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Media Release Minister for Defence Industry

National Defense Industrial Association Conference Speech

Thank you very much Rob to you and to everyone gathered here this morning, thank you very much for that comprehensive introduction. It's a great pleasure to be here at the National Defense Industrial Association Conference and it's serendipitous that the quadrilateral will be meeting here while I'm also in Washington.

It's a great opportunity for me to give a speech about setting out some of the parameters of the new role, Defence Industry Cabinet Ministry as Rob pointed out I'm the first Defence Industry Minister in Australia's history and obviously the Prime Minister's decided, which I think is a very sensible choice, that we should focus on defence industry in Australia as much as we are focusing on defence in terms of operations and missions and so on that Marise Payne who also happens to be in Washington DC is entirely responsible for.

So at your conference you've got both defence ministers in Washington and it's good opportunity for me to set down some of the markers that will be my parameters as the defence industry minister.

The Australian Government is putting Defence very much at the very centre of our policy agenda.

We not only want to guarantee our national security and ensure that Australia can play its part protecting peace in our own region; in Asia, the Pacific and the Indian Ocean.

We also want to use Defence to underpin our economic prosperity, to put the skills and innovation that characterise our defence industries at work to form the basis of the smart, high-tech manufacturing of the twenty-first century.

To do this, the Australian Government is embarking on its largest ever renewal of our defence capability.

We are making our largest ever investment in defence capability.

We are investing \$195 billion Australian dollars across the decade from now until 2025-26, in building defence capability.

We will grow our Defence budget to two per cent of our gross domestic product from historic lows of 1.38 per cent under the previous Labor administration, the lowest since 1938.

But we will only be successful in this ambitious effort if we work in partnership with our friends and allies.

And for Australia there is no more important bilateral defence relationship than our alliance with the United States.

I want to talk to you about our 2016 Defence White Paper and outline the Integrated Investment Plan and the Defence Industry Policy Statement, the two vehicles the Government intends to use to deliver the new Australian Defence Force capability.

I want to leave you in no doubt of the scale of the opportunities that will be available to you; the opportunities for exports and, more importantly, partnerships with Australian industry.

But first I want to return to that greatest of partnerships, to the Australian-American alliance.

I want to remind you of Australia's value as an ally.

United States fighting forces got to know their Australian cousins properly in the Second World War, in the battlefields of North Africa and the Pacific.

Bonds were formed that reached up to the highest levels.

General Macarthur made his headquarters in Australia after being driven from the Philippines.

And it was an Australian coast-watcher, perched high on a volcano deep in Japanese occupied territory in the Solomon Islands, who saw the explosion of Patrol Torpedo Boat 109 and despatched the team that rescued her survivors, including future President Kennedy.

But that was not the first time Australians and Americans had fought alongside each other.

The victory we won together in France at the battle of Hamel in July of 1918, the first time in the war American forces participated in an offensive action under non-American command, using new tactics devised by our formidable General John Monash that sowed the seeds for the ultimate victory on the Western Front just five months later.

I lost two great uncles in the Great War – Thomas Pyne on the landing day at Gallipoli in 1915 and Octavius Pyne at Pozières in 1917.

Together, Australian and American forces resisted aggression in Korea, including my father, Captain Remington Pyne as he was then.

When others sat on the sidelines, Australia joined the United States in Vietnam.

Australians were there in the first Gulf War, in Afghanistan after September 11, and played a crucial role securing regions of Western Iraq where it was feared Saddam Hussein had concealed his Scud missile launchers in 2003.

Today, we have the second largest deployment after the United States in actions against the evil that is Daesh.

So Australia is not just an ally, we are a useful ally.

We don't just have the capability to help keep the peace or, when needed, take part in combat operations.

We have the will, and we are there. The expanded capacity to which the Australian Government is committed, will allow us to do even more, making Australia an even better ally.

And the growth in our already strong defence industry relationship will make us a closer ally.

Australia's 2016 Defence White Paper has given us a rigorous assessment of the changes to our strategic environment over the next two decades and our capacity to respond.

It calls for a force that will be more potent, more capable and more agile – one that can succeed in a more dangerous operating environment and be more capable of conducting independent operations to not just defend Australia and protect our interests in our immediate region but enhance our abilities to contribute to broader operations as part of an international coalition.

Along with the White Paper, the Australian Government has released an Integrated Investment Program and the Defence Industry Policy Statement give us the route map and the vehicles to achieve the capability goals outlined in the White Paper.

These are significant documents. The Integrated Investment Program gives industry unparalleled clarity and certainty to plan for the future by bringing together for the first time all of our defence capability related investments over the next decade.

