. Ms Byrnes illustrated this with the story of Evelyn Owen from Wollongong, who developed the Owen Gun in 1938 which was used extensively by the Australian Army in World War II and the Korea and Vietnam wars.

Ms Byrnes introduced the **Hon Matt Thistlethwaite MP**, Assistant Minister for Defence, Assistant Minister for Veterans' Affairs and Assistant Minister for the Republic, who delivered the Ministerial Address.

The Minister remarked that given the Illawarra has long been a hub for manufacturing, skills enhancement, social progress, now was an ideal opportunity to partner with government to expand Australia's defence industry.

He noted that the 10-Year Strategy being released on the day showcases the region and its ambition to grow its strategic capabilities in defence ahead of the Defence Strategic Review to be released later in the month.

Minister Thistlethwaite provided an overview of the AUKUS partnership, which will deliver nuclear-propelled submarine capability into the future, with the Collins class coming to end of lifecycle in 30 years. The government looked at what is best available to defend the Australian people, and all advice indicated that nuclear propulsion offers the best solution for stealth, range and speed. It cannot deliver this independently and must partner with industry. In late 2030 Australia will begin to manufacture the SSN AUKUS submarine which marks a very large investment in tech, infrastructure and skills – 20,000 jobs over 20 years, \$40 billion in investment in the first four years – and will be delivered in-line with our non-proliferation treaty.

While the [Defence Strategic Review](#) (DSR) will ensure the ensure the Australian Defence Force (ADF) has the correct posture and structure to meet the requirements ahead, there is a need for an East Coast Base – and while there is conjecture regarding the location, a decision has not been made. Due diligence will be conducted to consider all options, to get decision right and will consult communities, including the Illawarra. The Minister observed that the Illawarra's industrial heritage and first-class education facilities, including the University of Wollongong – as well as innovative, established defence-related businesses in the area mean there will be many partnership opportunities for the region.

Legislative reform is required to ensure the Defence Act (1903) can cater for space and cyber domains, which weren't considered at the time. Submissions were open (closing 21 April) and the government is keen to understand how parliament can establish the legal backing to ensure industry can deliver into the future. Finally, the Minister stated that the government is keen to see opportunities for indigenous business and returned defence services personnel, and to use defence force land to leverage opportunities ie. solar panels, batteries to store energy, in partnership with defence and private sector. He encouraged all attendees to leverage the 10-Year Strategy and create opportunities for business to partner with government.

Questions to the Minister

The Minister was asked whether there would be a decision on East Coast Base before the next federal election. He indicated that there will not be a decision until after the election, and that construction would not commence regardless of the selected location until 2030-2040. The priority will be HMAS Stirling and Osborne Naval Shipyard initially.

The Minister was asked whether there would be opportunities for community organisations and not for profits. He responded by saying that the DSR will provide an overview of plans for partnerships. Opportunities will grow in the future, particularly for ensuring the health and welfare of the ADF. The Department of Veteran Affairs is currently in partnership with Phoenix Australia to treat PTSD, reducing the time to treat with similar outcomes.

The Minister was asked whether AUKUS requires bipartisanship to ensure success. He responded that it requires multi-partisanship as it is too important. When the decision was taken by the former government, now the government is able to deliver and will work to ensure decisions are made in bi- or multi-partisan basis.

The Minister was asked whether the expansion of the Department of Defence would see it play a greater role in affordable housing, including by working with other levels of government. The Minister responded that it is important that defence careers remain attractive for all, especially those with young families who need access to education and support services. He referenced the housing shortage that was the subject of a recent report by the [National Housing Finance and Investment Corporation](#), and referenced the social housing fund currently before parliament which will support veterans that are homeless.

NSW Government overview

The NSW Government was represented by **Mr Maroun El Khoury** (Executive Director, Investment Partnership, Investment NSW) who provided the keynote address. Mr El Khoury [played a short video](#) and outlined how the focus of his agency is to showcase the capabilities made and delivered in NSW in sovereign defence and aerospace industry. This is with the objective to create jobs for NSW with a new momentum in advanced technologies, be globally competitive in guaranteed supply chains, underpinned by a highly educated skilled workforce.

Mr El Khoury outlined how 26% of Australian defence personnel were based in NSW, and \$40 billion of our defence and aerospace industry is located within the state. Defence and aerospace is a priority sector for NSW, and adjacent sectors have important role with

\$3.4 billion of increased expenditure NSW in FY22. He noted aligned priorities through strategic campaigns on space, maritime, autonomous systems and guided weapons, and noted the strength in regions and specifically the opportunities for the Illawarra Shoalhaven anchored by HMAS Albatross and HMAS Creswell.

