

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

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

CORRECTED

At Nowra on Thursday, 29 June 2017

The Committee met at 10:00 am

PRESENT

The Hon. G. Pearce (Chair)

The Hon. P. Green

The Hon. J. Graham

The Hon. N. Maclaren-Jones

The Hon. M. Veitch

The CHAIR: Welcome to the public hearing of the Standing Committee on State Development which is inquiring into regional development and a global Sydney and the defence industry in New South Wales. The Committee is hearing both inquiries together and will use your evidence for both inquiries where appropriate. Before I commence I would like to acknowledge the Wandjina people who are the traditional custodians of this land. I would also like to pay respect to the elders past and present of the Yuin country and extend that respect to other Aboriginals present.

Today is the first hearing day for the defence industry in New South Wales inquiry and the second for the regional development and a global Sydney inquiry. We plan to hold a number of further hearings for both inquiries. For the regional development and a global Sydney inquiry, the Committee is examining ways the State's regions can benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region. We will also identify sectors of the economy that can provide the greatest opportunities for regional development and consider how collaboration between government, non-government and private sectors can assist the regions to benefit from Sydney's global position.

For the defence industry in New South Wales 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. For both inquiries the Committee will be travelling across the State over the next six months to visit stakeholders and conduct hearings. Locations include the regional areas of the Central West, northern inland New South Wales and Northern Rivers New South Wales. Today we will be hearing from business chambers, local industry groups, local councils, the University of Wollongong and regional development organisations.

Before we commence, I would like to make some brief comments about the inquiry and the procedures for today's hearing. Today's hearing is open to the public and a transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I would also remind media representatives that they must take responsibility for what they publish about the Committee's proceedings.

It is important to remember that parliamentary privilege does not apply to what witnesses may say outside their evidence at the hearing so I urge witnesses to be careful about any comments they may make to the media, or to others after they complete their evidence as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat. Media representatives who are not accredited to the Parliament Press Gallery should approach the secretariat to sign a copy of the broadcasting guidelines.

There may be some questions that a witness could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. Witnesses are advised that any messages should be delivered to Committee members through the committee staff. Finally, I ask everyone please turn their mobile phones to silent for the duration of the hearing.

CHRIS LAMONT, Executive Director, Illawarra Business Chamber, sworn and examined

ROSS BAIN, Policy Manager, Illawarra Business Chamber, sworn and examined

KATHERINE BAKER, Policy Manager, Illawarra Business Chamber, affirmed and examined

BRENDAN GODDARD, President, Shoalhaven Business Chamber, affirmed and examined

The CHAIR: Would any or all of you like to make a short opening statement?

Mr LAMONT: Yes, please, Chair. Firstly, good morning, and thank you for the opportunity to appear today to provide a short opening statement. The Illawarra Business Chamber maintains the growth of Greater Sydney and in particular western and south-west Sydney presents tremendous economic opportunities for regional New South Wales and in particular the economic development of the Illawarra. Further to this we see the competitive and comparative advantages of the Illawarra as important to continuing the economic development of New South Wales.

Competitive rents and wages compared to Sydney and higher than average workforce retention rates provide business with attractive cost structures in which to operate. Business can also enjoy the productivity gains from staff who work closer to home, allowing them more time to enjoy a balanced lifestyle. Through Advantage Wollongong and other inquiries we are aware there are businesses across Sydney looking for alternative locations as they face higher operating costs and incentives to sell existing land holdings for alternative uses. We also understand that congestion in and around Sydney is increasingly having a negative effect on productivity.

The Illawarra provides a range of productivity and operational benefits for business, with significant comparative advantages such as lower rent, cheaper industrial land and access to skilled labour. To leverage the respective benefits we see improved transport links to and from the Illawarra to Sydney and Western Sydney as critical. This has also been highlighted in several other submissions to the Committee, including those of the New South Wales Government, Wollongong City Council, the NRMA, Engineers Australia, and the University of Wollongong. As the Chair of the Committee would be well aware, addressing Illawarra's transport needs has been a priority for some time.

We contend that addressing transport connectivity is a means of combating regional levels of unemployment and particularly high levels of youth unemployment. For the Illawarra Business Chamber improving rail connectivity has been a particular focus in recent months through research we are undertaking with the University of Wollongong SMART infrastructure facility on the identification of measures to improve speed and reliability of transport connectivity between Sydney and the Illawarra. We expect this study to be completed shortly. Addressing the economic development of regions is currently a clear priority for both Federal and State governments.

There appears growing recognition of the potential value and importance of regions to support a stronger economy and the requirement to ensure more employment opportunities, particularly for young Australians, who, regrettably, are overrepresented in the unemployment statistics. From the chamber's viewpoint, the matters under consideration by the Committee today could not come at a timelier opportunity. We look forward to working with the New South Wales Government to ensure that regions like the Illawarra can benefit Sydney's growing prominence as a global city and enhance regional development in New South Wales. Thank you.

The CHAIR: Thank you very much. We are fortunate to have a local star present, so I think I might ask the Hon. Paul Green if he would like to begin the questions.

The Hon. PAUL GREEN: Thank you, Mr Chair.

The Hon. MICK VEITCH: Thank you for building the room.

The Hon. PAUL GREEN: I acknowledge that interjection. Thank you, gentlemen. Obviously our best days are ahead. I like what you say. The industrial land is cheaper, the opportunity for workers is there, congestion in Sydney is massive, so the south is ripe for the picking. What do we need to do to quicken that process? For instance, a sliding scale on payroll tax, fixing the rail line—can you perhaps take us through a couple of things like the rail connectivity and what that means? What stages of that would you like to see us move through to quicken that pathway of travel from Sydney?

Mr LAMONT: The South Coast line has been a challenge for many years. The tragic accident in 2003 identified some of the serious risks that the South Coast line faces. The commute is in the order of an hour and 30 minutes one way from Wollongong to Sydney Central. We have, as mentioned in my opening statement, been working with SMART, which is a division within the University of Wollongong, on ways of both upgrading the south line and importantly looking at rail connections to employment centres in Sydney's west and south-west. The difficulty with the south line, through our investigations and those of others, is the cost of significant upgrades to that line. Estimates that we have through SMART are that one kilometre of tunnelling is in the order of \$150 million. On top of that there is the requirement for line straightening, additional park and ride facilities, and line duplication. We are not saying that the south line should not be upgraded—it is clear that it needs to be—but an alternative may well be an investment in a rail line that connects the Illawarra to south-west and Western Sydney.

The concept and the work commenced on Maldon-Dombarton many years ago has unfortunately languished. Maldon-Dombarton, for good or bad reasons, has a brand now in this region which is seen in a rather pessimistic sense. We are suggesting not only a new name but a new approach to upgrading Western Sydney and Illawarra rail connections. We have even entitled a new line: the south-west Illawarra rail line, which would be a line providing both freight and passenger movements, recognising that without both we had serious concerns as to whether it could be justified on a benefit-to-cost ratio [BCR]. We see also the added benefit of connecting particularly for the younger generation in the Illawarra for the employment opportunities which are so exciting in west and south-west Sydney. So in terms of priority, to answer your question, we think a connection to the west should be priority number one and closely followed by upgrades to the South Coast line.

The Hon. PAUL GREEN: The Hon. Mick Veitch has taken a line of questioning over the previous State developments about the cost-benefit ratio, which is a frustration from Treasury's side, because out in regional areas we cannot meet the expectations of that methodology. Do you have some comment on that?

Mr LAMONT: I think you need a range of measures. As an economist myself I like the traditional methods of measuring economic benefit, but in a regional context there is a need to look at economic impact in a broader sense. Our rail study which we hope to release in July will do a cost-benefit analysis, look at BCR and, more importantly, we contend, look at economic impact. Our preliminary numbers are suggesting that for every dollar spent on the south-west Illawarra rail line we are getting close to \$2 in terms of economic benefit. That is a substantial return. I add that we have used very conservative modelling. We have not looked at uplift in greenfield residential and what that means for the regional economy. We have depreciated the line over 40 years and we have looked at very modest population growth projections.

We want this study not to be accused of being overly optimistic in the numbers that are presented. We realise that and we hope that it will go through NSW Treasury on to Infrastructure NSW and ultimately on to Infrastructure Australia. We would like it to be used by the New South Wales Government to bid for funding from the Federal Government under the National Rail Program, which we know will provide business case funding of between \$6 million and \$7 million for three businesses cases this coming financial year. The National Rail Program coincidentally also identifies the South Coast line as requiring immediate attention.

The Hon. PAUL GREEN: We recently had a good week in the New South Wales budget. We have seen about \$789.9 million for stage 3 of the Princes Highway and a further commitment of \$20 million to the Berry bypass. The Princes Highway is being well looked after. But recently on the ABC I heard Dr Faruqi from The Greens talking about rail. I do not disagree with her comments about rail and the opportunities there, but she was also quite negative on the SouthConnex or the access via the further upgrades into Sydney by road. Do you have a comment about the importance of the SouthConnex or the F6 extension into Sydney?

Mr LAMONT: I think we need to be conscious of the fact that we now have more than 42,000 passenger and freight vehicles making the trip between the Illawarra and Sydney each day. In times of bad weather we have had some serious accidents and some unfortunately unnecessary casualties on that road. The future of this region in part will be built on the strength of Port Kembla, which now accepts almost half of the imported passenger vehicle fleet that Australia purchases each year. It is just shy of 500,000 vehicles coming through Port Kembla. Holden, I believe, stops making vehicles in July. We predict or estimate an increase in vehicle imports into Australia through Port Kembla of between 7 per cent and 8 per cent. That is 7 per cent and 8 per cent more movements of car-carrying trucks over Mount Ousley into Western Sydney. So we support upgrades to SouthConnex, the F6—I have heard it called a number of different things.

The Hon. PAUL GREEN: We call it SouthConnex.

Mr LAMONT: SouthConnex because it has a ring to it.

The Hon. PAUL GREEN: They have a WestConnex and a NorthConnex—I am very interested in a SouthConnex.

Mr LAMONT: We have also called for SouthConnex to be invested in, but as a first order priority we believe rail provides a better benefit-cost ratio for the State Government and for the region. We think there is work that could be done on pinch points on the F6 at this point which could provide not only improvements in safety but improvements in the time and congestion issues currently faced on that road.

The Hon. PAUL GREEN: Talking about pinch points, do you have some sort of indication of where they are and what they are?

Mr LAMONT: We are about to commission Veitch Lister Consulting firm to do that work. We are working with the NRMA on that. So we are looking principally at pinch points to begin with. We have some anecdotal reports from members in the community but we would rather do it properly with some good traffic counts.

The Hon. PAUL GREEN: I have one further question. I could probably go through quite a lot because I know this end of town, so to speak. Maldon-Dombarton was probably off the radar to some extent. I do not think Infrastructure Australia even acknowledged it in a previous report. But with the Federal Government's investment in inland rail it now makes it very achievable. That rail link is important. Where does that fit in the priority of the business chamber now that that has changed a bit?

Mr LAMONT: There are two components we are excited about. The inland rail has its own funding line item in the Federal budget papers and, importantly, the National Rail Program also has its own separate funding line item. We see that as a really important step for potentially completing the loop, as we say, with the south-west Illawarra rail line, remembering that we believe it is not possible to do major upgrades to the south line without having an alternative rail link into Greater Sydney. There is too much freight, there are too many commuters who currently use the south line who would be highly inconvenienced by being prevented from taking a rail journey from the Illawarra to Sydney if you were to do the necessary upgrades on the south line. It is very much about closing the loop.

On top of all of that, there is the exciting prospect of Badgerys and what Badgerys might mean for this region. We see connections to Badgerys for both industry and tourism as a real opportunity for this region, and if you were to connect into, for example, a station like Leppington, the fastest way into this region by rail would then be via SWRL or Maldon-Dombarton.

The Hon. MICK VEITCH: I just want to explore a bit further your comments around Badgerys Creek and the opportunities that are available in this part of New South Wales. The road and rail logistics to get to the Badgerys Creek proposed site from here, Maldon-Dombarton is obviously the one we are talking about for rail. What are the road logistics to get up into Badgerys Creek?

Mr LAMONT: I would need to check but I understood that the M9 corridor was proposed as a potential means of connecting Badgerys. The corridor is simply a line on a map, as I understand it, that is being considered by Infrastructure NSW and Infrastructure Australia. There is some suggestion that that would be both road and rail. We would question the width of that corridor for both and where it needs to basically traverse to get through. I think there has been some work previously done on the M9, but, once again, from our point of view—we are almost through the stage that we are working on with the university—we think SWRL provides potentially a better rail link to Badgerys than the M9 would.

The Hon. MICK VEITCH: I want to go back to the BCR, the benefit-cost ratio. West of the Dividing Range communities will say that they miss out on government funding because the projects can be proposed by councils, chambers and politicians, but once Treasury get hold of it and put the whole exercise through their BCR, they do not get to one, so therefore the project does not get up. First of all, is that a fair statement for us to be working from? Secondly, what do you see as the disadvantages of the BCR as applied by Treasury for regional communities?

Mr LAMONT: The traditional disadvantage of BCRs is just scale. This has been a long-running issue for regional centres and, indeed, one of the issues we have within this region is that Wollongong is sometimes considered regional and other times not. When it is not considered regional it competes with metropolitan Sydney for funding proposals at a State and a Federal level. Similarly, government funding proposals often use its own form of BCR to assess grant applications in that the benefit goes further because your population size is greater.

Where it is factored to alternative means of assessing the value of some projects, particularly in regional areas, looking at economic impact, looking at the potential for employment generation and, in particular, looking at the potential to address youth unemployment, rail is one of those unique opportunities that we see that you glean, again, for young people in the region. The first job, generally speaking, for those who have been out of the workforce for some time, does not pay significant salaries. The potential of having public transport or even subsidised transport to attract, particularly people who come and have not got a job, to jobs we see as very attractive.

These sorts of measures—economic, social impact assessments—we think are also important for advising government on the best way to spend public moneys, also recognising that these are not just outlays in a traditional sense within a budget or a forward estimates period, but rather economic infrastructure that lasts, in some cases, hundreds of years. The South Coast line was built in the nineteenth century. Whilst we might quibble over the speed and efficiency of it, had it not been built we would be in a very different situation now.

The Hon. MICK VEITCH: Moving on then. The Hon. Paul Green spoke about payroll tax and the management of that as a way of incentivising people to move to the regions. What are your views about subsidies? Do government-applied subsidies to relocate or businesses or subsidies in general, actually work and, again, what are your views about what works and what does not work when it comes to that sort of government assistance?

Mr LAMONT: I think we would be a bit careful with subsidies, particularly ones that are short-lived in that they might provide a short-term inducement for companies to relocate, but if there is not a comparative or competitive advantage to begin with for the relocation companies may tire of the subsidy or the subsidy may be withdrawn, which, in some cases, can cause more damage for a community that sees an uplift in employment activity only to be disappointed in years four and five where that subsidy is removed and there is, again, an exodus back to a metropolitan centre.

Through work with Advantage Wollongong, Illawarra First, Illawarra Business Chamber, we have worked to really sell the benefits that exist with our subsidies. The competitive advantages of the region in the form of lower rents, lower commercial operating costs, higher retention rates in the labour force, improved housing affordability in general, living affordability in this region, selling those benefits to businesses who, as we know, when they face property re-evaluations in the west, would be better off selling their existing operations for residential or other commercial activities as opposed to staying there, particularly in the advanced manufacturing and other manufacturing sectors. So we are very much trying to appeal to investors to look at this region separate to any subsidy or concession that may flow but rather on the economic competitive and comparative advantages of the region itself.

The Hon. MICK VEITCH: The reason I asked the question is that Goulburn Mulwaree Council have made a submission to this inquiry where they had the prospect of a very large employer moving from Sydney and relocating to Goulburn—from memory it was 400 or 500 jobs. They approached government departments for assistance for that enterprise to move; Treasury said that there was no net gain in employment for New South Wales so there was no assistance available; that enterprise then moved to Victoria. So the State of New South Wales lost 500 jobs. The reason I asked the question about your views on subsidies is that in the Goulburn scenario we lost jobs. It is no good trying to grow regional economies and bring businesses in if we are going to let businesses leak to other States. How do we, as governments and as politicians, prevent that from happening?

Mr LAMONT: Payroll tax is a particularly insidious tax and I am yet to meet anyone in business who is a fan of payroll tax. Let us be honest: it is a tax on jobs. There is no incentive—

The CHAIR: Not too many in government are either. It is an evil necessity.

Mr LAMONT: Exactly. Without knowing the details in the more specific sense with Goulburn, certainly there is a need to be competitive and, as we know now, capital is mobile but labour is also very mobile. So maintaining a competitive advantage across the State—and we believe regional New South Wales has a very positive and good story to tell in terms of adding to productivity, which may not be possible in some of our urban, more costly centres—is a really important issue. I hesitate for one second because the issue that we see holding back more investment once again is that transport connectivity. If you are a business who is looking to export outside your regional area or internationally, there is a requirement to get not only your goods and services out of that region but your people in and around that region. That is our number-one priority at this point for this region.

The Hon. NATASHA MACLAREN-JONES: Obviously the Illawarra has a lot of great strengths going forward with agriculture, import, export and defence. One of the comments that you made in your

submission was about the change in policy of governments from the highly interventionist and protectionist strategies of the nineties to more of a collaboration between government, business and community. First, is that working here, and particularly in industries or areas where it is not, what ways could we be looking at for the Government to assist further?

Mr LAMONT: Where I think it is working now is with youth engagement, youth employment. We have a number of programs at a State and Federal level that provide incentives for employers and more information for young job seekers on a career path, or their options in a career path. I think we are also revisiting the falsehood that a trade or taking out an apprenticeship is a lesser option. Steadily but surely we are seeing more youth attracted to careers in trades. We have seen parents' attitudes changing. In my generation it was very much university or bust. Now I think people, perhaps faced with some of the skills shortages that we have seen across the State in getting particular tradespeople, the value of a trade for their children is seen as a desirable option—one that will guarantee a career. I think we are seeing at both the State and Federal levels some really good work being undertaken in educating employers on the options to engage more young people and, for young people, more information on career opportunities.

Where I do not think we are doing such a good job is in the number of planning studies that compete across regions and across urban centres—planning studies that have artificial lines on maps where the consideration for Western Sydney, for example, does not extend to areas like the Illawarra. The reality is that both fortunes economically are linked and need to consider each other. I counted, when I first arrived 12 months ago in this region, just short of 35 separate planning studies. A recommendation in one said, "This is a planning study to assist in future planning." There was no outcome, there was no recommendation; there was no implementation of a strategy. Our members are getting tired of planning studies. They would like to see more implementation of strategy with defined time lines, but time lines that link regions.

We are fortunate to be working with the Committee for Sydney, which is looking at the economic development of the east coast of New South Wales from the Hunter, Gosford, Sydney through to the Illawarra. There is a recognition in that committee that each region has unique and different competitive advantages and something different to offer a global Sydney, and working together rather than against each other is probably a better way to provide value not just for the individual region but for the State. I think if we collectively focused our efforts more on those initiatives and less on planning studies that are inwardly focused and focus on the collective and collaborative benefits of the regions, it would be a better approach.

The CHAIR: Mr Goddard, do you agree with that? What is the relationship with the Shoalhaven?

Mr GODDARD: Yes, most definitely. From the Shoalhaven's perspective, I think all the issues Mr Lamont has raised today, and in his report around the major infrastructure links from Sydney through to the Illawarra, particularly Western Sydney through to the Illawarra, are going to have beneficial flow-on effects to the Shoalhaven. Obviously if we were to put some priorities of our own, it would be the train link from the Shoalhaven through to the Illawarra, but without better transport links from Wollongong through to Sydney it is neither here nor there. I think we need to put them in priority order and put those at the top of the list. I think the Shoalhaven has all those unique benefits as well to attract businesses to the Shoalhaven around property affordability and the cost of doing business, but here in the Shoalhaven our youth unemployment is very high compared to everywhere else in the State, so it is about finding jobs and working with TAFE and those organisations to create trades and traineeships for young people coming through and connecting them with businesses. Yes, we definitely concur with what Mr Lamont has said today.

The Hon. PAUL GREEN: Can you comment on the importance of the new bridge over the Shoalhaven River?

Mr GODDARD: Yes, definitely. We do thank the Federal and particularly the State Government for the road infrastructure that has been developed over the last few years. It is leading us through to the Shoalhaven River crossing, which we still do not have any firm financial commitment for from any level of government at this point in time. Getting some guarantees around that would be extremely important for our region and having it done thoughtfully and collectively in relation to how the on-ramps and off-ramps are thought through to ensure that it is not just a replacement bridge with all the same traffic problems still there. We hope to see some results in that sooner rather than later. It is also very important for commercial infrastructure logistics type businesses in our region, and having this area as a bit of a transport hub for further down the coast and into further regional Australia.

The Hon. PAUL GREEN: There is an occlusion to the economic growth of the far South Coast as well, which is important. The other point is that huge trucks cannot go over the old bridge because the old

structure has a height limit and we have to shut down the other side of the bridge. There is important freight coming from Canberra. Although the Government has done great work on Main Road 92 to open that pathway to the coast, it cannot be totally complementary until we get the third bridge. Do you concur?

Mr GODDARD: I think that is right. I believe it is also the weight: The council might have more information on this but I believe the weight capabilities of that bridge are limited to, so it is not just the height of the trucks but actually the size of the—

The Hon. PAUL GREEN: It is near end-of-life, I think.

Mr GODDARD: Yes, it is near end-of-life, the old bridge. It does need replacing and it should be done with foresight and not just replacing it as it is but thinking of the future: Build a proper bridge that is going to take the future traffic for 100 years to come.

The Hon. PAUL GREEN: Put a rail section on the side of it.

Mr GODDARD: Yes, maybe put a railway line—the further South Coast railway line.

The Hon. JOHN GRAHAM: I do not want to interrupt the large-scale infrastructure building going on but I am keen to ask about jobs across the region. In your submission you say that employment growth has been double the rest of New South Wales and Australia for the last couple of years, and the budget shows that is true recently of regional New South Wales in general. I am keen to know what industries you think are driving that here and what has tipped the balance towards that job growth.

