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CONCEPT PAPER

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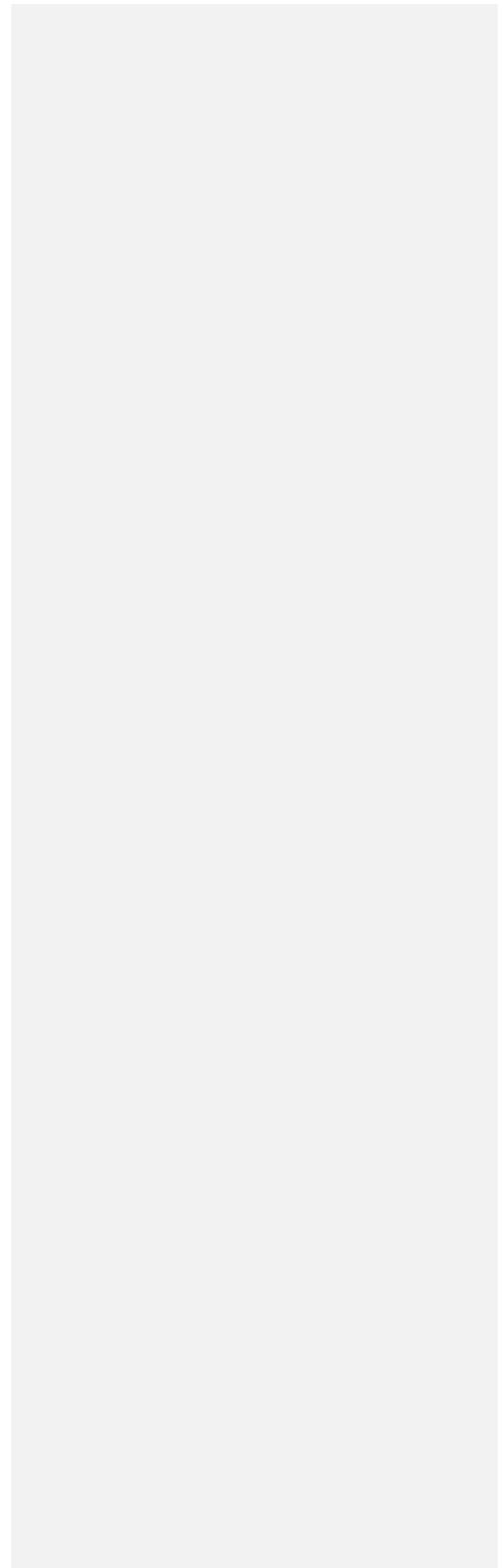


Table of Contents

| | |
|---------------------------------------|-------------------------------------|
| 1. TDR Title | <u>Error! Bookmark not defined.</u> |
| 1.1 Referenced Documents | <u>Error! Bookmark not defined.</u> |
| 1.2 Definitions | <u>Error! Bookmark not defined.</u> |
| 1.3 Acronyms | <u>Error! Bookmark not defined.</u> |

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List of Figures

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List of Tables

| | |
|-----------------------------------|-------------------------------------|
| Table 1: Reference Documents..... | <u>Error! Bookmark not defined.</u> |
| Table 2: Definitions | <u>Error! Bookmark not defined.</u> |
| Table 3: Acronyms..... | <u>Error! Bookmark not defined.</u> |

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List of Annexes (if in separate document – delete if N/A)

Annex A – Annex Title

List of Appendices (if in separate document – delete if N/A)

Appendix A – Appendix Title

List of Attachments

Attachment 1 – Attachment Title

Attachment 2 – Attachment Title

1. Executive Summary

The DTC is widely regarded as a successful defence industry association. As we move into a new era in Australian defence industry, how can the DTC ensure that it continues to lead the way and what better international model, if any, can it aspire to?

Small to Medium Enterprises (SMEs) are a critical part of the Defence innovation ecosystem. They can move quickly, innovate and deliver novel solutions. DST Group sees SMEs as key collaborators in the development of new capabilities for the Australian Defence Force.

With the constantly changing landscape within Defence, it is critical that SMEs are conversant with the requirements and management of contracts, the developing of business and the processes that seem to be changing regularly.

They need connecting and support to develop capability and increase overall competitiveness in domestic and global defence markets.