NSW is home to three top ranked research universities and home to most startups, which makes it an ideal test bed for innovation, and the Department of Regional NSW/Investment NSW are already supporting many projects. Training programs exist to grow robust and resilient talent pipelines, and the Illawarra Shoalhaven is well-placed with a deep and complex industrial base, underpinned by manufacturing, professional services and technology.



Panel discussion - Government perspectives

On the 'government perspectives' panel, four experts were asked to unpack the previous presentations.

Professor Bradley Williams (Director, Defence Innovation Network) said that the research and development capability within regions like Illawarra that have world class universities is a significant benefit to defence SMEs and prime contractors alike. The [Defence Innovation Network](#) (DIN) plays a key role in facilitating these links. An example was the advanced detection and suppression technology commercialised by NSW company DroneShield, currently used in the Ukraine, which was accelerated by the DIN. This is about bringing the science and technology work of universities into commercial application. From there, they can produce prototypes, and establish partnerships to commercialise technologies.

Mr Ian Smith (Executive Director, Office of Regional Economic Development) outlined the \$145 million [Regional Investment Activation Program](#) that he leads, designed to attract major investments to regions – including in defence. It takes a holistic approach, working closely with prospective and existing investors to ensure they have the support they need to thrive. This includes a world-leading bespoke workforce development program to ensure investors can attract, train, and retain the right workforce.

He noted that the Illawarra and the Hunter have the largest regional workforces in Australia. These regions also have highly advanced value chains with strong SME networks that present an enviable value proposition for defence primes. The Office of Regional Economic Development takes a team-based approach to supporting business with a network of 25 investment specialists across the state and close working relationships with organisations like Invest Wollongong, Investment NSW and Business Illawarra.

Ms Mai Le (Associate Director - Defence and Aerospace NSW, Investment NSW) talked about the complex skills and workforce development demands of the defence industry. We are leading the state because we have the workforce and people to deliver on demands of industry.

Ms Le said that education of the community will be key: defence is beyond the uniform, there are significant opportunities to educate younger students (starting early in primary and high school). Mature workers, veterans, indigenous people, women, people with a disability must comprise part of the talent pool. The message to them must be that there's something for everyone in

defence – designing rockets, electrical wiring, so many opportunities for suppliers in both facilities and services.

A key piece will be industry-led workforce development initiatives. They should meet the needs of industry via micro-credentials, commitment of time to train workforce by being a service provider that delivers the right calibre of staff that are well trained. Training Services NSW are an important stakeholder – they have a range of initiatives including subsidised apprenticeships and training programs. Feedback from industry is required so government understands what is needed, what works and what doesn't.

Ultimately, success will be year-on-year workforce growth, ensuring talent attraction and talent retention. Liveability of the Illawarra region is a huge attractor. The evolution of Illawarra Shoalhaven Defence Industry Network can help to take advantage and leverage of aligned industries to grow industry.

Ms Steph Steel (Defence Industry Adviser, Office of Defence Industry Support) explained that her role is to work with industry to understand what industry can provide to fill defence capability gaps. Innovation has a foundation role in current capability as well as future. For example: what does quantum computing mean for radio systems? What are the future technologies that defence needs to understand?

Ms Steel explained that there will be a role for many to play and we need to build a base level of understanding of how individuals can contribute to the broad spectrum of defence. Many SMEs are seeking to know how we can speed up defence procurement and hence opportunities for them. We need to acknowledge the environment – that defence is a national business – and that this is a space that is foreign to local business. Complex procurement processes are due to international or national policies that cannot be influenced. It is important to understand the area you are working in and have strength in numbers. If a supplier can offer whole capability that is fantastic, but it will still need to align with protocols.

The DSR will be released imminently and its purpose is to look at physical location and structure of the organisation – what do we need to grow? We need to look at the DSR and understand where we fit in the bigger picture.



Panel discussion - Industry perspectives

The 'industry perspectives' panel convened to respond to federal and state government defence industry programs laid out in the morning sessions.

Mr Andrew Huckstepp (Head of Armour & International Trade at Bisalloy) explained that his business takes raw steel from BlueScope and converts it to a high hardness grade. Bisalloy will bid for the hull steel program for the AUKUS SSN (and supplied hull steel to the Collins Class Submarine program), is already involved in the Bushmaster program with Thales and provides armoured steel to BAE Systems for their Hunter Class Frigates under supply to the Royal Australian Navy (RAN).