Mr LAMONT: I think a couple of things: The skies over Wollongong will give you a fairly good indication of the residential construction boom that we have seen over the last four or five years; a complete change in housing topology in Wollongong in particular. I think last year, but it might have been the year before, was the first time that building approvals on the east coast of Australia for multi-unit apartments tipped detached dwellings. Certainly in centres like Wollongong we have seen an explosion in multi-unit res. That has had a very pronounced impact on property jobs growth in the region. We have also seen growth in the university, which is being driven principally by international students but also students coming from South and Western Sydney. On top of that, very strong numbers at TAFE: I understand that the local TAFE in the Illawarra is full in terms of construction trades, partly I suspect because of the significant civil engineering work that has been going on with various construction projects, also residential. They have all made an impact. Slowly but surely we are seeing a pick-up in tourism activity, both domestic and international.

The Hon. JOHN GRAHAM: Where do you see tourism going in the medium term? What are the drivers here? You mentioned Badgerys Creek is a potential game changer here.

Mr LAMONT: We think domestic is probably the strongest short-term gain for the region with people looking for alternative places for holidays and perhaps shorter holidays. The changes in Airbnb and the like—we have our own local provider as well, Emerald + Aqua, providing short-term holiday stays. The Illawarra is close enough to Sydney to provide a holiday destination choice over long or other weekends. The promotion of unique events—we have the CrossFit Games and even Elton John is coming here later this year—make a real difference for the local economy. When they tend to get here, they travel throughout the region down to the Southern Highlands and around. Also cruise ships: I know Destination Wollongong has expectations of somewhere between eight and 12 cruise ships each year, and the local retail sector in particular around the Christmas period saw record sales during the arrival of both the cruise ships and the weekend or seasonal holiday period. Combination of all of the above, we believe, is making a real contribution. To Mr Goddard's point, a lot of people see the area as a more affordable destination, so while they may still choose to work in Greater Sydney they are domiciled in the Illawarra area and that is making a difference to local and property economic activity.

The Hon. JOHN GRAHAM: Lastly, you briefly compared the benefit cost ratio [BCR] for the road and rail corridors to Sydney, and you have done some specific work on the rail BCR. Can you give us any more information about how those two stack up?

Mr LAMONT: We are getting a benefit-cost ratio [BCR]—it needs to be confirmed—between 0.95 and 1.07, with the mostly likely to be 0.97. It will not surprise many people that we are still below one, but once again we have used very conservative modelling. We do not want to be accused of voodoo economics. We wanted to use very conservative assumptions behind that. I really think we need, in this study and in considering rail to look at the economic impact over potentially multiple generations. The risk is in continuing to make investments in roads when we know rail can take much of the freight off our roads and provide a greater incentive for people to leave their cars at park-and-ride facilities or at home.

The Hon. JOHN GRAHAM: Noted. That is the BCR and the rail option. Have you done similar work, or are you doing it?

Mr LAMONT: Not on roads, as yet. We are about to get a consultant to do some work in that particular area.

The CHAIR: Ms Baker and Mr Bain, do you have a perspective on the Sydney relationship with the region other than what has already been provided by Mr Lamont?

Ms BAKER: I just wanted to mention the impact, most recently, of the NBN in the Illawarra. Word on the street is that there appears to be—possibly more in the start-up end of town—businesses moving to the Illawarra. We do not have a huge start-up membership in our chamber, necessarily, but in the local chambers there are more. We have a strong relationship with the iAccelerate crew at the University of Wollongong. Because we have had the NBN for a year now and Sydney is not destined to have it for some time we have seen a bit of growth in that space. There are a few more businesses operating from here and using that technology to operate effectively. Whether that opportunity has been felt in other regions—and whether it will be over time—will be interesting to track.

I will just go back to the Hon. Mick Veitch's comment about the movement of that business that was potentially destined for Goulburn to Victoria. During my time in the Illawarra, in a number of roles, this scenario has played out in various situations based on information, mostly from work done by the Department of Industry and Advantage Wollongong. We have done a lot of work marketing our region and we have been in the scenario where we know full well that firms are making the choice between us and Geelong or Adelaide—wherever. Whilst it is hard to pinpoint the actual decision that they make they will tell you that one thing that has made their decision—that they got better support, the ease of doing business, that the department of planning made it easier for them or the department of industry gave them a leg-up. Sometimes it depends on where the CEO, the board or whoever wanted it to be.

We have had the same discussions about the locations with respect to Defence. The top echelon of Defence do not want to move to Wollongong because the eastern suburbs of Sydney are far too appealing. Sometimes I think it is easy to pinpoint whether it was a rational economic decision or whether it was just a few people who played out that decision. I just wanted to highlight that and pinpoint that.

The CHAIR: I am glad that you mentioned the NBN and information and communication technology [ICT]. A couple of my colleagues recall that when I was Minister for Finance and the Illawarra I used to endlessly bang on about ICT and particularly the opportunities in the Illawarra, so it is good to hear.

The Hon. MICK VEITCH: There were opportunities for his photo.

Mr BAIN: I would like to make a brief statement. I think we are at a very interesting point. It is as if the stars have aligned. Governments—the New South Wales Government and the Commonwealth Government—are taking regions seriously. Both the State Government and the Commonwealth Government have identified funding. The big money must come from Commonwealth and State governments if you are going to achieve things. With respect to the timelines, Badgerys Creek is out to 2025. Within the Illawarra Business Chamber [IBC] and Illawarra First, we are looking at future compatible uses of Port Kembla. That has been identified as eventually being for a container terminal. That is in about the same time frame. Rail linkages will be to Sydney's west because the South Coast line will have reached capacity. It will not have any ability to take extra freight. All these matters are starting to align and I think there is a generational opportunity to make some big advances, where regions such as Illawarra complement the activities of a global city like Sydney.

The CHAIR: We used to struggle to see how we could get some more opportunities in the port. I guess your Western Sydney railway proposal is potentially a real changer. We look forward to seeing that report next week or next month or whenever the time is.

Mr LAMONT: We hope it will be in about two weeks' time. As you would appreciate there are so many variables in looking at rail corridors and rail upgrades. We want to give as much information as we can to governments and also to industry. One of the advantages of the debate about Badgerys Creek, particularly in recent years, was that there was a sense of expectation that the investment would be made. Business, particularly the industry sectors, made an investment with that expectation. We believe the same is so with rail. If the business community and industry have a sense that rail connectivity will be improved from this region to Sydney that will see the same sort of investment activity.

The CHAIR: Thank you so much. We would appreciate it if you would send a copy of your report directly to the secretariat. We have been very impressed.

(The witnesses withdrew)

TONY GREEN, Executive Officer, i3net, sworn and examined

LAURIE KOSTER, Shoalhaven Defence Industry Group, sworn and examined

The CHAIR: Welcome. Would either or both of you like to make a short opening statement?

Mr KOSTER: On behalf of the Shoalhaven Defence Industry Group [SDIG] I would like to welcome you to the region. As background, SDIG is an initiative of the New South Wales Department of Industry allied with the Shoalhaven City Council and Shoalhaven Business Chamber, which seeks to promote defence industry capabilities resident in the region to help attract investment and jobs. The group was formed in 2010, and there are approximately 190 members on our mailing list. In the past seven years it has undertaken many initiatives, including industry briefings, networking events, company visits, exhibits at Avalon Air Show, Pacific Maritime, Landforces and Shoalhaven on Show. I congratulate the New South Wales Government on its Australian Defence Force [ADF] initiative. I especially thank Air Vice Marshal John Harvey, Dr Paul Hogan, Graham Bulless, and Megan Cleary.

At the same time, if I may offer some advice, we must not become complacent. We have the plan, but as everyone knows, it all goes to custard as soon as the first shot is fired. Continuity is essential, both in strategy and personnel. The topics we submitted were: Main Road 92; Illawarra Regional Airport; anti-ship missile training; humanitarian and disaster relief; ADF capabilities, especially in electronic warfare and antisubmarine warfare; and the New South Wales domestic version of the Export Finance Insurance Corporation [EFIC].

Mr GREEN: I would like to add to that. In this hearing and other forums, the Committee will hear about emerging sectors in the Illawarra. Those sectors are health, social services, knowledge services, and education. The organisation I work for very much believes that the engineering manufacturing sector is still a significant driver in the Illawarra economy. Our interest in the defence area in particular is maximising those opportunities to grow economic development and therefore the economy of the Illawarra region through that process. Thank you very much for inviting us to appear today. Hopefully we can add some value to the process.

The Hon. PAUL GREEN: I want to address the NBN. Do you have any comment? Is it going well? How is the connectivity and what is your reliance on it?

Mr GREEN: NBN is very attractive to the ICT and knowledge service businesses. That has seen some significant economic development in the region. NEC Australia Pty Ltd was the last big business to move into the region a few years ago. Again, I think the NBN was probably a reason for that. Manufacturing businesses—the businesses we get involved with—not so much. A lot of the region still does not have NBN.

Mr KOSTER: That is right. That is the point.

Mr GREEN: I live in a residential area in the Illawarra that has NBN. But some of our members do not have it. It does not really have an impact on the manufacturing sector as such, but it is important to the knowledge services and city centre growth. Most of the centre of Wollongong has NBN.

The Hon. PAUL GREEN: You noted one of the issues very clearly. If we want young professional families to move to our area—people who are going to invest in their future here—they want NBN for their children. They want to make sure they have internet access at school and elsewhere.

Mr GREEN: Yes.

The Hon. PAUL GREEN: That is a consideration—

Mr GREEN: Absolutely.

The Hon. PAUL GREEN: —when they consider coming from Sydney. Would that be true?

Mr GREEN: Absolutely, yes. They would be looking to locate in an area that has NBN. There are parts of the Illawarra that still do not have ADSL.

The Hon. PAUL GREEN: Mr Veitch has dial-up.

The Hon. MICK VEITCH: What is dial-up, Paul?

The Hon. PAUL GREEN: I think he still has cans and strings.

Mr GREEN: That is where you turn on your computer, go to get a coffee then come back and it is ready to go.

The Hon. PAUL GREEN: Mr Koster, you mentioned Main Road 92, and one of the previous witnesses also mentioned it. Can you give the Committee an overview of it and what it means economically to tourism, trade and other opportunities? It will provide a link to Canberra and our defence industry.

Mr KOSTER: I cannot talk about tourism, except that there are far more cars on the road than there used to be, which is a problem. The road is great, thank you very much. We must now take it further and keep upgrading it. From here to Nerriga is very good. From Nerriga to O'Allen Ford Road, it starts to go downhill very fast. Quite rightly and due to the increasing traffic, the speed limit has been reduced from 100 kilometres an hour to 80 kilometres an hour. That is good, it takes a bit more time, but that is okay.

The road cannot take the amount of traffic using it. When it was first completed, it was great. You would get to Canberra having seen three or four cars on the road. Now you are battling with Winnebagos. There are no trucks, which is good. But it will not be long before we have some serious problems on that road. The alternative road, which goes through to Braidwood, is still not paved. You can go up through Kangaroo Valley. If you live on the north side of the Shoalhaven River, it is quicker to go through Kangaroo Valley than to use Main Road 92. If you are on the south side, it is quicker to use Main Road 92.

The Hon. PAUL GREEN: I return to the airport. HMAS *Albatross* is here, which is ADF. We have Albion Park airport, which had a Qantas service to Melbourne. You refer to that in your submission. Can you explain that? Qantas did not have the capacity to keep running that service. Why do you think it might have the capacity now?

Mr KOSTER: When I used that service frequently—not regularly, but frequently—it was full. It was brilliant.

The Hon. PAUL GREEN: That was full one way?

Mr KOSTER: No, each way. It was a really good service and it was convenient. We could get from Nowra to the airport in an hour, park 10 or 15 metres from the terminal, be on the plane and gone. I do not know why it was stopped.

The Hon. PAUL GREEN: Apparently Qantas could not load with enough people coming back.

Mr KOSTER: If you are going to Melbourne, Brisbane or Newcastle, it would make a lot of sense. There is no point in going to Wollongong to get to Canberra or Sydney. You cannot get to Western Australia because I do not think the runway is long enough to take the jets that service that route. From our point of view, flights to and from Melbourne and Brisbane would be ideal rather than going into Sydney. At the moment, if I am going interstate, depending on the flights, I prefer to go to Canberra rather than Sydney. I can be in Canberra just as quickly as I can be in Sydney, with a lot less hassle.

The Hon. PAUL GREEN: Your submission has a recommendation stating:

... begin an active program to capture work-share of the acquisition and support of Army's future deployable anti-ship missiles, with the Shoalhaven as a key component.

Mr KOSTER: Yes.

The Hon. PAUL GREEN: Do you want to explain that?

Mr KOSTER: The Navy's eastern exercise area is off the coast of Jervis Bay. The Navy uses Beecroft Peninsula as a naval battery firing range. It could just as easily use the Beecroft Peninsula for training, simulation and live fire offshore. From a simulation point of view, it could do that with electronic warfare simulators ranging in size from a box one foot, by one foot, by one foot, through to a container mounted on the back of a truck to simulate radar and actually fire missiles. It could then increase that up to doing live fire. The munitions could be stored at HMAS *Albatross*. The Navy may have words to say to me about that, but there are uses of Beecroft Peninsula that I believe have not been explored to date.

The Hon. JOHN GRAHAM: Thank you for both of your submissions. I am particularly interested in point 5 of your submission, which relates to finance and defence—small business contractors essentially. The case study you have provided is fascinating. It details some of the difficulties that local businesses might face. I refer first to the specific case study. The bank withdrew its support after the contract had been signed.

Mr KOSTER: That is correct.

The Hon. JOHN GRAHAM: That seems unusual.

Mr KOSTER: Yes.

The Hon. JOHN GRAHAM: Presumably it reviewed the contract and became alarmed by the number of ADF caveats in it. Was it something like that that caused the concern?

Mr KOSTER: It was my company. We were never given a reason. The excuse was that if it had been a truck that had been painted green, and the ADF said, "No, we don't like that truck", it could have been repainted white and that would have solved it. The fact that the product was manufactured to a defence specification did not come into their reasoning. That was the thing that actually threw us.

The Hon. JOHN GRAHAM: This was one specific opportunity but you believe it is a general problem?

Mr KOSTER: This particular one I think was one out of the bag.

The Hon. JOHN GRAHAM: This was particularly extreme.

Mr KOSTER: There is a problem with getting banks to understand the intricacies of a defence contract. With defence it is a very one-way street unless you are a very large company and then you can have some push back. I have yet to see where Defence have taken a small to medium enterprise to court or caused them to go into liquidation or anything like that. That is not their game. They are very supportive but they are really structured in what they can and cannot do with regard to their contracting.

By the time you get to contract negotiation and you have signed the contract both parties know exactly what has to be delivered. The banks do not necessarily see that. They get frightened, I believe, from the amount of time it takes to do a contract. An example is that same kitchen project, if I can use that abbreviation, that we delivered over 12 months ago now. It took another 12 months to actually run through all their processes and agree. Yesterday they gave us a purchase order for three more.

The Hon. JOHN GRAHAM: That comes about just because the scale of the operation that Defence has to run is very different from the other sorts of projects that these banks might be financing?

Mr KOSTER: Yes. I am sure the banks in the bigger offices have people who are used to this sort of thing. I fully support diversification and pushing down the approvals as far down as you can, but if you put someone in the seat they think, "Why would a kitchen take nine years? There must be something wrong with it."

The Hon. JOHN GRAHAM: What are the mechanisms that you propose? You start to talk about some of those in your submission. What would help to tackle that problem?

Mr KOSTER: It would be an organisation, and I do not know whether it is the New South Wales Government or it is someone like Shoalhaven Defence Industry Group, who can vouch for the company and go in as a third party and say, "No, this is all perfectly normal. We've been through the contract. We've seen what the specification is. We've seen what the company is going to offer. All the boxes have been ticked. We believe that it is the way to go." I think if a credible organisation then went to the bank as a character witness and said, "Go for it, do it", and if the bank then said no—well, I do not know what we are going to do then. But we were in a situation with EFIC and we were proposing a deal with Indonesia. The local banks would not touch it because there was no guarantee anyone was going to get paid but EFIC said, "We'll back it." We did not go ahead with the project but there was someone there who said, "We'll back it. We'll take the risk." I cannot see that the Commonwealth of Australia is seen as a risk and they are not going to pay their bill. This is what I could not get through with the bank that we were dealing with at the time.

The Hon. JOHN GRAHAM: What you are really describing is a knowledge gap about how procurement works in the defence industries. If we are serious about moving some smaller businesses into this space this is a gap about how that financing happens?

Mr KOSTER: It is. It is also that we are a small company. To do this project we went to the next level, and that was to put everything on the line. Sometimes when you have still put everything on the line there is a gap. You need to grow, and to encourage people to take the leap there needs to be someone who says, "Yes, we'll come with you."

The Hon. NATASHA MACLAREN-JONES: Some comments have been made about the airport here. Looking at opportunities, we have Williamstown that now has the new Strike Fighters rolled out. I am interested in what opportunities we would have here, particularly with something like Wollongong airport, and what the limitations are that would prevent it being competitive?

Mr KOSTER: As in using HMAS *Albatross*?

The Hon. NATASHA MACLAREN-JONES: Yes.

Mr KOSTER: I can only speak personally.

The Hon. NATASHA MACLAREN-JONES: That is fine.

Mr KOSTER: I do not think it would be a good idea to have commercial mixing in with what we have as an operational base from an aircraft point of view. We have a training base for the helicopters for Navy and army and we also have a parachute training school. I do not think bringing commercial into it would be a good idea.

The Hon. NATASHA MACLAREN-JONES: What about the other way, being expansion of the commercial airport to be used by Defence? Looking at Wollongong or Albion Park airports, is there scope for it?

Mr KOSTER: I have no answer to that. I certainly admire the question but I am not comfortable in trying to even give you an answer.

Mr GREEN: I am happy to add something there. My understanding is the Illawarra Regional Airport at Albion Park is very much under-utilised. As was mentioned before, it has been many years since there has been a regular passenger service and that was from Albion Park to Melbourne. In my opinion, most of those regional airports work well because they do regional to Sydney—Wagga to Sydney, Ballina to Sydney. We cannot do Albion Park to Sydney. In our submission we have suggested that they should be looking at how they can utilise that airport rather than it sit there and be under-utilised at the moment.

We have heard some time ago that Richmond air base was potentially at capacity and there might be some overflow, so why not look at what opportunities there are to bring some of that down to the Illawarra? The airport is there. It cannot take the bigger passenger flights, so you are never going to get flights to Brisbane and those sorts of places because the size of the aircraft is limited because of the topography of the area, but some of that naval aviation or other aircraft in the defence area could fly in and out of there quite easily.

The Hon. PAUL GREEN: They had to hit the brakes pretty hard when they brought in that 747 for the museum.

Mr GREEN: I think they had to repair the tarmac after it as well.

The Hon. MICK VEITCH: I want to go back to the Hon. John Graham's line of questioning around small- to medium-sized enterprises attempting to secure defence contracts. You are saying there is a role for a facilitator that would assist the SMEs and other institutions, legal and financial, in understanding and appreciating the very specific nature of defence contracts?

Mr KOSTER: Yes, I believe there is. It comes down to the fact that if I am going for the contract of course I am going to put the best side forward and everything is going to be rosy because I am trying to get the contract and selling it. If there is another organisation who could then turn around and say, "Yes, we've seen the contract, we've seen what the respondent or tenderer is able to do and we agree it is possible", that would then, I believe, make the banks far more comfortable in coming in and saying they will go for it.

The Hon. MICK VEITCH: Who do you think is best placed to fulfil that facilitator role?

Mr KOSTER: I believe it is a job for someone like the Shoalhaven Defence Industry Group or Australian business or the Australian Industry Defence Network [AIDN], something like that, who are a credible organisation who can then turn around and say, "We understand, we support it." I do not know whether that carries any weight with the bank because they are not going to put any collateral up against the loan or whatever it is but it may just help get it over the threshold.

The Hon. MICK VEITCH: I refer now to skill sets that are required and that are available for small and medium-sized enterprises to secure those important defence contracts. Is there a skills shortage at the moment in this region to assist SMEs in securing those contracts or are the skill sets already here?

Mr KOSTER: Depending on what type of skills you are looking for. From a—dare I use the term—normal trade such as a fitter and turner, sheet metal worker, boilermaker or welder, that is not such a problem. We can get those and there are people who are already skilled and looking for jobs. We are interviewing today. On the other side of the fence, if you are looking for electronic warfare operators, you are pretty much restricted to those who are leaving the Defence Force, which can be good and it can be bad. If you are looking at people

who are at retiring age, they have not got the drive; they have the knowledge, that is certain but they may not have the drive of someone who is in their early thirties who can see a future for another 20 years in progression. We employ both.

What we have decided to do now is train our own. We will look at taking kids from school or TAFE and university and then train them in electronic warfare ourselves rather than relying on what comes out of Defence. We have found that folks who have been assigned to HMAS *Albatross* or the Shoalhaven region are happy to come back in general. Those who have never been here think, "No, that it is too far away; it is the great unknown." Attracting someone from Sydney, Melbourne or Adelaide to Nowra is far more difficult if they have never been here before. If they have been here it is not such a problem.

The Hon. MICK VEITCH: How do you work with the training providers, the University of Wollongong or tertiary and vocational providers in this part of the State? What role do they have and are they good at providing that skill set training?

Mr KOSTER: The short answer is yes, they are good. The long answer is it is harder to get some of the very specific trades or qualifications you require. Then again, we are looking at going more generalist but on the whole the university and TAFE are very good. They may not be able to offer all the courses you want but they are very good.