We are moving into a new era in Australian defence industry with the seamless flow of work from the Air Warfare Destroyer, to OPVs, future frigates and now submarines, we will see local businesses and workers provided with sustainable work for decades to come. The all-new, advanced local defence manufacturing industry, outlined in a 20-year defence industry plan, shows thousands of new jobs and huge investments in our capacity and security.

Detailed in the budget is \$195 billion of funding, including \$50 billion for 12 submarines, plus \$35 billion for frigates and \$3 billion for offshore patrol vessels.

There are a number of key challenges to Defence industry. As a result of these changes, Defence industry will need to account for significant growth based on the transformation programs. Another challenge is the focus on building a sovereign capability and the requirement for technology transfer into Australia. This poses a challenge to industry of collaboratively working through the agreements and frameworks to support the sharing of IP and developing skills to support.

There are a number of international models that the DTC could potentially leverage in order to meet the needs of the future. A focus on Business Development support and collaboration between industry and with Government and promotion of collaboration across borders in order to be competitive with the relevant market are important points.

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The question remains, should the DTC remain National or go back to being state based?

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2. Defence Teaming Centre

The DTC is an industry led association that was formed just over 22 year ago. It's has a membership of almost 300 business which include prime defence contractors, SME's, professional services providers and education institutions. Many of its members have a national footprint and its largest growing membership is from outside of South Australia.¹

The DTC originally had a state based focus and for a number of years it also operated as the South Australian chapter of the Australian & Defence Industry Network. As part of that role its aim was to maximize Defence

¹ <https://www.defenceconnect.com.au/key-enablers/1544-podcast-fostering-the-future-of-defence-industry-margot-forster-defence-teaming-centre-ceo>

related business for South Australian Small and Medium Enterprises. More recently DTC transitioned from its state based and specifically SME focus to support defence industry more generally and with a national focus. It describes itself now as “a nationally focused defence industry membership organisation that supports and develops Australian industry to be more competitive and meet the needs of defence.”²

Its three stated aims are connecting, developing and advocating. Connecting companies to companies, smaller business with primes, as well as connecting SME’s with industry rep bodies and initiatives such as the ADA (Australian Industry Group Defence Council)³, the Centre for Defence Industry Capability (CDIC)⁴ and the Naval Shipbuilding Industry Reference Committee⁵ as well as offering education and training on Australian Industry Capability and dealing with Defence Industry Security Program (DISP). As part of its Development focus it is involved with the South Australian Defence Leadership Program and the Defence Industry Education and Skills Consortium⁶. In its advocacy role it is positioning itself to be, as a “credible and effective voice for Australia’s Defence Industry at all levels of Government.”

The transition from a state based SME focus to a national focus saw the DTC separate from AIDN citing conflicts of interest⁷. The DTC subsequently⁸ aligned itself with AIDN-Victoria (also now separated from AIDN) and the Henderson Alliance to form the Australian Defence Alliance (ADA). Each of the founding bodies of the ADA still operate independently but, as a collaborative alliance, offer professionally managed advocacy, strategic governance and policy support.

As recent as last month the Australian Industry Group Defence Council has signed MOUs with the Defence Teaming Centre (DTC) and Australian Industry and Defence Network Inc (AIDN National) to collaborate on the development and capacity building of small to medium enterprises (SMEs) within the defence sector. As part of the individual agreements, the DTC and AIDN National will formally join Ai Group’s Defence Council National Executive. The agreements will see the organisations working together more closely to boost Australian defence industry competitiveness as well as advancing local SME involvement within the defence sector.⁹

² <http://www.defence.gov.au/dsvs/Industry/>

³ <https://www.aigroup.com.au/business-services/industrysectors/defence/>

⁴ <https://www.business.gov.au/centre-for-defence-industry-capability>

⁵ <https://www.aisc.net.au/irc/shipbuilding-industry-reference-committee>

⁶ <http://www.defencesa.com/industry/workforce-deve/education-and-training>

⁷ <https://www.defenceconnect.com.au/key-enablers/1931-major-shakeup-in-defence-sme-sector>

⁸ <https://www.defenceconnect.com.au/key-enablers/2661-a-new-national-voice-for-defence-smes>

⁹ <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/Defence-Sector-SME-partnership-9Nov/>

3. Defence Industry and Government Associations

There are numerous Defence Industry Associations and Government Associations. As can be seen from the table below, there are many overlapping services. How does an SME know who to go to?

