

From: [Andrew Dowse](#)

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I'd like to take the opportunity for a couple of follow-ups, the second of which was formally listed as an action taken on notice. Before that, there was questioning from Mr Neumann about the widening of the pool and a suggestion that the relaxation of entry standards was not addressed in the 2024 Defence Workforce Plan. The Plan was rather vague in relation to such relaxation of entry standards, instead referring to the broader concept of reform of defence policies. This matter however has been addressed through other means, such as Volume 2, Chapter 3 of the Final Report of the Royal Commission into Defence and Veteran Suicide. It was also discussed by CDF in his opening statement to Senate Estimates in June 2024, where he discussed a review of medical entry standards to change outdated policies. He referred specifically to 14 conditions that restricted entry into the ADF being subject to diagnosis rather than a functional assessment. Media reporting at the time suggested a significant increase in recruiting eligibility from such changes. However, our analysis is that such efforts to 'widen the aperture' for ADF entry, also including changes in citizenship policy, are not in themselves likely to sufficiently make a difference. In our view, recruiting and retention efforts need to account better for the motivation of individuals, and to consider a significant invigoration of the reserve force.

The action taken on notice was in relation to a question from Mr Wallace and the Chair, relating to Defence's relationship with industry, the role of the primes and the international experience of how our allies interact with industry. We will answer this question in relation to the U.S., Canada and UK.

For the U.S., defence spending is dominated by five prime contractors - Boeing, GD, LM, NG and Raytheon – with other members of defence industry being considered sub-primes or other supply chain contractors. This is similar to the approach undertaken in Australia, although Australia's Defence department has expanded its global supply chain prime participants to 13. The U.S. primes are U.S. companies, whereas all of the 13 Australian primes are subsidiaries of multinational companies.

Canada does not appear to maintain an explicit list of prime contractors, but does consider defence companies that bid on major projects to be primes. Canadian primes are a mix of multinationals and Canadian companies. The latest ranking of defence companies in Canada include three Canadian owned companies in the top five, all of which are involved in

shipbuilding. Canada introduced an Industrial and Technological Benefits policy in 2014, which requires prime companies to undertake a minimum amount of economic activity in Canada equivalent to the value of the contract. Under the Canada-U.S. Defence Production Sharing Agreement, Canadian defence companies also have increased access to U.S. DoD contracts.

The UK, like Canada, do not have a defined list of primes, but there are certain companies that dominate defence contracts. The top companies for MoD contracts are currently BAES, Babcock, Qinetiq, Rolls Royce and Airbus, with U.S. companies such as Boeing, LM and other multinationals in a second tier. This may be a little skewed, given that it includes monopolistic arrangements within the UK defence nuclear enterprise that favours BAES, Babcock and RR. The UK uses the major companies, including the U.S. multinationals, in prime contractor arrangements. The UK uses an SSRO regime in its major defence contracts that do not involve open competition, to manage and regulate profit margins for primes (currently set at 8.24%). The latest Defence Industry Strategy [statement of intent](#) indicates that the UK may provide greater emphasis on SMEs in future, especially given that the traditional primes have limited offerings in the key areas of innovation (such as AI and quantum) – technologies that feature in AUKUS Pillar II. There is also an expectation that the UK may shift away from its relatively longstanding approach of global competition by default to a greater prioritisation for UK suppliers. This should be evident when the Defence Industry Strategy is released in coming months.

I trust the above answers the question on notice and is useful. One further advice for the Joint Standing Committee is that leadership of RAND Australia will transition next month. The new director will be Dr Carolyn Bull.

Regards,

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Director



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