Australian Business
Defence Industry Unit

15 September 2011

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Subject : Australian Business Defence Industry Unit Submission to the ADF Force Posture Review

Thank you for the opportunity to contribute to the Australian Defence Force Posture Review.

The Australian Business Defence Industry Unit is based in Canberra serving member companies around Australia and internationally. The Australian Business Defence Industry Unit is a part of the NSW Business Chamber - an independent member-based company formed in 1825 which today has over 7,000 full member companies.

The Australian Business Defence Industry Unit's member companies come from all tiers of defence industry and all States and Territories in Australia. The Australian Business Defence Industry Unit serves the needs of members doing business with all areas of Defence including the Capability Development Group, Defence Materiel Organisation, Defence Support Group, Chief Information Officer Group and Defence Science and Technology Organisation.

The Australian Business Defence Industry Unit contributes regularly to defence industry policy discussions and reviews including the following (all available at www.abdefence.com.au):

- The Senate Foreign Affairs, Defence and Trade References Committee Inquiry into Defence Procurement in April 2011;
- The DMO review of the Defence Recognised Supplier Scheme and Unsolicited Promotional Products Offer Schemes in March 2011;
- The Review of ADF Equipment and Clothing Defects (The Whalan Review) in August 2010;
- DMO Services Support Panel Concept Paper in March 2009;
- Mortimer Recommendation 1.4 and Defence Capability Plan Review in December 2008;
- The Defence White Paper in October 2008; and
- The Mortimer Review on Procurement and Sustainment in June 2008.

The comments in the attached submission represent the views of the Australian Business Defence Industry Unit and are not necessarily reflective of the views of individual members.

Yours sincerely,

Ben White
Manager, Australian Business Defence Industry Unit

Australian Business Defence Industry Unit Submission to the Australian Defence Force Posture Review

The Australian Business Defence Industry Unit provides the following comments in relation to the review's terms of reference noting that the Australian Business Defence Industry Unit does not seek to comment on strategic challenges or the associated ADF capabilities except where the support of industry has a significant impact on these capabilities.

Industry's Support to ADF Capability

Australia's defence industry has grown over the past century from the Federal Government's need and desire to have self-reliance in key Australian defence capabilities. The need for self-reliance to support key Defence capabilities is a core part of the Defence Industry Policy Statement 2010. Indeed, all Defence capabilities require a significant degree of Australian industry support and therefore any consideration of changing the current ADF force posture must take into consideration the ability for industry to sustain ADF capabilities.

These considerations include the following:

Industry Centres of Concentration, Capability and Investment

Australia's defence industry centres of concentration are generally located near to, or collocated with, ADF bases. This is primarily a case of industry locating itself close to the Defence capability which they support. At present, the majority of this industry support is located in major population centres (South-east Queensland, Sydney, Melbourne, Adelaide, Canberra and Perth). Support to ADF capabilities currently based in northern or north-western Australia is generally provided by industry sustainment capabilities located or headquartered in southern Australia apart from base support functions or first-line support capabilities in some cases. In the main though, manufacture/maintenance/refit/development functions are conducted in major population centres.

While these industry centres of concentration have developed over time supporting ADF capabilities where they have been based, they now rely on the infrastructure, population and skilled workforce resident in these locations. This is very important with respect to the high-levels of technology resident in most ADF capabilities today, and will be more so into the future. These technologies rely on industry infrastructure and capability to continue to operate and increasingly this means a reliance on high-cost and rapidly-evolving technologies which service both Defence and civil sector markets. Indeed most companies today do not rely, nor are likely to in the future, solely on the Defence market alone and industry centres are also located to best access civil markets. This lowers the risk for Defence in that these companies are not solely reliant on Defence work for their profitability and thus can remain viable during periods of low Defence demand.

Realigning Industry in the event of Long Term Changes to the ADF's Force Posture

In the event that the ADF's force posture changes to include a shift from southern based operations to a more northern focus, albeit over the next 25 years, industry's ability to support Defence capability needs to be factored into any shift including :

a. The ability for industry to support Defence capability today, and into the future, is subject to the confidence that owners, investors and managers have in gaining a reasonable rate of return from any investment into the Defence market. This confidence is necessary for industry to invest in maintaining the skills and industrial capability needed to support the Government's strategic Defence plans. The current economic environment, particularly following the Global Financial Crisis, has led to a significant amount of diversification by the existing defence industry and for it to become standard practice that industry's boards, owners, managers and investors question the relative return on investment from Defence work. Over the past two years the Australian Business Defence Industry Unit and other industry bodies have been advocating for Government actions that lead to the re-generation of confidence that drives industry to invest in supporting Defence capability. Therefore, any changes to the long-term ADF force posture needs strong bi-partisan political commitment, clear and certain messages to industry and consultation to ensure that industry can give its boards and shareholders the certainty that they are seeking when considering long-term investment in supporting Defence capability. With businesses working on market outlook timeframes anywhere from 6 months to 10 years, it is important that Government and Defence provide certainty around any shift in force posture that will give industry the basis on which to invest to meet new or changed Defence requirements. Defence's planning should take this into account.

b. If Defence seeks to have more sustainment activity occur in northern Australia as a result of a shift in force posture, then there needs to be consideration of the fact that current industry locations rely on the existing infrastructure and a skilled and cost-effective workforce. Industry, like much of the ADF, is located in major population areas as they provide access to this infrastructure and population. Industry has been investing in these centres for decades and any Defence shift to the north in terms of greater levels of permanent basing, and an associated forward sustainment requirement, will need Defence and industry to work together to provide this capability and for Government to be prepared to meet the increased costs that such locations present over existing force postures. Questions might include how to provide return on investment opportunities for industry to provide increased northern support; how to encourage the associated investment in infrastructure by Federal, State and Local Governments as well as industry; and whether there are sustainable pipelines of skilled workers or populations to support industry in these regions; or if industry support remains based in current locations, what is the additional cost, both in dollars and time, for sustainment support to be provided in northern areas (from southern based industry) or for ADF assets to return to existing centres for maintenance. These questions must be considered to ensure that risks to ADF capability are minimised as a result of any changes to the ADF force posture.

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Conclusion

Realigning ADF force posture has support and industry implications. Australia's defence industry is proud of its role in supporting Australia's defence capability and most defence industry members would like to have a long-term commitment to this vital work. Key to this is for industry to be considered a partner by Federal Government and the Department of Defence. Through this partnership, collaborative planning and investment can take place to give industry and their shareholders the confidence to continue to invest in the defence market – this partnership will be required more than ever if there is changes to the ADF's force posture.

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