

**Division 15: Jobs, Tourism, Science and Innovation — Service 1, Defence Issues, \$100 059 000 —**

Mr R.S. Love, Chair.

Mr P. Papalia, Minister for Defence Issues.

Mr R. Sellers, Acting Director General.

Mr G. Wedgwood, Deputy Director General, Resources Development and Defence.

Mr S. Melville, Director, Corporate Services.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for North West Central.

**Mr V.A. CATANIA:** I refer to page 175 of volume 1 of the *Budget Statements*. Under the heading "Defence West" it states —

Since its establishment in May 2017, Defence West has worked with local industry, universities and education and training providers to grow and promote the State's defence industry capability.

I note that the commonwealth has a \$3.5 billion offshore patrol vessel program. Can the minister update me on what companies in Western Australia have put their hand up to get some of that \$3.5 billion of work from the commonwealth?

**Mr P. PAPALIA:** The final decision has been made and it was announced that the Lürssen design was chosen. That company has partnered with Forgacs, which is the defence division of Cvmec. The member would have probably heard about some controversy around that decision because although the federal government indicated that the original partnership or consortium that had bid as part of the Lürssen proposal had included ASC Shipbuilding, and Austal had partnered with it on an alternative design, it announced that Austal would be incorporated into the selected proponent and ASC would be removed. Subsequent to that announcement, however, it has come to pass that that arrangement could not be resolved. About one week ago it was announced that Austal would not be part of the partnership. At the moment, the lead designer is Lürssen, a German company, and that has partnered with Forgacs and Cvmec, and they are the clients that will provide the build. No doubt they will have already identified small to medium-sized enterprises that will contribute to the supply chain and the build of the offshore patrol vessels in both South Australia and Western Australia. I am not aware of all the smaller companies participating in that project.

**Mr V.A. CATANIA:** Since Austal is not going to be part of this \$3.5 billion Western Australian-owned company —

**Mr P. PAPALIA:** Yes.

**Mr V.A. CATANIA:** — or the money that Defence West has used to work with local industry, universities and education and training providers, does that mean we do not have a Western Australian or an Australian company benefiting from the \$3.5 billion for building offshore patrol vessels in Western Australia?

**Mr P. PAPALIA:** Cvmec owns Forgacs and is a Western Australian company. In fact, Cvmec has been listed on the Singapore stock exchange and it is moving to list on the Australian stock exchange. That company is very much Australian. Beyond the listing, it is located entirely in Western Australia. If the member has not been down to Henderson to see it, I would urge him to go because it is a great Western Australian company. It is deeply involved in the offshore oil and gas industry. Undoubtedly, that company would be the premium, heavy-rolled steel fabricator in the country, if not the entire planet—it would be very close. That company is very capable. It

builds pressurised containers that sit on the seabed as a part of challenging offshore oil and gas projects. It will be applying that skill set to building the world-class designs from Lürssen. The beauty of this outcome and the selection of Lürssen is that Peter Lürssen from the family-owned company in Germany has, on a number of occasions, publicly committed to beyond the \$3.5 billion project for offshore patrol vessels, 10 of which will be built in Western Australia if the federal government keeps its word. He is committed to establishing a hub in Western Australia to market his other designs to the Indian Ocean and Asian regions. None of the other competitors were intending to do that. They were all bidding for the build of the offshore patrol vessel, but he has committed to establish a hub that would undoubtedly mean that we become an export site, which is far in excess of any outcome that could have been achieved from just building a navy ship.

**Mr V.A. CATANIA:** Given the minister's discussions with the federal government about trying to attract the \$3.5 billion offshore patrol vessel contract and those capabilities here in Western Australia, have any of those discussions with the federal government been around developing a naval base or housing some of those patrol vessels that we are building for Australian defence in, for example, Western Australia and particularly the north west in Exmouth, given that our assets are quite valuable in the north west and particularly the North West Shelf?

**Mr P. PAPALIA:** I had a meeting with Minister Pyne on federal budget day about two weeks ago. We followed up on a letter that we had sent to his office outlining a list of objectives for discussion. Primarily, we resolved at that meeting to collaborate on developing a defence industry strategy for Western Australia that we would draft and his office would ensure that we had access to appropriate senior defence officials, both uniform and civilian. That is a near-term objective that is to be completed by the middle of the year. Within that strategy, we would identify potential federal government investments on behalf of Defence in Western Australia. We might advocate for a research and development hub or an infrastructure spend in Henderson, potentially Cockburn Sound and beyond. It was not listed in that letter, but we mentioned and discussed potential force disposition possibilities around Exmouth.

[9.10 am]

**Mr V.A. CATANIA:** Did the minister have that conversation?

**Mr P. PAPALIA:** Only in discussion with Minister Pyne. It was not in writing and it was not advocated for as a major proposal by the state, because force disposition is a federal government decision; really, it is a Defence decision. We made the point that Exmouth is the closest point on the mainland to the patrol areas that our patrol forces and ultimately our offshore patrol vessels will be engaged in. The patrol areas predominantly intercept vessels that might be carrying people from the Asian region towards the Australian coastline. Exmouth is the closest point of approach and I think it saves in the order of two days steaming time, which is significant in not only time, but also fuel, which is costly. We pointed that out to the minister and we confirmed in those discussions that RAAF Base Learmonth is a ready-made air base that could facilitate crews flying in and out, potentially. If patrols are going to operate in much the same way as the current Coastwatch vessels, they could easily fly crews in and out and have the vessels stay in Exmouth and maintain them there. We made the point that it would require different facilities and enhanced infrastructure for support of those vessels. We raised the issue of Exmouth; I cannot say whether the federal government will pursue it, but it acknowledged those points.

