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Senator Linda Reynolds CSC
Chair
Defence Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
Canberra, ACT, 2600

Dear Chair,

Thank you for the opportunity to provide a response to the Joint Standing Committee on Foreign Affairs, Defence and Trade's Defence Sub-Committee Inquiry into the risks and benefits of a Bipartisan Australian Defence Agreement.

Thales Australia, and the national defence industry welcomed the Commonwealth Government's 2016 Defence White Paper, Integrated Investment Plan and Industry Policy Statement. With the release of these documents, Australia has embarked on an historic nation building exercise in defence capability, with over \$195 billion to be spent over the next 10 years, coupled with a commitment to growing the Defence budget to two per cent of GDP by 2020–21.

These documents signalled an unprecedented alignment between defence policy, from the 2015 First Principles Review to the 2016 Defence White Paper, and Defence Industry Policy Statement and long term budget commitments to acquisition and sustainment.

Additionally, the Government recognised Australia's defence industry as a Fundamental Input to Capability (FIC), marking a profound and transformational shift in philosophy and highlighting the industry's importance in providing sovereign capability for the Australian Defence Force (ADF) and for Australia's national interest.

Unquestionably one of the primary tasks of the Federal Government is Australia's national security. The bipartisan acceptance of this fundamental responsibility has ensured that defence policy has historically been an area of broad agreement between Government and Opposition. Recent comments by the Shadow Defence Minister, the Hon Richard Marles MP indicate that this will continue throughout the life of the 45th Parliament.

A flexible Bipartisan Defence Agreement would reinforce the primacy of this responsibility, and could set out a framework for decision making that would allow bureaucratic and political decisions to be made without unnecessary criticism. It could also lead to a broad agreement of strategic priorities and objectives.

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Given the current historic investment in defence capability, one of the critical areas that would benefit from a long-term Bipartisan Agreement is the defence budget. This would allow the ADF to plan acquisitions with certainty, and would similarly allow industry to invest with confidence in support of Australia's national interest.

With significant defence projects, like the Future Submarines, Future Frigates and the LAND4000 vehicles in service for decades, patient long-term investment by the defence industry is crucial to ensure the most cost effective delivery and servicing over the life of these projects. Certainty that decisions will not be substantially re-prosecuted or project timings adjusted to suit the political budget cycle by incoming Governments would ensure investment over the life of projects.

Importantly, any such Agreement would need to balance the Government of the day's flexibility of decision making, allowing it to respond to major defence and security issues as they arise without any unnecessary delay.

In addition, Australia's national interest is best served by a robust and informed policy debate. Without inbuilt protections, a long-term agreement between the major parties could lead to a lack of contestability at this level, which would be contrary to the objectives of this process.

Providing this balance can be found, the potential for a 'grand bargain' on Defence policy and budget offers planners a good opportunity for insulation from the day-to-day politicking that in the past has led to short term and politically motivated decisions. A prime example of this was the announcement during the 2013 Federal Election of the potential move of the Royal Australian Navy's Fleet Base East from its current location at Garden Island in Sydney to Brisbane.

In conclusion, given the increasingly uncertain geopolitical environment, protecting and promoting the current investment in sovereign capability is a worthy endeavour. As the defence industry invests in Australian creativity, ingenuity and ability in order to deliver the next generation of sovereign capabilities for the ADF, a Bipartisan Defence Agreement would provide more certainty for these critical long term investments.

Yours sincerely

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