

A blurred background image showing four people in an industrial or construction environment. From left to right: a woman with dark curly hair and safety glasses, a woman with dark hair and safety glasses, a man with a beard and safety glasses wearing an orange high-visibility vest, and a woman wearing a blue hard hat and safety glasses. They are all smiling and looking towards the camera. The background shows a complex structure of white pipes or scaffolding.

Review of the Centre for Defence Industry Capability

FINAL REPORT

JULY 2020

Contents

Minister's Message.....	3
Foreword	4
Context	5
Executive Summary	6
Key Findings	6
Guiding Principles	9
Recommendations.....	9
1 Introduction.....	12
2 CDIC's role.....	14
2.1 CDIC's intended role and objectives.....	14
2.2 The broader ecosystem	19
3 Impact on small to medium businesses.....	22
3.1 CDIC's intended outcomes and impact.....	23
3.2 Number, location and characteristics of CDIC clients.....	23
3.3 Interactions with the CDIC	27
3.4 Outcomes for small to medium businesses.....	28
4 CDIC operating model	32
4.1 Introduction to the CDIC's operating model.....	33
4.2 Strategy.....	33
4.3 Scope of CDIC services	34
4.4 Governance	47
4.5 Structure	50
4.6 Workforce	51
4.7 External partnerships.....	55
4.8 Evaluation and performance measurement.....	55
5 CDIC's future operating model.....	57
6 CDIC's future role and functions.....	60
7 Recommendations.....	64
7.1 Recommendations.....	64
7.2 Future domicile and delivery model of the CDIC	66
Appendix A Acronyms.....	67
Appendix B Review terms of reference.....	69
Appendix C Discussion Paper questions	71
Appendix D Global Supply Chain Program.....	72
Appendix E Defence industry ecosystem.....	75
Appendix F CDIC Business Plan 2020.....	76
Appendix G Bibliography	79

All data and statistics provided in this review were accurate at the time of sourcing.

Minister's Message

In November 2019, I commissioned the Co-chairs of the Centre for Defence Industry Capability (CDIC) Advisory Board, Mr Tony Fraser AO CSC and Ms Kate Carnell AO, to review the CDIC.

I am now pleased to release the CDIC Review and my decisions on the recommendations.

I would like to extend my sincere thanks to the Co-chairs, the independent review team and the individuals and organisations who committed their time and insights to the review.

The CDIC was established in 2016 by the Coalition Government as the shopfront to Defence and the support body for Australian businesses in our defence industry.

Almost four years on, it is essential we reform the CDIC to ensure that it remains fit-for-purpose and that it provides more targeted support for Australian businesses looking to work with Defence and our existing suppliers.

This review highlights the achievements of the CDIC to date, but also the objectives on which we need to re-focus and deliver on.

Since becoming Minister for Defence Industry, my number one priority has been to deliver stronger support for Australian small businesses and create a stronger defence industry.

The Minister for Defence, Senator the Hon Linda Reynolds CSC and I look forward to working with Defence to create more Australian jobs, keep small businesses strong and the wheels of defence industry turning.



A handwritten signature in blue ink that reads "Melissa Price". The signature is fluid and cursive.

The Hon Melissa Price MP

Minister for Defence Industry

Foreword

In late 2019, the Minister for Defence Industry, the Hon Melissa Price MP commissioned the review of the Centre for Defence Industry Capability (CDIC). At that time no-one could have anticipated that the review would be conducted during the coronavirus (COVID-19) pandemic and the impact that this would have on Australian businesses and the community in general.

We would like to express our appreciation to the individuals and organisations who contributed their time, expertise and insights to the review during this difficult period. The review received 141 written submissions and interviewed 53 stakeholders, including state and territory defence industry representatives, and present and past CDIC staff and Department of Industry, Science, Energy and Resources and Department of Defence leadership. The response to the review demonstrates the commitment from industry and other stakeholders to the success of the CDIC and its enduring support to Australia's industrial base.

The Terms of Reference are focused on the future of the CDIC. The submissions and consultations exposed key themes that arose consistently, and these have guided our choice of the issues addressed, and the chapters in this report.

The review assesses the operational model of the CDIC and makes several recommendations to ensure that it can continue supporting the growth and resilience of the Australian sovereign defence industry and defence capabilities into the future for the critical purpose of equipping and sustaining the Australian Defence Force. The release of the 2020 Defence Strategic Update (DSU) and 2020 Force Structure Plan (FSP) re-affirmed the need for this review to strengthen the CDIC's delivery model, clarify its role and assess its capacity and capability to continue to support Australia's industrial base, in particular those small and regional businesses looking for opportunities to enter the defence market or grow their defence industry footprint.

The role of the CDIC is essential to delivering the direction of the Australian Government to increase Australian defence industry capability, and in generating economic benefits, delivering jobs and encouraging innovation across Australia. The report makes recommendations to strengthen the CDIC's future strategic and operational model to assist Australian industry to meet Defence's increasingly complex and urgent capability requirements in the decade to come.

The evolution of the defence industry policy and program landscape since the establishment of the CDIC in late 2016 has contributed to a blurring of the CDIC's role and has made implementing the objectives of the 2016 Defence Industry Policy Statement (DIPS) challenging. The release of the 2020 DSU and the 2020 FSP highlight that now, more than ever, Defence needs to ensure that Australian industry has the best capability to meet Defence capability needs. The review confirms that the CDIC's intent aligns to this single objective.

The report also reinforces the need for the CDIC to act as a bridge between Defence and industry to facilitate greater access to defence work. The report acknowledges the critical role that the CDIC plays in the Government's vision for an Australian defence industry that is world-class, competitive and sustainable. As the COVID-19 pandemic has highlighted, Australian businesses can adapt and provide smart solutions in new industry sectors.



A handwritten signature in blue ink that reads "Kate Carnell".

Ms Kate Carnell AO
Co-chair of the CDIC
Advisory Board



A handwritten signature in blue ink that reads "Tony".

Mr Tony Fraser AO CSC
Co-chair of the CDIC
Advisory Board

Context

In undertaking the CDIC review the variance of views, experiences and emotions expressed in some of the submissions and interviews was significant. The reviewers wish to ensure that this review is not meant to, nor be perceived to, criticise any particular individual.

The intent of the review is to identify and offer improvements to the framework and conditions for the CDIC, to enable efficient and effective success as a critical enabler to Australian defence industry for the purpose of equipping and sustaining the ADF of the future.

Executive Summary

The Government has emphasised the critical importance of the Australian defence industry in delivering the \$270 billion capital program of the 2020 Force Structure Plan (FSP) to equip and sustain the Australian Defence Force (ADF). Overlaid with the lessons of the COVID-19 pandemic and the need for supply chain surety, there has never been a more important time for the Australian defence industry.

The functions of the Centre for Defence Industry Capability (CDIC) are core to defence industry growth and sustainability. The defence industry policy and programmatic landscape has evolved since the release of the 2016 Defence Industry Policy Statement (DIPS) and the establishment of the CDIC. After almost four years, it is timely to review the CDIC to ensure it best provides opportunities for businesses to succeed in the defence sector.

The 2020 FSP reinforces the intentions of the 2016 DIPS and the 2015 First Principles Review (FPR) for a strong partnership between Defence and Australian industry. The CDIC acts as a 'bridge' between Defence and industry by providing industry intelligence to Defence and future capability intelligence to the industry sector. This function is especially crucial as defence capability increases in complexity, technology, and involves coordination across an increasing number of businesses and Defence areas.

The COVID-19 pandemic has highlighted the importance of Australia possessing robust and resilient sovereign manufacturing capabilities, which are flexible, adaptable and can respond to demand quickly in a crisis. COVID-19 also underlines the significance of the CDIC's role in encouraging new and established businesses to move into the defence sector.

Defence relies on a broad range of industry sectors across Australia to deliver and sustain the capability that our ADF need and provide the national support base to enable Australia to respond to new challenges in our contested strategic environment.

The Continuous Naval Shipbuilding Program is a national endeavour. The defence industry in Australia is a highly complex and unique market with Defence combat requirements driving standards that have relatively high barriers to entry. Defence has been able to provide long-term certainty to industry relayed through the 10-year 2020 FSP.

The review highlights a relatively healthy defence industry ecosystem. However, it also notes that there is an increasing number of business advisory services, non-core contractors and consultants, representative groups and lobbyists that, in performing these roles, are ultimately competing for Defence sector taxpayer funding. The balance of all of these elements is important as the broad collective of Defence and industry execute the critical responsibility expected of Government and the nation, to equip and sustain the ADF.

Key Findings

The CDIC's services for small to medium businesses

The reviewers observe that the CDIC has carried a very high tempo since its establishment at the end of 2016. It has provided business advisory and facilitation services and/or defence industry grants to approximately 800 businesses across Australia. 779 companies received a business advisory and facilitation service.¹ The majority of these businesses (628 or 80 per cent) received a business advisory and facilitation service, and no grant. 124 of the 779 businesses went on to receive a Capability Improvement Grant (CIG) to implement recommendations provided by a Defence Business Adviser (DBA).

¹ Some of the 628 businesses include current CDIC clients who have not yet received an Advisory Services Report from their DBA that leads into a CIG to implement the recommendations in the ASR. These clients are; therefore not included in the total of 124 CIG recipients.
Centre for Defence Industry Capability Review – Final Report – July 2020

Most businesses reported positive outcomes in the short and medium-term from their interaction with the CDIC.² The review notes that several submissions and interviews identified positive results from the business advisory and facilitation services. These outcomes included improved business operations from better systems, practices, processes and workforce upskilling. However, the review also notes the views of some businesses that the CDIC's business advisory and facilitation services have become generic and not sufficiently targeted at defence specific support. Given the CDIC has been in operation for less than four years, there is presently limited evidence to assess the longer-term impacts of the CDIC on businesses.

The review found that business satisfaction levels with the CDIC's business advisory and industry facilitation services are mixed. Satisfied clients typically attributed their contentment with the services to their overall experience with a 'specific' adviser or facilitator. Less satisfied clients cited inconsistency or relevance of advice provided, being generic and transactional in nature.

The review also notes mixed feedback on the CDIC's engagement and workshop offers. Some businesses praised them as informative and useful for networking, while others see them as one size fits all and not appropriately tailored to the different needs of our industrial base. The review notes that there is an increasing volume of training content offered by other entities such as industry associations and state and territory government agencies, which in some cases have overlapped with the CDIC's offerings.

The review notes that feedback from businesses who received a funded industry grant has been overwhelmingly positive. Feedback across the four grant programs highlight the positive impact that these are having on small business, particularly in developing defence capability. The review was advised that the grant guidelines would benefit from allowing more flexibility for shifting business strategies over-time.

The CDIC's strategy

The review notes that some of the issues identified in this report stem from the difficulty of implementation of the CDIC's intent as articulated in the 2016 DIPS and specifically the Shared Services Memorandum of Understanding (MOU) between the Department of Industry, Science, Energy and Resources (DISER) and the Department of Defence (Defence).³

The review also notes that the CDIC's role and purpose are expressed in different ways across various foundational documents, including the Shared Services MOU, the 2016 CDIC Operational Guidelines, the 2017 Concept of Operations and the 2018 CDIC Strategy Map. Improved alignment of these documents will assist the defence industry sector, clients and key stakeholders around the CDIC's ultimate responsibilities, composition and prioritisation of service offerings to different stakeholder groups.

Benefits to Defence

The importance of the partnership between Defence and the CDIC delivers a key objective of both the 2015 FPR and the 2016 DIPS; several written submissions to the review capture the essence of the CDIC's value as being the 'bridge', 'conduit', or 'interface' between Defence and industry.

The 2016 DIPS called for the CDIC to fulfil several key industry development roles such as understanding Defence capability needs and conducting industry capability and maturity mapping. However, no agreement followed on what these policy-based requirements meant in practical terms of working partnerships, intelligence, information sharing, and governance.

The review notes that the idea of the CDIC as a 'bridge' captures its role as a connecting entity between Defence and industry to facilitate the flow of information and strengthen the relationship. The review affirms that as the 'bridge', the CDIC delivers a productive and co-operative relationship between the two.

Value for Prime contractors

The CDIC's current activities with Prime contractors (Primes) involve undertaking roadshows, industry engagement days and preparing small to medium businesses on how to present to Primes for new and existing Defence major

² Approximately 80 per cent of grant recipients (85) reported tangible benefits to their business within the first 12 months of the grant program.

³ The MOU is the operating and funding agreement, which contains a Services Schedule that outlines the services CDIC will deliver and Activity Plans outlining the statement of work for services such as advisory and facilitation services, innovation facilitation, and export facilitation.

projects. The funded Global Supply Chain (GSC) Program has a select number of Primes performing similar functions but with an export focus. The review notes that several Primes reported that greater benefit would be gained through a framework, which allowed for the controlled sharing of mentoring intelligence gathered through the CDIC's engagement activities with Australian businesses. The review notes that in the same way the CDIC prepares small businesses to work with Primes, Primes need to be prepared to engage with small business.

Leadership of the defence industry sector

The 2016 DIPS stated an expectation that the CDIC would become the defence industry strategic leader and partner (Defence, 2016a). The review formed the view that this remains in development and that using the collective experience and the networks of the Advisory Board to a greater extent would assist in steering and shaping the working relationship between the Defence, Primes and the Australian industrial base.

Governance

The CDIC has unique, hybrid governance arrangements and a tripartite relationship between DISER (the delivery agency), Defence (the policy and program owner), and Defence delivery groups. This imposes complexities and transaction costs in the management of the CDIC. Under the Shared Services MOU, DISER is responsible for recruitment and organisational structure, while Defence is responsible for the organisation's strategy and policy.

Structure

The review finds that, in addition to the grants program success, other intended positive benefits of embedding the CDIC in DISER have been realised. These include the active cross-pollination and referrals to other industry programs such as the Entrepreneurs' Programme (EP) and the Industry Growth Centres (IGC), the utilisation and tailoring of DISER's Intellectual Property (IP) and systems such as the Customer Relationship Management (CRM). However, the review notes that other benefits are yet to be fully extracted. These include leveraging DISER's data, insights and evaluation capabilities.

Workforce

The review observes that the CDIC's core asset is its staff, who are highly passionate and committed to the success of Australian industry and supporting Defence capability. Nevertheless, the review was given mixed feedback from external stakeholders about the level and depth of the advice from Defence Business Advisers (DBAs) and Defence Industry Facilitators (DIFs).

The review formed the view that the CDIC's current hybrid resource allocation model of advice being delivered based on geography and industry specialisation is appropriate for the task.

External partnerships

Most state and territory defence agencies reported a productive relationship with the CDIC through informal information sharing and referrals. Industry associations reported instances of positive collaboration in the Continuous Naval Shipbuilding Program.

The review was advised by key stakeholders of the level of depth and complexity of the CDIC collaboration with the range of industry associations.

Evaluation and performance measurement

The review notes that the CDIC evaluation framework is maturing. The CDIC provides reporting to several stakeholders, and this is largely outputs and activities focused for example, the number and value of grants and business advisory services approved.

In 2019, the CDIC designed several surveys that collect information, and which are planned for an expanded roll out. The review notes that there is detailed information within these CDIC datasets that can be used to extract policy-relevant insights.

Guiding Principles

The review offers the following guiding principles for developing the implementation plan for the CDIC review recommendations.

- **Purpose:** Set the conditions for the Australian defence industry to achieve a respected Fundamental Input to Capability (FIC) partnership with Defence to equip and sustain the ADF.
- **Transparency:** Changes made to the operating structure, governance or service delivery models must be communicated to the wider stakeholder group.
- **Value for Money:** Changes contemplated should weigh-up the potential cost/benefit to ensure that there is maximum leverage of each taxpayer dollar spent.
- **Simplification:** Changes should contemplate the ease of use and access for stakeholders and clarity of process. Avoid duplication and consolidate information and resources into one place.
- **Alignment:** The future strategy should align with contemporary strategic guidance and Government emphasis.
- **Stakeholder Focus:** Above all, changes made should keep delivering the best outcomes for stakeholder's front of mind. This includes ensuring that decisions on future operating models and structure recognise the particular strengths of both departments as well as the benefits of outsourcing where it will provide a better outcome for stakeholders.

Recommendations

1. **Sustaining the enhanced Defence and industry relationship forged through natural disasters and the COVID-19 pandemic:** Through the adversity of the devastating summer bushfires and deadly COVID-19 pandemic, Defence and Australian defence industry forged a much stronger and respectful relationship. The CDIC should retain some of the initiatives to cement Australian defence industry as a FIC including:
 - a. Being a single entry-point for businesses to Defence.
 - b. Making it simpler and cheaper to engage with Defence through:
 - i. Rapid, responsive resolution of arising issues.
 - ii. Increasing efficiency of deliberate processes (congestion-busting).
 - iii. Increased efficiency of invoicing and flow down through the full supply chain.
2. **The role and purpose of the CDIC is helping Australian businesses win Defence work:** The review recommends that the CDIC's role and purpose be updated to reflect the 2020 FSP and increased Australian Industry Capability (AIC) focus, and progression of policy since the CDIC establishment in 2016.

3. **The domicile and delivery model of the CDIC:** The review considered two options. A comparison of the advantages and disadvantages of both options is at section 7.2.

Table 1 | Option A and Option B

Option A: Retain the CDIC within DISER	Option B: Transfer the CDIC to Defence, but retain grants administration within DISER
The Shared Services MOU between DISER and Defence will be updated by no later than the end of 2020.	The CDIC to be co-located with the newly formed AIC Division within Defence Capability Acquisition and Sustainment Group (CASG).
Update the CDIC Charter to align with the 2020 Force Structure Plan, the More Together: Defence Science and Technology Strategy 2030, and the 2018 Sovereign Industrial Capability Priorities.	Update the CDIC strategy with the 2020 FSP, the More Together: Defence Science and Technology Strategy 2030, and the 2018 Sovereign Industrial Capability Priorities.
The mandate of the Advisory Board should be broaden to include issues integral to the success of defence industry such as the Australian Industrial Capability Program, and the development of our sovereign industry.	In conjunction with the AIC Division, retain the functions of the COVID-19 pandemic Defence Industry Support Cell.
The CDIC will make better use of its access to DISER's data and insights platforms for reporting and evaluation purposes.	Use DISER's Entrepreneurs' Programme to deliver non-defence specific business advisory services.
Transfer the GSC Program back to Defence and review its efficacy given the maturing CDIC functions and the 2018 Defence Export Strategy.	Re-brand the organisation to reflect its new delivery model and domicile.
	Transfer the GSC Program back to Defence and review its efficacy given the maturing CDIC functions and the 2018 Defence Export Strategy.

The reviewers recommend Option B: Transfer the CDIC to Defence but retain grants administration with DISER.

4. **Increasing Australian small business opportunities to win Defence work:**

- Through an engagement framework, expand Australian business knowledge of defence industry opportunities with the intent of 'pulling' other businesses into the Australian defence industry.
- Lift the limitation of the CDIC services being restricted to businesses of less than 200 employees.
- Implement a CDIC outreach program to regional Australia.
- Expand the CDIC scope to include opportunities within all Defence delivery groups, not just CASG.
- Implement a CDIC focus stream for indigenous and veteran-owned small businesses and improving employment outcomes for veterans post-separation from the ADF.
- Appoint a Small Business Advocate within the CDIC.

5. **Apply the lessons of the COVID-19 pandemic to build resilient supply chains domestically and for export markets:**

- Provide data-driven insights into the health of the defence industry supply chain through its engagement with the industrial base.

6. **Evaluate opportunities for outsourcing:**
 - a. Evaluate outsourcing opportunities for select Defence business training and development to consider regionally based elements of industry groups/associations rather than consultancies or large companies.
 - b. In cooperation with Defence Science and Technology (DST) Group, and Strategic Policy and Intelligence (SP&I) Group, evaluate outsourcing opportunities for select innovation stewardship to consider whether organisations such as DMTC might provide the required responses and informed management of businesses seeking to enter Defence innovation programs.
7. **The specific objectives and expectations for the CDIC's support to Australian defence industry as described in the 2018 Defence Industrial Capability Plan (DICP) should continue to be pursued.**
8. **There should be representation from the office of the Minister for Defence Industry on the CDIC Advisory Board.**
9. **A communication program should be developed by Defence for industry policy documents since 2016, including:**
 - a. 2017 Naval Shipbuilding Plan.
 - b. 2018 Defence Export Strategy.
 - c. 2018 Defence Industrial Capability Plan.
 - d. 2019 Defence Policy for Industry Participation.
 - e. 2019 Defence Industry Skilling and STEM Strategy.
 - f. 2020 Force Structure Plan.
 - g. Enhancements to the AIC Program framework.

1 Introduction

Context for this review

The Centre for Defence Capability (CDIC) is a Department of Defence (Defence) funded program that launched in December 2016. It is domiciled and administered in the Department of Industry, Science, Energy and Resources (DISER) under a Shared Services Memorandum of Understanding (MOU) between DISER and Defence. The CDIC is the entry point for connecting Australia's industry with Defence.

The co-chairs of the CDIC Advisory Board, Ms Kate Carnell AO, and Mr Tony Fraser AO CSC, led the review.

A Secretariat supported the co-chairs to conduct the review, which ran from April to July 2020. The Secretariat included two representatives from Defence, one representative from the CDIC and one representative from the Australian Small Business and Family Enterprise Ombudsman (ASBFEO). The review was undertaken and written by a team from Nous Group (Nous), an independent management consulting firm on behalf of the co-chairs.

The scope of the review encompasses the CDIC's operations from December 2016 to November 2019. The Terms of Reference for the review was released on 15 April 2020 and are included at Appendix A.

Related reviews

- This review builds and draws significantly on several internal prior reviews, including:
- The 2018 CDIC initial evaluation undertaken by the Office of the Chief Economist in DISER (DIIS, 2018).
- The 2018 Workforce Planning Project review undertaken by Deliberatedge (Deliberatedge, 2018).
- The 2019 Governance review conducted by Yardstick (Yardstick, 2020).

Relevant findings, including recommendations from these reviews, are incorporated throughout this report.

Review objectives

This review assesses the CDIC's role and operating model to ensure it can best support the growth of the Australian defence industry into the future. **This review provides recommendations which will allow the CDIC to clarify its role, strengthen service delivery and ensure adequate capacity and capability to meet the needs of Australian businesses looking to enter the defence market or grow their defence industry footprint.**

Review methodology

The review focusses around five lines of inquiry which draw from the Terms of Reference. From these lines of inquiry questions were developed for the public Discussion Paper at Appendix C.

The lines of inquiry are:

1. How has the CDIC's role and activities evolved?
2. What outcomes have the CDIC achieved for small to medium businesses?
3. How effective and efficient is the CDIC's operating model?
4. What might the CDIC's future operating model?
5. What roles should the CDIC perform going forward?

Industry and other stakeholders were invited to provide written or verbal feedback in response to the Discussion Paper.

The evidence base for this review is informed by:

- 141 written submissions from the CDIC, industry, and state and territory government stakeholders.
- 53 interviews with Defence, DISER, CDIC, industry, and states and territories government stakeholders.
- An extensive review and analysis of the CDIC documents and datasets, provided by the CDIC.

Figure 2 | Summary of stakeholder interviews and submissions



Source: 2020 Review submissions and interviews

2 CDIC's role

Key Line of inquiry 1

How has the CDIC's role and activities evolved?

Key findings

- Since its establishment the CDIC has had relatively few levers of change at its disposal to affect outcomes relative to parts of the Defence portfolio.
- It has been difficult for the CDIC to keep its operational alignment to the role and purpose described for the organisation in a broad range of Defence policy documents such as the 2017 Naval Shipbuilding Plan (NSP), 2018 Defence Export Strategy (DES), the 2018 Defence Industrial Capability Plan (DICP), and the 2019 Defence Industry Skilling and STEM Strategy, all of which build on the 2016 Defence Industry Policy Statement (DIPS).
- The defence industry support sector is becoming increasingly crowded and competitive, and there is some overlap in activities between the CDIC and other entities.

2.1 CDIC's intended role and objectives

Bringing Defence and industry together

The CDIC was created as part of a defence industry policy transformation to deliver on the Australian Government's significant plans for investment in capability, outlined in the 2016 Defence White Paper (DWP) (Defence, 2016b) and 2016 Integrated Investment Plan (IIP) (Defence, 2016c) and further strengthened through the 2020 Force Structure Plan (FSP). Its purpose, as stated in the 2016 DIPS, was to drive the "transformation of the Defence-industry partnership through a single governance framework that will help consolidate existing industry programs and provide a transparent, focused link between Defence and Australian defence industry" (Defence, 2016a).

In 2016, the objectives of the CDIC were articulated as follows:

- Function as a 'bridge' between Defence and industry.
- Transform the Defence-industry partnership.
- Make it simpler, easier and cheaper for industry to deal with Defence as well as access grants and engage with the Defence Innovation Hub (DIH).
- Build a world-class, globally competitive and sustainable Australian defence industry as a Fundamental Input to Capability (FIC).

