B Defence industry engagement programs

This appendix identifies defence industry engagement programs, the nature of the support to industry, and how much is expended by the Australian Government (table B.1). (In some cases it identifies funding from sources other than the Australian Government.)

Most of the programs are not separate line items in the budget, rather they are funded from within the appropriations to the Defence Materiel Organisation (DMO), the Department of Defence and the Defence Science and Technology Organisation (DSTO). For some programs the expenditure can be found on the program’s web page, grant recipient reporting information and/or documents announcing the program. In some cases, it is unclear whether the aggregate funding announced in the past has subsequently been adjusted, in particular following budget cuts to Defence in 2012 and 2013.

Not identified in this appendix are defence industry engagement programs of State or Territory governments.

Table B.1 Defence industry support

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| *Program* | *Description* | *Type of support* | *Funding and timing* | *Recipients information* |
| Australian Industry Capability (AIC) | The AIC program leverages work for local suppliers by including in tender requirements a definition that, for tenders to represent value for money, tenderers must describe how their proposed approach will enhance defence industry capability. There are three levels of Defence Capabilities.  Priority Industry Capabilities (PICs) are those industry capabilities deemed to confer an essential strategic advantage by being resident within Australia and which, if not available, will significantly undermine defence self-reliance and ADF operational capability. There are currently 12 designated PICs, including, acoustic technologies and systems, in-service support of Collins class submarine combat systems, and ship dry docking facilities.  Strategic Industry Capabilities (SICs) are those industry capabilities that provide Australia with enhanced defence self-reliance, ADF operational capability, or longer term procurement certainty. There are currently 12 designated SICs, including, for example, composite and exotic materials, guided weapons, naval shipbuilding and repair, maintenance and upgrading of armoured vehicles and aircraft.  Project/Product Specific Industry Capabilities (PSICs) are those industry capabilities determined by procurement sponsors as being required to enhance the capability being delivered through inclusion of Australian industry. PSICs are determined on a case-by-case basis. | Preference for local supply | Not applicable   The AIC and its predecessors replaced arrangements that ended in the 1990s involving explicit local activity percentages and allowing local bid premiums | Beneficiaries not individually identifiable  Industry Participation Plans indicate nature of local activity |

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| *Program* | *Description* | *Type of support* | *Funding and timing* | *Recipients information* |
| Global Supply Chains (GSC) | Funding to multinationals to deploy staff inside their organisations to act as the internal sponsor promoting Australian industry into the business units of the company: to actively seek out opportunities for Australian industry; train Australian industry in the company’s purchasing practices and methods; educate Australian industry in the company’s requirements; and help make Australian industry globally competitive. | Budgetary outlay (DMO expenditure)  Paid to multinational prime contractors | Annual expenditure not identified  Intended  $59 million 2009–2019 | Currently, seven multinational primes with active annexes are identified, but not amounts |
| Priority Industry Capability Innovation Program (PICIP) | Provides matched grants (up to $4 million) to Australian defence companies to develop, adopt and commercialise innovative technologies, methodologies, materials or systems in areas defined as [PICs.](http://www.defence.gov.au/dmo/id/pic/index.cfm) The program is intended to focus on assisting small to medium sized enterprises to pursue innovative defence industry projects. Grantees who successfully commercialise their project may be required to make payments to the Government, based on the gross sales revenue generated by the project’s output. | Budgetary outlay (DMO expenditure)  Discretionary grant to companies  Potentially repayable | $10.4 million 2012‑13  $13.3 million 2011‑12  Intended $44.9 million  2011 to 2019 | Recipients and amounts identifiable |
| Skilling Australian Defence Industry (SADI) | The SADI program started in 2005 with three main aims: to up-skill existing employees in the defence industry; to improve the quality and quantity of skills training in defence industry; and to generate additional skilled positions.  Since its inception, nearly 200 defence companies and organisations have been provided with funding support. | Budgetary outlay (DMO expenditure)  Discretionary grant to defence companies | Over $20 million 2012‑13  Intended $215 million  2005 to 2015 | Recipients and amounts identifiable  Over 200 grants 2012‑13 |

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| Program | Description | Type of support | Funding and timing | Recipients information |
| Defence Industry Innovation Centre (DIIC) | The Centre provides a range of services intended to link small and medium defence businesses to new ideas, technologies and markets. As well as offering the complete suite of Enterprise Connect Services (a DIISR program available generally to Australian SMEs), the Centre delivers three main services to businesses: the Defence Industry Change Plan (DICP) which provides defence specific advice, guidance and implementation support to businesses; the Supplier Continuous Improvement Program (SCIP) which is a change program; and the Business Review which involves a top-to-bottom analysis of a business which is carried out on site. Business advisers also provide connections to researchers, industry associations, training and other sources of funding and advice. All of these services are confidential and delivered at no charge. Funding is available through the Tailored Advisory Service (TAS) to help businesses implement the recommendations that flow from a Business Review or SCIP. | Budgetary outlay (DMO expenditure)  Service provider  Free of charge to defence business | Annual expenditure not identified  Commenced 200*9* | Recipients not identified |
| Industry Skilling Program Enhancement (ISPE) | The program is intended to expand the pool of skilled workers from which defence industry can recruit, enhance work and career pathways and address specific skills gaps in defence industry capability. Package elements include targeting surplus workers in other industries experiencing downturns, school curriculum pathway programs, developing higher education masters courses, engineering internships, and branding the defence industry sector as a career. | Budgetary outlay (DMO expenditure)  Discretionary grant to defence companies and service providers | $0.3 million  2012-13  Intended $60.8 million  2008 to 2014 | Recipients and amounts identifiable |
| Capability and Technology Demonstrator (CTD) | The CTD Program was established in 1997 to give Australian defence industry opportunities to demonstrate how its ideas and technologies could enhance Australian Defence Force (ADF) capability.  Over 100 technology demonstrations have been funded with 14 CTDs having entered service with the ADF. | Budgetary outlay (Department of Defence)  Discretionary grant to defence companies | Annual expenditure not identified  Over $250 million to date over 18 Rounds  Commenced 1997 | Recipients are identified but amounts are in-confidence |