There is talk of a couple of Poseidon aircraft crews being based out of Learmonth for aerial surveillance activities as well. I cannot confirm that that is definitely going to happen, but there have been discussions around that. Again, it is the closest point on land to a lot of those patrol areas and areas of operation. We made that point and we advocated on behalf of the region for that particular site, Exmouth, as a potential air and naval base or at least as a staging point. We made those points.

**Mr V.A. CATANIA:** Given that it fits perfectly for our patrol boats to be based at Exmouth—as the minister said, it takes two days to steam out of there—and Learmonth base is already there, will the minister advocate on behalf of the community, which is desperate to have diversified industry by having the Australian Defence Force based there and its benefits for tourism, for state and federal government funds to be put towards a deepwater port at Exmouth to cater for the patrol vessels we are building in Western Australia, so we can keep some of those patrol vessels here, as well as the benefit of having cruise liners, because it would have a deepwater port?

**Mr P. PAPALIA:** I am already an advocate for a deepwater port in Exmouth. The potential use of a port is clear. It could potentially support naval operations and be an opportunity for future resources exports and, obviously, there is the tourism potential of being able to secure certain visitation for cruise ships. That does not mean that I would argue that state government has to dedicate large amounts of money towards it. I would argue that the nature and potential of that base justifies the federal government viewing it as a national strategic asset. It is the nature of these things; building ports is expensive. Ports are strategic assets and, in this case, we are talking about Defence benefits and potential industry benefits in a number of different sectors. It could be, for instance, the location for fuel bunkering. It might not necessarily be in that location, but it might be the access point for fuel into the north west to ensure that we have adequate supplies.

I do not believe it is right to argue that the state should invest substantial funds. We could facilitate the activity and certainly support it through all the different measures that are required through Planning, Transport and the like. I have already been doing that and so has the Minister for Transport and the Minister for Regional Development. I understand that there is cross-agency analysis of the potential of a deepwater port.

**Ms L. METTAM:** I refer to page 173 and the line item “Office of Defence West” under the subheading “Election Commitments”. Why is there no funding for the office beyond 2019–20?

**Mr P. PAPALIA:** As the member would be aware, Defence West did not exist before we came to office. The office has been established and work is being done to deliver on some of the commitments that we made. Effectively, most commitments have been delivered and some of the office’s other achievements will become evident shortly, but because the office did not exist and we needed to determine how its activities would evolve, I guess, or how they would grow and change, means that the initial funding is there. Once we determine more accurately what the office will be doing, how it will do those activities and what resources are necessary, we will be able to budget more accurately in the future in the out years.

**Ms L. METTAM:** Will there be future funding?

**Mr P. PAPALIA:** There will be. I am hopeful that within government I will be able to demonstrate some success and perhaps argue the case for increased funding. It is a very constrained budget environment, so with a new activity, in this case a completely new activity, we want to have a more accurate feel for where resources need to go, what they will be used for and how much funding will be required.

**Ms L. METTAM:** Would the minister argue that the Western Australian defence industry, or small business sector, requires that level of certainty—the same level of certainty that the minister argued for tourism when he was in opposition? I know that when the minister was in opposition, he argued quite a lot in Parliament about funding falling off a cliff; are we not seeing that with this allocation?

[9.20 am]

**Mr P. PAPALIA:** The Western Australian defence industry knows that the McGowan government is a strong supporter of the defence sector and we have been advocating for it. We argued the case for a portfolio and for an office to represent its interests and that has happened. There is no likelihood at all that we would not continue to deliver on that commitment.

**Mr M.J. FOLKARD:** Going back to the seventh dot point on page 175 of budget paper No 2, what will be the focus of the Indo–Pacific defence conference in 2018?

**Mr P. PAPALIA:** I might ask Mr Wedgwood to respond.

**Mr G. Wedgwood:** The conference is being organised by Defence West in conjunction with the Perth USAsia Centre. We are looking to hold that on the last Tuesday in October. There will be a number of international keynote speakers, some key national speakers and local speakers. The idea is to get local industry along to that, plus the universities and various research institutions. The international speakers will focus on the geopolitical climate that is driving countries, like Australia, to commit \$200-odd billion to defence expenditure. We hope to have at least one, if not two, relevant federal ministers presenting, as well as the Department of Defence, Navy and so on, and then we will have some keynote speakers from Western Australia who will highlight the opportunities that distil down from the geopolitical climate and also showcase our local industry capability. We expect a number of international visitors to attend the conference, not in a speaking role, but are simply vitally interested in what is going on. This will be a precursor to a larger, more internationally focused conference in 18 months’ time after that.

**Mr P. PAPALIA:** I will just add, member, that it is our ambition to grow it. We aspire to one day emulate something like the Pacific International Maritime Exposition in Sydney, but that has 14 000 delegates and has been going for a long time. It draws people from all over the world to the city, so it becomes a significant event as a function of tourism event–type attractions, but it also gives a wonderful platform for local industry. That is our aspiration. We want to be different from that, so this is again feeling our way to determine what that ends up looking like. Ultimately, the aspiration is to grow it and exploit the fact that we are on the Indian Ocean rim. We are the only Australian state that has that and no-one can take that away from us. We want to use our many decades of engagement across a whole range of different sectors in the defence space. We want to enhance what we can contribute to the nation’s discussions using that advantage that we have.

**The appropriation was recommended.**