Joint Standing Committee on Foreign Affairs, Defence and Trade - Inquiry into the Department of Defence Annual Report 2023-24

Responses to Questions Taken on Notice

The Australian Industry Group Defence Council provides the following responses to questions taken on notice during the public hearing held on Tuesday, 28 October 2025.

1. **Assistance Tools and Programs for Regulatory Implementation**

Question: *Could you take on notice whether there are any assistance tools or programs to help new entrants, small and medium enterprises in particular—but even primes—to more promptly acquire the skills, documentation or necessaries to implement that regulation, with a focus on programs that are coherent, cohesive and productivity oriented rather than just compliance oriented.*

Several programs support defence industry participants in building capability to meet regulatory requirements. Many of these are set out in the Defence Industry Development Strategy. Key programs include:

- **Office of Defence Industry Support (ODIS)** provides tailored advisory services, including Facilitator Services and Business Adviser Services.
- **Defence Industry Development Grants Program (DIDGP)** allocated $150 million from 2024-25 to 2027-28 to support small to medium enterprises (SMEs). The Security stream provides grants up to $100,000 (50% of costs) for DISP accreditation requirements, covering security gap analysis, physical security improvements, clearance fees, and cyber security upgrades.
- **Defence Industry Security Program (DISP)** provides security services, training, and compliance support. The DISP Membership Portal enables digital self-management. Training includes compulsory modules and cyber security requirements including Essential Eight Maturity Level 2.

2. Example Comparison of US and Australian Critical Procurement Processes

Question: *Could you take on notice an example of a similar stand-up of a critical procurement process in the United States versus Australia, with an eye to concerns about national security, to help us understand what the difference is in how early industry engagement is structured and implemented.*

The United States Department of Defense provides a range of public information and visibility into future Defense requirements, which industry uses to guide investment. For example:

Budget publications

The US services publish budget information, for example the Justification Books contain P-1 budget sheets that provide detail on individual programs. Accessible at: https://www.secnav.navy.mil/fmc/fmb/Documents/25pres/SCN_Book.pdf

The Department of War Comptroller also publishes summary reports on major platform budgets, which are publicly accessible at: https://comptroller.defense.gov/Budget-Materials/Budget2025/#summary

Structured early industry engagement

The US Department of Defense engages industry early in the acquisition cycle to maximise innovation and support national security priorities. This early engagement occurs through standardised tools such as Sources Sought Notices, Requests for Information (RFIs) and Industry Days aimed at gathering market intelligence and informing capability development before formal Requests for Proposal (RFPs) are issued.

3. Defence Knowledge of Industry Capabilities Outside Specific Acquisitions

Question: *Could you take on notice what knowledge the Defence Department already has of industry capacity that's not completely and totally locked down to a particular product acquisition, and how sound is the Defence Department's knowledge of general capabilities where they might press to get a little bit more information in a more timely way, based on the early engagement challenges you've just described.*

Defence's knowledge of industry capabilities continues to develop through a range of mechanisms, including:

- The Capability Acquisition and Sustainment Group's Industry Engagement Division.
- The Office of Defence Industry Support (ODIS) - connecting Defence with industry, particularly SMEs.
- The Defence Industry Security Program (DISP).
- Relationships with industry associations, State Government advocates and the Industry Capability Network offer visibility of industry capacity and capability.

Opportunities for improvement

- Action 2.1 in the Defence Industry Development Strategy will assist Defence's understanding of the base: 'Defence will develop its industry intelligence capability to gain greater insights into Australia's industrial capability and capacity.'

4. **Defence Industry Relocation and Co-location with Northern Strategic Orientation**

Question: *Could you take on notice, in light of the strategic move to orient defence capabilities to the north away from population bases, how much of defence industry is relocating or co-locating with that move to the north so that integration can be more fruitful and timely, particularly with regard to the sustainment necessary and the capability to operate in those environments.*

There are a range of examples of Defence industry co-location to northern strategic orientation, occurring primarily in sustainment and maintenance.

Current Investment and Activity

The Commonwealth has allocated $14-18 billion for northern defence base development in Darwin and Townsville, with an estimated $7.3 billion in planned defence infrastructure investment in the Northern Territory over the decade. Recent projects include a $46.1 million Marksmanship Training Range in the NT, completed in 2025.

Recent key industry developments include:

- NORSTA North holds a five-year $150 million contract for the Regional Maintenance Centre North in Darwin, creating 37 direct defence industry jobs and supporting approximately 56 people across maritime industrial capacity.
- Townsville's role as a major garrison city has strengthened with military personnel relocation, including the arrival of Apache helicopters in 2025 and the planned move of the 1st Aviation Regiment by 2028, driving industry partnerships and investments.

5. **Presentation of Workforce Cost Variance in Defence Budgets**

Question: *Provide detailed budgetary information and analysis to the committee, including presenting numbers related to Defence spending.*

The Defence budget is expected to reach nearly $59 billion in 2025–26—a nominal increase of 4.2% over 2024–25 and approximately 1% in real terms. This funding level reflects commitments announced under the 2024 National Defence Strategy, including $50.3 billion in additional funding over the decade starting in 2024–25.

However, significant internal cost pressures have required substantial reallocations from acquisition and some services sustainment to workforce and infrastructure costs over the last three years.

Defence budget analysis

The following analysis examines changes in budgeted defence spending for the four-year period 2022-23 to 2025-26. It compares projected spending by category in the October 2022 budget (corresponding to the forward estimates period in that budget) against spending for the same period in the March 2025 budget.