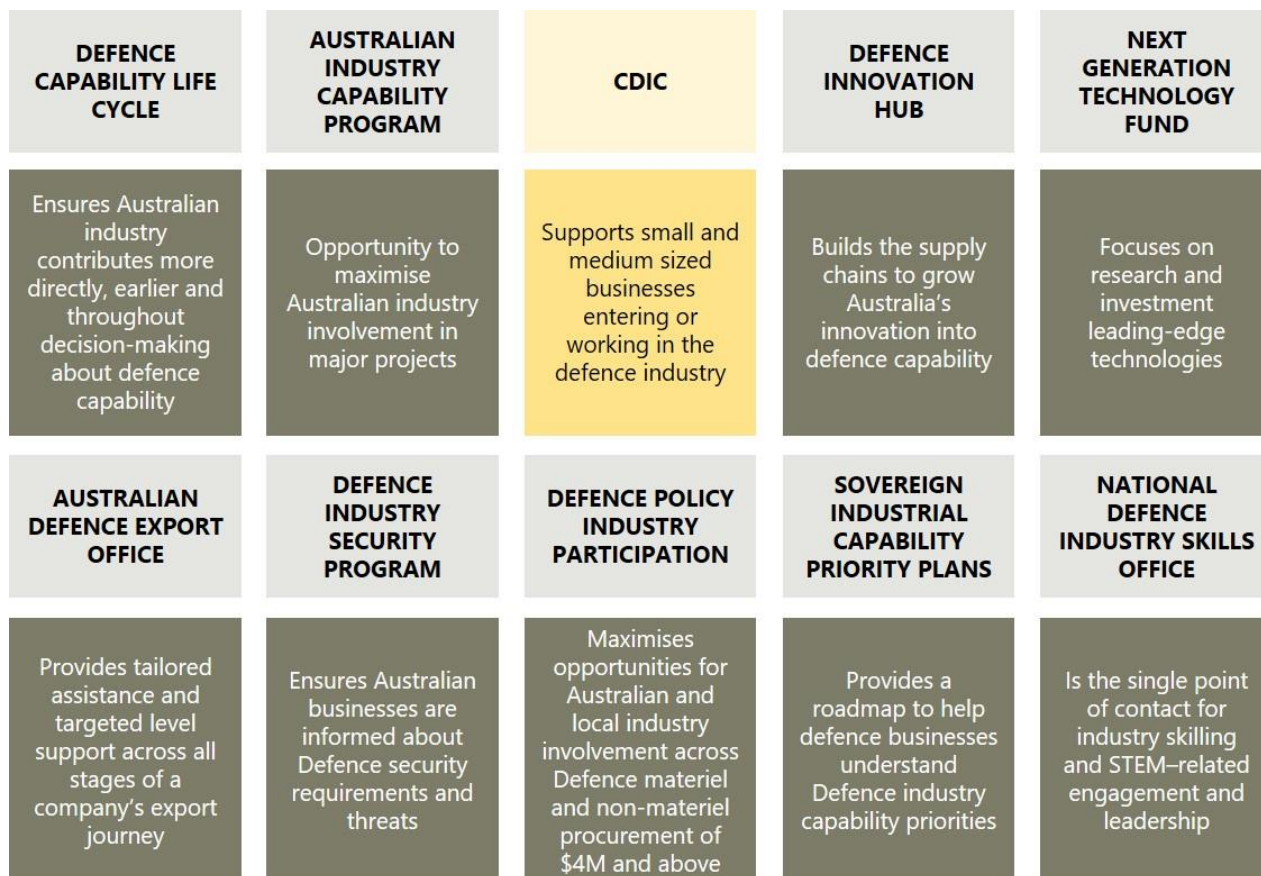
The operation of the CDIC is enacted through the Shared Services Memorandum of Understanding (MOU) between the Department of Industry, Science and Resources (DISER) and the Department of Defence (Defence), established in July 2016. The MOU is the operating and funding agreement, which contains a Shared Services Schedule outlining the services the CDIC is to deliver. It also includes Activity Plans outlining the statement of work for key services such as business advisory and facilitation services, strategic advice, industry capability projects, and export and innovation facilitation. However, the review notes that there is a suite of internal strategic documents that build on the MOU and provide further detail on the CDIC approaches since its establishment.

Under the MOU, DISER is responsible for providing corporate services and administering the CDIC. Defence is responsible for providing policy settings, strategic guidance, funding and supporting resources to the CDIC.

The CDIC was initially funded by Defence at \$23 million per year to 2025-26. The CDIC's headquarters are located in Adelaide (Defence, 2016d).

The Government's vision for Australia's defence industry is complementary and mutually reinforcing. Figure 3 shows how the CDIC is one element of a comprehensive Government industrial strategy to equip and sustain the Australian Defence Force (ADF). The CDIC is part of a broader defence industry support mechanism managed as a system, in aggregate, to build an industrial base that is resilient and fit for purpose and well-positioned to realise the opportunities on offer over the next decade.

Figure 3 | Maximising opportunities for Australian industry



Source: Department of Defence 2020

The 2016 DIPS states that the CDIC would focus on delivering initiatives within three core activities:⁴

1. Industry development.
2. Business competitiveness and exports.
3. Facilitate innovation.

In performing these roles, the 2016 DIPS identified four distinct stakeholder groups for the CDIC:

1. Small to medium businesses.
2. Defence.
3. Prime contractors (Primes).
4. Defence industry sector.

⁴ These activities were subsequently replaced and reflected in the CDIC Strategy Map (March 2019) and revised in December 2019 as shown in Figure 9.

Figure 4 provides details of the intended services and outcomes for each stakeholder, as outlined in the 2016 DIPS.

Figure 4 | Outcomes and services by stakeholder groups

SMALL AND MEDIUM BUSINESSES	Intended outcomes	<ul style="list-style-type: none"> • Businesses better understand Defence capability needs. • Businesses progress in their Defence Technical Capability and their Defence Business Maturity. • Businesses increase their international competitiveness.
	1. Industry development	<ul style="list-style-type: none"> • Defence capability needs. • Capacity/workflow planning. • Supplier continuous improvement. • Training needs. • Facilitate industry development projects. • Sector based skilling.
	2. Business competitiveness and exports	<ul style="list-style-type: none"> • Defence-specific business advice, mentoring and development. • Defence market access advice. • Export advice assistance and facilitation. • Coordination of trade missions. • Organisational skilling.
	3. Facilitating innovation	<ul style="list-style-type: none"> • Advice regarding commercialisation. • Two-way connections to research organisations. • Facilitate links between the DIH and Australian industry. • Guide industry applications into the DIH.
DEFENCE	Intended outcomes	<ul style="list-style-type: none"> • Industry is considered as a FIC. • Capability Managers have greater knowledge of the resilience and capacity of Australian industry.
	1. Industry development	<ul style="list-style-type: none"> • Defence capability needs. • Industrial capability plan development. • Industry capability mapping.
	2. Business competitiveness and exports	<ul style="list-style-type: none"> • N/A.
	3. Facilitating innovation	<ul style="list-style-type: none"> • Provide an insight to the CDIC Advisory Board (Advisory Board) of small to medium sized businesses innovation initiatives.
PRIME CONTRACTORS	Intended outcomes	<ul style="list-style-type: none"> • Primes are equipped with appropriate levels of skilling and technology by small to medium businesses to service contracts. • Effective processes for exchanging information between Defence and local and international defence industries.
	1. Industry development	<ul style="list-style-type: none"> • Industry capability mapping.
	2. Business competitiveness and exports	<ul style="list-style-type: none"> • Global Supply Chain (GSC) Program development.
	3. Facilitating innovation	<ul style="list-style-type: none"> • N/A.

DEFENCE INDUSTRY SECTOR	Intended outcomes	<ul style="list-style-type: none"> Increased collaboration between Government and industry. Improved coordination with the states, territories and other stakeholders on defence industry matters.
	1. Industry development	<ul style="list-style-type: none"> Conduct industry capability mapping. Provide strategic advice to Government and key sector stakeholders. Identify strategic industry capability gaps and solutions, and fund industrial capability projects to address them.
	2. Business competitiveness and exports	<ul style="list-style-type: none"> N/A.
	3. Facilitating innovation	<ul style="list-style-type: none"> Two-way connections to research organisations.



Source: 2016 Defence Industry Policy Statement, 2016 Concept of Operations

Levers to affect outcomes

The review notes that the Australian Government exercises a range of policy, regulatory, funding and delivery levers to shape the composition and dynamics of our defence industry market. The control of these levers is dispersed across different parts of the Defence portfolio. Figure 5 shows that the CDIC exercises a limited number of levers to affect its intended outcomes, relative to Defence and specific groups such as Capability Acquisition and Sustainment Group (CASG) and the Strategic Policy and Intelligence (SP&I) Group.

Figure 5 | Government levers of change across the defence industry ecosystem

Lever type	Lever	CDIC	Defence
POLICY LEVERS	Outcome-setting: Setting the overall outcomes and objectives for defence industry actors.		●
	Policy-setting and coordination: Making policies such as the 2016 DIPS, 2018 DICP and Sovereign Industrial Capability Priorities (SICPs), 2020 FSP, and 2020 Defence Strategic Update (DSU) to shape the defence industry environment.		●
	Information and intelligence: Sharing information about how to participate in and the characteristics and composition of the sector.	●	●
REGULATORY LEVERS	Rule-setting: Setting standards and regulating defence industry actors to comply with such as Australian Industry Capability (AIC) plans.		●
	Compliance and enforcement: Monitoring the system to ensure defence industry actors are complying with requirements, including enforcing compliance where required.		●
FUNDING LEVERS	Funding: Providing and administering funding and grants.	●	●
	Acquisition: Launching major projects such as Joint Strike Fighter (JSF) and Hunter Class Future Frigate (SEA5000) and purchasing materiel to fulfil capability needs.		●
DELIVERY LEVERS	Capability building programs: Building capacity in the system and addressing weaknesses.	●	●
	Capability building infrastructure: Providing infrastructure development (including IT) directly related to service provision.		●

Lever type	Lever	CDIC	Defence
	Enabling networks and coordination: Building networks and coordinating different defence industry actors.		

Note: The size of the indicators in the diagram represent the size of the lever available to the respective Government entity.

Additional responsibilities

The review found that after the release of a number of defence industry policies and strategies, the CDIC's service delivery offer shifted to provision of products and services which sit outside the MOU for both Defence and industry. Some of these activities include:

- Administering the Defence Global Competitiveness Grant (DGCG) program.⁵
- Establishing a collaboration charter between Defence and state and territory governments.
- Entering agreements into arrangements with Defence to support specific major projects for example, the JSF Program.

Current activities and functions

The review notes that CDIC activities are outlined in the 2016 DIPS as shown in Figure 4 and other documents such as the Shared Services MOU.⁶ Some activities remain current; others have been de-prioritised or are yet to be completed. The latter category includes undertaking detailed industry capability mapping and formalising the Defence Business Readiness Framework – now referred to as the Defence Business Maturity Framework (DBMF). Other activities and functions were subsequently led by or have been transferred to Defence as outlined in Figure 6, following the release of policy documents post-2016 DIPS, such as the 2018 DES.

Figure 6 | Summary of activities led by or transferred to Defence

CDIC activity/program	Notes
Develop sector Science, Technology, Engineering and Mathematics (STEM) Strategy.	This was led by Defence Industry Policy (DIP) Division with support from the CDIC.
Team Defence Australia initiative.	Transferred to the Australian Defence Export Office (ADEO) in mid-2018.
Develop Defence Export Strategy (DES) with Defence Industry Branch.	DIP Division developed the Strategy. The Advisory Board was consulted during the development process.
Manage Australian Government Defence Export Support Forum.	This was replaced by the Defence Export Forum, which is managed by the ADEO.
Develop and implement the Sovereign Industrial Capability Assessment Framework (SICAF) with Defence.	DIP Division developed the 2018 DICP in partnership with the CDIC and endorsement from the Advisory Board.
Utilise Sovereign Industrial Capability Assessment Framework (SICAF) to assess industrial elements.	Transferred to DIP Division within SP&I Group.
Establish a collaboration charter with Defence and state and territory governments.	The CDIC prepared a draft charter for the Steering Group. However, the Steering Group agreed there was no need for a separate charter and that Defence would use the draft charter as basis for the Terms of Reference for the States and Territories Forum.

Source: 2020 Feedback from the Department of Defence and Department of Industry, Science, Energy and Resources

⁵ Delivery to the DGCG program is the subject of a separate Services Schedule under the DISER and Defence MOU.

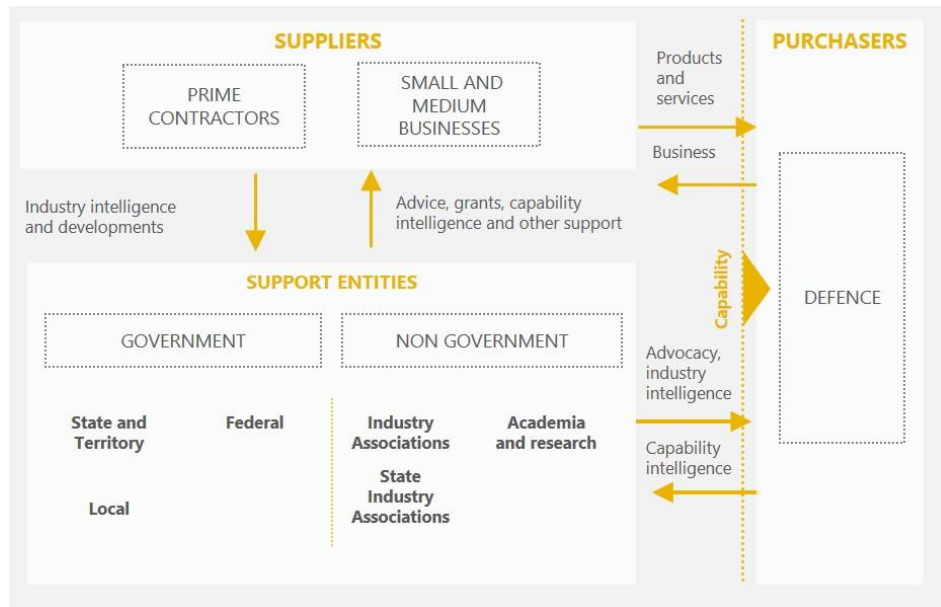
⁶ It is important to note that the MOU and the responsibilities allocated to CDIC in the defence industry policy do not correspond exactly.

2.2 The broader ecosystem

Defence industry support sector

The defence sector is comprised of Government and non-government entities at national, state and local levels, as shown in Figure 7. A comprehensive list of organisations within the Government, industry and academic sectors is included at Appendix E.

Figure 7 | Defence industry ecosystem



The review found there is an increasing number of entities, industry associations and research organisations, all dependent on defence sector and, therefore taxpayer funding, resulting in a progressively more crowded ecosystem. State and territory government agencies (such as Defence NSW, Defence SA) perform some similar roles to the CDIC though have mostly cooperative relationships with the CDIC in section 3.8.

Overlap between the CDIC and other entities

The review notes that some entities in the defence industry ecosystem undertake activities that overlap those of the CDIC. Figure 8 shows the volume of entities providing each type of key service, by type of entity. Some overlap in services provided by state and territory governments is expected as they support a broad range of businesses that will deliver the most significant economic benefit to that particular state or territory.

Figure 8 | Defence industry support entities and service areas

		SERVICE AREA			
		Business advice	Innovation facilitation	Relationship brokering	Policy advice and advocacy
TYPE OF ENTITY	STATE AND TERRITORY GOVERNMENTS	●	●	●	●
	AUSTRALIAN GOVERNMENT*	●	●	●	●
	INDUSTRY ASSOCIATIONS^	●	●	●	●
	ACADEMIA AND RESEARCH	●	●	●	●

Source: Nous analysis of service offers in the defence industry ecosystem.

Note: The size of the indicators in the diagram represent the number of organisations in each category. This is not intended to imply a level of influence. * The Australian Government category includes other DISER initiatives such as the Entrepreneurs' Programme (EP) and the Industry Growth Centres (IGC) which overlap in part with the CDIC's business advisory services.
^ Industry associations considered are those with a major focus on defence industry.

Figure 8 shows that:

- The most prominent areas of overlap are relationship brokering and to a lesser extent business advice and policy advice and advocacy.
- The CDIC is one of few entities providing services across all four service areas as a 'one-stop-shop' for small to medium sized businesses.
- Collaboration across entities is vital to reduce unnecessary duplication and leverage skills/expertise given the considerable overlap in many service areas.

The level of effectiveness of a future CDIC will shape the balance of remaining functions for industry groups and associations.

In addition to the organisations in Figure 8 the review also notes the increasing number of non-core contractors and consultants, other representative groups, and lobbyists performing roles similar to the CDIC. The balance of all these elements is essential as the broad collective of Defence and industry execute the critical responsibility expected of Government and the nation to equip and support the ADF.

Training services offer

The review also found that there is an increasing number of entities in the defence industry ecosystem offering training services to small and medium sized businesses to build their capability and competitiveness in the defence industry. The training offered across the sector typically falls within one of three categories:

1. **Defence-specific training:** workshops and seminars on topics like International Traffic in Arms Regulations (ITAR) and cybersecurity.
2. **General commercial training:** training that can be accessed by a generic non-defence provider such as seminars on general business operations, presentation and pitching skills.
3. **Sector skilling:** higher education and vocational education and training in areas like STEM.

Figure 9 shows the relative number of entities providing each category of training, by type of training provider. Specific stakeholder feedback on the CDIC's training services is discussed further in section 4.3.1.

Figure 9 | Industry training services by training category and provider

		TRAINING CATEGORY		
		Defence specific training	General commercial training	Sector skilling
TYPE OF PROVIDER	PRIME CONTRACTORS			
	GOVERNMENT ENTITIES*			
	REGISTERED TRAINING ORGANISATIONS (RTOs)			
	INDUSTRY ASSOCIATIONS^			

Source: Nous analysis of training offers in the defence industry ecosystem

Note: The size of the indicators in the diagram represent the estimated number of training providers in each category. This is not intended to imply level of influence. * Government entities include Commonwealth entities such as Defence as well as state and territory defence agencies. ^ Industry associations considered are those with a major focus on defence industry.

Figure 9 shows that:

- Defence-specific training is predominantly offered by entities with particular Defence expertise such as the CDIC and some Primes. However, some industry associations and state and territory government entities also provide this type of training.
- General commercial training has the most providers. This is typical because a broad range of providers can deliver it without requiring Defence-specific knowledge.
- Sector skilling has the least providers. However, this is likely to change as the Naval Shipbuilding College matures and as initiatives from the 2019 Defence Industry Skilling and STEM Strategy are introduced to build the skills required in the contemporary defence industry.

3 Impact on small to medium businesses

Key line of inquiry 2

What outcomes have the CDIC achieved for small to medium businesses?

Key findings

- The CDIC work rate has been high since its establishment in 2016; the more than 800 businesses served represents approximately 17 unique businesses on average per month.
- 779 of the CDIC's clients have received a business advisory and facilitation service. Most of these clients (628 or 80 per cent) received an advisory and facilitation service and no grant. 124 of the business advisory and facilitation service clients (16 per cent) went on to be awarded a Capability Improvement Grant (CIG).⁷
- Approximately 60 per cent of the business advisory and facilitation service clients received 'lighter touch' support from a Defence Industry Facilitator (DIF) and 40 per cent of clients received more in-depth support from a Defence Business Adviser (DBA).
- Two-thirds of the CDIC's clients are located in New South Wales, Victoria and Western Australia. The vast majority (87 per cent) of clients are based in a major city.
- The CDIC predominantly works with relatively small businesses. The average CDIC client has fewer than 30 employees and under \$30 million in revenue.
- The CDIC clients are most likely to be able to work in the Land Combat and Amphibious Warfare, Maritime Operations and Anti-Submarine Warfare Forces capability or Key Enablers supply chains.
- Most businesses experienced positive outcomes in the short and medium-term from their interaction with the CDIC.
- Approximately 80 per cent of grant recipients reported tangible benefits to their business within the first 12 months of the grant program. The same proportion of grant recipients expected to experience positive benefits to their business within one to three years.
- Submissions to the review and interviews held during the review identified positive outcomes from the business advisory and facilitation services. These outcomes included improved business operations from better systems, practices and processes, and workforce upskilling.
- For recommendations provided to businesses by the DBAs, the most common areas of focus related to strategy, business development and marketing; continuous improvement; technical skills; and cybersecurity management.
- There is currently limited evidence to assess the longer-term impacts of the CDIC on businesses in the sector as the CDIC has only been in existence for less than four years.

⁷ Some of the 628 businesses include current CDIC clients who have not yet received an Advisory Services Report (ASR) from their DBA that leads into a CIG to implement the recommendations in the ASR. These clients are; therefore not included in the current total of 124 CIG recipients.

3.1 CDIC's intended outcomes and impact

Economic benefits for small to medium businesses

The review found that there are several difficulties associated with measuring the full impact of CDIC's broader economic benefits on Australia's industrial base. These include:

- **Data availability:** While there are many examples of success, the evidence base for measuring the CDIC's outcomes is mostly anecdotal and reliant on case studies. There is limited reporting of the outcomes associated with the CDIC through progress reports and surveys. Where data has been collected, it is stored in a format which is not easy to analyse.
- **Clarity of outcomes:** The intended results for businesses are generally agreed, yet the CDIC's intended outcomes for the Department of Defence (Defence), Prime contractors (Primes) and the sector would benefit from further clarity. This stems in part from the CDIC's evolving role and strategy as outline in section 4.
- **Attribution:** Many factors can contribute to the performance of a business over time, including the support and advice that it receives from Government programs such as the CDIC. As part of future evaluation, the review recommends specific attribution of the CDIC's value add to performance for example, "To what extent has the CDIC helped your business to...".
- **Timing:** Many of the intended outcomes for small to medium businesses can take longer to manifest in the defence sector relative to other sectors given the characteristics of the defence industry, for example successful procurement of their goods or services.

This review uses the CDIC's datasets and feedback provided in response to the Discussion Paper to give high-level view of the characteristics, sentiment and outcomes of the industry that has engaged with the CDIC.

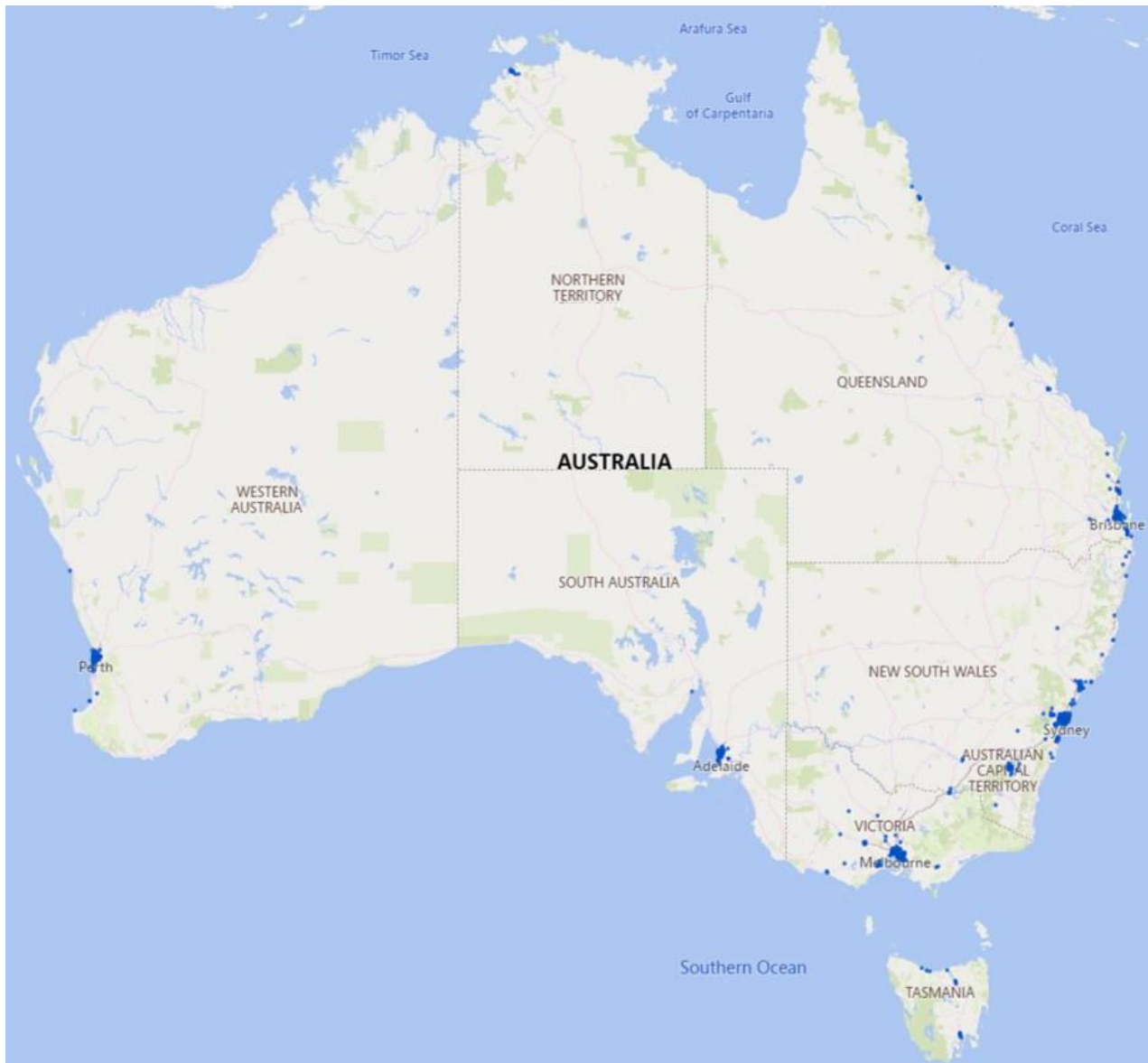
The CDIC's services to Defence, Primes and the industrial sector are discussed in section 4, along with available data related to the CDIC's outcomes for these stakeholder groups.

