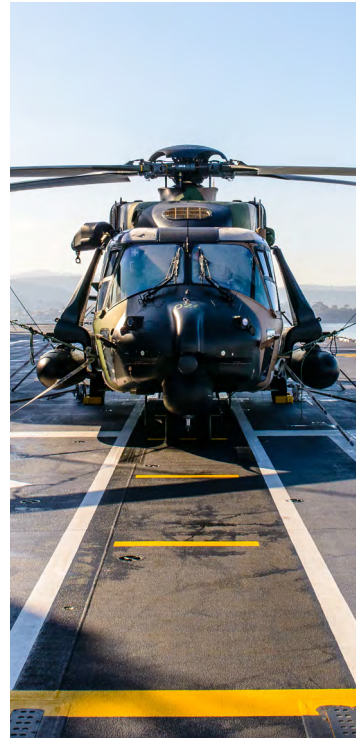
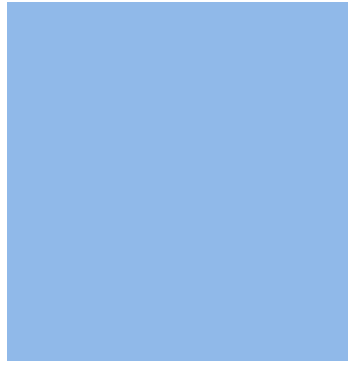


Attracting Tasmania's fair share of defence spending

Our Fair Share of Defence Strategy



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Message from the Minister for State Growth



Over \$30 billion is currently spent in Australia on defence, and it is estimated that Tasmania attracts less than 0.03% of this spend.

The Tasmanian Government recognises this as a significant growth opportunity for the state based on our many strengths in the advanced manufacturing sector and our growing role as the Southern Ocean and Antarctic Gateway for Australia.

This strategy to attract our fair share of defence spend to Tasmania has been developed to position Tasmanian businesses to take better advantage of the opportunity.

This strategy aims to build on the impetus from the actions already taken since the Government came into office such as the Pacific Patrol boats bid, Elbit Systems Australia's bid into the Land 400 Land Combat Vehicle System project, and the Tasmanian presence at the Pacific 2015 Maritime Congress, to further build recognition for the state in the defence sector and ultimately win our fair share of defence spending.

The Pacific Patrol boat bid enabled Tasmanian businesses to gain experience in the defence tendering process and develop their capabilities around it.

This bid was based on a consortium of Tasmanian businesses including Incat, Haywards and members of the Tasmania Maritime Network and the collaboration across these international, national and local industry firms was a first for Tasmanian industry.

While this bid was unsuccessful, it has put Tasmanian businesses squarely on the defence industry map.

Ultimately, it is up to Tasmanian businesses to recognise and seize opportunities in this sector; however the Tasmanian Government recognises that it can play a key role in enabling and accelerating Tasmanian businesses to build the 'defence ready' knowledge, contacts, capabilities and capacities required to be successful in the defence sector over the coming years.

The Tasmanian Government has, therefore, endorsed four key initiatives set out in this strategy to back those businesses that have the interest and capability to become 'defence ready' and to take advantage of Tasmania's potential for growth in this sector.

Gaining our fair share of defence spending is one of the opportunities that we will continue to pursue to grow our economy and create jobs.

A handwritten signature in black ink that reads "Matthew Groom". The signature is fluid and cursive, with the first name "Matthew" and last name "Groom" clearly distinguishable.

Matthew Groom
Minister for State Growth

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Executive summary

The Tasmanian Government has identified 15 key actions against the four key initiatives to increase our share of defence spending.

Initiative 1

Support the development of the specialist skills and training required for defence

To be competitive in defence manufacturing, Tasmania needs to advance its technical and trade skills. Tasmania has around thirty firms engaged in either the national or international defence manufacturing sector, with many more businesses having shown interest in entering the sector.

