Table of Contents

1 Introduction......................................................................................................................... 3
2 The Tasmanian Government and the Australian Defence Force........................................ 3
3 Australia’s Strategic Policy Approach................................................................................ 4
4 Defence and Regional Australia.......................................................................................... 4
1 Introduction

The Tasmanian Government welcomes the opportunity to contribute to the 2015 Defence White Paper.

The majority of this submission is focused on the relationship between Defence and Regional Australia. As acknowledged in the Defence Issues Paper 2014, Defence makes a significant contribution to the development of regional Australia and seeks to maximise Australian industry involvement where it provides value for money or is in the national interest to do so.\(^1\)

The Tasmanian Government values this commitment and notes that significant capability already exists within Tasmania to assist in the delivery of national security objectives. Tasmania is well placed to make an increased contribution to, and receive increased benefit from, the national Defence task.

The Australian Defence Force (ADF) has a crucial role to play in supporting states when matters arise that present an issue of national security, or when events such as natural disasters occur. Although other agencies and private sector providers play a role in such situations, their capacity and resources are not comparable to that of the ADF. Tasmania will continue to work with the ADF to further enhance cooperation and identify opportunities for resource sharing in relation to security and emergency management.

2 The Tasmanian Government and the Australian Defence Force

2.1 Governance/Liaison

The Tasmanian Government maintains close liaison with Defence and a representative of the ADF is a member of the Tasmanian Government’s Security and Emergency Management Advisory Group. Through this connection, the Tasmanian Government was able to work with the ADF to transport two large generators to Tasmania following the devastating bushfires in January 2013.

The Tasmanian Government would welcome the opportunity to investigate, with Defence, the further sharing of resources, training facilities and equipment.

2.2 Objectives for the ADF – Natural Disasters

A primary link between the Tasmanian Government and Defence is based on arrangements that provide assistance during times of civil emergency.

Arrangements for Defence Assistance to the Civil Community (DACC) can be sought when force is not likely to be required in emergency situations. These arrangements are crucial to Tasmania as they provide valuable assistance when management of an emergency exceeds the resources and capabilities of the State.

\(^1\) Defence Issues Paper p27
It is essential for Tasmania that the capability of the ADF to assist in such circumstances be retained.

3 Australia’s Strategic Policy Approach

3.1 Strategic Interests – Counter Terrorism

The raising of the Terrorism Alert Level to High on 12 September 2014 indicates that threats to Australia from terrorism have increased.

Defence assets are currently distributed in accordance with traditional views of Australia being at risk of a conventional military attack. The traditional distribution of Defence assets and personnel should now be reconsidered, in accordance with the assessment that terrorism now presents a significant security risk to Australia.

Australian Defence capability development should be cognisant of the primary terrorist risks to Australia and possible call-out under Part IIIAA of the Defence Force Act 1903 - Defence Force Aid to the Civil Authority (DFACA). The risk-based allocation of defence resources should also take into account counter-terrorism capability gaps that can be filled by the ADF.

Similarly, defence science and technology capabilities should be focused on issues, such as high-throughput explosives detection, that would assist in the counter-terrorism effort.

Cyber threats are most appropriately addressed through intelligence and law enforcement agencies.

4 Defence and Regional Australia

The Tasmanian Government considers that the following themes around the role of Defence in regional Australia should inform the development of the White Paper:

1. Recognise Tasmania as the most strategic southern gateway for Australia to monitor and protect its interests in the Indian, Southern and South Pacific oceanic zones amid heightened international interest.
2. Set policy direction to ensure that defence spending is fostering community participation and economic development in regional areas.
3. Smooth out ADF procurement demand to allow better project delivery planning by industry, states and territories.
4. Encourage longer term investment by the defence industry in building capability across Australia, particularly regional areas.
5. Broaden access to defence skill specialisation across regional Australia.
6. Encourage small regional business to get into defence support.

This submission identifies several recommendations to address these themes and improve the stability, sustainability and strength of the Australian defence industry by optimising local regional capability for a stronger ADF.
Australia’s marine jurisdiction embraces key defendable commercial activities such as fishing, offshore oil and gas, and other diverse ocean-based enterprises including critical climate and Antarctic science. Tasmania could play a significant role under a renewed focus on this area of defence policy.

Tasmania has strategic assets, including Hobart’s secure deep water port and associated service hub and a soon-to-be extended runway at Hobart International Airport, that could be better leveraged for defence purposes.

Manufacturing is Tasmania’s largest sector contributing over sixteen percent of gross state product. The majority of the State’s elaborately transformed manufactures (ETM) are for off-island sales or export and are already connected to global supply chains. This includes land machines (mining) and high speed light ships which meet Defence standards.

