



Australian Government
Defence

DEFENCE INDUSTRY DEVELOPMENT STRATEGY

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Defence acknowledges the Traditional Custodians of Country throughout Australia. Defence recognises their continuing connection to traditional lands and waters and would like to pay respect to their Elders both past and present.

Defence would also like to pay respect to the Aboriginal and Torres Strait Islander people who have contributed to the defence of Australia in times of peace and war.

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Australian Government

DEFENCE INDUSTRY DEVELOPMENT STRATEGY 2026

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Foreword

The 2026 National Defence Strategy is clear: industry policy is security policy. Australia must be more self-reliant and take greater responsibility for our own security.

The importance of our sovereign defence industrial base has only grown since the release of the first Defence Industry Development Strategy just two years ago. The geopolitical environment continues to evolve rapidly, shaped by global shocks, technological disruption and ongoing strategic uncertainty.

Military conflict between nation states is not a hypothetical. Conflicts in Ukraine and the Middle East continue to highlight the rapid evolution of modern warfare. Australia must learn the right lessons from these conflicts, and apply them to our unique situation in order for the Australian Defence Force to deter, and respond to, any potential scenario.

Australia will continue to require traditional military platforms in the event that deterrence fails. But today's battlefields are also increasingly characterised by inexpensive capabilities deployed at scale. This requires an industrial base and supply chains that can support the continuous delivery of innovative solutions to the warfighter before and during any conflict.

This need for greater self-reliance is central to the 2026 Defence Industry Development Strategy. Defence must be able to access the industrial capabilities it needs, when they are needed.

To deliver this, I have directed Defence to bolster three critical elements of Australia's sovereign defence industrial base well ahead of any potential conflict:

- ▶ the need to manufacture, repair and replace key capabilities domestically, with an emphasis on inexpensive, mass-produced unmanned systems;
- ▶ the importance of close and agile collaboration between government, Defence and industry to accelerate innovation and the adoption of emerging technologies; and
- ▶ the value of a network of allies and trusted partners whose industrial bases are closely connected, providing strategic depth and resilience.

The seven overarching Sovereign Defence Industrial Priorities that were identified in 2024 remain unchanged. These priorities are central to guiding the growth of a more resilient sovereign defence industrial base, and increasing our self-reliance. To provide clear demand signals to guide industry investment, further detail has been provided within these Sovereign Defence Industrial Priorities in relation to each lifecycle stage.

The 2026 Defence Industry Development Strategy contains targeted measures to grow Australia's sovereign defence industrial base. It outlines practical steps to expand the defence industry workforce, support the development and export of Australian defence technology, and ensure Defence's engagement with industry is meaningful to encourage partnerships rather than transactional relationships.

At the same time, the Government is undertaking the biggest reforms to Defence since the Tange reforms in the 1970s. Defence's capability development system is being reformed to respond to our deteriorating strategic environment, and the new Defence Delivery Agency will be established on 1 July 2027.

These generational reforms will streamline processes across the life of defence projects, creating more opportunities for Australian business and workers. The Defence Delivery Agency will also support faster delivery of capability, including through the adoption of new procurement approaches. Initiatives such as the 'Continuous Capability Development and Delivery' model are central to implementing a minimum viable contracting approach to support industry and the Australian Defence Force.

I thank the more than 100,000 members of Australia's defence industry who go to work every day to make Australia safer. I look forward to working closely with you as we implement the 2026 Defence Industry Development Strategy and commence the transition to the Defence Delivery Agency, ensuring Australia has the capabilities it needs to safeguard our country and its interests. As the strategic environment continues to evolve, this will become more crucial than ever.

The next Defence Industry Development Strategy will be delivered in 2028.



The Hon Pat Conroy MP

Minister for Defence Industry





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1 Strategic Rationale

“Industry policy is security policy. Defence industrial resilience underpins National Defence, productivity, innovation and economic security.”

(2026 National Defence Strategy, Chapter 8)

The evolving geopolitical environment

- 1.1 The 2024 Defence Industry Development Strategy set out, for the first time, a fully articulated strategic rationale for a sovereign defence industrial base. Since then, conflicts in Ukraine and in the Middle East have only served to reinforce that national security is underpinned by domestic industrial capability and capacity.
- 1.2 While Australia’s security environment is different to that of Eastern Europe and the Middle East, there are clear lessons that can be learned from contemporary conflicts while still accounting for Australia’s distinct strategic geography.
- 1.3 Supply chain vulnerability, the evolution of new and innovative technologies, and the expanding use of grey-zone tactics continue to challenge traditional warfighting principles. Therefore, as the 2026 National Defence Strategy highlights, Australia must increase our self-reliance through growing sovereign defence industrial capability and capacity in the areas most critical for *National Defence*.
- 1.4 Present day conflicts demonstrate the criticality of industrial capability being resident before the onset of any hostilities, and the operational advantage of rapid adoption of new military technologies, concepts and structures. The continuous delivery of innovative solutions to the warfighter, through effective collaboration between government and industry, cost effectively and at scale, has become increasingly vital in supporting attrition and high-intensity conventional warfare.
- 1.5 Ukraine has shown that this can be achieved through access to the international industrial base, coupled with rapid innovation and delivery from its existing industrial base. This has supported strategic depth and scalability, allowing Ukraine to maintain and sustain sufficient volumes of supplies and munitions, to adapt to changes in supply chains, and to grow its industrial capability in those areas most critical to the needs of their armed forces.



Self-reliance and industrial preparedness

- 1.6 Australia's sovereign defence industrial base must deliver and support capabilities aligned to our most critical needs, leverage strategic international partnerships, be agile in delivery, and respond during times of rapid force expansion, scaling up capacity when needed.
- 1.7 Just as the 2026 National Defence Strategy emphasises the importance of an integrated and focused ADF, our industrial base is also being transformed to focus on those capabilities that are most critical to delivering *National Defence*. Consistent with the 2024 Defence Industry Development Strategy, Australia must have an industrial base that is:
- ▶ **Capable** of delivering the capacity, size, and scale to meet Defence's needs, as well as the agility to rapidly scale;
 - ▶ **Resilient** to disruptions beyond our control by strengthening our network of supply chains;
 - ▶ **Competitive** by providing the systems, technologies, materials, services and products Defence needs to support its mission; and
 - ▶ **Innovative** by maintaining a technological edge and developing and developing the asymmetric technologies needed by Defence.
- 1.8 We will also increase our self-reliance through close collaboration with our allies and trusted partners, focusing on the areas of greatest priority. This means working to bolster the resilience and robustness of our shared supply chains, while also strengthening and adapting our sovereign defence industrial base, leveraging areas of comparative advantage. This is articulated further in Chapter 2.
- 1.9 Self-reliance is not a separate concept developed in parallel to the delivery of Defence capability; it is core to enabling the ADF to be able to deploy if, when and how directed by Government, during competition, crisis or conflict.
- 1.10 In practice, decisions around where the Government chooses to invest in domestic resilience will be guided by five factors, considered in order:
- ▶ the ability to achieve the Minimum Viable Capability that Defence needs, within the required time frames;
 - ▶ the risk(s) of supply chain interruption to the delivery and sustainment of Defence capability;
 - ▶ the comparative advantage of Australia, its allies and its trusted partners;
 - ▶ the opportunity to de-risk existing Defence supply chains, and

- ▶ the opportunity to de-risk future capability decisions, in particular, impacts to the rate of innovation across the industrial lifecycle.
- 1.11 Defence will explicitly include advice on these factors when submitting decisions to Government for consideration, enabling greater transparency on the work undertaken to deliver self-reliance.

“Self-reliance does not mean self-sufficiency ... Self-reliance means prudent, meaningful and feasible investments to reduce critical dependencies and mitigate strategic and operational risks ...

And it means investing in a sovereign defence industrial base that enhances our ability to produce, adapt and sustain the capabilities needed by the ADF in the event of conflict.”

(2026 National Defence Strategy, Chapter 3)

Developing the sovereign defence industrial base

- 1.12 The 2026 Defence Industry Development Strategy sets three outcomes that Defence and industry must partner to achieve.
- ▶ **Outcome 1:** Deliver a stronger, resilient sovereign defence industrial base that supports the ADF to protect and defend Australia with greater self-reliance over the longer term.
 - ▶ **Outcome 2:** Deliver capability to the integrated, focused force through stronger, trusted and diverse international industrial partnerships that support Australia’s national security and reduce the risk of supply chain shocks.
 - ▶ **Outcome 3:** Contribute to national productivity, innovation and economic security by supporting Australian defence businesses to innovate, commercialise, scale and grow the workforce, underpinned by the Government’s *Future Made in Australia Agenda*.
- 1.13 The Government is developing the sovereign defence industrial base to deliver these outcomes through the following six Industry Development Objectives. Each objective will be realised through the initiatives laid out in this Strategy.



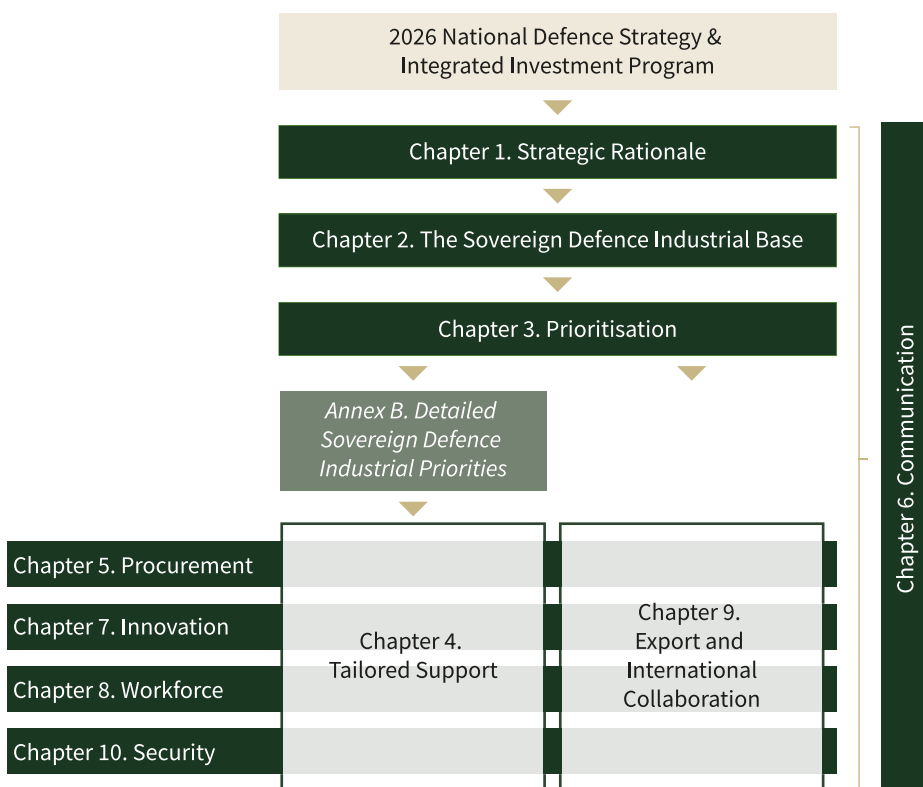
Table 1: Industry Development Objectives

Industry Development Objective		Initiative	Chapter
1	Strengthen and prioritise the use of domestic providers where their products and services are critical to realising industrial preparedness.	Prioritisation	3
		Tailored support	4
		Communication	6
2	Employ industry partners to lead the integration and delivery of major projects and sustainment activities, leveraging access to international markets to provide 'off-the-shelf' options where necessary and enabling scalability through potential export customers.	Strategic partners	2
		Procurement	5
		Export support	9
3	Identify, develop and industrialise innovative Australian solutions to address Defence challenges and deliver a warfighting edge.	Prioritisation	3
		Innovation	7
4	Leverage the sovereign defence industrial base when it provides the greatest value to Australia, reinforcing national priorities and providing successful businesses with opportunity to scale.	Australian Industry Capability & Global Supply Chain programs	4&5
		Export support	9
5	Strengthen the long-term resilience of the sovereign defence industrial base by adopting smarter procurement practices and optimising industry requirements, ensuring sustainability and adaptability.	Procurement	5
		Innovation	7
		Security	10
6	Actively support industry to meet Australian Defence needs while enabling scalability into broader markets, fostering innovation and competitiveness across the sector.	Tailored support	4
		Workforce	8
		Export support	9

Delivering Defence Industry Development Strategy initiatives

- 1.14 The 2026 Defence Industry Development Strategy builds on the previous strategy, with all 36 actions from 2024 completed and transitioned to become business as usual, or are now enduring in nature.
- 1.15 Through targeted initiatives, the Government will strengthen critical elements of the sovereign defence industrial base – focused on the Sovereign Defence Industrial Priorities – by developing capacity and redundancy in supply chains or through overlapping Defence capabilities with independent supply chains. The following chapters, outlined in figure 1, set out further details on these initiatives, including their current state and actions to improve and accelerate the development of the sovereign defence industrial base. All actions are to be completed prior to the next Defence Industry Development Strategy update, which will be undertaken in line with the biennial National Defence Strategy cycle.

Figure 1: 2026 Defence Industry Development Strategy Chapters



The Defence Delivery Agency¹

- 1.16 The Defence Delivery Group, established on 1 July 2026, consolidates the Capability Acquisition and Sustainment, Guided Weapons and Explosive Ordnance, and Naval Shipbuilding and Sustainment Groups.
- 1.17 The Defence Delivery Group will operate for one year during a structured transition phase to embed integrated ways of working through stronger governance, and implement critical workforce and system reforms. In parallel, the consolidation of capability development functions for maritime, land, air, space and cyber domains, under the Vice Chief of the Defence Force, creates a single line of accountability for requirements development, and advice to government on capability proposals. This transition phase will culminate in the establishment of the Defence Delivery Agency on 1 July 2027 as an Executive Agency. Under the leadership of the National Armaments Director, the Defence Delivery Agency will be directly accountable to Ministers and responsible for delivery performance across acquisition and sustainment.
- 1.18 These reforms address a capability system that has not kept pace with Australia's deteriorating strategic environment, and will deliver the right capability to the warfighter in line with the 2026 National Defence Strategy. Establishment of the Defence Delivery Agency will create clear, singular accountabilities for delivery within an integrated decision framework, in which Defence defines its capability needs, while the Defence Delivery Agency is accountable for delivery. Central to this model is a reset of Defence's relationship with industry, moving from diffuse engagement to a coherent, disciplined partnership. As Industry Steward for the Defence portfolio, the National Armaments Director will provide clearer demand signals to industry, embed structured and earlier engagement into the capability lifecycle, and ensure delivery decisions account for cost, schedule, risk, and industrial capacity.
- 1.19 The Defence Delivery Agency's industry engagement model will be underpinned by establishing early and continuous relationships across the full capability lifecycle, aligning Defence demand with market realities from the outset. This approach supports more credible requirements, reduces rework and delay, and improves delivery certainty, while providing industry with the confidence to invest in workforce, infrastructure, and innovation. Consolidating Defence's interface with industry into a single stewardship model strengthens sovereign industrial capability, supports whole-of-government priorities, and underpins a resilient sovereign defence industrial base.
- 1.20 Together, these reforms deliver a more predictable, transparent, and effective capability system—enabling faster, more reliable outcomes for Defence and strengthening Australia's national preparedness.

¹ Roles and responsibilities articulated in this strategy correct as at time of publication, (prior to the announcement of changes relating to the DDA or interim Defence Delivery Group). Announcements impacting the content of this strategy will be reflected on the Defence website once published.





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2 Australia's Sovereign Defence Industrial Base

Defining our sovereign industrial base

- 2.1 The definitions of defence industry, industrial capability and our sovereign defence industrial base remain unchanged from the 2024 Defence Industry Development Strategy. Defence industry comprises both publicly listed and private commercial entities, and not-for-profit or non-commercial entities, such as academic institutions².

Defence industry

Defence industry is comprised of businesses with an industrial capability used to provide products or services used in, or which can be adapted to be used in Defence supply chains and/or an international defence force supply chain. This includes businesses that deliver services that contribute to national security outcomes in addition to warfighting outcomes.

Australia's sovereign defence industrial base

Australian defence industry is comprised of businesses with an Australian-based industrial capability and an Australian Business Number (ABN), providing products or services used in, or which can be adapted to be used in the Australian Defence supply chain and/or an international defence force supply chain. This is Australia's sovereign defence industrial base. Only in limited circumstances is Australian ownership critical to sovereignty.

² Hereafter all included entities are referred to as a "business" or "businesses".



