

BAE Systems Australia submission questions – Inquiry into Defence Annual Report 2023-24

1. A common theme in submissions to the inquiry is that insufficient contracts are flowing through to SMEs. To what extent does BAE Systems Australia engage Australian SMEs in the delivery of Defence contracts?

BAE Systems Australia (BAESA) is proud to work with 1400 Australian suppliers, with \$837 million being spent with our supply chain in 2024. This includes \$211 million spent with 776 SMEs. \$1.9 billion has been spent Australian suppliers over the past 3 years.

BAESA has identified more than 10,000 Australian jobs are supported through our supply chain. Of BAESA's 39 trusted partners in our Partnering4Success Program (see *fig 2.*) across multiple platforms and domains, 34 are SMEs.

We have introduced new companies to the Defence sector through our Navigating Defence Series training program, delivered to more than 292 people from 229 companies in 2025. This is also supported by our Industry handbook which provides a comprehensive guide to SMEs for contracting in the Defence sector.

This has been achieved by engaging directly with our corporate partners such as the Australian Industry Defence Network (AIDN), the Australian Industry Group (AIG), the Australian Defence Alliance- Victoria (ADA-Vic), the Defence Teaming Centre (DTC) and the Advanced Fibre Cluster Geelong (AFCG).

In 2025, BAE has engaged over 200 Australian businesses at multiple trade shows across the country.

In terms of training, BAESA has trained over 425 people from 330 defence businesses in 2025 across our suite of training courses. 12 industry training sessions have been held across Australia this year alone including the launch of two new workshops on Winning Defence Business and Organisational Resilience.

In the Hunter Class Frigate program, BAE is contracted to develop Australian Industrial Content and spend in Australia. The program currently has let contracts with over 70 Australian suppliers, with the value of contracts already exceeding \$1.5Bn. The program is exceeding its contracted target, with Australian Contract Expenditure tracking at 64%.

Over 30 Australian Industry Activities (AIAs) have been established on the Hunter Class program ranging from a wide cross section of Platform and Combat Systems equipment from HVAC, Lighting to work on the Mk 45 Calibre Gun and Shaftline. These localisation activities include significant technology transfer activities between OEMs to develop local industry.

As a business we've expanded the way we work with the Indigenous business ecosystem. First Nations suppliers have been able to dial in for bespoke online

information sessions, undertake 1:1 mentoring with BAE Systems leaders, and meet with us at supplier events like Indo Pacific (Sydney), Northern Australia Defence Conference (Darwin), The Circle Showcase (Adelaide), Defence Supplier Yarn (Perth), Williamstown Partnerships session (Newcastle), and Supply Nation's flagship Connect 2025 event. We have grown the number of First Nations suppliers on our approved supplier list to 46 in 2025.

Our record spend with First Nations is expected to deliver more than \$65 million in social and economic value to communities in 2025.

a. What type of services are these contracts?

- Contracts are wide and varied – raw materials, products and services.

b. What are the barriers to Primes engaging further with SMEs?

There is a risk of a disconnect broadening between the intent of the Australian Industry Capability (AIC) Program and program demands. Capability managers are focussed on achieving schedule, capability and budget objectives. AIC is only considered when it competes on merit, budget is made available, or it is contracted.

BAESA retains a deep commitment to AIC and regularly puts forward opportunities to our customer, however not all are accepted and may be discounted due to an inability to accept risk or an impact to cost and schedule.

Commonwealth contractual flow downs are onerous and delay flow through to SME, or inadvertently lock them out of opportunities due to the complexity of responding to tenders. We have recommended previously that this is an area of potential reform, with less contractual flow downs being forced onto SMEs.

Minimum viable capability and speed to capability focus is encouraging the procurement of lower risk overseas capability. This reduces the incentive to invest locally to de-risk or uplift local companies due to budget or timelines.

On Cyber security immaturity, risk is growing exponentially and lack of SME resilience, knowledge and preparedness to invest is limiting their ability to expand into other programs, and raise themselves up the value chain. SMEs require greater support from the Commonwealth to underpin the cyber maturity of SMEs rather than the current doctrine of relying on Primes to mitigate this risk.