We will be acquiring significant new weapons, platforms and systems under the Program, as well as making major investments in areas such as information and communications technology, defence infrastructure and the workforce needed to support it all.

A significant proportion of our acquisition spending is on equipment from the United States and we will continue to source advanced technology and military equipment from here and invest in capabilities that strengthen our alliance by enhancing our interoperability. In fact I think it's about 60% of our equipment is sourced from the United States.

At the same time, however, the Australian Government is determined to build a stronger, more resilient and capable sovereign defence industry base to deliver the Integrated Investment Program to meet the White Paper's goals.

That is the role of the Defence Industry Policy Statement – to bring the Australian Defence Force, the Government and our state and territory administrations and industry together in a way never attempted before to advance both national security and prosperity.

It sets out key principles for how Australian industry engages with Defence – two that are particularly relevant to this gathering.

Firstly, the government is determined to maximise opportunities for Australian industry to be involved in all defence capability programs.

The ability to transfer technology and industrial capability to Australia in order to grow the ability of our defence industry to meet our sovereign capability needs will be an important part of our acquisitions from the United States. A stronger, more resilient and capable sovereign Australian defence industry will be better equipped to deliver solutions that meet our unique needs and requirements, including the sovereign sustainability of our defence capabilities.

Secondly, it involves regarding Australian industry as a fundamental input to capacity.

The Australian Government and Defence Force intends to explicitly recognise the enormous contribution our defence industry makes to our defence capability and treat it as we would any other input.

In the interests of the new levels of clarity and certainty I spoke of before this will entail better-aligned acquisition and procurement objectives and whole-of-life capability engagement with industry.

Our continuous naval shipbuilding program is a prime example of this approach, where Defence is not only recognising the capability requirement but the importance of also fostering and maintaining the local industrial and skills base the capability depends upon.

We want Defence to continue to develop the Australian Industry Capability requirements, which take into account greater global supply chain participation a focus on growing export opportunities and engaging with small to medium enterprises.

Australia does not have an offset program, nor do we mandate percentages of Australian industry involvement in our capability projects.

We do, however, have the Australian Industry Capability program, which requires tenderers for major defence capability projects to actively investigate opportunities for Australian industry to be involved.

And while it has had successes in the past, we are substantially strengthening the program to drive the development of the Australian defence industry.

We are determined to involve Australian industry in every procurement project, large or small.

We make no bones about it. The Australian Government regards a strong economy, strong skills sets and strong industry as crucial elements of strong defence.

That means we are expanding the focus of the Australian Industry Capability program not just to harness but to build on the industry capacity and innovation potential that we know already exists within our borders.

We want to grow enduring capability and foster innovation, technology transfer and develop Research and Development collaboration with our industry, universities and other research institutions and organisations to maximise the economic benefits that they offer.

We also want to maximise the export potential of Australian defence industry by developing global supply opportunities. We want to use the heft of our defence spend to develop our export capabilities. One of course is CEA (inaudible). In the same way that Spain developed a naval shipbuilding export industry from the 1950s onwards, so can Australia.

Spain's major shipbuilding capability in the 1950's was almost non-existent. Successive governments in Spain committed to developing a domestic naval shipbuilding industry. Navantia now not only makes vessels for the Spanish Navy, but has also built vessels over the past five years for nine nations across the world. These contracts are diverse, ranging from Australia's new Landing Helicopter Decks to Offshore Patrol Vessels for Venezuela.

And that is my ambition as Australia's aspiration and what we are setting out to do.

But let me emphasise again, this is not about mandating outcomes, it is about meeting Defence needs.

Defence needs are my highest priority.

And these will best be served and Australia will be the best possible ally if we build the best defence industry capacity by placing local

industry involvement at the heart of our planning for the future.

There is a fundamental relationship between an industry that is positioned to meet our capability needs and a strong, internationally competitive Australian defence sector.

We do have some very successful export programs such as the Global Supply Chain initiatives.

Our defence export story shows how the defence industry relationship with US companies remains as central to national security policies as our overall defence relationship with the United States.

Lockheed Martin, Raytheon, Northrop Grumman and Boeing are all involved in the Australian Global Supply Chain program.

Along with a number of other prime companies they have helped generate more than \$785 million Australian dollars worth of direct export contracts for Australian companies in recent times.

This international cooperation under the Global Supply Chain program has delivered a 14 to one return in contracts for Australian companies for every dollar spent with defence primes – an excellent return on investment.

It has positioned a large number of Australian companies to be not just internationally competitive, but successful.