Industrial capability

An industrial capability provides a product (which may be a platform, infrastructure, system, equipment, assembly, part or consumable) or service at a given capacity and/or scale. A contemporary industrial capability is further defined using four characteristics:

- ▶ **Business acumen** — the knowledge, systems and administration to run a competitive business, including security and supply chain resilience.
- ▶ **Intellectual property** — ownership of, or sufficient access to, detailed product knowledge and information, including the ability to innovate or develop improved and/or new products and services.
- ▶ **Workforce** — the right mix of suitably qualified and experienced personnel, and pipeline of future talent.
- ▶ **Capital** — investments in innovation, assets, space, facilities, inputs and cash flow.

An industrial capability may be delivered by a single business, a network of businesses and associated supply chain, or a partnership between a business and the Australian Government.

- 2.2 In 2025, the Government included the definition of an Australian Business in the Commonwealth Procurement Rules, stating that an Australian business;
- ▶ is a business, including any parent business that:
 - has 50 per cent or more Australian ownership, or is principally traded on an Australian equities market;
 - is an Australian resident for tax purposes; and
 - ▶ is a business that has its principal place of business in Australia.

- 2.3 These businesses represent a subset of the sovereign defence industrial base. In addition to Australian businesses³, the sovereign defence industrial base also includes the activities of foreign-owned businesses or landed entities/subsidiaries where all four characteristics of industrial capability are undertaken in Australia. This means capital invested in Australia, Australian based leadership employing an Australian workforce and complying with Australian Law. It includes the obligation to meet Government requirements for security and compliance with Defence Export Controls. Businesses with links to groups, organisations or governments not aligned to Australia's interests are therefore not part of the sovereign defence industrial base.
- 2.4 Critically, an industrial capability provided from the sovereign defence industrial base will remain available to Defence should Australia's lines of international communication be challenged. Although not all of Australia's defence needs can be fully met from within Australia, the sovereign defence industrial base must be capable of equipping, sustaining and replenishing the most critical ADF capabilities domestically in the event of conflict.

Investment and economic contribution

- 2.5 Defence industry generates significant economic benefit to Australia. In 2024–25, defence industry contributed \$12.05 billion (gross value added) to the Australian economy, up by 18.1 per cent since 2021–22. Defence manufacturing has increased by almost double that rate, growing by 34.9 per cent over the same time period.
- 2.6 In 2024–25, 64 per cent (\$22.5 billion) of total Defence Capability Programs expenditure (Acquisition and Sustainment) was spent in Australia:
- ▶ \$9.2 billion on acquisition (51 per cent of acquisition spend)
 - ▶ \$13.3 billion on sustainment (78 per cent of sustainment spend)

Attributes of the sovereign defence industrial base

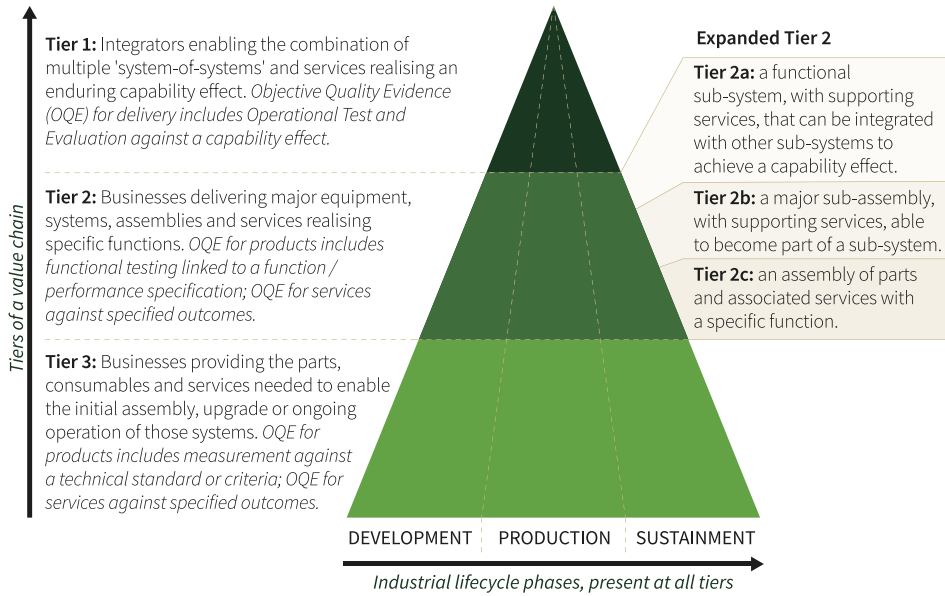
- 2.7 The 2024 Defence Industry Development Strategy broadly categorised the sovereign defence industrial base into three tiers of the supply chain⁴. Defence has retained this model, and expanded the Tier 2 and industrial lifecycle, detailed in Figure 2 below.

³ The sovereign defence industrial base includes New Zealand entities, consistent with the Australia–New Zealand Closer Economic Relations Trade Agreement. The inclusion of New Zealand businesses is limited to access to departmental and Defence capability supply chains, and does not include support or access to the Global Supply Chain / Australian Defence Strategic Sales Office Programs. The use of New Zealand entities for the delivery of the Detailed Sovereign Defence Industrial Priorities is reviewed and assessed on a case by case basis, in accordance with the Defence capability requirement.

⁴ The size of any given entity is not defined by its tier, however tier 1 entities tend to be large, while the majority of Small Medium Enterprises deliver products and services in the lower tiers.



Figure 2: Tiers of the sovereign defence industrial base



Building Australia's sovereign defence industrial base

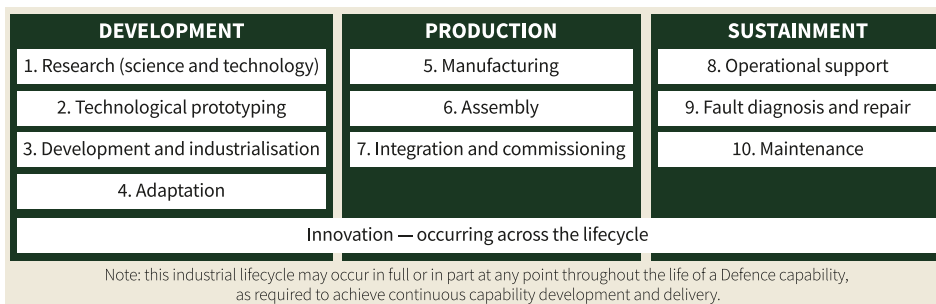
Broad industrial uplift is required across all three tiers of defence industry to meet increasing capability demands. There is an immediate imperative to strengthen Tier 2 (particularly levels 2a and 2b), given its role in delivering resilience and innovation. Support to develop Tier 2 is set out in Chapter 4.

Defence will prioritise working with current and potential Tier 2 businesses that can demonstrate that they are both a mature and healthy organisation, capable of delivering competitive value for money outcomes. Facilitating the integration of these Tier 2 businesses into global supply chains will be an important element in building scale and resiliency within this Tier.

- 2.8 Defence industry is the provider of specialist military equipment, systems and platforms, including both hardware and software. It develops and delivers contemporary tools, techniques, services, and specialist skillsets across all Defence activities and is critical to equipping and sustaining the lethality of the ADF.

- 2.9 Defence industry also, where appropriate, enables Defence to leverage commercial dual-use products, solutions and services. This approach enhances efficiency and, with appropriate design, supports rapid scalability to meet operational requirements for the provision of products and services across the full life of a military capability.
- 2.10 Importantly, the sovereign defence industrial base supports the delivery of each phase of the industrial lifecycle for these products and services, providing agility and responsiveness to Defence:
- ▶ **Development** enables the creation of new solutions optimised for Australian needs to meet specific challenges or opportunities (both industry supply and Defence demand), and the ongoing update and iteration of designs to upgrade capability and leverage innovation.
 - ▶ **Production**, including build-to-print, manufacturing and assembly, generates new, usable assets, integrating with existing systems to provide new capability to the warfighter. This may be a new capability, an upgraded capability or enabling sustainment with replacement parts, equipment or systems. Capacity translates into the ability to scale production, providing replacements in response to losses or expanding the force.
 - ▶ **Sustainment** enables continued operation and asset management through scheduled maintenance, repair, overhaul and upgrade, and supporting operational activities, all providing feedback to development and innovation. Capacity provides availability of Defence capability, and directly contributes to preparedness.

Figure 3: Industrial capability lifecycle for products and services



- 2.11 Definitions are further expanded within the Detailed Sovereign Defence Industrial Priorities (Annex A). This will support defence industry in determining areas that may be aligned to individual companies' areas of interest or capability.



Strategic partnerships

- 2.12 The broader Defence Enterprise (which includes the Australian Signals Directorate, the Australian Submarine Agency, Australian Naval Nuclear Power Regulator and the Defence Delivery Agency, once established) is continuing to mature and establish strategic partnerships with key industry partners to provide long-term opportunities, assurances and greater certainty to industry over the long-term. This incentivises industry to invest and develop industrial capability based on the enduring needs of Defence, not constrained to the delivery of an immediate project, and to expand supply chains.
- 2.13 Defence will also continue to establish direct relationships with select Tier 2 and 3 businesses whose unique industrial capabilities specifically align to the identified priority areas.

Case study: Austal – Strategic partner for shipbuilding

Signed in August 2025, Defence's Strategic Shipbuilding Agreement with Austal Defence Shipbuilding Australia represents an innovation driven strategy to deliver continuous naval shipbuilding in Western Australia through a consolidated industry and strategic partnership.

This is an example of a Strategic Partnership providing a long-term demand signal to industry, enabling coordination and prioritisation of the workforce and facilities across projects. As the Strategic Shipbuilder, Austal is working closely with local industry and supply chains to develop the skills and resources required for the long-term.

Australia's sovereign defence industrial base and the international supply chains

- 2.14 Australia's sovereign defence industrial base does not operate in isolation – it is deeply integrated with our global partners. This integration facilitates technology and skills transfers, as well as imports and exports through integrated supply chains to deliver Australian and global programs, including co-development, co-production and co-sustainment programs.

- 2.15 Industrial supply chain integration with allies and trusted partners is essential, not only for our Defence preparedness, but also for our sovereign defence industrial base. Diverse international industrial partnerships are an enabling opportunity for the sovereign defence industrial base to scale in areas of strength, and access existing international industrial capability where there are gaps, delivering outcomes through business-to-business, government-to-business and government-to-government relationships.
- 2.16 The Government recognises these partnerships must be well-established prior to any crisis. Greater industry integration with allies and trusted partners will:
- ▶ Increase supply chain resilience and robustness,
 - ▶ Accelerate innovation,
 - ▶ Create Australian jobs and develop skills,
 - ▶ Enhance industrial capabilities, and
 - ▶ Expand export opportunities.
- 2.17 Further details on exports and international collaboration are set out in Chapter 9.



Building diversity with international partners

Since the release of the 2024 Defence Industry Development Strategy, Defence has made significant progress in advancing international collaboration with key partners. Examples include:

- ▶ **April 2024:** Rheinmetall Defence Australia to export more than 100 Australian-made Boxer Heavy Weapons Carrier vehicles to Germany.
- ▶ **March 2025:** Kongsberg Australia to establish a factory near Newcastle, New South Wales, to produce the Naval Strike Missile and Joint Strike Missile.
- ▶ **December 2025:** Lockheed Martin Australia began co-production of Guided Multiple Launch Rocket System missiles in South Australia, the first time this has been undertaken outside the United States.
- ▶ **March 2026:** Signed the Australia – European Union Security and Defence Partnership which will strengthen cooperation between Australia and the European Union on global security challenges.
- ▶ **April 2026:** Mitsubishi Heavy Industries to deliver three upgraded Mogami class frigates, with future ships constructed in Western Australia.
- ▶ **June 2026:** Potential co-development and co-production of CEA Technologies' Active Electronically Scanned Array radar systems with the United Kingdom.
- ▶ **June 2026:** Export of Australia's world-leading Over-the-Horizon Radar (OTHR) technology to support development of an Arctic-OTHR system for Canada by BAE Systems Australia.





3 Prioritisation

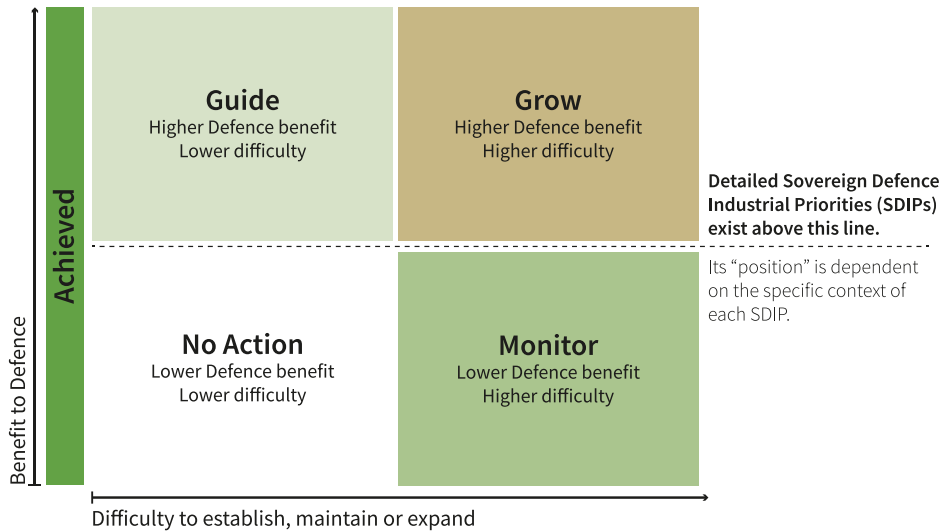
The case for prioritisation

- 3.1 The case for prioritisation outlined in the 2024 Defence Industry Development Strategy remains valid today. The Government will continue to prioritise the industrial capabilities required to meet the challenges of our strategic circumstances and increase our resilience.
- 3.2 Defence will provide further information to industry on our priorities, the Sovereign Defence Industrial Priorities, through increased and targeted industry engagement (set out further in Chapter 6).

Approach to prioritisation

- 3.3 In order to deliver capability within the necessary timeframes, Defence aims to consistently and continuously 'Guide' and 'Grow' the sovereign defence industrial base to align to Australia's national security needs. Prioritisation of effort and focus will be based on two primary considerations:
 - ▶ The relative benefit and priority to Defence
 - ▶ The difficulty and cost to establish, maintain or expand the capability in Australia
- 3.4 This approach provides four quadrants; Grow, Guide, Monitor and No Action (Figure 4). Defence has used these quadrants to identify and categorise specific industrial capabilities for development in the updated Detailed Sovereign Defence Industrial Priorities (Annex A).
- 3.5 Defence will maintain awareness of ongoing technical trends and emerging technologies through industrial intelligence to ensure that industrial capabilities are appropriately captured and prioritised as circumstances change.



Figure 4: Defence approach to prioritisation

- 3.6 Industrial capabilities of high benefit to Australia’s national defence that are straightforward to establish, maintain or expand in Australia are in the Guide quadrant. Defence will support development of these capabilities by requiring the use of the sovereign defence industrial base in relevant contracts, using the commercial framework already established under the Australian Industry Capability Program.
- 3.7 Industrial capabilities with higher benefit to Australia’s national defence and higher difficulty to establish maintain or expand, require active intervention from Defence and are prioritised in the Grow quadrant. In addition to the arrangements for the Guide quadrant, Defence will deliver targeted investments and establish incentives through specific Sovereign Defence Industrial Priorities-focused activities.
- 3.8 For industrial capabilities that are of lower sovereign benefit but remain hard for industry to establish, maintain, or expand in Australia, Defence will Monitor the ongoing status. The Government will only take specific action in this quadrant if the strategic benefit raises to become significant, moving that capability into the Grow quadrant.
- 3.9 The Government will take No Action on capability areas that are of low benefit to national defence interests and are easier to establish maintain, or expand.

- 3.10 The Government will utilise this framework to prioritise industrial development and Commonwealth investment with tailored levels of support that are outlined further below. This includes industrial integration and export pathways with trusted partners and leveraging existing government-to-government frameworks, as detailed in Chapter 9.

Australia's Sovereign Defence Industrial Priorities

- 3.11 The seven Sovereign Defence Industrial Priorities from the 2024 Defence Industry Development Strategy have been further refined in the 2026 update. These Sovereign Defence Industrial Priorities do not represent the totality of Australia's needs, but the most critical industrial capabilities requiring development for Defence. For example, construction and commercially provided storage and distribution, fuel production and Australia's critical minerals and strategic materials also provide an important advantage in increasing our self-reliance but are not captured as Sovereign Defence Industrial Priorities.
- 3.12 The purpose of the Sovereign Defence Industrial Priorities in the 2026 Defence Industry Development Strategy is to enable industry to target its time and investment to best align with priority industrial capabilities for Defence.
- 3.13 Critically, the Government will continue to ensure that the Integrated Investment Program is appropriately shaped to provide consistent and sustainable demand for the Sovereign Defence Industrial Priorities.