2. Can you provide examples of where BAE Systems Australia can provide global supply chain opportunities to Australian SMEs?

BAESA provides an opportunity for Australian SME's to participate in global supply chain opportunities in all areas of our work.

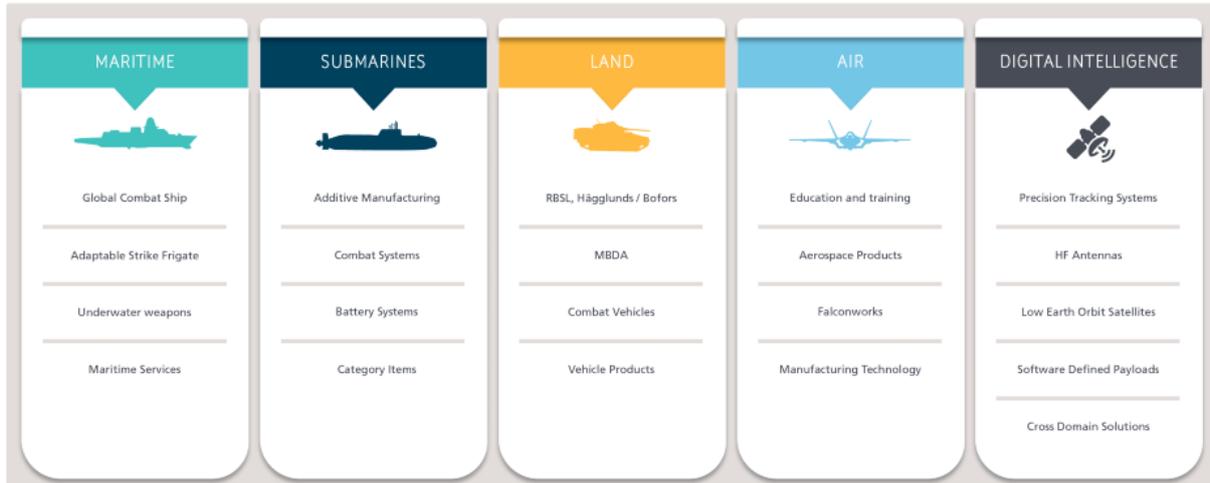


fig 1: strategic pillars and opportunity areas in BAE Systems Plc (Group)

BAESA also have demonstrated a track record of working with Australian SME's to maximise the opportunities available to them, including:

- Engaging over 200 Australian businesses at multiple trade shows across the country.
- Training over 425 people from 330 defence businesses in 2025.
- Holding over 12 industry training sessions across Australia this year alone.

3. Is BAE Systems Australia part of the Global Supply Chain Program?

a. What benefits does this bring to BAE and to Australian industry?

BAE Systems Australia has generated export opportunities for Australian SMEs through our Global Access Program (GAP), which has operated under the umbrella of CASG's Global Supply Chain (GSC) Program since 2012.

Under this program our GAP team has assisted Australian local companies by facilitating trade development missions, representation at international trade shows (DSEI in London & Japan, Eurosatory & Euronaval in Paris, AUSA & Sea Air Space in Washington DC to name a few), and focused introductions to programs across BAE Systems' global business.

These initiatives have generated more than \$220M in export sales for Australian SMEs, through a total of 615 contracts signed, to date since 2012.

In 2025 alone, BAE Systems and our partners supported over 50 contracts, worth in excess of \$75 million combined in exports, providing significant growth for the Australian SME community. In addition, this program provides funding which we utilise

(18/02/2025). How effective is JOSCAR to easing compliance issues and does it make it easier for SMEs to do business with Prime System Integrators and Defence?

JOSCAR has been supporting the UK defence sector for around 10 years and in 2023 Hellio's which owns and manages the JOSCAR platform decided to see if there was interest in the Australian defence industrial base.