Mr GREEN: We find the same. We have a very close relationship with both the university and TAFE. As far as a skilled area, again we do not believe that the actual skill set is an issue, it is more the middle management skills area. We are actually working very closely with the Defence Material Technology Centre within the University of Wollongong at the moment on things like a welding study so that the welding component of our members—they are welding goods for mines and steelworks—is fine from a defence perspective but it is understanding the finite need of defence; the quality system level, the paperwork that goes with it. That is the sort of area we think is lacking in our region that would potentially stop us from getting any work out of some of the shipbuilding projects. We are working very closely with both TAFE and the University of Wollongong to identify those and find ways to rectify that and provide the training and upskilling needed so that we can go to the likes of DCN, BAE and Navantia and comfortably say we have business in this region that can do that work for you.

The Hon. MICK VEITCH: What are some of the contracts that the SMEs are picking up out of the defence industry in this region?

Mr KOSTER: At the moment Raytheon Australia operates the electronic warfare training system. That is coming up for renewal of tenders in the next few months, we hope. We have Lockheed Martin and Sikorsky with the Romeo project with the helicopters. We have Air Affairs who operate out of Nowra, out of HMAS *Albatross*, a shared facility. They run the jet support contract and that includes flying jets for Defence, be it either cargo, passengers or towing targets for missile firing. We build shelters from containers for the Army, Navy, Air Force and the Defence, Science and Technology Group. We also do electronic warfare support. We operate out of Adelaide to do that and we are looking at doing some electronic warfare training up in Brisbane. From here there are quite a range of small companies—Lockheed Martin is a not small company—but we also have a company further down south that builds dry suits for special forces for diving. Pretty well anything under the sun is done here in some form or fashion.

The Hon. MICK VEITCH: How hard is it to secure some of those defence contracts?

Mr KOSTER: I have been associated with Defence since the late seventies so for me it is easy. I understand the culture. I do not understand their thinking as to what they are thinking but I know how they think. We were asked recently why are not we selling into the mining market. Because I do not know the market. I do not know who to go and talk to. I do not understand it so we stay away from it. If you know your customer—and this is what we are trying to tell industry in the Shoalhaven—you have to get out and sell yourself. You have to go and talk to them. They are just people. Go and find out what they want and what makes them think. As soon as you make a business connection, people will do business with people, it is quite easy. Sure, it is a great big building and you do not know which door to knock on, but knock on the door. They are very, very accommodating, but you have to go to them.

The Hon. MICK VEITCH: My last line of questioning is to do with infrastructure provision, not just the hard infrastructure. In some of the responses to the Hon. Paul Green you spoke about the road across to Canberra and we have heard about connections to Sydney. I am talking about connectivity and obviously the NBN is critical. I am talking also about the soft infrastructure required around small to medium-sized enterprises, whether it is just general business support or legal support. How readily available are people with

that knowledge base? If we were to make a recommendation to the State Government about the infrastructure that is required, what would it be?

Mr KOSTER: You have got me. For us to do business we do not have to go outside the Shoalhaven to do the soft infrastructure in general. There are occasions where we have asked people such as accountants a question on transfer pricing, and they have gone, "Right", and they have put us in touch with someone in Sydney. We have gone to Sydney, sat down, gone through it, worked it all out, come back and continued on. The accountant here then has the information to be able to continue on. For a tax point of view we have never had to go outside the region. From a legal point of view we have never had to go outside the region. We have got everything that we require here.

The message I am trying to put through to our members is: You cannot sit there and have your hand out waiting for someone else to either take it or put something in your hand and say, "There you go. Run with it." A government's job is to be able to put things forward. It is going to take time and it is going to take a lot of money. I get that; most people do get that. The NBN, yes, it is fantastic. It has been revolutionary—and I do not use that term lightly—in what we can do now. What used to take hours to download drawings now takes a couple of minutes. We can flick the drawings around and we can be dealing with a manufacturer in France or Italy and say, "No, change it to this; do this. Take that drawing and put it into it what we are building, turn it round, spin it round, flick it back" and we will come into work the next morning and there it is. We could not do that before. Now we can. That is brilliant. I understand that not everyone in the area has the NBN—sorry, Mr Green.

Mr GREEN: I have got it.

Mr KOSTER: We do and it has been great. The more it can come out, the better it is going to be.

Mr GREEN: I add to the same comment to that as far as the soft infrastructure goes. The accounting, the financial, the legal and all that stuff is fine. What we probably need assistance with in that area is, as Mr Koster said, understanding which doors to knock on and who to go and talk to. Two organisations that are being developed—from a State level, Defence NSW; and from a Federal level, the Centre for Defence Industry Capability—have what we see as a critical need to have good connections with the Illawarra. That is the sort of soft infrastructure we need help from. We need those organisations working more closely with us to say, "From our understanding and from our audits, these are some of the capabilities companies are looking for. You have that capability here in the region. These are the sorts of people you need to talk to and these are the sorts of things you need to do to bring those opportunities to the Illawarra." The rest of the soft infrastructure is there. It is more about the targeted stuff.

The Hon. MICK VEITCH: So essentially you are suggesting that there is a role for some sort of facilitation.

Mr GREEN: Yes.

Mr KOSTER: Yes.

The Hon. MICK VEITCH: And you just need to work through what that would look like.

Mr GREEN: Yes.

Mr KOSTER: One of the crowning glories of what New South Wales has done over the last 10 years is getting back into being involved in the trade shows. That makes a big difference. It makes a difference to the people who are exhibiting on the trade show, because some of them would never be able to get to the trade show without being on the New South Wales stand. It also allows a focal point where people with some influence within the Defence organisation can come and see the widget that you are trying to sell. No Prime Minister or general is ever going to make the decision, but he or she can direct their staff to go and have a look at that. Once you get that bit done, it becomes far easier, because you now have a name to go and talk to. With New South Wales pushing that, it is really good. Thank you.

The Hon. NATASHA MACLAREN-JONES: I have an interest in the export of defence capabilities, without having the intellectual property [IP] or support with innovation and then on with research and development [R and D]. I am aware it also overlaps at a Commonwealth level. Is there enough support, particularly for small to medium enterprises, to develop IP but also in the R and D space? What more could be done?

Mr GREEN: Yes, I think there is. There is a lot of support from a Federal level to help companies with R and D and that role and developing intellectual property. Again it is probably more that facilitation. Once

you have got it, who do you go and talk to? How do you get it out there? From what I see, a lot of the current Austrade trade shows go into those markets that are already targeted such as mining. Maybe that is an area they need to think about. If we are going to be developing some of these smarts as part of this next 10 to 20 years of shipbuilding or LAND 400 et cetera, what are the opportunities to export that intellectual property and connecting other suppliers into that as part of the supply chain? It is not just because you own the intellectual property. That is showing that you can do that. It is not more about the widget; it is about the capability you have. That is what we try to promote.

The CHAIR: One of the things we are trying to get to, I suppose, is whether there is anything unique about defence industry that governments should be working on to promote it? You were touching on a couple of things. One was the time it takes to develop the contracts. Another was the detail that Defence procurement people would afford and the culture. What do you feel we could be concentrating on that grows defence industry?

Mr KOSTER: The first step is there with the plan. You have now put it out so defence—this great unwashed, amorphous mass—now knows that New South Wales is serious. We heard how the South Australians bang on about it. Western Australia are now rattling the cage with "We want the shipbuilding" over there. That is fine and great. Defence as a group do not really, I believe, care where it comes from as long as it comes from Australia. That is the preference. That is great. Because they have been told that. What we are saying with the New South Wales plan, as Defence, "We are in this for the long haul," which is great. We are also saying to industry, "We are behind you." And that is what people want.

They want a leader and they want someone to say, "I am with you." I do not want you to come and tell me how to do the business. If you can introduce me to the guy or the lady I can talk to, that is great, but I do not necessarily need that. I just need to know there is a plan—that if I go down this track, someone will be saying, "Yes. You are part of the organisation. We agree with where you are going." We set the framework and this is how we are going to do it and this is how we are going to help you along. That is what we want to see. We want to see the leadership and to hear, "Yes, we are going to do this. Yes, we are behind you. Yes, we are going to back you." That is what we want.

Mr GREEN: I agree. For us it is about the intricacies of supplying to Defence. The requirements of Defence are that bit higher than what our members are currently used to, supplying products to the mining or the steel industry. Defence needs are higher, so it is about making sure that they are aware of that and making sure that we can demonstrate that they can fit that bill. That comes down to those organisations—Defence NSW and the Centre for Defence Industry Capability. They are being set up to help industry. We need to make sure they work very closely with regions like ours.

We see that we have a competitive advantage in our region with BlueScope and Bisalloy on our doorstep. Why would you buy plate through Bisalloy that comes out of BlueScope, send it all the way to Western Australia and then take it all the way back down to South Australia when you could get some of that work done here in the Illawarra? There are companies that can do that—shaping, rolling, forming, manufacturing of componentry, fabrication that is required. We have some empty land at the steelworks which is right near the port. There is lots of capability we have. We need someone to help us get that message out there to those primes to say, "You need to have a look at what they are doing in the Illawarra," and help the Illawarra businesses create those connections. That is what we need.

Mr KOSTER: If I may, if one of the shipbuilders is looking around asking, "What is going on? Where can we do this and that?" individual companies say, "We can do this." But it makes a big difference to a company if the Minister comes down and says, "Come with me. I am going to take you to Bisalloy or to BHP. There it is." It is a whole different ball game. The company from overseas, whether it is Damon, Lurssen or Fassmer, they will say, "Really? The industry Minister of New South Wales or someone from the Government is taking me to meet them." It is a bit different to us knocking on the door and saying, "This is what we can do for you."

The CHAIR: What you are saying to us seems to be the opportunity is there for regional businesses to supply into Defence.

Mr GREEN: Yes.

The CHAIR: It is not so much about servicing a base that happens to be in the area. Is that the future?

Mr KOSTER: Yes. We do not do any work at *Albatross*. We are five minutes from the front gate. The last time I went in there was probably six or seven years ago. I tell a lie—I went and met the base commander.

But from a business point of view it would have been five or six years ago. There is no need for it. My work is in Canberra, Melbourne and Sydney. That is where I go.

Mr GREEN: We are the same. In our region we do not do anything with the local bases. Our members supply products and services to Garden Island to ASC in Adelaide, but nothing with the local bases that I am aware of.

Mr KOSTER: Actually, our biggest area that we work in is Amberley, out of Brisbane, but we are still based in the shire and we are still working from here and that sort of thing. The base brings in economic benefit. That is great and it is really important for the retail trade and for the soft services and that sort of thing. From a defence industry, where the base is located is not really important.

The CHAIR: I think there is a perception that defence is highly, highly centralised in terms of procurement and management. Is that your experience?

Mr KOSTER: No.

The CHAIR: We would like to understand that a bit more.

Mr KOSTER: From the mechanical engineering aspect of the company, our main office for interacting with defence is in Melbourne; for the electronic warfare it is divided between Canberra and Adelaide; where we deliver all the mechanical equipment is Amberley. We go to Canberra only for a few things, and that is where some of the capability—you are talking to the capability staff to find out where they are going in the next 10 years, what type of thing they are after; and then you are going to the sustainability group, or the caring and sharing group, you go and speak to them about what they are going to buy, and you are trying to put what they want in 15 years' time and what they are looking at now and putting that together so that you shape your own business as to where they think they are going to be in 15 years' time. If you are looking at defence projects as against selling consumables, you have got to be looking at five to 10 years, otherwise you are seriously wasting your time.

The CHAIR: Thank you very much, that has been very informative. It is a great pleasure to be in the lovely Illawarra and Shoalhaven.

(The witnesses withdrew.)

VALERIE LINTON, School of Mechanical, Materials, Mechatronic and Biomedical Engineering, Faculty of Engineering and Information Services, University of Wollongong, sworn and examined

MARK ROBERTS, Senior Manager, Strategic Projects, University of Wollongong, on former oath

The CHAIR: Thank you for coming in, Professor Linton, and welcome back, Mr Roberts. Professor Linton, would you like to make an opening statement and tell us what you do?

Professor LINTON: I am a little bit hard of hearing and I am struggling to hear your voice. If I look at you blankly it is that I am struggling to hear. There is a lot of background noise for my hearing ability in this room, so please bear with me. On behalf of our Vice-Chancellor, Professor Paul Wellings, CBE, I wish to thank you, Mr Chairman and the Committee members, for this opportunity to address you today. We will be happy to respond further to any matters you may wish to discuss in relation to the University of Wollongong submission to this inquiry into the defence industry in New South Wales, following my opening remarks.

The Commonwealth Government's commitment to invest \$195 billion in the defence sector over the next decade heralds a new approach to national defence and creates significant opportunities for New South Wales to grow defence-related expertise, jobs, and innovation. As stated in the NSW Defence Strategy, New South Wales is home to the largest number of defence bases and capabilities of any State, with over 20,000 jobs and a direct spend of approximately \$7.9 billion in 2014-15. There is strong industry and research expertise across the State that provides a strong starting point for attracting an increased proportion of defence investment to the State.

The New South Wales Government has a critical role to play in coordinating greater collaboration across industry, government and academic institutions to foster the innovation and expertise required to build defence capability across Australia. The University of Wollongong supports the New South Wales Government's recent progress in this area, through the NSW Government Defence and Industry Strategy 2017, and support for the emerging Defence Innovation Network [DIN]. The NSW Defence Strategy's recognition of the importance of defence to regional economies and communities throughout the document is very positive.

The NSW Defence Strategy and the DIN are necessary to address the previously ad hoc approach to businesses and academic institutions pitching for Federal defence funding in this State. Similar established networks in other jurisdictions have shown the benefits of bringing together researchers and industry end-users in a coordinated and timely fashion to find innovative solutions to problems. Formal collaboration networks will help organisations identify complementary skills and expertise to mobilise quickly to respond to specific opportunities. Victoria and South Australia have had similar pre-existing networks, and have been effective in securing higher amounts of funding in recent Commonwealth grant opportunities.

The University of Wollongong recognises the importance of providing higher education to the existing and future defence workforce. The University of Wollongong provides postgraduate training for Australian Defence Force personnel through its Faculty of Business and the Australian National Centre for Ocean Resources and Security [ANCORS]. The University of Wollongong's Faculty of Business provides three Masters degrees that qualify for Defence Force Advanced Standing, in Business Administration, Management, and Science (Logistics/Project Management). The Logistics/Project Management degree in particular has proved popular with ADF scholarship holders.

Australia's Navy building program is set to become the largest commitment to Defence. The University of Wollongong is part of a consortium of three universities spanning three States and the national organisations of DST Group and DMTC that run an Australian Research Council-funded training centre to support the Australian naval manufacturing industry. The University of Wollongong is one of the founding members of the Defence Materials Technology Centre [DMTC], which is a national multi-partner collaborative research centre to provide the defence industry with materials and manufacturing solutions to enhance Australia's defence capability.

Established in 2008, the University of Wollongong is the New South Wales node for DMTC and is one of eight participating universities. The University of Wollongong's involvement in DMTC projects has drawn on our traditional strength in materials engineering to develop improved armour steels for a range of defence uses on land and at sea, including submarines, destroyers and armoured land vehicles. Since 2008, the University of Wollongong has participated in over 20 research projects with the DMTC, worth over \$10 million, and supported a number of post-doctorate researchers and PhD candidates.

The University of Wollongong welding automation group, of which I am part, forms a critical part of the estimated \$1.3 billion contract awarded to Thales Australia to supply the Australian Defence Force with 1,100 Bushmaster four-wheel drive vehicles over a 3½-year period from 2017. In addition, the university is currently working with Thales on the automation of the assembly welding of their latest highly-armoured vehicle, the Hawkei.

BlueScope Steel, in conjunction with Bisalloy Steels, successfully supplied the steel plate for the Collins Class submarine fabrication and is now drawing on this experience to work with DMTC on high-strength steels specifically designed to suit the construction of Australia's future maritime platforms. The SMART Infrastructure Facility at the University of Wollongong has significant expertise in Model Based Systems Engineering [MBSE], which is used in defence and infrastructure applications. The dedicated team of researchers also apply System of System methodologies [SysML], which has multiple defence applications.

The Federal Government's investment in the defence sector represents a unique opportunity for New South Wales to build on its existing strengths across the supply chain. The key role the New South Wales Government needs to play is to support effective collaboration across the sector and help to build long-term relationships with the Commonwealth agencies and lead contractors. The New South Wales Government could help support the development of the New South Wales defence supply chain and innovation by: continuing to support the establishment of the Defence Innovation Network; make a long-term, bipartisan, commitment to supporting and investing in the defence sector across the State, including regional areas; recognise the University of Wollongong as one of the leading engineering, mathematics, physics and ICT research institutions in Australia.

The University of Wollongong is helping to develop the skills and expertise needed by the defence sector through undergraduate and postgraduate training and defence-related research, particularly as the New South Wales home of the Defence Materials Technology Centre. The New South Wales Government should seek further opportunities to leverage partnerships with research institutions and industry, especially start-ups, to generate greater collaboration and commercialisation of research, such as innovation hubs between universities and business in regional areas. Consider the benefits of relocating parts of the Defence Force, particularly maritime-focused, to the port of Port Kembla. This would take advantage of its unique proximity to Canberra, Nowra and Sydney, the deepwater port, pre-existing cluster of defence industry and research activities, and advanced manufacturing capabilities within the region. The flow-on effect of similar clustering has seen the emergence of new industries and sustained economic growth in other locations such as San Diego, California.

We now welcome the opportunity to respond to any questions the Committee may have, or to further discuss any matters raised within our submission or arising from my opening remarks. The university is also looking forward—and I will be there—to hosting the Committee tomorrow afternoon for a tour of the DMTC at the University of Wollongong campus to demonstrate some of the capabilities that I have been talking about.

The CHAIR: Before we commence questioning, the university and the Illawarra is a fantastic example of a collaboration and building on traditional strengths, industry skills and scholarship at the same time. It would be interesting if you could give us more background on Defence Materials Technology Centre, how it is pulled together, how it is funded and how you make something like that happen.

Professor LINTON: The DMTC was set up in 2008. Although it is not a traditional cooperative research centre, it was set up in the same manner that traditional cooperative research centres were set up, where the Commonwealth Government through the Department of Industry provides funding to it and universities and companies it involves. The DMTC gets Federal funding, but it has eight universities involved—the University of Wollongong is one of the key universities—and it has a large number of companies involved as well along with the Defence Science and Technology Group. This is very much an industry-led group. It had Commonwealth funding, and now that is finished it has transitioned to a separate standalone research centre. The Federal Government and the companies continue to supply funding for targeted pieces of research work, and the universities with key skills in particular areas take on that work and work extremely closely with industry. I know at the University of Wollongong our researchers go out and work embedded in the companies. We have personnel come from the companies who come for a period of time to work at the university, so you are getting a real two-way flow of knowledge and expertise.

I think because you have long, sustained funding—that is one of the benefit of CRCs compared to, for example, ARC-style funding where you are funding for two or three years and then that is it. Any sustained funding is crucial in universities to build capability and to retain it. If I can go one step further in my answer to your question, being able to develop that technology and the skills within the university has a huge flow-on

effect: Things that we have developed for Defence can be rolled out into civilian industry and manufacturing as well. You are getting that flowthrough of technology and expertise.

The CHAIR: Continuing on that theme, one of the funding issues for those sorts of research functions is that the equipment is usually pretty expensive and has to be acquired over a longer period of time. We will see some of it tomorrow. I do not know whether you want to talk about that or not.

Professor LINTON: That is right: The equipment does cost a lot of money and you will see it tomorrow, but you will see we have literally just installed—and it is not functioning yet because we have just installed it—a brand-new, state-of-the-art robot. That has actually been provided by one of the defence companies to allow us to simulate what it does in its factory. Therefore we are not then taking research developed in the lab out to the company; the company is actually putting its facilities into our workshop so that we can work on exactly what the companies work on, and then it is absolutely directly applicable. There are ranges of ways of sourcing and providing funding for our equipment in universities.

The Hon. JOHN GRAHAM: The key thing I am keen to ask about is the Defence Innovation Network. Can you tell us more about who is involved, where it is up to and where you see its potential?

Professor LINTON: Yes. The Defence Innovation Network is a really exciting new initiative—in fact, I have the document here. This is the funding deed. It has come out of the NSW Department of Industry and it is the Office of the Chief Scientist and Engineer that is particularly promoting this. It brings together, therefore, government funding. It has the DSTG involved and there are six universities in New South Wales.

The Hon. JOHN GRAHAM: Which universities?

Professor LINTON: All of the New South Wales ones. There is a lead university that is administrating it, and at the moment that is UTS. It is taking the inaugural position in administering it. Wollongong is involved. Newcastle is involved; Sydney. I have to think of all the other names of the New South Wales universities, but they are all in. University of New South Wales.

The Hon. JOHN GRAHAM: How does it compare to the Victorian model? How does the set-up of this innovation network compared to the Defence Science Institute?

Professor LINTON: The DSI is run out of Melbourne University and it has been going for a long number of years now. It is a very successful—if I can describe it like this—dating agency to bring companies and researchers together to find out who can provide research and capability to support the defence industry in Victoria. That is very energetic and it is a fantastic model. This particular model goes a bit further than that, because it has a remit to broker those kinds of relationships in the same way as DSI, but there is actually funding on the table as well to sponsor PhD students and honours students—so there is a commitment to actually do research within this network—but also the partners have committed to collaborating together to be able to target larger pots of funding and take on bigger initiatives in collaborations.

The Hon. JOHN GRAHAM: The Victorian one does not seem particularly big, so it has clearly had some impact.

Professor LINTON: It is not particularly big, but I suppose it has been around a long time and people know about it.

The Hon. JOHN GRAHAM: Although only since 2010.

Professor LINTON: Yes, but that is still six or seven years.

The Hon. JOHN GRAHAM: It has had a big impact in a short time, given what you are describing.

Professor LINTON: That is right. The Victorians were probably the first ones to marshal themselves in a coordinated sense, and we are seeing that in South Australia as well with the South Australian defence network. They have a big DSTG operation there and the universities have been working in the defence space for quite a long time in South Australia but, again, the South Australians have got themselves very coordinated too. I think we might be coming slightly later to the party than the other States but I think New South Wales has a fantastic initiative to do the same sort of thing.