Figure 5: Sovereign Defence Industrial Priorities

In the next 2–5 year period

1: Maintenance, repair, overhaul and upgrade of Australian Defence Force aircraft

A sovereign industrial aircraft maintenance, repair, overhaul and upgrade capability is critical to optimising aircraft availability and ensuring it is not compromised, especially during times of conflict. It is essential that we grow and guide Australia's maintenance, repair, overhaul and upgrade capability in order to increase supply chain security and resilience to provide the increase in capacity needed to support Australia and our trusted partners during times of conflict. Defence aims to increase its sovereign industrial capability and reduce the dependence on the US supply chain where feasible and sensible to do so.

2: Continuous naval shipbuilding and sustainment (CNSS)

In line with strategic and capability demands, industrial uplift is required in all three tiers of industry. Defence will primarily seek to drive sovereign industrial uplift for all three tiers through strategic partnerships with the Tier 1 Prime Contractors. Driving industrial uplift through strategic partnerships will encourage contributions to broader continuous naval shipbuilding and sustainment Enterprise objectives at a national level, beyond project or product-level. Through these strategic partnerships, Tier 1 Prime Contractors will develop the capabilities required both within themselves, and within their sovereign supply chains, to deliver more complex maritime projects. This includes building and sustaining nuclear powered submarines.

3: Sustainment and enhancement of the combined-arms land system

A sovereign industrial base is critical to delivering and sustaining the combined arms land system, optimised for littoral manoeuvre, enabling long range land and maritime strike. Defence will continue to reinforce and expand the sovereign defence industrial base to support the manufacture and sustainment of these capabilities to meet preparedness and mobilisation activities. From 2026 to 2030, Defence will grow and strengthen domestic maintenance, repair, overhaul and upgrade and export capacity to increase global supply chain security and resilience in support of Australia and its trusted partners.

4: Domestic manufacture of guided weapons, explosive ordnance and munitions

The growth and health of the local industrial capabilities required to deliver and sustain Guided Weapons and Explosive Ordnance (GWEO) is an essential element to assure the continuing availability of this defence capability. Central to realising these domestic manufacturing projects will be dedicated investment to uplift Australian industry, ensuring Australian businesses manufacture components and sub-systems for Australian-made GWEO that is interoperable and certifiable with allies and partners. In addition, Defence is investing in key enablers, ranging from the development of novel capabilities and processes to the maturation of an explosive ordnance capability.

5: Development and integration of autonomous systems

Defence is taking a unified, phased and multi-domain approach to expanding Australia's sovereign autonomous systems capabilities across disposable and attributable platforms, maritime uncrewed systems, and broader UxS ecosystems. This approach aligns with the strategic direction, and is underpinned by ongoing autonomous systems initiatives across the ADF and industry. Defence intends to adopt a continuous capability development and delivery model, evolving prototypes into scalable, integrated, and sovereign capabilities through partnership with industry and allies. Digital engineering, additive manufacturing, and Industry 4.0 practices will underpin rapid iteration and sustainment.

6: Integration and enhancement of battle space awareness and management systems

In the immediate term, Defence will prioritise the industrial capability needed to continue the integration of existing systems to deliver effects across long-range strike, undersea warfare and integrated air and missile defence capabilities from seabed to space. This will be expanded to optimise our sensors and networks for the evolving strategic circumstances; however, sharing further detail may be limited to security-classified environments due to the sensitive nature of the technologies involved.

7: Test and evaluation, certification and systems assurance (TESCA)

A test and evaluation, certification and systems assurance ecosystem, optimised to meeting Defence's needs, requires a cohort of suitable trained and experienced people (ADF, APS and industry), a wide range of training and testing environments (maritime [surface and underwater], land, air and digital), and supporting instrumentation, common frameworks and processes. Together, these optimise performance and replicability, as well as governance and control mechanisms to assure the outcomes of the process. Each warfighting domain requires test and evaluation, certification and systems assurance at all stages of the industry life cycle, though there can significant variance in its how it is undertaken given the diverse operating environments. As such, test and evaluation, certification and systems assurance is managed at the Domain and project level.



Linking Sovereign Defence Industrial Priorities with 2026 National Defence Strategy

- 3.14 The Sovereign Defence Industrial Priorities link to the delivery of capability effects set out in the 2026 National Defence Strategy, as outlined below.
- ▶ **Provide continuous naval shipbuilding and sustainment** to support higher levels of military preparedness and enhance the ADF's ability to project force into Australia's primary area of military interest and protect sea lines of communication, including industry uplift for naval nuclear propulsion.
 - ▶ **Domestically manufacture guided weapons, explosive ordnance and munitions** to project force and hold a potential adversary's force at risk by generating sufficient ammunition stocks and the ability to rapidly scale production.
 - ▶ **Develop, produce and integrate autonomous and counter-autonomous systems** to project force and hold a potential adversary's forces at risk, including by developing subsystems, data and designs that can be rapidly innovated and iterated to generate asymmetric capability options.
 - ▶ **Provide maintenance, repair, overhaul and upgrade of ADF aircraft** to project force, respond to force projection against Australia and support contributions to regional security.
 - ▶ **Provide test and evaluation, certification and system assurance** to enable rapid innovation and technological adaptation of capabilities into service.
 - ▶ **Develop and integrate battlespace awareness, management and interoperable targeting systems** to respond with credible military force and provide decision advantage, improving the resilience of the ADF's command and control, communications, intelligence, surveillance and reconnaissance capabilities.
 - ▶ **Sustain and enhance the combined-arms land system** to support deployed forces in Australia's primary area of military interest.

Tracking the health of Sovereign Defence Industrial Priorities

- 3.15 The Sovereign Defence Industrial Priorities represent the industrial capabilities required in Australia. In certain circumstances, the Government may need to intervene to ensure that these activities are undertaken in Australia rather than being sourced from an overseas supply chain.
- 3.16 To help inform these interventions, Defence will adopt a data-driven approach by enhancing how it tracks the health of the sovereign defence industrial base and individual Sovereign Defence Industrial Priorities through Industry Intelligence (Chapter 4) and focused engagement with industry (Chapter 6).

ACTION 3.1: Defence will initiate formal monitoring and reporting to Government on the health of Sovereign Defence Industrial Priorities.

Fuels resilience

Energy and fuel are foundational enablers of Defence capability and operational effectiveness, underpinning the generation, deployment and sustainment of the force across all domains and priorities.

Consistent with the Defence Future Energy Strategy, Defence will focus over the next two to five years on delivering assured and resilient energy access by strengthening fuel supply chain security, and deployable energy resilience, reducing operational energy demand, and integrating scalable alternative and hybrid energy solutions where they enhance capability and reduce risk.

The Defence Future Energy Strategy recognises the need to build sovereign and trusted Australian industrial capability and capacity across fuel production and storage, energy generation and distribution, while enabling rapid adoption of deployable power systems and improved interoperability with allies.





4 Targeted Development of the Industrial Base

- 4.1 Defence industry is primarily driven by government procurement and is greatly influenced by the policies and decisions of Defence as its primary customer. Active intervention by Government, including ensuring that there is consistent and sustained demand through the Integrated Investment Program and the identification and delivery of support to select businesses with capabilities directly aligned to our defence industrial priorities, the Sovereign Defence Industrial Priorities, will help grow the industrial base we need in Australia.

Tailored engagement and support for our industrial priorities

- 4.2 The Government will support the development of Tier 2 businesses and Tier 3 businesses seeking to move up the value chain by identifying and actively supporting (through the Defence Industry Hub, detailed below) companies that can demonstrate they are both a mature and healthy organisation.
- 4.3 Such organisations are characterised by:
- ▶ contemporary offerings underpinned by mature programmatic, commercial and technical governance;
 - ▶ an appropriate Quality Management System, possessing the required qualifications for its business interests;
 - ▶ a demonstrably healthy balance sheet;
 - ▶ a solid forward order book that is generating sales in either an adjacent market or through defence exports;
 - ▶ having demonstrably competitive global offerings;
 - ▶ an ongoing, funded internal research and development program; and
 - ▶ having achieved the required security certifications needed for Defence work.
- 4.4 Priority will be given to those businesses aligned to the Detailed Sovereign Defence Industrial Priorities.

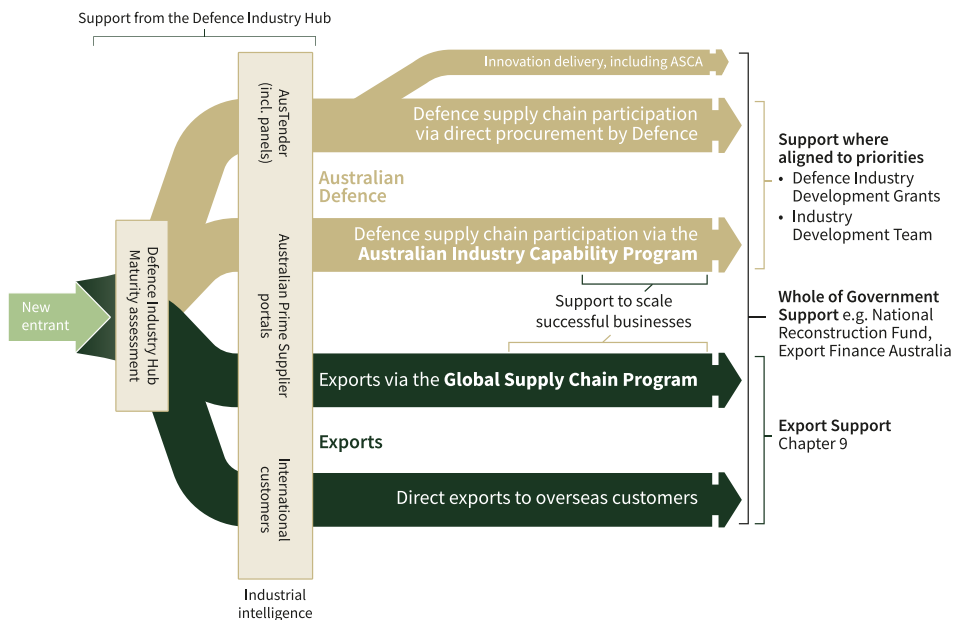


The Defence Industry Hub

- 4.5 Defence continues to engage and support businesses that are new to supplying Defence goods and services, both directly and through industry engagement forums (Chapter 6). The new Defence Industry Hub builds on and expands the services formerly delivered by the Office of Defence Industry Support, providing:
- ▶ a first point of contact for new entrants (sovereign defence industrial base businesses) seeking to engage with Defence⁵;
 - ▶ Business maturity assessments to determine defence readiness;
 - ▶ guidance on defence industry opportunities in specific programs and Sovereign Defence Industrial Priorities based on industrial intelligence, including through panels or exports;
 - ▶ support to enhancing business maturity through connection to applicable Defence's industry support programs (such as Grants, Australian Industrial Capability and Global Supply Chain programs); and
 - ▶ links to applicable whole-of-government industry initiatives and broader support programs, including the recently established Investor Front Door.
- 4.6 This support is focused on businesses seeking to expand their capability and capacity to deliver at Tier 2a and 2b with priority given to those businesses aligned to the Detailed Sovereign Defence Industrial Priorities.
- 4.7 The Defence Industry Hub will also extend support to Defence decision makers seeking to understand program specific industry challenges, and where the sovereign defence industrial base can provide solutions to deliver industrial preparedness. This includes working with Defence's Advanced Strategic Capabilities Accelerator (ASCA) to identify and support businesses with capabilities aligned to ASCA's missions and programs, discussed further in chapter 7.
- 4.8 The Defence Industry Hub is complemented by broader industry support provided by the Government through the Industry, Science and Resources portfolio, providing both non-defence specific support to businesses and whole of market analysis.
- 4.9 Figure 6 illustrates how Defence industry support is delivered across the ecosystem.

Action 4.1: Defence will prioritise the accelerated identification of healthy and mature businesses capable of solving specific challenges.

⁵ Defence Industry Hub can be contacted via www.defence.gov.au/business-industry

Figure 6: Industry support across the ecosystem

Industry Intelligence Capability

4.10 Government decisions on tailoring support to industry and industrial prioritisation are informed by Defence's Industry Intelligence Capability. The Industry Intelligence Capability provides analytical depth and insight required to support decision-makers in accelerating speed to capability, strengthening the sovereign defence industrial base, and developing the policy settings that support these objectives. Defence continues to build the Industry Intelligence capabilities through:

- ▶ Additional skills, tools, and data to conduct more advanced analysis;
- ▶ Developing a better understanding of Australia's sovereign defence industrial base strengths and vulnerabilities, including Sovereign Defence Industrial Priority development and health check programs;
- ▶ Working closely with other government agencies and industry on the Industry Intelligence Capabilities approach to measurement, monitoring and assessment, including consideration of supply chain analysis undertaken by the Department of Industry, Science and Resources;
- ▶ Working closely with state and territory governments and industry associations to build a consolidated view of industry nation-wide; and
- ▶ Deepening Defence's relationship with the Industry Capability Network and private sector partners to better guide investments in the sovereign defence industrial base.

Action 4.2: Defence will deploy and integrate the matured Industry Intelligence Capability into reporting, industry engagement and procurement processes, identifying where industry gaps and opportunities exist and enabling more targeted support to industry.

- 4.11 Defence has also established the Independent Strategic Defence Advisory Services panel arrangement for the provision of strategic level research, modelling, independent studies, and policy advice. The panel will provide Defence access to specific industry skill sets to support the development of original and adapted capability constructs, concepts and processes, including validation activities and test cases.

Supporting successful businesses to scale

- 4.12 Beyond the Sovereign Defence Industrial Priorities, industrial development is focused on opportunities where using the sovereign defence industrial base provides the best value to Australia. This open support is delivered through a number of industry engagement programs, including the Australian Industry Capability (AIC) and Global Supply Chain (GSC) Programs.

Australian Industry Capability Program

- 4.13 AIC is implemented through contracts between Defence and industry, and is an important mechanism to direct the use of the sovereign defence industrial base in priority areas (Chapter 3) and encourages the use and development of Australian businesses where they are competitive.

A more strategic and efficient approach to Australian Industrial Capability

- 4.14 The Government will strengthen performance reporting mechanisms as a core element of the AIC Program, integrating with the Global Supply Chain Program where possible, and explore consolidated reporting for companies at the enterprise level. This approach aims to reduce unnecessary overheads on industry (particularly where suppliers are already focused on delivering AIC outcomes) and enable Defence to more effectively understand and develop each Sovereign Defence Industrial Priority at the whole-of-Defence level.

- 4.15 Reporting will focus on transparency of supply-chain composition, integration of Australian businesses, achievement of industrial outcomes and contribution to Sovereign Defence Industrial Priorities, while also providing greater insight into how primes enable opportunities and drive participation across tiers. This does not change contracted AIC reporting obligations.

Global Supply Chain Program

- 4.16 The GSC Program contracts major global defence businesses (primes) to integrate Australian businesses to their global supply chains, across both defence and civil sectors. The program identifies, advocates for, and provides contract opportunities to competitive Australian suppliers to enter and grow within supply chains for the prime's international customers. This allows Australian industry to grow and create new revenue streams and diversity of work, leading to a more sustainable and competitive industrial base.
- 4.17 Since the 2024 Defence Industry Development Strategy, the GSC Program expanded from seven to 13 participating primes and has now generated more than \$2.58 billion worth of contracts to 360 Australian Defence suppliers. The Program has also broadened its engagement by allowing Australian suppliers with more than 200 staff to be counted within the program outcomes and will support those suppliers that are building towards Tier 2 status.

Action 4.3: AIC and GSC will be reframed to be measured at the portfolio level to provide a structured way for Defence and industry to work together to grow sovereign capability, strengthen supply chain resilience, and create opportunities for Australian businesses across the capability lifecycle.

Industrial Development Agreements

- 4.18 Defence is transitioning from contract-level compliance to an enterprise-wide approach. To enable this, Defence is establishing Industrial Development Agreements with key Tier 1 businesses, consolidating industry development, supply chain management and reporting activities for both Tier 1 businesses and Defence.



- 4.19 Industrial Development Agreements aim to streamline reporting obligations and integrate supply chain visibility across all tiers and businesses with regard to:
- ▶ AIC obligations across acquisition, sustainment, and contracts;
 - ▶ GSC obligations (for GSC contract holders);
 - ▶ other key industry development initiatives;
 - ▶ reporting obligations, and
 - ▶ sharing of strategic intent.
- 4.20 These changes will enable a broader focus when considering and reporting on industry development while reducing administrative overheads. This approach not only enhances efficiency, but also enables proactive identification of capability gaps to maximise resilience and readiness.

