



Australian Government

Department of Defence

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FACT SHEET



PRIORITY INDUSTRY CAPABILITIES

WHAT IS A PIC?

The *Defence White Paper 2009 Defending Australia in the Asia Pacific Century*, outlined the Government's commitment to ensure that certain strategically important industry capabilities continue to be available from within Australia. Under this policy, the Government will identify Priority Industry Capabilities (PIC). PICs are defined as those capabilities that confer an essential strategic advantage by being available from within Australia and which, if not available, would significantly undermine defence self reliance and Australian Defence Force (ADF) operational capability.

The concept of a PIC is that it represents only that element of a broader industry capability that provides the ADF a strategic advantage. In other words, the PIC represents the tip of the capability sword. In some cases the PIC element of a capability area may be a particular skills set or knowledge area within a broader capability discipline.

WHY ARE THEY BEING IDENTIFIED NOW?

The White Paper indicated that the Government has decided not to publicly identify in detail the specific capabilities that are likely to attract PIC support. However, the Government also recognises the value of this information for industry. After further consideration of both the commercial and national security concerns of Government and industry's legitimate need for planning certainty, the Government has decided to make the following information regarding PICs publicly available.

WHAT DOES IT MEAN IF I'M INVOLVED IN DELIVERING A PIC?

Firstly, it must be emphasised that PICs are 'capabilities' not companies and that these capabilities are focussed on the needs of the ADF. Consequently, the list of PICs will change over time as the requirements and priorities of the ADF change. Government will review the list of PICs annually as part of its classified Defence Planning Guidance process.

Secondly, operating in a PIC arena does not automatically mean that you will receive special support or that Defence will pay a premium for PICs. As outlined in the White Paper, the National Security Committee of Cabinet will make decisions about whether and how to provide support to PIC based on a robust business case. Support will only be provided in cases where market failures would be so detrimental to our strategic interests as to justify intervention. On current analysis, Defence does not consider that any PIC requires Cabinet level market intervention.

When intervention is necessary, strategies may include demand management by defence, export promotion and support, skills development, investment facilitation and long term contracting arrangements to assist firms in terms of access to finance and productivity investment decisions. Companies with PIC may also be given priority access to a wide range of existing programmes, such as the Skilling Australian Defence Industry (SADI) program, the Capability and Technology Demonstrator (CTD) and CTD Extension programs, and the Australian Industry Capability program.

Finally, the Government has decided to establish Centres of Excellence to address any identified capability or capacity shortfalls in our PICs. These centres will have a number of roles, including managing skill enhancement programs, targeting research and development activities, and exploiting commercialisation and export opportunities. The first of these centres will be in the Electronic Warfare environment.



ARE FOREIGN FIRMS OR INVESTMENT WELCOME? OR ARE PICS JUST ABOUT AUSTRALIAN COMPANIES?

Government's concern is that these capabilities, rather than a specific company which may have expertise in a Priority Industry Capability, remain resident in Australia. Under this policy an overseas based company can establish a local workforce, infrastructure and intellectual property to develop a capability within Australia in a specific PIC area. They would then be able to compete with locally based companies.



WHAT SHOULD I DO IF I'D LIKE TO INVEST IN A PIC?

Firms are advised not to make investments in PIC areas without first contacting the Defence Materiel Organisation to develop an understanding of the application and scope of a particular PIC. Companies with PIC may become party to a confidentiality and security deed with the Commonwealth that sets out longer term commercial arrangements, including technology that might apply to any subsequent transaction.

WHAT ARE THE PICS?