The Hon. JOHN GRAHAM: How does the New South Wales State funding compare to the Victorian model?

Professor LINTON: I do not know the answer to that question. Maybe we can find out for you.

The Hon. JOHN GRAHAM: I would be interested to hear, if you took that on notice.

Professor LINTON: I know how much funding is in the New South Wales one, but I do not know the answer to the Victorian one.

The Hon. JOHN GRAHAM: Maybe you can tell us that.

Professor LINTON: I can tell you that, because it is in the back of this document. The department has given it \$1.25 million, and the universities are putting in—it is funny how you know exactly which page it is on until somebody asks you a question! There: \$1.25 million from the New South Wales Government, the membership fees from the universities are \$360,000 and the PhD scholarships are \$313,000. There is a very substantial—about \$1 million worth—in-kind coming in from the universities as well: to be precise, \$785,000.

The Hon. JOHN GRAHAM: It appears that the Victorian initiative also attracts some Commonwealth funding. I was interested to see that. They also claim to be assisting industries around the country. It seemed as if they might be getting slightly carried away with that claim.

Professor LINTON: I do not know. We would need to go and investigate.

The Hon. JOHN GRAHAM: If you were able to provide any more information on notice I think that that would be helpful.

Professor LINTON: Certainly.

The Hon. PAUL GREEN: That was a comprehensive opening statement. I think you hit the nail on the head. Hearing the evidence earlier, and knowing a little bit about the industry down here, it seems that there just needs to be a bit of hand-holding for some of the gaps between the opportunities. From what I heard in the evidence before, it seems that the Government could do a lot more in exposing what talent we have to the industry—not just Statewide but globally. That Government should maybe carry the bill of those expo costs to expose the greater opportunities for getting investment back into New South Wales. Would you say, from your experience, that that is what is needed? There is all this innovation happening and all these wonderful opportunities but the links, we are hearing, are not quite together—in particular with respect to small and medium start-ups.

Professor LINTON: There is a lot of SMEs in the region. The two gentlemen who gave evidence before us were talking about that. Tony Green represents i3net and tries to do that. I can give you some examples. We can work across different spectrums. We can work with the Commonwealth Government. We are doing that through things like DMTC and other things like that. We can work with the State Government through initiatives like the defence innovation networks. The University of Wollongong in particular is trying to champion local SMEs as well, and is working with them.

Tony touched on this earlier, although he did not note that it was a University of Wollongong initiative. We have been doing benchmarking studies with fabrication companies in regions around the country. We did one in Wollongong about six weeks ago. Companies were given a pseudo defence manufacturing job to do. I was the technical expert that they had to talk to about their welding or whatever. We put it through a full Defence style work-out and assessment and then we got them in and gave them feedback every step of the way about how good or not they were. It was benchmarking so that they knew where they were at. I think the State Government can do a lot to support those sorts of initiatives. Companies are really interested in getting to that space but they are not quite sure how to do it. You can bring a company together with expertise at the university that can help them.

In the Illawarra Tony Green of i3net knew all those companies were members of our organisations, so he has been ringing around and talking to them about what is the next step. Rob Thistle from the regional development office of government has been down here and talking as well about what the State Government can do to support those organisations. Those sorts of things are very powerful because this is a bunch of companies who work in the fabrication space but did not know whether they could work in defence or not. We have been linking them to the CDIN and Centre for Defence Industry Capability [CDIC] and organisations like that, which hand-hold them into Defence.

As you heard before it is about saying, "Here's the front door. This is who you need to talk to." I think it is a combination of those things—working at different levels of government and working at different levels of companies. We work with very big companies and we work with very small companies in the university, just helping people understand who to talk to and how to go about doing it.

The Hon. PAUL GREEN: I guess one of the other challenges for SMEs is always trying to present their businesses in terms of tendering documents or opportunities. Do you have any comment about the

complexities of that? I think Mr Koster made some comments about having an oversight accreditation group that can vouch that they have the capacity or capability to deliver but they are just not good at that level of paperwork because they cannot be all things to all people. Do you have any comment on that?

Mr ROBERTS: From my experience in regional development before, I think it is a big issue. There was a point made earlier that, particularly for Defence procurement, there was an amount of paperwork, process and hurdles that is probably higher than a lot of other sectors. There is a point of intervention that helps companies that have that capability but do not have the resource or the confidence of how to go through that. They might look at things and say, "That is just too involved for me so I do not think I will try."

The representative from the Shoalhaven made almost the reverse point, saying "I think there might be opportunities out in mining but I do not know anyone and I am not quite sure so I do not do it." I think that applies for a number of businesses with respect to getting into Defence. That is where I think there is an intersection point for skills and capabilities coming out of Government—either at the State or Federal level—and industry organisations, and universities as well. We do a lot of grant writing and things like that. That can help provide expertise to get them over the hill. Once they have that little bit of experience and they know what is involved or whatever, they are keen to be off and running.

The Hon. PAUL GREEN: So they have the qualification in the product but they are disqualified through the paperwork. It seems as if there is a disconnect there, which is a real opportunity for us to—

Mr ROBERTS: And the ability. Somebody made mention earlier about trade expos and such—the Government sponsoring that. They do not have to do all the organisation; they can plug into it. Through those you get more participants.

The Hon. PAUL GREEN: How would you do that, because I think that that is a great recommendation—the State sponsoring something like five innovative opportunities, and the companies do not have to pay the bill? The Government knows that this is where it is going. It is as Laurie said, trying to be ahead of the game. You can see the technology—they are producing it—but there is no way that these companies are going to get to a trade show. They just do not have the money. They are investing all their money in their product. Do you have some steps with respect to how we can look at that or break that recommendation down to make sure that those sorts of innovative businesses are getting a hand up?

The CHAIR: There is an interesting theme here. There is a gap, particularly for small and medium businesses.

Professor LINTON: There is a gap.

Mr ROBERTS: Exactly.

The CHAIR: That gap is in both their capacity to deliver on the paperwork side and also to prove that they are stress tested, as you said, to go through a full Defence test.

Professor LINTON: While my colleague is thinking maybe I could draw on this benchmarking welding study that we are doing around the country. We did one in Mackay in Queensland and we did one in the Latrobe Valley. Local government was involved in all of those, as they were in the Illawarra one. It was interesting to see the different approaches. In the one in Mackay the companies were saying, "We can do this." The companies even said, "Right, before we leave this room we are going to agree that we will join forces and look for opportunities to work together." It is a big thing for companies which are competitors in the marketplace to agree that in the Defence space they want to work together. They are back working with us at the university, as well, to get higher skills to get them over the line. They did not know what we could do at the university. Now they know they are back working with us to lift themselves up that skills curve.

The Hon. PAUL GREEN: If the Government sponsors those positions to get those SMEs to those trade shows, quite often that is a missing link for that business that gets exposure to trade shows to meet someone, to form a relationship; that is the answer to pushing their products ahead, as well.

Professor LINTON: I think that is true, too.

The Hon. PAUL GREEN: So it is a multi-purpose bottom line, isn't it, if the Government is able to give some uplift of that?

Professor LINTON: That is right. To finish the example, that was where companies made their own decisions to network and reach out to the contacts they have made. In the Latrobe Valley the local government formed a cluster for the companies, and facilitated links to Defence, and got speakers in from Defence to

demystify contracts and those sorts of things. We are seeing some of that in the Illawarra too, where we could do that. As you say, we could help companies get to trade shows and get speakers to come and talk to them, too—have a breakfast meeting or something. Demystifying contracting or looking at quality systems are good examples.

Mr ROBERTS: Another element of that is that government players, industry players and universities can assist. Our university does pitch training for start-ups, for example. I am talking about helping to train these SMEs about how to pitch their products. Often they do not have the experience or confidence. We can provide some training and put them through some dummy exercises so that they can get feedback. Once they are into that international domain—here is their opportunity—they are well set up to make the most of the opportunity.

The Hon. PAUL GREEN: I am blown away by how much the University of Wollongong is doing in that area. I refer particularly to the local campus. Can you isolate what is happening at the Shoalhaven campus? Is it anything to do with defence? What hopes do you have for the Shoalhaven campus, because it is just outside HMAS *Albatross*?

Mr ROBERTS: I am not aware of anything that we are doing specifically at the Shoalhaven campus. When I look across the courses, there is health, nursing, business, arts and a few others. Again, because of the expense involved in the heavy research area it is centralised at the Wollongong main campus. I suppose it is a bit more tangential. The Mind the Gap facility, which you are familiar with, focuses on mental health. We have a Commonwealth grant for half the capital and it is under construction. One of the issues is that research and clinical service support are about community resilience, but also post traumatic stress disorder [PTSD]. I know that our faculty of Science, Medicine and Health is doing some work with the Commonwealth around PTSD for returning ADF personnel and staff.

Professor LINTON: Even though all the major robotics involving research equipment and people are in Wollongong, we are working very extensively regionally. The submission refers to the facility for intelligent fabrication, and we are in the final establishment stage. It is drawing on existing capability, but we are formalising it through a relationship between the University of Wollongong, TAFE NSW and the Welding Technology Institute of Australia, which is the peak industry body in the welding space. Although it is not specifically defence branded, the facility is working with small and medium-sized enterprises [SMEs] in the region. We have plenty of SMEs around this area that we are working with within that facility to help them to grow their business, to develop new product lines and all of those things that involve technology, innovation, robotics and automation. All those things to help them get under the curve a bit.

Some of those companies are not currently in the defence area, but as they start to develop other product lines and have exposure to our group and what is possible in the defence space, it will help them start thinking laterally about the fact they have worked in manufacturing over here, but they could just as easily manufacture in the defence area as well. I think that facility, that capability and the fact that it is a one-stop shop or end-to-end process, will provide high-end research, consulting, training and partnering with other companies.

Again, this might be something for the ADF. Rather than working in little, tiny slices, we need to try to connect that whole supply chain from education and training all the way through to the highest level of technology. There is paperwork, knowledge, pitching, and so on. It is an integrated package. We talk a lot about the integrated supply chain, but it is not only the goods that go along that chain; it is also the people and all of the other aspects. If you can look down that chain and ask whether you are supporting it all the way along, and are you supporting things like the facility and these capabilities that try to do that, that is a good recommendation.

The Hon. PAUL GREEN: Unfortunately, we are doubling up today; we are also dealing with regional development and global Sydney. Those comments fit both.

The Hon. MICK VEITCH: I am an apology for tomorrow; I will be elsewhere. During a previous Committee inquiry we looked at nanotechnology and we visited the University of Wollongong campus. I was very impressed then by what it was doing. I am from regional New South Wales. The University of Wollongong trawls a large number of students from my part of the State—Tumut, Young and so on. Where are you drawing these students from for these courses? What is the structure of the courses?

Professor LINTON: Do you mean undergraduate engineering courses?

The Hon. MICK VEITCH: Yes. I am interested in both—undergraduate and postgraduate.

Professor LINTON: I do not have the statistics off the top of my head.

Mr ROBERTS: We were talking only last week about graduates coming from across New South Wales. We have received the official question on that and we are pulling that information together. In terms of engineering, I do not know whether it slices and dices down to that level of detail.

Professor LINTON: I think there are about 5,000 students studying engineering. We draw a lot of domestic students from around the Wollongong, Illawarra and lower Sydney areas. Of course, we have other campuses that draw in students from their local areas. We can provide the percentages, but the vast majority are local students. Then we have about one-third international students coming to the undergraduate program. They come from China, India, and a whole range of other Asian and regional countries. At the postgraduate level—that is, masters and taught masters—most of the students are international. They are coming to get a masters in a particular engineering speciality.

At the postgraduate level—that is, PhD or research masters level—a large percentage also come from overseas. We get some domestic students who go all the way through and who carry on to do a PhD, but a lot of them come from overseas. That is partly through links that we have into other countries. You may know that the University of Wollongong has strong links into many other countries; for example, in engineering we teach at six different campuses in China, Dubai, Malaysia, and Hong Kong. That is another channel to bring in students to do postgraduate work. We can provide a breakdown of all the numbers.

The Hon. MICK VEITCH: That would be good.

Mr ROBERTS: I have the anecdotal version. My father-in-law grew up in Wagga Wagga and came—

The Hon. MICK VEITCH: There is nothing wrong with growing up in Wagga Wagga.

Mr ROBERTS: I lived there for nine years.

The Hon. PAUL GREEN: It is a lovely place.

Mr ROBERTS: Like Nowra, it is a great regional city. He did the materials engineering course at the University of Wollongong and worked for Bisalloy Steels. He is now in Victoria. That is an example of someone coming from the Riverina-Murray region going to university and then getting into industry in the sort of spaces we are talking about.

The Hon. MICK VEITCH: It is often said that universities have to do a fair bit of work with undergraduates to get them up to grade. It is almost as though they leave their Higher School Certificate years unprepared for university. I have never tested the veracity of the statement. Are you experiencing that? Do students still need a lot of work once they leave school and start university?

Professor LINTON: I have only very recently joined the University of Wollongong, so I have not done any teaching at Wollongong specifically. Although I cannot speak for Wollongong, I have worked at Adelaide University. It is only my personal opinion, but I think there is some component where if you draw students from a very large range of sources—domestic, international, a range of metro and rural schools and so on—by the time they finish first year they have to know "this". Some students are at different levels for different reasons; different countries teach different curricula and so on. The university is trying to provide a wide range of pathways to university.

During that first year we do a lot of consolidation to ensure that students all have a really good understanding of the science, the maths and the facts. First year students have a lot of growing up and personal development to do. We teach them how to manage their time. At school they have homework to do here and here, and we give a month to do an assignment. The average undergraduate student says, "I'll worry about that the night before it is due." We have to teach them that they need to plan and manage their time. We also teach them how to work in groups and how to negotiate. They might have a team assignment due and they need to know how to allocate the work and play to people's strengths.

There is a lot of personal development for students to assimilate. It is very easy to think always in terms of whether they can do the sums and whether they know the science facts. However, we work very hard to expose them to a range of skills in that first year. We partner them in design challenges and so on with second, third and fourth year students. They have to work as a team to solve some interesting engineering puzzles and to compete nationally on those sorts of things. It is all about giving the students the technical skills, life skills and professional skills that they need when they come out to be really good, functioning engineers who are creative and make a real difference in what they do. Hopefully that answers some part of your question.

Mr ROBERTS: More broadly, there is a range of on-campus support vehicles, including peer support groups. We encourage them to assist each other. Also we have been busily ramping up our university operated

accommodation. We have gone from 1,900 beds, we are on track to 3,200 beds. Many Australian universities are ramping that up. We have a whole range of academic support initiatives through our accommodation properties as well. It is noted also that the academic performance of those who are in university accommodation is consistently about 10 per cent higher than the average across the whole institution, which highlights there is value coming out of providing that support. That very much tends to be focused on first year students.

The Hon. MICK VEITCH: Defence industries have a reputation for being at the forefront of technical advancements and innovative change. How do you accommodate that in the courses you are providing to your undergraduates and postgraduates?

Professor LINTON: The people who are doing research are also teaching. We have projects with students. We get them involved in all sorts of project work. In their final year they do a year-long project, often working with companies. As someone who used to teach a lot about welding and materials and things, you are doing the leading edge research in the laboratory and when you come to your class you are always going to bring that across. I am a very hands-on person; I would always be dragging up bits of gear from the workshop and saying, "This is what we're doing." I would be setting them real-life challenges. We used to do simulated exercises where I would get other senior students to pretend to be from companies and we would set up real-life scenarios for them. They would have to try to use that new technology that we had been doing in the laboratory and see how they would use that to solve company problems.

Some students you can expose to real industry and what is happening and for others you find ways of making sure everybody gets a handle on and a way to try to understand that new technology. If that is what you are excited about personally of course you are going to talk to your students about it. I think every academic who is teaching is always going to be bringing that leading edge stuff into the classroom and getting the students out and experiencing it too.

The CHAIR: You mentioned in your opening statement an Australian maritime training centre. Can you run through how that was developed?

Professor LINTON: This is the ARC Research Training Centre for Naval Design and Manufacturing. Funds came from the Australian Research Council in 2014 to establish that. There are three universities involved—the University of Wollongong, the University of Tasmania and Flinders University. The University of Tasmania, as you probably know, has a very strong maritime school and does a lot of teaching in that area. Those three universities use that funding, and it is not a huge amount of funding, to train PhD students and postdocs specifically in areas related to naval design and manufacture. We have, not surprisingly, students under that scheme who come to us and learn about welding and distortion and automation and robotics and the other two universities play to their strengths as well. That funding is just about to run out and we are currently in the process of applying for a new tranche of funding to continue to allow that centre to operate.

The CHAIR: Thank you. We are looking forward to seeing you tomorrow. As I said, I think the University of Wollongong and the sort of work it is doing is a great case study for us.

(The witnesses withdrew)

(Luncheon adjournment)

NICKY SLOAN, Chief Executive Officer, Illawarra Forum, affirmed and examined

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

Ms SLOAN: Yes, if I may. Thank you, firstly, for inviting me along to meet with you today, and welcome to the Shoalhaven. Thank you for having it down here. It is a beautiful part of the world. I know because I live here. As you probably know from my submission, the Illawarra Forum represents and supports community organisations and so we are particularly glad to be invited today because we are often overlooked in the context of regional development despite the fact that we are the largest employment sector in this region. In terms of regional development and a global Sydney, for community organisations I think it is good news in terms of growth in jobs and increasing opportunities for developments, particularly in aged care and retirement living. However, while the jobs in our sector are really important they are typically low paid and often part time or casual.

Growth in Sydney is already impacting our region in terms of housing affordability and that is really impactful for people who work in our sector. This is particularly relevant in the northern Illawarra. If you are on a low wage it is very hard to stay living in the area that you are working in. Homelessness is becoming significant in the region and it is particularly visible here in the Shoalhaven. This is largely due to downward migration from Sydney and then from the Illawarra People are also moving here locally to be closer to family in the jail. We also have seasonal eviction in holiday periods, here in the Shoalhaven in particular. We not only need to benefit from the expansion in greater Sydney but we think that we need to protect what is special about our region, protect our community and in particular protect our vulnerable individuals and families to make sure they are not rendered worse off but in fact benefit from any expansion in the city.

The Hon. MICK VEITCH: Did I hear you talk about seasonal eviction?

Ms SLOAN: Yes.

The Hon. MICK VEITCH: Is that where people who currently have a tenancy are moved on because of an influx of other workers and they then have nowhere to stay? Is that what you are talking about?

Ms SLOAN: No. Seasonal evictions happen typically in holiday areas. People are evicted just before the major holiday periods because landlords can get five times the rent for that period.

The Hon. MICK VEITCH: Where do people go when they have been evicted?

Ms SLOAN: That is when we really see a rise in homelessness. Like I said, it is quite visible already here in the Shoalhaven. Homelessness is a big issue. People tend to live in tents. We have a tent problem in the showground in the Shoalhaven now and it is a problem in the summer time. We are a popular holiday area but it is a horrible time to be living in a tent now.

The Hon. MICK VEITCH: One of the things we are looking at is how regions can leverage off global Sydney and the growth in Sydney. One of the negatives that arise is that people with money in their pockets out of Sydney are coming down here for holidays and that is having a negative impact in that people are being evicted to accommodate holidaymakers?

Ms SLOAN: Yes. It is a dual-edged sword because we want people to come down here on holidays. It enables growth in jobs in hospitality so we do not want to stop people coming but we really need to think about whether there is something we can do about those seasonal evictions and make sure that we have more affordable housing so that there is enough housing for the people who are already here.

The Hon. MICK VEITCH: Can I ask you about the rollout of the National Disability Insurance Scheme [NDIS] and potential job opportunities? Is there a shortage of skill sets and people suitably qualified with those skill sets that will be created because of the NDIS and are the training providers working to meet the need?

Ms SLOAN: Yes. There is definitely a shortage; there is already a shortage. Between the Ageing and Disability Sectors a survey has just been done by Regional Development Australia—Illawarra and it looks like about a 43 per cent increase over the next three years. So it is more than 2,000 jobs that we are looking to fill. There are definitely problems with having sufficient people with skills in nursing. For everybody, registered nurses and support workers are the number one positions to be filled. We certainly are working really hard on that. We are part of a local group called the Aged Care Illawarra Workforce Action Group, which comprises

employee groups, our own organisation, TAFE, university and State training services. We are really working on trying to fill that skills gap. Unfortunately I think we suffer from stigma in our industry and it is not often the first choice for people so we need to do some work around that.

The Hon. MICK VEITCH: What are some of the jobs where you have a shortage of skills? Is it personal care workers, administration and accountancy areas, submission writing?

Ms SLOAN: It is across-the-board but, as I said, number one was registered nursing as it is very difficult to attract registered nurses into aged care or disability. The second was individual support workers; they are those direct care workers. The thing that people do not often realise is that for all of the jobs in our industry, even at the lowest entry level, you need at least a certificate III so we are quite a highly skilled workforce, underpaid but highly skilled. It does mean that people need to either already have that certificate or be really willing to get that certificate straightaway in order to work in the industry.

The Hon. MICK VEITCH: When it comes to the community sector in this part of the State or leveraging off global Sydney what are some of the things that could be done? If we were to make recommendations on the back of your submission and your testimony today what would that be?

Ms SLOAN: We already know that there is going to be growth. I think there will be more opportunity with more older people moving down to this region so we will see more growth in the aged care sector and great opportunity there. I think that needs to be balanced with the fact that we need to make sure that people who are working in these really important but low-paid jobs are able to live in the area because it is becoming more unaffordable all the time. People need to be able to live quite close to where they work. That would be my recommendation—to try to make sure we have more affordable housing.

The Hon. NATASHA MACLAREN-JONES: Following on from your comments about being able to live close to where you work, in the attachment to your submission you identify that one of the problems is affordable and accessible transport. Earlier this morning we heard about major infrastructure suggestions, and rail in particular. Are you talking more about small-scale transport being a challenge or are you looking at bigger issues?