Action 4.4: Defence will establish the first Industrial Development Agreements with key Tier 1 partners, establishing whole-of-business level Australian Industrial Capability and global supply chain reporting.

- 4.21 Government has previously given effect to the AIC program through the Defence Policy for Industry Participation. That function is now delivered by this Strategy. Defence is evolving the remaining scope of the Defence Policy for Industry Participation into the new Defence Policy for Industry Engagement and Partnership, a subordinate document to the Defence Industry Development Strategy providing broader guidance for industry seeking to participate in Defence industry. The Defence Policy for Industry Engagement and Partnership will be finalised following the release of the 2026 Defence Industry Development Strategy.

Whole-of-nation approach

- 4.22 The concept of *National Defence* highlights that Australia's defence needs depend on industry sectors across Australia's industrial base. Defence will work across the Commonwealth and with state and territory governments to maximise signals to market and achieve national economies of scale.

Enabling private investment

- 4.23 The 2026 National Defence Strategy acknowledged the need to leverage all forms of investment and financing to deliver Defence capability at the scale and pace required.

- 4.24 To leverage private investment to drive further growth across Australia's innovation ecosystem, boost sovereign industrial capacity, and expand technologies for export, Government will develop the Defence Industry Investment Plan. This plan will articulate its equity and investment priorities more clearly, providing the private-sector investment market with the signals it needs.
- 4.25 Defence will also strengthen the specialist financial and commercial capability within the Defence Finance Group through the creation of a dedicated Alternative Financing Directorate, and the engagement of a Strategic Partner.

Action 4.5: Defence will develop a Defence Industry Investment Plan to further articulate equity and investment priorities to the market, including alternative financing options.

Whole-of-government support to defence industry

- 4.26 Harnessing whole-of-government initiatives to strengthen the Sovereign Defence Industrial Priorities will grow our industrial resilience, and support both *National Defence* and the Future Made in Australia agenda. Defence will continue to work with other agencies, in particular the Department of Industry, Science and Resources, to ensure Australia's broader industrial capability is resilient and available both as an enabler to the sovereign defence industrial base and as a key component of *National Defence*.
- 4.27 To this end, Defence is aligning its programs with key industry initiatives from across Government, through the Defence Industry and Investment Inter-Departmental Committee (Chapter 6). These initiatives include the:
- ▶ **Future Made in Australia** agenda to support Australian defence businesses to scale and commercialise, including key domestic production inputs to defence capability that address critical supply chain vulnerabilities;
 - ▶ **Net Zero Economy Authority** established to assist workers, industries and regional communities seize the opportunities of Australia's net zero transformation;
 - ▶ **Specialist investment vehicles** to attract private enterprise capital and expertise, including through the National Reconstruction Fund Corporation, Export Finance Australia, and the Northern Australian Infrastructure Facility, and the potential Advanced Capabilities Investment Fund;
 - ▶ **Education** to grow and upskill the defence industry workforce, including in priority skill areas such as STEM, manufacturing, technology and digital;



- ▶ **Ambitious Australia** budget reforms to better incentivise core research and development that benefits the broader economy;
- ▶ **Research and Development Tax Incentive** to help companies innovate and grow by offsetting some of the costs of eligible research and development, generating social and economic benefits for all Australians;
- ▶ **Buy Australian Plan** to make sure Australian businesses can make the most of opportunities, deliver better value, and strengthen domestic industry and manufacturing capability;
- ▶ **Austrade** collaboration with Team Defence Australia, further set out in Chapter 9.

The Defence Industry Development Grants Program

- 4.28 Defence will continue to support businesses delivering products and services aligned to the Detailed Sovereign Defence Industrial Priorities, with priority afforded to those in the Grow category, through the Defence Industry Development Grants Program. This includes supporting the development of the nuclear-powered submarine supply chain.
- 4.29 This will build on the 214 grants worth \$73.6 million that have been awarded in the first two years of the Defence Industry Development Grants Program. The Program will be extended by a further two years and an additional \$80 million, to create a total program value of \$250 million until 2030.
- 4.30 To date, the Defence Industry Development Grants Program has supported Australian small-to-medium sized enterprises to achieve recognised business certifications and accreditations for international supply chain opportunities. This will be expanded to also include domestic supply chain opportunities.

Action 4.6: Defence will expand the Defence Industry Development Grants Program to provide support for businesses seeking recognised certifications required to access domestic Defence supply chain opportunities, in line with the 2026 Sovereign Defence Industrial Priorities.





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5

5 Procurement

- 5.1 Defence must continue to accelerate procurement to deliver capability at speed, in line with Australia's deteriorating strategic circumstances, while maintaining appropriate levels of governance. The Government has directed Defence to adopt minimum viable contracting approach, ensuring contracting is proportionate to the priority, size, complexity, and risk of each procurement.
- 5.2 Defence's procurement practices will be updated to:
- ▶ deliver innovation by design;
 - ▶ uplift and modernise the commercial workforce, tools and practice to support Defence as a smart customer;
 - ▶ utilise existing flexibility within the Commonwealth Procurement Rules to drive flexibility and speed in our procurements; and
 - ▶ enable further enhancement of industry collaboration, including strategic partnerships.
- 5.3 Procurement policy settings are central to delivering capability at pace and building a faster innovation culture. Defence will embed innovation, digital integration, adoption of AI-enabled procurement and professionalisation to instil a stronger culture of delivery and innovation in Defence projects.
- 5.4 These actions ensure procurement decisions deliver enduring sovereign benefit and position Defence and industry to adapt rapidly to evolving strategic circumstances, reinforcing procurement as a strategic lever for national security.



Minimum viable contracting

Minimum viable contracting focuses Defence and industry effort on only those contracting artefacts and requirements that are essential to capability delivery. In practice, the adoption of minimum viable contracting means:

- ▶ embracing modularisation and flexible contract structures that intuitively support right-sizing tender and contract requirements, ensuring information requests, evaluation criteria and administration requirements are targeted to what is essential for decision-making;
- ▶ embedding appropriate early and ongoing engagement with industry to support increased understanding of necessary tender or contracting requirements, including where tailored or flexible approaches are required;
- ▶ adapting scope and requirements, recognising that operational needs and technology will evolve over the life of a capability, like the Continuous Capability Development and Delivery contracting model;
- ▶ balancing risk appropriately, focusing effort on areas of highest technical, commercial or delivery risk, while streamlining low-risk elements; and
- ▶ reducing the administrative burden of contractual flow-downs to support greater participation of small-to-medium sized enterprises and Tier 2 suppliers within the Defence supply chain.

Minimum viable contracting does not remove accountability or reduce standards. Rather, it focuses on the elements that most directly support successful performance and delivery, ensuring Defence and industry can act with greater agility, responsiveness and commercial effectiveness.

2024 Defence Industry Development Strategy achievements

- 5.5 Under the 2024 Defence Industry Development Strategy, Defence:
- ▶ released an updated suite of Australian Standard for Defence Contracting templates and guidance;
 - ▶ streamlined Tender Data Requirements in Australian Standard for Defence Contracting templates by 40 per cent to reduce the cost and administrative effort on businesses in the early stages of the Request for Tender process;
 - ▶ executed the first flexible contract under Project AIR6500, which supports Continuous Capability Development and Delivery, and faster adaptation to operational needs; and
 - ▶ established a professionalisation and industry secondment framework across project and program management, engineering, logistics and commercial functions.
- 5.6 These initiatives set the foundations for Defence procurement in the changed strategic environment described in the 2026 National Defence Strategy, disrupting processes and practices long embedded within Defence and across to industry. Importantly, these initiatives are aimed at streamlining the administrative burden of engaging with Defence, but more needs to be done.

From reform to continuous improvement

- 5.7 Procurement will continue to evolve toward flexible, outcomes-driven contracting models, supported by digital tools and AI-enabled workflows that improve decision speed, transparency, and alignment with priorities. While the focus of reforms so far has been on the early stages of the Request for Tender process, Defence will now be looking more holistically at the commercial, programmatic and technical aspects of project execution, including:
- ▶ development of more relational contract frameworks to support agile delivery of capability and risk sharing, including the adoption of AI tools to support contract development and evaluation;
 - ▶ rationalisation of reviews and artefacts required to support the technical delivery of capability, including the implementation of Digital Engineering approaches and digital engagement with industry; and
 - ▶ rationalisation of project management documentation and related artefacts, including the adoption of AI productivity tools with industry.



Continuous Capability Development and Delivery – faster innovation by design

- 5.8 Developing self-reliance and industrial preparedness cannot be done at the total expense of speed to capability or the adoption of novel, innovative capability solutions. Defence manages this balance through its Continuous Capability Development and Delivery approach, including a focus on the attainment of minimum viable capability. As Defence shifts from delivering a balanced to a focused force, so too must industry redirect industrial capability and capacity toward areas of Defence priority.
- 5.9 Defence recognises that traditional acquisition models cannot deliver the agility required to meet evolving threats and technological change. Defence is embedding the Continuous Capability Development and Delivery model to drive delivery on priorities of the 2026 National Defence Strategy—speed, sovereignty, resilience, and preparedness.
- 5.10 The Continuous Capability Development and Delivery model is a practical framework for structuring the development, delivery and sustainment of new systems across the program continuum with iterative upgrades and improved risk-sharing. This will build flexibility into contracting frameworks, supporting rapid introduction of minimum viable capability and continuous evolution as technology and threat environments evolve.
- 5.11 Defence is continuing to utilise this new contracting structure to enable incremental, adaptive and collaborative design, acquisition, integration and sustainment activities. These are typically for software-intensive, highly technical or rapidly evolving Defence capabilities such as the LAND 156 Program.
- 5.12 Together, these measures deliver on the Government’s objectives of speed to capability, stronger Australian industry capability, and deeper integration across the supply chain, while supporting the ADF to remain ahead of emerging threats.

Action 5.1: Defence will seek to shorten procurement timeframes by adopting a minimum viable contracting approach and measure progress by tracking project performance against the agreed procurement plan for the approach to market.

Action 5.2: Defence will update the Australian Standard for Defence Contracting suite of contracting templates to include the Continuous Capability Development and Delivery approach, enabling appropriate contracts for agile delivery.

Defence as a smart customer

- 5.13 Defence continues to evolve how it operates to be a smarter and more informed customer. This includes better use of data and industrial intelligence, investment in digital and AI-enabled tools, and more consistent application of existing governance frameworks.
- 5.14 Accelerating procurement to support speed to capability is not only about changing the process. Professionalisation (Chapter 8) will remain central to these and effective delivery of key Defence procurements.

Digital Transformation

- 5.15 Defence will build on the foundations of Digital Engineering and leverage AI in procurement. Defence will pursue three priority AI-enabled procurement capability streams to improve speed, compliance and value for money.
- ▶ **Procurement productivity.** AI-enabled capabilities that automate and standardise low-risk, repeatable procurement-related activities with a focus on improving compliance, reducing workload and freeing skilled resources to focus on complex, high-value decisions.
 - ▶ **Procurement complexity and risk sensing.** AI and data analytics capabilities that enable the earlier identification of procurement risk, complexity and governance needs supporting the development of better approaches to market and improved contract management.
 - ▶ **Policy and process advice.** Capabilities to establish an authoritative, policy-aligned AI procurement advisor to allow the Defence workforce to navigate procurement policy and processes quickly and consistently, reducing errors and over compliance.
- 5.16 The Defence Digital Engineering Roadmap will provide the foundations for streamlining technical engagement with industry and facilitating collaboration. This work reflects Defence's commitment to smarter, data-driven procurement and sets the foundation for a modern, agile system that supports capability delivery.

Action 5.3: Defence will implement AI-enabled procurement capability solutions to support contracting practices that are appropriate to the requirement, risk aware and compliant.



Case study: Project LAND 156—Counter-Small Uncrewed Aerial Systems

Project LAND 156 was established in response to a rapidly evolving threat environment, where small drones pose significant risks to deployed forces and critical infrastructure. A new commercial approach was required to keep pace with this rate of change.

A partnership model between Defence and Leidos Australia was adopted, built around a flexible systems integrator agreement to bring together proven sensors, effectors, and command control systems while creating pathways to pull through technologies as they mature. The partnership also focuses on building sovereign industrial strength to ensure resilience over time. Key Australian suppliers such as Acacia Systems, EOS Defence Systems, and Department 13 are contributing core elements alongside Leidos Australia, supported by a broader network of small-to-medium sized enterprises.

This approach has reduced complexity, streamlined decision-making, shortened delivery timeframes, and is allowing for continuous improvement while maintaining strong governance and integration assurance. Within just four months of contract signature, Project LAND 156 project was positioned for a major capability demonstration activity.



Working in partnership with industry to deliver an effective procurement system

- 5.17 Defence will continue to work with industry on updating procurement processes and practices, enabling easier, timelier and more meaningful collaboration by:
- ▶ reducing the administrative overheads and costs of engaging with Defence;
 - ▶ engaging with industry earlier and more often to better shape industrial outcomes, accelerate delivery and de-risk execution;
 - ▶ applying best practice for digital engagement with industry;
 - ▶ including pathways for small-to-medium sized enterprises and Tier 2 suppliers to scale;
 - ▶ smoothing demand profiles in those critical areas identified by the Detailed Sovereign Defence Industrial Priorities (avoiding peaks and troughs) to de-risk ongoing delivery;
 - ▶ establishing targeted strategic industrial outcomes within individual procurements to definitively contribute to the maturation of the Sovereign Defence Industrial Priorities;
 - ▶ supporting the achievement of Defence's industry development objectives; and
 - ▶ supporting measurable action to improve workforce diversity and gender equality, including through meeting industry's obligations under the *Workplace Gender Equality Act 2012*, and complying with the Workplace Gender Equality Procurement Principles and Australian Skills Guarantee.
- 5.18 Enhanced reporting under the Australian Industrial Capability Program will support this uplift while reducing unnecessary burdens on industry, coupled with clearer expectations and requirements on primes to maximise growth across the supply chain. These measures ensure procurement decisions deliver not only capability outcomes but also strengthen a prepared and resilient industrial base that is able to respond rapidly to evolving strategic circumstances.

Working with Integrity

- 5.19 Engaging with defence industry early and working collaboratively together is a core component of achieving value for money and ultimate success of Defence projects. Defence's industry engagement and probity frameworks support this early and constructive discussion with industry, while preserving the integrity of Commonwealth decision-making. An updated Defence Commercial Framework will upskill officials to confidently undertake early, effective and compliant engagement with industry. These frameworks are underpinned by the principles outlined in *Defence and the Private Sector: Working with Integrity*, which reinforce the importance of transparency, fairness, and accountability in all commercial dealings. Defence also expects industry partners to adhere to the *Supplier Code of Conduct*, ensuring ethical behaviour and compliance with standards that promote trust and integrity across the supply chain.

Action 5.4: Defence will update the Defence Commercial Framework to guide officials to conduct early and effective engagement with industry to shorten procurement timeframes while complying with relevant policy and instructions.





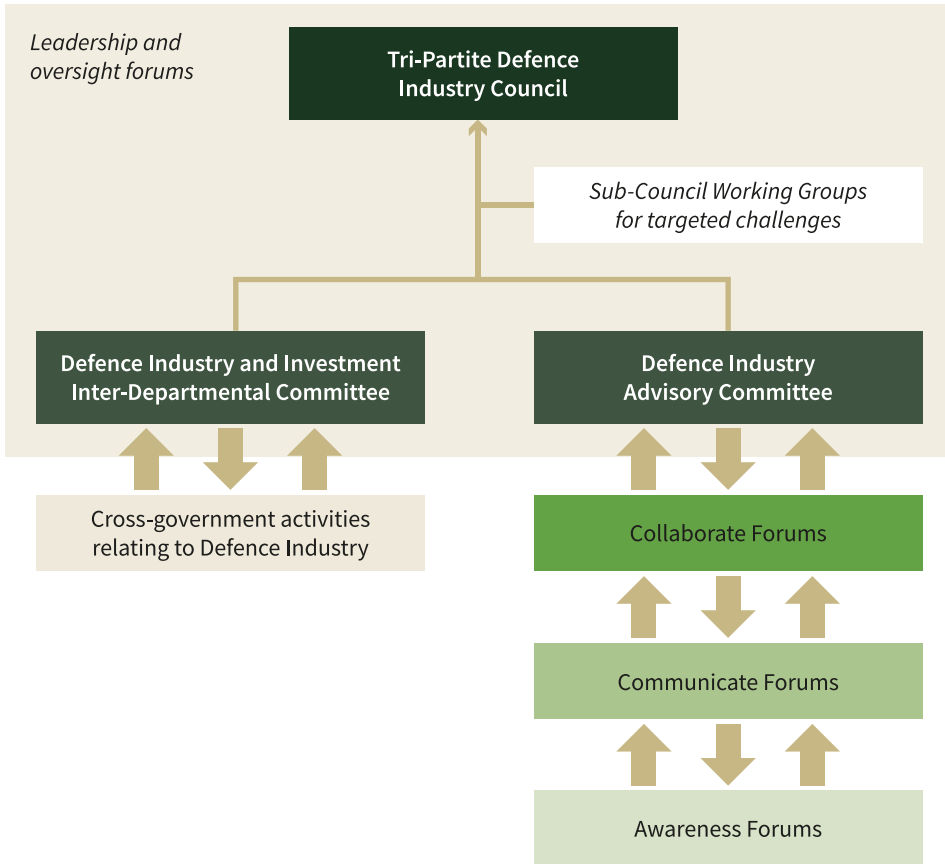
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6 Communication

- 6.1 Productive and ongoing communication and engagement with defence industry is core business for Defence. This involves Defence and defence industry working openly to;
- ▶ connect early and support open dialogue,
 - ▶ exchange ideas, and
 - ▶ explore new and practical solutions to shared challenges.
- 6.2 Engagement with industry will also identified as a key element of staff leadership and professional development.
- 6.3 To achieve this, the Government will transform how it engages with defence industry, adopting a revised forum structure to formalise linkages between greater, more targeted activities, shown in Figure 7. The purpose and participation of each forum is detailed in the following pages, and will be undertaken in addition to project specific industry engagement activities undertaken as part of the procurement process.