To help accelerate the growth of the sector, the Tasmanian Government will invest in workforce development through:

1. implementing a new skills program to assist and support businesses to gain specialist defence focused skills and capabilities
2. working with the Australian Government in helping businesses to build the specialist knowledge and capabilities needed in the defence tender process
3. encouraging Tasmanian businesses to participate in existing Tasmanian and Australian Government programs to increase skills and capability by actively promoting training opportunities
4. supporting and promoting the use of the existing Advanced Manufacturing Skills Initiative to the defence manufacturing industry.

Initiative 2

Promote the defence contracting capability and capacity of Tasmanian businesses

Defence contracting is highly competitive, and being visible in this market is difficult for new businesses trying to enter the sector. Building networks and attending national and international defence exhibitions is a key way for Tasmanian businesses to establish a high quality profile.

The Tasmanian Government will promote our defence capability through:

5. undertaking a capability and opportunities audit of Tasmania's defence ready businesses to guide the priority implementation of this strategy.
6. establishing an industry support service within the Department of State Growth to support targeted Tasmanian business participation in defence procurement
7. appointing a defence consultant to assist the development of Tasmanian bids under defence procurement processes and to develop appropriate networks between businesses involved in those bids
8. developing and implementing a Tasmanian Defence Communications Plan to promote our defence capability and to improve the communications between the Department of Defence, Tasmanian businesses and Defence Primes
9. supporting Tasmanian businesses to attend defence trade events
10. encouraging relationships between Defence Primes and Tasmanian businesses, including through inviting Primes to visit Tasmania.

Initiative 3

Attract defence focused investment and enterprises to Tasmania

The Tasmanian Government will support the growth of defence focused businesses and the attraction of defence manufacturing businesses to Tasmania through:

11. facilitating the establishment of new advanced manufacturing, IT and other defence focused businesses in Tasmania through the Department of State Growth and Office of the Coordinator-General
12. promoting opportunities to grow Tasmanian defence focused businesses, such as through the \$24 million Jobs and Investment Fund.

Initiative 4

Leverage off Tasmania's status as the Southern Ocean and Antarctic Gateway

Tasmania's role as the Southern Ocean and Antarctic Gateway is already well recognised. The Tasmanian Government will work to leverage defence opportunities utilising the existing and planned infrastructure through:

13. working with the Australian Government to support Tasmania as the Southern Ocean and Antarctic Gateway, including by ensuring Hobart Port is a premier port for cruise, research and naval vessels and by expanding Hobart International Airport's runway
14. working with the Australian Government to consolidate Tasmania's role as the Southern Ocean and Antarctic Gateway to underpin Australia's national interests in the region, particularly relating to the exercising of ocean governance, vigilance, protection, maintenance and sustainment
15. encouraging military personnel and vessels to visit Tasmania.



Our Fair Share of Defence Strategy

Target

Gain Tasmania's fair share of defence spending.

Vision

Tasmania has a high quality, cohesive and well-regarded defence manufacturing sector that competes for, and secures significant defence contracts.

Objective

The Tasmanian Government will focus on assisting Tasmanian businesses through developing a defence ready industry base, building networks, advocating for our defence industries nationally and internationally, and facilitating investment and growth of the sector.

Initiative 1

Support the development of the specialist skills and training required for defence

Initiative 2

Promote the defence contracting capability and capacity of Tasmanian businesses

Initiative 3

Attract defence focused investment and enterprises to Tasmania

Initiative 4

Leverage off Tasmania's status as the Southern Ocean and Antarctic Gateway

Background

Australia has a defence budget of over \$30 billion in 2015-2016, of which 64 per cent is spent on supplier payments and the purchase of specialist military equipment, inventory and other property, plant and equipment (see pie chart below).

The Department of Defence is undertaking a number of major procurement programs across Land, Sea and Air. These will create significant short to medium term opportunities for Tasmanian businesses over the next decade.

Tasmania's first serious foray into defence tendering took place this year with the 'TasPac' bid to the Pacific Patrol Boat Program tender. This bid was led by ThyssenKrupp Marine Systems Australia and UGL, with strong support from the Tasmanian Government.

