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Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Suite R1-120
Parliament House
CANBERRA ACT 2600

Dear Secretary

Thank you for the opportunity to make a submission to the current inquiry into Defence Industry Exports. I apologise for the delay in doing so.

I am aware that a number of Australian Industry Group (Ai Group) Defence Council member companies have also made submissions to the inquiry. Consequently, this submission highlights a number of key matters from the wider membership, with particular attention to those of interest to Ai Group's SME membership.

From an Ai Group Defence Council perspective, Australian defence industry exports are a vital component of the current and future health of Australia's defence industry.

Australia's defence industry has progressively matured over the past 20 years, with an increasing focus on exports. The Team Australia initiative on the Joint Strike Fighter (JSF) program has provided the template for building export performance. This is particularly so for Ai Group member companies, such as Marand Precision and Ferra. Other member companies, such as Austal, have been remarkably successful in winning valuable work off-shore in the maritime domain. Aerosonde and Thomas Global, among others, have proven their ability to compete successfully in international markets.

The Defence Export Unit (DEU) and Global Supply Chain Program have been important to assist Australian companies to win export sales. The Defence Attache network, particularly in the USA, has been an invaluable source of support, as has Austrade.

The staff of the DEU have played a constructive facilitating role in assisting defence industry companies at various trade exhibitions and events, and with direct introductions to key policy decision makers and their many company contacts. It certainly helps having senior Australian Defence Force personnel playing such an active role in the DEU. Their extensive network of international military contacts proves highly valuable for SME managers seeking introductions overseas.

The Global Supply Chain (GSC) program continues to develop. Australian defence industry companies have materially benefitted from this program. Many of these companies have established, successful and profitable relationships with Australian-based prime defence contractors (e.g. Boeing Australia, Lockheed Martin Australia, Raytheon Australia and Thales Australia). These Australian supply chain relationships provide a baseline for connecting with the international supply chains of the Australian primes' off-shore parentage.

A number of SMEs have pointed out to the Ai Group Defence Council that there is scope to improve the GSC program. For example, we're advised that current funding under the program is not available to offset the cost of expensive travel by SME representatives. Others believe that the relationship between some Australian primes and their overseas primes is not sufficiently close to be able to support fully Australian SMEs seeking access to international supply chains. Perhaps this is partly due to the evolving maturity of those linkages.

Whilst the overall dollar value of the GSC program continues to grow, it appears that this is primarily due to export success on a small number of 'big ticket' projects. Consequently, the question which arises is: are there only a handful of companies which are actually seeing export results from the GSC program? It would be helpful if there were a regular release of the detailed breakdown of which Australian defence industry companies are winning exports under the GSC program and what is the value of their exports.

During the G-Day USA defence industry forum held in San Diego, in July 2014 a number of Australian companies showcased their achievements in developing strong export opportunities in the USA. These included Aerosonde, Birdon, Marand and Saab Australia. Each emphasised the complex, dedicated journeys they followed to achieve export success. One important factor was having a full-time presence in the USA. Regular reporting of their and others achievements will help provide other Australian companies with the key markers for success. Over time, this should enable many other Australian companies to win exports.

In summary, Australian defence industry companies are increasingly securing exports. There are a number of entities, such as the DEU, which actively support opportunities for our defence companies, for their advantage. The GSC program is evolving quite well, however there is scope to continue to build on its value, including through stronger materiel support for SMEs. And, continuing to build the involvement of Australian primes in reaching across to their overseas parentage to actively engage Australian-based supply chain members in international markets is to be encouraged.

Should Committee members wish to discuss any of these views, I would welcome the opportunity to do so.

Yours sincerely

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Australian Industry Group Defence Council