Figure 7: Defence industry forum structure



Greater, more targeted engagement

6.4 The Government will deliver more targeted industry engagement, increasing the number of engagement activities, but with more specificity also. This will be done through both traditional engagement forums, and through allowing Defence officials freedom for direct engagement with industry, in line with probity requirements, as a core part of their role. This is supported by Defence’s enterprise approach to Australian Public Service (APS) workforce Professionalisation (Chapter 8).

- 6.5 Defence will use a 'cultivate awareness, communicate, collaborate' approach to progressively engage smaller groups of specialised industry for specific topics, supported by insights from Industry Intelligence. Defence will schedule industry engagement activities with similar stakeholders together, and utilise online or hybrid options where practicable.

Defence industry leadership and oversight

Tri-Partite Defence Industry Council

- 6.6 The 2024 Defence Industry Development Strategy established the Tri-Partite Defence Industry Council to deliver a collaborative approach between government, industry and unions. The Council is chaired by the Minister for Defence Industry, and Council members include the Minister for Industry and Innovation, as well as defence industry and union representatives who are appointed to two-year terms.
- 6.7 When required, the Council will establish subordinate working groups to target specific challenges with terms of reference and membership tailored to represent both impacted parties and potential solution owners.

Inputs to the Tri-Partite Defence Industry Council

- 6.8 Defence will formalise its inputs to the Council with two new committees, chaired by the National Armaments Director, complementing changes to be implemented through the formation of the Defence Delivery Agency.

Action 6.1: Defence will establish a Defence Industry and Investment Inter-Departmental Committee to provide enhanced representation of defence industry considerations and better integrate support to defence industry from across government.

Action 6.2: Defence will establish a Defence Industry Advisory Committee in collaboration with defence industry, supporting the Defence Delivery Agency (once established) to accelerate portfolio level decision-making and better inform the Tri-partite Council.



Table 2: Leadership and oversight forums

<p>Defence Industry and Investment Inter-Departmental Committee</p> <p>Members from across Government departments.</p>	<p>Focused internal to government, co-ordinating and aligning defence industry-related decision-making with other departments. This will enhance Defence's contribution to the design and delivery of whole-of-government initiatives, and vice versa.</p>
<p>Defence Industry Advisory Committee</p> <p>Members from Defence, industry peak bodies, strategic partners and select Tier 1 suppliers.</p>	<p>Focused external to government, actively and collaboratively monitoring and guiding the portfolio-level health of the sovereign defence industrial base and Sovereign Defence Industrial Priorities. This includes tracking the identification, engagement, development and nurturing of small-to-medium sized enterprises into resilient and sustainable Tier 2 Australian companies, and monitoring the health and development of the defence industry workforce.</p>

Cultivating awareness forums

- 6.9 Awareness activities will provide information for businesses that have not yet met the requirements to participate in classified engagements. Regular local industry engagement will provide high-level awareness of the Government priorities and requirements, enabling early identification of uplift needs, and promoting further engagement opportunities.
- 6.10 Defence will run specific communication campaigns to highlight changes in Defence-related opportunities or requirements. Regular engagement is undertaken through annual local industry engagement forums.

Table 3: Cultivate awareness forums

<p>Local industry engagement forums</p> <p>Invited business based on open registration.</p>	<p>An introduction to opportunities, tailored toward locally held industrial capabilities, including practical guidance on preparing for inclusion in defence supply chains. Information provided by representatives from Defence, Tier 1 businesses seeking new suppliers and business experts.</p>
<p>Defence Capability Program roadshows</p> <p>Invited business based on open registration.</p>	<p>Program specific briefings undertaken around the nation, providing high-level information for businesses seeking further insights into specific Defence programs. Also provides opportunity for initial connections with program specific representatives from Defence and strategic industry partners.</p>

Communicate forums

- 6.11 Communicate activities provide insight to Government priorities and timelines, with sufficient detail to understand specific challenges and requirements. They also provide an essential avenue to develop the Government's understanding of industry's capabilities and capacity. Information provided through these channels will reflect the needs, challenges and opportunities within the Government's priorities.

Table 4: Communicate forums

<p>Defence + Industry (D+I) Conference</p> <p>Invited delegates based on open registration.</p>	<p>Australia's annual strategic forum for strengthening collaboration between Defence and industry. The conference provides an opportunity for senior leaders, decision-makers, and stakeholders to engage on Defence priorities, capability needs, and emerging opportunities. Through keynote sessions, live questions and answers, and targeted networking, participants gain valuable insights that support alignment across Defence and the industry enterprise.</p>
<p>AUKUS Advanced Capabilities Industry Forum</p> <p>Industry associations and senior government officials from Australia, the United States and the United Kingdom.</p>	<p>The AUKUS Advanced Capabilities Industry Forum (the Forum) is the primary interface between AUKUS Government officials and industry representatives to inform policy and technical frameworks. Forum membership is comprised of senior Government representatives from the three AUKUS Partner Nations, and senior officers from the four Trade Associations from each Partner Nation. Defence maintains routine and consistent engagement with Australia's trade associations ensuring that they are able to be a reliable conduit to industry. AUKUS partners look to leverage the Forum trade associations and their expertise for the collective benefit of the trilateral industry base. This includes the trade associations providing clear communications to and from industry on AUKUS Pillar II priorities and opportunities.</p> <p>The Australian trade associations members of the Forum are:</p> <ul style="list-style-type: none"> ▶ Australian Industry and Defence Network; ▶ Australian Industry Group; ▶ Business Council of Australia; and ▶ Tech Council of Australia.



Collaborate forums

- 6.12 Collaboration activities enable Defence and industry to explore opportunities and solutions, beyond the constraints of current contracts. Working at the program level, Defence is able to articulate and explore challenges ahead of commencing formal procurement processes and project specific industry engagement (typically communicated through AusTender). This approach enables Defence and industry to identify the right combination of speed to delivery, resilience and innovation, while maintaining security and probity settings. These forums are generally classified.
- 6.13 Key collaborative forums have been identified below, however further activities will take place as required within specific working groups. While separate activities have been identified, many will be undertaken in conjunction with communicate activities to make best use of stakeholder time and investment in attending.

Action 6.3: Defence will establish biannual Sovereign Defence Industrial Priorities forums for all Sovereign Defence Industrial Priorities, in collaboration with defence industry.

Figure 8: Curating the establishment of sovereign industrial capability

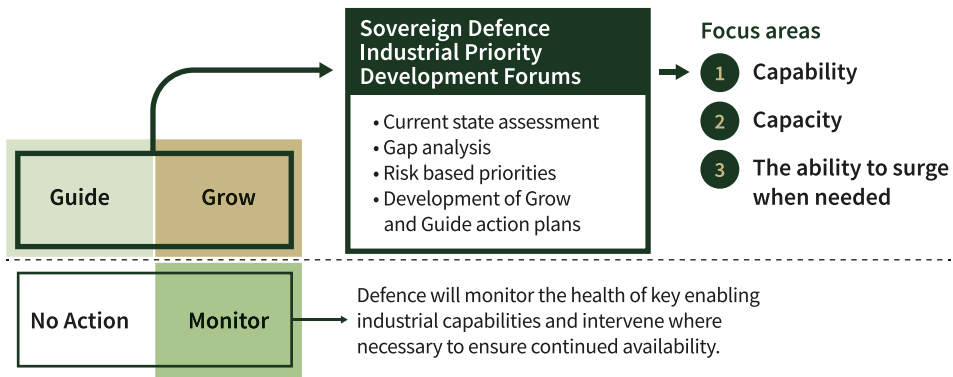


Table 5: Collaborate forums

<p>Domain environmental working groups</p> <p>Invitees are based on open registration, with appropriate security credentials and alignment to capability requirements.</p>	<p>Undertaken at least annually, an interactive forum for Defence to outline current and future capability priorities and investment plans in a collaborative setting and offer specific and detailed information to help businesses make relevant connections.</p> <p>Events feature a mix of plenary presentations and smaller, focused working group discussions, creating opportunities for partnership and knowledge exchange. To strengthen early engagement and improve alignment with strategic needs, Defence is working to include projects and new sustainment activities into working groups earlier in their capability lifecycle.</p>
<p>Sovereign Defence Industrial Priorities Development Forums</p> <p>Members from Defence, key Tier 1 suppliers and invited businesses with alignment to the Sovereign Defence Industrial Priority.</p>	<p>Undertaken biannually for each Sovereign Defence Industrial Priority, with a remit to actively plan and manage the achievement of the specific Sovereign Defence Industrial Priority industry development outcomes.</p> <p>Forums will identify challenges to growth in the Sovereign Defence Industrial Priority areas, identifying opportunities and solutions from across Defence and industry, with the ability to coordinate and collaborate across Defence programs, projects and sustainment activities, and across Tier 1 contract holders.</p> <p>Challenges and opportunities requiring decision or escalation are reported to the Defence Industry Advisory Committee.</p>
<p>State and territory governments forums</p> <p>Defence and state and territory governments and their advocates.</p>	<p>Continuing from ongoing engagement, structured forums to work with state and territory governments on areas of shared responsibility such as regular workforce planning forums, joint industry roundtables and shared defence industry initiatives to better coordinate opportunities including training, recruitment and growth, targeted to defence and adjacent industries.</p> <p>These initiatives aim to strengthen collaboration and ensure alignment with Defence priorities across Australia.</p>
<p>Industry Associations Advocacy Group</p> <p>Defence and industry associations.</p>	<p>Roundtable activities provide Defence and industry representation opportunity to exchange practical experience of current working practices. This includes highlighting specific challenges and general effectiveness of current policy settings, and opportunities to improve.</p> <p>Groups also provides opportunity to compare Defence challenges with other markets and identify alternative solutions or collaboration opportunities.</p>
<p>Defence Research Network <i>formerly the Australian Defence Science and Universities Network (Chapter 7).</i></p> <p>Representatives from Defence and Defence Research Network members.</p>	<p>The Defence Research Network connects Defence, universities, industry and the broader research community, providing Defence with the best research and development capabilities in Australia and researchers with the opportunity to apply their research to real-world problems. The DRN is the collective of the state-sponsored defence research and innovation networks.</p>



Classified forums

Australia's strategic circumstances have made it necessary to reduce the volume of defence capability information in the public domain. This has increased the importance of classified briefings for relevant industry partners to ensure clear line of sight to Defence's current and future requirements for industry.

Any event may be undertaken in a classified environment if required due to the subject matter; however, the purpose of the event remains unchanged. Classified events will often focus on a specific challenge or issue, and so will tend towards working groups or workshops with a selected audience based on technical competence.

All participants of classified events require a need to know, appropriate clearances and Defence Industry Security Program membership (Chapter 10).

Attendance at some classified forums to date has been constrained by venue capacity. The use of a greater number of targeted forums, and increased direct engagement between officials and industry, will reduce this constraint. Defence will centrally track industry participation and the frequency of classified forums across the Defence portfolio to measure and improve opportunities for industry participation.

While this may represent an additional cost to businesses seeking to participate, Defence is committed to providing industry with meaningful information about its intent, details of its planned capability and discussion on associated challenges or opportunities, which may not be discussed in an unclassified forum.





7 Innovation for Defence Advantage

- 7.1 An innovative industrial base is critical for *National Defence* and growing Australia's resilience. Due to the rapid rate of technological change, and our sovereign defence industrial base must be one that that can quickly pivot to deliver update the capabilities critical to deter a potential adversary, or deliver asymmetric capabilities in a crisis or conflict.
- 7.2 Australia's innovation ecosystem must not only generate cutting-edge ideas, but also convert them into mission-ready solutions that generate new jobs. Innovation cannot be episodic, it must be enduring and embedded through strategic partnerships that enable Defence to address immediate requirements and longer-term needs.
- 7.3 Australia possesses world-leading research capabilities; however, the rapid transition of this knowledge into deployable capabilities requires coordinated and sustained efforts across the entire defence ecosystem. Defence must act as a connector, enabler and strategic partner to build industry confidence and support co-investment in sovereign capability.

Encouraging innovation in the Defence context

- 7.4 As set out in Chapter 5, Defence supports innovation across the capability lifecycle by embedding innovation in relevant procurement strategies

Innovation to capability pathways (Innovation enterprise)

- 7.5 Defence maintains three separate pathways, including:
- ▶ **ASCA** accelerating development and transition of asymmetric capabilities through innovation through its three programs: *Missions, Innovation Incubation, and Emerging and Disruptive Technologies*. Reporting direct to the Vice Chief of the Defence Force, and working with Capability Operators and Delivery Agencies, ASCA collaborates across Defence to enhance technical assurance, de-risk mission delivery, and ensure solutions meet operational needs. This integrated approach shortens development pathways and fast tracks solutions from concept to production to operational employment.



- ▶ **Groups and Services** including through Diggerworks, the Robotic and Autonomous Systems Implementation and Coordination Office, Navy Capability Division, and Jericho Disruptive Innovation, to deliver agile and user-driven innovation.
- ▶ **The Defence Science and Technology Group** delivers world leading research and enables science-informed decision-making to shape capability decisions from concept to capability.

7.6 These pathways form the Defence Innovation Enterprise, connecting innovation efforts across Defence.

ASCA investments

Since its launch in mid-2023, ASCA has executed more than 130 contracts with a combined value exceeding \$409 million⁶ across its three flagship programs: Missions, Innovation Incubation, and Emerging and Disruptive Technologies.

ASCA's investment in industry to scale prototypes and accelerate testing, trials and certification remains central to delivering capability at the speed of relevance. Since the start of 2025, ASCA has launched five missions, comprising:

- ▶ Mission Syracuse, focussed on developing Counter Small Uncrewed Aerial System effectors for the protection of personnel, platforms and bases from drones. This mission will complement Project LAND 156 and has already seen the initial investments in SYPAQ Systems' Corvo Strike interceptor drone, and AIM Defence's Fractl high-powered laser.
- ▶ Mission Indra, focused on intelligence data processing and synthesis supporting planning and transformation in the maritime domain.
- ▶ Mission Talon Strike, focussed on certifying and delivering a medium-range Precision Loitering Munition system for the land force. This mission is in its delivery phase, with Innovaero contracted to further develop its One Way Loitering (OWL)-B flight vehicle.

⁶ As at May 2026

- ▶ Mission Black Thorn, focussed on degrading integrated air and missile defence systems of potential adversaries.
- ▶ Mission Sea Spear, focussed certifying the Navy's autonomous vessels to enable them to safely and lawfully deploy various effects in operational environments.

The 2026 Integrated Investment Program allocated \$3.8-\$4.3 billion to ASCA over the decade, an increase of up to \$500 million from the 2024 Integrated Investment Program.

