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

SUMMARY OF PROCEEDINGS

Strategy, Defence & Industry Dialogue

Communicating with influence

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AT
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INTRODUCTION

The WA DEFENCE REVIEW Strategy, Defence & Industry Dialogue is an independent, apolitical, round-table policy discussion forum, operating under 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 relevant issues, primarily concerning Western Australia's defence sector.

Continuing on from the success of the inaugural Strategy, Defence and Industry Dialogue in February 2018, the catalyst for the second Dialogue occurred when a large delegation of officials from Victoria and South Australia facilitated by the Henderson Alliance, visited Perth to explore potential for cooperation with WA's defence sector. Therefore the focus of the second Dialogue shifted focus to the required holistic nature of the national defence sector, and the importance of integrating industry, at all levels, from education and training, through to research and development, construction and industry; and developing and applying innovation.

Organised by WA DEFENCE REVIEW, the Dialogue was conducted in partnership with the University of Western Australia (UWA), and chaired by Paula Rogers, WA State Director, Committee for the Economic Development of Australia (CEDA). The names and organisations contributing are withheld due to the Chatham House Rule. Similarly, Paula Rogers' role as Chair does not necessarily represent CEDA's endorsement of the outcomes of this Dialogue. A paraphrased summary comprising the essence of matters discussed on the following pages.

DISCUSSION

There is sufficient defence industry work available to be shared by all the key players. The most important aspect of this is the creation and strengthening of relationships for cooperation between defence industry businesses. In order to best seize the opportunities present in defence industry today, it is essential to understand what the Australian Government requires. Three central advancements are essential to defence industry and business. First, a modern and enhanced defence capability. Second, is growth in the national industrial capability of Australia. Lastly, there is a cross-over between the activities of defence industry and a positive effect on the national economy.

Theme 1: How can WA's defence sector position itself to harness collaboration and innovation, and what can WA learn from the experience of other states.

WA brings natural strengths and advantages to Australia's defence industry, particularly apparent in areas such as aviation, C4ISR, fabrication, manufacturing and R&D university centres of excellence to name just a few, which are vital to the future of Australia's defence industry and need to be given more emphasis in developing Australia's defence capability.

Increasing the effectiveness of defence industry and business is an ongoing and important focus. The ADF is an advanced and capable military in the region. Over the past decade, three things have contributed to this. Firstly, increased cooperation between the new Joint Chief and the three Service Chiefs has resulted in a more integrated ADF. This emphasis on interoperability within the ADF has helped to create a more dynamic military. The second is the acceptance of innovation in the ADF, and the third is a shift back towards utilising Australian industry; and taking advantage of the unique opportunities that come with Australian-manufactured products.

Innovation is often enabled by investment in research and development. The cost of such investment is typically more than offset by the return on investment, which for R&D collaborations with Australian universities across all sectors has been estimated at around $4.50 for each dollar invested. Collaboration is critical to effective R&D and acquisition, and partnerships should be developed and utilised between Defence, universities and industry. This should include where possible and appropriate local partnerships between WA universities and industry.

Understanding the requirements of defence industry is vital to meeting those requirements in Australia, and specifically for WA. The three aspects of these requirements are business capability, policy, and innovation. Each side of this triangle is essential to the future of the industry. In order to connect innovation to the national and global markets, there needs to be a revitalisation of medium tier one and tier two Australian businesses that act as the direct contractor and sub-contractors to Defence. If this wealth of potential can be harnessed within Australia, and not lost to international contractors, it will see the strengthening of industry and Defence.

While WA has capabilities to develop and manufacture required products for defence industry, the State needs to improve in the areas of selling and self-promotion. The mining, oil, and gas sectors have benefitted from the focus on WA industry in this sector, but defence industry still has a way to go. WA needs to develop a reputation as a major player in the defence industry global supply chain. One way to address this is to develop a national showcase of the capabilities Australia has to offer, with all states acting together to develop the national capability and not subtract from each other.

The Australian Marine Complex at Henderson has enabled WA to become one of the most advanced and well-supported maritime locations in Australia. However, over the course of time with the massive investment by Federal Government in industrial infrastructure in SA, it is likely that it may be less utilised by Defence. The flexibility of the WA workforce to transition between industries is well established and has made WA more accustomed to the cyclical nature of work in the marine industry. SA is beginning to understand the complexities of their situation in developing the skills required and with the decades of new frigate and submarine builds in SA, there is a risk of skilled personnel being enticed away from WA.

The resilience of WA industry has been forged through the resources boom and the next signified challenge for defence industry will be going through this process in SA. While the skills are here in WA, the projects are not as frequent as they once were, and WA needs to promote itself in order to gain future long term, sustainable projects. For example, developing the capability to lift the larger future Royal Australian Navy frigates and submarines here in WA, could be promoted to secure the maintenance contract and possible future projects.

Theme 2: Does WA have equal opportunity to enter the global supply chain in comparison to other Australian states.

The export of Australian products into the global supply chain has to be a combined effort from all states and led by the Australian Government. It has to lead the way in ensuring that Australian business is chosen to invest in over other global economies. We need to engage in the global supply chain as both a purchaser and supplier, making the system beneficial to both ends of the chain, in order to progress. To have multi-nationals gain a vested interest in Australian industry requires two major shifts. First, that the power in the relationship rests with Australia, making the ability to seek Australian industry engagement a priority. Second, that Australian industry is ready to receive this level of international work so that the reputation to deliver reliable high quality by Australian business becomes world class.

