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A satellite with solar panels is shown in orbit above the Earth's horizon. The background is a dark space with a network of glowing blue lines and dots representing a global communication or data network.

No warning time
Industry for defence

23 May 2024

Agenda

- Past
- Present
 - Reviews
 - Risk
 - Sovereignty
- Future
 - Industry for defence



Reminder – Defence Industry

- Has two policy objectives
- Economic objective is obvious
- The strategic objective is to address situations where the defence force is fully committed, needs to be expanded, and be rapidly reconstituted
- The geostrategic circumstances drive:
 - Relative importance of each objective
 - The assessed risks
 - The imperative for sovereignty

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Defence Industry – the Past

or “how we got here”

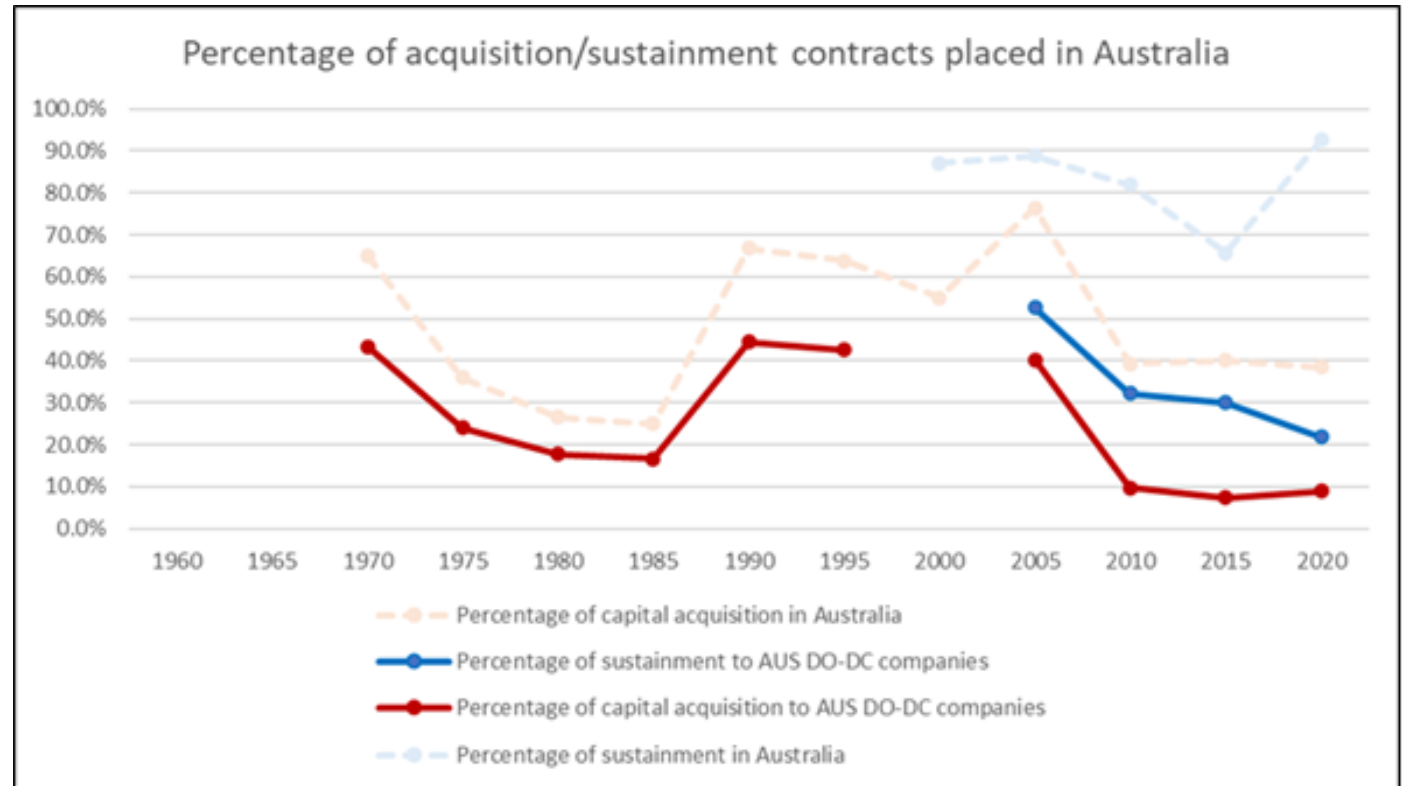
Decisions from the past cast long shadows