Now is the perfect time to acknowledge the contribution the primes make to the program and thank them for their investment in Australian industry and innovation capability – capability that will soon be very much enhanced.

As part of our plans to transform and develop Australia's defence industry, we will launch a new Defence Innovation System by the end of this year. This will include new initiatives such as the Centre for Defence Industry and Capability, and the Defence Innovation Hub. This will bring together Defence, industry, academic and research institutions to collaborate and partner on innovative technologies that will deliver better outcomes for defence and it's based in South Australia in my great state.

The government will invest \$640 million dollars Australian over the decade to 202 to collaborative innovation activities to take projects from the initial concept stage through prototyping and testing and into service.

Over the same time we will invest a further \$730 million in Next Generation new technologies.

Again, our traditional ties will not be overlooked as we pursue these programs.

Australia has a deep and long-standing materiel cooperation relationship with the United States in systems development and capability acquisition with a proven history of delivering.

We do source the majority of our important combat equipment from the United States.

And as I said before, US prime companies such as Boeing, Lockheed Martin, Northrop Grumman and Raytheon have been identifying international opportunities and awarding contracts to some of our most innovative companies under Defence's industry programs.

Australia's involvement in the global Joint Strike Fighter program – to take just one example – is a prime illustration of the depth of our commitment to the American alliance as we embark on the largest and most complex Defence acquisition program ever undertaken in Australia.

Australian engineers, technicians and scientists are working shoulder to shoulder with their US and other international colleagues across the Joint Strike Fighter project.

We have over 100 of our own scientists contributing to the effectiveness and efficiency of the capable, innovative and professional team in Australia preparing to integrate the Joint Strike Fighter's awesome capabilities into our own military.

Australian industry is performing strongly as part of this global Joint Strike Fighter program with the value of active contracts contributing to the project in Australia increasing by over \$90 million Australian dollars during the first half of this year alone, bringing the total contracted value to over \$800 million Australian dollars so far. And we expect it to rise to 2 and a half billion dollars.

There are numerous examples of Australian companies who are engaging in the Joint Strike Fighter program but I will just use one to highlight Australia's industry capability. Marand – a company based in Melbourne, are partnering with BAE Australia to manufacture and assemble more than 700 of the vertical tails for the Joint Strike Fighter. Marand and BAE Australia continue to demonstrate productivity and efficiency gains in the project and are one of more than 30 examples of companies across Australia who are involved in building the Joint Strike Fighters. Australian industry competes and beats the best in the world when it comes to advanced manufacturing.

Our participation in this program is a long-term commitment.

A century ago British defence planners considered taking advantage of Australia's strategic, secure location and making it the site of a mighty arsenal to supply their needs.

Today, we offer a highly capable industry base in a secure location in the Asia Pacific, a perfect place to support the Joint Strike Fighter Global Support Solution.

And it is an absolute priority for us to capitalise on the increasing volume of opportunities this program will provide as production rates triple over the next few years.

As the program moves into full rate of production the Government and industry are working together to increase capacity in order to prepare for increased demand and increased opportunity as we seek to provide the best value for money options for its production.

Australia is looking forward to being the regional centre for maintenance, repair, overhaul and upgrade work for the Joint Strike Fighters.

We already have a proven and tested supply chain that supports the Original Equipment Manufacturers and defence primes in the manufacture of its components.

This currently supports a number of other advanced United States military and commercial platforms and is ready to be leveraged to provide a holistic sustainment solution.

I have no doubt our new policy initiatives will benefit the global Joint Strike Fighter Program by enhancing Australia's ability to contribute to developing and delivering this fifth generation air capability to the global partnership.

Australia is stronger because of this program and we are determined to ensure the program is stronger because of our contribution.

Another vital project will be the Future Submarine Combat System.

Acting on the Defence White Paper the Government has determined that Australia requires twelve regionally superior submarines with a high degree of interoperability with the United States that will provide our nation with an effective deterrent and an ability to play an active part in anti-submarine warfare operations in our regions.

Key strategic requirements for the Future Submarines will include upgraded versions of the tactical and weapon control system, which is currently being used by the Collins-class submarines as well as US Navy submarines such as the Seawolf and Virginia class submarines, and the Mark 48

heavyweight torpedo jointly developed by the United States and Australia as the preferred combat system and main armament.

This strategic approach will provide continuity with the tactical and weapon control system and the Mark 48 torpedo as key elements of the combat system of our existing Collins-class submarines.

This has already underpinned the very high level of submarine cooperation we share with the US Navy.