Connecting early stage innovation with Defence

- 7.7 Defence is updating how it partners with researchers and developers in the sovereign defence industrial base. As set out in Chapter 6, the Australian Defence Science and Universities Network will evolve to the Defence Research Network. The Defence Research Network will focus on connections and partnerships to increase early stage engagement between Defence specialists (including end users) and research organisations and agencies across the sovereign defence industrial base. Working in partnership with state and territory governments, the Defence Research Network will enable faster, research specific information sharing and collaboration within appropriate security settings.
- 7.8 Formal partnerships with industry (which includes academia) allow Defence to co-design and shape technology development from the outset, ensuring alignment with operational needs and national priorities. Co-design provides the opportunity to experiment, fail fast and try again. Through the Defence Research Network, Defence will provide visibility of future capability requirements beyond current projects, engage early where there is an innovation opportunity, and support industry and academia through secondments, joint research programs, and collaborative design teams. These mechanisms embed shared risk, transparency, and co-investment, which are hallmarks of Defence's innovation culture and essential for sustained innovation and continuous development.
- 7.9 The Defence Research Network expands on the Australian Defence Science and Universities Network, and will work in conjunction with Defence Research Centres, whole of government programs, and innovation precincts.



Action 7.1: Defence will evolve the Australian Defence Science and Universities Network to the Defence Research Network, partnering with states, territories and industry across the sovereign defence industrial base to accelerate early stage innovation where aligned to Defence needs.

Case study: innovation partnership with DMTC

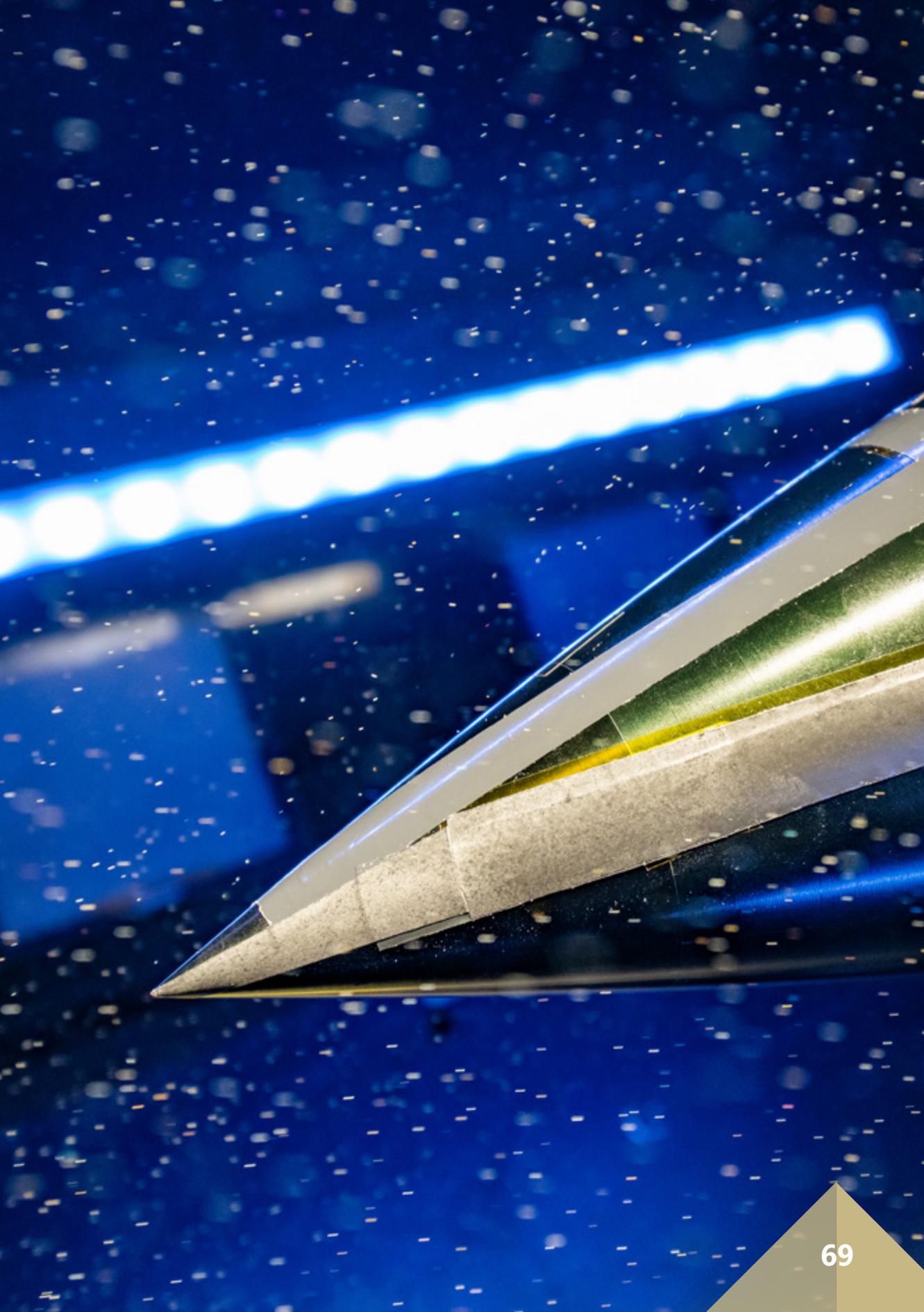
Since 2014, Defence has partnered with DMTC (formerly the Defence Materials Technology Centre) to address technical and industrial uplift challenges within the shipbuilding and sustainment enterprise. This partnership developed innovative approaches across the capability life-cycle, and supported innovation networks at the cutting edge of industrial practice.

Outcomes of the partnership include:

- Working with Bluescope Steel, the University of Wollongong and the Defence Science and Technology Group, DMTC developed an enhanced shipbuilding steel with superior performance characteristics. This enhanced shipbuilding steel, produced in country by Bluescope Steel, is being used in the construction of the Hunter Class frigates. Its sovereign production provides supply chain surety for future maritime platforms.
- A sovereign capability program, aligning industry and research sector technical capabilities, driving investment in critical research and industrial infrastructure, to maintain Australia's asymmetric advantage in undersea warfare. This initiative has culminated in the establishment of a single-crystal piezoelectric foundry at Thales Underwater Systems in Rydalmere, New South Wales, ensuring sovereign supply of these critical materials.
- Working with MacTaggart Scott Australia, Swinburne University and the Defence Science and Technology Group, DMTC developed high-velocity oxygen fuel (HVOF) coatings to meet maritime sustainment requirements.

2026 Defence Innovation, Science and Technology Strategy

7.10 The forthcoming 2026 Defence Innovation, Science and Technology Strategy will detail how Defence will build an integrated ecosystem with trusted partners to build scale, ensuring interoperability and shared technological advantage.





FORGE YOUR FUTURE

WWM & year 12

IGNITE YOUR POTENTIAL
FUEL YOUR AMBITIONS.



8



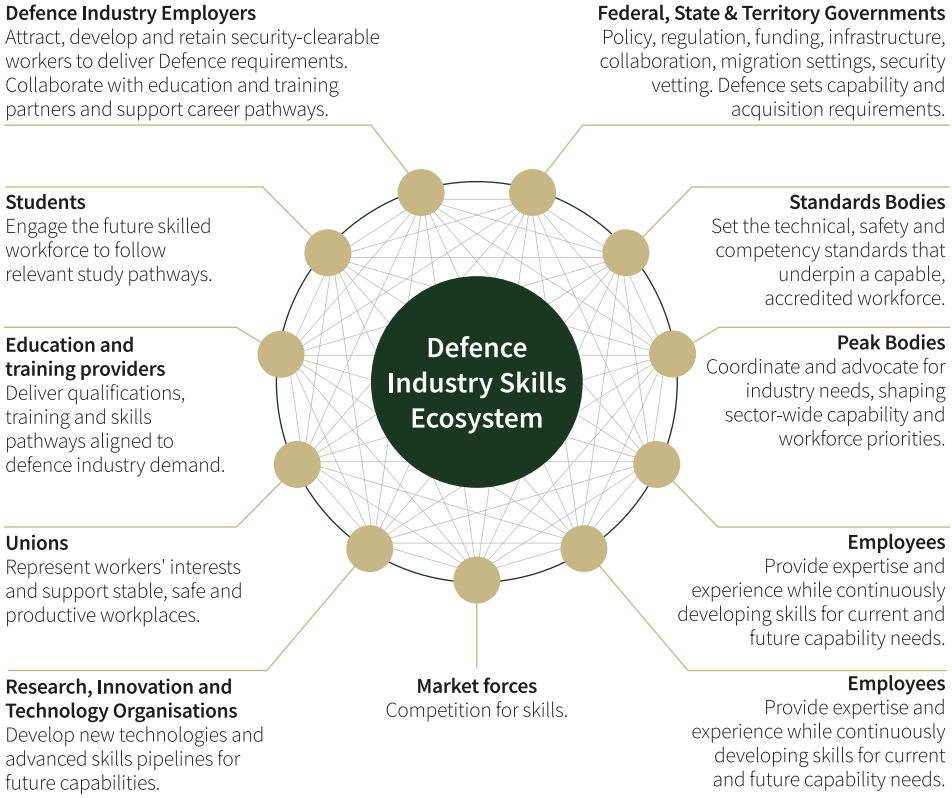
8 Workforce

Workforce at the heart of industrial capability

- 8.1 A highly skilled workforce is a critical enabler of our broader sovereign defence industrial base. Growing the skills we need to deliver the capabilities required for *National Defence* is a national endeavour being delivered through a trilateral approach between governments, industry and trade unions.
- 8.2 A combination of strategies operating collectively within the defence industry skills ecosystem will uplift the capability and capacity of Australia's defence industry workforce.
- 8.3 Efforts and resources will be targeted to the areas of critical importance for *National Defence* over the short, medium and long term.
- 8.4 Australia requires specific skills to meet the needs of today's sovereign defence industrial base, whilst also generating early Science, Technology, Engineering, and Mathematics engagement to build the strong, home grown workforce we will rely on for national defence in the future.
- 8.5 The government is investing in the skills and expertise that underpin a strong advanced manufacturing industry. However, governments and the education and Vocational Education and Training sectors alone cannot build a sustainable defence industrial workforce.
- 8.6 Critically, the Government will grow and develop core project management, commercial and legal skills with the APS as part of the establishment of the Defence Delivery Agency. This is essential to support the delivery of projects essential for *National Defence*.



Figure 9: The Defence industry skills ecosystem



Engagement and collaboration

- 8.7 Since 2024, Defence has forged new partnerships with industry through the establishment of the Tri-partite Defence Industry Council and the Defence Maritime Workforce and Skills Council.
- 8.8 The Government's Jobs and Skills Councils will play a key role in shaping workforce development for defence industry. The Jobs and Skills Councils explore workforce issues and partner with industry stakeholders, unions and governments to build solutions to meet industry workforce needs now and into the future.

- 8.9 The South Australian Defence Industry Workforce and Skills Taskforce is an example of how collaboration with stakeholders can deliver tangible change and make a measurable impact. The taskforce was established in 2022 to address the workforce and skills requirements in South Australia, primarily driven by the Nuclear-Powered Submarine Program and the Naval Shipbuilding and Sustainment Programs. The resulting South Australian Defence Industry Workforce and Skills Report and Action Plan⁷ has been implemented since 2023. This model will be further adapted and expanded nationally, beginning in Western Australia.

Case study: South Australian Defence Industry Workforce and Skills Taskforce

South Australia has a pivotal role in delivering the Nuclear-Powered Submarine Program and the Naval Shipbuilding and Sustainment Plan, the largest defence industry projects ever undertaken in Australia. This will require a suitably qualified and experienced workforce at a scale never before seen in South Australia, including engineers, program managers, technical trades, supply chain specialists, and support staff.

During September 2022, the South Australian Defence Industry Workforce and Skills Taskforce (the Taskforce) was formed. The Taskforce brought together the Commonwealth government, the South Australian government, industry, unions, academia and Vocational, Education and Training sectors.

The Taskforce captured a reliable dataset of workforce demand for South Australia. This analysis demonstrated demand versus supply for present occupations, but also projected workforce demand up to 2040.

The *South Australia Defence Industry Workforce and Skills Report and Action Plan* then identified and scoped 22 workforce initiatives, across an individual's learning and career journey, from; primary and secondary education, to Vocational, Educational Training and undergraduate studies, through to entry-level and mid-career transition. These initiatives have been implemented and are demonstrating both immediate and sustained positive impacts in building South Australia's defence industry workforce pipeline.

⁷ www.defence.gov.au/about/reviews-inquiries/south-australian-defence-industry-workforce-skills-report



Action 8.1: Defence will adopt the intent of the South Australian Defence Industry Workforce and Skills Taskforce model nationally, beginning in Western Australia, in partnership with Commonwealth, state and territories and industry partners.

The Defence Industry Workforce Plan

8.10 Government will deliver a Defence Industry Workforce Plan biennially. The Plan will outline priorities for the growth and development of the defence industry workforce, as well as the investments and initiatives the government is delivering. It will continue to be updated in line with Defence industry policy evolution.

Action 8.2: Government will deliver the enduring Defence Industry Workforce Plan biennially, to stay aligned with the Sovereign Defence Industrial Priorities and target efforts and resources to critical needs.

Engaging Students in Science, Technology, Engineering and Mathematics

8.11 Defence will continue to encourage young Australians to explore Science, Technology, Engineering and Mathematics and to support teachers through other Government programs such as the Schools Pathways Program and Engineering is Elementary. Since 2024:

- ▶ the **Schools Pathways Program** grants program, has provided 150,824 students engagements and 7,826 school engagements across South Australia and Western Australia to support Science, Technology, Engineering and Mathematics learning. This also included 145 industry partnerships to demonstrate the practical application of Science, Technology, Engineering and Mathematics skills in real life careers.
- ▶ 1,243 educators have participated in the **Engineering is Elementary** program. Engineering is Elementary provides immersive Science, Technology, Engineering and Mathematics professional development through Questacon, equips educators with the skills to teach engineering fundamentals to primary school students and connects them with Defence engineers.

- 8.12 The Government will also continue supporting initiatives that increase participation of underrepresented groups, particularly women. Programs such as the Women in Science, Technology, Engineering and Mathematics Cadetships, Advanced Apprenticeships Program and Elevate Scholarships provide flexible study options and career support, helping close gender gaps in Science, Technology, Engineering and Mathematics education and employment.

Action 8.3: Government will continue the Schools Pathways Program out to 2029-30.

Case study: From Curiosity to Capability – An Immersive Defence Industry Pathway that Lasts

Delivered as part of the Schools Pathway Program, the Forge Your Future Defence Industry Immersive Day saw around 800 high school students participating in interactive activities, including a life-like inflatable submarine and virtual reality technology, while engaging with industry leaders, offering a glimpse into the future of naval innovation.

As Principal Kevin O’Neil observed, “Having direct contact and the ability to have personalised conversations with defence industry’s personnel had a huge impact on student discussions about their career choices and subject choices.” He also noted the program’s in-school delivery was “a much more impactful experience than visiting a careers expo,” because students had genuine opportunities to engage with people already working in the industry.

Year 11 student Mani captured the outcome simply: “I was surprised by how many different jobs and career paths connect to the defence industry. It’s not just engineering or trades; there are roles in project management, IT, design, and even communications. I didn’t realise how broad it actually was.”

This is a practical example of Government-enabled, industry-led innovation that supports national priorities, inspires students, strengthens workforce pathways, and demonstrates the strategic value of defence industry investment in education and capability development.



Attracting workers to defence industry

- 8.13 As Australia grows our sovereign defence industrial base, we need to grow the workforce resident in the industrial base. The Government is investing in targeted programs to attract workers to defence industry. Some of these programs include:
- ▶ **Jobs for Subs Program:** supporting the recruitment and upskilling of around 200 graduates, apprentices and trainees at ASC Pty Ltd over two years. Participants gain experience in key areas such as fabrication, engineering, project management and supply chain operations.
 - ▶ **Defence Industry Pathways Program:** with the Western Australian program delivered in partnership with South Metropolitan TAFE and industry, and the South Australian program delivered in partnership with the PEER training organisation and TAFE SA, this program provides a Certificate III in defence industry pathways. It offers practical training in fields like manufacturing, engineering, computing, logistics, cyber-security and technical drawing.
 - ▶ **The Shipbuilding Employment Pathways initiative:** delivered in partnership with PEER and TAFE SA, this program provides full-time employment while apprentices complete their trade qualifications in critical roles for defence industry.
 - ▶ **Defence Industry Internship Program:** designed for tertiary students studying subjects relevant to defence industry, Defence Industry Internship Program offers 450-hour paid internships in small-to-medium sized enterprises. These placements provide valuable experience and increase the likelihood of students pursuing careers in the sector after graduation. In the 2024–25 round, 113 internships were completed with 54 per cent of interns offered ongoing employment in defence industry.
- 8.14 Targeting individuals who have previous interest in defence and supporting national security is another pathway to attract skilled workers. This includes ADF members who are transitioning from service, and students who have participated in ADF cadet programs but are not pursuing a direct military career. Defence will work with the ADF to promote opportunities in defence industry to ADF members transitioning from service.

