

Creating a strong and resilient sovereign defence industrial base

A plan for a strong and resilient sovereign defence industrial base

Australia's defence industry supports over 100,000 Australian jobs. It is an essential partner in keeping Australians safe at home, secure in the world and employed in well-paid, high skill jobs.

The Defence Industry Development Strategy (the Strategy) establishes the framework and principles for our defence industry policy to reflect our strategic circumstances as outlined in the Defence Strategic Review.

Contributing to the Australian economy

- ▶ Estimates from 2021-22 indicate Defence expenditure directly led to the employment of approximately 61,600 people, an increase of 17.1 per cent from the previous year. Taking into account indirect employment, over 100,000 jobs are supported.
- ▶ In 2022-23, Defence awarded over \$38 billion in contracts. This accounted for almost 52 per cent of the value of all Commonwealth procurement contracts. As part of these contracts, Defence awarded just over \$8 billion to small and medium enterprises, the largest value of any Commonwealth agency.
- ▶ In 2022-23, 57 per cent of Defence's capability acquisition expenditure and 80 per cent of its capability sustainment expenditure was in Australia.

The Defence Strategic Review highlighted the need to move from a joint and balanced Australian Defence Force (ADF) to an integrated and focused ADF because of the contemporary challenges which Australia faces. This shift to a focused ADF will also require our industrial base to become more focused.

The Strategy details how the Government will develop the sovereign defence industrial base that will meet our national security requirements and deliver a focused sovereign defence industrial base – one that can deliver outcomes for the Government and Defence during a time of need or crisis.

Developing the sovereign defence industrial base Australia needs to meet our strategic circumstances requires targeted industrial development in areas of strategic priority. Defence will support businesses to increase their scale and competitiveness to enable them to deliver Sovereign Defence Industrial Priorities (SDIPs).

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This will be done by:

- ▶ \$183.8 million in grants to support Australian small and medium businesses.
- ▶ Simplifying procurement processes.
- ▶ Supporting the development and retention of a skilled workforce.
- ▶ Growing an internationally competitive industrial base through exports.
- ▶ Increasing the security posture of our industrial base.
- ▶ Where appropriate, mandating the use of critical Australian businesses in Defence projects.

Defence will reform the Defence Capability System to include consideration of how SDIPs will deliver and sustain Defence capabilities within, and across, all Defence programs.

The strategic circumstances outlined in the Defence Strategic Review mean we must take a more holistic view of how we define industrial sovereignty. This moves beyond the narrow lens of using Australian-ownership alone to define the sovereign defence industrial base to a focus on businesses with an industrial capability in Australia. This includes employing a workforce, having access to intellectual property and the infrastructure needed to operate in Australia.

Australia's sovereign defence industrial base

Australian defence industry is comprised of businesses with an Australian-based industrial capability and an Australian Business Number (ABN), providing products or services used in, or which can be adapted to be used in, the Australian Department of Defence supply chain and/or an international defence force supply chain.

This is Australia's sovereign defence industrial base. Only in limited circumstances is Australian ownership critical to sovereignty.