

INQUIRY QUESTION

(Question No. 1)

Senator Deborah O'Neill asked the Department of Defence the following question, upon notice, on 7 October 2025:

There is anecdotal evidence that the ADF is missing an opportunity to support Australian innovation in its defence procurement. What quantitative evidence can Defence provide about how much defence procurement goes to young Australian firms, Australian small and medium enterprises (SMEs), and how does the scale of ADF investment in innovative companies compare with other defence forces such as the USA.

Defence provides the following answer:

Small and Medium Enterprises (SMEs) provide significant support to Defence as a key part of the industrial base.

Data on SME participation is compiled by the Australian Bureau of Statistics using AusTender data and business information provided by the Australian Taxation Office, which is then made publicly available by the Department of Finance. The Defence SME participation figures for 2024–25 have not yet been published by the Department of Finance. During 2023–24, Defence awarded approximately \$8.1 billion of its overall contract value to SMEs.

Defence has a range of policies and frameworks to support SMEs in the defence industry, such as the Defence Industry Development Grants Program. Defence awarded 98 grants with a combined value of \$33.8 million in 2024–25 through the Defence Industry Development Grants Program. The 2024–25 award value is equal to the combined total of the amount awarded in the two previous years. This represents a significant improvement in Defence's ability to rapidly process applications and support SMEs in the defence industry.

Defence also supports innovative Australian SMEs through the Advanced Strategic Capabilities Accelerator which seeks to accelerate the development and transition of asymmetric capabilities to the Australian Defence Force through innovation, in order to meet Defence's priority needs.

Since its establishment on 1 July 2023, the Advanced Strategic Capabilities Accelerator has executed 103 contracts valued at \$264.6 million, including:

- Missions Program - 18 contracts (\$119.6 million);
- Innovation Incubation Program - 22 contracts (\$16.4 million);
- Emerging and Disruptive Technologies Program - 47 contracts (\$94.9 million); and
- Legacy Program - 16 contracts (\$33.7 million).

Defence does not hold comparison data with other governments.