

THE HON MELISSA PRICE MP
MINISTER FOR DEFENCE INDUSTRY
OP-ED
COVID-19 & AIC
WA DEFENCE REVIEW

COVID-19 is creating unprecedented challenges for our defence industry.

It is now more important than ever that we look at what are the best options available to address cash flow pressures on small businesses.

That is why I am holding weekly teleconferences with defence industry companies, advocates and senior departmental officials so I can hear first-hand the challenges being experienced; and support the small businesses in our defence industry.

Economic Stimulus

Just recently, we announced plans to fast-track payments to defence-industry companies to help them to deal with COVID-19. More than \$1.6 billion in payments has been brought forward so far to ensure money is flowing into the Australian economy.

We are also working to identify Defence projects which could be brought forward to help stimulate work in our small business sector.

Small businesses remain the driving force of our defence industry and I will explore any and all options to help them through this difficult time.

It's important we support our defence industry, because we're embarking on the nation's largest-ever build-up of military capability.

There are businesses right around Australia who are contributing to major projects for our Defence Force.

And now more than ever, we need to provide them with a more robust Defence system that offers small business greater certainty and opportunities in our major Defence programs.

After 100 days as Defence Industry Minister, I completed a review into my own portfolio area and arrived at five key priorities.

I have asked the Secretary and the Chief of the Defence Force to deliver a series of action items based on these priorities, with the overall goal being to maximise Australian industry involvement in Defence projects.

These priorities include:

1. Enhance CASG performance delivery to be a 'strong client'.
2. Expand small business access to Defence.
3. Increase the number of exporting Australian businesses.
4. Build Australia's skilled defence industry workforce.
5. Ensuring Defence's grants, innovation, science and technology programs are contributing to enhance ADF capability.

Australian Industry Capability

As part of my first and second priorities, I will strengthen the Australian Industry Capability (AIC) program so that Defence offers greater assurances and opportunities to the small business community into the future.

The AIC program was designed to meet key objectives in our 2016 Defence Industry Policy Statement.

At its crux, this policy statement identified the need to reset the partnership between Defence and industry to improve the delivery of Defence capability and to maximise opportunities for Australian businesses.

Since then, we have seen tremendous success.

Recently, it was a pleasure to join Luerssen Australia in Perth to recognise the outstanding participation of some 100 Australian small businesses directly contributing to the build of our twelve Offshore Patrol Vessels.

Luerssen is exceeding its 60% AIC target, currently achieving 62.7% of contract spend in Australian industry. It is Commonwealth Government investment in Defence programs such as the OPVs that is creating more opportunities for small business and delivering more Australian jobs.

I believe we can and should do more in backing small business and open new opportunities, as we continue to invest in defence capabilities.

Through my many engagements with small defence businesses, I have listened to their issues, and I am working hard to support them on these.

As I announced in February, our Government will incorporate greater protections for small business and strengthen existing AIC policy.

That is why I will deliver an Independent AIC Audit program.

This program will make CASG a stronger client, it will protect small business interests and hold the major contractors to account on their Australian Industry Capability obligations.

Defence will dedicate additional resources to support this program and ensure small business remains front and centre in acquisition and sustainment programs.

Our newly-appointed head of AIC within CASG, Martin Halloran, will lead the consultation process and engage with industry groups and small business to hear more of your thoughts as to what this audit program should look like.

I have also asked Defence to establish a new AIC contractual framework.

The current AIC framework has laid strong foundations to support small business in our major programs including LAND400, OPVs, Future Frigate and the Future Submarine programs.

However, I recognise that we need to go further in our support for small business by offering more guarantees of local content in our defence programs moving forward.

As a result, I will establish a mandated set of contractual terms that are consistently applied to all CASG contracts requiring an AIC plan.

This new framework will build on the existing policies of the Morrison Government and will encompass greater accountability, enforcement and stronger contractual terms to ensure Australian small businesses continue to be the backbone of this industry. This framework is not just nice to have, it is critical for the creation of a sovereign industrial capability.

Future Challenges & Opportunities

The Australian defence industry is remarkably capable of delivering innovative and cutting edge technology and capability crucial to our Defence Force.

Barratt Communications, Sea-to-Summit and JFD Australia are just a handful of Western Australian small businesses our Defence Force has relied on to provide capability.

However, we need to look to the new frontier of support for small business and the changes I announced recently is that next big step.

Because when I take off my Minister hat and put on my local MP hat, I want to look my community in the eye and say I'm doing everything I can to bring regional Australia to the table.

And now with the growing challenges faced by the Australian defence industry during COVID-19, these changes to AIC will ensure small businesses are provided with more opportunities to compete for Defence work and certainty that major contractors will be held to account on the delivery of these opportunities to small businesses.

I will continue to work hard for you and leave no stone unturned to support you during COVID-19 and ensure there continues to be opportunities in defence industry for you now and into the future.