3.2 Number, location and characteristics of CDIC clients

The CDIC has provided business advisory and facilitation services and/or grants to approximately 800 businesses across Australia since its establishment. The recent 2020 Defence Strategic Update (DSU) notes that Australia's defence industry comprises over 4,000 businesses employing around 30,000 staff and that 11,000 Australian companies directly benefit from Defence investment (Defence, 2020b).

Figure 10 shows the location of the CDIC clients that have received a business advisory and facilitation service and/or a grant from the CDIC. The map shows at a high-level that the vast majority of these businesses are based in major cities. Two-thirds of the CDIC's clients are located in New South Wales, Victoria and Western Australia.

Figure 10 | Location of business advisory and facilitation services clients and/or grant recipients (n=764)



Source: CDIC program data as at 19 May 2020

Note: Includes all business advisory and facilitation services clients from the CDIC's establishment and services that are currently in progress. Location data are not available for six businesses. Excludes 35 Capability Improvement Grant (CIG) recipients, 17 New Air Combat Capability – Industry Support Program (NACC-ISP) recipients and three Australia-US Multidisciplinary (AUSMURI) grant recipients that are not stored in the DISER Customer Relationship Management (CRM). Excludes businesses that withdrew their applications or were not eligible or successful. Excludes businesses that do not have latitude or longitude data in the DISER's CRM.

An analysis of the location of businesses that have received an advisory and facilitation service and/or a grant from the CDIC using the Australian Bureau of Statistics' (ABS) remoteness classifications also shows that the vast majority (87 per cent) of businesses received a service in a major city, as show in Figure 11.

The review recommends that, as stated by the Minister for Defence Industry, a dedicated initiative to provide Australian defence industry opportunities into regional Australia is needed. The review notes a separate body of work to identify the full economic benefits of the total Defence budget is underway and the results of this will assist in developing regional industry planning.

Figure 11 | Location of business advisory and facilitation services clients and/or grant recipients by state and territory and ABS' remoteness classification (n=770)

STATE / TERRITORY	MAJOR CITIES OF AUSTRALIA	INNER REGIONAL AUSTRALIA	OUTER REGIONAL AUSTRALIA	TOTAL
 ACT	30	1		31
 NSW	192	24	2	218
 NT			11	11
 QLD	89	12	8	109
 SA	100	3	1	104
 TAS		13	4	17
 VIC	140	18		158
 WA	117	4	1	122
 TOTAL	668	75	27	770

Source: CDIC program data as at 19 May 2020

Note: Includes all business advisory and facilitation services clients from the CDIC's inception and services that are currently in progress. Excludes 35 CIG recipients, 17 NACC-ISP recipients and 3 AUSMURI grant recipients that are not stored in DISER's CRM. Excludes businesses that withdrew their applications or were not eligible or successful.

CDIC's clients

As shown in Figure 12 the CDIC typically works with small businesses that have reported revenue less than \$30 million. The majority of the CDIC clients derive most of their sales revenue from domestic sources.

Figure 12 | Characteristics business advisory and facilitation services clients (n=749)

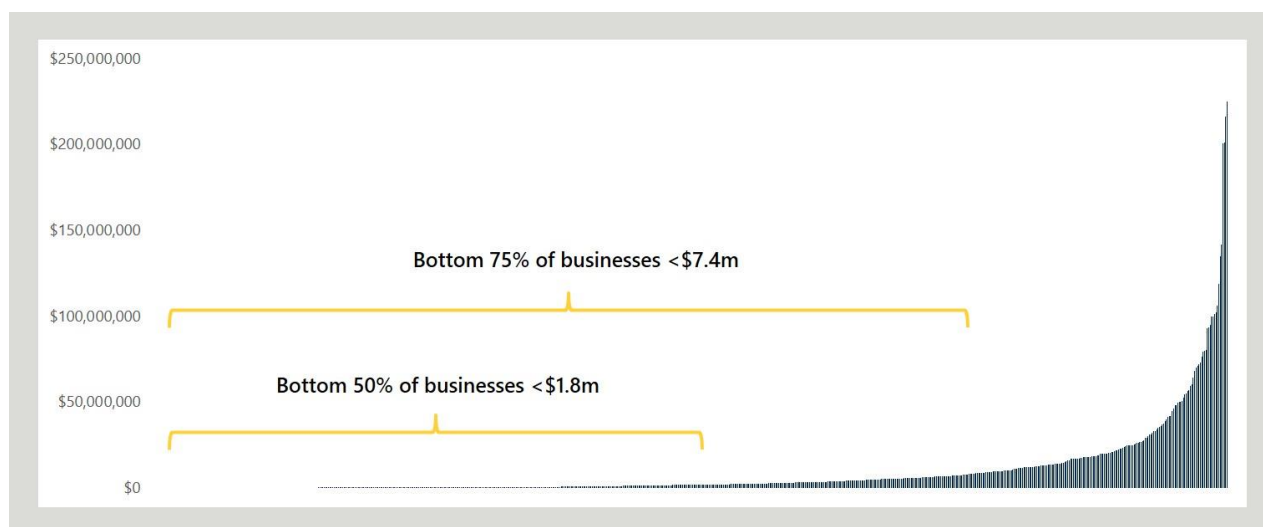
Average number of employees	24
Average sales revenue	\$26.2 million
Percentage of small to medium businesses that derive export revenue	40 per cent
Average export/sales revenue (for exporting small to medium businesses)	26 per cent

Source: CDIC service application data as at 19 May 2020

Note: Excludes business with over 200 employees.

The CDIC's current focus on smaller businesses is shown by the distribution of self-reported revenue of business advisory and facilitation services clients, as shown in Figure 13.

Figure 13 | Distribution of self-reported sales revenue by business advisory and facilitation services clients (n=761)

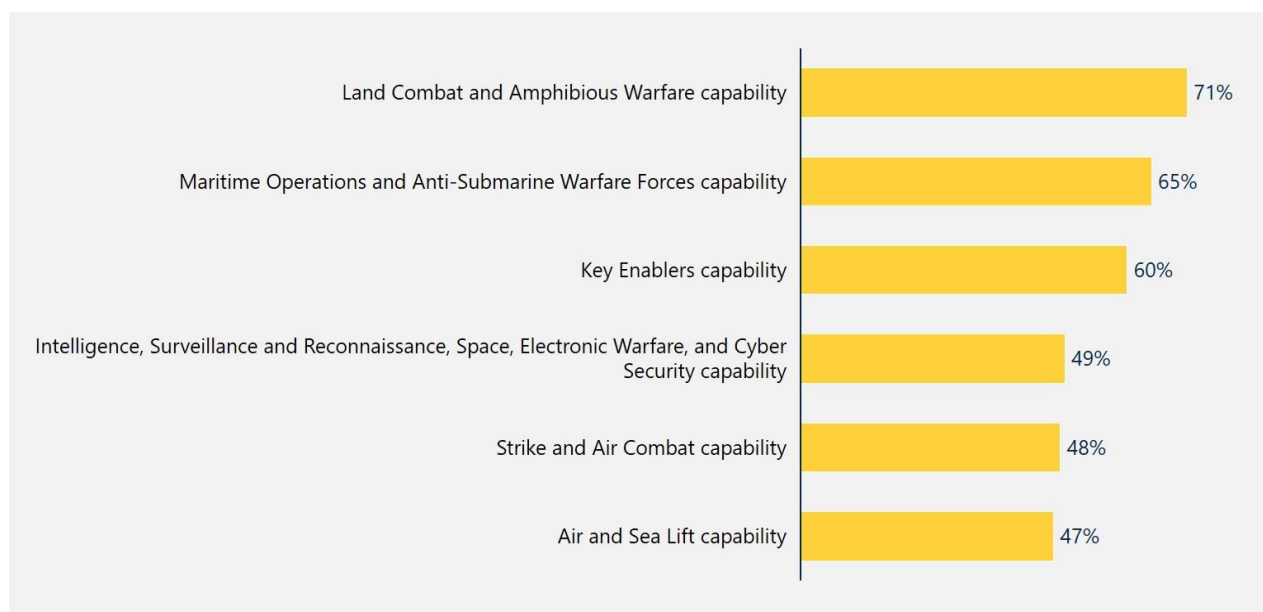


Source: CDIC's CRM data

Note: Data encompasses records for multiple financial years (FYs). For businesses with multiple application (n=72), only the data for the most recent FY has been analysed. Data for companies with self-reported sales revenue >\$500 million have been excluded (Nexxis, Babcock and People Bank).

Figure 14 shows the supply chains the CDIC's business advisory and facilitation service clients currently work in, or have the potential to work in, based on the self-assessed alignment between a business' products or services and defence capabilities at the point of application.

Figure 14 | Self assessed alignment of clients' products or services with defence capabilities (n=244)



Source: 2020 CDIC program data

Note: Applicants for the business advisory and facilitation service (includes pending, in progress and closed applications). Note: Applicants were able to select multiple capabilities.

3.3 Interactions with the CDIC

Figure 15 shows the extent of multiple interactions with the CDIC:

- 779 of the CDIC's 805 clients received a business advisory and facilitation service.⁸
- The majority of these clients (628 or 80 per cent) received a business advisory and facilitation service, and no grants.⁹ 124 of the business advisory and facilitation service clients (16 per cent) have so far received a CIG.¹⁰

Most of the CDIC's business advisory and facilitation services clients (711 businesses or 91 per cent) have received the service once. A further 65 have received services twice, with a small number of businesses (three) receiving the service more than twice.

The CDIC estimates that the split across the total number of business advisory and facilitation services is approximately 60 / 40 (Defence Industry Facilitators (DIF) vs Defence Business Advisors (DBA)).

It is important to note that some of the grant programs are still relatively new. The Sovereign Industrial Capability Priority Grant (SICPG) was launched in November 2018, and the Defence Global Competitiveness Grant (DGCG) program grant was launched in January 2019. The number of Defence funded grants delivered by the CDIC on behalf of Defence is in Figure 25.

Figure 15 | Distribution of business interactions with the CDIC (n=805)

BUSINESS ADVISORY AND FACILITATION SERVICES	CAPABILITY IMPROVEMENT GRANTS	DEFENCE GLOBAL COMPETITIVENESS GRANTS	SOVEREIGN INDUSTRIAL CAPABILITY PRIORITY GRANTS	TOTAL
●				628
●	●			107
●	●	●		7
●		●		7
●			●	20
●	●		●	9
●	●	●	●	1
		●	●	2
		●		8
			●	16

Source: CDIC program data as at 19 May 2020

Note: Includes all business advisory and facilitation services clients from the CDIC's establishment and services that are currently in progress. Excludes 17 NACC-ISP recipients and three AUSMURI grant recipients that are not stored in DISER's CRM. Excludes businesses that withdrew their applications or were not eligible or successful. We have assumed that the 35 CIG recipients that are not recorded in the DISER's CRM did not receive any other grants and only received one CIG and one business advisory and facilitation service.

⁸ We have assumed that the 35 CIG recipients that are not recorded in the DISER's CRM did not receive any other grants and only received one CIG and one advisory and facilitation service. We have also assumed that these businesses did not receive further business advisory and facilitation services or CIGs. This total excludes the 17 NACC-ISP recipients and three AUSMURI grant recipients that are not stored in DISER's CRM

⁹ Some of the 628 businesses include current CDIC clients who have not yet received an Advisory Service Report (ASR) from their DBA that leads into a CIG to implement the recommendations in the ASR. These clients are; therefore not included in the current total of 135 CIG recipients.

¹⁰ A proportion of current CDIC clients that received an advisory service in the last five months (or more) are not yet eligible to apply for a CIG as they will not yet have received an ASR from a DBA.

3.4 Outcomes for small to medium businesses

This review utilises four key data sources to understand the outcomes for businesses who have interacted with the CDIC:

- **Review submissions and interviews:** Written submissions and review interviews provide qualitative feedback on the impact of the CDIC's services and grants.
- **The CDIC grant feedback surveys:** Grant recipients complete a survey at the end of the grant project period before the final payment.¹¹ This data provides insight on how defence funded grants have impacted the business in areas such as productivity, profitability, staff employed, market reach and contracts secured. Results from this survey began to be available in October 2019 and have a limited number of respondents.
- **The CDIC grant reports:** Grant recipients complete a report every six months, with the final report due at the end of the grant project period. This qualitative dataset details the projects and capabilities that grants enabled businesses to develop.
- **DBA surveys:** Recipients of DBA services complete a survey once the service is finalised, which provide quantitative data on satisfaction and outcomes. The DBA survey was introduced in April 2019; therefore the current number of respondents is still relatively low.

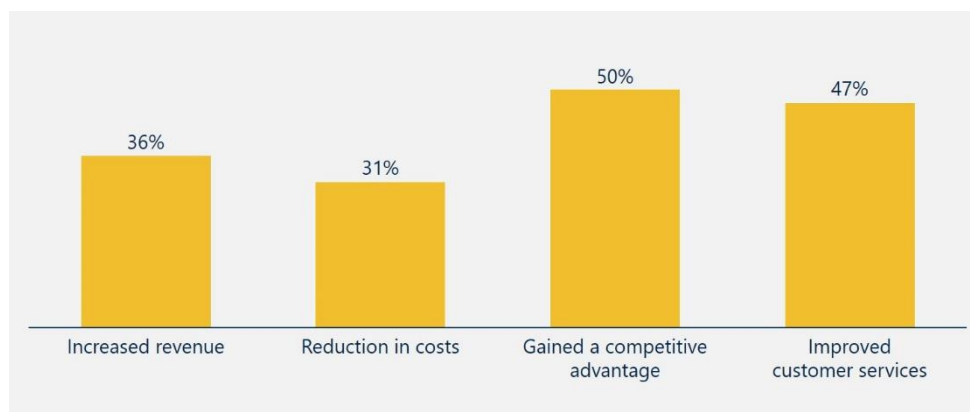
Short and medium-term outcomes

An analysis of the reports submitted by CIG recipients and submissions and interviews indicated positive outcomes for the majority of the CDIC clients in the short and medium-term. This qualitative data shows that:

- Approximately 80 per cent of recipients (85 in total) reported tangible benefits to their business within the first 12 months of the grant program.
- The same proportion of grant recipients expected to experience positive benefits to their business within one to three years.
- Business advisory and facilitation services have improved business operations through better systems, practices and processes, and workforce upskilling.
- Grants often enabled stakeholders to immediately invest in new technology and skills required to increase business capacity and capability to become competitive in the defence industry.

An analysis of quantitative data from CIG grant recipients (Figure 16) shows the range of benefits experienced by businesses as a result of the introduction of new goods, services, processes or methods enabled by the CIG.

Figure 16 | Percentage of CIG recipients that have experienced various benefits to their business because of introducing new goods, services, processes or methods enabled by the CIG (n=36)



Source: 2020 CDIC Grant feedback survey

Note: Respondents select multiple benefits in the survey.

¹¹ The grant project period varies from grant to grant and from project to project within a grant program.
Centre for Defence Industry Capability Review – Final Report – July 2020

Analysis of the detailed feedback from 85 successful CIG recipients indicates that business capability uplifts focused on the following:

- Implementation of new Enterprise Resource Planning (ERP) and CRM systems to substantially improve supply chains, business production, and overall efficiency.
- Acquisition of technologies or new facilities that enable increased quality and quantity of output.
- Introduction or improvement of a strategic plan to meet the businesses goals.

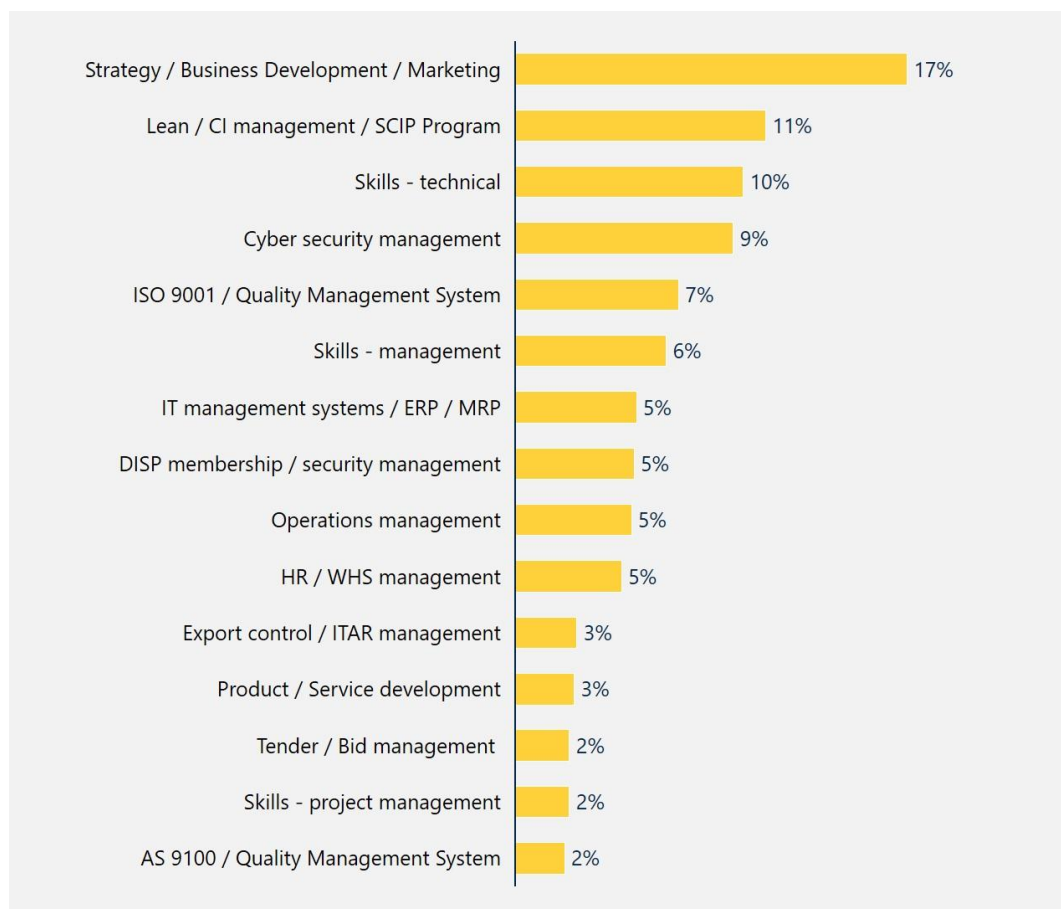
2020 CASE STUDY: ADVANCED POWER DRIVES SUCCESSFULLY GROWS ITS REVENUE AND STRUCTURES ITS LONG-TERM STRATEGY

Advanced Power Drives grew its company revenue by five-fold in 12 months as the result of receiving tailored business advisory services from the CDIC. The DBA allocated to support Advanced Power Drives helped to structure the company's long-term strategy to include measurable and achievable outcomes, allowing them to hire eight new staff members and create a self-sustaining profitable business. Advance Power Drives also benefited learning from other businesses working in defence through CDIC engagement and networking sessions.

Source: 2020 Review submission

Figure 17 provides an overview of the types of recommendations presented to businesses by the DBAs in the Advisory Services Reports (ASRs). This analysis provides a good proxy for the types of capabilities that businesses built through their interaction with the CDIC.

Figure 17 | Advisory Services Report Recommendation by category (Top 15) (n=953)



Source: CDIC reporting as at 5 June 2020

Note: The CDIC business advisory and facilitation services free text recommendation titles as categorised by the CDIC. Businesses receive multiple recommendations in the Advisory Services Reports.

2020 CASE STUDY: BUSINESS ADVISER'S NAVAL KNOWLEDGE KEY TO SUCCESSFUL ENGAGEMENT

At a SEA 5000 *Hunter* Class Frigate Program event, Sofraco sought advice from the CDIC's advisory services to improve its business. The CDIC allocated a DBA with naval experience who was able to gain a quick understanding of Sofraco's objectives and business activities. The CDIC's DBA helped develop a meaningful client engagement plan to assist the company to strengthen relationships, increase its capability and capacity to support Defence capability requirements, and ultimately lifts its commercial strength.

Source: 2020 Review submission

Longer-term outcomes for businesses

As noted at the start of this section, many of the intended outcomes for small to medium businesses can take longer to manifest relative to other sectors given the characteristics of the defence industry, for example, successful procurement of their goods or services. The CDIC is also still relatively new, which limits the availability of data available for measuring long-term outcomes.

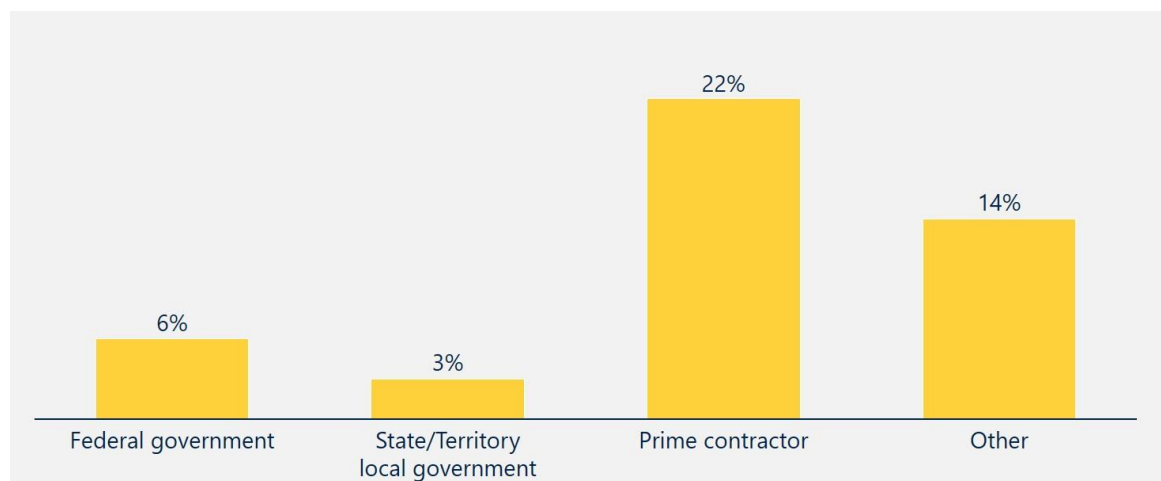
Many businesses reported relatively high barriers to entry into the defence sector, especially around combat equipment standards. Companies also reported that, once in the sector, a longer-term business prospect existed than many other industry sectors.

The best available data sources for measuring the CDIC's outcomes are surveys and grant reports. The current timing of these surveys and reports will, in time provide a long-term measurement.

- The review's analysis of the available data found that half of the respondents to the grant reports expect to experience tangible benefits to their business in the long-term (>3 years after the conclusion of the grant program).

Figure 18 provides some early indication of businesses' ability to secure contracts in the long-term as a result of receiving a CIG.

Figure 18 | Percentage of CIG recipients that have entered into a formal agreement or contract to supply goods/services because of the grant investment (n=36)



Source: 2020 CDIC Grant feedback survey

Note: The review notes the small sample sizes when interpreting this data.

2020 CASE STUDY: APT ENGINEERING UPSKILLS ITS WORKFORCE

APT Engineering (APT) upskilled its workforce to undertake complex machining with high accuracy and short lead times as the result of accessing tailored business advisory services, one CIG and one SICPG from the CDIC. The CIG resulted in APT implementing key advisory service recommendations, including upgrading quality standards to AS 9100D (Aviation, Space, and Defence). It also enabled APT to create a human resources and workforce development strategy, develop an annual business plan, redefine its vision and mission statements and undertake business coaching. The SICPG provided funding to purchase additional machines, increasing APT's machinery capacity.

Source: 2020 Review submission

2020 CASE STUDY: SEA TO SUMMIT WIN CONTRACT TO SUPPLY SPECIALISED FIELD EQUIPMENT UNDER LAND 125 PHASE 4

Sea to Summit won a contract with the Australian Army for the supply of specialised field equipment under the LAND 125 Phase 4 - Field Equipment program. As part of this program, Sea to Summit is supplying products such as shelters and sleeping equipment, illumination and signaling equipment, hand tools/ multi-tools, storage and load carriage equipment and navigation tools to the Australian Army.