| | DTC | Defence Industry Associations | | | | | | | | | | Government Association | | |
|--|-----|-------------------------------|---------|----------|----------|---------|----------|----------|----------|-----------------------------------|---|------------------------|------------|--------------|
| | | AIDN-SA | AIDN-WA | AIDN-QLD | AIDN-TAS | AIDN-NT | AIDN-NSW | AIDN-ACT | AIDN-VIC | Shoalhaven Defence Industry Group | Sydney Aerospace & Defence Interest Group | CDIC | Defence SA | Ind Capa Net |
| Business support services | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Advocacy and Support | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | |
| Knowledge & requirements gaps | ✓ | ✓ | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Partnerships – National/Industry | ✓ | ✓ | | | | | | | ✓ | | | ✓ | ✓ | ✓ |
| Assist in Export | | | | | | | | | | | ✓ | ✓ | ✓ | |
| Investment & expansion opportunities | | ✓ | | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | ✓ | |
| Advice on defence industry & improve win rate in defence tenders | ✓ | ✓ | | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | | |

| | | Defence Industry Associations | | | | | | | | | | Government Associations | | |
|--|-----|-------------------------------|---------|----------|----------|---------|----------|----------|----------|-----------------------------------|---|-------------------------|------------|-----------------------------|
| | DTC | AIDN-SA | AIDN-WA | AIDN-QLD | AIDN-TAS | AIDN-NT | AIDN-NSW | AIDN-ACT | AIDN-VIC | Shoalhaven Defence Industry Group | Sydney Aerospace & Defence Interest Group | CDIC | Defence SA | Industry Capability Network |
| Marketing & events, trade-shows, conferences | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | |
| Grants | | | | | | | | | | | | ✓ | | |
| Global Supply Chain | ✓ | | | | | | | | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Networking | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

4. What is the new era for Australian Defence Industry

On 25 February 2016, the Department of Defence released the 2016 Defence White Paper, Defence Integrated Investment Program (DIIP) and the Defence Industry Policy Statement (DIIS). These documents collectively outlined Australia's Defence outlook and Strategy and the capability and resources required to deliver that strategy out to 2035 and included significant changes from the then current state.

The key elements impacting the Australian Defence industry as outlined in the documents are:

1. Investment in programs to deliver a 'more capable, agile and potent future force', including:
 - a. increased from 6 to 12 regionally superior submarines
 - b. The surface naval capability will include three Hobart Class Air Warfare Destroyers (AWD);
 - c. A new class of nine future frigates;
 - d. New replenishment vessels;
 - e. Offshore patrol vessels (OPV);
 - f. The F-35A Lightning II and the E/A-18G Growler;
 - g. Additional air-to-air refuellers;
 - h. A new generation of armoured combat reconnaissance and infantry fighting vehicles;
 - i. A new long-range rocket system will further enhance fire power; and
 - j. Armed medium-altitude unmanned aircraft.
2. A long term continuous sovereign shipbuilding program to ensure the retention of an Australian shipbuilding industry through the provision of the AWD, Future Frigate, OPV and Future Submarine acquisition programs;
3. A significant increase in funding to deliver the capabilities including a new 10-year Defence budget model to 2025–26, over which period an additional \$29.9 billion will be provided to Defence, investing approximately \$195 billion in Defence capability in the period reaching two per cent of Australia's Gross Domestic Product (GDP) based on current projections.

It's evident from these documents that the Australian Government have committed to significantly increasing the focus on an integrated approach to ensuring that Australia maintains a highly capable and regionally superior Defence Force, with an increased focus on engaging the domestic Defence Industry to provide ongoing support and capability, well into the future. Whilst the Government's plans have been met with general acclaim from the Australian Defence Force and Industry, several challenges arise for both groups to ensure the plan is a success.

5. What are the key challenges to defence industry

In order to deliver the 'New Era for Defence' as outlined by the 2016 White Paper, DIIP and DIIS, the Australian Defence Industry will be required to overcome significant challenges to provide the additional capability and sovereign participation requirements. The key challenges to the Defence Industry are:

1. The Defence Industry needs to account for significant growth in industry with focus on sovereign capability requiring the current skills and resource base to be developed to meet future needs of major capability programs as domestic Australian Market does not currently maintain the resource numbers and skill base to deliver with the creation of 'over 2,000 jobs' as noted in the Australian Government's 2017 Naval Shipbuilding Plan.
2. The Defence Industry will be required to collaborate, assess and manage technology transfer into Australian companies for sovereign capability and to maximise Australian Industry Capability (AIC). This will require new behaviours and innovative practices for Industry participants to partner with local business and share IP and technology in order to meet the Government's objectives;
3. Small to Medium Enterprises (SMEs) will be required to overcome significant barriers to entry to engage on large Defence programs and contribute to the required growth in capability. Key barriers include:
 - a. Having to maintain compliant security (e.g. IT systems, security clearances & physical access controls); and
 - b. Navigating through multiple industry and Government associations with competing interests to find the appropriate support find meaningful work amongst Defence Projects;
4. Defence Industry will need to gain access to major global defence programs and to showcase Australian innovations and products in order to support the Government's Export objectives.

These challenges create significant opportunities for the DTC to explore new, and expand on current operations to support the successful transition of the Australian Defence Industry into the 'New Era'. In order to understand how the DTC might change its structure or services to best address these needs, other International Defence Industry Associations and models have been reviewed for their applicability.

6. What are the options or other industry associations

In order to meet the challenges faced by the Australian Defence Industry in the 'New Era for Defence', research has been conducted into other International Defence Industry Associations and models to seek out areas and initiatives the DTC might adopt in order to meet these challenges.

In the review it was found that International models of defence industry associations vary based on a number of different factors such as the region or area of their focus, whether they specialise in a specific industry or support a broad range of industries, the extent to which they engage in advocacy on behalf of the industry, the composition of their membership, and whether and to what extent they are funded by government. While all are engaged with the governments of their countries some maintain themselves strictly as industry representation, others work actively to address specific government programs. Other organisations also exist that aren't strictly defence industry organisations but operate directly in collaboration with government. Each association has its own history and is tied to the region it represents and the unique circumstances of that region.

A key summary of findings on the most relevant Industry associations is outlined at figure X:

| Association | Structure | Services | Key focus areas |
|--|---|---|---|
| <p>Aerospace Defence and Security Industries Group (ADS) – The major Trade Organisation for the sector the UK.</p> | <ul style="list-style-type: none"> • Not-for-profit trade organisation operating as a Company Limited. • 1,000+ members • Managed by ADS council – consisting of both elected and non-elected members. | <ul style="list-style-type: none"> • Business Development Support • Government and public relations • Business advice • Access to tailored events • Support services - security clearances and event planning | <ul style="list-style-type: none"> • Close ties with government • engaging in collaborative partnerships • Influence government decision • Links with other trade organisations both domestically and internationally. |
| <p>National Defense Industrial Association (NDIA) - Largest Defence and national security trade organisation based in the USA.</p> | <ul style="list-style-type: none"> • Not For Profit Company (NFP) – 75+ staff • Board of Directors under corporate charter of the Association. • Managed by an Executive Committee. • The NDIA has local area Chapters across the USA, and 27 technology-based Divisions • It is made up of 1,600 corporate and 85,000 individual members. Government employees and active duty military can join NDIA free for three years. | <ul style="list-style-type: none"> • Advocacy and Government Lobbying • Symposia • Exhibitions • Divisions & committees • Networking • News and information • Directories • Education | <ul style="list-style-type: none"> • Advocacy, • lobbying and • industry collaboration (via technology based working groups with government) |
| <p>AeroSpace and Defence Industries Association of Europe (ASD) - Is the voice of European Aeronautics, Space, Defence and Security industries, actively supporting the competitive development of the sector</p> | <ul style="list-style-type: none"> • NFP with roughly 50 employees • 40 direct members, in 19 countries and 25 National Associations. • Led by the General Assembly (formed by all Members of ASD) and; • the Board (composed by 16 CEOs of Companies and 10 Heads of National Members). | <ul style="list-style-type: none"> • Advocacy; • Influencing EU standards and legislation; • Promote international collaboration; • act as the central intelligence hub for expert knowledge on industry-related issues. | <ul style="list-style-type: none"> • Works in four Business Units (Civil Aviation, Defence, Security and Space); and • Six Commissions (Environment, R&T, Economic Legal & Trade, Services, Supply Chain and External Affairs) • Focus on Advocacy, standards and collaboration across the EU. |