The bid proposed that all the vessels would be built in Tasmania by a consortium including Incat, Haywards and other members of the Tasmania Maritime Network.

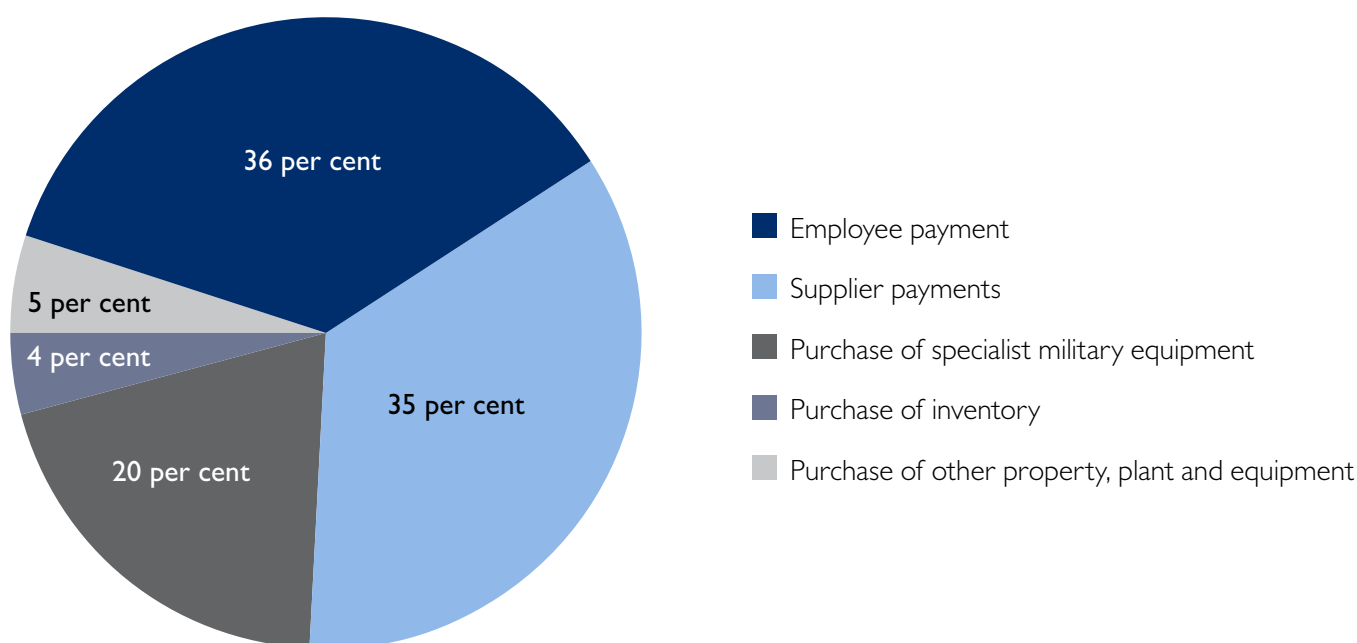
While the Taspac bid was not shortlisted, the collaboration across these international, national and local industry firms was a first for Tasmanian industry, and enabled the consortium to gain invaluable experience and learnings in the defence tendering process.

Another collaboration has recently occurred between Defence Primes and Tasmanian industry to develop a bid for the Land 400 Land Combat Vehicle project.

Defence Primes have also visited Tasmania looking for partnering capability towards the SEA 1000 Future Submarine Program.

To build on the momentum of these collaborations and secure their place in the pipeline of projects over the coming years, Tasmanian businesses need to increase their skills and capabilities and be more actively involved in defence procurement.

2015-2016 Defence Budget



Defence spend in the Tasmanian economy

Tasmania has 2.2 per cent of Australia's population, but currently receives less than 0.03 per cent of the nation's total defence spend.

With Australia's defence focus being largely centred around the Indo-Pacific Region, Department of Defence personnel and assets are located primarily in the north and east of the country.

As a result of this northern focus, there are no significant defence operations based in Tasmania.

