

Submission to the NSW Government Industry Policy White Paper

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Submission to the NSW Government Industry Policy

Babcock Australasia ('Babcock') welcomes the opportunity to make a submission to the NSW Government's Industry Policy White Paper on *Securing future innovation and global competitiveness in NSW*.

We applaud the NSW government in its openness to industry comment and consultation as part of the creation of a new Industry Policy White Paper. Babcock as a Defence Prime acknowledges the strong potential of the defence and aerospace sector within the wider Industrial landscape in NSW, believing there is strong potential in its growth bringing real innovation and wide economic benefits for NSW and the nation. Identifying challenges in the business environment because of global shifts and creating policies to support industry growth will require firm and clear partnership between companies and the NSW government. A forward-thinking Industry Policy developed by the NSW government in consultation with industry and education providers will be key to ensure NSW remains at the forefront of Australia's industrial and defence economy and produce the right results.

Babcock notes that the defence sector is populated by a sizeable number of small-to-medium enterprises (SMEs). As part of their journey, larger industry companies, with a track record and experience in defence can provide their expertise and guidance from their global businesses to progress and grow NSW's defence sector and SMEs. Getting to maximising NSW's innovative potential and growing key future industries will need a skilled workforce that crosses over industries and sectors, alongside promoting wider innovative technologies and services that can take the sector and economy into the future.

Babcock appreciates the ability to contribute to the NSW Government's Industry Policy. This submission is centred in the three following areas:

1. Babcock's presence in NSW;
2. Challenges in the defence and aerospace sector in NSW; and
3. Our recommendations for NSW Industry Policy.



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Introduction

A global solution being delivered locally

Babcock Australasia is a Defence, Aviation and Critical Services company that operates across the Marine, Aviation and Land Sectors. We support our customers' technical, programme and complex platform requirements through our proven processes, systems and people. Across this region, we employ more than 1,200 talented people in Australia and New Zealand.

Together, we are trusted to deliver technical support services for our customers, ranging from fleet and asset management, sustainment, and technical training, to life saving helicopter emergency medical services. We are recognised across many industries, including defence, government, mining and construction, emergency services, not-for-profit, airports, automotive, ports, cyber security and engineering consultancy.

Within Australia, our defence and aerospace customers range from the Australian Defence Force, the Australian Border Force, State Rescue Helicopter Service (SA), Queensland Health, and Ambulance Victoria. Our asset management support business moreover supports government and businesses, including Qantas, Air New Zealand, and South Australia's Metropolitan Fire Service.

Babcock Australasia is part of Babcock International Group, the global aerospace and defence company. Trusted for over a century, Babcock helps customers to improve the capability, reliability and availability of their most critical assets and services, underpinned by a deep understanding of technology integration, infrastructure management and specialist training.

1. Babcock's presence in NSW

- 1.1.1. We have a major presence in NSW through our provision of naval marine services and maritime sustainment to the Royal Australian Navy's ('the Navy') ships based in HMAS Kuttabul in Potts Point, NSW. Our work is conducted through our subsidiary Naval Ship Management (NSM), where we as the premier warship sustainment company in Australia support the Navy. Our warship sustainment services in Australia and New Zealand is a key provider in the Navy's Anzac Class frigates and the Landing Helicopter Docks, HMA Ships Adelaide and Canberra. NSM's presence in Sydney starts in early 2013 and has grown significantly. Under our business, Babcock and NSM have partnered with many Small-to-Medium sized Enterprises (SMEs) based in Sydney and wider NSW.

2. Challenges in the defence and aerospace sector in NSW

2.1. The lack of clarity with Defence planning in NSW

- 2.1.1. The lack of clarity in Defence planning in NSW may result in the state being unable to influence Federal planning within the Department of Defence and prepare NSW-based defence businesses for future work. Other states, such as WA and SA have forged ahead publicly in calling out for confirmation of work requirements and the provision support for defence/aerospace businesses. Lack of clarity may introduce risks in the form of reduction of future business investment in NSW from domestic or overseas sources, as businesses may favour Australian states that have set and effectively communicated clear expectations and intentions regarding their respective defence/aerospace sectors.
- 2.1.2. A future example of the impact of this lack of clarity relates to the 2021 announcement by the Federal Government in the acquisition of nuclear-powered submarines for the Navy. NSW has the advantage of being the incumbent state with the presence of Australia's Nuclear Science &

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Technology Organisation (ANSTO) situated at Lucas Heights, NSW. ANSTO's presence provides NSW familiarity of what is required in a nuclear regulated environment and the work required in partnering with the right organisation. Yet competing states such as WA and SA are ahead, with SA forming the Nuclear-Powered Submarine Task Force to support Federal planning and WA moving to seek clarification for nuclear-powered submarine basing in WA accompanying its own industries to meet that future demand.