| | | | |
|---|--|--|---|
| <p>Aerospace Industries Association (AIA) - advocate for policies and responsible budgets to innovate, and spur our economic growth.</p> | <ul style="list-style-type: none"> • Representing manufacturers and suppliers of civil, military, and business Aviation • Governed by a board of governors that consists of senior representatives of member companies; and • an executive committee • < 50 employees • Over 350 members | <ul style="list-style-type: none"> • Advocacy and lobbying; • Supplier Management Council • Develops the manufacturing standards called National Aerospace Standards • co-sponsors annual rocketry competition for high school students. | <ul style="list-style-type: none"> • Promote Policies and Budget decisions • Collaborate with the FAA, regulatory authorities and Congress to accelerate and streamline product approval processes. |
| <p>UK Defence Solutions Centre (UKDSC) – Leading innovation in UK defence capability to deliver export growth.</p> | <ul style="list-style-type: none"> • Industry / UK Govt. partnership; • <50 employees; • Part of UK Defence Growth Partnership | <ul style="list-style-type: none"> • pre-competitive space; • Strategic planning; • Capability road-mapping; • Partnering and collaboration; • Innovation | <ul style="list-style-type: none"> • Focussed on working with Govt. and industry in an open and collaborative environment to drive best practice and innovative technologies to increase UK Defence Exports. |

Figure X: Industry Associations and Models Key Findings

In the review of the best practice Defence Industry Associations it was evident that common areas of value could be potentially implemented in order to address some of the outlined challenges with short term success as well as identifying that dependant on the strategic outcome, the corporate structure, funding mechanisms and relationship between services and outcomes, could incorporate some of the characteristics of the other best practice organisations, to ensure the DTC are meeting the challenges of the New Era for Defence.

7. What do we recommend?

Our approach

2 potential models – national export or local SA.

National model (reword as necessary)

A key challenge faced by the Australian defence industry is to diversify and grow by capitalising on international export opportunities as proposed in the federal government's 2018 defence export strategy¹⁰. This has been identified as a critical measure to better sustain the Australian defence industry and support the Australian defence capability needs with the ambitious goal to become a world top 10 defence exporter in the next decade. In this capacity, there exists an opportunity for the DTC to adopt an export focus and consolidate as a national defence industry association.

A shift to a more specialised national industry association is expected to offer advantages, particularly to SME's that have been identified as a critical component of the federal defence export strategy. As has been previously identified, the current defence landscape has been shown to include a wide array of defence organisations that offer similar or overlapping services (albeit to varying levels of effectiveness). This has been found to promote confusion amongst the local defence industry members as to which group to approach for specific support services and also leads to confusion amongst potential international customers looking to engage with local industry. The DTC restructured as a national body with a specific export focus would be positioned to be the clear industry association to approach both for local industry looking to engage overseas supply-chains and international customers seeking to collaborate with Australian industry. As a national body, the DTC would also be a suitable industry organisation to receive federal government backing as part of international advocacy efforts.

Services

The UK Defence Solutions Centre (UKDSC)¹¹ is an example of a non-government international defence association that shares a similar strategic objective in that it is primarily focused on consolidating and promoting the local UK defence industry to target international export opportunities. With this, inspection of the activities and services offered by the UKDSC has identified several initiatives that could be adopted by the DTC in

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Funding

¹⁰ <http://www.defence.gov.au/Export/Strategy/documents/DefenceExportStrategy.pdf>

¹¹ <https://www.ukdsc.org/>

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What are the gaps and recommendations?

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o Niche currently exists for a national industry association to with export focus.

o Leverages model offered by the Defence Solutions Center UK.

o National body would better be able to advocate on behalf of Australian industry.

o Could seek endorsement by Federal government.

o Close working relationship with SME's. Identify partnering opportunities

o Register of international tenders and communicate to SME's

o Include advice and connect to services required for export.

o Single industry advocate for Australia. Single voice to internationals looking to partner with Australian industry

o Funding based on member subscription and federal sources.

o Industry roadshows

o Shared BD resource – pay for service? SME's can't afford themselves.

o Industry capability and innovation technology catalogue.

o Co-ordinate academia, industry, government, defence force. Example of approach successfully demonstrated for Naval Group bid for SEA100 program.

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Could continue with work programs already in place to address skilling.

Interview has allowed for some suggestions for actions the DTC could take short term, regardless of how the organisation would re-structure for the future

Primary feedback from SME's was that they were not well informed of the services the DTC offer nor current strategic focus. Interaction with the sample interviewed had not had regular contact and did not see great value in membership.