While partnerships with multi-nationals allow businesses like his to grow, Mr Huckstepp said that it is important to first get it right in home territory. Collaboration is key. Bisalloy is dependent on industry contacts at Bluescope, the Defence Science and Technology Group and the University of Wollongong to ensure its armoured steel is world class. Defence is around 6 to 7% of Bisalloy's total portfolio – they are looking to grow this and invest in manufacturing capability.

Ms Anna Murray (President, Australian Industry Defence Network - AIDN), talked about some of the larger challenges for industry and her members specifically arising from the defence environment. The biggest is workforce, which is ageing but industry cannot afford for them to retire as there is not enough coming in to replace them. There is also a lack of clarity in some quarters as to what skills are required now and into the future.

Ms Murray outlined how SMEs struggle with length of defence procurement processes. They query how they

will sustain themselves until the work comes through in 2030. How do we support SMEs that may have something critical to contribute to sovereign capability through such a lengthy procurement cycle? The DSR may make this clearer, and regional businesses wanting to grow in defence need to consider how they can diversify and support those in other regions like South Australia, Queensland and Western Australia. Illawarra companies are already well placed to service Sydney defence bases and bases within the region.

Ms Michelle Richard (Director of Procurement at Thales) provided a perspective from a major global defence prime, saying that they have a responsibility to SMEs in their supply chain to ensure they fully understand the ethical and social dynamics of the industry. Ms Richard said that working for Defence is rewarding but often their complex operating environment (including the political aspect) impacts strategy.

Thales currently works within the Illawarra Shoalhaven and are proud to partner with Bisalloy to deliver the Bushmaster which is currently in active service in the Ukraine. The company also partners with the University of Wollongong at Rydalmere, where 300 engineers work on sonar technologies. This partnership with UOW helps ensure Thales stays ahead of the game with tech.

Innovation is what drives capability, and Thales is (like its competitors) wanting to see unique ideas brought forward. They have a significant research and development program, and there are many success stories of those SME partners with the ideas and the patience that secure worldwide contracts. There will be many more similar SMEs needed to ensure the capacity sought by Defence by 2030.

Charity partner

Mr Andrew Horne (Programs Officer - Social Connection, Soldier On) gave a presentation on the program he leads in the region. [Soldier On](#) is the charity partner for the Conference and supports current transition for members who have served post 1990 (reservists included). There is a strong mental health focus, and conference attendees were encouraged to donate to this worthy program that supports those who have served living in our community.

Official launch of the 10-Year Illawarra Shoalhaven Defence Industry Strategy

Mr Peter Robinson (Sector Lead Partner, Defence & Defence Industry, KPMG Australia) provided the context for the strategy, beginning with the reality of defence procurement from an SME perspective. These include barriers to entry, security, probity requirements, significant cost to bid, long procurement cycles and prolonged notification delays. While there is fair, predictable funding across decades, SMEs need strategy and resources to execute. Cashflow is critical when SMEs are operating without a clear understanding of procurement timeframes. They really need to understand the end client.

Digital modernisation of weapon and battlespace systems is the major theme in defence procurement over the next decade, including robotics automation, machine learning, Artificial Intelligence (AI) and quantum technology that will improve decision-making and increase lethality. Future conflict is likely to take place in the data realm, meaning cybersecurity takes top priority.

Other key themes for defence are sovereign capability which will see onshoring and 'near-shoring' continue to gain momentum, and supply chain security following the hard lessons of COVID-19. Workforce will be a challenge for defence as much as any other sector.

The Illawarra Shoalhaven region's drivers are advanced manufacturing, naval aviation sustainment, technology (including many leading organisations in Wollongong), training and consulting, trades and educational institutions.

Peter Marczenko (Partner, KPMG Australia) said that the 10-Year Strategy contained a shared ambition for the region that reflected the needs of today, not what the industry needs in the distant future.

Mr Marczenko outlined the strategic focus areas of the Strategy, which are:

1. Transition existing initiatives to an Illawarra Shoalhaven defence industry alliance;
2. Formalise partnerships and promote the region as a defence industry innovation ecosystem;
3. Play a greater role in planned and inflight programs;
4. Develop the region's emerging technology contribution to defence;
5. Grow the number of major primes, and
6. Support a pipeline of highly skilled workers.

SMEs were encouraged to look to the focus areas and where the opportunities are to grow, rather than concentrate on size or market share.

Questions to Mr Robinson and Mr Marczenko, KPMG Australia

Q. How is region adapting its messaging to attract workers?

A. Given the time horizon we're looking at for defence industry, some skilled workers are not even born yet. There needs to be a collaboration between universities and regional stakeholders to promote potential workers into education pathways and manage the transition from education into work.

Defence clearance requires workers to be residents, and requirements are getting higher. Security clearance and eligibility to access is important, as are data requirements and access to systems.

