Brief to GICC 2018

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Australia bases its defence planning on being able to defend Australia and support our regional and global strategic defence interests.

Rely on a high-technology based joint force of around 60,000 personnel to meet our defence missions, including covering the world’s 3rd largest Economic Exclusive Zone.

Priority on military and capability interoperability with the United States and leading edge technology across our force.
Australia has the world’s 11th largest Defence budget

6th largest importer of Defence equipment and 20th largest defence exporter

Defence budget to grow to 2 per cent of our Gross Domestic Product by 2020-21 and stay there

Major renewal of Defence capability over next decade to create a stronger, more agile and highly integrated joint force
• On 25 Feb 16, the Minister for Defence and the Prime Minister Launched the:
  - Defence White Paper (DWP);
  - Integrated Investment Program (IIP); and
  - Defence Industry Policy Statement (DIPS)

• A comprehensive, responsible long term plan for Australia’s defence

• ~ A$200 billion to be invested in new capabilities over the decade:
  - A large percentage of that (A$89 billion) in new shipbuilding, setting up our maritime capability to be a regionally superior force for generations to come
Australian industry as a Fundamental Input

- Earlier and Better Engagement with industry
- Capability Options Engagement
- Priority Industry Capabilities / Sovereign Industrial Capabilities
- Innovation, Research & Development
- Industry Development – knowledge, skill & tech. transfer
- Maximising Opportunities
- Centre for Defence Industry Capability
- Smartbuyer
- Exploitation across the programs & portfolio
- Viability and competitiveness to explore export markets
DIPS - Vision and Purpose: Deliver capability whilst maximising economic benefits through Australian industry and innovation

Support Defence capability outcomes and preparedness

- Capability edge
- Readiness
- Sustainability

Maximise Economic benefits

- Economic outcomes
- Growth
- Export markets
Australia’s Defence Industry

- We have traditionally acquired most major platforms and systems from overseas with integration, and technology transfer to operate and sustain in Australia.

- But have world leading capabilities, including in areas such as over the horizon radar, phased array radars, Nulka missile decoy, and combat vehicles.

- Defence industry of 25,000-30,000 people with around half made up of major Defence Primes and with 3,000 Small to Medium Enterprises.

- Committed to a continuous shipbuilding program for our future submarines, major surface combatants, and minor war vessels.

- Building a much stronger sovereign Australian industry and partnership with Defence industry to build the capability we need to support our future force.
Australia’s Defence Industry

• The Australian Government **discontinued offsets** in the early 1990s
  – No Banking Agreements, Multipliers, Direct or Indirect Offsets

• Defence is generally the **Promotion and Regulation Agency**
  – Different to many other countries
  – Centre for Defence Industry Capability partnered with Dept of Industry

• Industry programs underpinned by financial and contracting frameworks based on **Value for Money**.

• All major acquisition and sustainment contracts are:
  – **Performance Based**, and
  – **Competitively awarded on merit**

• Strategic performance Measures – Project and Enterprise level relationship management
Every Defence materiel procurement of $20 million and above – no offsets or mandated percentages

Strengthened the Australian Industry Capability (AIC) Program with more explicit requirements on:

- Maximising consideration of Australian industry involvement
- Creating an enduring Australian industry capability benefit
- Transferring technology and harnessing innovation
- Creating global supply chain opportunities
- Indigenous Australian supply chain opportunities
Maximising competitive Australian industry opportunities

- Investment Proposals must contain details of Defence capability, Australian industry development and economic benefits

- Focuses on industry engagement and commitment:
  - must demonstrate **provision of opportunity** to Australian industry
  - must **commit to Australian industry development**
  - demonstrate **supply chain source selection benefits**
  - will involve **greater collaboration between Australian industry, academia and government on innovation**
Global Supply Chain Program

• For Companies to **build on AIC** success
• GSC program based on the **Commercial needs of Defence Primes**
• **Funding** to establish GSC offices:
  o Identify and provide defence and commercial **bid opportunities** across the enterprise,
  o Identify, assess and mentor / train **SME**,  
  o **Work closely with SME** project managers in Australia to meet AIC requirements and share information (push – pull),
  o **Participate** in program workshops
  o Support other **export activities** such as trade events overseas, and the Australian Military Sales Equipment Catalogue

– Current GSC members:

  • Lockheed Martin, Raytheon, BAE, Rheinmetall, Boeing, Northrop Grumman and Thales
• GSC Performance framework, with payments based on:
  o Identification and assessment and contract awards to new companies
  o Increase in the number, value and contract term
  o Report on % of low value, medium value and high order work
  o Strategic Performance Measures – relationship, leader, fit for purpose
• Future direction of AIC, GSC and Team Defence Australia is articulated in the defence export strategy

The Strategy builds on the Government’s defence industry policies by setting out a comprehensive system to plan, guide and measure defence export outcomes.
Key Initiatives

• A Memorandum of Understanding between the Australian Defence Export Office and Austrade to deliver enhanced and integrated support.

