

AUSTRALIAN INDUSTRY & DEFENCE NETWORK Inc
AIDN

**AIDN's Perspective on the 2009 Defence White
Paper**

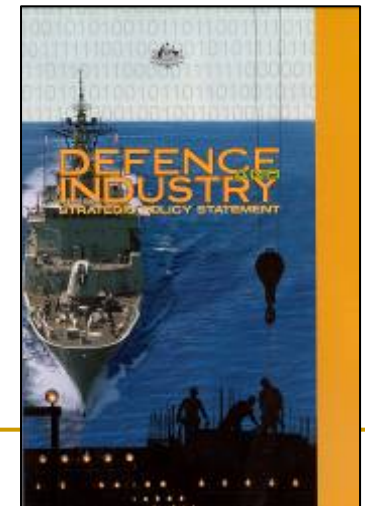
Presentation to
Defence White Paper Briefing
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Presentation Outline

- Introduction
- Background – AIDN involvement in the WP09 process
- General Comments:
 - Defence Planning
 - Strategic Reform Review
- Industry Policy Aspects
- Industry Opportunities
- Overcoming Opportunity Barriers



Background

- AIDN principally represents small to medium (SME) defence industry companies.
- AIDN Chapters in each State and Territory participated in the Community Consultation process.
- In addition to the Chapter inputs, AIDN National provided a consolidated input.
- AIDN provided input into the related activities, such as the Mortimer report.



General Comment



- AIDN welcomes the Australian Government's strong commitment to Australia's future defence as set out in the 2009 Defence White Paper.
- AIDN also welcomes the very considerable financial commitment that has been made in support of the achievement of the White Paper's objectives.
- AIDN strongly supports the Government's commitment to the development of subsequent Defence White Papers at no more than five yearly intervals.

General Comment



- AIDN notes that the proposed future force structure that is set out in the White Paper is aspirational in nature with much depending on the successful achievement of ambitious savings targets.
- An effective and cooperative relationship between Defence and industry will make an important contribution to the achievement of these savings.

Defence Planning



- AIDN strongly supports the comment in the White Paper that **“businesses with an interest in defence activities are entitled to sufficient information to guide their own investment and business planning decisions.”** The continuation of a comprehensive and up to date public version of the Defence Capability Plan is a central component of such transparency in defence planning.

Strategic Reform Review



- AIDN notes the central importance of the effective implementation of the Strategic Reform Program to the overall achievement of the objectives set out in the White Paper.
- AIDN encourages Defence to have regard to the very considerable contribution that all sectors of Australia's defence industries can make to the achieve of the large scale and enduring efficiencies that are being sought.

Industry Policy



- AIDN supports the industry policy initiatives that are outlined in the White Paper and looks forward to the opportunity to work closely with the Government, DMO and other areas of Defence to given positive, practical and timely effect to the implementation of the policies that have been outlined.
- The industry policy initiatives provide broad guidance but will be enhanced by further detailed advice from Defence and the DMO in particular.

Industry Policy



- The **key point of AIDN's submission** to the White Paper process was the request that the White Paper should include a strong statement on the importance of Australian industry to defence capability and sustainment, supported by a benchmarked action program.
- The Defence Industry Policy section of the White Paper goes some way towards fulfilling that request. However, considerable detailed work will be required to turn these generalised statements of intend into action. AIDN looks forward to the opportunity to participate in the development of these programs.

Industry Policy - PICs



- AIDN supports the establishment of priority industry capabilities (PICs).
- As PICs will not be publicly identified AIDN recommends the development of a mechanism to consult with industry associations and specific companies, so that there can be an effective response to the Government's requirements.
- AIDN expects that assessments of cost and risks are undertaken in a comprehensive and transparent manner that takes all relevant factors into account.
- Factors should include considerations of overall industry capabilities that may go beyond the requirements of particular projects; as well as the true cost of overseas maintenance and upgrades.

Industry Policy – SADI and Capacity



- AIDN strongly supports the proposed enhancement of the Skilling Australia's Defence Industry (SADI) program and enhanced local industry participation in international global supply chains.
- AIDN also supports the plan to grow local industry capacity and competitiveness and looks forward to the opportunity to contribute to the development of the supporting procurement and industry strategies.

Industry Policy – MOTS and COTS



- AIDN understands the rationale underpinning the proposed greater reliance on military and commercial off-the-shelf solutions as a means to control the cost of projects.

 - However, the planned benchmarking of all capability proposals against such off-the-shelf solutions should:
 - Be undertaken on a whole of life cost basis that takes into account sustainment and industry support capabilities.
 - Only be undertaken when there is an off-the-shelf solution that meets the whole capability requirement.
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Opportunities



- ***“Defence currently spends about \$4.5 billion locally on the acquisition and sustainment of military equipment each year. This is expected to increase to \$5.7 billion per annum over the next five years.”***
- Increased funding will afford greater opportunity for the Australian defence industry.
- Companies delivering a PIC will gain support to remain ‘healthy’ to deliver their capability to the ADF.
- Procurement and industry strategies to grow local industry.
- Increase company capability and capacity with Government assistance (SADI and skilling).

Overcoming Opportunity 'Barriers'



- Increased reliance on MOTS and COTS can limit Australian defence industry participation, however each acquisition is unique, three examples:
 - C-17 – FMS acquisition and sustainment
 - LHD – some acquisition potential for considerable sustainment
 - AWD – significant acquisition and strong potential for sustainment.

- PICs will not be publicly identified however broad categories are detailed, companies can:
 - Use innovation and an entrepreneurial approach to meet the ADF's developing capability requirements.
 - Identify Defence 'Centres of Excellence' relevant to their products and participate.
 - Cluster with companies offering compatible products/services to provide solutions with a significant comparative advantage.

Overcoming Opportunity 'Barriers'



- Low cost overseas competitors
 - ❑ Local companies can 'bundle' a product and service together to provide a differentiation against a lower cost imported product.
 - ❑ Use innovation and customer knowledge to provide a superior solution.
- Lack of detailed information on which to base investment decisions:
 - ❑ Revised Industry Policy and DCP
 - ❑ Influence Defence and DMO policy
 - ❑ Join an industry association such as AIDN, or DTC.



Thank You!



QUESTIONS?

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