A set of action plans will be required across the key focus areas to propel this element of the strategy forward.

Q. Is co-existence of defence and offshore energy a possibility?

A. Offshore wind energy generation is an exciting opportunity for the region and expected to see significant application of steel making and local fabrication. Any opportunity for complementary business sectors is important, to mitigate the extended procurement timelines that SMEs experience working with Defence.

Panel discussion – 10-Year Strategy

A panel of industry experts convened to respond to the 10-Year Strategy launched and outlined by KPMG Australia in the previous session.

Mr Ashley Moloney (Associate Director - Enterprise Advisory, KPMG) noted that while developing the Strategy he learned how passionate people of the region are in their support of defence. The region also has a strong and consistent base of defence capability which is at a turning point, utilising its traditional industrial base but looking at future technology enablers. Technical superiority will be our deterrent to major conflict.

SMEs here have huge opportunity to fill gaps in local supply chain, and the precinct model proposed in the Strategy is about bringing industry, research, innovation and strategic investment into one place. We need to build social licence for this industry, encourage young people in the region to follow passions they have into the defence industry and bring talent to the industry by showcasing the opportunities that exist.

Mr Laurie Koster (Chairman, Shoalhaven Defence and Industry Group) said that now is the time to plan and to have a Strategy. The penny has started to drop, and we can see that the Minister is engaged. There is a lot happening in the Shoalhaven – the eastern exercise area, underwater vehicles, drones developed and new fleet of helicopters.

The decision timeframes on East Coast Base provides us time to prepare to take advantage of the opportunity. A challenge is training, finding the people. Our own industry doesn't tell the story of what industry does and how attractive it can be. We should dispel the myth that working in defence necessarily requires being in uniform and get kids interested from Grade Two and upwards by advertising what we can do now and into the future. To get involved, businesses should join local industry networks.

Dr Paul Di Pietro (Dean of Research Knowledge Exchange & Translation, University of Wollongong) discussed the University's deep, 30-year involvement in defence, including the [National Centre for Ocean Resources and Security](#) which has contributed to our maritime security, including border disputes.

Other examples including working with Thales on 'single crystal' sonar technology, mine identification and classification on the seabed and cybersecurity – traditional and post-quantum cryptography. This aids decision-making in complex situations.

AUKUS presents an opportunity to benefit from another UOW capability – the largest centre on radiation

protection and nuclear science protection in south-east Asia, whose graduates are taken up by the Australian Nuclear Science and Technology Organisation (ANSTO).

Dr Di Pietro outlined the significant task in training the STEM (Science, Technology, Engineering and Mathematics) workforce that would be required by defence industry to meet the objectives of the Strategy. This would involve migrants and a greater proportion of women than currently. Children need to be engaged earlier on future career opportunities. Reskilling and upskilling will be essential, for example high-quality welders and general trades.

Social license can be built by ensuring credible information is circulated. We should explain AUKUS, what the risks and opportunities are. Defence needs to balance what to know with what to share.

Mr Vince Di Pietro AM, CSC (former RAN Force Commander) said the Strategy was a solid overview and compendium of current regional defence capability. Prime Defence Company presence continues to be very strong in Shoalhaven with six Primes currently operating in the region. Accordingly, we are not starting at zero, have a strong base of key players already and, we must recognise our existing industrial capability including those not directly related to defence, eg. Manildra, Nowra Chemicals, Stormtech.

The Strategy is a good tapestry, so where to from here? It shows we have sufficient underpinning for confidence in the future of opportunities available, but the arguably the soundest approach is for businesses to grow and strengthen their operations in readiness for the future. Operate as if no Defence money is coming this way. Australia's rural and regional areas face many challenges in infrastructure, amenity, and services. AUKUS opportunities are a long way into the future: in the meantime, we have many serious challenges just to get fuel, supplies, medicines, phone coverage to regional areas. We can build social license by taking work experience seriously and give young people a more access to good opportunity. How you market and promote your business in the region is very important; opportunities in Defence work will be sizeable down track for those in business and industry whose hard work provides the foundation on which a defence opportunity can be developed successfully.

There is a serious challenge just to get fuel, supplies, phone coverage to regional areas. We can build social license by taking work experience seriously and give young people a good opportunity. How you market and promote defence in the region is very important.

Closing address

Mr David Harding, Executive Director, Business NSW, closed the conference by first highlighting the need for growing innovation and capability in regions like the Illawarra Shoalhaven to meet our nation's defence opportunity. Alison Byrnes MP's example of the Owen gun reminds us of our contribution to Australian defence for many decades.