- 2.1.3. Examples where clarity of planning may be lacking includes discussion relating to the announcement of a second Navy submarine base on the East Coast by the past Federal Government in March 2022. The placement of a major submarine base on the East Coast, likely in NSW, will require considerable Federal and State Government cooperation, not including discussions with Industry and other stakeholders.

2.2. Education and Workforce Challenges

- 2.2.1. Workforce pressures in Australia today and into the future are deeply felt by Babcock. The ongoing COVID-19 pandemic has created a climate where workers are worn out, having experienced significant changes in working conditions, personal challenges in multi-tasking the work life balance, stress, and general difficulties in life and at work. Leadership have consequently increased their mental health and wellbeing engagement and management to mitigate these factors.

- 2.2.2. A result has been the phenomenon known as the 'Great Resignation', as the workforce has restructured around issues such as 'Work from Home' and flexibility of work. Expectations for employment have grown in the last few years, as new ways of working and addressing productivity, isolation issues, consistent change and volatile uncertain work environments bring with it new challenges.

- 2.2.3. The current competitive labour market has placed a strain on the ability of businesses to recruit for less flexible roles, as people have opted for new roles and commensurate conditions. While defence/aerospace as a sector has unique entry requirements, the skills required are broadly the same across the economy. Combined though with the try requirements of both the security clearance requirements and experience required to work within this sector, this leads to a limited talent pool.



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- 2.2.4. The overall challenge within the education/workforce space is the lack of trainees, apprentices, and cadets within the defence/aerospace sector. The new Federal Government's pre-election Defence Industry policy states a requirement of 1 in 10 new jobs in major Government projects requiring a trainee, cadet, or an apprentice. Applied towards the defence/aerospace projects and procurements, there is a strong need to establish a connected and secure pipeline between for these in-demand traineeships, cadets, and apprenticeships, especially for a state like NSW.
- 2.2.5. The reduction in international students has reduced the pipeline of talent into Australian universities and education providers, which has further limited the ability of defence sector companies to grow their respective workforce, innovate their product or solution offering, and grow their business in a uniform and balanced manner. As mentioned above, the focus in the defence/aerospace sector for security cleared Australian citizens further creates a strain in the ability to grow the workforce and the business in line with market demand and the directions of technological innovation.

2.3. Technology and Innovation Policies

- 2.3.1. The rapid pace of technological change and innovation have often overtaken the policies and business environment within NSW. For a business that is setting its strategy and technological investments, a clearly defined strategy and relevant policies to support that strategy is required to allow certainty for growth and the attraction of new investments. There are currently 10 different Industry Papers and not included various strategies within NSW Government alone, demonstrate the high threshold for businesses to easily understand NSW policies and relevant support mechanisms to progress business plans. There must also be recognition that various Industries have dual use and cross over capabilities, such as manufacturing with defence/aerospace.
- 2.3.2. Clear definition of policies also includes an understanding of how NSW Government policies and support mechanisms operate under the Federal Government's own policies and relevant support mechanisms. For example, the 2020 Modern Manufacturing Strategy sets out goals and grants framework. However, these goals and grants may be misaligned with State policies, which can then impede the process of planning for businesses in seeking to understand the various lines of effort within the relevant industry.

3. Our recommendations for NSW Industry Policy

As one of Australia's leading aviation and defence businesses, Babcock is seeking to grow our workforce and industrial capabilities in order to establish the company as a regional hub in the Asia-Pacific. Our plans for growing within Australia are centred on our commitment to strengthening our maritime engineering and naval architecture capability regionally, which includes investing in key partnerships we have with our customers and our supply chain.

We recognise that our future success is in partnering with companies, organisations, and governments, to grow our capabilities and workforce to meet our objectives. NSW is the most populous state and boasts the largest state economy within Australia, with a strong network of Universities and TAFEs, a diverse pool of talent and expertise. This represents an area of significant interest for our company.

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3.1. Direction with Defence policy and development

- 3.1.1. Announcement of NSW' policies and intentions both clearly and publicly in relation to the defence/aerospace sectors and in conjunction with supporting Federal Government announcements, can assist in providing clarity and understanding for the development of a stronger defence sector in NSW. Prompt communications to NSW-based companies would provide much needed lead time to prepare, orientate, grow, and up-skill our workforce ahead of future defence work. This is particularly for major announcements such as AUKUS, nuclear-powered submarines, and the placement of a second submarine base on the East Coast.
- 3.1.2. As a company, Babcock has a longstanding history in the management and sustainment of nuclear facilities, capabilities, and assets. Whether from supporting the UK Royal Navy's nuclear submarine fleet, the construction and operation of nuclear power plants, to cleaning up nuclear legacy, Babcock is prepared to bring its expertise and experience to the state where the submarines and bases reside.
- 3.1.3. Our future positioning, growth in our industrial capabilities and workforce expansion is however dependent on a supportive and clearly marked industrial environment. While NSW has a longstanding relationship with the Navy and its geographic positioning is advantageous, the capabilities and workforce that support the current and future Navy fleet may be sourced from outside from NSW. Other states such as Queensland and Victoria can supplant NSW as a favourable place of business should industrial ecosystems within NSW environment not prove as advantageous for business growth.