• Establishing local industry experts in key markets to provide advice and support for Australian defence exports.

• An additional $4.1 million per annum for grants to help build the capacity of Small to Medium Enterprises to compete internationally.

• Sustaining and expanding the Global Supply Chain program with an additional $3.2 million per annum from 2018-19.

• The Government has established a $3.8 billion Defence Export Facility administered by our Export Finance and Insurance Corporation (EFIC).
Priority Markets

- Priority markets are:
  - the United States;
  - the United Kingdom;
  - Canada;
  - New Zealand;
  - the Indo-Pacific Region;
  - the Middle-East Region; and
  - Europe.

- The identification of these markets does not prevent industry from pursuing export opportunities outside of these markets.
Centre for Defence Industry Capability is working with industry and innovators to build the supply chains we need in Australia to support Defence’s future capability needs.

Based in our Department of Industry rather than Defence to draw on broader industry programs:

- Provide Capability Improvement Grants to companies to build Defence readiness
- Undertake whole of defence sector analysis
- Facilitate innovation and support our exporters
The Hub is about pulling through Australian innovation into Defence capability

- Proposals from concept exploration to capability demonstration that can support Defence in short, medium, and long-term
- Innovation will be particularly critical across 10-30 year build programs – not a one shot first of class opportunity
- Shorter time into contract and more industry friendly IP arrangements

Next Generation Technologies Fund identifying game changing technologies of benefit to Defence – focus beyond ten years

- Range of partnerships with universities, researchers and internationally
- Grand challenges to industry, cooperative research centres and other targeted activities

Together, a comprehensive approach to Defence capability innovation
Next Steps - Guiding Australian Industry Capability

Release the first 10-year Defence Industrial Capability Plan in 2018, backing up our Naval Shipbuilding Plan

- Baseline defence industry capability today
- Identify opportunities for Australian industry over the next decade and invest in the skills for today and next generation of workers
- Bring together all initiatives to support Australian industry

Identify our Sovereign Industrial Capabilities and ensure they are healthy and prioritised across our capability decisions and industry programs

- Where are the critical dependencies on Australian industry to achieve Defence’s warfighting and other missions?
- What level of sovereign control do we need today and in the future?
Investment Program Achievements - SEA 1000 - Future Submarine

- SEA 1000 will deliver 12 regionally superior submarines to replace the Collins Class boats

- Naval Group (formerly DCNS) of France selected as preferred international partner

- Naval Group was the most suitable partner to develop a regionally superior future submarine to meet our unique national security requirements
  - Superior sensor performance, stealth characteristics, and range and endurance similar to Collins
  - Competitive evaluation also considered cost, schedule, program execution, through-life support and Australian industry involvement

- $50b billion investment, Australian build

- First submarine entering service in the early 2030’s

- 20 December 2016 Australia and France sign Future Submarine Inter-Governmental Agreement
• SEA 1180 will deliver 12 OPVs to replace the 14 Armidale Class Patrol Boats.
• In November 2017, Government announced that a Lürssen design had been selected.
• Construction of the first two vessels will commence in 2018 at the Adelaide shipyard, the remaining boats to be built at Henderson, Western Australia from 2020.
• The expected build drumbeat will be 9-12 months.
• The program cost is estimated at over A$3 billion and will directly create ~400 jobs
Investment Program Achievements – LAND 400 Phase 2

- **Land 400 Phase 2** will acquire 225 Combat Reconnaissance Vehicles (CRV), modernising Army’s Armoured Fighting Vehicle capability, providing mounted support to Defence operations.

- Two tenders for the CRV were shortlisted for further consideration:
  - The Patria AMV35 from BAE Systems Australia; and
  - The Boxer CRV from Rheinmetall.

- 12 month risk mitigation activity commenced in August 2016 for vehicle tests, trials and evaluations.

- In March 2018, Government announced that the Rheinmetall Boxer CRV had been selected.

- 2021 – Initial Operating Capability.

- The program is estimated to be worth A$4-5 billion.
• SEA 5000 will deliver nine frigates optimised for anti-submarine warfare (ASW), incorporating the Australian-developed CEA Radar, to replace the current ANZAC class frigates.

• Three designs were approved at First Pass:
  • Type 26 from BAE Systems
  • The FREMM from Fincantieri
  • A redesigned F100 from Navantia

• In 2018, the Competitive Evaluation Process will recommend to Government the platform and combat system, to allow construction to commence in Adelaide in 2020.

• The expected build drumbeat will be 18-24 months.

• The program is estimated to be worth A$35 billion.
• Defence website - www.defence.gov.au


• The Naval Shipbuilding Plan


• Email – Australia Industry Capability
  aic.info@defence.gov.au

• Email – Global Supply Chain
  gsc.info@defence.gov.au

• Information on the Centre for Defence Industry Capability can be found at: https://www.business.gov.au/centre-for-defence-industry-capability

• The Australian Defence Export Office can be contacted at: Aust.DEO@defence.gov.au.