Before bidding for the contract, Sea to Summit worked closely with the CDIC to develop its internal 'Defence Ready' capability and identify and pursue opportunities for market engagement and participation at local tradeshow. As the result of receiving the CDIC business advisory services, Sea to Summit was eligible to apply for a CIG to develop its internal capabilities. Sea to Summit note that receiving the grant has "proven to strongly position Sea to Summit to respond to future Defence opportunities as a result of winning the contract".

Winning the contract means that Defence supply will become a more prominent element of Sea to Summit's business going forward and provides a welcome diversification to their business revenue. It will also result in more jobs in the defence industry in Western Australia, and more development of domestically generated intellectual property.

Source: 2020 Review submission

4 CDIC operating model

Key line of inquiry 3

How effective and efficient is the CDIC's operating model?

Key findings

Strategy

- The evolution of the defence industry policy and program landscape since the establishment of the CDIC in late 2016 has contributed to a blurring of the CDIC's role and has made implementing the strategic industry objectives of the 2016 Defence Industry Policy Statement (DIPS) difficult.
- Efforts have been made to clarify the CDIC strategy through the creation of a Strategy Map and supporting business plan, endorsed by the CDIC Advisory Board (Advisory Board) in late 2019.

Services to small and medium businesses

- The CDIC has carried a very high tempo of services to businesses since its establishment.
- Business satisfaction levels with the CDIC's business advisory and facilitation services vary. Some businesses provided positive feedback to the review, while others were more critical.
- The relatively broad eligibility criteria for the CDIC's business advisory and facilitation services has meant that there has been a strong demand for these services.
- The CDIC's response to the COVID-19 pandemic demonstrates that business advisory and facilitation services can successfully be delivered remotely.
- The CDIC's training received mixed feedback; some stakeholders praised them as educational and useful for networking while others see them as one size fits all and not appropriately tailored.
- Most businesses who received a Defence funded industry grant found them to be extremely useful, especially in developing capability and implementing the CDIC's Advisory Services Report (ASR) recommendations.
- Some businesses suggested that the Sovereign Industrial Capability Priority (SICP) and Defence Global Competitiveness (DGC) grant guidelines could be made more explicit, and the Capability Improvement Grant (CIG) could be more flexible and better account for a shifting business strategy over time.¹²

Services to Defence

- Clarity continues to be needed for the linkages between the Australian defence industry, through the CDIC framework, to equipping and sustaining the Australian Defence Force (ADF).
- Increased awareness and engagement between CDIC and Capability Acquisition and Sustainment Group (CASG) at a working level is needed to achieve the full benefit of CDIC activities.

Services to Prime contractors (Primes)

- The two-way exchange of information between the CDIC and Prime is limited.

Services to the sector

- Meeting the expectation that the CDIC will become the defence industry strategic leader and partner remains in development.¹³
- The collective experience and the networks of the Advisory Board have not been fully utilised to help the CDIC to steer and shape the working relationship between Defence, Primes and the Australian industrial base.

Governance

- The Department of Industry, Science, Energy and Resources (DISER), Strategic Policy and Intelligence (SP&I) Group and CASG tripartite relationship imposes complexities and transaction costs in the management of the CDIC – including slow or deferred decision-making and complex briefing arrangements.
- There is confusion among external stakeholders about the role of the Advisory Board and the Steering Group.

¹² The review notes that amendments to Defence funded grants would have to be made by Defence and approved by the Minister for Defence Industry.

¹³ Commonwealth Government, Defence Industry Policy Statement, 2016, p. 15.

- There appears to be an enduring tension between the remit and powers of the Advisory Board under its Terms of Reference and the views of some Advisory Board members about how it should add value to the CDIC.

Structure

- The review finds that, in addition to the grants program success, many intended positive benefits of embedding the CDIC in DISER have been realised. Other expected benefits have not yet been fully realised, particularly leveraging DISER's data, insights and evaluation capabilities.
- There have been clear benefits in terms of cross-pollination and referrals to other industry programs and the CDIC's ability to use DISER Intellectual Property (IP) and the Customer Relationship Management (CRM) system.

Workforce

- The CDIC's workforce has two client-facing teams and three support teams. The CDIC has a high number of contractors (close to 1:1) due to Average Staffing Level (ASL) constraints, and a higher proportion of support staff than client-facing staff.
- The review observes that the CDIC's core asset is its staff, who are highly passionate and committed to the success of Australian industry and supporting Defence capability. Nevertheless, the review was given mixed feedback from external stakeholders about the level and depth of the advice from Defence Business Advisers (DBAs) and Defence Industry Facilitators (DIFs).
- The current hybrid model of advice being delivered based on geography and industry specialisation appears to be the most suitable option going forward.

External partnerships

- Most state and territory defence agencies report productive relationships with the CDIC through information sharing and referrals.
- Industry associations report instances of positive collaboration with the CDIC such as through the Continuous Naval Shipbuilding Program.

Evaluation and performance measurement

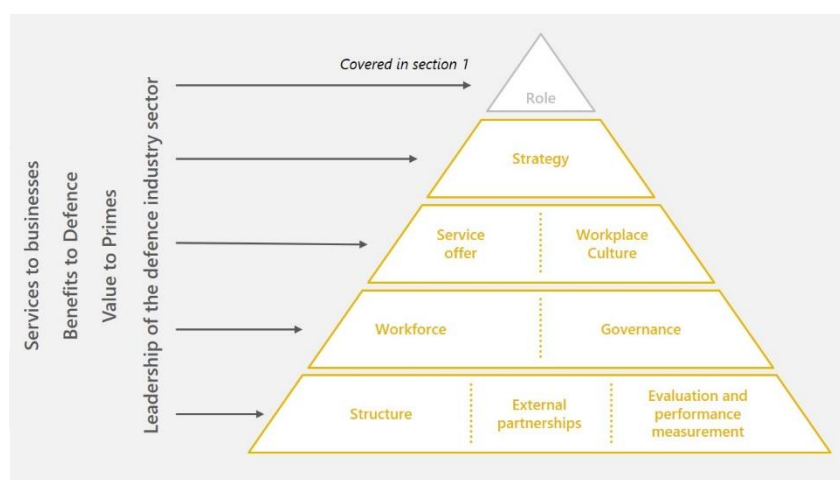
- The CDIC evaluation framework is maturing.
- There is a wealth of information in the CDIC datasets that could be used to extract policy-relevant insights for use by the Department of Defence (Defence). It is recommended the CDIC continue their efforts to capture and store data in a format that allows for detailed analysis to be performed.

4.1 Introduction to the CDIC's operating model

This section provides review findings on the CDIC's operating model. Figure 19 shows the nine core components of the CDIC's operating model. The framework indicates that all the elements of an entity's operating model should align with role and strategy.

The effectiveness and efficiency of each component of the current operating model are discussed in the following section – except for CDIC's role, which has been discussed in section 2.

Figure 19 | CDIC operating model components



The CDIC's strategy

As discussed in section 2.1, the 2016 DIPS clearly articulated the CDIC's role, core activities and intended outcomes. These remain relevant and should continue to be pursued. The subsequent Shared Services Memorandum of Understanding (MOU) between the Department of Industry, Science, Energy and Resources (DISER) and Defence (DIIS & Defence, 2016), the CDIC Program Guidelines (CDIC, 2016b) and the Concept of Operations (2016a) formed the initial suite of documents that sought to translate and operationalise the DIPS. Additional project activity agreements were also signed between Defence and DISER to support discrete programs such as the CDIC's support for the Joint Strike Fighter (JSF) Division.

Multiple internal stakeholders noted that further clarity is needed for the CDIC's strategy, priorities, and the outcomes in the MOU. Internal stakeholders also pointed out that CDIC's role and services are expressed in different ways across these foundational documents.

Clarify the CDIC's strategy

The CDIC has developed a Strategy Roadmap shown in Figure 20, and the Steering Group and Advisory Board considered and endorsed the Strategy Roadmap in 2019. The CDIC also developed the 2020 Business Plan (CDIC, 2020) that steps out the activities and success measures associated with these new objectives in more detail. An excerpt of the 2020 Business Plan is at Appendix F.

Figure 20 | Current CDIC strategy as at May 2020

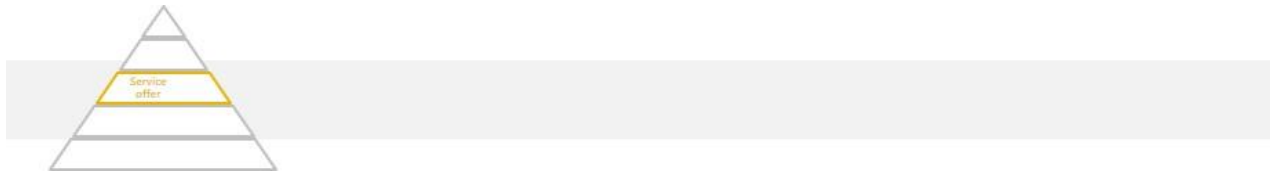
PURPOSE	To strengthen the capability of Australian business to meet Defence's requirements.		
OBJECTIVES	To build a strong, sustainable, secure and globally competitive Australian defence industry.	To facilitate connections and engagements across Defence and the Australian defence industry.	To inform policy development and evaluation by collecting, analysing and communicating industry intelligence.
ACTIVITIES	Provide defence-specific strategy, business improvement, commercialisation and security advice to Australian SMEs that enhances the capability of the business and contributes to a business being Defence aware, Defence capable and Defence ready.		
	Provide defence sector process, project and supply chain information to clients and stakeholders that helps them understand how to be successful and competitive in the Defence market.		
	Administer Defence grant opportunities in a way that maximises access to financial support for Australian SMEs.		
	Provide dedicated fee-for-service assistance to Defence major projects to maximise opportunities for Australian SMEs.		
	Deliver specialised training workshops and information seminars to SMEs and stakeholders to enhance the capability of Australian businesses and contributes to a business being Defence aware, Defence capable and Defence ready.		
	Liaise with state and territory governments and industry associations to facilitate information sharing and collaboration		
	Participate in defence industry forums and meetings to facilitate information sharing and collaboration.		
	Identify industry trends, gaps and opportunities in the defence sector to target CDIC's service offering and enhance the overall capability of defence industry.		
	Contribute business intelligence to the development and review of Government policies on defence industry so that policies are tailored, appropriate and effective.		

Source: 2020 CDIC

4.3 Scope of CDIC services

This section discusses the CDIC's scope of services to support its four main stakeholder groups: small to medium businesses, Defence, Primes, and the industry sector.

4.3.1 Services to small and medium businesses



The outcomes and activities the CDIC are to deliver for small to medium businesses are outlined in Figure 21. The 2016 DIPS emphasised the importance of the CDIC supporting Australia's industrial base to provide increased understanding of Defence capability needs, assist businesses to advance their defence business maturity, and increase their international competitiveness.

Figure 21 | Intended the CDIC outcomes and services to small to medium businesses by core activity

Intended outcomes	<ul style="list-style-type: none"> • Businesses better understand Defence capability needs. • Businesses progress in their Defence Technical Capability and their Defence Business Maturity. • Businesses increase their international competitiveness.
1. Industry development	<ul style="list-style-type: none"> • Defence capability needs. • Capacity / workflow planning. • Supplier continuous improvement. • Training needs. • Facilitate industry development projects. • Sector based skilling.
2. Business competitiveness and exports	<ul style="list-style-type: none"> • Defence-specific business advice, mentoring and development. • Defence market access advice. • Export advice assistance and facilitation. • Coordination of trade missions. • Organisational skilling.
3. Facilitating innovation	<ul style="list-style-type: none"> • Advice regarding commercialisation. • Two-way connections to research organisations. • Facilitate links between the Defence Industry Hub (DIH) and Australian industry. • Guide industry applications into the DIH.

Source: 2016 Defence Industry Policy Statement, 2016 Concept of Operations

This sub-section presents findings related to the different channels that the CDIC uses to deliver services to small businesses through:

- Advisory and facilitation services.
- Innovation facilitation services.
- Training.
- Online channels.
- Grants.

Each of these channels is discussed in turn below.

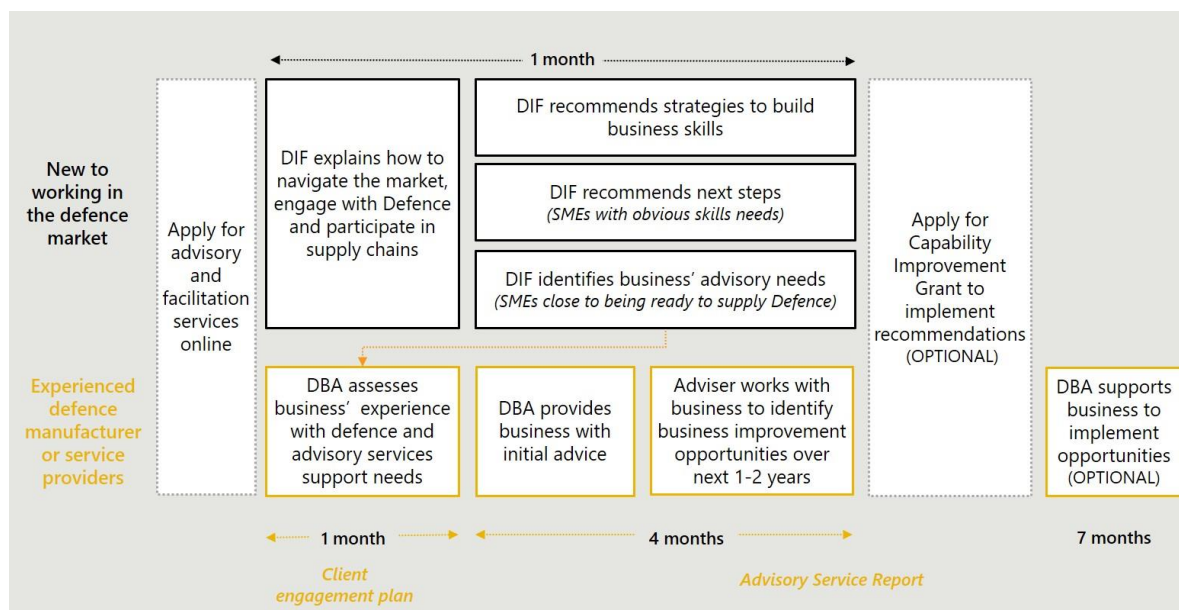
Business advisory and facilitation services

The CDIC provides two streams of tailored, defence-specific business advisory and facilitation services to eligible businesses. These two streams are tailored to meet the needs of companies based on their size, maturity and defence readiness. The two service streams are:

1. **Business advisory services:** is an involved and in-depth service provided to a smaller number of more experienced defence manufacturers or service providers.
2. **Facilitation services:** are provided to businesses who are new to working in the defence industry.

Figure 22 provides an overview of the process a business seeking business advisory or facilitation services undertakes, including the application triage process, expected timeframes and outputs from advisory services provided by either DIFs or DBAs.

Figure 22 | Overview of the business advice and facilitation service process



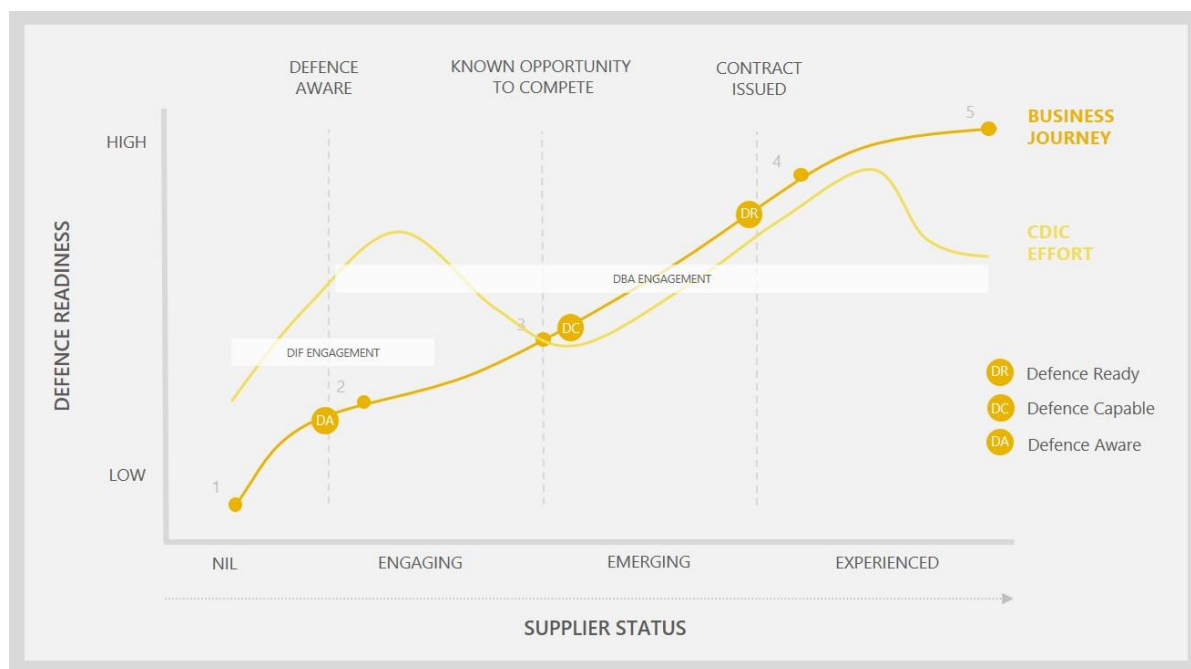
Source: 2018 Nous Group analysis

The objectives of the CDIC's business advisory and facilitation services as outlined in the CDIC 2020 Business Plan (CDIC, 2020) are as follows:

- Assist businesses to navigate the defence market, improve business capabilities and successfully work in defence supply chains.
- Support innovation and commercialisation and familiarise industry with defence innovation priorities.
- Assist businesses with identifying export opportunities and increasing international competitiveness.
- Refer businesses to other support programs as appropriate.

In 2018, the CDIC worked with Nous Group (Nous) to simplify and define the CDIC's business advisory and facilitation service offers. Figure 23 shows the distinction between the facilitation and advisory services and the different stages of maturity and defence readiness that businesses typically progress through.

Figure 23 | Journey of a typical business entering the defence industry in 2020



Source: 2020 Review submission from lead of the DBA team

Before receiving an advisory and facilitation service, a DIF or DBA will undertake a Defence Readiness Assessment (DRA) to understand the business' level of readiness to supply into the defence industry. The results of the assessment guides and helps tailor the type of advice and information that DIFs and DBAs then provide to businesses.

The DRA was intended to be used as an interim triage tool until the Defence Business Maturity Framework (DBMF) was rolled out (Figure 30). The DBMF was envisaged to prepare businesses seeking to enter the defence industry.

The relatively broad eligibility criteria for the CDIC's business advisory and facilitation services has meant that there has been a strong demand for business advisory and industry facilitation services. Several stakeholders noted that there was no analysis of likely demand for services and the associated resource requirements when the CDIC was established. The introduction of the two discrete business advisory and facilitation services streams in January 2018 was designed to better manage demand by triaging businesses based on their defence readiness and business maturity.

Businesses satisfaction levels

Submissions to the review found that businesses had mixed experiences with the CDIC's business advisory and facilitation services. When businesses reported they were satisfied with advisory or facilitation services, they often provided feedback specific to the individual DBA or DIF and the efforts undertaken to support their businesses. These comments included:

- DBAs are creative, friendly and easy to bounce ideas off.
- DBAs and DIFs are subject matter experts, professional and demonstrated they understood the business.
- DBAs help businesses understand and navigate legislation and other areas of Government.
- DBAs and DIFs are knowledgeable of specific industry news and events relevant to businesses.

Businesses and industry associations who were less satisfied with the business advisory and facilitation services provided feedback often relating to the consistency or relevance of the business advisory or facilitation service. Specific feedback included:

- A lack of consistency of the information provided by DBAs and DIFs.
- Depth and currency of Defence knowledge.
- Advice that was generic and lacked tailoring to the business' needs, and some advice that was not informed by Defence to the level expected.

The CDIC collects feedback on services through client surveys, distributed to businesses upon completion of a business advisory or facilitation service. These surveys were introduced in April 2019. The DIF and DBA services client survey data provides positive feedback for business advisory and facilitation services. 92 per cent of respondents reported they were satisfied or very satisfied with the services provided by their DIF and 100 per cent were satisfied or very satisfied with their DBA. It is important to note the small sample sizes for this survey data (25 respondents for the DIF survey and 13 respondents for the DBA survey).

Demand for support

Businesses that responded to this review reported varied experiences with the CDIC's responsiveness and the accessibility of the business advisory and facilitation services. Some businesses reported dissatisfaction specifically with CDIC's timeliness to respond to applications for business advisory services and turnaround times for completion of ASRs.

Some stakeholders called for greater transparency regarding the number of applications received and the time taken between application submission and service delivery.

Business advisory services - generic and transactional

Some businesses expressed the view that the CDIC's business advisory services, including reports, are generic and not sufficiently relevant to the individual business's needs. For example, one company indicated that the ASR was unhelpful, but the actual engagement with the DBA was tailored and helpful.

Additionally, some businesses and industry associations expressed that at times the CDIC's services appeared transactional.

Remote business advisory services

As with many areas of Government, responding and adapting to the COVID-19 pandemic quickly was important for the CDIC. DIFs and DBAs continued to deliver business advisory services using videoconferencing applications. These methods allowed DIFs and DBAs to continue to meet with businesses, undertake virtual site tours and have greater reach, particularly for businesses that otherwise would be unwilling to incur the associated travel costs.

The CDIC reports that DBAs have also been co-delivering services together, which has resulted in different perspectives or recommendations for businesses. The CDIC is currently looking to incorporate learnings from adaptations during COVID-19 into business-as-usual processes where this would be beneficial.

Innovation facilitation services

Defence Innovation Advisers

It was envisioned when established that the CDIC's Defence Innovation Advisers would support and work closely with the DIH and Next Generation Technologies Fund (NGTF) to engage with industry and encourage high-quality defence innovation proposals (CDIC, 2016a).

Key activities included:

- Raising awareness of the Defence Innovation Portal and Defence's innovation priorities within the defence sector.
- Assisting the development of high-quality proposals from industry so that submissions articulate an innovation proposition that reflects Defence's innovation requirements.
- Providing support to unsuccessful innovation proposers through referral to other suitable industry support programs or by assisting in the development of proposals further.

The specific roles of the Defence Innovation Advisers in support of eligible industry stakeholders are outlined in Figure 24. It is important to note that the DIH resides within Defence and that CDIC staff remain independent of the defence innovation assessment process.

Figure 24 | Role of the Defence Innovation Advisers in supporting eligible industry stakeholders

- Understand Defence's innovation priorities and, where possible, assist industry stakeholders in aligning their innovation proposals with these priorities.
- Articulate Defence's innovation proposals with appropriate and sustainable business and commercial propositions.
- Understand the new Defence innovation Intellectual Property (IP) and contract framework.
- For businesses that are successful in gaining Defence innovation funding, work with these businesses to maximise the commercial outcomes of the investment by providing specialist defence business and commercialisation advice, and possible diversification opportunities in adjacent industry sectors.
- Facilitate connections between small to medium sized businesses, research organisations and other potential markets via the Entrepreneurs' Programme (EP), Industry Growth Centres (IGC) and the National Innovation and Science Agenda (NISA).
- Facilitate access to international innovation programs, including those in the United States of America (US) and United Kingdom (UK).

Source: (CDIC, Concept of Operations, 2016a)

In practice, the Defence Innovation Advisers assumed the title of DIFs. At its peak, the CDIC's innovation facilitation team comprised of a DISER Australian Public Service (APS) employee and a Defence secondee. Efforts were made in 2018 to clarify their role (Nous Group, 2018); however, some ambiguity remained about what the Innovation Facilitators did in practice.

In 2019, the Defence Innovation Facilitators function was absorbed into the business advisory and facilitation services teams. All the CDIC's DBAs and DIFs now provide the innovation and commercialisation services envisaged in the 2016 Concept of Operations.

In 2017-18, the Defence Innovation Facilitators supported 120 innovation facilitation proposals (Defence, 2019c).

Training

CDIC training offers

The CDIC currently offers a variety of defence industry-specific workshops, for example the US Export Controls workshops in partnership with Defence or third parties. Additional business skills training such as business planning, finance, contracting, and tendering are offered through workshops and webinars on business.gov.au. Feedback collected on the successes and improvements of its delivery of training and workshops is reported to the Advisory Board.

Some businesses provide positive feedback on training:

- The seminars, industry conferences and tradeshow are informative and useful for networking and educational opportunities for small businesses.
- The movement towards online training during COVID-19 was well received. Many businesses see the potential for this approach to be extended post-COVID-19 by offering professional online videos on enduring topics such as Australian and US Export Control policies.

Feedback on the CDIC's training offers suggested that some stakeholders seek training that is tailored. Some stakeholders reported overlap in training between CDIC and industry associations.