3.2. Education and Workforce Challenge

- 3.2.1. An alternate approach to the education and workforce challenges can be reviewing the issue of workforce entry through encouraging changes mid-career. Often the issue of workforce is seen as capturing the interests of 'school-leavers' or university graduates. There remains the opportunity for



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more mid-career entrants into the defence/aerospace sector, as part of a shift in career or a lateral move from adjoining related industries, such as manufacturing, infrastructure, as a few examples. Additionally developing a 'non-school leaver' based program for in NSW tied to specific industries for mature members of the worker force can allow for skilling up and continued participation and contribution towards the NSW state economy.

3.3. An integrated Technology and Innovation Policy

- 3.3.1. The NSW Government can take a forward leaning approach in setting out a clearly defined strategy, with milestones, support mechanisms in terms of technology and innovation policies. Within NSW, particularly Sydney, the NSW Government can leverage and coordinate relationships between the many SMEs of the state, education providers and universities, and companies like Babcock to support the growth and innovation within the defence/aerospace sector. A strategy that sets out the NSW governments views and supports for R&D to commercialisation, for universities and companies can also act as a guide for education and workforce strategies within NSW.
- 3.3.2. Consolidation of all grant and support mechanisms across NSW Government, including contacts across various industry sectors, updated online guidelines and up-to-date deadlines for NSW Government programs will also allow businesses to plan more accurately for the future.
- 3.3.3. Support can also be the development of dedicated infrastructure or precincts dedicated to various aspects of the defence/aerospace sector. The creation of a Maritime Engineering Precinct or Defence-Industry collaboration precinct, like the United Kingdom's Battle Lab, in NSW as an example can demonstrate the NSW Government's dedication to a stimulating innovations and partnerships between public and private institutions.
- 3.3.4. A dedicated Maritime Precinct or 'Battle Lab' like will cluster and co-locate world-leading innovators, producers, education providers, manufacturers, and designers, providing NSW and Industry Partners a significant economic multiplier and capability space for the future defence industry. The creation of a collaborative space will allow public and private sector parties the opportunity to solve defence/aerospace problems and provide industry solutions. It will also allow an environment linking to NSW universities and their students and academics, further permitting NSW to remain at the forefront of innovation. Maritime construction and sustainment, among other defence industrial priorities, also form a major component of the Federal Government's Defence Industrial policies since the 2016 Defence White Paper and the 2017 Naval Shipbuilding Plan.
- 3.3.5. Precincts of this kind follows NSW Government's past efforts, like the Tech Central Precinct in Sydney's CBD and the development of the Western Sydney Airport Aerotropolis. Also, these proposals will allow NSW to remain competitive and in line with similar efforts by State Governments nationwide in attracting innovation and talent to grow their respective economies. For example, the West Australian government in July 2020 set aside funds to create a dedicated Australian Automation and Robotics Precinct to support and attract businesses. Similarly, the South Australian government opened the Lot Fourteen Global Innovation Precinct and Tonsley, Australia's first Innovation District.
- 3.3.6. An updated Technology and Innovation policy can focus on services sector commercialisation and graduation compared to product R&D. The number of early-stage R&D development support within Australian jurisdictions have created many programs. NSW can move further up the TRL chain and

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focus on 'graduating' firms from the R&D to commercialisation pipeline. Babcock has a track record in advising, growing, and developing SMEs within this area, having experience in developing SMEs from our work for the Department of Defence in the C4 EDGE (Evolutionary Digital Ground Environment) Program.

4. Conclusion

- 4.1.1. Babcock welcomes the opportunity to provide its submission towards the NSW Government's Industry Policy White Paper. NSW's position within Australia economically has provided it a firm basis for future innovation and economic growth. While recognising the challenges that originate from global forces and events of the past few years, maintaining this growth, particularly in key industries such as defence and aerospace, represents an opportunity for the NSW Government to create and stimulate the right business.
- 4.1.2. The opportunities within Australia's largest state economy and populous area will be linked to the NSW Government's policies and engagements. The defence and aerospace sector is an area of high growth potential, though the policy settings to support continued innovation depend on key inputs such as education, workforce, and clear planning. A definitive announcement in relation to NSW's defence planning, leadership and the right mix of technology and innovation policies and incentives will provide guidance and clarity for businesses to plan, grow and invest in NSW.





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