- ‘Wherever possible Australian firms will be prime contractors on major projects’ and ‘the benefits to industry in peace will be returned as increased capability in conflict’ (DOA 87)
- 1999 – first half of ADI privatized
- 2003 – Kinnaird Review – one OTS option
- 2006 – sale of rest of ADI
- 2008 – sale of Tenix
- 2008 – Mortimer Review - OTS solutions to be primary option



Result

- Local defence industry dominated by offshore Primes, and where local companies are largely consigned to be sub-contractors/ component suppliers
- Overall, ongoing economic activity but reduced potential to exercise sovereignty



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A satellite is shown in orbit above the Earth's horizon. The background is a dark space filled with a network of glowing blue lines and dots, representing a global communication or data network. The Earth's surface is visible in shades of blue and green.

Defence Industry – the Present

The era of the Review

Reviews

- 2023 Defence Strategic Review
 - No warning time. Prospect of major conflict
- 2024 Enhanced Lethality Surface Combatant Fleet
 - More combatants
- 2024 Defence Industry Development Strategy
 - Sovereign but no sovereignty
- 2024 National Defence Strategy
 - Defence but not national
 - Not the 'co-ordinated, whole-of-government and whole-of-nation approach to meet the strategic challenges Australia faces' (DSR)

What does 'no warning time for major conflict' imply?

- We can be challenged at any time
- Current planning is inconsistent with the notion that time is of the essence
- 'Come as you are' is key
 - Need to move what 'come as you are' needle as quickly as possible – and to be seen to be doing it
- Need to understand where the risks are
- Yesterday's answer cannot be tomorrow's answer

Risk, (sovereign) and sovereignty

- ‘Sovereignty is concerned with determining the limits to the risk that we are willing to accept’
- Threat-facing risks, and supply chain risks
 - This is the essence of operational sovereignty
- Sovereign and sovereignty are not the same
- Sovereignty is the ability to control – to take actions independently
- Sovereignty costs – so need to prioritise

Summary of the Present

- In a time of deteriorating geo-political circumstances need to move away from primarily Industry for Content
 - Being sovereign is only part of the answer
 - DIDS/ NDS are not fully aligned with the current circumstances
- Need to focus on risks, and on sovereignty as the approach to minimise those risks
- Prioritisation is key
 - When everything is a priority, nothing is a priority

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Industry for Defence – the future

Continuous shipbuilding is not the answer

Industry when defence force needs to be expanded

- Can't move the needle much in short term, but need to understand the risks and where we need sovereignty
 - Need to prioritise what can stockpile (and do it) and what can be/ needs to be manufactured locally
- Building Tier 1 ships is of questionable value
- Tier 2 (and/or uncrewed) ships assume greater priority
 - 'Quantity has a quality all of its own' (Joseph Stalin)
- Need additional Tier 2 production line to provide capacity
- Autonomous systems

Industry when defence force is fully committed

- Battle damage repair is high priority – east coast, west coast, north coast
- May need to co-opt non-defence suppliers into supply chains to provide capacity
- Need reliable, resilient national transportation and logistics networks

Industry when defence force needs to be rapidly reconstituted

- Can expect to lose significant part of the force structure in first six months
- Can't readily replace, so will need to improvise
- Integration of weapons/ systems on COOP
 - Need to know what might be suitable and where it is
- Greater use of wider domestic industry base

Moving into the future

- Focus more on the strategic objective for industry
- Think more about the wider industry for defence
- Consider sovereignty not just sovereign
- Assess risks

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