Action 8.4: Government will continue the Defence Industry Internship Program out to end 2029–30.

Education and Training

- 8.15 Since 2024, the government has committed \$250 million in initial skills, education and training initiatives for the Nuclear-Powered Submarine Program. This includes \$128.5 million over four years to support 4,001 Commonwealth-supported university places (on top of existing university allocations) under the Nuclear-Powered Submarine Student Pathways Program.
- 8.16 Under the Propel Australian Submarine Scholarship program, the government is providing \$15.8 million in Science, Technology, Engineering and Mathematics scholarships to support Australia's future nuclear-powered submarine workforce. Propel will support students undertaking tertiary studies in priority Science, Technology, Engineering and Mathematics areas to help grow the future workforce needed to deliver Australia's nuclear-powered submarines.
- 8.17 The Government is also investing up to \$325 million over five years, with matched funding from states and territories, to establish nationally networked TAFE Centres of Excellence. The TAFE Centres of Excellence will strengthen capability and capacity of the Vocational, Education Training system to provide high-quality and responsive skills training for critical and emerging industries, including defence industry.
- 8.18 Two TAFE Centres of Excellence have been established for defence sovereign capability skills and training under the National Skills Agreement:
- ▶ The Western Australian Defence Industry Skills Centre of Excellence is providing innovative training in engineering and advanced manufacturing across defence industries.
 - ▶ The South Australian National Security TAFE Centre of Excellence is providing training to establish and safeguard Australia's critical industrial processes and infrastructure against both physical and digital threats.
- 8.19 The Australian Government, in partnership with state and territory governments, is delivering \$1.5 billion in joint funding for Free TAFE places across Australia from 2023 to 2026.
- 8.20 Places are offered in fields of study in high demand and of national and state priority, including sovereign capability (for example, defence and manufacturing), and are targeted to cohorts who typically face barriers to education and training.



The Skills and Training Academy

To keep pace with changing skills needed to support cutting-edge technology used by defence industry, our approach to education and training must keep evolving. To achieve this the Skills and Training Academy Campus at Osborne, South Australia, will play a central role. It will help uplift the workforce needed to build nuclear-powered submarines, while contributing to the growth of the naval shipbuilding and sustainment enterprise, including submarine construction workforce.

- 8.21 The Degree Apprenticeships Pilot Program in South Australia commenced in 2024, and is offering new pathways for apprentices into honours degree level education through an 'earn while you learn' arrangement.

A focus on apprenticeships

- 8.22 Continuously attracting and developing new talent is vital to replenish natural attrition, deal with historic workforce demographics, including through greater representation and uptake from underrepresented groups such as women, and meet future sovereign defence industrial base growth needs.
- 8.23 Defence's major industry partners - the defence primes - must play an active role in this endeavour through shaping training pathways, signalling future workforce needs, and investing in the number of apprenticeships and traineeships required to build the workforce they need.
- 8.24 Through the new Defence Industry Advisory Committee, Defence will consult with major industry primes to set clear targets for them to grow the number of new apprentices and learning workers in the defence industry, and to increase the diversity of the defence industry workforce.
- 8.25 This will include appropriate reporting mechanisms to enable defence industry to demonstrate their performance against the policy objectives. Further detail on this initiative will be included in the Defence Policy for Industry Engagement and Partnership.

- 8.26 In addition, the Sovereign Defence Industrial Priority Development Forums will monitor the health and scale of the industry talent base in each of the Sovereign Defence Industrial Priority technology areas, including the intake of apprentices, trainees, interns and graduates.
- 8.27 Skilled migration can help address the national need for workers across all industries. However, security considerations associated with citizenship status may influence the nature of work available to skilled migrants in defence industry. Building the national pool of skilled migrants may free up security clearable workers in adjacent industries to take up opportunities within defence industry.

Action 8.5: Government will work with industry to establish targets for Prime contractors to grow the number of apprentices, trainees, interns and graduates needed in the sovereign defence industrial base through the Defence Policy for Industry Engagement and Partnership.

Upskilling, retraining and retention

- 8.28 Workforce retention is a shared challenge. Many small-to-medium sized enterprises face added pressures as they operate with leaner teams and may not have access to formal Human Resources development departments and programs. Through the Defence Industry Development Grants Program Skilling Stream, Defence provides active support to small-to-medium sized enterprises to develop their workforce to support staff retention. This specifically supports technical and trade skill development, helping businesses build the skills they need.



Industry upskilling under AUKUS Pillar One

Developing an Australian nuclear-powered submarine capability will be a whole-of-nation undertaking, creating around 20,000 direct jobs over the next 30 years.

We are working to upskill the workforce, providing formal education programs to develop a pipeline of highly-skilled graduates with the skills and knowledge required for the nuclear-powered submarine workforce. Key university and vocational, education, and training programs will provide pathways for students to develop critical skills needed to enter and support the Australian Submarine Industrial Base.

To proactively address the need to attract talent, the Government continues to invest in key existing entry pathways, establishing new nuclear-powered submarine-focused employment programs to grow the entry-level workforce.

To harness international experience and best-in-class expertise, the Government is providing international opportunities for the nuclear-powered submarine workforce in collaboration with trilateral partners.

More details can be found in Australia's AUKUS Submarine Industry Strategy.

Enterprise approach to APS Professionalisation

- 8.29 Achieving a fit-for-purpose resilient Defence workforce to deliver the clear capability investment priorities in the 2026 National Defence Strategy and 2026 Integrated Investment Program is essential. As Defence's APS workforce grows to replace the use of contractors, consultants and labour hire, a systemic approach to professionalisation will ensure Defence has the right people in the right roles with the right skills – now and into the future.
- 8.30 The 2024 Defence Workforce Plan focuses on transformation initiatives to deliver organisation reform and invest in professionalisation.
- 8.31 Action is already underway to enhance APS professionalisation, through the development of the APS Professionalisation Framework and introduction of the Defence Learning Academy. The Defence Learning Academy strengthens APS skills across the enterprise including identified priorities in engineering, intelligence, cyber, information, communication and technology (ICT), contracting and procurement, AI as well as project and program management.

Development and Transformation of the Defence Workforce

The introduction of new and enhanced Defence capabilities requires higher levels of education, training and experience across the ADF and APS workforce. This will be achieved through targeted initiatives that address immediate workforce needs while also building a long-term workforce pipeline.

For the APS, immediate training requirements will focus on strengthening skillsets in priority areas of procurement and project management and embedding these skills broadly across Defence. Strengthening these skillsets will support Defence to continue to reduce its reliance on the external workforce.

Defence Industry Secondment Program

- 8.32 The 2024 Defence Industry Development Strategy directed Defence to develop a reciprocal industry secondment framework to help guide policy development, provide greater insight into industry challenges, and inform the development of professionalisation programs in key skill areas.
- 8.33 The Defence Industry Secondment Pilot Program will focus on providing Executive Level Defence secondees with an opportunity to enhance their commercial acumen in an industry setting, while building their professional mastery to strengthen Defence capability. Reciprocal options for industry to embed within Defence are in development, while ensuring appropriate identification and management of perceived and actual conflicts of interests.
- 8.34 The Program achieves the principles set out in the Defence Strategic Workforce Plan and the whole-of-government APS Mobility Framework, which advocates for building capability through diverse experiences. Over time the Program will progressively seek to target skills uplift in other critical areas, and focus on a broader range of APS levels and equivalent industry positions, while extending to include ADF members.





9

9 Exports and International Collaboration

- 9.1 Defence's commitment to supporting defence exports, articulated in 2024 Defence Industry Development Strategy, remains enduring in 2026 in line with the 2026 National Defence Strategy.
- 9.2 Similar to many other mid-sized economies, Australia cannot solely rely on domestic demand to grow and sustain its sovereign defence industrial base. Exports enable the sovereign defence industrial base to maintain continuous production through the export of major platforms, as well as the export of individual components for integration in to global supply chains critical to ensuring the commercial viability of businesses in the Australian defence industry.
- 9.3 International industrial base collaboration also fosters closer relationships with our trusted partners and allies, contributing to collective deterrence through the development of robust supply chains and access to world leading technologies and capabilities. This includes Australian participation in co-design, co-development, co-production and co-sustainment programs, which embeds Australian requirements and Australian industry in at the earliest stage.
- 9.4 Defence exports deliver economic benefits to Australia, with the value of materiel exports from participants supported by Defence's export support programs from 2019 to 2025 at \$19.6 billion⁸.

Supporting Growth with Export Outcomes

A targeted and strategic approach

- 9.5 Defence will pursue a targeted and strategic approach to further promote, support and facilitate defence exports. This replaces the 2018 Defence Export Strategy's ten year approach with more agile framework.

⁸ As per Australian Border Force (ABF) derived Exports Data for Global Supply Chain and Team Defence Australia Program Companies report. Caveats apply to the original data.



Action 9.1: Underlying initiatives of the 2018 Defence Export Strategy, will be reviewed, refreshed and realigned to ensure alignment with current policy.

- 9.6 In line with the adoption of alternative financing articulated in the 2026 National Defence Strategy, the Government will reform and relaunch the USD \$3 billion Defence Export Facility, administered on its behalf by Export Finance Australia, to align with the priorities set out in the Defence Industry Development Strategy. It will provide more flexible and timely support to defence industry, particularly small and medium-sized businesses.

Action 9.2: The Defence Export Facility will be reformed to align with the Defence Industry Development Strategy and provide more flexible and timely support for defence industry.

- 9.7 This approach will uplift, expand and strengthen the Tier 2 industrial base as a priority. Exports, particularly through Tier 2 and 3 channels are key to achieving the scale required to uplift companies.
- 9.8 Defence support for exports will be aligned to supporting the growth of *Export Ready* industry partners, delivering the 2026 Integrated Investment Program and the Government's *Future Made in Australia* agenda.

Export Ready

An export ready defence industry partner has the '*capacity to provide Defence specific or dual-use goods or services that can contribute to the Australian Department of Defence or an international defence partner*'. This includes consideration of product market readiness, not only in support of critical Defence requirements as described through the Sovereign Defence Industrial Priorities, but also the ability to scale up production to meet international demand, as well as the ability to meet Defence specific export control requirements.⁹

⁹ For more information, visit [Go Global Toolkit | Are you ready to export](#)

Data-driven Export Opportunities

- 9.9 Defence, with support from Austrade, will strengthen its approach to data and reporting for exports through the establishment of an export market analysis function. This function will identify key export opportunities and match them Australian industry, using insights from the Australian Industrial Capability and Global Supply Chain programs as well as Defence's Industry Intelligence Capability. The function will better support industry's access to export opportunities that align with Defence priorities.

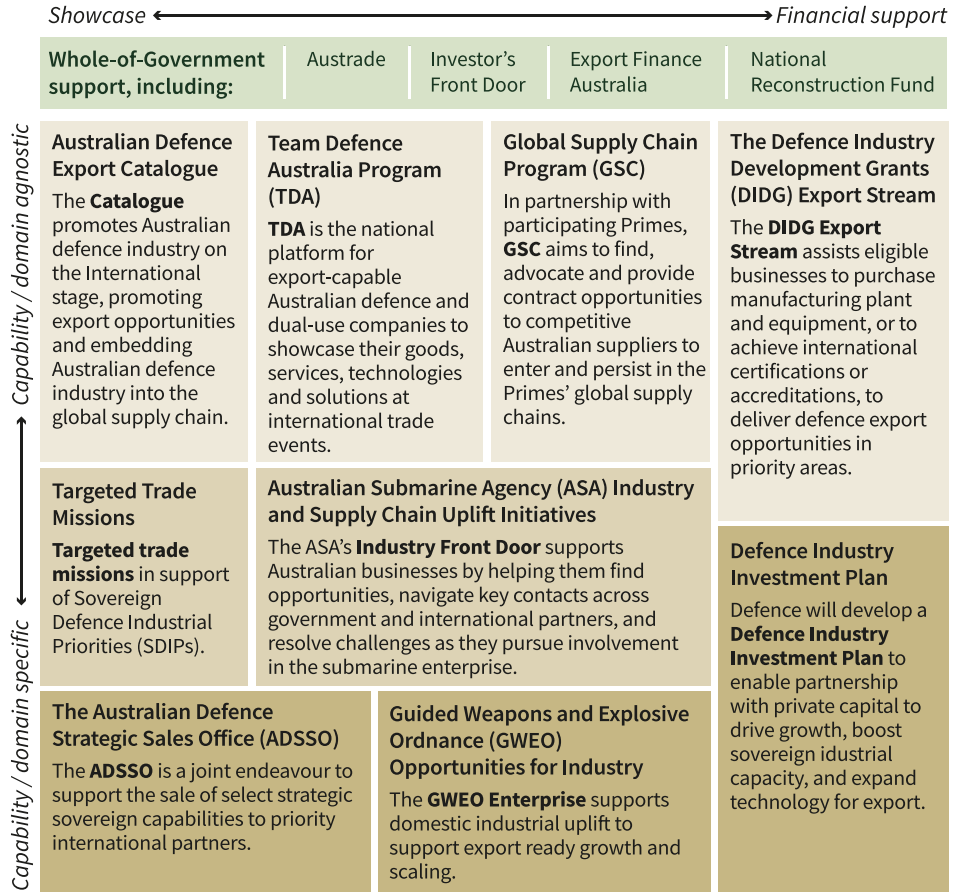
Action 9.3: Defence, in collaboration with Austrade, will establish an externally focused export market analysis function that will identify export market opportunities with international partners to further enable a targeted, data-driven approach to supporting defence exports.

Further government export support mechanisms

- 9.10 Defence has a range of support mechanisms to enable and advocate for Export Ready partners to access export opportunities, accessible through the Industry Hub (Chapter 4).



Figure 10: Support to defence exports



9.11 Defence continues to refine these mechanisms and improve their integration. A key focus will be enhancing the relationships between existing mechanisms including Austrade, Team Defence Australia, the Australian Defence Strategic Sales Office, the Guided Weapons and Explosive Ordnance Enterprise and the Australian Submarine Agency to deliver initiatives such as targeted trade missions and trade events.

Action 9.4: Defence and the Australian Submarine Agency, in collaboration with Austrade, will execute targeted trade missions and trade events in support of Sovereign Defence Industrial Priorities to facilitate industrial collaboration and exports to trusted partners.

Defence-Austrade Partnership

- 9.12 Defence works closely under a memorandum of understanding with Austrade to support sovereign defence industrial base exports. The partnership leverages Austrade's international network and commercial focus to boost the profile and secure export opportunities for the sovereign defence industrial base. Defence works closely with Austrade to provide market intelligence, identify relevant export leads and match the sovereign defence industrial base with the right partners to achieve export success. Defence and Austrade have supported over 500 Defence and dual-use companies in 17 nations.

Export Outcomes

Exports of the over 500 companies who participated in the Team Defence Australia and/or the Global Supply Chain Programs between the 2019 and 2025 financial years demonstrated a 27 per cent increase in materiel exports globally, and a 29 per cent increase in Team Defence Australia program destination countries from 2019 to 2025¹⁰.

Following the release of Defence Industry Development Strategy 2024, Defence supported 304 companies as part of 17 trade show delegations across the globe, across the 2024–25 and 2025–26.

Since its inception in 2007, the Global Supply Chain Program has delivered 3,573 contracts worth over \$2.44 billion to 342 Australian suppliers, achieving an average Program return on investment of almost 12:1 (as of 2 March 2026). Boeing was the first Global Supply Chain Prime to reach over \$1 billion in contracts to Australian suppliers in first quarter of 2026.

From January 2018 to 31 December 2025, Export Finance Australia has provided a total of \$625 million in finance to support the Australian defence sector across 50 transactions, which has supported over \$1.8 billion in exports and supply chain value add.

¹⁰ As per Australian Border Force (ABF) derived Exports Data for Global Supply Chain and TDA Program Companies report. Caveats apply to the original data.



Case study: Advanced Navigation

Advanced Navigation is a Sydney-based world leader in Positioning, Navigation and Timing solutions with precise accuracy and reliability, particularly in complex and Global Positioning System denied environments. Advanced Navigation have had wide domestic success through co-development with end users in Defence.

As Advanced Navigation began expanding into international markets, Defence and Austrade facilitated introductions and engagements with key decision-makers, leveraging Team Defence Australia's pavilions at international trade shows such as DSEI in the United Kingdom.

Advanced Navigation has been supported by 14 defence industry grants since 2020 totalling more than \$2.5 million.

Through a partnership with Rheinmetall Defence Australia for the delivery of fibre-optic gyroscopes for the Boxer combat reconnaissance vehicle, Advanced Navigation is now establishing Positioning, Navigation and Timing Centres of Excellence across the United States and Europe, beginning with the United Kingdom.