Ms SLOAN: Once again I am talking about the fact that people are on very low wages. We also represent the aged and vulnerable communities. They are people who are often living on welfare. For us it would be more about public transport. There is a real dearth of public transport in this region, particularly in the Shoalhaven and in the lower Illawarra area. We would like to see an increase in accessible affordable public transport.

The Hon. NATASHA MACLAREN-JONES: What is the Innovation Sandpit? Could you outline that in a little more detail and how the work being done with that is leveraging opportunities in the Illawarra?

Ms SLOAN: The Innovation Sandpit came about because something we have noticed—and perhaps this is something the Committee could make recommendations on—is that our industry is largely provided by not-for-profit organisations. We are excluded from some business funding opportunities because we are not-for-profit, which seems very strange to me.

The Hon. NATASHA MACLAREN-JONES: What is the reason for that? Is there a blanket rule that not-for-profits are not to be in partnership?

Ms SLOAN: We are just excluded in the guidelines. That would be things like Jobs for New South Wales, for example. We wanted to highlight the fact that although we are very much a hands-on and caring sector, there are great opportunities for other businesses to grow alongside us. We really saw an opportunity for tech and entrepreneurial types, who might be able to solve some of the wickard problems that we have in community services. We have partnered with the University of Wollongong iAccelerate and said, "Let's bring people together and see what happens." The Sandpit was just a one-off event but it really was about us bringing together groups of people who had not worked together normally. We outlined some of the wicked problems and what we found was that there are some very smart tech people who said there was something they could do to work with us on that. As you can see, we have had a few outcomes from that and we are really keen to do this again and do it probably in a more structured way next time.

The Hon. NATASHA MACLAREN-JONES: When did you run this?

Ms SLOAN: I could look it up for you but I think this was September last year.

The Hon. NATASHA MACLAREN-JONES: So in a short period of time that was quite an achievement?

Ms SLOAN: Yes, and we are seeing some really innovative things coming out of that. Safety for workers in our industry is a big problem. Many of our workers are going into homes on their own and often quite a long distance from their base. One of the things with globalisation is that often people do not actually have a base anymore in the area; they might work for an organisation that is based in Sydney and they just have innovations, a laptop and iPad and off they go. One of the great ones that came out of this was the app about ensuring safety for workers. It was being used in universities; the developer was there and said we could really make that work for care workers.

The Hon. PAUL GREEN: Accessibility and affordable public transport obviously get diluted with population sizes. What are you suggesting for Wollongong where there are probably 300,000 people and for the Shoalhaven with approximately 100,000 people outside the tourism time? Do you have any suggestions for public transport?

Ms SLOAN: At the moment we have a one-size-fits-all response to public transport. I think you are right in the difference between what is needed in Wollongong and what is needed in the Shoalhaven—it is vastly different. But I know you are very familiar with this area, so I know that you know that if you live in the Bay and Basin area and you need to get to an appointment in Wollongong it is a very long drive, or, indeed, if you have a job that is in Nowra and you have to come from Bay and Basin. If you are working in our industry and you are on \$25 an hour as a casual worker, the cost and the opportunity cost of coming from somewhere like Bay and Basin to get into Nowra to work is quite prohibitive, really. If you are only doing a two-hour shift it makes it so you question whether it is worth your while.

I am by no means a transport expert but I think we should be looking at transport that fits the region. Perhaps that is smaller public transport. Maybe we need to be looking at things more like a public transport Uber kind of idea where we are not having to put big buses on long runs but instead could be a little more response to the different areas. The big buses work in the Illawarra and they are running great in the northern Illawarra. But even in the southern Illawarra, those areas are much wider and it is very difficult for them to get around there as well.

The Hon. PAUL GREEN: It is an interesting point you have put up there about Uber for transport in that regard. I think it is on the South Coast that the volunteer drivers have an Uber system to pick up the elderly. It is very innovative and creative—they can get a lift but it is a matter of who is online at the time and able to pick up that person. It is very smart and innovative. We heard at lunch from Mr Greg Pullen about public transport. You are right—it is not one size fits all and it needs a different approach. The member for Kiama has been trying to get bus services in between rail services so we get that continuance of the rail into bus mode into Nowra. I think that is the intent of it. Mr Pullen was saying it would be a bit more creative to take the bus right from Kiama right through to the Bay and Basin. In effect that would do what you are saying: pick up those people who have to come into Nowra and be getting paid \$50, \$75 or maybe \$100 for a four-hour shift. Do you think that is helpful thinking?

Ms SLOAN: Absolutely.

The Hon. PAUL GREEN: Extend the train line, but by bus.

Ms SLOAN: Yes. Once again, I am not a public transport expert. It could not be cost-effective to run the train line further south, but certainly picking it up with buses would be really helpful. But also making them affordable. I think the current rate to get from Bay and Basin into Nowra is about \$14. That is a big chunk out of a \$50 day's work.

The Hon. PAUL GREEN: You made a point about aged care and upskilling of students to come from Bay and Basin to TAFE. It almost becomes unaffordable to get there. I think the Government some time ago had a red ticket which was an initiative, a pilot scheme, whereby students only had to pay \$2.50 on their way to TAFE. That was incredibly successful. It allowed kids all around the district to come through on school buses to get into the central area to complete their courses.

Ms SLOAN: Yes. That was a great initiative.

The Hon. PAUL GREEN: Is it still going?

Ms SLOAN: I do not know.

The Hon. PAUL GREEN: Would you be able to track it down and see?

Ms SLOAN: Yes. I think the person who was coordinating has moved on, but I will find out.

The Hon. PAUL GREEN: I am sure they have. They seem to have a high turnover.

Ms SLOAN: Certainly our members are telling us that if people could be trained they could offer them jobs. People are crying out for more workers in the region.

The Hon. PAUL GREEN: You were talking about the aged care sector. We have a high ageing population. Are you aware that the local university does nursing and the local TAFE does nursing?

Ms SLOAN: Yes.

The Hon. PAUL GREEN: Are there not enough positions in that?

Ms SLOAN: I think for nursing one of the issues is that the aged care sector is not as attractive as the health care sector for most nurses. We do not pay as well in aged care as people can get in the hospitals. We are also hearing anecdotally that there is greater status if you are working in the hospital environment than if you are working in aged care. So I think for us that is about trying to break down those stereotypes and encourage more people in.

The Hon. PAUL GREEN: We have a high unemployment rate down this end of the Illawarra, unfortunately, but I think one of the ways through for that is, like school-based apprenticeships, we should have school-based aged care nursing. That is an opportunity with an ageing population that might be worth piloting something like that in this area instead of the students going to the TAFE. Down the south side of Shoalhaven, such as Ulladulla, where there is more than 20 per cent youth unemployment, we really should pilot something in the aged care sector.

Ms SLOAN: Yes. I think students can do a TAFE-delivered vocational education and training [TVET] course in aged care. So it would be a small step, I suppose, to move to school-based apprenticeships.

The Hon. PAUL GREEN: Do they have to go to TAFE to do that? Is that not done on the school campuses?

Ms SLOAN: No, that is done at TAFE.

The Hon. PAUL GREEN: So once again it is accessible, but you have to get to TAFE.

Ms SLOAN: Exactly.

The Hon. PAUL GREEN: So if mum and dad do not have the car—

Ms SLOAN: Often they do not.

The Hon. JOHN GRAHAM: I thought your example of the double-edged sword was a really powerful one. Obviously it is good to get the money into the region, but it impacts on people, sometimes creating homelessness. Given your perspective, do you have any other examples or insights about some of those pressures as Sydney is getting richer, driven by globalisation? What does it mean for some of the more vulnerable communities in a regional area like this?

Ms SLOAN: Absolutely. In fact, I am afraid I have lots of examples I can give you. For example, we are definitely seeing those northern suburbs of Wollongong are unaffordable for most people on low wages or people who are living on welfare, so people are being moved further south all the time. We are seeing that the more affordable suburbs, particularly in the Illawarra—they are moving into areas like Albion Park, Warilla or Port Kembla—are really inaccessible by public transport. While they get into those more affordable areas they are restricting their opportunities for education or for employment.

The other thing is that as people on low wages move into those areas, the rents for people who have been living in those areas go up, and they get moved even further south. As I said, we are getting more and more people moving down into the Shoalhaven but we are seeing an increase in homelessness down here. Often when people have been moved like that, not only are they moving into areas where they are restricted by their transport but they are being moved away from their communities and support systems. People are often then even more isolated because those neighbours they lived with for 20 years who used to pop in and support them or give them some food when they did not have enough or whatever are no longer around to support them.

The Hon. JOHN GRAHAM: Really what you are describing is these communities changing quite rapidly, I guess, given the real increase in housing pressures.

Ms SLOAN: Yes—very, very quickly. I was watching breakfast television a few months ago on a weekend and I noticed the most affordable house in Sydney—they were doing a property assessment—was in

Warilla, which is in the southern suburbs of Wollongong. To carry on that example, as I was saying, the people on the lowest incomes are being moved further south. Now we are hearing stories of the working poor, particularly in a region like the Shoalhaven. We are hearing stories where people are being pushed out into the Bay and Basin area, which is still by far the most affordable area to live. They are pushed out there—a young family, one car, dad works in Nowra in the industrial area at Nowra. The trip is just too expensive every day. We are hearing stories of dads taking the family's one car and coming to work and staying in the car for a few nights and then going home, which is terrible for family connectedness, but also leaves mum and the kids isolated in that Bay and Basin area as well. It is just like living in a tent, and at this time of year it would not be very nice sleeping in your car.

The Hon. JOHN GRAHAM: The housing problem is often talked about as a Sydney problem. What you are describing though is the knock-on impacts for a whole lot of communities.

Ms SLOAN: Absolutely, and the people on the lowest incomes are just being pushed further and further out.

The CHAIR: We are very pleased that you have come along, because you are giving us a different perspective. Our terms of reference are perhaps a little too optimistic in the way they are drafted. Just so that we can flesh that out a little more, can you tell us a little bit more about the forum when it was established 20 years ago, not to name them but who are the members, what sorts of people, do they pay fees and have you got some other staff, and what else you do?

Ms SLOAN: I would love to because we do not get to talk about ourselves very much. We were established almost 25 years ago now and it was a grassroots organisation, so it was built from community service organisations who identified that they wanted to have a representative body to speak on their behalf and to do this kind of work, to do the policy work that most of them do not have the time or capacity to do because they are busy doing the work that they are doing. We are a membership-based organisation and members do pay fees, and those fees are very modest fees and they vary according to the size of the organisation's income.

We are a small organisation; we have about 14 staff and our staff are mostly policy and project officers with specialisation areas—children, youth and families; ageing and disability; housing, homelessness; and transport and several others. Their role is often to work with those provider organisations to firstly build capacity in those organisations to keep doing the work they are doing, but also often to translate policy into practice—for example, with the NDIS and the changes in aged care provision. It has been for us, many years ago, about taking a step back and looking at what is the implication for that in terms of service delivery and how are people going to be ready to deliver a service to clients in a different way, but also in terms of their business structure, because it is a vastly different animal to receive your money, a block funding amount, in advance and then deliver a service that is a complete change to delivering a service and then be issuing individual invoices. That is the kind of work we do. We also keep across policy and really try and examine how that will impact on our organisations or members, but also on the communities that they work for.

The Hon. JOHN GRAHAM: Another question on the NBN. We have had some good discussions in previous hearings and today about the NBN but often from a business point of view or a start-up business point of view. For your organisations or for the communities some of them are working with, is there anything you can tell us about whether the NBN rollout is having an effect or is it more relevant to those other business communities in the region?

Ms SLOAN: It is certainly something that our member organisations are taking up and we can see that there will be benefits in terms of increased IT capacity and the opportunities to work differently. For our member organisations, they are certainly looking more and more at remote workers and also at online scheduling and that sort of thing. There are many organisations now that are virtual organisations or have a single base but are located in Sydney or whatever, and their workers are all working remotely on iPads or whatever. That can be good in terms of keeping the costs down for organisations, and obviously we would prefer that was in the not-for-profit world because then all the profits or the surpluses that they make go back into the communities they serve, but we are seeing for-profit providers and they are adopting that business model.

We worry about that in terms of workers because the work that these very low-paid direct care workers are doing is extremely emotionally demanding work and we worry a lot about worker burnout and emotional overload. Lots of people do not have access to a supervisor or someone else to download with, they do not even have access to their co-workers—they never, ever meet. So that is one of the concerns. In terms of the communities, I suppose that varies, whether there is a take-up of it and what they are using that for. It would be

great for some communities where transport is a major issue to see that the NBN was enabling access to things like education and building opportunity that way.

The Hon. JOHN GRAHAM: Presumably, the cost is a real barrier to that. Is there some other way of access that this is opening up to those information resources in the region, or is this largely irrelevant at the moment to people's lives in some of these communities?

Ms SLOAN: I do not think that it would be irrelevant. I think people are using technology; even homeless people will have a mobile phone. I think people are using technology but perhaps they are using it in different ways—they might be accessing it through 3G or 4G rather than accessing it through NBN. There are areas where of course people can get free Wi-fi—unfortunately, that requires travel to get to it, so, once again, it is that double-edged sword thing.

The Hon. MICK VEITCH: Following on from the Hon. John Graham's questions around the NBN and looking at our terms of reference about leveraging off a global Sydney, one of the areas in certainly the not-for-profit sector but the community-based sector across regional New South Wales is trying to access people who have the skill sets for big management, submission writing and grant applications. I am happy to explore this with you further but I suggest that the NBN would enhance the capacity to access people with those high-level skill sets that are required to pull all that together based in Sydney. Would that be an area where the community sector could leverage off Sydney?

Ms SLOAN: Yes, it possibly could. I suppose it comes down to cost. I think that broadens the market and that is a good thing. There are certainly not a lot of people with those skills and most organisations cannot afford to employ someone with those skills. So, yes, that might open it up, but it is about whether we can compete in these regional areas where our organisational incomes are typically lower, whether we can purchase those kinds of services. But that would be a great opportunity for us, I think.

The CHAIR: You were talking about the NDIS and you mentioned the change in funding model; I have spoken to various organisations who have said to me that "Come 1 July, I do not have a budget, I just have a whole series of costs". What has happened in that space? How has that been addressed?

Ms SLOAN: In our region, the whole Illawarra-Shoalhaven region, the major disability providers have come together to form a group called the Illawarra Disability Alliance and they have been doing work together as a collective around preparing their business models. We regularly check in with all of our members, and we are part of the Disability Alliance, and they tell me they are ready.

The CHAIR: They are ready?

Ms SLOAN: They tell me they are ready, so I can only assume they are.

The Hon. MICK VEITCH: We are about to find out.

Ms SLOAN: They are absolutely about to find out. I think it is very fortunate for us in this region that the rollout and the pilot sites have been done elsewhere, so we have had a lot of time to learn from what has happened in other regions. I think if there is one thing about not-for-profit providers it is that we are very astute businesspeople, because we have to be. We have to provide a lot of service on a very small budget. I think that they probably put all their business acumen into getting ready for it.

The CHAIR: You were kind enough to offer us a draft recommendation, which is:

That the health and community services industry be clearly identified as a growth sector in the region, and that policy and investment opportunities are targeted in this regard.

When you say "the health and community services industry", what do you really mean? Do you mean everything including hospitals and for-profit aged care and so on?

Ms SLOAN: Yes, we do. Our bias is for "community services industry", absolutely, but under the census we are lumped together with health care. It is very hard to disaggregate the number of employees in each sector, so that is why we say the "health and community services sector". As I said at the start, I feel like we are often overlooked in the context of regional development. We are here, we are providing a really important service, but we are never really seen as an opportunity sector or an industry that has some economic worth as well as the very real difference that we are making in people's lives. Yes, we would say that the "health and community services industry" is taken into account but particularly for us in the community services. They are all the providers of aged care and disability services but including homelessness, youth services, children services and domestic violence—they are all of our member services, so we want them all to come along.

The CHAIR: You have provided a very useful perspective. Thank you for bringing it to us: a real, eye-opening conversation.

Ms SLOAN: Good—it is not all gloom and doom.

(The witness withdrew)

GORDON BRADBERRY, OAM, Mayor, Wollongong City Council, sworn and examined

MARK GRIMSON, Economic Development Manager, Wollongong City Council, affirmed and examined

The CHAIR: Welcome. Do you have an opening statement?

Mr BRADBERRY: First of all, I would like to thank the Committee for visiting the Illawarra as part of the public hearings into the inquiry into regional development and a global Sydney. Wollongong, as many of you may realise, is the third largest city in New South Wales, approximately 80 kilometres south of Sydney. Wollongong is strategically located just over one hour south of Sydney's international airport and just over two hours drive from Canberra. The Sydney-Wollongong commuter corridor is one of the busiest in Australia, with an estimated 20,000 people travelling daily between the two locations.

Wollongong's close proximity to Sydney means it is well placed to benefit from the continued growth of Sydney. As we are aware and as I heard the Chair remark earlier, Sydney is suffering from issues including congestion, high rental costs for businesses and a lack of available affordable housing. Wollongong can assist in overcoming these challenges, through offering workers an affordable and high-quality alternative to living in Sydney. Wollongong has many attributes to offer, including superb liveability, a supportive business environment, global connectivity and a world-class university. A recent study by Deloitte found Wollongong offers a competitive alternative to Sydney, with 15 per cent lower salary costs, 50 per cent lower rents and high staff retention rates compared to Sydney. This creates a stable, reliable and efficient working environment with significant savings in recruitment and improved retention of corporate knowledge.

The Wollongong City Centre has seen a \$1.3 billion investment over the past four years, with a further \$300 million in the pipeline. Wollongong will also see a 150 per cent increase in the city centre population over the next two to three years, as a result of the current construction underway, which will significantly add to the vibrancy and life of our city centre. According to the Illawarra Shoalhaven Regional Plan, Wollongong is likely to be home to around half a million people by 2050. That is taking into consideration the massive urban land release at West Dapto in what is classified by the regional plan as the West Lake Illawarra urban land release. The Wollongong City Centre is at the heart of this urban area and will drive the local economy and economic growth. Employment and diversification are also attributes and contribute to the region's economy.

Wollongong's close proximity to Sydney and Canberra and its desirable lifestyle, affordable housing and lack of congestion mean it is able to benefit from and capitalise on Sydney's growth, high cost of living and housing costs. With those few remarks I thank the Committee for its time today. I hope that whets your appetite for further questions and inquiry.

The Hon. MICK VEITCH: Thank you for your attendance and for your submission. One of the things I have been exploring with witnesses in this inquiry is the role of Treasury—particularly the benefit-cost ratio [BCR] that it applies to projects. I am from regional New South Wales, and a number of people from regional New South Wales say to me that they have some very good projects, politicians of all persuasions say that they back them, but when it gets to the Treasury stage the project is knocked out because it does not make the numbers in the BCR that Treasury applies. Can I get your views about the application of the benefit-cost ratio and your views about Treasury's role in deciding whether projects go ahead or not.

Mr BRADBERRY: First of all I think BCR is an instrument where the point where you set the parameters will either kill or sustain the argument. I have watched it used in various ways over time. The Maldon-Dombarton rail link is a classic example. If you look at the rail infrastructure in strictly economic terms then you can knock it on the head or—as it is at the present time—park it. There is a failure to consider the social cost and developing and including those implications—for instance, the humanity of that piece of infrastructure connecting to the Great Southern Rail line and bypassing the Sydney metropolitan area. If you look at it very narrowly you can see that the BCR does not stack up. But what would happen if you looked at the whole range of economic implications and social costs—especially also the drivers or implications for taking freight off the M1 corridor?

With all respect I find Treasury takes a very narrow BCR. Considerations like that mean that projects like that are parked. It requires a more holistic understanding. I approach this on the basis of Wollongong's success. Unless we are seen to be a vital part of the New South Wales economy then we will not get the attention that is required. With all respect to our politicians—on both sides—because we have three Labor seats

in a row we seem to have missed the opportunities. We need to appeal to a greater cause—namely, the success of the State.

Mr GRIMSON: I would concur with what the Lord Mayor said. It is think it is probably very hard for many projects in regional New South Wales to get up on the strictest BCR sense. Because of the size of the population of Sydney, when you take into consideration some of those infrastructure projects, no project in regional New South Wales would get to the top of the list. That is a real challenge. It is part of Wollongong's challenge also in terms of some of the definitions that are currently being used by the State Government. In Infrastructure NSW and other funding programs, Wollongong and Newcastle are excluded from their immediate regions and lumped in with Sydney. But with respect to other definitions—we saw it recently with respect to council amalgamations—Wollongong is considered to be a regional area. The inconsistency of the application of the definitions—where is Wollongong?—is one of the challenges. For many of the funding programs Wollongong is excluded even though Wollongong is the regional capital of the Illawarra. That is recognised in the Illawarra-Shoalhaven regional plan. But if you look at other programs Wollongong is excluded from our immediate region, though it is the regional capital.

The Hon. MICK VEITCH: You can spend a long time talking about how to define a region and who is in what region. Your submission explores the definition of "region" and Wollongong's treatment under Restart NSW. You mentioned, Lord Mayor, the Maldon-Dombarton rail line. I put it on the record that for about 20 years I have been a very strong supporter of the construction of Maldon-Dombarton. We have heard a lot of testimony today about connecting to Sydney CBD. What work has been done—other than on Maldon-Dombarton—on east-west links? Which of those projects should get up? I am talking about Picton Road—

Mr BRADBERRY: Picton Road has certainly been improved dramatically. Ten or 15 years ago we had quite a sizeable number of fatalities on that road. That work has certainly been appreciated. Now the pressure is on Appin Road and the dynamics of that. That is being looked into. It seems to me that the next one south is the Illawarra Highway, and that involves Macquarie Pass. The challenges of those east-west road links for us is the massive development of the south-western corridor—down through Camden, Campbelltown and now Wilton and the Wollondilly. There are many who make use of the opportunity to come to Wollongong for the beach experience and that sort of thing. So Wollongong will, in some respects, be encapsulated by those sorts of expansions. The only thing that is separating us from Sydney is the Royal National Park and the Sydney water catchment area. Otherwise it would just be a merged mass.