Mr Harding highlighted other key themes from the day, beginning with the clear need to move quickly as an industry to lift our capability – because we can expect defence procurement to start moving quickly.

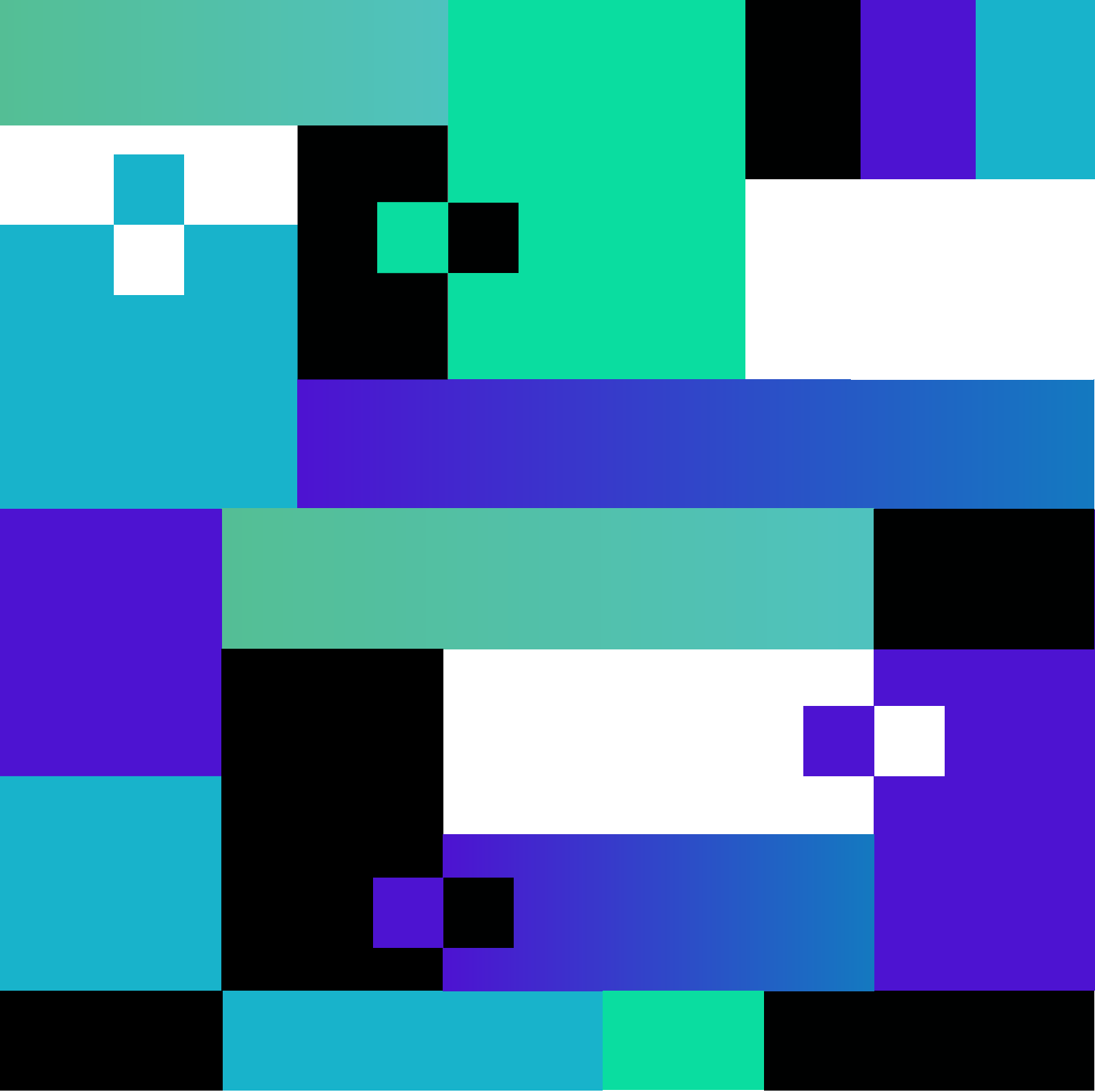
There is huge opportunity for innovation within the

defence procurement cycle, and capability for the Illawarra Shoalhaven to rise to meet the Australian national challenge. We need to carefully examine the details of AUKUS, the DSR and Australia's Quad partnership with India, Japan and the United States.

Part of the Illawarra Shoalhaven's opportunity is to breakdown borders and work together with other regions in NSW and nationally to build capacity. Don't talk about it, find a partner and build a prototype.

Finally, Mr Harding posed a question for everyone in the room: What role will you play over the next ten years?








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