What does the Defence Industrial Capability Plan mean for you, as a small to medium enterprise?

The 2018 Defence Industrial Capability Plan (the Plan) outlines the Government’s vision and objectives to build a robust, resilient and internationally competitive Australian defence industry base that is better able to help meet defence capability needs (Chapter 1). It focuses on maximising opportunities for you, as a competitive Australian business, to support the acquisition, operation and sustainment of Defence capability. The Plan provides the Government’s vision of how Australia’s defence industry can: maximise job opportunities, increase advanced manufacturing, grow defence exports and support the broader Australian economy in research, development and innovation capability.

The Plan provides more information than ever before about the opportunities for you to support the delivery of the Integrated Investment Program and practical tips on how to realise them (Chapter 3 and Annex B). It also outlines all of the Government’s defence industry and innovation initiatives and how they will be used to deliver the defence industry we need (Chapter 4). The Plan introduces new Sovereign Industrial Capability Priority Grants of up to $17 million per annum for small to medium enterprises (SMEs) who are contributing to a Sovereign Industrial Capability Priority. If you are eligible, the grants can help you to meet a portion of your capital equipment purchases and non-recurring engineering costs. The grants will be delivered by the Centre for Defence Industry Capability (CDIC) from the second half of 2018, and will allow for partnering and broader collaboration between Defence and industry (Chapter 2).

Sovereign Industrial Capability Priorities

The Plan announces the initial list of ten Sovereign Industrial Capability Priorities. The Sovereign Industrial Capability Priorities are industrial capabilities that are considered critical to Defence and for which Australia must have access to, or control over the skills, technology, intellectual property, financial resources and infrastructure that underpin these Priorities.

Rather than narrowly focusing on specific companies or products, the Sovereign Industrial Capability Priorities are described at the capability level. The focus is on the resilience of the industrial capabilities that make up a Priority, and on making better decisions about industry sovereignty in the broader context of defence capability development. It is not about mandating use of Australian companies in Defence procurements or automatic contracts.

What if my small to medium enterprise contributes to a Sovereign Industrial Capability Priority?

Defence will engage with you in building our knowledge of the industrial base supporting each Priority, and further develop the initiatives outlined in the Plan, including:

- **Sovereign Industrial Capability Priority Grants**
  The Sovereign Industrial Capability Priority Grants will support the development, maintenance or enhancement of the capability of Australian SMEs that contribute to one or more of the Sovereign Industrial Capability Priorities.
Grants will be delivered through the CDIC from the second half of 2018 and investment decisions will be based on clear alignment with Defence requirements. Grants of up to $1 million will be available for capital expenditure or non-recurring engineering costs and will be subject to a 50:50 matched funding requirement.

- **Integrated Investment Program Capability Stream Industrial Strategies**
  An Australian industrial strategy will be developed for each of the Integrated Investment Program capability streams. The strategies will outline Australia’s short, medium, and long-term industrial objectives for each stream and how Australian industry development will be maximised to support Australia’s defence capability and industry policy objectives. The strategies will require extensive consultation to ensure the analysis underpinning the strategies is robust. The strategies will be released from mid-2019.

- **Sovereign Industrial Capability Priorities Implementation Plans**
  We will develop an implementation plan for each Sovereign Industrial Capability Priority that outlines the level of access to, or control Australia needs for each Priority and how they will be developed and supported across Defence planning to maintain capacity and resilience. These plans will include workforce and skilling considerations, and where appropriate, a forecast of technological developments in the field that will impact future defence capabilities. The implementation plans will also outline how the broader defence industry and innovation initiatives will be leveraged to support the individual requirements of each Priority. The implementation plans will be released from mid-2019.

- **Australian Defence Exports Office**
  The Australian Defence Exports Office has now been established as a key initiative of the Defence Export Strategy. The Office is focused on supporting greater defence exports, particularly for SMEs, and will consider exports in the context of the Sovereign Industrial Capability Priorities. The Office can be contacted at aust.deo@defence.gov.au. The CDIC will continue to be the front door to industry and provide export facilitation and support.

- **Integrated Investment Program Website**
  In the next few months, we will provide even more information on the Integrated Investment Program opportunities through a dedicated website available through www.defence.gov.au in mid-2018.

The CDIC will continue to provide advice and support to you and will oversee the Capability Improvement Grants, the new grant program announced in the Defence Export Strategy to help build the international competitiveness of SMEs, and the Sovereign Industrial Capability Priority Grants. The CDIC can be contacted through www.business.gov.au/cdic.

### What are my obligations as a small to medium enterprises contributing to a Sovereign Industrial Capability Priority?

We need to partner to ensure the resilience and availability of industrial capabilities critical to the Defence mission. If you contribute to one or more of the Sovereign Industrial Capability Priorities you may need to:

- carefully manage and build Australian workforce skills and capabilities
- work closely with us in ensuring physical, cyber and personnel security
- consult with us on any proposed changes to ownership structures
- act responsibly and consistently with Australia’s national interests.
What if my small to medium enterprise does not contribute to a Sovereign Industrial Capability Priority?

Sovereign Industrial Capability Priorities represent only a subset of defence industry capabilities that are critical to Defence requirements. There will be opportunities for you to support the delivery of defence capability across the Integrated Investment Program and broader Defence requirements. The Australian Industry Capability Program remains the most important lever for Australian SME involvement.

The Sovereign Industrial Capability Priorities will take the place of the 2009 Priority Industry Capabilities, however, Defence will continue to honour existing contracts or other commitments where Priority Industry Capabilities have been identified and implemented, such as in Australian Industry Capability Plans.

The Defence Industrial Capability Plan also identifies opportunities and industry support initiatives for any Australian business that can provide products or services either directly to Defence or through a defence supply chain.

- **Australian Industry Capability (AIC) Program**
  The AIC Program aims to develop Australia’s industrial base capability through maximising Australian industry involvement in all major capital equipment projects of $20 million and above, with an emphasis on value-add work and strengthening Australian supply chains over the life of projects. One of the objectives of the program is to overcome barriers for SMEs, and to increase the size and diversity of Australian industry participation in defence contracts.

- **The Centre for Defence Industry Capability**
  The CDIC provides a range of support to Australian businesses in the defence sector or those looking to enter the defence sector. The CDIC has specialised business advisers servicing every state and territory in Australia to ensure that you can obtain the information and advice you need. The service assists you to improve your business, extend networks and take advantage of growth and collaboration opportunities within the defence sector and global markets. The CDIC also delivers Capability Improvement Grants and Industry Development Projects.

- **Defence Innovation Hub**
  The Defence Innovation Hub brings together Defence, defence industry, academia and research institutions to collaborate on innovative technologies that can be developed into advanced capabilities for Defence. The Government is investing $640 million over the decade through the Defence Innovation Hub to support Australian industry and research organisations to mature and accelerate the development of defence technologies.

- **Next Generation Technologies Fund**
  The Government’s investment of $730 million over the decade to June 2026 through the Next Generation Technologies Fund is an unprecedented opportunity to deliver high-impact future capabilities for Defence by tapping into the talent and innovation in Australia’s industry and academic institutions. The Fund is Defence’s new strategic research program. It will position Defence to retain a technology ‘edge’ against adversaries and provide game-changing defence capabilities for the future.

- **Defence Export Strategy**
  The Defence Export Strategy brings together all of the levers available to Government and industry to provide end-to-end support for defence exports, from building export readiness, to identifying export opportunities, and realising export outcomes. The Australian Defence Export Office will also coordinate closely with Austrade and our Defence Attachés and other overseas representatives in pursuing stronger defence outcomes.

More information

