



Australian Government
Austrade

***Submission to the Defence Sub-Committee of the Joint Standing Committee
on Foreign Affairs, Defence and Trade Inquiry into Government Support
for Australian Defence Industry Exports***

1. Summary

The defence industry sector utilises a range of high value niche advanced manufacturing technologies, processes and capabilities in which Australia has competitive strength.

Through its overseas network, Austrade seeks to help Australian businesses to establish and develop international markets.

All of Austrade's work with companies seeking opportunities in international defence markets is undertaken in conjunction with counterpart agencies such as the Defence Materiel Organisation (DMO), the Australian Military Sales Office (AMSO), the Department of Industry (DoI) and the Defence Export Control Office (DECO).

Austrade provides a support role to that of DMO and AMSO in relation to defence exports in a range of markets but generally takes a lead role in relation to civil opportunities.

The technologies and products that support this sector are also transferable to other civil applications. In markets such as Singapore and Poland, Austrade has developed initiatives to highlight Australian advanced manufacturing capabilities to customers like Rolls Royce, Sikorsky, Safran and Pratt and Whitney. In its work relating on dual use technologies, Austrade consults closely with DECO.

2. Identification of barriers and impediments to the growth of Australia's defence exports

Australian industry's support for the Australian Defence Force, and participation in defence programmes such as the F-35 Joint Strike Fighter, the Hobart Class Air Warfare Destroyer, and Collins Class submarine has helped establish advanced manufacturing capabilities within Australia's defence industries.

However, some Australian companies engaged in advanced manufacturing, including those selling to the defence sector report obstacles including high business input costs; competitive business environment; regulatory impediments, including certification and qualification issues; and public perceptions of manufacturing.

Whilst there is support to industry from several Government departments including programs such as the Global Supply Chain (GSC) program that DMO administers, the Export Market Development Grant, Tradex, Industry Innovation Precincts Programme and R&D Tax Incentives, the industry nevertheless contends with challenges.

For example, international defence primes and original equipment manufacturers (OEMs) impose strict procurement requirements on their supply chain. Qualifications and certifications such as AS 9100 rev C, NADCAP and ISO 9000 represent significant expense and require dedicated internal resource to fulfil and maintain.

Innovation is key to continued success for Australian industry in defence and related dual use markets. Technology development and continuous improvement programs are paramount if Australia is to both retain the opportunities that it has secured in addition to capturing new contracts (both in relation to the JSF Program and wider defence and aerospace domains).

3. How Government can better engage and assist Australian defence industry to export its products

Australian strengths in advanced manufacturing such as: advanced materials; precision manufacturing; information and communication technologies including robotics and automation, nanotechnologies; biotechnologies; and related services inputs are relevant to both defence and civilian markets. The latter include civilian aerospace, medical technology, food and agriculture and oil and gas.

Austrade works with and assists companies with these capabilities by informing them about offshore opportunities and assisting them to access major customers overseas through its international network.

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4. The operation of the Defence Export Control Office

Austrade works closely with DECO. For example:

- DECO has included Austrade and other stakeholders such as DFAT and DoI in a Strategic Trade Controls (STC) working group. This group met to discuss international export control in April 2014. Since then, DECO has developed practical mechanisms for Whole of Government framing of Australia's export controls system.
- DECO assists in familiarising relevant posts in Austrade's overseas network on export control matters. This helps guide Austrade's work assisting Australian suppliers of dual use equipment and technology.

5. Assessment of the export support given to defence industry by governments of comparable nations;

As will likely be canvassed in greater detail in other submissions, some countries demand offset agreements in order to pursue direct spin-offs for local industry when committing significant budget to purchasing defence equipment from foreign suppliers.

Austrade understands that some partner countries in the Joint Strike Fighter Program have provided varying levels of funding assistance to their respective industries to enhance their opportunity to capture a share of work on the project. Italy, for example, has funded its own final assembly and check out facility to assemble its own and Netherlands's aircraft.

6. Any other related matters.

Austrade is working with DMO to develop an enhanced “Team Australia” business plan to achieve the best outcomes for Australian suppliers that participate at DMO supported international defence shows.

With several Federal and State Government agencies dedicating resource to the support for defence-related exports, a coordinated approach such as this is required to ensure that all organisations seeking to support Australian interests do so in a consistent manner. Austrade believes that the Australian Governments Defence Export Support Forum (AGDESF) provides an appropriate forum to achieve this.