In the Australian context, Tasmania's presence is quite small with an estimated thirty Tasmanian companies active in defence support and contracting.

Tasmania does, however, have an existing defence presence through the Australian Maritime College (AMC) and the Defence Science and Technology Group (DSTG) nutrition and food technology centre (see box on page 7 – AMC and DSTG). Tasmania also has strong capabilities in ship building and heavy mining equipment which makes the state potentially attractive to the defence supply chain.

Tasmania has several competitive advantages, including its maritime and heavy manufacturing expertise and labour and land costs.

To capitalise on the opportunities in the defence sector, Tasmanian companies need to better understand the defence market, grow their defence support capability and, critically, be visible in the defence contracting arena (see box below – Defence contracting).

This strategy has been developed specifically to support Tasmanian businesses to build, expand and promote their defence support capability.

DEFENCE CONTRACTING

Major acquisition programs are generally announced at a political level and then articulated to interested parties by a series of technical forums known as Environmental Working Group Conferences (EWG). EWG's provide for Land, Sea and Air Programs and are accessed by registering on the Govdex website.

Department of Defence procurement works through Primes, which are generally international companies which generate a majority of their income from defence business. Some examples of Defence Primes who regularly attend global supply chain discussions with Australian industry and governments include Thales, Raytheon, Boeing, Lockheed Martin, Elbit Systems, Northrop Grumman, TKMS, DCNS, MHI and BAE.

Most small and medium enterprises use conventional business networking to establish if they have any capability of interest to larger defence contractors and/ or Primes. Therefore, building relationships with international Defence Primes is paramount to providing opportunities for Tasmanian companies to tender for, and more importantly win defence related contracts.

These Primes are looking for value-added solutions, they are not usually interested in just buying widgets, and SME's need to partner, merge or acquire resources to deliver solutions to Primes. Primes are very risk averse, therefore, SMEs also need to provide an impressive reason to replace existing suppliers.

Tender evaluation timing depends on risk and contract value and could vary from months to years.

Tasmania's opportunities

In its submission to the Australian Government's Defence White Paper, the Tasmanian Government highlighted six key priorities for defence, these being:

1. recognising Tasmania as the most strategic southern gateway for Australia to monitor and protect its interests in the Indian, Southern and South Pacific oceanic zones amid heightened international interest
2. setting policy direction to ensure that defence spending is fostering community participation and economic development in regional areas
3. smoothing out defence procurement demand to allow better project delivery planning by industry, states and territories
4. encouraging longer term investment by the defence industry in building capability across Australia, particularly regional areas
5. broadening access to defence skill specialisation across regional Australia
6. encouraging small regional businesses to get into defence support.

The Department of Defence invested an estimated \$6.1 billion on procurement and sustainment in Australia in the 2013-14 financial year. That involved around 3 000 businesses in providing goods and services to the defence forces.

Defence expenditure can be used to support regional economies without compromising the primary defence objective. Jurisdictions like Tasmania can deliver high quality defence manufacturing and support products.

Building off our existing strengths, Tasmania's main opportunities appear to lie in Southern and South Pacific oceanic zone security, defence procurement and sustainment and in the expansion of research, training and back-end support functions and activities in Tasmania.

The defence manufacturing sector must be supported and developed in Tasmania, as it will be a key part of Tasmania's future growth. With Tasmania's existing expertise, including the AMC, the DSTG's Defence Nutrition Research Centre, ship building and mining and heavy manufacturing support, there are opportunities for Tasmania to develop and expand its share of defence spending.

Australia's strategic interests and responsibilities in the Indian, Southern and South Pacific oceanic zones mean Tasmania's ports, and in particular the Hobart Port, which are already set up as an established Antarctic gateway are well positioned to service any future military or policing roles.

To support these objectives, the Tasmanian Government has endorsed four key initiatives to grow Tasmania's defence support sector.