There was a lot of interest from the Primes and defence and when launched back in March 2024 there were 7 buyers (Primes & Defence) as founding members.

Since then, the buyer members community have grown to 15 primes including Defence and around 1950 suppliers are members.

The feedback has been positive from majority of the suppliers as they now only need to complete Supplier Due Diligence registrations once they are a supplier to multiple primes.

Being a supplier on JOSCAR also give the buyers (Primes & Defence), assurance that they meet the agreed due diligence to be an approved supplier for their business.

Hellio's do all the verification of the questionnaires that the supplier completes and also verifies and tracks certification and accreditations a supplier may hold.

It has been a real positive success story where industry and defence are collaborating to make it easier for companies to do business with Primes & Defence.

6. What are BAE's workforce challenges and opportunities in terms of Australian naval construction?

The challenge is securing enough suitably qualified and experienced persons to join our Australian maritime operations in a sustained Nationally low and highly competitive unemployment environment.

In particular mobilising in a short timetable, hundreds of Tradespersons (boilermakers, welders, mechanics & electricians) for our SA Osborne Shipyard Operations.

However, this is where the opportunity is, providing advanced manufacturing careers to support Continuous Naval Sovereign Shipbuilding, encompassing local First of Class design and Production. Thereby providing excellent, challenging and purposeful employment opportunity for multiple generations across the Nation and our broader Supply Chain.

In 2025 alone, BAE System Australia have had over 300 additional Tradespersons join the Osborne Shipyard, with another 100 plus Professional and Early Careers personnel joining our Australian Maritime Enterprise across the Nation.

We are continuing to build and develop the required Shipbuilding workforce, but we are confident in our what a career in Defence Manufacturing / BAESMA can offer and the positive impact our people will have upon National security and Navy personnel.

7. To what extent is BAE Systems Australia innovating with respect to training and advanced manufacturing to ensure a globally competitive shipbuilding industry?

We recognise the unique opportunity that is before us and that it requires a steadfast focus on developing a highly skilled and experienced National workforce to enable Continuous Naval Shipbuilding in Australia.

We are working closely with our partners and stakeholders, including the Australian Naval Infrastructure group to provide first of class shipbuilding infrastructure and facilities experience for our team to develop their Continuous Naval Shipbuilding capability, in particular at our SA Osborne Naval Shipyard which is recognised globally as a standout.

We are investing heavily in our Early Careers offerings, from School experience through to Professional and Trades, providing multiple pathways for the community to join advanced manufacturing. Partnering with world class training institutions including Universities and Technical Colleges, such as the SA Government soon to be opened 'The Heights Technical college', where we are an inaugural employer partner of choice.

We are focussing heavily in professional and career development within BAESMA, across all levels of our Maritime organisation. In 2025 we launched a Leadership Fundamental Programme along with multiple technical offerings to further enhance internal capability and have a robust Workforce Management Plan to ensure that we grow our capability.

We are innovating, we have dedicated teams and R&D operations, including our Line Zero site within the SA Tonsley Innovation District, that encompasses advanced shipbuilding research, design and enabling innovative technologies & practices, to ensure our people and operations stay at the cutting edge and that we embrace technological advancement including Artificial Intelligence to remain globally competitive.

It is a very exciting time for Continuous Naval Shipbuilding in Australia, it truly is a National endeavour and BAESMA is play its part in meeting the workforce challenge, and the Hunter Class Frigate program is at the heart of this sovereign shipbuilding enterprise development.

8. The idea of an AUKUS visa has been put to the subcommittee (21/11/2025), what is BAE's perspective on the matter?

BAE Systems Australia would be supportive of any initiatives to support the seamless delivery of the AUKUS program and mobility of a skilled workforce across AUKUS And Five Eyes partners. BAE has been specifically calling for the streamlining of security

clearances and potential for mutual recognised security clearances between AUKUS nations.

The current security clearance environment is not agile enough to cope with the likely bow wave of security clearance requests from foreign AUKUS nationals.

This could form part of any AUKUS visa consideration.