

FACT SHEET

SOVEREIGN INDUSTRIAL CAPABILITY PRIORITIES

What are Sovereign Industrial Capability Priorities?

Sovereign Industrial Capability Priorities are capabilities that are critical to Defence and must be developed or supported by Australian industry. This means Australia must have access to, or control over the skills, technology, intellectual property, financial resources and infrastructure that underpin the Priorities. The Priorities represent a subset of the industrial capabilities that Defence relies on to deliver its core objectives and will be managed closely across defence and industry planning.

Sovereign Industrial Capability Priorities are those industrial capabilities assessed as:

- ▶ operationally critical to the Defence mission;
- ▶ priorities within the Integrated Investment Program over the next three to five years; or
- ▶ in need of dedicated monitoring, management, and support due to their industrial complexity, Government priority, or requirements across multiple capability programs.

The initial **Sovereign Industrial Capability Priorities** are (in no particular order):

- ▶ *Collins* Class submarine maintenance and technology upgrade
- ▶ Continuous shipbuilding program (including rolling submarine acquisition)
- ▶ Land combat vehicle and technology upgrade
- ▶ Enhanced active and passive phased array radar capability

- ▶ Combat clothing survivability and signature reduction technologies
- ▶ Advanced signal processing capability in electronic warfare, cyber and information security, and signature management technologies and operations
- ▶ Surveillance and intelligence data collection, analysis dissemination and complex systems integration
- ▶ Test, evaluation, certification and systems assurance
- ▶ Munitions and small arms research, design, development and manufacture
- ▶ Aerospace platform deep maintenance

The Sovereign Industrial Capability Priorities identify a number of elements of the Australian defence industrial base at a capability rather than company or technology level. This encourages innovation in existing technologies and provides flexibility in supporting current critical capabilities. Each Sovereign Industrial Capability Priority is expanded in more detail below.

***Collins* Class submarine maintenance and technology upgrade**

- ▶ Australian industry must have an ability to enhance, sustain, repair, operate and upgrade our submarine capability.
- ▶ Particular importance is placed on the sonar sub-system, tactical and weapons control system, signature management and endurance. Endurance includes batteries for energy storage and propulsion systems.

Continuous shipbuilding program (including rolling submarine acquisition)

- ▶ Australian industry must have the technical, managerial, heavy engineering and advanced manufacturing capabilities required to build an innovative, cost-competitive, sustainable and continuous program that delivers Australia's future submarines, major surface combatants and minor war vessels.
- ▶ Australian industry will need to be integrated into global supply chains, have modern, productive and secure shipyards, and employ a highly skilled workforce both for shipbuilding and sustainment.
- ▶ Establishing 21st century shipyards for design, construction and optimal production efficiency of our future submarines, frigates and minor war vessels is critical to achieve the capability, reform and efficiency dividends required.

Land combat vehicle and technology upgrade

- ▶ Australian industry, including members of vehicle supply chains, must have the capability and capacity to design, develop, manufacture and integrate new systems and equipment for next generation capabilities.
- ▶ Australian industry must also have the ability to update and upgrade systems and equipment to enable the Australian Defence Force's land combat vehicles to meet current and future challenges.
- ▶ Broad Australian industry involvement in the delivery of the new Combat Reconnaissance Vehicle program, for example, will ensure Australia develops the sovereign capability to maintain a lethal, relevant and effective capability into the future.

Enhanced active and passive phased array radar capability

- ▶ Phased array radar capability is only one element of a broader system, but it is a critical one where Australia has a world leading capability and advantage.
- ▶ The ability to detect adversary forces – actively or passively – seeking to operate with similar discretion will be critical to offensive and defensive operations in all environments.

- ▶ Australian industry must possess the ability to design, develop, manufacture, maintain and upgrade passive and active electronically-scanned array radar systems.

Combat clothing survivability and signature reduction technologies

- ▶ Australian industry must possess the ability to provide significant operational advantages through signature reducing characteristics and enhanced blast protection incorporated into the soldier combat ensemble.
- ▶ Australian industry must be positioned to refine, enhance and upgrade stealth and survivability technologies to provide a level of force protection that gives our soldiers a warfighting edge.
- ▶ Only the specific technologies relevant to signature reduction and ballistic protection are considered part of this Sovereign Industrial Capability Priority. As such, general combat clothing is not an element of this Priority.

Advanced signal processing capability in electronic warfare, cyber and information security, and signature management technologies and operations

- ▶ Australian industry must understand, design, develop and use technology applications to maintain an advanced signal processing capability in the area of cyber and information security, radar, sonar and acoustic technologies, electronic warfare operational support (including threat recognition, targeting and planning), and signature management.

Surveillance and intelligence data collection, analysis dissemination and complex systems integration

- ▶ Australian industry must possess an ability to design, develop, maintain and upgrade persistent surveillance capability so that large amounts of data can be collected, analysed and disseminated across the joint force.
- ▶ This includes developing and upgrading sensors and software, over-the-horizon radar systems and space situational awareness systems to enhance data collection, analysis or dissemination.

- ▶ It also means the integration of intelligence and information systems into Command and Control (C2), Communications, Computers and Intelligence (C4) networks, high-end integration across platforms, trusted autonomous systems, and weapon systems that provide Defence with improved situational awareness.