AMC and DSTG

The University of Tasmania's Australian Maritime College (AMC) is a world recognised National Maritime Training and Research institute. AMC and the Royal Australian Navy's Training Force Headquarters have formed a training working group which formalises a relationship of more than 30 years between the two parties. Navy personnel conduct training at AMC in the areas of navigation and naval architecture.

The Defence Science and Technology Group is represented in Tasmania through the Food Research Centre in Scottsdale. With its recent major upgrade, the centre incorporates industry standard food research laboratories and has a manufacturing component that produces approximately 72 000 freeze dried meals and 76 000 freeze-dried rice sachets per year.

Actions to achieve our fair share of defence spending

The overarching objective of this strategy is to assist Tasmanian businesses to maximise their roles and opportunities in targeted procurement programs through developing a defence ready industry base, building networks, advocating for our defence industries nationally and internationally, and facilitating investment.

This will be achieved by:

- supporting and further developing the advanced manufacturing sector as the Tasmanian Government believes this sector will be a key part of Tasmania's future growth in the provision of defence goods

- developing and expanding the existing Tasmanian share of service and support delivery to the defence sector through the AMC and DSTG's Defence Nutrition Research Centre, ship building, mining and heavy manufacturing support
- pursuing opportunities to position Tasmania's ports to service any future military or policing roles to support Australia's strategic interests and responsibilities in the Indian, Southern and South Pacific oceanic zones.

To support these objectives, the Tasmanian Government has endorsed four key initiatives to back those businesses that have the interest and capability to become 'defence ready'.



Initiative 1

Support the development of the specialist skills and training required for defence

To be competitive in defence manufacturing, Tasmanian businesses need to increase their management, technical and trade skills in a defence context. Defence has a unique and often complex language.

Tasmania has around thirty firms engaged in either the national or international defence sector, with many more businesses having shown interest in entering the sector.

While many of these businesses are successful in their current markets, they often do not have knowledge of the requirements and processes that a business needs to be successful in the Australian defence sector.

The Australian Government and Defence Primes already offer a range of defence specific training and skills programs, such as:

- management skill development, estimating, tendering and risk management
- quality systems including certification, for example ISO 9000
- continuous improvement, including lean manufacturing and design capability
- capacity strengthening including new equipment, technologies, metals and composite science (disruptive technology).

The Tasmanian Government will support businesses to access these existing Australian Government Defence programs and will also implement an additional skills program to assist and support businesses to gain specialist defence focused skills.

This skills program will include facilitating Australian and Tasmanian Government programs to be run in Tasmania.

As part of the Tasmanian Government's commitment to developing the defence contracting sector in the state, the Tasmanian Government will be supporting those businesses in Tasmania that are, or wish to become, 'defence ready' through the following actions.

1	Implementing a new skills program to assist and support businesses to gain specialist defence focused skills and capabilities.
2	Working with the Australian Government in helping businesses to build the specialist knowledge and capabilities needed in the defence tender process.
3	Encouraging Tasmanian businesses to participate in existing Australian and Tasmanian Government programs to increase skills and capability by actively promoting training opportunities.
4	Supporting and promoting the use of the existing Advanced Manufacturing Skills Initiative to the defence manufacturing industry.

Initiative 2

Promote the defence contracting capability and capacity of Tasmanian businesses

Defence contracting is a highly competitive and networked market, and being visible in this market is difficult for new businesses trying to enter the sector.

Building networks and attending national and international defence exhibitions is a key way for Tasmanian businesses to establish a high quality profile. This is particularly important for Tasmanian companies as they are not currently well represented by mainstream national industry associations which can actively promote the state, and the industry, to highly competitive national and international markets.

The Tasmanian Government has already co-funded several Tasmanian maritime businesses to attend the 'Pacific 2015 Maritime Congress and Exposition' in October 2015 in Sydney. It will be important for Tasmania to have an increasing presence in defence industry forums to promote and capture future opportunities.

While success will require businesses to invest in themselves to become defence ready, the Tasmanian Government will continue to assist businesses to build the specific knowledge, contacts, capabilities and capacities required to participate in the sector. A key first step in doing this will be undertaking a capability and opportunities audit of those businesses already active in the defence sector to guide the implementation of this plan.

