



Defence Industry

Australian industry will play a major role in delivering the plans in the 2016 Defence White Paper. The Defence Industry Policy Statement provides the foundation to take the partnerships between Defence and industry to new levels of cooperation, with a focus on stronger, more strategic partnerships and closer alignment between industry investment and Defence capability needs.

Initiatives in the Defence Industry Policy Statement will see the development of a technologically advanced, innovation-driven and sustainable Australian defence industrial base, which is well placed to assist Defence in protecting Australia's national interests.

Delivering Defence Capability

The Government's 10-year Defence budget plan to 2025-26 grows the Defence budget from \$32.4 billion in 2016-17 to \$58.7 billion in 2025-26, providing an additional \$29.9 billion to Defence over this period than previously planned. The Government will invest approximately \$195 billion in Defence capability to 2025-26, restoring confidence in Defence's long term funding.

For the first time, the 2016 Integrated Investment Program released with the Defence White Paper brings together all elements of Defence investment, including equipment, facilities, workforce, and information and communications technology as well as major weapons, platforms and systems. Australian industry now has the clarity and certainty to invest in the people and infrastructure to make these capability plans a reality.

The 2016 Defence Industry Policy Statement, the First Principles Review and the Government's decisions on naval shipbuilding, reinforce the importance of treating Australian industry as a fundamental input to capability. It will be mandatory for Defence to consider Australian industry in the formal capability development process. This will help industry to better match specialist skills and advances in science and technology to develop innovative solutions for new capabilities.

Strategic Partnership with Industry

The Government places a high priority on maximising the innovation potential of the Australian economy. Innovation will be re-positioned as an essential driver to generate new capabilities for Defence and new opportunities for Australian industry. The Government's Defence Industry Policy Statement complements the 2015 National Innovation and Science Agenda, with a focus on maximising the delivery of Defence capability through a more focused, coordinated and transparent effort between Defence and industry. The Statement will transform Defence's approach to innovation, and create a seamless link between capability needs, smart ideas and innovation in Australian industry. New initiatives will harness Australia's potential for innovation by streamlining engagement with industry, academic and research organisations, and by establishing a single end-to-end innovation pipeline with a clear path to commercialisation.



Harnessing Australian Innovation in the Defence Sector

The Government is committed to maximising opportunities for competitive Australian businesses; building export potential, depth of skills and diversification for defence industry, and cutting red tape to make it simpler and less costly for Australian industry to support Defence.

The initiatives in this Statement will bring Defence and industry closer together and drive the changes we need to ensure industry becomes more competitive and highly skilled, and to encourage investment both at the local and international level.

The new Defence Industry Policy Statement centres on two key initiatives: the Centre for Defence Industry Capability and a new approach to Defence innovation. These initiatives will deliver around \$1.6 billion in investment in Defence-related innovation to 2025-26, supporting Australian science and technology and innovation to provide advanced home-grown Defence capabilities.

- The Centre for Defence Industry Capability will be funded at around \$230 million to 2025-26. The Centre will promote defence industry competitiveness, guide the priorities across defence industry, and connect Defence capability with innovation.
- Around \$730 million to 2025-26 will be provided for research on next generation technologies with the potential to deliver game-changing capabilities critical to defence and national security.
- The Defence Innovation Hub (the Hub) will be a virtual network, funded at around \$640 million to 2025-26 to bring together Defence's innovation programs. The Hub will enable defence industry to collaborate on innovation efforts that deliver a capability edge throughout the capability life cycle from initial concept, through prototyping and testing to introduction into service.
- The Defence Innovation Portal, as part of the Centre for Defence Industry Capability, will be a key communication bridge between Defence, industry and academia, providing vital connections between small to medium enterprises and Defence.

A Strong and Sustainable Australian Naval Shipbuilding Industry

A strong, viable and sustainable Australian naval shipbuilding industry is a vital element of Australia's defence capability to manage Australia's strategic challenges to 2035. The Government is delivering a long-term plan to ensure retention of a sovereign Australian naval shipbuilding industry and the jobs that go with it. The Government's strategy is centred on a long-term continuous build of major warships and minor naval vessels in Australia.

In the short term, the continuous build strategy will sustain around 1,000 jobs that would otherwise have been lost, and will guarantee around 2,500 long-term Australian surface shipbuilding jobs for decades to come. This strategy will transform Australia's shipbuilding industry and put an end to the boom-bust cycle that has afflicted the industry, and has led to the current shipbuilding 'valley of death'. The Government is confident in the ability of Australian defence industry to play its part in moving to a continuous build program for naval surface ships, which will require unprecedented reform of the Australian naval shipbuilding industry focused on significant improvements in productivity.