- **Electronic Warfare.** These industrial capabilities include Electronic Warfare (EW) countermeasures development and validation; EW reprogramming, system integration and 'tuning' of overseas developed EW systems to meet our operational needs; the management of threat libraries; and, importantly, selective strategic product development to maintain high-end EW knowledge and capability. As EW provides an essential capability edge for many of our major war-fighting capabilities there is a need to have a responsive and effective indigenous EW industry sector that can be relied upon to adapt and integrate new systems to meet the needs of our operational posture, including maintaining those elements essential for operational military and security requirements.
- **High Frequency and Phased Array Radars.** This capability includes the ongoing development and support of the indigenously developed world leading capabilities embodied in the Jindalee Operational Radar Network (JORN) and the Phased Array Radar (PAR) currently being installed on ANZAC frigates. These capabilities are important as they are indigenously developed with world leading algorithms and intellectual property, providing very effective capabilities in their respective environments.
- **'High End' System and 'System of Systems' Integration.** This capability relates to the ability to integrate complex systems onboard ADF platforms and to conduct 'system of systems integration' of off-the-shelf capabilities into the broader ADF command and control networks. The ability to undertake systems integration in Australia is a fundamental national sovereignty requirement to enable the ADF to decouple from specific allies' products and take selective advantage of world best military capability developments. Australian industry's ability to support complex 'system of systems' integration is also essential to the development and delivery of the ADF's Network Centric Warfare vision.



- **Through-life and Real Time Support of Mission and Safety Critical Software.** These capabilities are for real time, or near real time, adjustment to software associated with critical systems (combat systems). Recognising that some change and support activities cannot occur over the 'usual' software upgrade timelines, a local industry capability is required for national sovereignty reasons around the need to be able to manage our own systems and data, and to adapt systems to meet our unique requirements. Our capability edge is achieved by incorporating a mix of world best technologies into our systems and accordingly we need to have an indigenous software capability to integrate these systems and to provide through-life support.
- **Anti-Tampering Capabilities.** These capabilities are incorporated into components or systems to prevent the unauthorised opening of the system, or access to the internal workings or intellectual property (IP). The capabilities are important to protect our own or an ally's IP when the capabilities are exported, and to provide assurance that a system has not been tampered with and will operate as expected. Anti-tampering capabilities have important roles to play in system assurance and in the protection of computers, networks and information systems.
- **Signature Management.** These industrial capabilities include the capabilities and coatings used for signature management on submarines, naval vessels, land and air platforms including sound minimisation, radar absorbent materials, infrared absorbent paint and materials and stealth technologies. These capabilities provide leading edge technologies to some of our most important ADF capabilities and are often not available to us from overseas sources.
- **In-service Support of Collins Combat System.** The selection of this capability as a PIC highlights the knowledge, experience and capability that has been developed in Australia to support a unique ADF platform.



- **Acoustic Technologies and Systems.** This capability includes the world class capabilities Australia has in the development and through life support of underwater acoustic systems. These industry capabilities are important as they provide leading edge capabilities that are not always available from overseas sources. In some cases there are national sovereignty reasons to manage our own systems and data.
- **Ship Dry Docking Facilities and Common User Facilities.** These capabilities are required for ongoing support and maintenance of our naval capabilities, but more importantly is the need for these capabilities to be available in a conflict for battle damage repair. This includes the provision of ship dry docking facilities on both the east and west coast and for patrol boats in northern ports. It also includes the common user facilities for ship building and repair.
- **Selected Ballistic Munitions and Explosives.** This is the capability to manufacture some high usage munitions, ammunition components, propellants and explosives. This capability is important as it reduces strategic risks through providing guaranteed supply sources for some high usage munitions, as well as efficiency advantages through managing local production and inventories to reduce the cost of ownership.
- **Infantry Weapons and Remote Weapons Stations.** This capability is the provision of the required level of through-life support to the ADF direct fire weapon fleets (pistols, rifles, machine guns, grenade launchers), and the relatively new capability of remote weapon stations. The local industry importance is for efficiency and effectiveness reasons, recognising that some small arms are heavily 'Australianised'.
- **Combat Clothing and Personal Equipment.** This capability relates to the ability to undertake ongoing development of the combat uniform, specifically multi-spectral and other signature reducing characteristics, and enhancements to personal survivability (such as ballistic, blast and flash protection). It does not include non-combat clothing nor imply that local manufacturing is always necessary.

