



# MEDIA RELEASE

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## **AIDN calls for urgent review of Australian Industry Capability program**

The Australian Industry & Defence Network (AIDN), Australia's peak national industry body representing primarily Australian small and medium businesses operating in Australia's defence and national security industry, has called for an urgent review of the Australian Industry Capability (AIC) Program to ensure it meets its objectives of:

- providing opportunities for Australian companies to compete on merit for defence work within Australia and overseas; and
- encouraging investment and intellectual property development in Australian industry.

"The current AIC policy framework, established by the Government through the Department of Defence, is well intentioned and has been warmly received by Australian industry. However, the AIC Program as implemented is not facilitating development of sovereign industry capability or business opportunities for the local Australian defence supply chain to the extent envisioned." said Lester Sutton, National Board Chair of AIDN.

"Australian industry, particularly small and medium business, is now at risk of losing out on sovereign industry capability, billions of dollars of work, and thousands of local jobs," he added.

AIDN members across Australia are reporting significant frustration in getting Australian industry involved to the extent envisioned across major new defence programs including the Future Submarine, Future Frigate, Offshore Patrol Vessel, Combat Reconnaissance Vehicle and Joint Strike Fighter programs – Australia's largest ever defence acquisitions. If AIC implementation continues 'as is', the outcome will be to lock-in more overseas suppliers and exclude Australian industry from participating in these acquisitions, including through-life-support.

AIDN is recommending a number of changes to improve the AIC Program's effectiveness and to ensure Australian industry, particularly small and medium businesses, are not further excluded from such opportunities:

- Creation of an AIC Program assurance regime to transparently monitor and review AIC quantum and quality contained within actual Purchase Orders placed, against contractual commitments and any pre-contract assurances made by prime contractors, and be subject to external audit;
- Enhancement of the mechanisms for enforcement of AIC Program commitments, including material penalties, such as liquidated damages and make-good obligations;
- Introduction of incentives for overseas suppliers to team with Australian companies rather than establishing new subsidiaries in Australia, if the genesis of a required capability already exists within Australia industry; and
- Immediate application of expert defence resources to the two largest acquisitions (Future Submarine and Future Frigates) to integrate extant Australian industry into the detailed designs, supply chains and production details for these vessels prior to first-of-class vessel construction.

“These are relatively straightforward changes, which we believe can and need to be implemented without delay.” Chairman Lester Sutton went on to add.

“AIDN members are grateful for the significant reform achieved in defence industry policy by the government over the last five years and fully support the drive to generate more local capability and corresponding jobs through the transfer of overseas technology. But we need to ensure the intent and extent of these good policy settings, particularly around AIC, are actually achieved.”

“Australian industry is not after a hand out, but it wants the opportunity to compete on a level playing field, for the first-of-class of Australian military platforms, otherwise there is a high likelihood Australian industry will be excluded for the life of the platforms – and sovereign industry capability will not be achieved.”

“With these major programs across all of defence, including SEA1000 Future Submarine, SEA5000 Future Frigate, SEA1180 Offshore Patrol Vessels, LAND400 Phase 2 Combat Reconnaissance Vehicle, LAND400 Phase 3 Mounted Close Combat Vehicle, LAND4503 Armed Reconnaissance Helicopter and LAND2097 Phase 4 Special Operations Helicopter, now is the time, without detracting from delivering the defence capability our defence forces need, to focus defence acquisition on supporting sovereign industry capability, local jobs and the significant economic benefit this brings to the country.”







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## Defence Industry SMEs welcome news of Future Frigates

Australia's small-to-medium defence industry peak body, the Australian Industry & Defence Network (AIDN) welcomed the announcement of the SEA 5000 Future Frigates successful bidder BAE Systems, formally announced last night.

"We would like to congratulate both BAE Systems on the win and ASC Shipbuilding securing a major role in the \$35 billion Future Frigate program," Australian Industry & Defence Network (AIDN) national president Rob Forbes said this morning.

ASC Shipbuilding will build the next generation of frigates as a subsidiary of BAE Systems during the build. This is a further demonstration of BAE Systems collaboration with the Australian Government and a commitment to the use of Australian industry capability.

"The government's investment into the Naval Shipbuilding Plan and BAE's winning design has the potential to create 4,000 jobs around the country while kickstarting the nation's sustained sovereign shipbuilding capability, is a real game changer for Australian SME's," commented Rob Forbes.

This concerted industrial effort will also provide further workforce and industry development opportunities in the lead-up to the rolling SEA 1000 Future Submarine procurement program.

"We are pleased that the SEA 5000 program will be a real investment and provide opportunity to Australia's small-to-medium defence industry businesses and its workforce, a win for the industry and a win for our members," Australian Industry & Defence Network (AIDN) national president Rob Forbes said today.

**The Australian Industry & Defence Network is the national peak body representing more than 800 small-to-medium enterprises seeking to do business in the defence and sectors. For more information, see: <http://www.aidn.org.au/>**

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