Better advertise what the DTC can offer

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Consolidate funding into a simplified model. Current arrangement does include varying streams which may conflict with the current aims (ie advocating for interstate companies whilst receiving funding from state government may impose conflicts of interest).

Increase focus on SME's – closer relationship with SME's. Better understanding of their capabilities and needs will increase effectiveness for advocating for work

Skills gap – look at addressing skills shortage in areas outside as well as STEM.

There are two approaches proposed in this paper; DTC to grow into a national body with a focus on maximising Australian defence export opportunities or to revert to a

- National body with Defence export focus:
 - Focus on nationalised approach to defence exporting.
 - Leave state based issues to other state based organisations.
- Single entity:
 - Become the primary Team Australia advocate. Single voice to International primes & Governments. Avoid confusion currently encountered by the various state based groups all pursuing the same opportunities.
 - Seek and wield sovereign backing for international projects. Co-ordinate industry, government, academia and defence forces. This approach has been successful in the past for foreign groups (Ex. Future Submarine – Naval Group)
- Simple and consistent funding streams:
 - Member subscription
 - Federal grants
 - Avoid complications offered by sourcing funding from state sources with competing interests.
- Important to provide value to members:
 - Canvas and inform local SME's of export opportunities & capability gaps. Require close working relationship.
 - As well as defence industry, liaise with academia, government and defence forces for co-ordinated pitch for tenders.
 - Business Development resource for SME's
- Maximise exposure to internationals:
 - Main point of contact for international collaborators
 - Catalogue of Australian Defence Innovation's and Technologies.
 - Industry roadshows. Very successful in the past ie. small scale manufacturers gaining access to F35 supply chain.

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DTC can make money from lecture series featuring industry speakers

DTC will need to support local industry participation in the global supply chains of naval shipbuilding projects and promote export readiness.

It is critical that both the education and industry sectors work together to ensure we can rapidly expand the growth and potential of the defence industry workforce – and this is what the defence industry education and skills consortium is all about.”

<https://www.eda.europa.eu/docs/documents/document-on-ndias%27-best-practices.pdf>

- Providing information on relevant national and EU laws, institutions, standards, policies and procedures.
- Providing information on current tenders and business opportunities (through website or personalised e-mail updates) and supporting members in the preparation of tendering documentation (e.g. templates for foreign documents).
- Data collection and overview of developments and trends in the national industrial base, providing analyses and reports.
- Providing contacts to industry (national and foreign), government and international institutions.
- Overview of relevant events (e.g. exhibitions, conferences, business-to-business events etc.).
- Providing information (preferably structured – guides, workshops etc.) on possible public financial aid (grants for investment, innovation, employment, export), including R&T funds.
- Supporting promotion and participation in related exhibitions (e.g. joint stands, particularly important for SMEs).
- Finding opportunities for companies to advertise on forums and events relevant to their business, e.g. conferences, workshops etc.
- Creating public and easy accessible websites and databases, folders and brochures on the services, products, quality and potential of members, for national and foreign actors.
- Organising networking events, particularly related to specific topics.
- Facilitating contacts with other companies (national and foreign), particularly between primes and suppliers/SMEs.
- Providing information on import/export opportunities and legal and administrative processes.
- Organising “information days” or “country days” with information on export processes and opportunities in other countries (possible cooperation between associations).
- Helping to assess the technology to identify potential, needs and funding opportunities.
- Helping to formulate project ideas.
- Providing information and advice on intellectual property and patents.
- Providing contact information to relevant organisations (also to specialised legal support).
- Developing and implementing a SME strategy/plan and specific actions directed for SMEs within associations.
- Appointing a person in an association dedicated to SME issues.

- Establish contacts and active participation in industry-related activities of EDA and other international bodies (participation in EDA NDIA's meetings, overview knowledge of different initiatives);
- Providing information, promoting and encouraging NDIA members to participate in relevant fora (e.g. EDA CapTechs, ASD groups etc.);

Relations with other industry associations:

- Information exchange – appropriate newsletters, bulletins, press releases etc. that may be of mutual interest;
- Establishing contacts as a basis for industrial cooperation;
- Networking opportunities;
- Coordination, wherever practicable, on mutually relevant issues and activities.

[View ANNEX A & B](#)

<http://www.defence.gov.au/SPI/Industry/CapabilityPlan/>

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8. References

<http://www.defencesa.com/upload/brochures/Updated%20Defence%20Strategy%202030%20Brochure.pdf>