Much of the responsibility is on small business to ensure they are ready to engage with larger international companies. This includes making sure that all facilities are up to standard, including having world-class technological and cyber security, and an understanding of the capabilities and limits of Australian small business.

Promoting the capabilities that are present within WA as a global player in defence industry is the first step to securing relationships with international companies. This is vital in proving that WA is ready to commence work on this scale and magnitude. By working together and understanding the limitations of each member of the group, we are able to strategically capitalise on the way we structure the opportunities that present themselves to WA's defence industry.

There was some disagreement between the Western Australian representatives and those from the Eastern States. Discussion of the 'Team WA' approach put forward as a way to bring encourage cooperation between WA based organisations was a point of discord. Some attendees from the Eastern States misunderstood this approach, and the use of the title, 'Team WA', seeing it as unnecessarily parochial and not conducive to developing a holistic, national approach to defence. The confusion was resolved when Team WA advocates explained the benefits of a coordinated state approach to engaging Defence and industry, as opposed to the previously fragmented approach that resulted in confusion and under-developed outcomes for the WA industry engagement with Defence.

There was some consternation in Australian defence industry, especially with SMEs, that despite the policies for Australian industry content, their ability to win Defence work remains difficult as many Defence contracts are awarded to foreign enterprises. Clearly, the purchase of domestic products by Defence is a massive selling point for Australian SME's seeking to enter the global supply chain, as it provides further reassurance of the product's commercial value. The ADF will always seek to procure the best equipment for its requirements, and it is up to industry to ensure they are aligned with ADF requirements. However, while purchasing foreign products tends to be the path of least resistance for Defence, the future of Australian defence industry is potentially diminished every time foreign equipment is purchased instead of Australian capabilities.

Theme 3: How can WA address its own skilling and training requirements, given the escalating demands for training and skilling initiatives created by the expanding Australian defence industry workforce.

The skilling conducted within Australia is done through universities, TAFE, and on the job. This requires the interaction of industry with the educational sector to predict and be proactive in the policies and implementation of regimes for producing skilled workers. The challenge is in the short-term demands of the defence sector, which can ask for specific skill sets at short notice. The requirement is to ensure a constant flow of Australian skill development, with workers residing within Australian industry who can be called upon on short notice. This tends to work best at the lower end of defence industry requirements, but falters in the demand for the higher end, restricted clearance projects.

To promote future skilling, some TAFE centres have engaged in the development of a talent pipeline. This sees engagement with students from Year 9 onwards, in the hopes of skilling people to ensure a career for life, which is a new concept in Australia. This is to ensure that the defence sector does not suffer a reduction or oversupply of skilled workers while retaining flexibility. This includes lifting the national quality framework to meet the levels required for international standards, and the amendments to the apprentice program length for an increased rate of training. The last change is the ability of apprentices to be employed across companies, to learn unique skills offered by various specialised companies, which has been successful in the Henderson industrial area.

The universities tend to have a longer process attached to reforming courses and the implementation of new programs. This has seen the creation of various short courses that provide the ability of industry to commit to a shorter length course like Professional Development and Masters' programs. Each faculty at individual universities have an industry advisory council, who work to specialise the needs of that industry, providing more flexibility. For example, some of the changes implemented at UWA have seen the restructuring of engineering courses so that the length of time committed is rewarded a higher level of qualification that is certified by Engineers Australia. The industry is changing and as some career pathways are fading, this means individuals need to have a broader skills base.

Representation of defence industry in tertiary education is in need of further diversifying. For example, the South Australian schooling system requires career advice as a topic in Year 10 and while this is great, there is a general lack of knowledge about what the defence industry sector is able to offer. Defence industry promotion would benefit from capitalising upon digital media opportunities to reach greater numbers at a high school level to drive up enrolments in relevant tertiary programs. This would benefit defence industry and Defence's regional recruitment program.

Theme 4: How can the Commonwealth Government more effectively mitigate supply-chain management challenges to enhance prospects for new suppliers to enter the Defence supply chain.

Australia has long been a purchaser rather than a supplier of defence related items, and recently there has been a shift toward the supplier target. However, the double-edged sword is that the sovereign capabilities cannot always be exported. This is because defence industry sovereign capability is about gaining an edge over the potential adversary, and therefore exporting of sovereign capabilities can potentially undermine the export ambitions of Australian defence industry. The participants saw significant potential for conflict between Australia's Defence export policies and the proposed strengthening of export controls.

Part of the export supply chain is training; something that the Australian defence sector has superiority in the region, especially the regions closest to WA. This comes with some inherent risks, but the potential reward for tapping into areas such as the Middle East and Asia as markets for Australian products is substantial and the potential economic profits must be sought out.

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:

- A holistic approach to the defence sector, with all players at all levels and from all states working collaboratively in the interests of Defence, industry and Australia's core national interests.
- Ongoing investment in research and development to ensure the latest innovations are implemented, so that Defence can consolidate its place among the most advanced militaries in the region.
- Improvements in skilling and training to ensure that future advancements and projects have the requisite skilled workforce to implement them.
- Greater investment in Australian capabilities to build continuity of employment rather than spending money overseas.