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I am focussing today on our strategic policy settings, specifically from an Australian Defence industry perspective.

I am honoured to hold the position of the Executive Director of the Australian Industry Group Defence Council, which allows me to see first-hand the role of Australian industry in the delivery of critical Defence capability.

In that regard, the Minister for Defence made a statement in her speech yesterday which struck me as particularly profound. She said this, and I quote from the transcript:

This is about more than building a robust, resilient and internationally competitive Australian defence industry base – by placing trust in our industries and our people.

It is also about ensuring that our industrial base adds to Australia's strategic weight – by fuelling innovation and developing and nurturing our own sovereign capabilities.

My view is that this supports an important point, that Australian industry should be seen as an integral part of Australia's national security infrastructure, and not just seen through the prism of the economy or jobs growth (as important as they are).

So the question then becomes - what are the implications of an industry with strategic weight in terms of policy setting and the development of competitive local sovereign industries?

As many of you would be aware, the 2016 Australian Defence Industry Policy Statement set out a new direction for the relationship between the Australian Government, Defence and the defence industry. Since then, there has been a transformation in the relationship between Defence and industry, and between prime companies and our small to medium enterprises.

These changes have included the establishment of a dedicated Defence industry portfolio as well as:

- development of a set of coherent and strategic industry policies; and
- significant capability decisions, including one of the largest naval shipbuilding programs in the world.

These decisions have set the foundations for an industry base that is a partner to the Australian Defence Force, as well as a significant contributor to Australian national security and the economy.

The Australian defence industry is rich and diverse, ranging from our strategically important small group of prime companies through to thousands of small to medium enterprises. This capable sector delivers capability to Defence 24 hours a day, 7 days a week through major

acquisitions, innovative and disruptive technology, vital supply chains, maintenance and logistics as well as critical services.

Australian industry is fundamental to the delivery of Defence capability, but there are challenges that both Government and industry still face to ensure the future of this strategically important sector and to provide the 'strategic weight' of which the Minister spoke.

In my view there are at least three key initiatives that we can focus on to further advance industry's ability to contribute to Defence capability and provide strategic heft.

First – treat industry as a strategic asset

The first initiative is to ensure we are treating the industry as a strategic asset, and an asset that is able to project industrial power into our region and beyond.

At the moment we have many industry support policies and programs, but bringing them together in a coherent and comprehensive way is important. This might include lines of effort such as:

- harnessing current resources to do a mapping of the supply chain so that we understand the capacity and capability of the industry. Unlike our understanding of our Australian Defence Force, our knowledge of Australia's defence industrial capacity is patchy at best;
- this could then lead to an assessment of any challenges in the supply chain and to the creation of a plan for filling the gaps;
- we also need to accelerate the pace of the implementation of the sovereign industrial capability priorities announced last year; and finally
- I suggest a renewed focus on re-industrialisation of the base. By this I mean that to deliver a strong, resilient supply chain we should look at growing the second tier of our industrial capability, including larger sub-system and system integrators.

Second - broaden our range of technology capability sources and procurement

A second area of focus I suggest is that, in order to deliver the best capability, we must source innovation from both traditional and non-traditional sources for our changing threat environment, supported by a positive and forward-leaning approach to procurement and risk.

As we have heard in this conference, we are clearly in a time of changing threats. The Australian Defence Force and our allies need to have access to the best capability, the most innovative, and the most capable of responding to current and future threats.

Our procurement processes should be structured to allow us to face these threats, and not just in peace time where the Key Performance Indicators can revolve around compliance and risk.

Many countries have recognised that tapping into non-traditional sources of capability, the commercial world and allied technology is critical for maintaining a capability edge.

I note in this regard that many of the principal technology trends are being led by the commercial sector. So tapping into those commercial and diversified companies, partnering with our prime companies in new and innovative ways, and allowing the procurement space and risk appetite for that to flourish is imperative.

Further to this, and to integrate industry as a true Fundamental Input to Capability, we should involve industry in the early force design process in a way that is genuine and sees industry contributing in a meaningful way.

Australian industry in the provision of disruptive, advanced technology

Finally, I would like to suggest an increased role of for Australian industry in disruptive, high tech and low cost technology. A significant amount of innovation is driven by our small to medium enterprises and tapping into that as part of a new industry policy is critical. The next evolution for industry policy could be taking advantage of Australian industry investing in technologies that are fast, agile and relatively low cost. If funding and procurement strategies were geared to supporting Australian industry in this regard, we could see a real revolution in Australian delivery of capability to Defence.

Conclusion

So, in summary, I think we should be rightly proud of our defence industries, who demonstrate time and again the innovation, the capability and the capacity to deliver the finest quality goods and services to our Defence forces.

By viewing this sector as a strategic asset, and as the Minister for Defence has said, as part of our 'strategic weight' we will be better positioned to tackle our future challenges.