Additionally, some submissions sought improved planning and notification of workshops and training events.

Online channels

The CDIC's online service delivery channels are provided through business.gov.au. The CDIC's online presence includes information and advice, application forms and information for the business advisory and facilitation services, grants, and webinars. The Defence Innovation Portal part of business.gov.au houses information on, and links to the DIH and Next Generation Technologies Fund (NGTF).

In 2018-19, work commenced to enhance the content available through the CDIC's online channel (Defence, 2020a). As part of this process, the CDIC undertook analysis and gathered feedback to understand why users visited the website and what would make it easier for users to find information.

The review received feedback that improvement is sought on the CDIC's online presence. The reviewers are grateful for the specific improvement recommendations provided to the review.

Grants

The five grant programs administered by the CDIC for Defence are shown in Figure 25. The partnership between the CDIC and Defence differs across each of the programs. For example, SP&I set the policy for the CIG program and the program is administered entirely by the CDIC. Defence has greater involvement in the SICPG in contrast, to ensure there is consistency with the strategic direction of the SICPs.

The eligibility for the CIG, DGCG and SICPG Programs is capped at businesses with 200 employees. The largest program by number awarded is the CIG, and the most significant program by total dollars awarded is the SICPG. The review considers that lifting the 200 employees limit for appropriate CDIC support is warranted. The total numbers of approved CDIC grants are in Figure 25.

Figure 25 | Approved the CDIC grants as at May 2020

Program	Applications	Awarded	Success rate	Approved value (ex GST)
Capability Improvement Grant (CIG)	217	217	100%	\$7.5 million
Sovereign Industrial Capability Priority Grants (SICPG)	86	56	65%	\$26.6 million
Defence Global Competitiveness Grant (DGCG)	51	29	57%	\$3.4 million
New Air Combat Capability – Industry Support Program (NACC-ISP)	17	17	100%	\$11.6 million
Australia-US International Multidisciplinary University Research Initiative (AUSMURI)	3	3	100%	\$9.0 million
Total	374	322	86%	\$58.1 million

Source: CDIC reporting

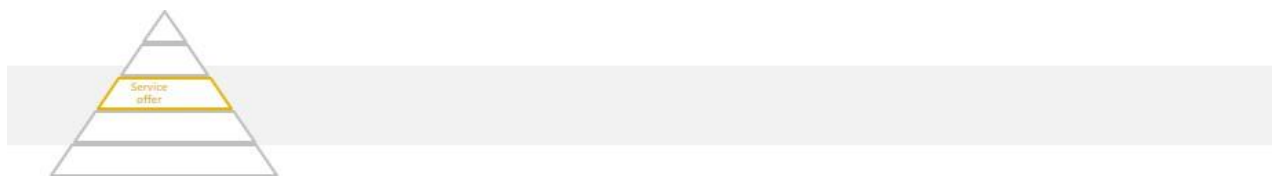
Note: The above grant programs were either transferred to the CDIC or established following its establishment: CIG (2016), SICPG (2018), DGCG (2019), NACC-ISP (2011), AUSMURI (2017).

The majority of businesses who had received grants from the CDIC found them to be useful for developing capability and implementing the recommendations from Advisory Services Reports.

Feedback from companies on the design and implementation of the grant programs encouraged the CDIC to:

- Remove ambiguous language from grant guidelines (SICPG and DGCG) which stated that expenditure incurred before an executed grant agreement was ineligible however also indicated that the project could start following notification of application success at their own risk.
- Take on an adaptive and flexible approach for the CIG program. Currently, this program assumes a traditional, linear progression of plan-approve-execute-complete. It does not take into account that a business' strategy can shift over the course of the grant program.

4.3.2 Benefits to Defence



Australian industry as a Fundamental Input to Capability (FIC)

Alongside service delivery to small and medium businesses and Primes, the CDIC was also intended to deliver services to Defence.

Figure 26 shows the intended outcomes and services to Defence, as outlined in the 2016 DIPS. It indicates that the CDIC was intended to work closely with Defence to achieve the broader objective of enabling Australian defence industry as a FIC (Defence, 2016a).

Figure 26 | Intended the CDIC outcomes and services to Defence by core activity

Intended outcomes	<ul style="list-style-type: none"> • Industry is considered as a FIC. • Capability Managers have greater knowledge of the resilience and capacity of Australian industry.
1. Industry development	<ul style="list-style-type: none"> • Defence capability needs. • Industrial capability plan development. • Industry capability mapping.
2. Business competitiveness and exports	<ul style="list-style-type: none"> • NA.
3. Facilitating innovation	<ul style="list-style-type: none"> • Provide an insight to the Advisory Board of small to medium businesses innovation initiatives.

Source: 2016 Defence Industry Policy Statement, 2016 Concept of Operations

The importance of the partnership between Defence and the CDIC is a key finding in the 2015 First Principles Review (FPR) of Defence (Defence, 2015).

Flow of information and intelligence

The separation of the CDIC from delivery groups in Defence drives a requirement for dedicated engagement. Embedding the CDIC personnel into large projects has shown some improvement in this engagement.

The CDIC developed a draft research strategy and data dissemination plan in July 2019 (CDIC, 2019), to assist Defence with its decision-making. It will provide information about the structure and performance of Australia's defence industrial base. Similarly, Defence interaction with industry through projects, establishes relationship information essential to the CDIC functions.

Since its establishment, the CDIC has supported Defence to engage with local industry in the context of specific major projects – namely the JSF and the Hunter Class Frigate (SEA 5000).

The CDIC's work on the JSF is an example of how a major project's specific approach and framework has evolved. The CDIC's involvement with the JSF pre-dates the 2016 DIPS. The Defence Industry Innovation Centre (DIIC) – one of the CDIC's antecedent entities – commenced work with the Defence JSF Industry Team in 2011, which included supporting the New Air Combat Capability-Industry Support Program (NACC-ISP) grant. The CDIC has since had an ongoing role in helping businesses put forward high-quality NACC-ISP applications.

During 2015-2016 the CDIC partnered with the JSF Industry Team to support Australia's response to the Joint Program Office (JPO) Request For Information (RFI) One – Component Maintenance, Repair, Overhaul and Upgrade (RFI One component MRO&U). In 2016-2017 the CDIC also supported Australia's response to RFI Two.

In February 2019, DISER and the JSF Division signed a three-year Project Activity Agreement to formalise the next stage of the partnership. The broad activity areas under this agreement are shown in Figure 27. At its peak, the CDIC's JSF team had four staff working with the Defence JSF Industry Team.

Figure 27 | Project Activity Agreement with the JSF Division

The CDIC will provide the following services to the JSF Division:

1. Deliver tailored JSF industry support to:
 - Lead engagement activities with the Australian JSF industry.
 - Support engagement activities with JSF Prime contractors and Original Equipment Manufacturers (OEMs).
 - Identify Australian industry capability and analyse opportunities available.
 - Maintain knowledge of the Australian JSF industry.
 - Support the transfer of industry-wide knowledge to the JSF Division.
 - Leverage the CDIC and DIIS programs, services and expertise to provide a reach back facility.
2. Continue the existing support for the NACC-ISP.

Source: Project Activity Agreement with JSF Division as of February 2019

Some of the small and medium sized businesses that responded to this review had positive feedback about the program and noted that it had provided them with opportunities to enter and grow within the JSF related supply chains.

There was positive feedback from one of the multi-national Primes, who noted that the Program had resulted in partnerships with Australian companies to support the JSF Program. Their submission identified CDIC activities such as an industry day held in 2018 and a 10-day visit to meet with relevant suppliers and view their capabilities – as vital to developing the working relationship between the JSF Industry Team and Australian defence industry.

The Project Activity Agreement between DISER and the JSF Division ceased as at 30 June 2020 as a result of its annual review. The review notes that all projects need to continue to be efficient and effective with project and taxpayer funds; therefore, all activities should be subject to value for money determinations throughout the life of the projects.

4.3.3 Value for Prime contractors



The 2016 DIPS emphasised that working with Primes was vital in providing critical linkages to small and medium businesses, including potential Global Supply Chain (GSC) Program opportunities, as illustrated in Figure 28.

Figure 28 | Intended CDIC outcomes and services to Prime contractors by core activity

Intended outcomes	<ul style="list-style-type: none">• Prime contractors are equipped with appropriate levels of skilling and technology by small to medium businesses to service contracts.• Effective processes for exchanging information between Defence and local and international defence industries.
1. Industry development	<ul style="list-style-type: none">• Industry capability mapping.
2. Business competitiveness and exports	<ul style="list-style-type: none">• GSC Program development.
3. Facilitating innovation	<ul style="list-style-type: none">• N/A.

Source: 2016 Defence Industry Policy Statement, 2016 Concept of Operations

Global Supply Chain Program

The CDIC currently houses the team that manages the GSC Program. The Program was designed to support Australian businesses to find opportunities to enter the international supply chains of multinational Primes. Appendix D includes an analysis of the GSC Program's effectiveness in response to the review discussion paper question "How effective has the GSC Program been in providing real opportunities to enter international supply chains?", and considers ways to enhance the Program and where it should be managed.

Following the commissioning of this review in November 2019, the Advisory Board endorsed a recommendation by DISER that the GSC Program is transferred back to Defence. However, implementation of this decision was put on hold pending completion of this review.

Engaging with Prime contractors

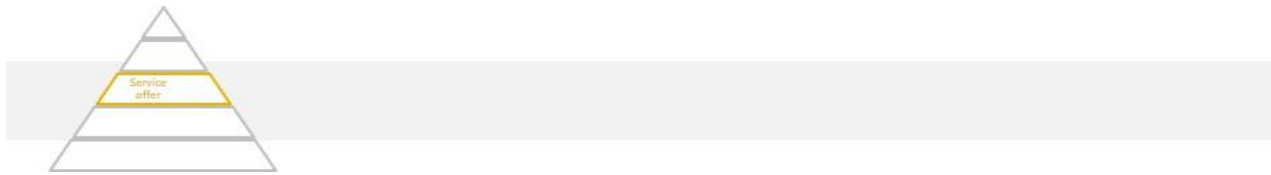
The CDIC's current activities with GSC Program Primes involve undertaking roadshows, industry engagement days, and preparing small to medium businesses on how to present to Primes for new and existing major projects. Other engagements between the CDIC's DBAs and Primes currently occur on an ad-hoc basis, usually when a business with a unique capability relevant to a SICP is identified.

Exchange of information and intelligence with Prime contractors

Many Primes are seeking an increase in the sharing of information between the CDIC and GSC Program Primes, for example, information regarding the mentoring advice provided to businesses. One Prime advised its experience sharing information with other Government agencies, for example, Austrade had resulted in relationships with companies they would not have previously accessed.

Some submissions recommended closer collaboration between the CDIC and GSC Program Primes to understand industry gaps better, as there did not appear to be a defined strategy in place to work with Primes in order to identify major gaps across programs. The 2016 DIPS and Concept of Operations had expected that the CDIC would identify potential GSC opportunities using the export team to capture and leverage the combined intelligence gathered by the GSC Program Prime as a means of objectively benchmarking the performance and areas for improvement of Australian industry.

4.3.4 Leadership of the defence industry sector



Strategic leadership

The 2016 DIPS and the CDIC Concept of Operations clearly outline that a key objective of the CDIC is to provide strategic leadership to the Australian defence industry sector. Figure 29 shows that the DIPS envisioned the CDIC playing a collaboration and coordination role to the sector, including with state and territory governments.

Figure 29 | Intended CDIC outcomes and services to the sector by core activity

Intended outcomes	<ul style="list-style-type: none">• Increased collaboration between Government and industry.• Improved coordination with the states, territories, and other stakeholders on defence industry matters.
1. Industry development	<ul style="list-style-type: none">• Conduct industry capability mapping.• Provide strategic advice to Government and key sector stakeholders.• Identify strategic industry capability gaps and solutions and fund industrial capability projects to address them.
2. Business competitiveness and exports	<ul style="list-style-type: none">• N/A.
3. Facilitating innovation	<ul style="list-style-type: none">• Two-way connections to research organisations.

Source: 2016 Defence Industry Policy Statement and the 2016 Concept of Operations

2018 Defence Industrial Capability Plan

The main focus of the CDIC's primary strategic leadership and policy advice efforts to date have centred around the support it provided to Strategic Policy and Intelligence (SP&I) to develop the Defence Industrial Capability Plan in 2018. The CDIC helped with the development of the Sovereign Industrial Capability Assessment Framework (SICAF), used to identify the current ten SICPs.

Industry-wide policies

To date, the CDIC has made two critical contributions to the evidence base for industry-wide policies. The CDIC's first contribution came through the National Defence Industry Survey commissioned in 2018, which received 1800 responses from businesses.

The survey provided an opportunity for Australian small to medium businesses to provide information about their capabilities and to identify the most significant opportunities and challenges faced by industry. Data from the survey is being used by SP&I to inform the analyses of the present Australian industrial capabilities in the already published and forthcoming Sovereign Industrial Capability Priority Industry Plans (Defence, 2019d; Defence, 2019e).

More recently, the CDIC commissioned AlphaBeta to analyse the impact of defence investment on local defence businesses. AlphaBeta created a dataset of defence suppliers, drawn from a range of public and proprietary sources (AlphaBeta, 2019).

This review's initial analysis of the CDIC's various program administration datasets (section 3) demonstrates that there are significant opportunities for this data to be used to further grow the evidence base for defence industry policy.

Industry development projects

The CDIC's Shared Services MOU stated that it would "design and deliver Industry Capability Projects (ICPs) that address priority defence industry sector-wide issues as identified in the 2018 Defence Industrial Capability Plan (DICP) or project proposals developed by industry in collaboration with the CDIC and Defence" (DIIS & Defence, 2016).

The CDIC's first ICP (later referred to as Industry Development Projects) was the Defence Business Maturity Framework (DBMF). To date, there have been five Industry Development Projects. The current status of these five projects is outlined in Figure 30. The CDIC has now completed all of the Industry Development Projects, except for the DBMF which is ongoing.

Figure 30 | Overview and status of the CDIC's Industry Development Projects

Development Project	Overview and status
DEFENCE BUSINESS MATURITY FRAMEWORK	<p>The DIPS stated that CDIC would establish "a Defence business readiness framework to prepare small to medium enterprises seeking to enter the complex Defence business environment" (Defence, 2016a).</p> <p>The intended use of the framework was to enable businesses to understand what it means to be defence ready, self-assess against best practice and prioritise activities to become 'defence ready' and progress along a defence business maturity continuum. The tool was to be used by DIFs and DBAs to triage advisory service applications and capture data that would contribute to industry capability mapping.</p> <p>In June 2018, the Department of Industry, Innovation and Science (DIIS) entered into a contract with an external provider to develop the DBMF. The development of the DBMF involved extensive consultation with stakeholders across the sector. The final version of the framework that was completed in July 2019 included approximately 300 questions. The framework outlines five categories of business maturity; capability, products and services, leadership, business capture and business processes.</p> <p>In December 2019, the DBMF was presented to the Advisory Board. As of March 2020, CDIC continues to work with a subset of Advisory Board members and Defence to progress the DBMF and to develop a new, shorter and more defence-specific question set. An update was to be provided at the June 2020 Advisory Board meeting.</p>
STANDARDS, CERTIFICATIONS AND ACCREDITATIONS (SCAS)	<p>This project was designed to determine the extent to which the SCAS environment is a barrier to existing defence businesses seeking to grow their defence business, and to make observations and recommendations to assist businesses in addressing the issue. The CDIC will be published a booklet on their website soon.</p>
DIGITAL TRANSFORMATION (INDUSTRY 4.0)	<p>This project was designed to help understand the implications, challenges and opportunities of digital transformation for Australia's defence sector small and medium business, and how these can engage with the process of digital transformation with full awareness of the issues to win or expand business in domestic and global defence markets.</p> <p>The CDIC leveraged a range of tools, including those available across AusIndustry more broadly, to assist businesses improve their awareness of Industry 4.0 trends and technologies. The CDIC's DBAs refer business to other relevant AusIndustry programs such as the Advanced Manufacturing Growth Centre (AMGC), the EP, and the Innovative Manufacturing Cooperative Research Centre (IMCRC). The CDIC's CIGs can also be used to fund Industry 4.0 related activities.</p>
ENGAGING INDIGENOUS BUSINESSES IN THE DEFENCE INDUSTRY	<p>This project was designed to consider how the CDIC can provide additional support to Indigenous businesses in the defence industry. The CDIC delivered two pilot workshops for Indigenous businesses in 2018 and is looking to work with an Indigenous consultant to deliver additional workshops tailored to Indigenous businesses. The CDIC also actively participates in tradeshows specifically for Indigenous businesses, encourages staff to undertake cultural awareness training, has developed case studies of the CDIC support to Indigenous businesses and works closely with other Government departments, including the Department of the Prime Minister and Cabinet and Defence.</p>

Development Project	Overview and status
INFORMATION MANAGEMENT FRAMEWORK	The project was designed to scope, design, and implement an Information Management Framework that meets the industry analysis needs of the CDIC. The CDIC utilised the databases and tools available through the DISER including the department's Customer Relationship Management (CRM) tool.

Source: 2020 Advice from CDIC

The CDIC's Steering Group agreed in mid-2019 that there would be no further Industry Development Projects for the time being and that "projects would not be undertaken without clear value and agreement of the Steering Group" (Steering Group Minutes).

Mapping of industry capability

Industry capability mapping is a key input to the CDIC's core activity of industry development, which is yet to come to fruition.¹⁴ The CDIC does not currently undertake detailed capability mapping. The need for a database that captures the capabilities of Australia's industrial base was captured in multiple stakeholder submissions to the review and was a recent requirement identified by Advisory Board in December 2019.

The data from National Defence Industry Survey 2018-19 commissioned by the CDIC provided an initial starting point for mapping defence industry and was used in the SICP Industry Plans. In the context of assessing economic benefits of Defence spending (see evidence base discussion above), Defence and the CDIC are engaging with other parts of DISER to consider options to develop a more robust map of defence industry capability. Defence notes the importance of tracking the growth in industrial capability both broadly and against key priorities, such as the sovereign industrial capability priorities.

Several state and territory defence agencies are becoming more active in the industry capability mapping space. For example, Defence West recently launched the *Western Australian Online Defence Industry Capability Directory* to promote local businesses to prospective buyers in Australia and overseas. Around 120 organisations have been listed initially including Primes, small to medium businesses, training providers and universities; the directory will be updated continually as Western Australia's defence industry grows. Furthermore, the Tasmanian Government recently released the *Defence Tasmania Industry Directory* which aims to showcase Tasmania's capability in the defence industry at a global level.

Some industry associations have also completed elements of industry capability mapping. For example, the Industry Capability Network (ICN) was assisted by PwC to create an online project portal with industry capability information; however this was limited to a specific Defence major project.

While there has been a lot of work undertaken to map industrial capability in Australia, there is still a role for the CDIC. Information collected and maintained by the CDIC around individual businesses and their capabilities, particularly those that possess industrial capabilities Australia seeks to develop at home, will continue to be of use to Defence. The ICN does not provide the full industry capability mapping required by Defence.

CDIC networking events

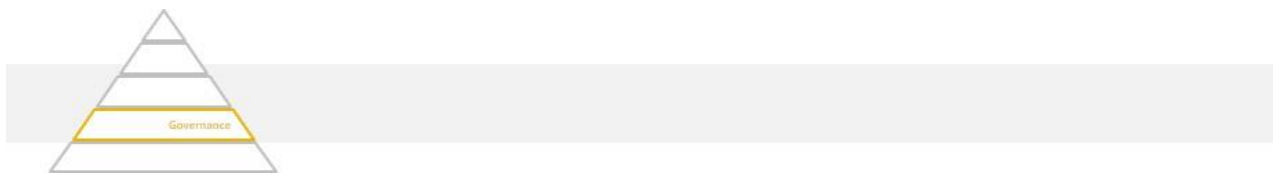
The majority of businesses were satisfied with the networking opportunities provided by the CDIC. Stakeholders reported networking events such as the global opportunities for small to medium businesses were extremely valuable to creating broader Defence relationships. Specific networking events often enabled companies with lower defence readiness and maturity to learn about the complexities of entering the defence industry.

¹⁴ The 2018 DICP stated that "Defence and the Centre for Defence Industry Capability will progressively map and gather detailed information for each Sovereign Industrial Capability Priority. Using the initial list of Priorities as a starting point, Defence and the Centre for Defence Industry Capability will identify the various inputs, knowledge and organisations that contribute to each, and will strengthen their industrial analysis capability to develop and maintain an understanding of the sectors and businesses which are directly supporting these capability priorities" (Defence, 2018b). The Concept of Operation stated that "An early priority for the CDIC is to develop a framework for mapping industrial capabilities. Drawing on the information holdings and analytics expertise within DIIS, the CDIC will work with the Defence Industry Branch, state and territory governments and other stakeholders to collect, catalogue and map Australia's industrial capabilities to the needs of the Integrated Investment Plan and associated supply chains" (CDIC, Concept of Operations, 2016a).

Some stakeholders offered suggestions to enhance the value derived from networking sessions. These suggestions included:

- Providing networking opportunities with Team Defence Australia (TDA).
- Hosting more networking with GSC Program Primes.
- Organising tailored networking events focusing on export controls and technical standards.
- Developing a small to medium business regional network.
- Leveraging existing industry networks.

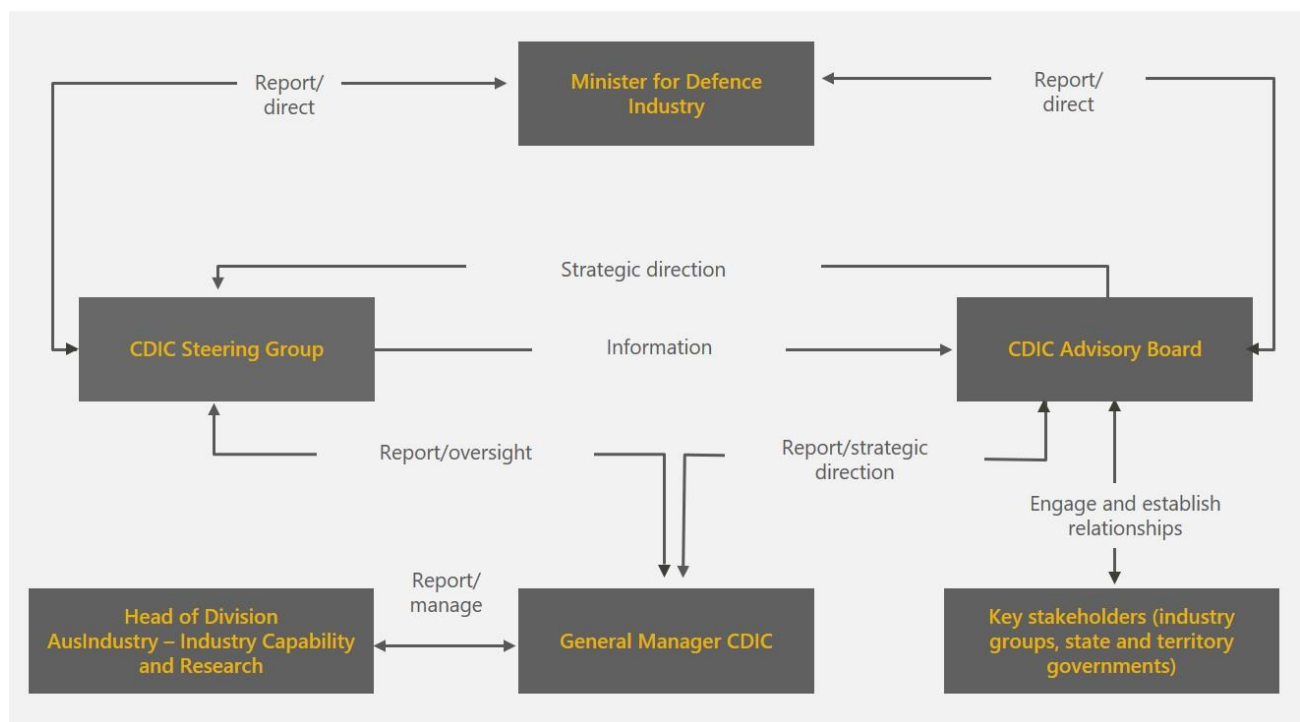
4.4 Governance



Memorandum of Understanding

The Shared Services MOU set out the governance arrangements between DISER and Defence in relation to the CDIC, including governance principles and roles. Figure 31 shows the CDIC governance arrangements (Yardstick, 2020). It is important to note that this is an unusual governance arrangement, with one agency (Defence) providing the policy and funding settings to an entity situated in another agency (DISER), then providing services back to the first agency (Defence).