As well as establishing a defence industry support service within the Department of State Growth to assist individual business to network and build capability, the Tasmanian Government will engage a defence consultant to help Tasmanian businesses in the defence procurement process.

Through the following actions, the Tasmanian Government will promote our defence contracting capability.

5	Undertaking a capability and opportunities audit of Tasmania's defence ready businesses to guide the priority implementation of this strategy.
6	Establishing an industry support service within the Department of State Growth to support targeted Tasmanian business participation in defence procurement.
7	Appointing a defence consultant to assist in developing Tasmanian bids under defence procurement processes and to develop appropriate networks between businesses involved in those bids.
8	Developing and implementing a Tasmanian Defence Communications Plan to promote our defence capability and to improve the communications between the Department of Defence, Tasmanian businesses and Defence Primes.
9	Supporting Tasmanian businesses to attend defence trade events.
10	Encouraging relationships between Defence Primes and Tasmanian businesses, including through inviting Primes to visit Tasmania.

Initiative 3

Attract defence focused investment and enterprises to Tasmania

Tasmania already has around thirty defence ready businesses, with the skills and knowledge necessary to participate in bids for large defence projects.

However, in a highly competitive market where Tasmanian businesses will be competing against defence businesses and hubs around Australia, creating a critical mass of small to medium businesses in the advanced manufacturing sector will make Tasmania a more attractive supply base for Defence Primes, as well as drive efficiencies and scale in training, networking and supply for these businesses.

The Department of State Growth and the Office of the Coordinator-General will work to encourage and facilitate the establishment of new advanced manufacturing, IT and defence focused businesses in Tasmania, and to grow our existing defence businesses.

11	Facilitating the establishment of new advanced manufacturing, IT and other defence focused businesses in Tasmania through the Department of State Growth and Office of the Coordinator-General.
12	Promoting opportunities to grow Tasmanian defence focused businesses, such as through the \$24 million Jobs and Investment Fund.



Initiative 4

Leverage off Tasmania's status as the Southern Ocean and Antarctic Gateway

Although Australia's primary defence focus is in the Indo-Pacific region, with the recent increase in Australia's ocean territories, and much of this in the Southern ocean, there is likely to be an increased requirement to patrol and research these waters.

The Australian Government has international obligations for protection, monitoring and rescue in its sovereign territories that include the Southern Ocean.

Specifically, Australia's marine jurisdiction embraces key commercial activities such as fishing, offshore oil and gas, and other diverse ocean-based enterprises including critical climate and Antarctic science. Further, Australia exercises national sovereignty over the Territory of Heard Island and McDonald Islands and (through Tasmania) Macquarie Island.

Since August 1998, the Australian Defence Force (ADF) has supported the Australian Fisheries Management Agency (AFMA) and the Australian Customs Service's (ACS) civil charter vessel patrols to enforce Australian sovereign rights and fisheries laws in the Southern Oceans.

Hobart Port is already the recognised Southern Ocean and Antarctic Gateway for Australia and is the most accessible base to much of this territory providing a safe, deep and well serviced harbour. With the planned upgrades of Hobart Port facilities and the lengthening of the runway at Hobart Airport, the Tasmanian Government believes that Hobart will be able to offer an ideal base for future Australian navy vessels and maritime aircraft in the region.

The Tasmanian Government will take the following actions to leverage off Hobart's status as the Southern Ocean and Antarctic Gateway.

13	Working with the Australian Government to support Tasmania as the Southern Ocean and Antarctic Gateway, including by ensuring Hobart Port is a premier port for cruise, research and naval vessels and by expanding Hobart International Airport's runway.
14	Working with the Australian Government to consolidate Tasmania's role as the Southern Ocean and Antarctic Gateway to underpin Australia's national interests in the region, particularly relating to the exercising of ocean governance, vigilance, protection, maintenance and sustainment.
15	Encouraging military personnel and vessels to visit Tasmania.



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