The real challenge for us—we need foresight in this respect; it could be an illustration of the value of good rail infrastructure—is the Maldon-Dombarton link. That could be one way of relieving us of some of the challenges of Mount Ousley. The real challenges are not so much Picton Road and Appin Road but the constraints on Mount Ousley and the M1. With the expansion of the port and the logistics down there—we also have a liquid hydrocarbon storage facility there—there are up to a couple of hundred truck movements associated with that issue being added to the existing load on Mount Ousley. That is a real challenge because having volatile liquids on roads—specifically that road and some of those challenging links—is a real concern.

There are dynamics there that, because of the constraint of the geography and the geotech issues on Mount Ousley, continually add more to the case for a better rail infrastructure—not only the South Coast line but also the Maldon-Dombarton link.

Mr GRIMSON: I do not know whether the Illawarra Business Chamber [IBC] or Illawarra First has given evidence yet today, but there is a piece of work being done as we speak in conjunction with the University of Wollongong in their SMART Infrastructure Facility, relooking at some of these issues in more detail. One of the things they have flagged—particularly with the population growth of south-west Sydney and Badgerys Creek—is that Maldon-Dombarton has always been seen as purely a freight corridor. They are looking at the options and what would happen with BCRs and other things, if you added a passenger line. The estimates that I have seen are in the vicinity of \$400 million to add an electrified passenger line to that corridor. The suggestion is that that certainly adds to the weight of the case.

The Hon. MICK VEITCH: My last question relates to subsidies, incentives and whatever else is offered. I preface my question by saying that one of the submissions from Goulburn Mulwaree Council refers to a business with about 500 jobs that was looking to relocate from south-western Sydney to Goulburn. The council approached a State Government department seeking assistance. Treasury advised that because there was no net gain in employment for New South Wales, it could not assist the enterprise in moving. It then moved to Victoria. We lost 500 jobs from this State. In a broad sense, that raises questions about what sort of government incentives and subsidies work and whether government should be in the business of providing incentives and subsidies for enterprises to move to regional New South Wales.

Mr BRADBERRY: In terms of economic development for Wollongong, Mr Grimson and I have been out in the world putting forward Wollongong and the northern part of the Illawarra under what is called the Advantage Wollongong brand. It seems to me that ultimately businesses will locate where there are opportunities, and it is up to us to shape those opportunities. I have never been one to say that they need to be artificially created. However, the State Government could make life a lot easier with the appropriate infrastructure to facilitate those sorts of movements. That is not to say that we would not welcome that.

We do have opportunities for government departments, or parts thereof, that might wish to relocate. We can certainly offer something very attractive. However, we have to ask whether or not we should intervene in a market economy. Where do we stand on this? We are all over the place. I was listening to some commentary on the issue of the defence contracts and where they will be located. It seems to me that it is insane to put defence contracts in a State that cannot generate enough electricity to feed itself. Arrium knows that it will be struggling. In contrast, in New South Wales, at least at present, we are able to supply enough electricity to keep BlueScope going, and with a blast furnace that is reaching its maximum capacity. We are able to do it, but we need the appropriate policies and infrastructure. That is all we are here today to say: If you give us the opportunity, Wollongong could thrive.

At present we are in the negative in terms of appropriate transport infrastructure. People will gravitate to Sydney and its employment opportunities. But we are here to advocate for those people who sit on a train for an hour and a half. In most international circumstances, they could be in the same location within an hour. We can go cap in hand and artificially put things in regional cities, but we have opportunities here that would be taken up if there were a more favourable climate and targeted spending by the State Government on transport infrastructure. I cannot understand why the State Government is focusing on jamming so much into the centre of metropolitan Sydney. That is insane.

I have just come back from London, which is almost paralysed. I sat around with regional mayors from various parts of the United Kingdom who are trying hard to get their cut of the budget from Westminster. London is a city of eight million and, from a social point of view, the quality of life is appalling. We only have to witness what happened with the Grenfell Tower disaster. I was there at the time. They must be conscious of the dynamics. The city is very vulnerable to terrorism simply because of the population density, the movement of those people and so on. In terms of retrofitting a city, I think we are barking up the wrong tree. We need to look at the opportunity to lessen the impact. I think Wollongong is in a very strategic location for that very purpose.

I have attended a couple regional cities forums. They have classifications of "inner regional" and "outer regional". I do not know how that will work. From a purely pragmatic point of view, I think regional cities, and more specifically Wollongong and, dare I say it, Newcastle, are ideally located to lessen the congestion, the challenges, and the difficulties you are confronting in the city. Pouring money into retrofitting a city is not the right way to go. All we want is to make sure we get ourselves in a position to take that load.

Mr GRIMSON: I will say one thing by way of example. Two years ago, NEC Australia Pty Ltd came to us looking for a location to set up a new IT service centre on the eastern seaboard. It had just won a major State Government contract. It looked at a number of locations in regional New South Wales, and it ended up selecting Wollongong. Any big employer faces many challenges, but one of the key challenges is workforce planning. If I move my business out of Sydney, will I be able to find the skilled workforce I need? Will there be people with the breadth and depth of skill I require? That was obviously a question for NEC, and it is where Wollongong is uniquely placed compared to a lot of other regional centres.

We have more than 20,000 people commuting every day, which means we have a ready-made workforce of people who have a broad range of skills. NEC initially went to the market with 100 roles it was looking to fill, and it had 2,000 applicants. The company was blown away by the calibre and quality of those people. The University of Wollongong also produces many hundreds of IT graduates every year, and NEC was able to tap into that. After 12 months, it has 180 employees. It is winning new contracts and it is servicing state and national contracts out of Wollongong because it stacks up. It now has a much lower cost base than it would have had in Sydney, but it has the skilled workforce to be able to deliver those services out of Wollongong.

The lord mayor is right. We believe that Wollongong has a sufficient and compelling business case. Ultimately, in terms of long-term sustainability, the business case needs to stack up. We are getting lots of inquiries out of Sydney, particularly in the manufacturing space. Manufacturing has effectively been squeezed out. Rezoning is happening in Sydney, and even in Western Sydney. The price of manufacturing land is now more than \$400 a square metre; in Wollongong it is about \$150 a square metre. Again, because of our heritage and DNA, we have a workforce and skilled people in those sectors who are happy to work in manufacturing. It

is perhaps not a sexy industry for some people these days. But many people are looking at Wollongong because, as I said, they are being squeezed out of Sydney. The risk to New South Wales is that they will be lost to the State.

As to the BHP now BlueScope operations at Port Kembla, council has worked hard to make sure that we maintain that even though it is managed under the State Environmental Planning Policy (Three Ports). The issue for us is also continually to make sure that we have that area in some respects quarantined for heavy industry. Even though there are challenges for heavy industry or manufacturing in this country at the present time, at the same time there is a lot of redundant space there and we are out there trying to attract manufacturers into that space because it is very well serviced. Not only that, we are trying to maintain the buffers between residential and so on, the dynamics of industrial land.

The other thing that is really important is keeping in mind that steel is still on the knife edge in terms of raw steel production; BlueScope's position is basically that their forte is coatings. It could easily fall over in terms of raw steel production. That cluster of engineering, the skills base and so on, not only is it part of the DNA of the city, which to their credit they have defended well, at the same time council has worked hard to make sure that we do the appropriate planning where we can to maintain that facility. That means, as Mr Grimson has indicated, that we can offer alternatives to the Sydney metropolitan area for heavy industry and also light industry for that matter.

The CHAIR: Do I take it from what you are saying that you see Wollongong very much as retaining its separate identity and you do not subscribe to the theory that Newcastle, Sydney and Wollongong all merge into one at some stage? If so, why?

Mr BRADBERRY: Of course geographically, as I said, the Royal National Park and the Sydney water catchment area do create that buffer. I think it is also perceived on the South Coast as being part of the South Coast and also a service centre to the rest of New South Wales south from the city. Psychologically it is still very much a separate entity and perceived as such. Geographically we are probably closer to Sydney than Gosford is. That has got its disadvantages as well as its advantages but it seems to me that it would be very helpful politically for us to be clearly identified as one or the other so we can get on with life. But as far as I am concerned as Lord Mayor representing the general themes that come out of the city, there is still a desire to be seen as regional and servicing and participating as part of the region known as the Illawarra and South Coast.

The Hon. PAUL GREEN: In your submission you state:

Enabling legislation for the Joint Organisations would ensure a good regional governance model and longevity of the new synergies between local and state government service delivery and infrastructure planning to underpin access to opportunities.

I am hearing across the board that there is some concern about the pilot program not being endorsed. Do you have a comment about that and if the joint organisation arrangement is holding Wollongong and the region back?

Mr BRADBERRY: I can honestly say that from our perspective down here there has been a natural transition from what was the regional organisation of councils [ROC] into the joint organisation model, although we did have to jettison the Eurobodalla and Bega councils to the South East ROC or whatever it was. But for us it has been a collaborative experience because there is a common identity that we have shared and that is the Shoalhaven-Illawarra and the synergies that are there between us. That is why I come back to why Wollongong should be perceived as regional inasmuch as it has that regional connectivity with the Shoalhaven. It has been four councils that have worked well. We have shared common issues. Being coastal councils, there are often common themes of concern. Transport infrastructure wise, the common thread was the Princes Highway, the M1. In lots of ways that fitted in with the whole identity and the collaborative experience.

I do realise that elsewhere in the State there have been some challenges in bringing about the Illawarra Pilot Joint Organisation [IPJO] model but for us it meant also that we could create synergies. It was not that it was imposed; it seemed to happen. Things like procurement and the sharing of resources with Kiama, for instance. We are relying heavily on plant and equipment coming from Shellharbour. And there were different skill sets on the various councils which were shared. It just happened organically. It could be formalised and we wish it to be formalised under some form of entity, whether it be called a joint organisation of councils or just a region of councils. But the IPJO or the joint organisation model did allow us more opportunities to formalise the collaborative arrangements. I was looking forward to perhaps even the IPJO having the chance to create incorporated bodies or some sort of model very similar that the four councils, shareholders or members could have then created to facilitate their common interests.

The Hon. PAUL GREEN: So you would like it resolved?

Mr BRADBERRY: One way or another it has got to be resolved. But with the whole merger issue, with respect, it dragged on so long it was destructive. It has just destabilised and caused us a lot of grief. More specifically Shellharbour council. If it was going to happen it should have happened as quickly as the guillotine at the French Revolution. But it did not. It dragged on. It was like having your toenails pulled out one at a time. The impact upon the morale of the councils is what I am concerned about. We have just got on with the IPJO with Lesley Scarlett and so on but we are still waiting for the enabling legislation either way—either for or against—so we can just get on with dealing with our needs.

The Hon. PAUL GREEN: There was some recent negative publicity about the fact that for SouthConnex they might have to move through 450 homes or go through the national park. Do you have a comment on behalf of the Wollongong area about your position on SouthConnex and in particular speeding up the road infrastructure between central Sydney and Wollongong?

Mr BRADBERRY: There are two things involved with that. As to the connectivity of the centre of Sydney with the South Coast, it would not be an issue if there had not been a focus on the centre of Sydney as the main driver of the economy. But I do realise that a lot of money and our State's economy is driven out of the centre of Sydney. Personally, I think the cost of the acquisition of properties for SouthConnex is a big question mark. Those properties are in some very wealthy areas, if I can put it like that. Then there is the noise you are likely to get having off part of the Royal National Park, which is one of the oldest national parks in the world. Anything that would detract from that I think would also be politically disastrous.

Then I am also looking at the issue of the future of connectivity of transport. Unless we start focusing upon rail and mass transport systems we are kidding ourselves. The era of the car is over. It has got a limited life in the light of modern technology and advancement. As to connectivity in terms of freight and those sorts of things, yes, there might be a justification. I know I am treading on some toes here but I think the answer is rail. The Parliamentary Secretary for the Illawarra and South Coast would probably argue for both but the priority as far as I am concerned is rail. It is far more attractive for people to get on a train to get to Sydney and that connectivity.

The Hon. PAUL GREEN: That is a view The Greens take; that rail is far more important than road with all the cars.

The Hon. MICK VEITCH: You are talking about The Greens party?

The Hon. PAUL GREEN: The political party The Greens. Dr Mehreen Faruqi made comment on the ABC recently. I make another observation: we should keep in mind that about 52 per cent of Australian households live in a single or dual-person household. That indicates people like their own space and for that reason alone cars will be a large part of the future, and that they will be electric or self-driving will be another reason people will like being in their little space in their own time with their little comforts. I do not think it will be just in the short-term that we will need highways and byways; that is a short-sighted view. I believe the South Coast will need both infrastructures, which is why we are working pretty hard on the Princes Highway. That is not to rule out rail and the 60-minute connection between Wollongong and Central, the Maldon-Dombarton rail and the capacity for that to be freight and passenger. Geographically Gosford to Sydney is a longer trip than Central to Wollongong but past Wollongong why do we have rail that is quite slow? With the major infrastructure we have a corridor north, corridors going west but it would be very unwise for us not to have very healthy infrastructure, both road and rail, maritime and airport, going south.

Mr BRADBERRY: I do not disagree about the need for those things but I am also conscious of the fact that there is only X amount of dollars in the budget. I have to be realistic. Here we have 24 million people sitting on a continent of seven million square kilometres and we are all clustered around the coastline. I am very conscious of the fact that also most of the poles and wires money and all the money that has been acquired in the sale of assets and the liquidation or whatever it is we call it—

The Hon. PAUL GREEN: Lease.

Mr BRADBERRY: Lease, is it? I need to correct myself.

The Hon. PAUL GREEN: The Chair would know.

The CHAIR: Lease.

Mr BRADBERRY: But let us face it; most of it has been absorbed into the Sydney metropolitan area. I am just saying that I have to be conscious of the fact that where are you going to get best bang for your buck?

The Hon. PAUL GREEN: I would have thought decentralisation from Sydney, the north, the west and the south?

Mr BRADBERRY: Yes, that is fine.

The Hon. PAUL GREEN: So the Bells Line of Road, the Pacific Highway and the Princes Highway?

Mr BRADBERRY: But if you are going to rely on road transport—

The Hon. PAUL GREEN: And then rail north, south and west.

Mr BRADBERRY: Okay, if you have the funds available to do both but I find rail is the most efficient and the opportunity for getting a greater outcome. South of Wollongong is another story but that connectivity through to the metropolitan area depends where the focus of Sydney is now, and it is trending towards the west, so we have the Hume, the M7 and those connectivity opportunities through there.

The Hon. PAUL GREEN: The M12 and the M9, they are key circle of roads?

Mr BRADBERRY: I am just looking at the cost benefits.

The Hon. PAUL GREEN: If we look at that, though, we never make the mark; we never get greater than that 1 per cent so we are stuffed economically. No-one is going to come and invest on the South Coast because Treasury just does not get it; over 1 per cent we get nothing.

Mr BRADBERRY: I leave that to you to sort that out. That is why we are paying you big bucks.

The Hon. NATASHA MACLAREN-JONES: I wanted to talk about the Advantage Wollongong strategy. You referred to it in your regional development submission as well as the defence one. From what I understand it is a collaboration of government, business and council about driving new business to the area, and you touched on NEC. Can you provide some more examples of where it is working and opportunities for improvement?

Mr BRADBERRY: I will start and Mr Grimson can finish because he has been one of the main architects behind it. For a start Advantage Wollongong worked hard in trying to lift the perception that Wollongong is dominated by two industries—steel and coal. To lift that perception and to deal with that has been one of the major challenges that we have confronted. I thank also the Department of Industry and Nigel McKinnon and the crew down our way who have worked hard with us and with the university to work on dismantling that perception. There have been opportunities over the last six years since I have been Lord Mayor anyway with the Chair, subsequent Parliamentary Secretaries and Ministers responsible for the Illawarra to get that message out.

We have done it through representations. I have just come back from Europe and seen businesses that I think could benefit from relocating to our part of the world. It has been through that active engagement that also we realise you have to work from the other end as well and with the employees in saying that "Wollongong is the place to live. This is what we have to offer". From what I am getting from around the world at the present time in so many places, even just coming back from the United Kingdom, is lifestyle. That is the number one marketing tool that you have got and that is where we are positioning ourselves—proximity to work, proximity to leisure, affordable housing and so on; I think the South Coast and more specifically Wollongong has that package to offer. We have been out there actively doing it within the constraints of a budget of a city council that has just had to really work hard to address a massive infrastructure backlog so part of that lifestyle stuff was to make sure that what we had locally in terms of roads, footpaths and all that sort of stuff that council is engaged with, is adequately in place.

Mr GRIMSON: There was essentially a partnership established that goes back to 2009 between the council, the university and the New South Wales State Government, as the Lord Mayor said, initially very much around changing people's mindsets and perceptions of Wollongong and really raising the profile of the opportunities that exist and the natural competitive advantages that we have. We targeted four key industries—the knowledge services sector and there are some real success stories in there. NEC is a recent one but there are a number of home-grown examples as well. The growth of Pillar Administration recently acquired by Mercer is another. When it came to Wollongong it had 200 to 250 staff. It has grown over the last decade to over 600-plus staff and that is especially around that shared services model.

Today over 5,000 people are employed in the Wollongong CBD in knowledge and shared services and 2,500 people are employed directly by BlueScope at the steelworks. That gives you the context of where Wollongong's economy has moved and diversified. Part of our role is to continue to sell that message. We are

continuously talking. For example, Advantage Wollongong has been a sponsor of the National Shared Services Conference for the last three years, promoting the opportunity and talking to businesses. We have even had these conversations with NSW Property about the State Government employing people in the Sydney CBD and have said they cannot fill \$70,000 a year jobs because you cannot live in Sydney on \$70,000, or you commute 1½ hours. Typically in the shared services those jobs in Wollongong on a salary of \$70,000 a year, particularly if it is a second income for a household, is quite an attractive proposition and subsequently businesses in that sector have a staff turnover of less than 10 per cent while in Sydney it might be 20 per cent to 25 per cent staff turnover.

Wollongong is positioning itself and Advantage Wollongong's work is positioning us heavily in that opportunity where rather than outsource some of those jobs to places like Manila, China or India, why not look at an alternative like Wollongong where you could save up to 25 per cent by moving those? We are talking to a whole host of different organisations, including the big four banks, for some functions. We even have a law firm in Wollongong that is now doing a lot of outsourced work from the large law firms in Sydney—that work is being done in Wollongong in an outsourcing type of model. We are working with Deloitte to continue to promote that and Deloitte themselves have a large number of clients in those sectors. We are working closely with them. That is just one example of the type of work we are doing.

Advanced manufacturing is another. As I said, there is a lot of inquiry at the moment in our part of the world from businesses that have previously been set up in Sydney. We are talking to one at the moment which is a large employer in Sydney. They are looking to relocate potentially to Wollongong. Defence is another and logistics is another. Those are the four key sectors in which we see there is a real opportunity because of the lower cost base and because of the lifestyle. The challenge for Sydney, particularly when you have got people who are mortgaged up to the hilt, is that housing affordability has a whole range of flow-on impacts. That is where we see there are some natural advantages. As I said, that 20,000-plus workforce commuting daily means that any business that moves to Wollongong can find a workforce without any problem at all.

The Hon. NATASHA MACLAREN-JONES: Examining the area of defence, in particular, because that is obviously not necessarily about Sydney—it takes more of an Australia-wide approach—what challenges are you finding in dealing with business or attracting investment?

Mr GRIMSON: Obviously there are challenges for any business in a regional centre. The Shoalhaven has a very well-established defence infrastructure and ecosystem, if you like, around the facilities in Nowra, but from a Wollongong perspective, as many of our traditional engineering firms and the like are trying to continue to diversify their marketplace and hence looking at the defence opportunity—you have companies like Bisalloy, one of the leading producers of ballistic grade steel in the country, who have supplied the Australian Defence Force industries for many, many years—it is more around that procurement opportunity. That is a very challenging market, particularly when you are a small to medium enterprise [SME] trying to navigate your way into the massive procurement pipeline and working with the majors and all that kind of thing. I do not think those challenges are necessarily unique to our part of the world.

The Hon. JOHN GRAHAM: You have described in your submission the Government's policy of decentralisation as a disappointment. What do you think has gone wrong? Why has that not worked so far from a Wollongong perspective?

Mr BRADBERRY: It has been a theme of many governments. I am old enough to remember it going back to when I was in primary school in the days of the abacus. It is basically market driven, the intervention of governments. I remember the era of colleges of advanced education and we put them everywhere. I think that facilitated the establishment of Charles Sturt University at Bathurst, for instance. It was those sorts of initiatives that got some decentralisation going, but it is the connectivity, I think, that is the real issue. Decentralisation and regional development are very contingent upon accessibility to the process of government, of administration—

The Hon. JOHN GRAHAM: You have succeeded in getting some of the private businesses we have just run through down here. Why has that not worked on the government or public service side?

Mr GRIMSON: We were very hopeful, it must be said, when the Government made its initial announcements about the decade of decentralisation and again made representations to various arms of government, including working closely with Property NSW. For example, there are 80,000 square metres of development application [DA] approved office space in the Wollongong central business district that has not come out of the ground despite the significant investment that we have seen, due to lack of anchor tenants. Certainly government agencies could well form those anchor tenants.

There would be regional benefits for Wollongong and the greater Illawarra, but on the flip side there would also be significant cost savings to the State Government because, as we just described, there are much lower rents and much higher retention rates in a regional area like Wollongong. There have been a couple of isolated incidents but probably the biggest announcement to date has been the movement of 5,000 public servants from the Sydney central business district to Western Sydney—I think it is to Penrith, Parramatta and Liverpool—but by and large Wollongong has not seen any relocation of any staff.

The Hon. JOHN GRAHAM: Are there particular agencies that match up well with the skills, facilities and economic infrastructure involved?

Mr BRADBERRY: The State Emergency Service [SES] is located in Wollongong. But it works well simply because of the modern digital connections. That is the same story that should be offered and incorporated into any regional development—coming back to the issue, whether it is communication, direct road communication, rail or, as in our era, the NBN and its rollout has certainly facilitated that.