This culminated in the March 2026 investment by the National Reconstruction Fund of \$50 million in preferred equity to support manufacturing and commercialisation.

The Government has directly supported the success and growth of Advanced Navigation, which has in turn provided benefit to Defence and the Australian government by supporting increased ties with key partners in the UK supporting interoperability while bringing further manufacturing expertise back to Australia.

Guidance and control capabilities, such as Positioning, Navigation and Timing, are key elements of:

- Sovereign Defence Industrial Priority 4 (Domestic manufacture of guided weapons, explosive ordnance and munitions)
- Sovereign Defence Industrial Priority 5 (Development and integration of autonomous systems)
- Sovereign Defence Industrial Priority 6 (Integration and enhancement of battlespace awareness and management systems)

Australian Defence Strategic Sales Office

“The Government will continue to advocate for the sale of Australian-made capabilities, supported by the Australian Defence Strategic Sales Office.”

National Defence Strategy, Chapter 8

- 9.13 At the centre of Defence’s new approach to exports is the Australian Defence Strategic Sales Office. Established following the 2024 Defence Industry Development Strategy, Australian Defence Strategic Sales Office is a joint endeavour between Defence, industry and other government that coordinates tailored support for industry to promote, negotiate and drive international sales of capabilities that are strategically important to Australia.

Capability Priorities

The Australian Defence Strategic Sales Office is focusing on select capabilities identified as sales priorities, which include:

- ▶ Bushmaster Protected Mobility Vehicle-Medium and Hawkei Protected Mobility Vehicle-Light
- ▶ Boxer Armoured Vehicle
- ▶ AS9 Huntsman and Redback Infantry Fighting Vehicle
- ▶ MQ-28A Ghost Bat Uncrewed Collaborative Combat Aircraft
- ▶ Jindalee Operational Radar Network
- ▶ Ghost Shark Extra Large Autonomous Underwater Vehicle

Action 9.5: The Australian Defence Strategic Sales Office will partner with industry to develop and execute select strategic sales campaigns in support of priority capability exports.

- 9.14 Export strategies are being jointly developed with industry and Defence Attachés will be mobilised to support these export campaigns. This new model ensures a more agile framework for promoting Australian defence capabilities abroad.



Case study: Rheinmetall Boxer Armoured Vehicle Export to Germany

In April 2024, the Government secured one of Australia's largest defence export contracts, worth more than \$1 billion, to supply over 100 Australian made Boxer Heavy Weapon Carrier vehicles to Germany.

The Australian Defence Strategic Sales Office is supporting Rheinmetall Defence Australia in pursuing further opportunities in global markets, contributing to the growth of Australia's sovereign defence industrial base, skilled workforce, and broader national economy.

International cooperation

9.15 International cooperation includes two key lines of effort. The first is advocating for the removal regulatory barriers in other nations to the sharing of key information and any impediments to exports from Australia. The other is working closely with key partners on co-design, co-production and co-sustainment programs.

Breaking down barriers and sharing information

- 9.16 Defence actively promotes and supports international cooperation activities in key and priority markets to address trade barriers, enable information exchange and facilitate exports. These activities support greater access to new markets, contribute to the development of commercially viable Australian businesses, and strengthen Australia's international relationships.
- 9.17 Increased information sharing agreements, addressing barriers to information and technology exchange and industrial collaboration remains an enduring priority.

AUKUS Licence free environment

Defence delivered generational reforms in 2024, enabling the AUKUS Licence Free Environment and export control standardisation. This facilitated the lowering of barriers and easier access to market entry and information exchange between AUKUS partners. In collaboration with allies and trusted partners, Defence will continue to increase information sharing agreements and arrangements, address barriers to information and technology exchange, and increase industrial collaboration to deliver initiatives such as AUKUS.

International industrial Collaboration

- 9.18 The Australian Government and Defence are pursuing opportunities for closer industrial collaboration and integration with our partners through government to government engagements. This includes through fora such as Strategic Armament Dialogues, the Partnership for Indo-Pacific Industrial Resilience, the Regional Sustainment Framework, and bilateral maintenance, repair, overhaul and upgrade under the Australia-United States Ministerial Consultations Defense Advanced Capability Committee.
- 9.19 The Government recognises the benefits of co-development, co-production and co-sustainment programs from both a national security and industrial base perspective. Participation in these programs, such as the Precision Strike Missile Program, gives early access world leading technologies, as well as the ability to shape the development of the capability align to Australian requirements. Critically, participation in these programs also embeds Australian industry at the inception of the program, increasing our industrial resilience and opening up exports from Australian businesses as part of a global supply chain.
- 9.20 International cooperation initiatives enable defence to advocate for the development of arrangements, agreed standards and accreditations to provide Australian industry greater access to supply chain integration and export opportunities. International cooperation also supports Australia's advancement as a partner of choice for defence industrial cooperation and exports.

Action 9.6: Defence will leverage established international materiel cooperative frameworks to identify, assess and initiate priority co-production and co-sustainment opportunities with allies and partners that deliver capability, industry uplift and joint force readiness aligned to the Sovereign Defence Industrial Priorities.



Unlocking export opportunities for aircraft capabilities

At the 2025 Defense Advanced Capability Committee, Australian and United States counterparts endorsed the establishment of the Capability Co-Sustainment Synchronization Board to drive and align regional co-sustainment and aircraft maintenance, repair, overhaul and upgrade opportunities with the United States critical capabilities as identified by force posture priorities.

Under the auspices of the Capability Co-Sustainment Synchronization Board, local Australian industry is being provided access to opportunities to support common capabilities with international partner platforms through the establishment of a P-8A AN/APY-10 Radar Regional Enhanced Repair Capability in Australia. To optimise the effort, reach and engagement with key regional partners, this has also been supported as the first pilot project under the Partnership for Indo-Pacific Industrial Resilience Sustainment Work stream, which leverages existing logistical coordination through RTX and regional partners.

The development of a P-8A AN/APY-10 Radar Regional Enhanced Repair capability strengthens cooperation and enables local industry entry into a key market in an effort to decrease maintenance times, costs and to create a maintenance hub for the United States and allied forces operating in the region.





10

10 Security

Threats facing defence industry

- 10.1 Australia's threat environment has deteriorated since 2024 and a strong security partnership between Defence and defence industry is needed now more than ever.

"Australia's Defence system will face greater threats from espionage, foreign interference and potentially sabotage over the next five years."

"Multiple countries are relentlessly seeking information about our military capabilities."

"AUKUS will remain a priority target for intelligence collection, including by countries we consider friendly."

*2025 Annual Threat Assessment
Australian Security Intelligence Organisation*

- 10.2 Espionage is Defence's principal security concern. It can lead to exploitation of trade secrets, damage to reputation, impact on sovereignty and, in the case of Defence capabilities, loss of war-fighting advantage. Espionage can also result in significant loss of revenue and Intellectual Property for defence industry partners.
- 10.3 The Australian Institute of Criminology Cost of Espionage report indicates a loss to the Australian economy of \$12.5 billion in 2023–24. This includes the direct impact of espionage such as intellectual property theft, as well as mitigation and response costs. This, however, does not account for the strategic advantage lost; sovereign decision-making and war-fighting capacity hold immense value, but cannot be translated to a monetary amount.



- 10.4 All Defence and defence industry personnel in Australia must recognise that the risk of being personally targeted by a foreign intelligence service, whether online or in person, is real and persistent. Foreign powers are not only seeking access to Defence and defence industry information, industry and supply chain sabotage, including by both physical and cyber means, is also a growing threat. The effects of industry sabotage may not be readily apparent, but can cause damage over extended periods of time.
- 10.5 The threat from foreign powers is also compounded by insider threats. Defence industry personnel hold valuable knowledge and trusted relationships, which make them essential to Defence. However, this also means that any insider threat, intentional or not, can cause significant harm if their access and understanding of local operations and security practices are misused or exploited.
- 10.6 Since the 2024 Defence Industry Development Strategy, Defence industry has also experienced an increase in protest activity. While the majority of protestors are peaceful, threats from a small number of ideologically-driven issue motivated groups and individuals have seen an increase in violent, provocative, disruptive and intentionally destructive tactics against Defence and defence industry. This has included arson attacks and vandalism at Defence sites and defence industry facilities.
- 10.7 Defence is facing an increasingly complex security environment with Defence and defence industry continuing to be targeted for the foreseeable future. Industry partner investment into hardening their security posture will pay dividends.

Defence.Secured.

- 10.8 In response to an increasingly complex and hostile threat environment, Defence launched the **Defence.Secured.** program in May 2025. **Defence.Secured.** is the foundation for a unified, resilient Defence security posture, one that protects our people, our capabilities, and our future. This enterprise-wide initiative is designed to uplift security across Defence and defence industry, ensuring our protections are strong, adaptive, and capable of supporting Defence's mission.
- 10.9 Security culture must be seamless across Defence and defence industry. Whether protecting sensitive research, safeguarding war fighter capabilities, or securing supply chains, Defence and industry must act as one security community.

- 10.10 The **Defence.Secured** program supports:
- ▶ **Cultural uplift:** Embedding a proactive and resilient security culture.
 - ▶ **Security professionalisation:** Uplifting professionalisation and security culture.
 - ▶ **Networks and integration:** Strengthening security frameworks, engagement through forums, advisory groups, and outreach programs to build trusted networks and share threat intelligence.
 - ▶ **Incident management and response:** Supporting personnel across Defence to intervene in and report on security-related issues.
 - ▶ **Intelligence-led innovation:** Implementing centre-led programs through strategic initiatives, project and engagement activities.

Defence Industry Security Program

- 10.11 Businesses working with Defence, or those seeking to, have obligations to protect Defence's capabilities and reputation, and to eliminate security vulnerabilities
- 10.12 The foundation of defence industry security is the Defence Industry Security Program. The Defence Industry Security Program membership is open to any Australian, is free and provides access to security training and guidance, including cyber security experts and specialist advice.
- 10.13 Over 2,000 companies either hold Defence Industry Security Program membership or are in the process of applying to join. Application backlogs are being addressed through additional resources to improve processing timelines for Defence Industry Security Program applicants.
- 10.14 Defence will continue to support businesses to manage security risks across cyber, physical, personnel and governance, particularly where it is a barrier for smaller businesses seeking to enter Defence supply chains and maintain Defence Industry Security Program membership.

Enhancing security outreach and support for defence industry

- 10.15 Defence will deliver industry security engagement and outreach activities to deliver actionable security guidance to businesses and foster deeper collaboration between industry security networks, government security specialists and international security agencies. This includes industry security forums in partnership with the Australian Security Intelligence Organisation, the Australian Signals Directorate, the Department of Home Affairs and other law enforcement agencies.



- 10.16 The Defence Industry Security Program Chief Security Advisory Groups have been established to build a stronger collective understanding and ability to identify and manage security risks and threats. The advisory groups include representation from universities, small-to-medium enterprises, global supply chain and indigenous companies.

Industrial security and the university sector

- 10.17 Australian universities and companies operating under Innovation, Science and Technology contract frameworks are identifying and developing emerging and disruptive capabilities to create capability impact for the warfighter. Protecting this asymmetric advantage is complex and challenging. Denying our adversaries access to these sensitive research programs is essential.
- 10.18 The Defence Research, Innovation and Collaboration Security principle under the Defence Security Principles Framework reinforces the Defence Industry Security Program and provides the guidance and processes needed to assess the type, sensitivity and risks to information likely to be generated by or exchanged with innovation, science and technology delivery partners.
- 10.19 The Defence Industry Security Program also collaborates with the Department of Home Affairs University Foreign Interference Taskforce to coordinate updates for university Chief Security Officers. In recognition of the unique challenges and specific threats faced by universities, the Defence Industry Security Program University Chief Security Officer Advisory Group was established in 2025. Defence will develop a security guide specifically tailored to providing advice for the university sector in consultation with the Advisory Group.
- 10.20 The Australian Research Council Research Security Framework sets out how the Australian Research Council identifies and manages risks to security, defence and international relations across the lifecycle of its grants.

Action 10.1: Defence will develop a sector-specific University Security Guide, complementary to University Foreign Interference Taskforce guidance and consistent with the Australian Research Council Research Security Framework that specifically strengthens resilience by providing clear, actionable security requirements and practical measures tailored to the unique operating environment of Australian universities.

Cyber Uplift Program for defence industry

- 10.21 In 2023–24, the Australian Signals Directorate alerted organisations more than 930 times to potential malicious activity, underscoring the vital role of robust cyber capabilities in protecting national security. Strong coordinated partnership between government and industry remain essential to defend Australia against these threats.
- 10.22 To meet the Protective Security Policy Framework mandated Essential Eight Level 2 mitigations, Defence commenced the Cyber Uplift Program for Defence Industry Security Program companies in 2025. Delivered by a dedicated team of cyber security experts, the program undertakes cyber assessments to determine if Defence Industry Security Program companies are operating securely. These assessments identify where cyber security needs to be strengthened and companies are provided with a Maturity Action Plan. There is no fee associated a Maturity Action Plan, however companies may incur costs to uplift their security. Defence Industry Development Grants are available to contribute to this cost through the program's security stream.

Action 10.2: Defence will deliver a targeted Cyber Uplift Program for Defence Industry that benchmarks companies, aligned with changes in the whole of government cyber security framework, and supports industry partners to build a resilient, sustainable and fit-for-purpose cyber security capability.

International security agreements and partnerships

- 10.23 Australia has a range of Security of Information Agreements and Arrangements with trusted partners, and continues to explore new opportunities to allow reciprocal recognition of security clearances at a government-to-government level and enable the sharing of classified information. Several current Security of Information Agreements and Arrangements include defence industry provisions, with many also in development. These instruments strengthen the integration of industrial bases and increase opportunities for collaboration with industry to deliver better support to our respective defence forces, while maintaining required protections.
- 10.24 Defence is also a member of the Multinational Industrial Security Working Group, a 30-plus members-state organisation, established to facilitate joint military programs amongst NATO members and friends of NATO members to adhere to agreed international standards.



Action 10.3: Defence will strengthen and modernise industry security provisions within new and existing Security of Information Agreements and Arrangements to enable deeper, more secure industry collaboration and ensure partners can confidently protect and share sensitive information.

AUKUS security capabilities and cyber standards harmonisation

- 10.25 The Government has continued to evolve the Defence Industry Security Program in response to the requirement for strengthened AUKUS security capabilities. AUKUS is driving our potential adversaries to increase the sophistication of their attempts to disrupt and compromise its enhancements to Australia's war fighting edge.
- 10.26 Protecting Defence capability also protects industry intellectual property. A compromise of capability not only degrades Defence capability, but also takes economic opportunities from industry. Defence will partner with the Australian Submarine Agency, AUKUS Advanced Capabilities teams, industry and our United Kingdom and United States counterparts to develop security frameworks that strengthen AUKUS-related industry security and ensure a consistent, high assurance security baseline across all partners.
- 10.27 The AUKUS Submarine Industry Strategy includes specific initiatives on mutual recognition of security frameworks, including cyber security standards.

Defence Industry Security Program and New Zealand

- 10.28 The Australian and New Zealand governments are working closely together to ensure that companies from each country's industrial base are able to contribute to our defence supply chains. The Security of Information Agreement between Australia and New Zealand contains industrial security provisions that allow appropriately accredited companies in one jurisdiction to undertake classified contracts in the other jurisdiction.
- 10.29 The New Zealand Defence Force is piloting a program that will allow companies without a direct contract with the New Zealand government to still achieve New Zealand Defence Industry Security Program membership. This will allow companies to enter the supply chain of Australian defence projects through the Facility Security Clearance process.

Action 10.4: Defence will partner with New Zealand to improve reciprocal access to each nation's defence supply chains by piloting contract free access to the New Zealand Defence Industry Security Program and enabling mutual awareness of each countries' Facility Security Clearance Processes, strengthening integration and accelerating secure industry cooperation.

Optimising the vetting process for security clearances

- 10.30 The Australian Government Security Vetting Agency continues to evolve and enhance its approach to security vetting by upskilling its workforce and implementing improvements to its digital vetting capability. This enables Australian Government Security Vetting Agency to deliver timely, contemporary, agile and secure practices to meet the ever-changing demand for assured security clearances.
- 10.31 The Australian Government Security Vetting Agency already recognises and transfers personnel security clearances from Five Eyes partner countries (Canada, New Zealand, United Kingdom and United States). Defence and the Department of Home Affairs continue to explore expanding clearance transfers with Five Eyes partner countries in support of industry-to-industry requirements.

Action 10.5: Defence will work with Five Eyes partner countries to expand and streamline clearance transfer processes, reducing duplication and enabling faster, more secure workforce mobility across shared defence programs.









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