Test, evaluation, certification and systems assurance

- ▶ Providing the initial and in-service test, evaluation, certification and systems assurance of Defence platforms and systems is a shared Defence and industry role.
- ▶ Australian industry must have a suitably skilled workforce and the equipment needed to ensure the safety, accessibility and usability of Defence platforms and systems, both for peacetime and operations.
- ▶ These capabilities must support Australia's unique requirements, and allow indigenous design, development and implementation of modifications and upgrades.

Munitions and small arms research, design, development and manufacture

- ▶ Kinetic weapons and payloads will continue to underpin the Australian Defence Force's military capabilities over the next decade. They will continue to be delivered primarily by industry through a number of major acquisition and sustainment projects.
- ▶ Australian industry must be able to manufacture propellants, munitions, ammunition and small arms that provide our soldiers with a warfighting advantage.

Aerospace platform deep maintenance

- ▶ Complex or specialised maintenance of the Australian Defence Force's rotary and fixed wing aircraft, such as our F-35A Joint Strike Fighter and large remotely-piloted aerial vehicles, in Australia in the required timeframes is critical to deterrence and the effective conduct of operations.
- ▶ Australian industry must possess the industrial skills and technology for the conduct of deeper level maintenance of our rotary and fixed wing aircraft and large remotely-piloted aerial vehicles to enable Defence to reduce strategic and operational risk.

How were the Sovereign Industrial Capability Priorities developed?

Defence used the Sovereign Industrial Capability Assessment Framework to provide a repeatable methodology to identify Sovereign Industrial Capability Priorities. The Framework applied strategy, capability and resource lenses to what the Australian Defence Force needs to be able to do to defend the nation and dependence on Australian defence industry to achieve it.

The Framework incorporated assessment of strategic guidance, levels of discretion in achieving Defence's mission, and the relationship with Australian defence industry. Decision making within the Framework and on the Priorities was extensively consulted across Defence, Government and industry. The Priorities will be reviewed periodically and new ones considered based on strategic, technology and Australian industry capability developments.

What is the relationship with the Priority Industry Capabilities?

The Sovereign Industrial Capability Priorities replace the 2009 Priority Industry Capabilities. With the launch of the Defence Industrial Capability Plan, reference to Priority Industry Capabilities will cease in future Defence procurements, however, Defence will continue to honour existing contracts or other commitments where Priority Industry Capabilities have been identified and implemented, for example in Australian Industry Capability Plans. The scope of some Priority Industry Capabilities has been integrated into the new framework.

How will the Sovereign Industrial Capability Priorities be implemented?

Management and support for Sovereign Industrial Capability Priorities will start at the very beginning of defence planning, continuing throughout the Force Design Cycle and Capability Life Cycle, including the Australian Industry Capability Program, into grants and initiatives to support industry directly. The Australian Industry Capability Program will remain the critical lever for

Australian industry involvement in supporting the Sovereign Industrial Capability Priorities and Defence's broader capability needs.

Options and means to assure each Sovereign Industrial Capability Priority will differ according to the size, scale and nature of the industrial base. These decisions need to be made within the wider context of Australia's defence capability needs, funding priorities and options to deliver the optimum level of sovereignty.

Identifying these Priorities is not about winners or losers within defence industry or mandating companies in procurements or providing automatic contracts. Nor is it about seeking to focus industry investment only in these areas as there will be considerable opportunities for Australian defence industry to support Defence across each Integrated Investment Program capability stream. Identifying these Priorities is about ensuring Australian industry has the resilience and capabilities in areas critical to delivering the Defence mission.

Each Integrated Investment Program project is at a different stage of development. The Priorities will not be applied retrospectively to projects already at an advanced stage of planning for Government Gate 2 decision. For projects that are pre Gate 0 or yet to seek or substantially finalise Australian Industry Capability Plans, relevant Sovereign Industrial Capability Priorities will be considered in the Australian Industry Capability Plan. An updated Australian Industry Capability Plan template will be released in mid-2018. Defence will provide guidance to tenderers on relevant considerations for the Priorities in the project.

Defence will also develop an implementation plan for each Sovereign Industrial Capability Priority that outlines the level of access and 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 may impact on 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.

A Sovereign Industrial Capability Priorities Working Group will be established to guide implementation. Defence will lead the Working Group with representation from Defence capability managers, delivery groups, and the Defence Science and Technology Group, as well as the Centre for Defence Industry Capability and the Defence Innovation Hub. Industry representatives will be invited to the Working Group from time to time to discuss relevant issues for a Priority or to discuss implementation.

Sovereign Industrial Capability Priority Grants Program

A Sovereign Industrial Capability Priority Grants Program will support the development, maintenance or enhancement of the capability of Australian small to medium enterprises that contribute to one or more of the Sovereign Industrial Capability Priorities.

Grants will be delivered through the Centre for Defence Industry Capability 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, subject to a 50:50 matched funding requirement.

More information

For more information about the Defence Industrial Capability Plan and defence industry policy initiatives, visit:
www.defence.gov.au/SPI/Industry/CapabilityPlan

Further information on the Sovereign Industrial Capability Priority Grants, eligibility and grants processes, visit the CDIC website:
www.business.gov.au/cdic