Manufacturing in Tasmania is facing similar challenges to other states and defence spending has the potential to offset many of the regional challenges. Reductions in defence spending in 2012 compounded hardships to Tasmanian (and Australian) manufacturers from the high Australian dollar and low-cost import competition. Declines in the world market for fast ferries, and a decline in the global mining demand for new machinery, have created further challenges for the viability of some of Tasmania’s key ETM manufacturers.

Tasmania would benefit significantly if defence spending was used to smooth out such cyclical uncertainty and enable major manufacturers to plan for the long term, including building human capital and retaining skilled engineers, tradesmen and scientists. Value-for-money considerations in procurement should take into account the value of skills and capacity developed and retained within Australia and particularly within regions.

The following recommendations reflect the policy context identified above.

**RECOMMENDATIONS**

**Recommendation 1:** Consider a focused push to consolidate Australia’s (and Tasmania’s) standing as the global gateway to Eastern Antarctica and the adjacent Southern Ocean (ANSO region).

This will support Australia’s national interests in the region, particularly our responsibilities in ocean governance, vigilance, protection, maintenance and sustainment.

The 1959 Antarctic Treaty designates the area south of 60°S as a zone of peace and cooperation where the freedom of science is practised and nuclear non-proliferation prevails.


In Australia’s case, these international arrangements, along with the 1982 UN Convention on the Law of the Sea, set the course for national activities in Antarctica and the Southern Ocean (ANSO).

Australia exercises national sovereignty over the Territory of Heard Island and McDonald Islands and (through Tasmania) Macquarie Island.
Together, these arrangements balance sovereign aspirations, rights and obligations in the ANSO with international understandings. They also mean that a large geographic area adjacent to Australia has been kept free of international discord for over 50 years. The attendant strategic benefits accruing to Australia continue to underpin our sovereign Antarctic claim as well as national activities in the ANSO region.

Growing interest in the ANSO region over the past decade by ASEAN countries such as China, India and Korea has led to expansion of their activities in the region, particularly in respect of establishing land stations in the Australian Antarctic Territories. As a consequence, Australia’s position as an original Antarctic Treaty Party, Antarctic Claimant State, geographical power and convenient ANSO gateway has assumed unprecedented importance. The prevailing cooperative governance approach of the Treaty has therefore become the cornerstone of national ANSO policy.

The consequences of this policy, along with growing international interest, have meant that Australia has positively engaged with countries seeking to be involved in ANSO activities against a background of our geographical ‘sense of place’ and our responsibilities to uphold the key provisions of the Treaty.

These circumstances have resulted in an increased international ANSO presence of scientific research, fishing, support and monitoring (ie for fisheries enforcement and meteorological) vessels. Equally, the convenience of Hobart as the national ANSO Gateway has resulted in more vessels using the port to support their marine and land-based ANSO operations.

Hobart has grown from being the home port for the Australian and French programs to hosting an increasing number of visits by China, Japan, Korea and the USA over the past three to five years. Most notably, both China and France have signed memoranda of understanding with Tasmania on Antarctic Gateway cooperation.

Fishery interests in the ANSO region place an obligation on Australia, as a responsible coastal State in the region, to undertake patrol activities to ensure that our national interests are not compromised as well as research activities in order to better understand the region’s natural assets.

In particular, these obligations extend to fisheries enforcement around Macquarie Island, our Exclusive Economic Zone around Heard and MacDonald Islands, and national search and rescue (SAR), oceanic (bathymetry) survey, and meteorological responsibilities.

The recently increased use of Hobart as an ANSO port-of-call has significant flow-on economic benefits for Tasmania, and Australia, through the use of local maritime and polar industry networks and capabilities.

In particular, the increasing port calls, impending extension of the Hobart Airport runway, and planned upgrades (eg for bunker fuel delivery) of Hobart port facilities make the city an attractive location for the United States Antarctic Program to relocate some of its operations from New Zealand.

In a strategic sense, the lengthened Hobart airport runway will significantly extend the range of maritime aircraft able to monitor the ANSO, so serving as an expanded ‘aircraft carrier’ to improve access to the oceanic region. This would make the airport a significantly enhanced asset for the ADF.
Recommendation 2: Defence partnering with Australian communities in regional areas most affected by the downturn in manufacturing.

Tasmania welcomes the Australian Government’s commitment to increase defence spending over the next two decades to two per cent of Australia’s gross domestic product.

The Tasmanian Government would like to see a policy setting to defence procurement which fosters economic and community outcomes for smaller regions. It accepts that quality, cost and delivery procurement criteria must provide value for money to the ADF, but suggests that greater efforts should be made to use defence spending to develop regional supply chains. This would also deliver future-proofing and security of supply to the ADF.

Levelling out defence procurement demand would be a low-cost enabler to facilitate supply chains in smaller regional areas. The concept of intermediate technology (scale) is widely practiced across the EU, providing quality and innovation to products and services rather than seeking world scale facilities.