Figure 31 | CDIC governance arrangements



Source: CDIC Review Discussion Paper April 2020

The review notes that the Advisory Board brings together Australian defence industry leaders and senior public sector representatives to provide guidance and strategic direction for the CDIC. The Terms of Reference for the Advisory Board (agreed in December 2019), outlines that the role of the board is to:

- Engage with key stakeholders across Government, states and territories, DISER, Defence and the defence industry.
- Establish strategic relationships with the selected domestic and international stakeholders.
- Communicate the role of the CDIC at relevant forums and to relevant stakeholder groups.
- Provide guidance and strategic direction for the CDIC to assist it to meeting its objectives and achieving outcomes.
- Provide strategic oversight of the CDIC through advice to Government and recommendations to the CDIC General Manager.
- Brief the Minister as appropriate and provide advice to Government, including on the development of sustainable defence industrial capability, in line with Australia's defence priorities.
- Request information from, and make recommendations to, the Steering Group on any matter relating to the CDIC.
- Receive reports and information from the Steering Group and the CDIC General Manager.

It is important to note that, currently, the Advisory Board is not a decision-making body and has no binding decision-making authority. The full remit of the Advisory Board is identified in the Terms of Reference in the MOU's Services Schedule.

The Steering Group is responsible for oversight of the operations and direction of the CDIC. Based on the April 2020 Terms of Reference, the Steering Group is responsible to:

- Approve and oversee the activities and operations of the CDIC, and ensuring they are in line with policy direction from Defence.
- Approve and oversee plans and activities related to stakeholder engagement and strategic communications.
- Approve the annual budget in consultation with the General Manager CDIC and monitoring the CDIC's financial performance.
- Oversee the relationship between the CDIC, Industry and Defence.
- Advise on the development and maintenance of strategic partnerships, including with the Minister for Defence Industry.
- Report at least quarterly to the Advisory Board, identifying issues for the Advisory Board to consider and responding to requests for information from the Advisory Board.
- Represent and promote the CDIC where appropriate.

Advisory Board and Steering Group

Some internal and external stakeholders indicated that the role and responsibilities of the Advisory Board and the Steering Group are not well understood, and the difference between the two is unclear (although the Advisory Board's role is published online).¹⁵ This is in line with findings in the CDIC initial evaluation, which found that the role of the Steering Group was unclear to the Steering Group, Advisory Board and the CDIC staff (DIIS, 2018).

¹⁵ <https://www.business.gov.au/CDIC/CDIC-Advisory-Board>
Centre for Defence Industry Capability Review – Final Report – July 2020

FINDINGS FROM THE YARDSTICK GOVERNANCE REVIEW

A review and evaluation of the CDIC is required every three years, as specified in the Services Schedule to the MOU. DISER commissioned Yardstick to undertake the first review, commencing in September 2019. The review examined the governance arrangements that support the CDIC's delivery of its objectives and outcome and to provide recommendations to align the CDIC's governance arrangements to relevant better practice principles (Yardstick, 2020). It also explored progress of the CDIC's governance structures against the planned arrangements in the MOU.

Selected findings and recommendations from the Yardstick governance review have been incorporated throughout this report where relevant. The findings of this review align with the majority of those in the Yardstick review.

Source: 2020 Yardstick review

The CDIC initial evaluation and the stakeholder input to this review provided consistent views that the value of the Advisory Board was not being maximised – although it was also apparent that there is tension between the Terms of Reference and how Advisory Board members seek to add value to the CDIC. Stakeholders consulted in this review reported that the Advisory Board should be enabled to successfully fulfil its role of providing strategic direction and advice to the CDIC. Examples of this included:

- Ensuring advice is sought from the Advisory Board on key operational decisions.
- Advisory Board should set the budget priorities for the CDIC.

The Yardstick governance review noted that with the CDIC operations maturing, it is a significant opportunity to improve governance arrangements, in part to better demonstrate the CDIC's performance and accountability (Yardstick, 2020).

One industry association submission echoed the thoughts of the Advisory Board (as noted in the December 2019 meeting minutes) that broadening the mandate of the Advisory Board should be considered. The submission noted that a broader mandate or role that allowed the Advisory Board to engage on core issues integral to the success of defence industry, including commenting on Australian Industry Capability (AIC) outcomes and the development of sovereign industry, could be beneficial.

This review notes that the members of the Advisory Board do not have the same decision-making powers and accountabilities as public officials under the current governance arrangements.

The review also concludes that the Advisory Board can continue to add critical value to the future operations of the CDIC under its current legal status and Terms of Reference.

Composition of the Advisory Board

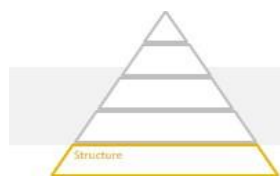
While the CDIC initial evaluation found that the composition of the Advisory Board was appropriate, this review received mixed feedback (DIIS, 2018). This review notes that the membership of the Advisory Board is ultimately a decision for the Minister for Defence Industry. The review received a suggestion to expand the representation of the defence industry services sector. There was also a suggestion from an Advisory Board member to reinstate representation of the office of the Minister for Defence Industry on the Advisory Board to provide stronger links and clearer communication directly with the Minister's office.

Governance structure

Some stakeholders reported that the DISER, SP&I and CASG tripartite relationship imposes complexities and transaction costs in the management of the CDIC. These complexities have slowed down or deferred critical decisions about the operations and future of the CDIC.

Internal stakeholders also noted the key differences in decision-making responsibilities across the tripartite relationship. DISER has operational decision-making powers, for example recruiting staff, structuring the CDIC, and the CDIC strategy and policy settings rest with SP&I in Defence under the MOU.

4.5 Structure



The benefits of housing the CDIC in DISER

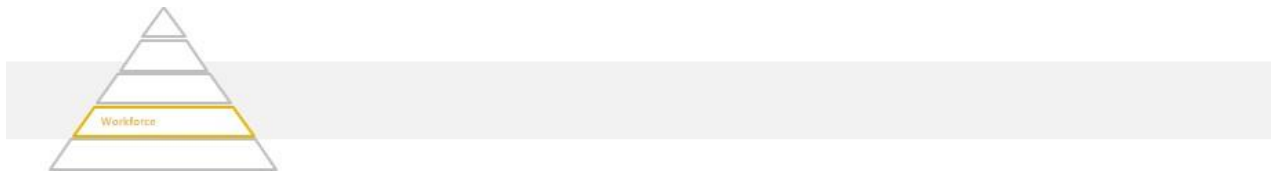
The extent to which the intended benefits of housing the CDIC in DISER have been realised in practice varies. Figure 32 provides an assessment of progress to date on some of the originally intended benefits.

Figure 32 | Assessment of progress against selected expected benefits from locating the CDIC in DISER

Expected benefits	Extent to which realised	Notes
Enables easier referrals to and linkages with other complementary sector development programs and specialist skillsets (EP and IGCs) which builds the capacity of defence sector small to medium businesses and increases the likelihood of small to medium businesses in adjacent sectors being “pulled” into defence work.	Realised	<p>The CDIC reports recent improvements to and increases in the number of cross referrals, collaboration, and co-delivery between the CDIC and the EP.</p> <p>In their submission to the review, the Advanced Manufacturing Sector Director for EP noted that “there has been an increasing number of services delivered related to major defence programs such as EP Business Evaluations, Supply Chain Projects with a major Defence Prime and international defence Original Equipment Manufacturer, and Supplier Improvement Plans”.</p>
Leverages DISER’s systems such as CRM, and IP such as service delivery tools and templates.	Mostly realised	<p>The CDIC has productively leveraged DISER’s CRM and to capture data on client interactions and design systems for service delivery and reporting tools for both the business advisory and facilitation services and various grants programs.</p> <p>DISER’s CRM and other systems also contain data related to current (and potential CDIC) clients such as turnover, profitability, FTE headcount, export revenues and R&D expenditure.</p> <p>The CDIC has developed service delivery tools and IP that draw from other similar programs such as EP.</p>
Leverages DISER’s data, insights, and evaluation capabilities.	Somewhat realised	<p>To date, the CDIC has made limited use of DISER’s data and insights platforms, for example BLADE for reporting and evaluation purposes.</p> <p>DISER’s internal Evaluation Unit has also played a relatively limited role to date in supporting the CDIC to develop a fit-for-purpose strategy for evaluations and ongoing performance reporting – further detailed in section 4.8.</p>
Leverages DISER’s existing AusIndustry regional networks.	Somewhat realised	<p>The CDIC utilises DISER’s AusIndustry network of Regional Managers and metro-based Business Development Managers to promote and cross refer businesses to the CDIC. The CDIC’s Concept of Operations envisages that “The Network will be a key source of intelligence and referrals for the CDIC, with strong links to local, state and territory governments and industry groups.” (CDIC, Concept of Operations, 2016a).</p>

Source: 2020 Review submissions and review team observations

4.6 Workforce



Client-facing workforce

The CDIC's client-facing workforce provides services to businesses and clients across Australia, and it is comprised of:

1. **DBAs** – staff whose roles were previously non-ongoing and were advertised in late 2016 and have subsequently been augmented by newer recruits who were mainly contractors. The size of the DBA team has grown reasonably significantly between July 2018 (six DBAs in the Advisory Team Branch) and February 2020 (18 DBAs in the Defence Business Advisory Services Team, the majority of whom are contractors). DBAs primarily serve more mature defence industry businesses. Figure 22 provides further details.
2. **DIFs** – comprised of APS staff seconded from Defence. Initially set up, in part, to ensure the continuity of programs and knowledge transfer (CDIC, 2016b). Before the formation of the CDIC, DIFs were state and territory Business Access Officers. This DIFs team has remained mostly static. Many worked on the CDIC's antecedent programs. DIFs primarily serve businesses that are new (or newer) to defence industry. Figure 22 provides further details.

The services delivered by these two teams are discussed in section 4.3.1.

The three support teams in the CDIC are:

1. **GSC Program team** administers the GSC Program.
2. **Grants Management and Services Support team** administers grant opportunities, supports service delivery and supply chain engagements, and manages call centre liaison.
3. **Governance, Reporting and Data and Analytics team** manages business planning, risk management, human resources, financial management/reporting, communications, events, data analysis and contributes to policy development.¹⁶ Figure 33 shows the current structure and breakdown of the CDIC workforce. Two of the CDIC's current 58 positions are vacant. The CDIC reports that its relatively high number of contractors, a ratio of close to 1:1, is due to ASL constraints and the fact it is easier to recruit and manage DBAs on a contractor basis.

26 of the CDIC's roles are in the two predominantly client-facing teams, and 32 roles are in the support teams – a 'tooth to tail' ratio of approximately 0.8 to 1.

Since 2016, the CDIC has experienced growth in demand for services that has placed pressure on its workforce. The initial evaluation of the CDIC (DIIS, 2018) identified that the need for the CDIC services was far higher than anticipated. Since then, demand for the CDIC services has remained high. The Workforce Planning Project predicted continued growth in demand for resourcing major projects and the need to review the organisational design and workforce delivery model (Deliberatedge, 2018). These were progressed as evidenced by the model proposed for the maritime service schedule.

¹⁶ CDIC Organisational Chart February 2020.

Figure 33 | CDIC workforce by position type



Source: CDIC Organisational chart February 2020

Note: The numbers in this figure are based on positions, not ASL. The figure does not include the Executive and Administrative Assistant role and the General Manager role. Support roles are shaded yellow.

The review notes that it is critical that the CDIC workforce focusses on outcomes for industry. The review was presented with evidence that while efforts have been made, further improvements are needed.

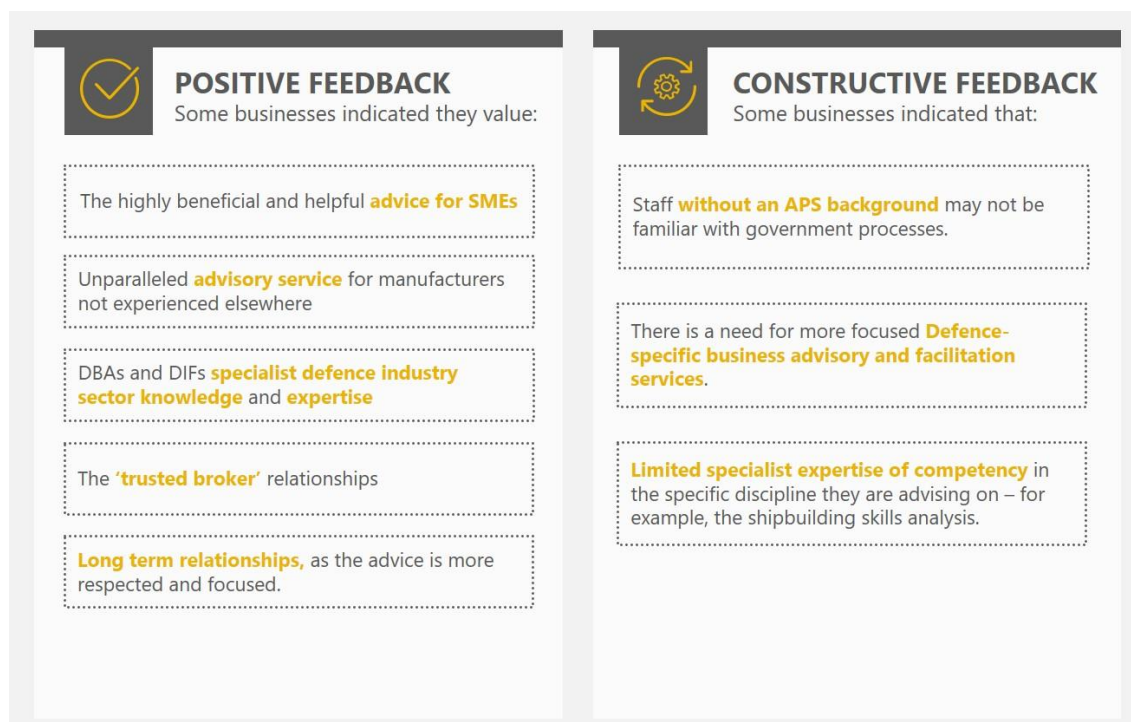
Workforce

Past reviews and many stakeholders in this review agreed that the skills, experience, networks and industry credibility of the DBA and DIF workforce are the CDIC's most critical asset and a key enabler of success (based on many review submissions and interviews with small to medium businesses and Prime contractors). Specifically, there was evidence of:

- **The exceptionally hardworking CDIC workforce.** The Workforce Planning Project noted that discretionary effort was high, and 'everyone works exceptionally hard' (Deliberatedge, 2018).
- **The passion, outstanding commitment, and professional support of DIFs and DBAs.** Many review submissions and interviews provided evidence that stakeholders value the CDIC and its services. Many businesses indicated the DIFs and DBAs they had dealt with delivered outstanding commitment, professional support, and valuable business guidance.

Despite the passion and commitment of its workforce, this review received mixed feedback on the level and depth of the DBAs and DIFs business advice. Figure 34 provides a summary of this feedback.

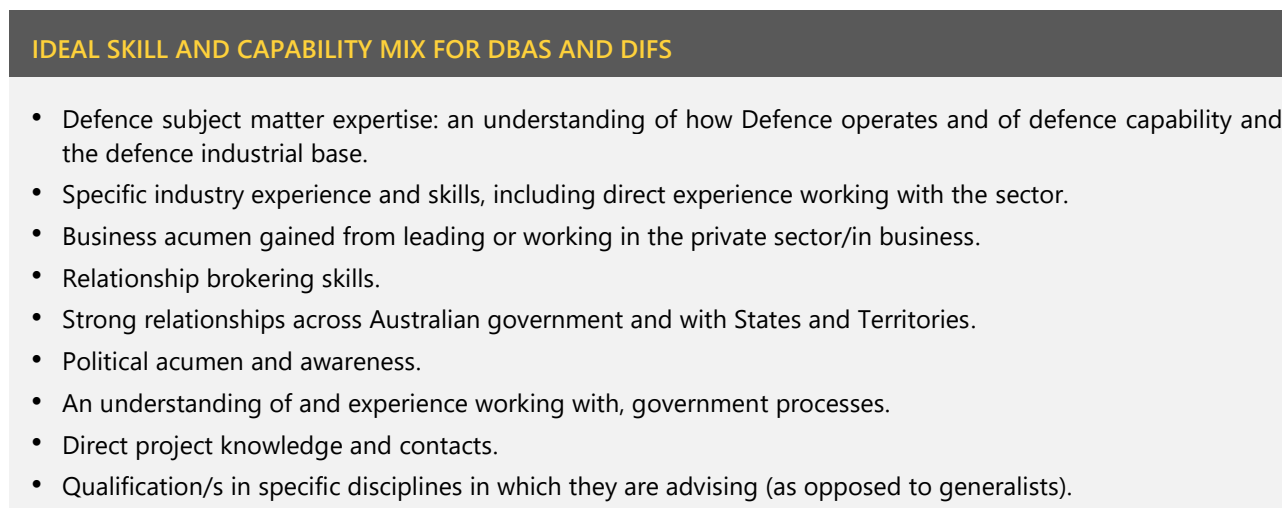
Figure 34 | Summary of feedback provided on DBAs and DIFs



Source: 2020 Review submissions and interviews

Many of the submissions noted the ideal skill and capability mix for the CDIC's DBAs and DIFs. This feedback is summarised below.

Figure 35 | Feedback on the desired attributes for DBAs and DIFs



Source: Review submissions and interviews

Note: the DBA and DIF are different roles so it is appropriate to assume they require slightly different skills and experience mix in each cohort.

Hybrid delivery model

Currently, the CDIC uses a hybrid model to allocate DBAs to a business' enquiry in order to maximise coordination, regional equity, and to match companies to the right specialist expertise. The allocation of DBAs is based on specialisation, but if a business requires more generic business expertise or advice, the allocation of staff is based on geographic proximity.

The allocation of DIFs is based on geography, given they typically advise businesses with limited defence knowledge (so specialisation is likely less relevant). If needed, specific expertise in a domain, for example aerospace or maritime, overrides regional alignment.

The merits of the current hybrid model along with resourcing models designed exclusively along geographic and specialisation lines are summarised in Figure 36.

This review concludes that the current hybrid resource model is the most appropriate for the CDIC.

Figure 36 | Benefits of the different resourcing models

Type of model	Benefits identified by stakeholders
HYBRID MODEL	<ul style="list-style-type: none"> Enables a matrix structure with geographical DBAs who understand the specific industry players and environment, who engage with each other to share and improve industry-specific content. They can then engage with similar representatives from other sectors to cross-pollinate between industry sectors. Allows for embracing differences in industrial capability profiles across states and territories, as well as a distinct range of likely future defence industry activities. Allows for face-to-face engagement and local knowledge, but sector-specific knowledge should be brought in via networking or virtual engagement. Local DBAs should have access to national sector experts as needed.
GEOGRAPHICALLY ALIGNED	<ul style="list-style-type: none"> Supports the need for face-to-face interactions with businesses that are new or newer to Defence (who may require additional support) and an understanding of the unique local economic dynamics. Are more readily available to provide information and advice across the full spectrum of the defence industry. A local representative would have the capacity to run a wider-reaching communication and engagement program. Can provide a local point of contact, in the relevant time zone (although it would be helpful for these DBAs to have access to support from DBAs aligned to specific industry sectors). Are a 'one-stop-shop' for small to medium businesses in their geographical area of responsibility. Gives the DBA the bandwidth to appraise themselves of complementary state, territory, and regional government initiatives that their clients can leverage to grow.
SPECIALISATION ALIGNED	<ul style="list-style-type: none"> Clients get access to specialist knowledge and advice. Brings specialist sectoral knowledge, for example LAND, AIR, SEA, to understand the sort of capabilities required in a sector and should align specialist knowledge with local skills.

Source: 2020 Review submissions and interviews

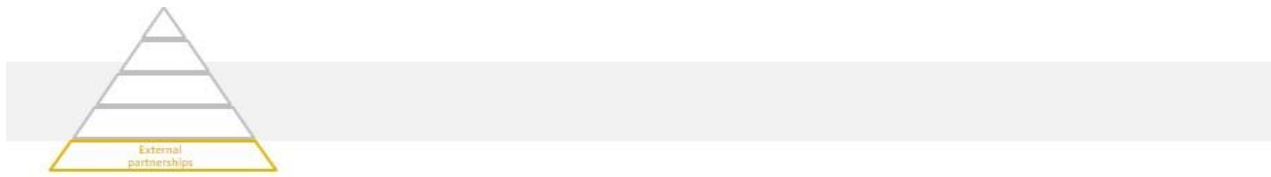
Workforce distribution

Review feedback indicated that some states and territories felt they were allocated fewer resources than needed, especially in rural and regional areas – despite the current resourcing of DBAs being geography agnostic (see above). Specific feedback from stakeholders in different states and territories included:

- New South Wales:** One stakeholder noted that on-the-ground resourcing in the greater Sydney area was limited. Another stakeholder pointed out that the CDIC does not appear to be resourced and structured to fully develop the capability and capacity required for a sovereign defence industry, particularly proportionate to the available industrial base.
- Western Australia:** One stakeholder noted that the state Minister had written to the Australian Government (not specified further) regarding additional resourcing for the CDIC in the state.
- Queensland:** Two submissions noted that CDIC has not adequately resourced, or provided DBAs/DIFs with the adequate expertise, to support the geographical coverage of the state, including north of Mackay.

The CDIC released a Request for Quotation (RFQ) in May 2020 that sought to procure the services of up to ten DBAs to re-balance the allocation of resources across each state and territory. This process was subsequently put on hold pending the outcomes of this review.

4.7 External partnerships



The CDIC's partnerships with state and territory defence agencies are critical to enabling positive outcomes for small to medium businesses. State and territory defence agencies mostly reported positive relationships with the CDIC.

The State and Territories Forum was reported as effective, and it should continue to be the primary forum for aligning state and Commonwealth event planning.

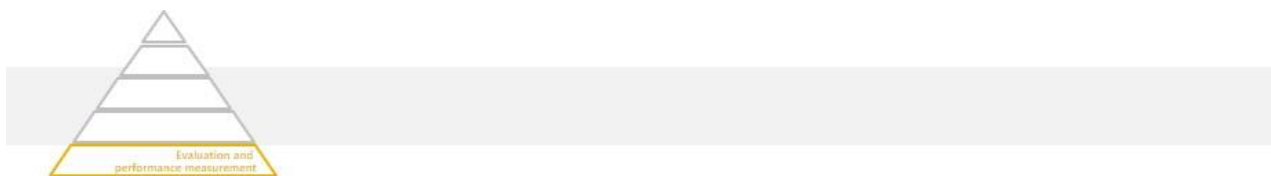
Industry associations and academia

The review was advised of the complexity of the CDIC collaboration with industry associations. The review identified some examples of successful partnership between the CDIC and industry associations. For example, collaboration with ICN on the Continuous Naval Shipbuilding Program, where the use of the online project portal was provided to the CDIC to run a survey to collect essential data. However, these success stories have not always been carried forward, with a similar opportunity to collaborate with ICN on the Land Systems Project unrealised.

Increased collaboration and engagement

The DIPS saw the CDIC as a pivotal mechanism to facilitate engagement between Defence and innovative research across Australia (Defence, 2016a). The Defence Innovation Portal was to reside within the CDIC, and the CDIC's Defence Innovation Advisers were to undertake responsibilities such as convening regular Defence innovation forums for academic and research organisations (Figure 24 in section 4.3.1). In the review, research organisation and academia reported a lower level of awareness of the CDIC compared to industry associations, even when directly engaged with defence projects or being recipients of Defence Innovation Hub funding.

4.8 Evaluation and performance measurement



Evaluation frameworks

Measurement of the CDIC's outcomes requires a fit-for-purpose evaluation framework that contains supporting measurement indicators and data sources.

In 2016, DISER's evaluation unit developed several program logic models when the CDIC was established.¹⁷ In 2018, the CDIC developed a draft Evaluation Strategy that covered the type, scope, and timing of future the CDIC evaluations, as well as a detailed 'Performance Evaluation Analysis (KPIs)' framework to support the draft Evaluation Strategy. This framework identified specific performance measures and data that would be collected through surveys of businesses at the end of an advisory service, Primes and Defence personnel (including Capability Managers).

Since the draft Evaluation Strategy, the CDIC has developed:

- A survey for grant recipients that went live in October 2019. This survey was designed to supplement the questions in the progress and final reports required under the grant agreement. The survey contains

¹⁷ The program logic models covered: Facilitation Advisory Service; grants to defence industry businesses; Industry Capability Development Activities (Procurements); and Strategic Advice to Government on the development of sustainable defence industry capability.
Centre for Defence Industry Capability Review – Final Report – July 2020

few questions that link business outcomes such as revenue growth to the grant funding or other support from the CDIC.

- Program logic models for the SICPG and the DGCG, with support from DISER's Evaluation Unit.

A planned review of the CDIC's Evaluation Framework and development of a reporting framework were deferred pending finalisation of this review.

The new the CDIC Business Plan (CDIC, 2020) at Appendix F contains a comprehensive suite of success measures, intended to be reported to Defence and the CDIC Advisory Board.

Critical program datasets

This review found that there is a substantial amount of data that can be used to extract insights about the characteristics and progress of the small to medium businesses that interact with the CDIC. This includes the data presented in section 3 of this report, which was extracted from application forms, surveys and progress reports. It will be beneficial if the CDIC's data is captured and managed in ways that better enable detailed analysis.