Continuing with upgraded versions of the currently used systems and weapons as preferred capabilities for the Future Submarine ensures that Australia can continue to maintain its high level of interoperability with United States forces equipped with a submarine combat system that will continually evolve to meet emerging threats and maintain regional superiority.

The entire combat suite for the Future Submarine will extend beyond the tactical and weapon control systems and the torpedo.

It will include sonar, electronic warfare communications, optical, navigation and other systems.

It will be the role of the Combat System Integrator to ensure that the combat suite is designed and integrated with the United States based tactical and weapons control system to ensure we maintain the vital interoperability while also protecting sensitive American and Australian combat system technology.

I'm pleased to announce today that Lockheed Martin has been chosen as the preferred tenderer as the Combat System Integrator.

Lockheed Martin has already had a Submarine Combat System Laboratory opened in South Australia since last November to pursue opportunities in relation to the Future Submarine Program.

Saab Australia and Thales Australia are working with Lockheed Martin Australia on this initiative.

Lockheed Martin Australia Electronic Systems currently has a staff member embedded in the Future Submarine Technical Organisation in the Combat System team.

At the same time Lockheed Martin is also investing an initial \$13 million Australian dollars over three years to the Science, Technology and Engineering Leadership and Research Laboratory – the STELaR Lab – in Melbourne.

I can't understate the significance of this development and how exciting it is for the Australian Government.

The STELaR Lab – due to open early next year – will be Lockheed Martin's first research and development facility outside the United States.

I am enthusiastic about the opportunities the STELaR Lab will deliver for Australian industry, universities and other research institutions and organisations – particularly in providing opportunities in advancing cutting edge technologies.

The facility will assess and test exciting new technologies crucial to gaining superiority in the strategic environment of the future – technologies such as hypersonics, autonomy, robotics and command, control, computing, communications, intelligence, surveillance and reconnaissance.

The Australian Government hopes that this is just the start.

So today let me emphasise – we want to very much encourage US defence industry organisations to establish additional research and development facilities of their own in Australia.

Raytheon is another company already playing an active role with both the Collins-class submarines and the Air Warfare Destroyer program.

In April we were pleased to award the company a \$230 million Australian dollar prime acquisition contract for the supply and integration of new equipment and systems to remediate a key Australian defence and aerospace site, the Woomera Test Range and work is progressing well.

Boeing is subcontracting to Raytheon in support of the Collins-class submarine External Communications Systems – and while I have the opportunity here at the company's headquarters I would like to offer my particular thanks for Boeing's continued support for Operation OKRA, the Australian Defence Force's contribution to combating terror threats in Iraq and Syria.

Boeing is providing sustainment services for our Classic Hornet and Wedgetail detachments and accelerating the delivery of the Joint Direct Attack Munition kits already on order for our Air Force, as well as continuing its commitment to our project to acquire 12 new-build Growler aircraft.

In closing, let me repeat, the Australian Government is embarking on its largest ever investment in defence capacity.

We are determined to be able to meet the challenges of the emerging new strategic environment, in our region and wherever our national interests are at stake.

We are determined to be a genuinely capable ally. Not only with the capability to take part in combat operations but with the will to do so

We are determined to use the Australian Defence dollar to drive a high technology, advanced manufacturing future for our nation.

We are determined to make this vision real, to making it happen, That is my job as Minister for Defence Industry, and you are our partners in this task.

We are determined to build a closer, more strategic relationship with industry to deliver better capability outcomes for Defence.

As part of this task we have emphasised the importance of Australian defence industry and innovation in delivering the military capabilities we need to play our part in ensuring regional and global security.

Australians have always taken pride in technological achievement. A hundred and fifty years ago it was the 2000-mile long telegraph line that stretches from the tropical north of the country across the baking deserts to the population centres of the south, connecting the new nation to the rest of the world.

A century ago it was another link across the desert, the mighty rail line that links the nation east to west. Fifty years ago our architects and engineers ripped up the rulebooks to create the Sydney Opera House.

Today, there is ever-increasing interest in defence technology and Australia has demonstrated its ability to develop world leading technology, like the CEAFAAR Active Phased Array Radar. This technology – which was developed in Australia is being exported to the world – is unique in its design and provides a huge step forward in radar technology.

Transforming our Defence Force is being seen as the next great national endeavour, I trust I have highlighted the nature of the investments and opportunities that task provides for you all today.

Our alliance will a vital part in achieving these capability plans – vital so we can defend Australia's interests and continue our long tradition of cooperation with the United States in the years ahead.

Thank you very much for having me today.