Table 1. Defence spending by category for the period 2022-23 to 2025-26

Category	October 2022 Budget (AUD billion)	March 2025 Budget (AUD billion)	Change (AUD billion)	Change (%)
Acquisition	73.9	68.8	-5.1	-6.9
Sustainment	64	67.4	+3.4	+5.3
- Navy	14.1	14.5	+0.4	+3.0
- Army	11.3	10.3	-1.0	- 8.8
- Air Force	16.1	15.2	-0.8	-5.3
- Digital	6.8	7.7	+0.9	+13.5
- Security & Estate	12.6	15.0	+2.4	+18.8
- Others	3.1	4.7	+1.6	+49.0
Workforce	59.7	63.3	+3.6	+6.1
Operational	9.3	10.5	+1.2	+12.4
Total	**207.1**	**211.3**	**+4.2**	**+2.0**
The Sustainment "Others" category covers the following and cannot be disaggregated: Joint capabilities; Strategy, policy and industry; Defence intelligence; SSN; GWEO.				

Over the 2022-23 to 2025-26 period, the following spending categories exceeded initially budgeted projections:

- **Workforce costs**: $3.5 billion (6.1%) above initial projection
- **Digital capability uplift**: $900 million (13.5%) above initial projection
- **Security and estate costs**: $2.3 billion (18.8%) above initial projection

Offsetting reductions:

- **Acquisition spending**: $5.1 billion (6.9%) below initial projection
- **Army services sustainment**: $993 million (8.8%) below initial projection
- **Air Force services sustainment**: $846 million (5.3%) below initial projection

Net effect: $4.2 billion (2.0%) increase in total defence spending over initially budgeted projections.

Implications for Industry and Capability Delivery

These budget reallocations have reduced acquisition and sustainment funding, directly affecting industry contracts and capability delivery timelines. This explains industry concerns despite overall Defence budget growth—increases have been absorbed by workforce and infrastructure costs rather than capability programs.

While workforce costs underpin capability delivery, they have strained acquisition budgets and created some industry uncertainty around contract timelines and investment decisions. The 2025-26 budget maintains focus on workforce cost sustainability, but ensuring value for money requires adequate funding plus improvements to procurement efficiency, transparent budget prioritisation, and ongoing industry engagement to align capability delivery with strategic needs.

Note: Figures are based on the Australian Industry Group's analysis of publicly available Defence Portfolio Budget Statements.

6. **DIDS Implementation & Bold Industry Policy Approach**

Question: *Can you take on notice what a bold DIDS approach looks like—fill that out a little bit? And your analysis of the DIDS program—the things that you could give a big tick to, things that you think are not yet happening and any solutions you have or timelines that we should be aware of that you think are necessary for the DIDS program to actually be properly implemented?*

Defence Industry in National Defence

The 2023 Australian Industry Group and Australian National University report *Rethinking the future of Australian defence industry policy*, recommended the following to embed Defence industry in National Defence, and would strengthen Australia's approach to industry development:

1. **Defence industry as a capability**: Treat Australian defence industry as a strategic capability that supports the ADF and can rapidly scale during conflict to meet operational demands.
2. **Embed within national industry**: Integrate defence industry with Australia's civilian economy to leverage shared resources—capital, technology, infrastructure, and skills—for greater scale and efficiency.
3. **Prioritise and scale strategically**: Identify priority capabilities aligned with Australia's industrial strengths, then achieve scale through program coordination, export markets, and international partnerships.
4. **Use all policy levers**: Deploy formal and informal coordination mechanisms between government and business, including strategic partnering arrangements where needed to achieve required outcomes.
5. **Establish a Defence Industry Capability Manager**: Create a whole-of-government role responsible for defining required capabilities, developing industry preparedness, and coordinating Defence, government, and industry.

DIDS Implementation

The DIDS sets out a range of actions that will assist developing the capability and capacity of industry to support the Australian Defence Force. We recommend that implementation of those actions be published on a regular basis, with particular emphasis on industry engagement on the development of the Sovereign Defence Industry Priorities.

7. **International Defence Industry Cooperation**

Question: *How clear-eyed is Australia's international defence cooperation? How do you see that operating? What does the Ai Group have on further collaboration with like-minded nations near and far in terms of your work program?*

Australia's international defence cooperation demonstrates strong government-to-government and military-to-military coordination. Recent regional engagements with Papua New Guinea and the Philippines, exemplify effective high-level strategic alignment.

However, industry-to-industry connections remain comparatively underdeveloped—a gap that is particularly significant for AUKUS Pillar 2, which requires deeper integration across defence industrial bases.

Australian Industry Group's International Collaboration

The AUKUS framework has enabled the Australian Industry Group to forge strategic partnerships with counterpart organisations: the Aerospace Industries Association (AIA) in the US and ADS Group in the UK. These partnerships establish direct industry-to-industry channels that complement government cooperation, facilitating information sharing, collaboration, and practical problem-solving.

Strengthening Industrial Cooperation

To fully realise the potential of AUKUS Pillar 2 and broader defence cooperation, industry-to-industry mechanisms must be strengthened alongside government channels. This requires reducing barriers such as classification restrictions and leveraging industry associations to enable practical collaboration. Building on existing progress—including allied AI co-development efforts—will be essential to overcoming persistent challenges and deepening industrial integration.