The Hon. JOHN GRAHAM: What sort of consultation or input are you able to have, either presumably with the NBN or possibly through the States? There is a State discussion through the State regional development agencies about the NBN. Have you had any input into how this rolls out, where it rolls out, how fast it is or what sort of technologies there are?

Mr BRADBERRY: It might have been before my time, but Kiama was chosen as the experimental hub and so on, so it was a natural thing that it had to go somewhere so it slowly went north towards the metropolitan area. It unfolded in a way that meant our connectivity was planned fairly early. There was also the role of the university and the expectations there with the innovation campus and so on. Those dynamics all worked in our interest to get us connected. That has proven to be a very valuable means by which we have been able to attract business as well. Those dynamics have worked in our favour. But if you are looking at the total picture, even though I am mayor of just Wollongong, the theme is one in which it is those assets and that infrastructure that really are big game changers.

The CHAIR: Thank you. That has been very informative and a very useful visit so far. You know how much I, the Hon. Paul Green and other Committee members love the area. Thank you for your time. We appreciate it.

Mr BRADBERRY: No problems. Thank you.

The Hon. MICK VEITCH: Mr Grimson, you were talking about offshoring and getting stuff closer to here. There is a term used these days which is "nearshoring".

Mr GRIMSON: That is correct.

The Hon. MICK VEITCH: It is about being near to Sydney but along the coast—instead of offshoring it, putting it back into Wollongong or Newcastle—nearshoring.

Mr GRIMSON: Absolutely. And through Advantage Wollongong we are positioning ourselves in exactly that situation. The management oversight you have to have means we went to a shared services conference two years ago and a large corporation said, "We have just set up a 1,000 seat operation in Manila." The next speaker, another well-known Australian entity, got up and said, "We just closed ours."

(The witnesses withdrew)

DEBRA MURPHY, Chief Executive Officer, Regional Development Australia - Illawarra, affirmed and examined

The CHAIR: Welcome. Thank you very much for taking the time to appear and give us your important views. Would you like to make an opening statement?

Ms MURPHY: I have prepared two very brief opening statements. I will start with the regional development one.

The Hon. PAUL GREEN: I have never heard someone say they have prepared two.

Ms MURPHY: They are two different paths. Essentially our hypothesis is that the Illawarra and Sydney economies are becoming more and more intrinsically linked. The Illawarra region could both benefit from as well as uniquely contribute to global Sydney's growth. Wollongong could become a satellite city to Sydney. The Illawarra region could mitigate the growing pains of Sydney and maximise the economic outcomes for the whole of the State through a more holistic city region approach and improved connectivity.

Regional capitals, such as Wollongong, should be embraced for the opportunities they provide to support global Sydney's growth through a combination of: enhanced transport connectivity and integration with Sydney; recognition of the economic contribution and human capital of the region; and commitment to a "city region" strategic direction and long-term planning. The Committee for Sydney is presently examining the social and economic potential of the Newcastle—Sydney—Wollongong city-region, developing closer linkages through policy settings, integrating jobs and housing markets and constructing high-speed rail connections.

Our need for inter-regional collaboration—not just local but State and national economic development frameworks that we have previously talked about—is clear; the time for more inter-regional collaboration is now for us to act. Our submission makes recommendations for infrastructure-led growth and the expediting of transport infrastructure, including 60-minute rail commute; the MI upgrade between St Peters and Albion Park; the Maldon to Dombarton freight rail line; and the duplication of Picton and/or Appin roads. Our submission notes that Port Kembla is the New South Wales port of growth. It is currently under-utilised and has significant available capacity. We recommend the port is acknowledged as a national economic asset which has significant long-term development potential for both New South Wales and Australia.

Finally, collaboration between all levels of government and the private sector needs a framework. Regional Development Australia - Illawarra plays our part in this, in consultation with other stakeholders, and we are currently facilitating a collaborative on City Deals, which could be a future collaborative framework for the Illawarra region.

The CHAIR: You said you had two opening statements.

Ms MURPHY: Defence—the Illawarra region offers several strategic competitive advantages to defence, including: our depth of skills in specialty steel production; our location, half way between Sydney and Canberra; our human capital of highly skilled engineers and grassroots innovation; our strong defence industry ecosystem; our deepwater port at Port Kembla; and our leading research through the University of Wollongong and industry partners.

In terms of the defence in New South Wales inquiry, our submission makes four recommendations. First, that this inquiry recommends the Federal Government adopt the New South Wales Government's procurement reforms for steel supply for defence procurement. This would not only align government procurement standards at State and Federal levels, but would also maximise the use of Australian steel in defence industry procurement. Secondly, that the New South Wales Government continues to provide the Department of Industry resources to support regional businesses to enhance their competitiveness, especially small to medium enterprises. Thirdly, that the inquiry recognise that for New South Wales to grow its defence market share, it will be best served by strengthening linkages to smart regions, such as the Illawarra.

The Illawarra regional economy has been undergoing significant transition. The University of Wollongong's San Diego study tour concluded that "a small maritime Defence presence in the Illawarra would have a tremendous positive impact on the Illawarra's economy". RDA Illawarra agrees that a defence presence in the Illawarra could be a game-changer for our economy.

In June 2015, RDA Illawarra and a regional consortium developed a report with the very long title of "The Jewel of the East Coast: The Case for Relocation of Royal Australian Navy Fleet Base East to the Port of Port Kembla", which had bipartisan support. Senator the Hon. Concetta Fierravanti-Wells has been an advocate for Port Kembla as a potential location for Navy operations, and in 2014 made her own submission to the Defence white paper. Finally, the innovation capability in the Illawarra should be recognised as a way to leverage and grow defence opportunities. Wollongong is the city of innovation. The University of Wollongong provides leadership and is a catalyst for innovation. Initiatives such as the Defence Materials Technology Centre demonstrate our depth of innovation, which I believe you will see firsthand yourselves tomorrow.

The CHAIR: We just heard from the Lord Mayor and I put to him a question about Newcastle, Sydney and Wollongong being one city. He took the view that the national park and the water storage areas create a national boundary and that Wollongong was really associated with the South Coast and he therefore did not embrace the idea of the one city. What is your view on that comment?

Ms MURPHY: I personally had a wild view that I used to call the crescent theory a long time ago, and it came from my days in advocating for the three port strategy, which was adopted I think in about 2000 or 2001 by the New South Wales Government, which is that Sydney is busting at the seams, growing, congested, all the rest of it, and unless we get smarter and start looking to the surrounding crescent that goes around the centre of Sydney, it will just get worse and worse. That has been my personal view for quite some time. The narrative around what I said about the inter-regional collaborations needs to happen more and more and is happening in a number of different ways.

The Lord Mayor is in part right though because there is a natural buffer there and it would appear, if you look at a map, that infrastructure stops. If you look at the new M9 orbital, it stops and it is like, okay, where is it going? Well, it is going to the growth area around the Macarthur release area, but there is a greater opportunity if it continues, particularly from the port connectivity and a freight movement connectivity, we will continue to see that arc come around.

The Hon. JOHN GRAHAM: Thank you for your submissions. I thought they were really helpful as we are working through these issues. In particular I wanted to ask about the regional development one and the quite good work you have done breaking down the sectors of the Illawarra economy. Some of that work was in the Transition Illawarra Deloitte Access Economics work the RDA has done. The industry projections that you have got Deloitte to do are pretty fundamental to the other work you have then gone on to do. I presume they have just drawn these from some of the Commonwealth figures that are available in the—

Ms MURPHY: I have only been with RDA Illawarra for not even 12 months, so that work was done before my time. I cannot confirm really where it definitely came from.

The Hon. JOHN GRAHAM: My question is really whether there is a better way to get some of this information to places like the RDA. It seems pretty fundamental to being able to do your job that the Government cannot find a way to get this to you rather than have to commission Deloitte to go and do this analysis on top. These are the basic building blocks you need to work up your strategy.

Ms MURPHY: Yes, it is interesting. I will digress for a minute but come back to your question. We are quite well serviced as a region in terms of government agencies and the people you have met with today who are on your hearing list, but we tend to still go off and do our own pieces of work, which is a bit of a tragedy—not for consultants. Yes, in the ideal world it would be great if we would have a centralised repository of economic data. I suppose crystal ball gazing becomes a little bit more complicated, but I think it is coming to pass on some of the work that we have looked at recently that those things, particularly the health care and assistance, I think it is called in the ABS definition. We have done another study—we have just finalised the survey findings this week—where there is, year on year, 15 per cent growth in the disability sector for the next three years in the region from regional companies we have surveyed and 11 per cent or 12 per cent in the aged care sector, year-on-year growth. That is what we consider conservative estimates, and we look to the national data. But, yes, it would be lovely if we could all have one source of the truth, because it is pretty simple data usually.

The Hon. JOHN GRAHAM: Acknowledging that it is not going to be perfect, it is really sector-by-sector analysis you are doing and that is a real key to how your local economy is changing.

Ms MURPHY: Yes. I have some stuff here in case you had asked a tricky question, but there really is quite a lot of change. I looked at these numbers before I came here. This is a five-year split that came from ABS data, but people use data in all different ways. We have gone in mining over the last five years with minus 2,200 jobs and in manufacturing it is minus 5,000 jobs; then we have grown 10,000 jobs in health care and social

assistance. What that tells us though, tragically for our economy, is that the high-value jobs of mining and manufacturing, which are great multipliers into the economy, are declining and the more "funded by government"—for want of a better term—jobs are growing. That means our economy, our share of gross regional product, is going down.

The Hon. JOHN GRAHAM: What role do you see the NBN playing in this area, driving some of that economic change?

Ms MURPHY: I am three LGAs, wearing the hat I am here for, and I think we are pretty well serviced. Like anywhere, there are areas that are not properly connected or that are clunky in terms of their connections, but I think we are pretty well serviced. That is what the council was talking about just before: That is providing opportunities for the shared services model. Also, interestingly, they did not mention what I have seen more and more of, which is a redundancy model. The last contract that NEC acquired from, I think, Transport for NSW where they set up in Wollongong was because of that redundancy model. If we fall over and our systems do not work, what is our backup plan? There are a number of areas where Wollongong has become that backup plan. They are using the servers in Sydney and then the backup is a local one.

The Hon. JOHN GRAHAM: Is that proven by the fact that you have had a bit of that early rollout of the NBN and are better connected?

Ms MURPHY: That was essentially in Kiama, so I do not think so.

The Hon. JOHN GRAHAM: The council's view was that that may be linked to some additional rollout into the Illawarra.

Ms MURPHY: Yes.

The Hon. PAUL GREEN: I want to revisit SouthConnex and the importance of rail and road infrastructure for the development of this area. Would you like to make a comment about how Regional Development Australia sees that?

Ms MURPHY: There has been a lot of debate locally of late about priorities for infrastructure. There is a very good publicly available paper called "Advancing Infrastructure in the Illawarra". We are often collaborators. That was signed by all the stakeholders, including councils, business chamber, the property council—all of the usual people—and it advocated that there should be three priorities: greater road connections based on 20,000 people driving on the roads every day, a 60-minute commute based on 3,500 people commuting every day and of course more demand on the freight connections. But if you actually look at the detail of this paper that we all signed up to in 2014, I do not think a lot has changed. What it says in there is that the interdependencies are very strong so that if you choose to drive in lieu of taking public transport, there is a reason for that and there is a higher number that is driving. But if you fiddle with one, then the other is going to adjust, so I do not think it is an either/or; I think that they are all interrelated. Even the freight connectivity on the Illawarra line is interrelated.

The Hon. PAUL GREEN: We were talking about Albion Park in the context of regional airports. Can you comment on how important that is in the future of regional development?

Ms MURPHY: Shellharbour council is currently doing some work and looking to provide—what is it called?—RPT, regional passenger service or something. Again, the view is that it is an opportunity to basically grow that. I do not think there is much more to it, really.

The Hon. PAUL GREEN: In terms of decreasing centralisation, do you have a view on the sliding pay scale of payroll tax that could incentivise businesses to come south or go to regional areas?

Ms MURPHY: A personal view?

The Hon. PAUL GREEN: We will take any view.

Ms MURPHY: I do not have an RDA Illawarra view, because that is not our brief, but I was previously the chief executive officer of the Illawarra Business Chamber, so I cannot help but either put that hat on or put my personal hat on—

The Hon. PAUL GREEN: This is for the good of New South Wales: Put on whatever hat you want!

Ms MURPHY: —which basically says payroll tax is a nonsense, really. However you can draw that back would be great.

The Hon. MICK VEITCH: I have questions around Regional Development Australia and its role. You have done some fantastic work here, and most of the RDAs across New South Wales do some really wonderful work and collaborations. What is the role of RDAs going forward?

Ms MURPHY: We are really collaborators but we are in a bit of an uncertain period at the moment. From the State perspective we have been told that we need to hang tight. Our money runs out at the end of the year and if we want access to a contestable pool of money we may be able to compete for that. With the Federal Government waiting on Minister Nash's findings from the independent review, there has been a move on the State's part to align more with a strategy working with a joint organisation and also to work with more regional areas than what we are. I think that moving forward the State should actually embrace the opportunity that RDAs provide. We have a fantastic board of volunteers that do not get paid to do their work, and there are some very astute members of our board. One that I was just talking to this morning at our board meeting was Gerard Sutton, the ex-vice chancellor of the University of Wollongong, who is held in very high regard. It is a bit of a tragedy if the wisdom that comes from those board members is not embraced and utilised for the greater good.

The Hon. MICK VEITCH: When you say, "Sit tight; there is funding until the end of the year," are you talking about the end of the calendar year or the financial year?

Ms MURPHY: The end of the calendar year is when the State Government's funding is completed.

The Hon. MICK VEITCH: That is the cycle.

Ms MURPHY: If I can add one more thing, the framework which I think was in the Government's submission to this, which I was reading last night—I think it is called *NSW Making It Happen in the Regions: Regional Development Program*—is silent on RDAs, just to give you a feel for that.

The Hon. MICK VEITCH: That is partly why I am asking you what you see as the future role of RDAs around all those matters you have just articulated. You and previous witnesses talked about organisations finding the costs of organisation a bit too much in Sydney and looking at going offshore to Manila. There is a concept called "nearshoring", which means that rather than move to Manila you look at bringing things to Newcastle or Wollongong because it is near to Sydney—rather than going offshore, staying onshore. What are the examples of that that you can draw on for this Committee?

Ms MURPHY: None that comes to mind.

The Hon. MICK VEITCH: You can take that on notice and get back to us; that is fine.

Ms MURPHY: Sure.

The CHAIR: Shared services.

The Hon. MICK VEITCH: Yes, shared services.

Ms MURPHY: I suppose shared services would be a model.

The Hon. MICK VEITCH: I am happy for you to take it on notice so that we can get some examples. My last question relates to Badgerys Creek and the airport. In your submission—it is a bit blurred in mine—is a map. It places the logistics. It is on page 4 of your submission.

Ms MURPHY: Yes.

The Hon. MICK VEITCH: You quite neatly identify the east-west links and where the airport is. How much work has Regional Development Australia—Illawarra conducted around the Badgerys Creek second airport announcement, trying to pursue the freight and passenger corridors that will connect this part of regional New South Wales to Badgerys Creek?

Ms MURPHY: We would like to be doing that work in conjunction with the State. The State commissioned a piece of work called a 360 review, which was looking at the connectivity—not only with Badgerys Creek but also as a good piece of inter-regional work. Unfortunately we were not afforded the opportunity to be a part of a steering committee to be actively involved in that. So we have been sitting on the sidelines, to some extent, awaiting the findings—and being consulted and involved as part of the consultation. We did request to be part of the steering committee but we are not. We are waiting, at the moment, for that review.

The Hon. MICK VEITCH: The basis of my question is my concern that a lot of work is being done about the connection of Badgerys Creek to Parramatta and the CBD—as someone from regional New South Wales I see, yet again, more taxpayers money going to Sydney—and I think there is a lot more work that needs

to be done. There needs to be some sort of coordination of all this. The Central West of New South Wales also has an interest in Badgerys Creek and the corridors they require. That is why I am asking you about the Illawarra-Shoalhaven and what work is being done. We have to reserve corridors and construction needs to take place. Whilst a discussion is taking place about the corridor between Badgerys Creek and Sydney CBD we have to have the same discussions about the Illawarra-Shoalhaven connection to Badgerys Creek. Otherwise it will be done as an afterthought decades down the track, and that just does not work.

Ms MURPHY: There are two critical pieces of work that are happening at the moment. One was commissioned by the Department of Premier and Cabinet—the 360 economic outlook. The second is the Illawarra Business Chamber's south-west inland rail proposal. That looks at the Maldon-Dombarton corridor to see how effective that could be for freight and passengers. We are still waiting for those two pieces of work. They are serious pieces of work that have been commissioned. I have a personal belief that the State has its eyes on Western Sydney. It is either Western Sydney or the bush. That is why I felt that it was important that we advocated for more of the three regional areas being able to join up. I think it is a missed opportunity if the State does not recognise that.

The Hon. MICK VEITCH: Do you think there could be better coordination of the Badgerys Creek opportunity?

Ms MURPHY: Yes.

The Hon. MICK VEITCH: It is not just about Western Sydney and Sydney; it is about identifying the benefits. Our terms of reference are about global Sydney and how we get leverage. The regions can leverage off the back of Badgerys Creek. Do you think there should be better coordination of all that?

Ms MURPHY: My understanding is that they are currently doing that through the City Deals framework. That goes across something like nine or 11 councils. That, of itself, does not at this stage, really allow for us to come in and say, "What about us?" Are you calling for time, perhaps? You are right; it is a missed opportunity if we do not start now. I am not sure that the vision is sufficiently broad enough at this point.

The Hon. MICK VEITCH: I think we are squinting to see the vision.

The CHAIR: We had some earlier evidence when we were talking about SouthConnex, and the opinion was expressed that the idea of resuming 450 homes or going through a national park was not going to be politically acceptable. So the best that might be achieved was fixing some of the pinch points and doing some other improvements on the road. Do you have a view on that?

Ms MURPHY: Not specifically, no. I just come back to our 2014 work. It is not constructive to have a debate which is about one being more important than the other. The rest is in talking about the political considerations of doing those things. The overall outcome is that we can be seen as part of the solution to Sydney's congestion. If we are driving from Wollongong to Sydney every day we are adding to Sydney's congestion. That needs to be fixed by road or by rail or both. It cannot be considered in isolation. You may talk about BCRs or whatever but it will never stack up because the total economic landscape is not considered.

The CHAIR: Looking at them together, the business chambers have done work on the possible rail connection to Western Sydney—and ultimately to Badgerys Creek, I suppose—as a passenger and freight position. Have you done some work on that?

Ms MURPHY: No. We are waiting on them. We do not have the funds to commission anything. The modelling type of work that they are doing is quite specialised.

The CHAIR: Some of the evidence seems to suggest that that might be an alternative to trying to fix the existing railway, particularly given that the work to do the existing railway, without having an alternative, would potentially lock off thousands of people from access for a very significant period of time while construction work took place. Does that accord with your views?

Ms MURPHY: I think the devil is in the detail of that work. Having not seen it I do not really understand. We have had Centurion—a private investor—present to the RDA board on a number of occasions. They have quite optimistic plans of a fast rail using that same corridor. It is my understanding that they put an unsolicited proposal to Government on that.

The CHAIR: Is Centurion the Chinese fast rail company?

Ms MURPHY: Yes.

The Hon. NATASHA MACLAREN-JONES: I would like to know a little more about City Deals, which I understand is a Federal Government initiative announced 12-or-so months ago. I understand that the council has been working for the last six months around that. How have you integrated the Federal Government's proposal in the existing plans and what are you looking to achieve?

Ms MURPHY: What a great question! Here is one I prepared earlier.

The CHAIR: Would you like to table that?

Ms MURPHY: City Deals would seem to be a great opportunity for a better collaborative model—one that does not see us pitching a BCR on a road or whatever but takes a more holistic view. It is about getting the deals across all levels of government. At the moment I think that the Federal Government is trying to determine how to deal with them. As I understand from the conversations I have had with the City Deals people, they are certainly not resourced to roll those out more widely. I think the next tranche will be cities. After that they will select certain areas where they can be rolled out.

I have a whole inputs matrix here. I am not an economist but if you see things from the greater good perspective and you look at the agglomeration benefits of taking a more holistic view, you see that it makes common sense that it is a really good framework—one where the State is critical, as is the State interacting with the Federal Government. Recently I heard from a Federal Government bureaucrat's mouth, "We don't hear from the State at all."

The desire to have City Deals in Wollongong is very strong. We started a collaborative group, and I can provide these documents. We developed the terms of reference for that group, which includes ex officio members from the Department of Premier and Cabinet and the Department of Planning and Environment. It is a very good opportunity to take that broader perspective forward in a good way. We are grappling with how to do that within our governance and policy structures.

The Hon. NATASHA MACLAREN-JONES: Are the discussions about financially supporting programs, or is it more about being a facilitator?

Ms MURPHY: At the moment it is as a facilitator, but it is based on the United Kingdom model. You can take up to 18 months or longer, depending on the complexity and the level of work, to get to the negotiated outcome—that is, to be able to say, "This is the deal." I refer to your earlier question. We have a well-researched, well-studied, and well-resourced area, and we have stacks of work. I can provide a soft copy of this document, which contains references to everything. However, what we seem to miss out on is that capability to bring it all together. I think it is a great model that could work for us.

The CHAIR: Do you want to table that document?

Ms MURPHY: Yes.

Document tabled.

The CHAIR: I refer to your defence submission, which is great. It deals with some issues that have been consistently raised by others. The issue I want to raise is the Fleet Base East move. Can you flesh that out? The fleet base in Sydney at Garden Island puts about \$600 million a year in the Sydney economy, it has 4,000 employees, and there are 12,000 indirect jobs. Given the cost of building a new base, I cannot see that happening. Despite that, people keep proposing it. Do you have better information?

