

## Article Information

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## Australian industry capability in the spotlight

**With major Australian Defence contracts awarded to overseas providers, there is a firm push from industry to ensure Australian content. Alister Waters, looks at some recent developments.**

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Australian Industry Capability Plans are a staple of Commonwealth Defence procurement, requiring prospective contractors to identify their supply chain, maximising Australian input. The level to which these requirements has actually been enforced has recently come into question, with it transpiring that the agreement with French owned Naval Group to build 12 submarines for the Royal Australian Navy does not contain a binding requirement for a certain level of Australian Industry participation.

The latest developments in this tension ridden program include the head of Naval Group throwing down the gauntlet to Australian Industry imploring them to raise their game and a stoush in the House of Representatives over why Australian Industry is missing out on major contracts.

It should be pointed out, of course, that this problem is not confined to Naval Group with major Australian Defence projects currently being delivered by British, American and German companies, among others, the issue of sovereign capability is ongoing and heated. Just last week a number of Australian companies joined forces to launch Industry Voice in response to the lack of representation Australian companies are seeing in Defence manufacture. At the launch of Industry Voice the Minister for Defence Industry announced the appointment of Martin Halloran as the new Head of AIC within Defence, an audit of current AIC and the roll out of a new AIC contractual framework.

### What does this mean?

It is hoped that with an increased focus on AIC, Defence Prime contractors will put more of a focus on finding local suppliers and manufacturers. However, without the implementation of specific targets or thresholds such focus will not necessarily create results.

A new contractual approach will mean that the way existing provisions flow down the supply chain will likely change. It may be that there is an expectation for greater risk to be accepted by suppliers, or alternatively that Defence imposes conditions preventing the flow of risk down. This is all unknown at the moment, but when the new approach is released there will inevitably be some contractual confusion that all parties will want to take advantage of.

### What can you do?

Readiness is key in Defence procurement, throughout the supply chain. To put your company in the best position to achieve results you need to ensure you are meeting the standard that will be required from the companies you want to supply. These requirements come in many forms, from industry standards, through to personnel security requirements, ITAR and export requirements, cyber and data protection and physical security.

With any activity, a full understanding is essential. In responding to a request for tender from a Prime, or indeed from Defence, you should have a full understanding of what is being asked of you and what you need to provide in response. Simply providing standard marketing documents is not enough. Defence and Primes need to know that you are able to deliver exactly what they are looking for.

Ultimately your company and your product need to be competitive. You need to be able to articulate why you are the best

option in the market and how you can integrate with the overall system and design.

Contracting in the Defence sector is not straight forward. Sometimes there may be a reluctance to rock the boat and accept all contractual terms and risk in order to secure the deal. This doesn't have to be the way. With the increased focus on Australian Industry Capability and participation, some power returns to the hands of Australian businesses. Seeking advice early is vital to ensure success in the sector and maintaining communication with your advisors through the process from establishing yourself, to receiving and responding to tenders all the way up to contracting, will put you on the right path to prosperity.

**In Summary:**

- The Australian Government is increasing focus on Australian Industry participation in Defence projects
- Existing AIC participation is being audited and investigated
- Changes are coming in the AIC contractual approach
- Preparedness and understanding is key to success
- Australian companies must meet the required standards to be able to secure Defence contracts