



OPPORTUNITIES FOR BUSINESS

DEFENCE WHITE PAPER AND CAPABILITY PLAN BRIEFINGS

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**AUSTRALIAN INDUSTRY & DEFENCE NETWORK
Inc
AIDN**

**AIDN's Perspective on the 2009 Defence
White Paper and Defence Capability Plan
(DCP)**

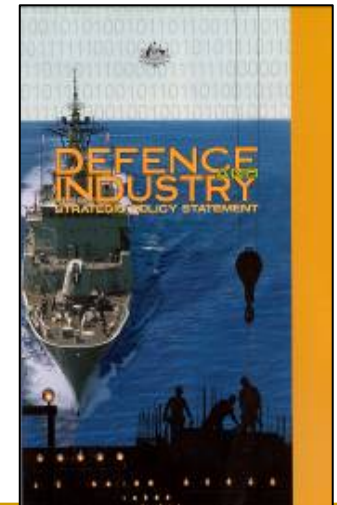
Presentation to the
Defence White Paper Briefing
Perth, 16 October 2009



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Presentation Outline

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- Background
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Background: AIDN



- AIDN represents small to medium enterprises (SME) in the defence industry and has over 800 members.
- AIDN has Chapters in each State and Territory coordinated by a National Executive.
- Each Chapter provided input into the White Paper community consultation process and AIDN National provided a consolidated input.
- AIDN provided input into the related activities, such as the Mortimer report.

Background: Key Documents



- **December 2008** – Release of the ‘Looking Over the Horizon: Australians Consider Defence’ report, which detailed the results of the community consultation
- **May 2009** – Release of the Defence White Paper 2009 – *Defending Australia in the Asia-Pacific Century: Force 2030*
- **July 2009** - Release of the public version of the Defence Capability Plan (DCP) 2009 and disclosure of the priority industry capabilities (PICs).
- **December 2009 to March 2010** – expected release of the revised Defence Industry Policy

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.

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.**” [Transparency in Defence Planning, para 1.27]
- The release of a comprehensive public version of the DCP, although with a shorter time frame than expected by some, and the public disclosure of the PICs are seen as central components of such transparency in defence planning.

Strategic Reform Program (SRP)



- 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 and funding of the DCP.
- Defence has a savings target of \$A20b in ten years, with DMO contributing \$A5.5b.
- AIDN encourages Defence to have regard to the very considerable contribution that all sectors of defence industry can make to the achieve of the large scale and enduring efficiencies that are being sought.

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 outlined in the White Paper goes some way towards fulfilling that request. However, considerable detailed work will be required to turn these generalised statements of intent 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).
- PICs are capabilities that are focussed on the needs of the ADF and which the Government may intervene to preserve in-country. The Government will review the list of PICs annually to ensure that they meet with the priorities of the ADF.
- The current list of PICs include:
 - Electronic Warfare
 - High Frequency and Phased Array Radars
 - High end System and System of Systems Engineering
 - Through Life and Real Time Support of Mission Critical Software
 - Anti-tampering capabilities
 - Signature management
 - In-service Support of the Collins Class Combat System
 - Acoustic Technologies
 - Ship Dry Docking and Common User Facilities
 - Selected Ballistic Munitions and Explosives
 - Infantry Weapons and Remote Weapons Stations
 - Combat Clothing and Personal Protection

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.
 - Capability edge, unique products?
-

Opportunities



- As one analysis details ***“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 may gain support to remain ‘healthy’ to deliver their capability to the ADF.
- Use the Capability Technology Demonstrator (CTD) and CTD extension programs to develop technical solutions.
- Increase company capability and capacity with Government assistance (SADI and skilling).

Opportunities – Capital Equipment



■ Naval Shipbuilding

- ❑ Air Warfare Destroyers – three approved, a fourth in prospect
- ❑ Landing Helicopter dock – two ordered
- ❑ Heavy Landing Craft
- ❑ Future Submarines – 12 new submarines
- ❑ Future Frigates – eight new frigates, larger than the ANZAC class
- ❑ Strategic Sealift Ship – 10,000-15,000 tonnes
- ❑ Logistics Support Ship – to replace HMAS SUCCESS
- ❑ Offshore Patrol Vessels – 20 new 2,000 tonne multi-role vessels

Opportunities – Capital Equipment



- Aerospace Projects
- RAAF
 - JSF – 100 JSF will be procured
 - Super Hornet – 24 F/A-18F ordered
 - Multi-mission Maritime Aircraft – 8 P3 Poseidon aircraft in 2015
 - Multi-role UAV – Up to seven large UAVs in 2020
 - Hercules – two additional C130J
 - Battlefield Airlifter – up to ten light tactical battlefield aircraft to replace the Caribou

Opportunities – Capital Equipment



- Aerospace Projects
- Army Air
 - Heavy Lift Helicopters – seven CH-47F to replace six CH-47D, a near term project
 - ARH/MRH/Tactical UAV – Programs will continue
- Navy Air
 - ASW Helicopter – at least 24 new naval combat (ASW) helicopters, first pass this year
 - UAV – unspecified type to operate from frigates

Opportunities – Capital Equipment



■ Land Systems

- ❑ New Combat Vehicle – 1100 vehicles with greatly improved firepower, protection and mobility
- ❑ Land 121 (Vehicles and Trailers) – around 7000 support vehicles, much of which is already tendered.
- ❑ Land 75 (Battlefield CSS) – improved communications and command and control for land forces
- ❑ Land 17 (Enhanced Firepower) – new artillery both self-propelled and towed.
- ❑ Land 125 – continued investment in increasing the effectiveness and protection offered to the individual soldier

Opportunities



- Information Communication and Technology (ICT)
 - Networking the ADF – Defence will release a 2009 Roadmap
 - Remediating the Defence Information Environment
 - Cyber Security

- Remediating the Defence Enterprise Backbone
 - Storage and Loading Facilities at ports
 - Technology Upgrades for Key Defence R&D facilities
 - Vehicle maintenance Facilities
 - Airfields and Training Ranges
 - Fuel and Weapons Storage

Opportunities



- Defence Logistics Consolidation
 - ❑ Investment to Replace Outdated Facilities
 - ❑ Consolidation of Defence's 24 wholesale warehouse and distribution sites to seven
 - ❑ Distribution Network will be closely aligned with Australia's transport network

- Resource Optimisation
 - ❑ Better Alignment Between Strategic Guidance, Preparedness Goals and ADF activity levels
 - ❑ Preparedness Management Decision Support Capability
 - ❑ Allow Defence Leaders to Know the Cost of Decisions

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.

- Although the PICs have been identified working in a PIC arena does not guarantee work or Government support, however companies can maximise their prospects by:
 - Using innovation and an entrepreneurial approach to meet the ADF's developing capability requirements.
 - Identifying the Defence 'Centres of Excellence' relevant to their products and participating.
 - Clustering 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 their customer knowledge to provide a superior solution.
- Lack of detailed information on which to base investment decisions:
 - Use the DCP and annual budgets to provide broad guidance.
 - Influence Defence and DMO policy
 - Join a relevant industry association such as AIDN.



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Question and Answer Session

John O'Callaghan
Executive Officer
Ai Group Defence Council





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