

# WA DEFENCE REVIEW

DEFENCE INDUSTRY INTELLIGENCE | MILITARY AFFAIRS | NATIONAL SECURITY | GEO-POLITICAL ANALYSIS

## SUMMARY OF PROCEEDINGS

### Strategy, Defence & Industry Dialogue

“  
Communicating  
with influence

28 FEBRUARY 2018

AT

FREMANTLE CHAMBER OF COMMERCE

BY TERRY BOOTH, SPECIAL CORRESPONDENT, WA DEFENCE REVIEW

### INTRODUCTION

The first of its type under the auspices of **WA DEFENCE REVIEW**, the ‘Strategy, Defence & Industry Dialogue’ is an independent, apolitical, round-table policy discussion forum, operating in the Chatham House Rule. It brings together, by invitation only, senior officials and decision-makers from across government, industry, defence and academia to deliberate on policy and strategy primarily benefiting the defence sector.

The inaugural Dialogue was kindly hosted by the Fremantle Chamber of Commerce, who partnered with **WA DEFENCE REVIEW** for this event, and chaired by Rear Admiral (Rtd) Raydon W Gates AO CSM, Defence Advocate, Government of Western Australia. The names and organisations contributing are withheld in line with the commitment to the Chatham House Rule. Raydon Gates’ role as Chair does not represent the Government of Western Australia’s endorsement of the outcomes of this Dialogue.

A paraphrased summary comprising the essence of matters discussed on which broad agreement was apparent, follows:

## DISCUSSION

### **Theme 1: The appropriateness of existing ADF force posture in view of the economic, trade, geo-political and security trends developing in the Indian Ocean region.**

With the exception of the US presence at Fremantle in World War II, national defence policy has historically been Pacific-centric and the first mention of the Indo-Pacific occurs in the 2013 Defence White Paper, and repeated in the 2016 edition. That the shift in regional trends has been recognised is apparent also in the 2016 Foreign Policy White Paper, whose stated purpose is to: "...set out the Government's strategy for engaging with the world, and in particular the Indo-Pacific region over the next decade..." It also states that Australia's priorities "are increasingly centred in Asia and the Indian and Pacific oceans..."

It follows that we ought to see a realignment of Australian Defence Force (ADF) posture to Western Australia, but there is little confidence that this will occur without pressure from WA. At present WA has around half the major naval fleet assets, but only 11% of RAN personnel; it has 10% of the vote but contributes 20% of GDP; it has massive resource projects of global significance on the North-west coast, but there is only the Pilbara Regiment stationed between Perth and Darwin. There is growing unease that a major source of Australia's wealth lies inadequately protected, with contingency plans, by and large, only for forward basing in WA.

Forward basing provides a solution for short term emergencies but does not provide the kind of deterrence and ready expedition that does permanent basing, or constitute the pivot to the Indo Pacific, that regional trends warrant and consecutive Defence White Papers and the Foreign Policy White Paper contains. What is needed is a plan for the incremental relocation of ADF personnel and assets to the Australia's Western seaboard, and since this will inevitably be a long-term project, it is necessary to set the chain of events in motion soon.

The Indo-Pacific region has three of the world's great economies, all still rising in importance: China; India; and, much closer to home, Indonesia. Economic power translates to geo-political and military power, as well as presenting welcome opportunities to Australia for trade and investment. Trade relations with China are strong, but this has the effect of making that nation dependent upon WA's resources, which are lay vulnerable to possible interdiction. India vies with China for the title of fastest growing world economy and has the advantage over Australia of a low age demographic. Its influence in the region is certain to increase, and, perhaps, exponentially. Indonesia, the world's most populous Muslim-majority state with an historical background and present values very different from our own, is our near neighbour and is similarly rising quickly. The relative power, in all senses of the word, of these three nations vis a vis Australia's, will continue to change over coming years and raise our security risk profile markedly.

It has been observed that the closest point from Perth to the Chinese sponsored Silk Road, is Singapore. Not only does this revive memories of the disastrous loss of that territory to an enemy in World War II, but it's a sobering statistic considering the fact that if Australia were to lose access to Singapore today, our fuel reserves would likely last little more than a week.

Australia's response to the trends should be to engage with all three nations at every level for mutual advancement and prosperity, but we must also buttress against the changing security risks. To quote one discussant at the Dialogue: "Australia needs to be IN Asia, not at its perimeter".

On the basis of the foregoing reasoning, it is the view of the Dialogue that now is the time to initiate another force posture review – one that aligns with the more current thinking of the Foreign Policy White Paper and takes cognisance of the growing risks in the Indo-Pacific region. Reinforcing this conclusion, representatives of our major ally, the United States (US), advised that both their current and previous administrations have committed to a pivot to the Indo Pacific and we can expect an increased US military presence in the Indian Ocean.

What is needed is a Team WA approach, consisting of our most prominent thinkers, politicians, academicians, government and industry, to speak with one voice in pressing for change.

## **Theme 2: The potential for WA to benefit from the space race, including within the defence sector.**

There is no longer a space race between nations, rather the utmost cooperation; but the expected explosion of private entities seeking to exploit commercial opportunities in space will generate competition. The time is right for WA to find and secure its niche within the sector.