This review notes the recent creation of the Performance, Evaluation and Data Analytics team within the CDIC. This team is focusing on addressing some of these issues and extracting more value out of the CDIC's datasets to inform service delivery and policy and program design by SP&I and other parts of Defence.

5 CDIC's future operating model

Key line of inquiry 4

What might the CDIC's future operating model look like?

Key findings

- One of the CDIC's roles is to act as a 'bridge' between Defence and industry by providing industry intelligence to Defence and future capability intelligence back to the industry sector. This role is especially important as Defence capability needs become more complex, technology-focused and dynamic, and requires coordination across more industry businesses and areas of Defence.
- The COVID-19 pandemic highlighted the importance of the CDIC's role in encouraging and enabling local businesses to pivot into new sectors when called upon to meet sovereign needs in a crisis and to test supply chain resilience for Australian Defence Force (ADF) support.
- The CDIC's proximity to industry can give it a unique platform to provide data and insight if the Government looks to enhance selected sovereign manufacturing capabilities and minimise supply chain vulnerabilities post COVID-19 to strengthen the sovereign ability to respond to future crises.

Policy and programmatic landscape

Since the 2016 DIPS, a range of policies, plans and announcements have shifted the focus of the defence industry in various ways. Some of the key changes include:

- **Greater inclusion of local industry by large defence businesses:** In 2017, the Australian Industry Capability (AIC) plan template that suppliers to Defence must complete under the AIC Program was amended to place greater expectation on large defence businesses to explain and justify how they are maximising opportunities for local industry participation in defence work.
- **Expectation to access international export opportunities:** The 2018 Defence Export Strategy (DES) (Defence, 2018a) and Defence Industrial Capability Plan (DICP) (Defence, 2018b) shifted focus to the importance of businesses accessing international export opportunities to grow and scale.
- **Definition of desired defence industry skills:** The 2019 Defence Industry Skilling and STEM Strategy (Defence, 2019a) shifted the focus towards the critical skills needed to build a robust defence industry.
- **Changes to the dollar-value threshold for AIC plans and industrial participation plans:** The 2019 Defence Policy for Industry Participation (DPIP) (Defence, 2019b) extended the threshold to require AIC plans and schedules for all Defence materiel and non-material procurements above \$4 million. They were previously only required for material procurements above \$20 million.
- **Further clarification of Sovereign Industrial Capability Priorities (SICPs):** In late 2019, the first two SICP Implementation Plans were released, providing detail on two of the ten SICPs announced in the 2018 DICP.

Reinforcement of defence industry as a Fundamental input to Capability (FIC) in Australia's increasingly complex strategic environment: The 2020 Defence Strategic Update (DSU) (Defence, 2020b) and 2020 Force Structure Plan (FSP) (Defence, 2020c) reinforce defence industry as a FIC consistent with previous policy, but increase the volume and complexity of anticipated procurement in the decade to 2030. In the highly-complex Australian defence industry, where combat requirements drive standards with high barriers to entry, Defence has provided long-term certainty to industry through the 10-year FSP. The 2020 FSP notes that the COVID-19 pandemic is expected to have further implications for the programmatic landscape given the highlighted importance of sovereign industrial capability. However, it also notes that the full effects remain largely unknown.

The National COVID-19 Coordination Commission's (NCCC) manufacturing taskforce published an interim finding that the crisis has revealed an overarching policy requirement to drive national growth in advanced manufacturing (NCCC, 2020).

IMPLICATIONS OF THESE CHANGES FOR THE CDIC

- The CDIC has a unique platform to provide information on the likely impact of COVID-19 on the defence industry (and manufacturing sectors) more broadly.
- The CDIC can support Defence's DICP and SICP implementation plan updates by providing information about industry's ability to deliver on SICPs, especially in light of COVID-19 and the release of the 2020 DSU and 2020 FSP.

Defence capability needs

The capability needs of Defence are dynamic, driven by an evolving geo-strategic environment, changes in global and regional power paradigms and the rapid rate of technological improvements (DFAT, 2017). Given the relatively low risk of a military attack by another country on Australian territory (as assessed by the 2016 DWP (Defence, 2016b) and confirmed by the 2020 DSU, the focus of Defence's capability needs will be in response to the following drivers:

- **Increased regional security needs in the Indo-Pacific:** Grey-zone tactics and regional force modernisation has resulted in the development and deployment of new weapons that challenge Australia's military capability edge.
- **Proliferation of non-geographic threats:** Particularly increasingly advanced cyber threats to the security of information and communications systems.
- **Enduring threat of terrorism:** Especially from ungoverned parts of Africa, the Middle East and Asia.

This complex operating environment drives equally complex technology needs. The 2020 FSP built on the 2016 Defence White Paper (DWP), Integrated Investment Plan (IIP) and 2018 DICP by committing a substantial \$270 billion investment in Defence capability to 2029-30. The plan highlights several new capability priority areas. Two of the most complex are:

- **Intelligence, surveillance, and reconnaissance (ISR), space, cyber, and electronic warfare:** Focused on delivering improved capacity to respond to grey-zone activities through enhanced special forces, integrated ISR, electronic warfare, space tracking and sovereign satellite systems.
- **Advanced capabilities to hold adversary forces and infrastructure at risk further from Australia:** Including attack class submarines, longer-range strike systems, autonomous systems, sea-mining and offensive cyber.

Some stakeholders noted specific technologies that they believe require more focus in SICPs to deliver on Defence's emerging capability requirements - these included quantum technologies for defence applications and autonomous systems (including Artificial Intelligence and Machine Learning).

Given Defence's emerging capability needs require input from an increasingly diverse range of businesses supplying joint capabilities across multiple ADF areas, the 2020 FSP reinforces the need for an integrated approach to capacity across industry and Defence.

IMPLICATIONS OF THESE CHANGES FOR THE CDIC

- The CDIC can play a unique role in providing advice to Defence on the current and emerging capability gaps in the Australian defence industry.
- Similarly, the CDIC must be acutely aware of Defence's evolving future capability needs so that it can provide accurate advice back to defence industry.
- The CDIC can help bring together an increasingly diverse range of industry businesses and ADF areas to enable a coordinated approach to build defence capability.

Minimising supply chain vulnerabilities

The COVID-19 pandemic highlighted the importance of Australia possessing robust sovereign manufacturing capabilities and underlined the significance of the CDIC's role in encouraging businesses to move into the defence sector.

During the crisis, Australia was less able to rely on its usually trustworthy global supply chains. Many stakeholders agree that the Government will place increased emphasis on strengthening critical sovereign manufacturing capabilities to improve Australia's ability to respond to future crises.

The Minister for Industry, Science and Technology, the Hon Karen Andrews MP affirmed this view in a speech to the National Press Club in May 2020 saying, "It is clear we can't just rely on foreign supply chains for the essential items we need in a crisis. We have to be able to supply, or at least pivot our production processes to produce the goods we need" (Andrews, 2020). There is already evidence of the Government's focus on sovereign manufacturing capabilities, in April 2020 announcing 200 projects worth more than \$215 million as part of the Manufacturing Modernisation Fund.

A few stakeholders suggested that strengthening sovereign manufacturing capabilities makes good strategic sense even in the absence of another crisis because in the aftermath of COVID-19, foreign governments may put pressure on Prime contractors to preference their sovereign industry in supply chains.

COVID-19 also highlighted the need for local manufacturing businesses outside the defence sector to rapidly pivot into new industry sectors in response to the sudden demand for Personal Protective Equipment (PPE) such as masks and ventilators. This reinforced the fact that Defence relies on a broad range of industry sectors to deliver its required capabilities, and coordination across these different industry sectors is crucial to providing fundamental inputs to achieving Defence capability.

IMPLICATIONS OF THESE CHANGES FOR THE CDIC

- COVID-19 has underlined the importance of the CDIC's role in encouraging and enabling established businesses to move into the defence sector to mitigate possible future pressure on international supply chains.
- The CDIC's proximity to industry can give it a unique platform to provide data and insight to inform policy development in relation to enhancing the manufacturing capabilities.
- The CDIC should focus on developing resilience and coordination across a broad range of industry sectors that are most important to Defence to ensure it can meet its strategic objectives.

6 CDIC's future role and functions

Key line of inquiry 5

What roles should the CDIC perform going forward?

Key findings

- There is strong support within the sector for the CDIC. This support comes from both those who praised the CDIC's performance and those who critiqued it.
- The original rationale for the CDIC is enduring as the defence industry continues to be highly complex and with uniquely high barriers to entry.
- The 2020 Force Structure Plan (FSP) highlights the vital role the CDIC will play in helping Australian businesses align their efforts to Defence's new strategic priorities and navigate its increasingly complex and demanding capability needs.
- The CDIC's broad areas of work are as enduring as its rationale, with the specific suggestions that stakeholders provided for the CDIC's future activities aligning to very similar thematic areas of work that the CDIC currently undertakes.
- The continuing lack of consistency and clarity around the CDIC's role, objectives and priorities emphasise the need for the CDIC to have a clear set of objectives and associated outcomes that are measurable and attributable to the work of the CDIC.
- The CDIC's services to Defence, Prime contractors (Primes) and the sector need to be revisited and re-articulated. This includes:
 - Revisiting the original rationale for the Innovation Facilitation services in partnering with Defence to see if it remains relevant.
 - Agreeing and defining the nature, format and frequency of the specific data and intelligence the CDIC needs to provide to Defence, in particular Capability Acquisition and Sustainment Group (CASG) and Capability Managers, to promote understanding of the resilience and capacity of Australian industry and enable Australian defence industry as a Fundamental Input to Capability (FIC).
 - Deciding and communicating what specific services the CDIC should provide to Primes (if any) to facilitate a two-way exchange of information and intelligence and better understand gaps across programs.

CDIC functions

Stakeholders that responded to the review provided unanimous and robust support for the CDIC continuing to exist in some form. This includes stakeholders that were critical about the design and operations of the CDIC to date. Stakeholders also raised a range of specific suggestions about what activities the CDIC could undertake in the future, which is discussed further in the next section.

This review concludes that the rationale for establishing the CDIC still stands. The defence industry in Australia and internationally continues to be highly complex and with uniquely high barriers to entry, characterised by the following:

- Relatively small and highly specialised nature of the defence sector.
- Substantial information asymmetries between the buyers, intermediaries, and small to medium businesses in the market.
- Substantial information and intelligence gaps related to the capacity and resilience of local supply chains within CASG and other parts of Defence.

The 2020 FSP highlights the important role the CDIC will play in helping Australian businesses align their efforts to Defence's new strategic priorities and navigate its increasingly complex and demanding capability needs in the decade to 2030.

The CDIC has a unique and important role as the only defence industry promotional mechanism that the Government has available to engage Australia's industrial base and facilitate and enable the treatment of industry as a FIC.

The stakeholders that engaged with this review provided a range of specific suggestions about future activities that the CDIC could undertake going forward. These activities aligned to similar thematic areas of work that the CDIC currently undertakes, suggesting that the CDIC's broad categories of work remain just as enduring as its rationale. These key thematic areas are summarised in Figure 37.

A recurring notion across the thematic areas of work is that in future Defence needs to enable the CDIC to better play a more significant role in being the 'bridge' between defence capability requirements and the ability of small businesses to become 'defence ready'.

Figure 37 | Thematic areas of work for the CDIC to perform in the future

1. Strengthen the partnership with Defence to improve the CDIC knowledge about emerging capability needs.
2. Play a greater role in assisting small to medium businesses to win work.
3. Foster closer linkages between Primes and small to medium businesses.
4. Expand the scope of support provided to small to medium businesses.
5. Play a more active role in supporting medium sized businesses to pivot into in the defence industry.

This review has identified five key activities that the CDIC should consider in its services delivery to industry:

1. Enable access for larger businesses going forward

There is a strong case for the CDIC to enable access to larger businesses (more than 200 employees) going forward. The primary reason is to help grow the thin layer of medium sized businesses within Australia's defence industry and support them to win contracts locally and overseas. Larger businesses typically have a range of strengths relatively to smaller businesses that the CDIC could leverage:

- More robust business practices, processes, and systems.
- More resilient to market changes due to their diversification across a range of products and sectors.
- Better able to access capital to invest in new ventures.

These inherent strengths make it easier for larger businesses to navigate the complex and unique challenges of the defence market discussed earlier in this section and pivot their services and products to meet Defence's increasingly complex and urgent capability needs articulated in the 2020 FSP. Larger businesses can become an important part of a resilient sovereign industrial base that supports the security of the nation.

It is important to note that any future the CDIC service offers targeting businesses with more than 200 employees are likely to differ substantially from the CDIC's current services and should be informed by thorough user research.

2. Pro-actively 'pull' businesses into defence industry

This review concludes that there is a case for the CDIC taking a more strategic approach in pro-actively 'pulling', as described by the Minister for Defence Industry, businesses into Defence supply chains. The increased urgency and complexity of Defence's requirements of industry as highlighted in the 2020 DSU and 2020 FSP elevate the importance of the CDIC quickly identifying gaps, especially in relation to Sovereign Industrial Capability Priorities (SICPs), and pulling in appropriate businesses to fill them. This review notes that there are differing views around what this 'pulling' of businesses means in practice.

Some stakeholders suggested that the 'all comers welcome' approach builds unrealistic expectations among small to medium businesses and leads to a further proliferation of small businesses at the expense of growing a larger, more resilient cohort of mid-sized companies.

The CDIC Advisory Board (Advisory Board) noted in July 2019 that there are tensions between being the front door for anyone wanting to work in the defence industry and taking a strategic approach to assisting businesses. The Advisory Board agreed in principle that the CDIC's outreach program should be more focused and proactive in future.

It is important to note that the CDIC does some 'pulling' already by targeting businesses with specific characteristics and capabilities through the eligibility criteria for programs like the SICPG, and the Supplier Continuous Improvement Program in tandem with Entrepreneurs' Programme (EP), and also as planned as part of the CDIC's maritime services schedule.

3. Have a greater focus on small businesses in regional areas

The review found strong support from a number of stakeholders for increased service delivery to small businesses in remote areas. Many of the stakeholders advocating for this were state-based defence agencies and industry associations or regional businesses, who are likely - and understandably - prioritising the securing of defence work for their state or member companies above what would most effectively contribute to defence industry as a FIC.

If the CDIC does increase its focus on regional business, the COVID-19 pandemic has presented many learnings for how the CDIC can effectively engage regional businesses in a low-cost manner. In particular, the successful remote delivery of webinars and business advisory and facilitation services digitally has made it possible for many regional businesses to engage with CDIC in ways they could not previously.

4. Support more businesses working in non-materiel acquisition supply chains

Stakeholders had mixed views about whether the CDIC should increase its support of businesses working in sustainment supply chains.

Many stakeholders suggested that given it has finite resources, the CDIC should focus its efforts on supporting businesses working in areas with the highest barriers to entry. Typically, this relates to materiel acquisition to Capability Acquisition and Sustainment Group (CASG), which requires complex skills, technologies, and equipment. Several stakeholders also noted that businesses conducting sustainment work tend to be well already serviced through channels other than CDIC.

However, there are some significant advantages to increasing support of businesses in sustainment work, such as reducing Australia's reliance on foreign companies for sustainment supply chains, as well as opening up of defence work to many Australian businesses that are not equipped to work in acquisition supply chains, particularly in regional areas. This is especially true given the 2020 FSP's emphasis on extensive procurement opportunities within the Defence Estate and Infrastructure Group (E&IG) and Chief Information Officer Group (CIOG) sustainment supply chains in the decade to 2030.

5. Support indigenous and veteran owned businesses

The 2020 FSP notes that the "strengthened Australian Industry Capability (AIC) Program requires tenderers to provide a proposed approach to supporting innovation, technology transfer, research and development, veteran employment and indigenous businesses as they develop their AIC plan" (Defence, 2020 Force Structure Plan, 2020c).

There are opportunities to build upon the CDIC's "Engaging indigenous businesses in the defence industry" project (see Figure 30). The CDIC can play a more active role in enabling the requirements under the AIC Program for tenderers to propose an approach to engaging with indigenous businesses as they develop their AIC Plan (Defence, 2020 Force Structure Plan, 2020c).

This review spoke with veteran owned businesses that noted their positive outcomes from engaging with the CDIC and the unique insights and expertise that veteran owned businesses bring to the sector. To date, the CDIC has not had an explicit focus on veteran owned businesses.

This review proposes that CDIC implement a focus stream for indigenous and veteran-owned small businesses and improving employment outcomes for veterans post-separation from the Australian Defence Force (ADF).

CDIC's objectives should be refined – pending agreement about the new strategy

This review proposes the following roles and objectives to improve the clarity of the CDIC.

1. Help Australian Businesses to win defence work:

- a. Support businesses to understand the commercial opportunities and requirements associated with the defence sector and assist them to build their defence readiness and maturity.

- b. Support businesses to identify and be able to compete for work in domestic supply chains related to defence capabilities, particularly SICP.

2. Enable local industry as a FIC:

- a. Enable Defence's engagement with and knowledge of the capability, capacity, and resilience of Australian business and supply chains.

3. Support businesses to win defence work internationally:

- a. Support businesses to be able to compete for and successfully supply into overseas markets.

4. Grow the sector:

- a. Enhance the leadership of and collaboration across the defence industry sector.
- b. Grow knowledge about the capacity and capability of local businesses.

It will also be necessary for the CDIC to develop a new mission statement that is precise and outcome-focused.

7 Recommendations

7.1 Recommendations

1. **Sustaining the enhanced Defence and industry relationship forged through natural disasters and the COVID-19 pandemic:** Through the adversity of the devastating summer bushfires and deadly COVID-19 pandemic, Defence and Australian defence industry forged a much stronger and respectful relationship. The CDIC should retain some of the initiatives to cement Australian defence industry as a Fundamental Input to Capability (FIC) including:
 - a. Being a single entry-point for businesses to Defence.
 - b. Making it simpler and cheaper to engage with Defence through:
 - i. The rapid, responsive resolution of issues as they arise.
 - ii. Increasing efficiency of deliberate processes (congestion-busting).
 - iii. Increased efficiency of invoicing and flow down through the full supply chain.
2. **The role and purpose of the CDIC is helping Australian businesses win Defence work:** The review recommends that the CDIC's role and purpose be updated to reflect the 2020 Force Structure Plan (FSP) increased Australian Industry Capability (AIC) focus, and progression of policy since the CDIC establishment in 2016.
3. **The domicile and delivery model of the CDIC:** The review considered two options. A comparison of the advantages and disadvantages of both options is at section 7.2.

Table 1 | Option A and Option B

Option A: Retain the CDIC within DISER	Option B: Transfer the CDIC to Defence, but retain grants administration within DISER
The Shared Services MOU between DISER and Defence will be updated by no later than the end of 2020.	The CDIC to be co-located with the newly formed AIC Division within Defence Capability Acquisition and Sustainment Group (CASG).
Update the CDIC Charter to align with the 2020 Force Structure Plan, the More Together: Defence Science and Technology Strategy 2030, and the 2018 Sovereign Industrial Capability Priorities.	Update the CDIC strategy with the 2020 FSP, the More Together: Defence Science and Technology Strategy 2030, and the 2018 Sovereign Industrial Capability Priorities.
The mandate of the Advisory Board should be broaden to include issues integral to the success of defence industry such as the Australian Industrial Capability Program, and the development of our sovereign industry.	In conjunction with the AIC Division, retain the functions of the COVID-19 pandemic Defence Industry Support Cell.
The CDIC will make better use of its access to DISER's data and insights platforms for reporting and evaluation purposes.	Use DISER's Entrepreneurs' Programme to deliver non-defence specific business advisory services.
Transfer the GSC Program back to Defence and review its efficacy given the maturing CDIC functions and the 2018 Defence Export Strategy.	Re-brand the organisation to reflect its new delivery model and domicile.
	Transfer the GSC Program back to Defence and review its efficacy given the maturing CDIC functions and the 2018 Defence Export Strategy.

The reviewers recommend Option B: Transfer the CDIC to Defence but retain grants administration with DISER.

4. **Increasing Australian small business opportunities to win Defence work:**
 - a. Through an engagement framework, expand Australian business knowledge of defence industry opportunities with the intent of 'pulling' other businesses into the Australian defence industry.
 - b. Lift the limitation of the CDIC services being restricted to businesses of fewer than 200 employees.
 - c. Implement a CDIC outreach program to regional Australia.
 - d. Expand the CDIC scope to include opportunities within all Defence delivery groups, not just CASG.
 - e. Implement a CDIC focus stream for indigenous and veteran-owned small businesses and improving employment outcomes for veterans post-separation from the Australian Defence Force (ADF).
 - f. Appoint a Small Business Advocate within the CDIC.
5. **Applied the lessons of the COVID-19 pandemic to build resilient supply chains domestically and for export markets.**
 - a. Provide data-driven insights into the health of the defence industry supply chain through its engagement with the industrial base.
6. **Evaluate opportunities for outsourcing:**
 - a. Evaluate outsourcing opportunities for select Defence business training and development to consider regionally based elements of industry groups/associations rather than consultancies or large companies.
 - b. In cooperation with Defence Science and Technology (DST) Group, and Strategic Policy and Intelligence (SP&I) Group, evaluate outsourcing opportunities for select innovation stewardship to consider whether organisations such as DMTC might provide the required responses and informed management of businesses seeking to enter Defence innovation programs.
7. **The specific objectives and expectations for the CDIC's support to Australian defence industry as described in the 2018 Defence Industrial Capability Plan (DICP) should continue to be pursued.**
8. **There should be representation from the office of the Minister for Defence Industry on the CDIC Advisory Board.**
9. **A communication program should be developed by Defence for industry policy documents since 2016, including:**
 - a. 2017 Naval Shipbuilding Plan.
 - b. 2018 Defence Export Strategy.
 - c. 2018 Defence Industrial Capability Plan.
 - d. 2019 Defence Policy for Industry Participation.
 - e. 2019 Defence Industry Skilling and STEM Strategy.
 - f. 2020 Force Structure Plan.
 - g. Enhancements to the AIC Program framework.

7.2 Future domicile and delivery model of the CDIC

The review collated feedback on two options for the future domicile of CDIC (Figure 38). This included the advantages and disadvantages associated with:

- **OPTION A:** Retain the CDIC within DISER
- **OPTION B:** Transfer the CDIC into Defence, but retain grants administration within DISER

Figure 38 | Assessment for the domicile of the CDIC

Domicile	Advantages	Disadvantages
OPTION A: DISER	<ul style="list-style-type: none"> • Provides 'arm's length' independence which mitigates probity issues and allows for robust debate on defence industry issues (that sit outside Defence). • Enables easier referrals to and linkages with other complementary sector development programs and specialist skillsets (Entrepreneurs' Programme, Industry Growth Centres) which builds the capacity of defence sector small to medium businesses and increases the likelihood of small to medium businesses in adjacent sectors being "pulled" into defence work. • Leverages DISER's broader industry development policy, program, and intelligence architecture. • Leverages DISER's data and insights platforms (BLADE), systems (CRM) and IP (service delivery tools and templates). • Leverages DISER's existing AusIndustry regional networks. • Different culture to Defence can provides constructive tensions. 	<ul style="list-style-type: none"> • Current governance arrangements limit the flexibility to be pro-active, provide tailored support for specific Defence programs and respond to specific requirements in a timely fashion. • Substantial transaction costs and complexities associated with another agency delivering the program (management overheads, additional governance, shared accountabilities, more involved decision-making). • DISER currently has very limited decision-making powers under the existing MOU. • Separation from CASG and SP&I decreases the likelihood of the right information flowing in a timely manner between Defence and DISER. • Risk of losing external credibility from being seen as too separate from Defence. • Lack of understanding within DISER of how Defence and the defence sector operate. • Lack of direct relationships with Prime contractors (Primes).
OPTION B: DEFENCE	<ul style="list-style-type: none"> • CDIC be colocated with the newly formed AIC Division within Defence (CASG). • Better access to and engagement with key Defence decision makers. • Reduces complexities and transaction costs associated with current arrangements. • Better communication with, and improved line of sight, for the Minister for Defence Industry. • Greater alignment between CDIC policy, strategy, and program delivery through co-location of policy design and program delivery functions and accountabilities. • Increased ability for CDIC to fulfil its role in enabling Australian industry as a FIC. • Improved knowledge of emerging Defence capability needs and better information flow on ADF capability needs through better transparency. • Potential for greater credibility and less confusion externally about CDIC's role. • Increased likelihood of critical information being shared at executive level and below levels. • Better informed business facing Defence Business Advisers (DBAs) and Defence Industry Facilitators (DIFs). 	<ul style="list-style-type: none"> • Many of CDIC's functions, for example providing industry with business management advice are not Defence's core business and there are few pre-existing systems, capabilities, know-how to leverage and build upon. • Risk of CDIC's work becoming a lower priority given the size of the Defence portfolio relative to DISER. • Potential for perceived conflict of interest in procurement decisions. • Potential for businesses being less willing to share sensitive information related to tendering decisions, business vulnerabilities, and commercialisation.