Ms MURPHY: We have done a couple of studies on it—one in 2015 that attracted bipartisan support. However, we have had a transition in our economy and the port is seen as a great asset. I believe is under-utilised, and NSW Ports see it as an opportunity for growth. We must find a way to utilise that asset for the greater good. If you look at Garden Island potentially relocating to the Illawarra, it would be common sense that it would fit. It would be at a huge cost, but there is a lot of opportunity and connectivity with HMAS *Albatross* and existing capability, particularly in the steel and manufacturing sectors. It has been seriously considered as an option, but there are various views about whether it will ever happen. It certainly could be a long-term consideration should the Navy grow its fleet on the east coast. The submarine fleet is growing, and it has been mooted that it should be somewhere on the east coast. It has to reside and be maintained somewhere. Clearly, with the growth in the cruise ship industry and the competition for space in Sydney, it also becomes part of the picture.

(The witness withdrew)

GREG PULLEN, Economic Development Manager, Shoalhaven City Council, affirmed and examined

The CHAIR: You have been kind enough to give the Committee a supplementary set of information, which members have not had time to read. Can you address the recommendations in this document?

Mr PULLEN: Council made a formal submission by the deadline, and it covered some of the issues in the terms of reference. I have read the evidence given to the Committee, but Minister Blair was here about a month or so ago meeting with industry and certain issues came to the fore. I felt that they were not being covered appropriately in the evidence submitted by all parties. If the Committee is to deal with the growth of the defence industry in New South Wales, these are some of the core issues that need to be addressed. I acknowledge that this information was provided only at lunchtime, and I do not expect members to have read it.

I have been working in regional economic development for almost 40 years. I have been with Shoalhaven City Council for the past 32 years, and I have been working closely with the ADF for the past 25 to 30 years. One of the big issues is the skilling of employees. ADF skills are very specific: aviation; aviation mechanics; avionics mechanics; composite material work; and so on and so forth. They also have other tradesmen in the metal trades and other trades. Traditionally, the defence industry, both in this country and in other countries, has been at the leading edge of skills development. Sadly, organisations like TAFE are in catch-up mode; they are not leading edge and some of the industries have to train their own workers. Defence has realised this, and it is supportive of people being sent to the United States or the United Kingdom for specialised training, and some of our industries have capitalised on that.

We have in this town two registered training organisations that specifically target the defence industry. One trains about 6,000 tradesmen a year, mainly for the Army out of Puckapunyal and Wagga Wagga/Albury. But they train those people. They use different methods. They do not use chalk and talk. It is basically electronic methods and so on. We have another trainer who operates here and has operated from year 11 and 12 in a Higher School Certificate framework and does trade training for people like BAE, Raytheon and so on. He has developed a virtual training system that has now been approved by the Civil Aviation Safety Authority [CASA].

We would like to expand on those sorts of training opportunities. If you want to train an aviation technician in any particular year you might have one in Kalgoorlie, one in Mount Isa, two in Griffith and a number here in Nowra or Wagga. A different training mechanism needs to be found to satisfy this skill training. I believe if the State Government will not address that through the TAFE system and the national government will not do that, it has got to be specialised trainers. Specialised registered training organisations [RTOs] at the moment have got a bit of a bad name but there are some quality ones out there in niche manufacturing areas who are doing a good job.

I just believe, wherever this inquiry and the Government wishes to take Defence New South Wales, and I have referred to that a couple of times in the paper, we really need to work with those RTOs that work in that space because some of our tradesmen here have to go to Padstow to TAFE and Padstow does not offer the subjects every year. Our trainers here can offer them, but for a cohort of one or two they have to charge the industry \$100,000 to offer a one-year course. It is horses for courses but if you are going to support the industry to grow that training has got to be done.

The CHAIR: Who are those two trainers?

Mr PULLEN: One is a company called Scientific Management Associates. They are based out of Victoria but they operate here in Nowra and they operate in Canberra as well. They are a defence logistics training organisation. They do the construction trades for the Army. The other one is Aerospace Training Services, which is a local business here. He has contracts with Qantas, Jetstar and those sorts of people but he also does work for the Raytheons and those sorts of people. They do mechanical engineering but he also does cabin crew and other skills for the high school kids. I probably need to say this: His results of his students are virtually 99 per cent placement straight out of school because they are specially trained in a niche area. They go into Qantas, they go into the Australian Defence Force, they go into these places. Some of them decide to go to university and do aerospace engineering and some of them decide to be a beautician or something like that because they do not like grease under their fingernails or something. But that is a learning exercise in itself.

The next area was the recruitment and retention of skilled personnel. I am only talking in the aerospace area. There are only several areas of aerospace skills requirement in Australia. Nowra is one of them. Sydney is obviously one with the Qantas and whatever. You have got Newcastle with the BAE operations there. You have got Brisbane with an aggregation of contractors in Brisbane, and Townsville. That basically pulls it up.

You have got to work in those centres because even Avalon in Victoria is now winding down for Qantas. They are the areas. Whenever there is a program won by a tenderer in Brisbane we get advertisements in our paper for sheet metal workers and all of these sorts of things, all of the aero skills, because as well as getting your trade certificate you also need CASA accreditation. There are only pockets of those people, so they just offer a different corporate jumper and an extra \$5,000 or \$10,000 and they poach them. That is how they basically work. It is this recruitment and retention issue that plagues all of the players in the industry and really it is a key issue that needs to be addressed moving forward.

The next one is assisting and supporting local government to enhance the liveability of local communities and regional towns. I write most of council's grant applications for Federal and State government funding. We put in this thread nearly all the time but I do not think it is appreciated at the other end by the people who assess the applications. But it is along the lines that most of the recruits for the Navy and also for the industries who work in the defence and defence support industries mainly come out of metropolitan centres. They come out of Perth, Adelaide, Brisbane and so on. In fact, in one election I think there was a vote cast here in every Federal electorate in Australia mainly because our defence personnel come from everywhere.

The issue there is that these people do other things other than go to work and fix aeroplanes. They play sport, they do social and cultural activities. And we are competing in a town of 75,000 people. To satisfy the non-work need we need to have facilities that are of the metropolitan standard to retain them. Otherwise they stay here for one, two or three years and do out their indentured time or contracted time with the defence department and then they move on and go to Brisbane or they go to Sydney where those services are and work for Qantas and other places. We have always pushed that we need some special consideration when we go in for applications for certain assets because we are not just trying to satisfy the people who are here and who live in our community but also the people we are trying to attract into our community as key skilled workers in our industries. It goes beyond the defence industry but the defence industry represents 12 to 14 per cent of our economy so we have got to concentrate on that as our biggest sector in the economy here locally.

The next one is recognising local government as an active support agency in this game of defence. I know you are considering regional development as well but I am mainly here talking about defence. You can ask me questions about regional development and I can probably handle those. In New South Wales I would think we are a lead local government agency. We are very active in the corridors of Russell Offices and formerly Campbell Park in Canberra with the defence purchasing groups and the capital groups. I regularly put in submissions to the Public Works Committee on a facility base and I even put in a submission on a facility base in Brisbane. I regularly appear before the Public Works Committee supporting those developments.

As you probably may know, and you will see this tomorrow, we have probably had in the order of approaching \$1 billion being spent on our military base here over the last seven or eight years. It has probably got about another three years to go. HMAS *Albatross* is here for the long haul. We have been part of that growth. We have been supportive all the way. If it is our roads and infrastructure that they depend on we have upgraded that. We have traded electricity feed lines and so on and so forth. We have got a fair amount of skin in the game. We have a defence industry sector strategy. We have a document which basically we use and have developed over the years for working with Defence. We have got various material and supportive material where we go to trade shows, we support Defence and they support us. We have got a fair amount of that.

I also lobby because sometimes the industry cannot go into Defence and lobby on behalf of a program because they are a tenderer and they cannot negotiate. I am not a tenderer. Sometimes I am a supplier to a tenderer. But I can go in and ask questions like what is happening with a program, or JP7 or AIR 9000, which the contractors cannot do because they are precluded because they have already got a tender process in place. So we get involved in those sorts of things. I assisted Defence relocate what was in those days the Naval Aviation Logistics Organisation [NALO]—it is now called the Naval Aviation Systems Program Office [NASPO]—and the helicopter air crew training system to HMAS *Albatross*. We won that out of Oakey in western Queensland. We make submissions to Ministers. We appear before inquiries and are regularly in their face. We have skin in the game. We believe that we need to be incorporated into any process. The State Government, probably five or six years ago, tried to do that. They dropped that process. I was frustrated by that. I was getting a lot out of it and they were getting a lot out of me but some other councils preferred to talk about preschool centres and things like that. They were not really on the money.

The CHAIR: Do you have a spare copy of your defence strategy that you could table?

Mr PULLEN: Yes.

Document tabled.

Mr PULLEN: The last point I make is that if you look to grow 500 jobs in the defence sector it will have a fairly significant impact on your local economy.

The Hon. JOHN GRAHAM: These are pretty incredible figures. They are quite remarkable?

Mr PULLEN: Yes. And I have not put in there the capital spend. If you put that \$220 million of capital expenditure into the equation, that is probably about 1,500 jobs for two years in the construction phase of that. So the multiplier effect is: for 500 jobs in defence you will get 514 flow-on permanent jobs—schoolteachers, policemen, so on and so forth. The contribution of the gross regional product [GRP] is 4.6 per cent. If you create 500 jobs in the tourism sector, which is a lot harder to do—you have those results before you. Again, people need to understand that; I am an economist and I have done that modelling. I know the benefits and even within Shoalhaven council there are people who believe that tourism is a better bet but I challenge them.

The CHAIR: That is very useful and interesting material.

The Hon. MICK VEITCH: I want to talk about the skills and training required to support the defence industries. There are only two providers. This morning we spoke to the University of Wollongong and I raised similar issues. Essentially what you are saying is that the skill sets required are very specialised to provide training to individuals; they are not readily available?

Mr PULLEN: No. You have two parallel systems. The Australian Defence Force [ADF] train their own people and they have a brilliant facility at HMAS *Albatross* training centre that they put their people through, do their own training and whatever. The previous director of Defence Materiel Organisation basically said to me one day, "Never the twain shall meet. You won't get the private sector in with the ADF." That is utopia if I could achieve it. On the other side of the fence you have people like Raytheon, BAE, Sikorsky; they need the same skill sets and same people. They either poach them out of the Navy or they have to train their own. There is one facility in New South Wales that trains an aviation mechanical engineer and that is at Padstow by TAFE. The private provider here trains them but they can only do years one and two of their trade and then they need to continue on.

I have been to America and tried to entice a private trainer over there to come over here. That provider is not into aerospace in America but they were looking to get into it, to come over here and send their trainers across to here. They will train the people in our workshops. They are of good enough standard and quality but they are the trainers. They need to come across and they would, in a three-month period, concentrate on the job and be able to probably deliver a 12-month syllabus. We have to think about things like that. Whilst we talk about it in government and whatever the support that should be given to TAFE, TAFE is never going to come to that level. It is never going to come up to doing that precision engineering—the guys who do precision engineering that you will see tomorrow working in titanium and exotic metals.

That is what you need for aviation. You cannot put a stainless steel fitting on an aeroplane that is going miles out to sea and in the gulf for six months. You are putting in high-level pieces of equipment. The thing that I have also been trying to work on is I have a serious boatbuilding industry in this area and I was trying—it was thwarted about two months ago—to build a racing car manufacturing and service industry here. Those three groups work in exotic metals. They work in composites; they work in avionics, wireless technology and all that sort of stuff. Amazingly the aviation people do not talk to the boat people and they do not collaborate but if I can bring a trainer in and get a critical mass, that is where we will move forward. Admittedly the aviation people are manufacturing one-off parts for the car racing industry now, so there is some of that synergy happening but if we can get that synergy to happen at the training level as well as the supply level, that is what we are going to do.

The Hon. MICK VEITCH: How critical is that training?

Mr PULLEN: Well, you cannot keep aeroplanes in the air.

The Hon. MICK VEITCH: Is that an opportunity for the people of New South Wales around our defence industries?

Mr PULLEN: Yes. If you go out and talk to the industry, most of their skilled tradesmen, seniors, are all poached out of the Navy, out of the military. That is where they train them. They poach them out of there. They are now trying to get 18-year-olds out of school and put them through that training but they need a registered training organisation [RTO] to supply the formal training and sign off the accreditation ticks that the Civil Aviation Safety Authority [CASA] requires, more so than the skills people require because it is the CASA accreditation that allows you to work on aircraft and sign off on aircraft.

The Hon. NATASHA MACLAREN-JONES: I want to explore some of the comments you made in the additional submission you gave today in relation to the planning laws surrounding military bases and activities where you said effectively local councils have the prime role of protecting these assets. I want to understand that a little bit more.

Mr PULLEN: Because of our relationship here—and we have developments around the base, not HMAS *Creswell* because it is in Jervis Bay territory but HMAS *Albatross* more so—we refer a lot of development applications to the defence planning unit in Canberra. I have got to know them reasonably well over the years. They are frustrated with New South Wales, not HMAS *Albatross*, in that New South Wales in their planning schemes have basically dropped the regional environmental plans, the land use planning type things. They do it at the local level but they do not do it at a regional level so therefore a national asset like HMAS *Albatross* should be on the regional plan that is above the local plan to preserve the hinterland around it, noise corridors, flight paths, and so on and so forth. They have always expressed concern to me they have problems here at HMAS *Albatross* but they have problems at Wagga Wagga and Singleton because if it gets enshrined in a regional plan, then that usurps what the councils can do. They have to comply with the regional plan. It is from that perspective that they have expressed to me a concern and I share that concern.

In fact, at one stage we have what is called ANEFs—Australian noise exposure forecast. The military pulled back on that because they went from a fixed-wing Skyhawk aircraft to only helicopters so the noise was not as much. Council kept the fixed-wing contours in place because at some future time the fixed-wing aircraft may come back in. We did not want development to happen in that contour area that would then preclude a fixed-wing flight coming in here. That is where I am coming from. It is really at a State level that that comment is aimed. Unless the local council is supportive and has its eye on the game, you can find inappropriate development occurring in the hinterland of a military base which may preclude some form of growth. It is more critical in the airline area, but Spectacle Island and others off Drummoyne had to be decommissioned because of the potential insurance ramifications if one of those barges went up on the corridor down to Rose Bay due to munitions. That is why that whole logistics train was moved to Eden.

The Hon. NATASHA MACLAREN-JONES: What opportunities do you see in those areas such as Jervis Bay? Also, are there restrictions other than what you have already raised?

Mr PULLEN: The previous witness talked about the relocation of Fleet Base East, or part of it. I do not see the whole of Fleet Base East moving ever. However, things like the submarines could easily go to Port Kembla. I do not want to see a reduction in the capacity of Port Kembla to handle freight. We have a vested interest in that with one of the biggest freight operators in the State operating here in Nowra. I support that. But is Sydney the best logistic centre for standing up a flight on a ship to go to the Gulf? I question that because of the fact that you have to write off between eight o'clock in the morning and six o'clock at night to get in and out of it. When the guys from here stand up a flight—I am using jargon again—when they stand up an aeroplane or a helicopter on the back of a ship to go to the Gulf, that takes them about two to three months to do that. They live here, they commute in and out and sometimes they stay in Navy accommodation in Sydney. But they are leaving here at three o'clock or four o'clock in the morning to get on station. That makes 15-hour days for those guys.

The Hon. PAUL GREEN: A few succinct answers would be helpful. Would you like to make a comment on the use of Manildra's rail line—

Mr PULLEN: That is a regional development question.

The Hon. PAUL GREEN: —and its economic opportunities?

Mr PULLEN: The South Coast line, which runs from Sydney through Sutherland and Wollongong and terminates on the northern bank of the river at Bomaderry is a critical line for the Manildra Group. Manildra Group are probably the biggest haulier of freight on the State rail network. It even usurped some of the coalmines in the Hunter. The issue about that is the slots they get to get around the passenger requirements. They only get a number of slots per day to get trains through. They are wanting to increase the capacity of those trains. They are restricted by the line between Bomaderry and Kiama because it is single line and also the ballast on the line is insufficient.

It is a category B line and they can only carry two containers per carriage instead of the three containers per carriage which are able to be carried on an A classification line. They have repeatedly asked the State Government to upgrade the classification of the line—that is, reballast it. That has fallen on deaf ears. That single expenditure could reduce the number of trains, the number of carriages and the number of trucks by

allowing them a 50 per cent capacity per carriage. They have their own trains. When they do carriages they do 80 carriages, 6,000 tonnes of train. And they do that nine times a week, I think, which is sometimes twice a day.

The Hon. PAUL GREEN: How important is Main Road 92 to the defence industry opportunities and economic growth of New South Wales?

Mr PULLEN: It does not have as much importance for Defence. Defence personnel use it because quite often the people live in Canberra, work in Nowra and vice versa. Someone made the comment earlier about the hierarchy of the Defence not being local. We have four admirals living in this local government area, including Chief of Navy. They commute from here to Canberra via Main Road 92. The main importance of Main Road 92 is for freight. Our biggest freight generator, Manildra, will carry something like 250,000 tonnes a year across that corridor to get to the Hume Highway. They are not trying to get to Canberra. Canberra consumes consumables but it does not consume too much industrial freight. The material from here is trying to get to Melbourne, Shepparton, Adelaide and those sorts of places. We want to get to Yass as quickly as we can. Main Road 92 from Nowra to Nerriga, to Tarago, back up to Goulburn or out to Yass is the way to do that. State Government, Commonwealth Government and council put \$95 million into the upgrade of that road. We wish to continue that project.

The Hon. PAUL GREEN: What are the implications for the economy of the third bridge not being ushered through sooner rather than later?

Mr PULLEN: On the issue of the third bridge, except for two hours in the afternoon and two hours in the morning during which we have peak congestion, the trucks know when to stay out of that. I am only talking about it from a freight perspective. The trucks know when to stay away from those peak hours. The biggest single issue with the freight and the old iron bridge is that it is not high mass limit [HML] permitted, so the higher productivity trucks coming south cannot come across that bridge. They can go north across that bridge. We cannot put one HML truck on that iron bridge but we can put six B-doubles on that bridge at the same time with no restriction. It is a classification or regulation issue and we are fighting that through with the Roads and Maritime Services [RMS]. As for getting the other bridge, the issue is with the old bridge. The RMS really need to take it under their control for three to four months to repair it and do heavy maintenance on it. We cannot exist on a three-lane crossing across the bridge.

The Hon. PAUL GREEN: Do you have a comment about Maldon-Dombarton and the role it plays, especially since the inland rail comment in the budget?

Mr PULLEN: I have to think about this. I have been across the Maldon-Dombarton issue for a number of years. Unless there are new mines that it would service, there would be no additional, because 90 per cent of the freight that goes on the rail line to Port Kembla that would use Maldon-Dombarton is already on rail.

The Hon. PAUL GREEN: Finally, could you expand further on the regional aviation park or the technology park? What opportunities exist there?

Mr PULLEN: You will see this tomorrow. Council has built an industrial estate adjacent to HMAS *Albatross*. The big players are there: BAE Systems, Raytheon Australia, Sikorsky Aircraft and local company, Air Affairs, which you will hear more about tomorrow. They are at that location and probably employ 400 to 500 people collectively. They are repairing and maintaining aircraft. We built that to support the Navy and the Navy's programs. The next big push there is probably in the unmanned aerial vehicle [UAV], which is the—

The Hon. PAUL GREEN: The drones?

Mr PULLEN: It is not the drones, it is the smarts that fly out. You have a ship, you have a helicopter that flies out and it only goes so far, then you have a unmanned aviation vehicle [UAV] that flies out again and you have got your sonar buoys out again. So it gives them a greater reach for their sonar surveillance, and that is all ship-based—out of aircraft, out of ships—and they will be serviced by the aviation side of Navy and that is headquartered here at *Albatross*. So we will see UAVs out—for all intents and purposes they will look like a mini helicopter.

The Hon. JOHN GRAHAM: I have two brief comments and a question. First, thanks again for your figures about the economic benefits of defence; for me, they really support the New South Wales focus on this industry as pretty crucial, including for regional New South Wales. So thanks for those, they are fantastic. Secondly, I was upset to hear that you have not been able to organise a motor racing vehicle manufacturing facility.

Mr PULLEN: We went this close.

The Hon. JOHN GRAHAM: I encourage you to keep working on that. You have got some good information here about the local benefits to the community of having these bases in the community. We had Laurie Koster speak to us earlier in the day and he gave the quite surprising evidence that he is five minutes from a base but because he is really working into Melbourne and Brisbane and Sydney it is largely irrelevant to the defence work he is doing. So they are two quite different perspectives. I was interested in your view about how those things work.

Mr PULLEN: The bulk of the industry here in the Defence Force space is related around the helicopters and the helicopter programs. There are Global Defence Solutions—there is one which, because of the principal's Army background, he is doing a lot of supply of materials and facilities to suit that market. So, yes, he is dealing with Army headquarters in Sydney and Melbourne and various places like that. It was not a military reason that he ended up in Nowra; he was a CEO of a different organisation then. But once you are in that system you then open doors into various other aspects, and you will see tomorrow one industry where we will take you where we have got a local machine shop manufacturing components for warships under the American contracts by Lockheed Martin, and they are doing a subcontract componentry.

Once you get into the supply chain system, the world opens up for you if you are good at it and you know how to work it. Some of our people do work it and it is probably someone like Global Defence, who is a lot hungrier at getting those things, rather than someone in a large American corporation like Sikorsky-Lockheed Martin, where their future does not really depend on finding new contracts—head office will do that. It is up to their marketing and how they go about winning their business that is key. If I can just add: there is another small contractor, who is out at Huskisson, who not many people know about—I only know him because he produces the rubber duckies for Surf Life Saving—but he does all the underwater gear for the SES. That is about all I can say.

The CHAIR: Thank you for your hard work and information. It has been very helpful to us. We are looking forward to having a visit with you tomorrow, and thank you for giving up the time to be with us tomorrow, it is most appreciated.

(The witness withdrew)

(The Committee adjourned at 16:14.)