WA's largest industries, agriculture, mining, and offshore oil and gas, are already dependent on space technology for their operations may provide scope and motivation for those seeking a commercial niche. Space mining is recognised as a future area to be exploited and WA, as the Nation's foremost mining state, may well incline to this option. Another clear field of endeavour is the in-space production of bio medicines, a technology essential to sustaining space travellers on extended journeys.

Finding a niche for WA's defence industry is more challenging, given that the militarisation of space is already a mature field globally. Nevertheless, refinements in related technologies such as communications, intelligence and data gathering could well throw up potential niches for agile WA companies.

Most people are space-enabled through their satellite navigation and mobile phones and should quickly grasp the concept of commercialising space, making it easier to mobilise their inherent creativity. Satellites today can consist of little more than an assembly of cubes of hand-held size, which can be economically deployed in space. Appropriately enabled, such deployments can provide data on the entire earth on a daily basis and be used for a variety of purposes from land-form planning and disaster management to measuring the volume of oil pumped from the planet on any day. The scope for finding new applications is enormous. There are, too, existing technologies that are yet to be applied to real life applications, such as the atomic clock and nano measuring.

WA has a remarkable aggregation of space scientists, including a significant body of expertise within tertiary institutions, which could facilitate, with appropriate funding, research and development with commercial objectives.

It was also noted that there is a more fundamental way to enter the space supply chain and that is to exploit WA's abundant reserves of rare earth, an essential material in space manufacturing. While the higher order technologies should be pursued vigorously, WA should not overlook its existing affinity to resources development.

## **Theme 3: The transferability of the workforce between resources and defence sectors and the ability of WA to assemble a workforce for both sectors.**

To deliver its share of the Commonwealth Government's Naval Shipbuilding Plan, South Australia will need up to 7,000 people, many of which are likely to come from WA. The WA workforce is both skilled and mobile and the concept of fly-in, fly-out is well entrenched. The industry cluster at Henderson is widely regarded as the best in Australia and is willing and able to contribute to the national defence endeavour.

Should Adelaide "choke on the work" as anticipated, it is likely that the build projects may be designed in large blocks (or even super-blocks) which can be subcontracted interstate. This is a method WA has long championed and the State seems well endowed to tender for such work. It is important, however, that local contractors keep abreast of progress on the projects, know what is coming, and be ready to respond.

WA companies with a defence specialisation suffered encroachment on their workforces during the resources boom, being unable to compete with remuneration being offered by the mining and oil and gas sectors. That problem has not gone away but is in temporary abeyance. Nevertheless, this experience has given WA companies a resilience and they can and will produce the workforces they need. To prevent periods of disruption, however, WA needs to be alert to potential skills and labour shortages and be proactive in minimising their impacts.

There is a concern that, having generated workforces capable of tendering for Commonwealth work, local enterprises lose contracts to overseas companies that register in Australia purely to escape the local content clauses in contracts. On the other hand, WA has companies registered overseas but with large investments in, and commitments to, Australia. There needs to be a review of the rules to ensure fairness and to secure Australia's longer-term interest.

In regard to the transferability of skills between defence and resources, there is generally a high degree of transferability, but, if transfers are to occur on large scale they need to be planned. Depending on the skill-set involved there can be differences for which adaptation or augmented training is necessary.

## CONCLUSION

The pertinent question WA defence industry needs to ask is, why here and why us? To enter into the national and global supply chain, we need to build purpose, from the ground up. Defence industry can learn from observing the ups and downs experienced by the resources sector during the boom period. It is important to keep in mind that much of the economic benefit came from spillover contracts and supporting processes to larger central contracts. These effects also provide more enticement for future contracts.

The ability to plan and act in a strategic manner will allow the future of WA defence industry to flourish. WA defence industry and academia should strive to provide the support that Defence needs in the West, but also to be suppliers of choice to Defence in the areas in which they excel. Current and historic barriers and biases that have limited the roles of WA industry must be questioned and broken down. The pipeline of Defence projects in Australia will underpin development, growth and investment opportunities for decades, something that is unique to this industry.

## OUTCOMES

The Dialogue generated broad support for the following issues, each of which could be adopted by relevant bodies, further developed, and pursued:

- ADF force posture requires revision to match a shift in the importance to Australia of the Asian and Indo-Pacific regions, and WA should seek to influence the debate to this end.
- There is recognition that to gain the necessary leverage with Eastern States decision-makers, WA needs a united front representing a broad range of sectors, functions and expertise. Such an alliance could be labelled Team WA.
- WA should embrace, encourage and support its space-centred communities, investors, and entrepreneurs, in pressing forward aggressively to secure niches in the coming monetisation of space.
- WA should be alert to the detrimental effects on the workforces of non-mining sectors during resources booms and be ahead of the game in securing an adequate supply of skills and labour.
- Although the bulk of marine naval shipbuilding seems set to occur in Adelaide, there is a likelihood of large blocks (or even super-blocks) being outsourced interstate. Prospective WA based firms should stay alert to this potential, follow developments, and be prepared to bid when the time comes.
- There is correspondence between skills utilised in both mining and defence sectors and transferability can be achieved; however, there are differences that require adaptation and large-scale transfers should be planned.