Appendix A Acronyms

Acronym	Definition
ADEO	Australian Defence Export Office
ADF	Australian Defence Force
AIC	Australian Industry Capability
APS	Australian Public Service
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ASL	Average Staffing Level
ASR	Advisory Services Reports
AUSMURI	Australia-US International Multidisciplinary University Research Initiative
CASG	Capability Acquisition and Sustainment Group
CDIC	Centre for Defence Industry Capability
CIG	Capability Improvement Grant
CIOG	Chief Information Officer Group
CRM	Customer Relationship Management
DBA	Defence Business Adviser
DBMF	Defence Business Maturity Framework
DCRC	Defence Cooperative Research Centre
DES	Defence Export Strategy
DFAT	Department of Foreign Affairs and Trade
DGC	Defence Global Competitiveness
DGCG	Defence Global Competitiveness Grants
DICP	Defence Industrial Capability Plan
DIF	Defence Industry Facilitators
DIH	Defence Innovation Hub
DIIC	Defence Industry Innovation Centre
DIIS	Department of Industry, Innovation and Science
DIP	Defence Industry Policy
DIPS	Defence Industry Policy Statement
DISER	Department of Industry, Science, Energy and Resources
DPN	Defence Protected Network
DST	Defence Science and Technology Group
DSU	2020 Defence Strategic Update
DWP	Defence White Paper
E&IG	Estate and Infrastructure Group
EP	Entrepreneurs' Programme
ERP	Enterprise Resource Planning
FIC	Fundamental Input to Capability
FPR	First Principles Review
FSP	2020 Force Structure Plan

Acronym	Definition
FTE	Full Time Equivalent
GSC	Global Supply Chain Program
GDP	Gross Domestic Product
ICN	Industry Capability Network
IGC	Industry Growth Centres
IIP	Integrated Investment Plan
IP	Intellectual Property
ISR	Intelligence, surveillance and reconnaissance
ITAR	International Traffic in Arms Regulations
JSF	Joint Strike Fighter
MOU	Memorandum of Understanding
NACC-ISP	New Air Combat Capability – Industry Support Program
NGTF	Next Generation Technologies Fund
OEM	Original Equipment Manufacture
PPE	Personal Protective Equipment
SEA5000	SEA 5000 Hunter Class Future Frigate
SICAF	Sovereign Industrial Capability Assessment Framework
SICP	Sovereign Industrial Capability Priority
SP&I	Strategic Policy and Intelligence Group
TDA	Team Defence Australia

Appendix B Review terms of reference

Context:

The review is to be conducted under the context of:

- Australian defence industry to equip and support the Australian Defence Force of the future with operational readiness and tasks as determined by the Australian Government.

The review is to consider:

1. The framework of programs to support sustainable growth of Australian sovereign defence industry to meet current and future Defence requirements.
2. The functional performance of CDIC and related defence industry support to:
 - Remove impediments and increase ease of doing business with Defence;
 - Support the sustainable growth of the defence industrial base both in terms of capability and capacity;
 - Ensure Defence Sovereign Industrial Capabilities are afforded appropriate priority and focus for capability development and sustainment; and
 - Maximise opportunities for competitive Australian businesses.
3. Whether the current governance and operational model of CDIC meets the Government's DIP and requirements of Defence major projects.
4. Future CDIC operational models.
5. Any other matter relevant to sustainable growth of the Australian sovereign defence industry and the general operation of CDIC.

In undertaking this review, regard should be given to:

1. The objectives and milestones of CDIC in the context of the 2016 DIPS, as a "cornerstone of the Government's strategy for re-setting the Defence- industry partnership."
2. The experiences of private sector industry in engaging with CDIC and related defence industry support mechanisms, with a further focus on the experiences of small businesses.
3. The performance of CDIC and related defence industry support mechanisms against policy expectations, external benchmarks and the historical performance of previous defence industry support mechanisms such as the Defence industry Innovation Centre (DIIC).
4. The roles and responsibilities of the Department of Defence and the Department of Industry, Science, Energy and Resources in delivering a stronger Australian Industry Capability Program.
5. The role of the Advisory Board in governing and broadly representing the interests of defence industry.
6. The resourcing of CDIC.
7. The role of CDIC in alignment and leveraging of other Government industry programs.
8. The role of CDIC in relation to defence industry associations and groups.
9. The role of CDIC coordinating activities of Government, Defence, state and territory government Defence related bodies, to maximise export opportunities for Australian defence industry.
10. The findings of previous reviews, internal or otherwise into the operation and governance of CDIC.

Within the scope of the review and given the timing of the delivery of the report and recommendations to the Minister, there should be targeted consultation with:

1. Australian private industry participants – including small businesses in metro and regional areas.

2. Commonwealth, state and territory government agencies with a role in developing defence industry.
3. Current and former serving members of the Advisory Board.
4. Defence industry advocacy bodies at a national and state level.
5. Department of Defence (CASG, Capability Managers, Defence Industry Policy Branch, DST Group).
6. Department of Industry, Science, Energy and Resources, CDIC and departmental executives.
7. Ministers and officials from state and territory governments.

Appendix C Discussion Paper questions

The following questions are taken from CDIC Review Discussion Paper that was released at the end of April 2020.

Overarching questions

- Is the current defence funding and resources focused on the right priorities, particularly for small businesses?
- How could CDIC be more effective in growing prosperous Australian businesses supporting the Australian Defence Force?
- How can the quality of the services provided by CDIC be enhanced?
- Should there be a greater focus on business advisory services in regional areas?

Role of CDIC

- What innovative approaches could the review consider that could efficiently and effectively improve the intended outcomes of CDIC?
- What would improve governance arrangements? The decision-making structures and the transparency of decisions?

Industry Development

- What could CDIC do to improve the mentoring and guidance of businesses to develop and improve their productivity and international competitiveness through the available export programs?
- Should CDIC DBAs be aligned geographically or be aligned to specific defence industry sectors such as aerospace and maritime?
- What is your experience in accessing defence industry grants programs through CDIC and what, if anything could be done to improve your experience?

Business Competitiveness and Exports

- How can CDIC adequately and successfully guide and mentor Australian businesses to improve their international competitiveness through Defence exports programs?
- Should business advisory services to assist defence industry in becoming 'export-ready' and globally competitive be re-focused?
- How effective has the GSC Program been in providing real opportunities to enter international supply chains?

Facilitating Innovation

- Has the Innovation Portal provided the vital connections between small businesses and Defence, helping them to understand Defence capability needs and supporting their ability to contribute to Defence innovation requirements?
- What can CDIC do to improve the capability and innovation in the Australian defence industry sector?

Appendix D Global Supply Chain Program

During the review of CDIC, stakeholders provided a range of feedback relating to the Global Supply Chain (GSC) Program in response to the review discussion paper question “How effective has the GSC Program been in providing real opportunities to enter international supply chains?” Analysis of this feedback is summarised below.

The GSC Program was designed to help Australian businesses enter the global supply chains of multinational Prime contractors.

Launched by Defence in 2007, the GSC Program was designed to assist entry by Australian defence industry into the global supply chains of multinational Prime contractors (Primes). In 2016 the delivery of the GSC Program was transferred to the CDIC from Defence. In 2020, the GSC Program has become a key defence initiative actively supporting the development of a more robust and resilient Australian industrial base.

The GSC Program, currently contains eight Prime contractors - BAE, Boeing, Leidos, Lockheed Martin, Northrop Grumman, Raytheon, Rheinmetall and Thales. However, there is an ever increasing interest from new Primes to be part of the GSC Program.

Since the GSC Program was trialled with Boeing in 2007, participating Primes have collectively awarded 1365 contracts to 199 organisations totalling over AUD\$1.342 billion. Over 95 per cent of these contracts have been awarded to Australian SMEs and universities. Further details are provided in Figure 40.

Figure 39 | GSC Contract details (by year)

Year	No. of contracts	No. of companies cumulative (newly identified)	Value of exports AUD \$m
2007 (from October)	3	3 (3)	7.87
2008	12	8 (5)	19.21
2009	16	16 (8)	20
2010	41	27 (9)	226.22
2011	92	49 (22)	149.76
2012	131	71 (22)	142.78
2013	115	94 (23)	99.61
2014	137	113 (19)	60.18
2015	71	125 (12)	68.77
2016	145	145 (20)	120.25
2017	158	163 (18)	103.65
2018	167	180 (17)	89.68
2019	220	195 (15)	189.54
2020 (to May)	57	199 (4)	45.03
TOTALS	1365	199	1342.55

Source: 2020 CDIC reporting

Stakeholders generally reported positive outcomes from the GSC Program.

Many of the stakeholders that responded to this review highly valued the Program's ability to broker relationships between stakeholders in the defence industry ecosystem. In particular:

- Businesses noted that the GSC Program allows them to network with Primes and learn from the way successful large defence organisations conduct business.
- Primes valued the opportunity to gather intelligence on local industries capabilities through interaction with the GSC Program at industry events.
- State and territory defence agencies valued the opportunity to regularly brief the GSC Program and GSC Prime contractors on their state's priorities.

Despite some past scepticism towards the GSC Program, a number of stakeholders recounted various success stories where the connections made through the Program went on to result in local businesses winning work in global supply chains.

Some stakeholders reported frustration at an apparent lack of accountability or enforcement around Primes upholding their GSC responsibilities.

Many businesses and industry associations reported frustration that Primes are not more strictly held to account for delivering on their GSC responsibilities, particularly in relation to providing businesses critical supply chain intelligence and access to key Primes decision-makers. Further, there was a view amongst some stakeholders that the Primes' commitments to use local suppliers in their supply chains are sometimes tokenistic.

Several stakeholders agreed that Capability Acquisition and Sustainment Group's (CASG) plans to enhance the AIC plan's contractual framework provide promise that increased scrutiny will also be applied to the GSC Program to ensure Primes are fulfilling their responsibilities.

Stakeholders identified a number of ways the GSC Program can better enable local businesses to enter and win work in international supply chains

Stakeholders noted three critical areas the Program must address to better enable businesses to enter and win work in international supply chains in the future:

1. **Improve the flow of intelligence and other information to local businesses:** Some stakeholders agreed that there is a need to have a deeper understanding of the domestic capabilities of GSC participant Primes, and then feed that to relevant local businesses to help identify where the best opportunities may lie in the Prime contractors' global supply chains.
2. **Secure more Primes involvement to increase the Program's reach:** There was general agreement by stakeholders that more Primes in the GSC Program would increase the number of opportunities for local businesses to win work in global supply chains.
3. **Increase focus on enabling businesses to supply to other entities in Primes supply chains.** A few stakeholders noted that supplying direct to Primes is often outside the capability of some small to medium businesses, though supplying to the tier one and two enterprises already in the Primes' supply chains may be more achievable.

There is a strong case for moving the GSC Program back to Defence

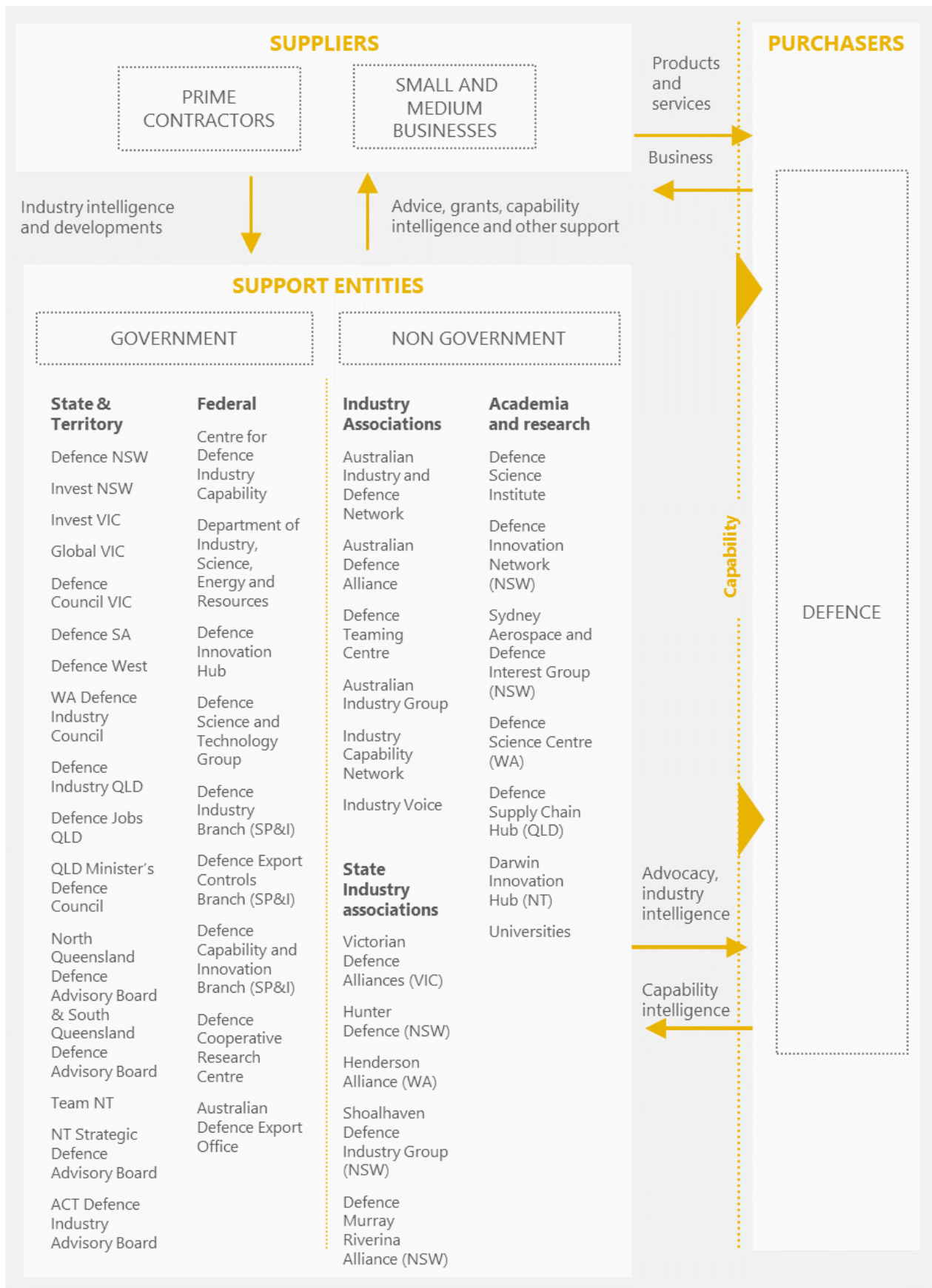
Several stakeholders indicated that there is a compelling case to move the GSC Program back to Defence in order to deliver the best outcomes for small to medium businesses.

Moving the GSC Program back to Defence could enable closer alignment with other existing export support currently provided by Defence, such as small business attendance at international trade shows, Team Defence Australia, the AIC Program, as well as the Sovereign Industrial Capability Priority (SICPs) initiative. This alignment could be done under one 'industry division' type construct.

Alignment of these Programs inside of Defence would allow the GSC Program's remit to be broadened to focus on readying small businesses for global supply chain work. Some Primes suggested that in its current form the GSC Program precludes the support of broader AIC Program objectives outside of exports. However, this broader industry capability development is often a prerequisite for being able to work in global supply chains. As such, Primes argued that it makes sense to allow the GSC Program to address broader industry development objectives outside of exports where the activity is not already addressed or funded under the AIC Program. Moving the GSC Program back to Defence would facilitate the closer relationship between the GSC and AIC Programs required to coordinate this kind of ambition without introducing duplication.

Following the commissioning of this review in November 2019, the CDIC Advisory Board endorsed a recommendation by DISER that the GSC Program be transferred back to Defence, though implementation of this decision was put on hold until completion of the review.

Appendix E Defence industry ecosystem



Appendix F CDIC Business Plan 2020

Figure 40 | Excerpts from CDIC Business Plan 2020

Our objectives	How we will deliver	Our indicators of success
To build a strong, sustainable, secure, and globally competitive Australian defence industry.	<ul style="list-style-type: none"> • Deliver tailored, defence-specific business advisory and facilitation services to eligible applicants to assist them to navigate the defence market, improve business capabilities and successfully work in defence supply chains. • Deliver tailored, defence-specific business advisory and facilitation services to support innovation and commercialisation and familiarise industry with defence innovation priorities. • Deliver tailored business advisory and facilitation services to eligible applicants to assist with identifying export opportunities and increasing international competitiveness. • Refer businesses to other support programs as appropriate. • Guide innovative technology development proposals with commercialisation potential into the DIH and the NGTF. • Provide an access point for businesses to the DIH Management System through CDIC website. • Deliver tailored training workshops and information seminars and webinars on various aspects of doing business with defence. • Provide dedicated fee-for-service work for Defence major projects. • Manage the GSC Program. • Administer CIGs to help eligible applicants implement recommendations arising from business advisory and facilitation services. • Administer the Sovereign Industrial Capability Priority Grant to help eligible applicants to invest in projects that build capabilities aligned with the SICPs identified by Defence. • Administer the DGCG to help eligible applicants invest in projects that build export capability. • Administer the New Air Combat Capability – Industry Support Program Grants to help eligible participants invest in projects that help them win work with the Joint Strike Fighter Program. • Administer the Australia-US International Multidisciplinary University Research Initiative (AUSMURI) to assist Australian universities to collaborate with US universities on selected defence-related topics. • Design and administer industry development projects to address industry capability gaps 	<ul style="list-style-type: none"> • Businesses seek business advisory and facilitation services. • Defence Industry Facilitators and Defence Business Advisers meet required Key Performance Indicators for delivery of business advisory and facilitation services. • Small to medium businesses engage with CDIC prior to submission of proposal through the DIH and the NGTF. • Engagements lead to proposals that demonstrate links to Defence innovation priorities and capability requirements • Small to medium businesses submit quality applications for CIGs. • Small to medium businesses submit quality applications for Sovereign Industrial Capability Priority Grants. • Businesses submit quality applications for DGCG. • Projects under the New Air Combat Capability – Industry Support Program meet agreed outcomes in support of the Joint Strike Fighter Program. • Multidisciplinary University Research Initiative AUSMURI Grants. • Dedicated fee-for-service work for Defence major projects meets agreed outcomes. • Industry development projects achieve identified outcomes. • Businesses awarded high-value, long-term repeat contracts within GSC Program Prime contractors supply chains.

Our objectives	How we will deliver	Our indicators of success
	and sector wide issues impacting defence industry small to medium businesses.	
To facilitate connections and engagements across Defence and the Australian defence industry.	<ul style="list-style-type: none"> • Manage networking events and national roadshows including representation and provision of industry connections at defence trade events. • Liaise with state and territory governments and industry associations to further identify ways to improve client outcomes. • Continuously review and refine the structure and content of CDIC's web pages to improve access to information for businesses. • Deliver a monthly e-newsletter which provides relevant defence news, events and opportunities to industry subscribers. • Develop a credible, current and well-maintained CDIC social media presence, notably on Linked-In and Facebook. • Facilitate industry relationships with Defence. 	<ul style="list-style-type: none"> • Strengthened relationships with state and territory governments and industry associations leading to improved outcomes for defence industry. • Industry workshops, information seminars and networking events are delivered regularly on relevant topics in support of capability. • Industry workshops, information seminars and networking events are evaluated by participants as effective. • Increased website hits, newsletter subscribers and social media followers demonstrate usefulness and relevance of CDIC communications • Improved user experience through the BGA website leading to reduced Contact Centre escalations related to seeking basic information on CDIC. • Industry case studies demonstrate the value of CDIC business advisory and facilitation services and grants in building business capability and capacity and assisting businesses to increase international competitiveness. • Industry case studies demonstrate the effectiveness of CDIC facilitation services in connecting industry with Defence and helping industry to engage with supply chains. • Industry case studies demonstrate the value of CDIC assistance in engaging with the Defence innovation system.
To inform policy development and evaluation by collecting, analysing and communicating industry intelligence.	<ul style="list-style-type: none"> • Identify industry trends, gaps and opportunities in the defence sector. • Contribute to Government policies on defence industry. • Participate in defence industry forums and meetings. 	<ul style="list-style-type: none"> • Increased use of the DIIS CRM system to record data and respond to information requests. • Increased availability of timely and accurate reporting data. • Defence satisfaction with CDIC input to DIP development. • DIIS satisfaction with CDIC input to industry policy development.
To support CDIC staff deliver the goals of CDIC.	<ul style="list-style-type: none"> • Apply continuous improvement principles to CDIC's service delivery model to improve the efficiency and effectiveness of CDIC's support to industry, Defence and other stakeholders. • Continue to improve evaluation and reporting, including improved feedback mechanisms, to better monitor activities, measure achievements, make evidence-based decisions and provide improved services to businesses and advice to policy partners. 	<ul style="list-style-type: none"> • Analysis of feedback and implementation of recommendations to continue to improve program delivery. • Continued responsiveness to changing workload demand through flexible deployment and selective outsourcing. • Increased staff mobility and retention. • Increased staff engagement and satisfaction as measured through pulse surveys or similar mechanisms.

Our objectives	How we will deliver	Our indicators of success
	<ul style="list-style-type: none"> • Build workforce capability, capacity and resilience through encouraging a collaborative and inclusive culture within CDIC that advances staff capability and engagement. • Build on workforce capability through recruitment practices, succession planning and knowledge management strategies. • Review the effectiveness of CDIC Evaluation Strategy to ensure that it continues to meet stakeholder requirements. 	

Appendix G Bibliography

- ADM. (2020, January 8). *From the Source: Melissa Price*. Retrieved from <https://www.australiandefence.com.au/industry/interviews/from-the-source-melissa-price>
- AIDN. (2020, May 14). *AIDN National appoints CEO*. Retrieved from <https://www.aidn.org.au/news/8967545>
- AlphaBeta. (2019). *The Integrated Investment Program (IIP) impact on Australian defence supply chains*. Canberra: Author.
- Andrews, K. (2020, May 20). *National Press Club Address - Canberra*. Retrieved from <https://www.minister.industry.gov.au/ministers/karenandrews/speeches/national-press-club-address-canberra>
- CDIC. (2016a). *Concept of Operations*. Canberra: The Australian Government.
- CDIC. (2016b). *Program Guidelines*. Canberra: The Australian Government.
- CDIC. (2019). *Defence Industry Analysis Research Strategy & Data Dissemination Plan*. Canberra: The Australian Government.
- CDIC. (2020). *Business Plan 2020*. Canberra: The Australian Government.
- Defence. (2015). *First Principles Review: Creating One Defence*. Canberra: The Australian Government.
- Defence. (2016a). *Defence Industry Policy Statement*. Canberra: The Australian Government.
- Defence. (2016b). *Defence White Paper*. Canberra: The Australian Government.
- Defence. (2016c). *Integrated Investment Program*. Canberra: The Australian Government.
- Defence. (2016d). *CDIC Project Plan as at 18 April 2016*. Canberra: The Australian Government.
- Defence. (2017). *Naval Shipbuilding Plan*. Canberra: The Australian Government.
- Defence. (2018a). *Defence Export Strategy*. Canberra: The Australian Government.
- Defence. (2018b). *Defence Industrial Capability Plan*. Canberra: The Australian Government.
- Defence. (2019a). *Defence Industry Skilling and STEM Strategy*. Canberra: The Australian Government.
- Defence. (2019b). *Defence Policy for Industry Participation*. Canberra: The Australian Government.
- Defence. (2019c). *2017–18 Defence Industry and Innovation Programs Annual Report*. Canberra: The Australian Government.
- Defence. (2019d). *Sovereign Industrial Capability Priority Industry Plan - Combat Clothing Survivability and Signature Reduction Technologies*. Canberra: The Australian Government.
- Defence. (2019e). *Sovereign Industrial Capability Priority Industry Plan - Munitions and Small Arms Research, Design, Development and Manufacture*. Canberra: The Australian Government.
- Defence. (2020a). *2018–19 Defence Industry and Innovation Programs Annual Report*. Canberra: The Australian Government.
- Defence. (2020b). *2020 Defence Strategic Update*. Canberra: The Australian Government.
- Defence. (2020c). *2020 Force Structure Plan*. Canberra: The Australian Government.
- Deliberatedge. (2018). *CDID Workforce Planning Project*.
- DFAT. (2017). *Foreign Policy White Paper*. Canberra: The Australian Government.
- DIIS & Defence. (2016). *Centre for Defence Industry Capability Memorandum of Understanding*. Canberra: The Australian Government.
- DIIS. (2018). *CDIC Initial Evaluation*. Canberra: The Australian Government.

DISER. (2020). *Request for Tender - Procurement of up to ten Defence Business Advisers*. Retrieved from <https://www.tenders.gov.au/Atm/ShowClosed/6642da9e-6307-4f1c-b70d-96001240ce1a?PreviewMode=False>

NCCC. (2020). *Manufacturing Taskforce Interim Report*.

Nous Group. (2018). *CDIC Advisory Services*.

Yardstick. (2020). *CDIC Governance Review*.