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| Program | Description | Type of support | Funding and timing | Recipients information |
| Rapid Prototyping, Development and Evaluation (RPDE) | A collaboration between Defence, industry and academia, intended to address complex, high-risk problems.  Defence funds about three quarters of program expenditure. Personnel from industry and academia are paid from the project budget. Each project activity has a Defence sponsor. | Budgetary outlay (Department of Defence)  Research collaboration  Participation by application | Around $8 million  Commenced 2004  Annual funding reduced from around $12 million in 2012 | Participants identified but not amounts |
| Defence Materials Technology Centre (DMTC) | DMTC is intended to support the development and delivery of new materials technologies and manufacturing processes to enhance Australia’s defence capability. It is a collaborative partnership approach between Defence, defence industries and research agencies, based on the Co-operative Research Centre (CRC) model used for non-defence industry R&D.  Operational funding in 2012 13 comprised $6.8m (Australian Government), $4.0m (industry and other income, including State government), and $7.7 million (the research sector). DMTC operates as a public company, limited by guarantee. | Budgetary outlay  Collaborative research | $6.8 million  Commenced 2008 | Projects identified, but not individual companies |
| New Aircraft Combat Capability (NACC) | Intended to enable Australian companies and research organisations to support the development of new or improved capability to win work in the production, sustainment and follow-on development of the F-35 Joint Strike Fighter. | Budgetary outlay (Department of Defence)  Discretionary grant to defence companies | Intended  $8.2 million  2011-12 to 2013-14 | Recipients and amounts identifiable |

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| Program | Description | Type of support | Funding and timing | Recipients information |
| Defence Science and Technology Organisation (DSTO) | The Defence Science and Technology Organisation (DSTO) is charged with applying science and technology to protect and defend Australia and its national interests. DSTO engagement with industry occurs through a range of commercial and collaborative arrangements that build strong working relationships, provide industry access to DSTO research, facilities and expertise, and allow the transfer to industry of DSTO intellectual property for commercialisation. | Budgetary outlay (DSTO appropriation)  Third party research | $434.1 million Established 1974 from predecessors |  |
| Defence Science Access Network (DSAN) | The network is intended to encourage more collaboration between industry, particularly small and medium-sized enterprises (SMEs) and DSTO. | Budgetary outlay (DMO expenditure) | Amount unknown | Participants unknown |
| Defence Industry Study Course (DISC) | The Defence Industry Study Course (DISC) is a Defence-run program of seminars and visits designed for future leaders in industry, Defence and other government agencies. It began in 1953 as the Industrial Mobilisation Course (MIC). Education and training services that are not fully cost recovered from recipients can be construed as assistance. The DMO Institute (DMOI) had previously provided training courses only for DMO staff but has recently been opened to participation by industry. . | Budgetary outlay  Education service  Course fees charged | Amount unknown  Commenced 1953 | Participants unknown |
| Defence Materiel Organisation Institute (DMOI) and DMOI Expansion Program. | The DMOI was established in 2005 with the primary responsibility for the delivery of non-systems based training courses for the DMO workforce. The DMO Institute Expansion Program is one element of the Industry Skilling Program Enhancement (ISPE) package announced in 2008. The DMOI had previously provided training courses only for DMO staff but has recently been opened to participation by industry. Education and training services that are not fully cost recovered from recipients can be construed as assistance. | Budgetary outlay (DMO expenditure) | Amount unknown  Commenced 2005 and 2008, respectively | Participants unknown |

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| Program | Description | Type of support | Funding and timing | Recipients information |
| Defence Letter of Recognised Supply (LoRS) | The Letter of Recognised Supply provides companies with evidence of their supply to the Australian Defence Organisation, to assist in bidding for new work or marketing their capabilities to non-defence customers. To receive the Letter of Recognised Supply a company needs to meet the standards of supply demanded by the Australian Defence Organisation. Products and services need to be supplied on time, on budget and to specification. | Performance certification | Not applicable | Recipients unknown |
| Defence Export Unit (DEU)  (Incorporated in 2012 into the Australian Military Sales Office – see below) | The DEU aims to assist Australian defence companies to access export markets and global supply chains through marketing and promotion services, much like Austrade. The DEU promotes the collective Australian defence industry sector overseas under the banner of ‘[Team Australia](http://www.defence.gov.au/teamaustralia)’. | Budgetary outlay (DMO expenditure) | Annual expenditure not known  Intended  $34 million 2007 to 2017 | Recipients unknown |
| Australian Military Sales Office (AMSO) | The purpose of the AMSO is to make it easier for Australian defence manufacturers to promote and export their products and making it easier for other governments to buy them. AMSO is intended to be a one-stop-shop for Australian defence manufacturers seeking to export their products. It is also intended to help Australian exporters showcase their products and capabilities at international defence exhibitions under the ‘Team Australia’ branding. | Budgetary outlay (DMO expenditure) | Amount not known  Commenced 2012 | Recipients unknown |
| Defence Export Control Office (DECO) | The DECO is responsible to the Minister for Defence for regulating the export of defence and dual-use goods as part of Australia’s system of export controls. DECO provides a range of services and information to assist exporters understand and comply with Australia’s export control requirements. | Budgetary outlay (DMO expenditure)  Export control and advice | Amount not known |  |