Several previous defence policy statements have discussed the issue of balancing defence procurement, but few governments have been able to deliver their objectives in managing cyclic procurement demand. If private capital is going to invest in industry growth and resilience, whether it be technology, human capital or research, policy settings and implementation must be robust and defendable irrespective of other priorities.

Recommendation 3: Improve regional defence industry skills and capability

Improving the defence industry skills base is fundamental to delivering the long term aspirations of the ADF. More could be done at a regional level to support this.

The Tasmanian Government commends the Defence Materiel Organisation (DMO) for its support of existing Science, Technology, Engineering and Mathematics (STEM) programs, such as Formula 1 in Schools, over the years. However, after several very successful outcomes from the Tasmanian hub, and with strong private enterprise and community support, this STEM program is still only active in less than a third of the State.

Tasmania has not benefited from other programs such as Skilling Australia’s Defence Industry and Industry Skilling Program Enhancement, as no Tasmanian companies qualify. To ensure that Tasmania benefits from spending in this area, it could be directed towards STEM programs at Tasmanian regional high schools and to build the latent capability of its young people towards careers in the ADF, as well as providing sponsored medium term work opportunities outside for apprentices affected by layoffs caused by economic cycles.

The Australian Maritime College (AMC) continues to be a leader in naval engineering and the recent launch of the Naval Engineering and Manufacturing research facility at the Newnham campus in collaboration with Flinders University, University of Wollongong, Thales, Babcock, DMTC, ASC and PMB Defence is important.
The Tasmanian Government recognises the Australian Government’s contribution to the AMC but notes that the launch was held at the Model Test Basin, a facility funded by the State Government in 2001. This proves there is a solid commitment by both tiers of government, but currently many AMC undergraduates are struggling to find industry placements due to low industry activity levels. It should be possible to develop a policy and funding framework in relation to defence capabilities that creates opportunities for AMC engineering graduates (even if that means working away from Tasmania).

**Recommendation 4: Strengthen collaboration between the Tasmanian and Australian governments through a joint defence business development program.**

The Tasmanian Government is committed to backing local businesses to create jobs, stimulate the economy and deliver growth. However, to prepare Tasmanian firms to be defence ready and commit to delivering their latent capability to the DMO and ADF, requires collaboration between the Tasmanian and Australian Governments.

Tasmania has some very capable niche defence manufacturers including Life Raft Systems, Taylor Brothers, Currawong Engineering and Delta Hydraulics, but there is an opportunity to grow our capability and ability to deliver quality products and services to the ADF given the right environment.

Tasmania proposes that a joint defence business development program be designed to firstly enhance the capabilities and competencies of Tasmanian firms and then provide access to defence contracts. We have a high regard for the co-operation we have had from the Defence Industry Innovation Centre (DIIC) and are suggesting a more permanent presence of DIIC in Tasmania.

Suggested goals for the business development program are:

- assist businesses that can offer something to defence to become more competitive, improve their capability and win defence-related contracts;
- attract defence investment in Tasmania;
- leverage export opportunities and sales in the national and international defence space to ensure diversity and sustainability of defence focused small and medium sized enterprises (SMEs); and
- ensure a strong, informed and supportive relationship exists between the Tasmanian Government, DMO, and the national and international defence community.

The tools to support and deliver on these goals are:

1. A quality Tasmanian defence capability statement highlighting available and potential capability and capacity.
2. Joint government and industry attendance at key Defence events in Australia and overseas providing access to both DMO and private defence buyers (Primes).
3. Regular liaison with Australian Government defence organisations including DMO, DIIC, Defence Science and Technology Organisation, Defence Export Control Office and Defence Team Australia.
4. Regular liaison with international Defence primes.
5. Facilitating events in Tasmania leveraging off relationships with the above organisations.
SMEs are the engine room of the Tasmanian economy. With large commodity producers finding it increasingly difficult to maintain operations in high cost countries like Australia, small engineering businesses make a significant contribution to the local economy through the delivery of goods and services and through the provision of employment opportunities particularly in the higher skills and wages levels.

Equally importantly, much of the innovation and productivity growth in the State occurs in smaller engineering businesses according to the Australian Innovation Research Council’s Innovation Census 2010.

The challenge for Tasmanian companies is to understand the defence market, identify their place, and build the relationships with the key players. For example, many of the small to medium engineering firms active in defence are also suppliers to Caterpillar Underground at Burnie. This international company continues to review its suppliers and transition them to competitive global supply chains, albeit in smaller numbers.

Tasmanian companies wishing to transition to modern advanced manufacturing capability need to understand these market pressures, and set a course of continuous improvement to meet the standards required for defence contracting and thus build diversity beyond Caterpillar. There is a role for governments in assisting enterprises to achieve these standards.

It will also be important to identify projects where Tasmanian companies are able (and willing) to develop new capabilities that align with the requirements of identified projects. In other words, Tasmanian companies must focus on delivering against the specific requirements of the ADF’s projects to be identified in the Defence Capability Plan.