

Redefining the Defence and Industry relationship

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THE past 12 months have seen a paradigm shift in how Government intends to define its relationship with Defence Industry.

The First Principles Review and Defence Industry Policy Statement both recognise industry's fundamentally important contribution to defence capability. This fundamental inputs to capability (FIC) construct is well established in Defence and has long identified eight areas of interest spanning the people, training, organisational and doctrinal elements that combine to create a effective military outcomes. The three service chiefs who are designated as the capability managers not surprisingly, invest significant time and resources to ensure the availability and effective integration of these inputs.

The Government's in-principle intent for Defence industry to be recognised as a ninth FIC is now firmly established in these two key documents. To date, there has been significant enthusiasm for the concept but few people (industry or defence) have been able to provide coherent answers to two key questions: how do we define those elements of defence industry that are a FIC and what will need to change in the culture and procurement practices of Defence as a result?

The Parliament's Defence sub-committee provided one approach to answering these two questions in its report "Principles and Practice – Australian Defence Industry and Exports" tabled late last year (as noted by *ADM* in Dec 15 and again in Mar this year).

The Defence Industry Policy Statement addresses one of the Committee's key recommendations by putting in place a framework to answer the first question: how do we define Defence industry FIC.

The establishment of the Centre for De-

fence Industry Capability, the Sovereign Industrial Capability Assessment Framework and a consequent Defence Industrial Capability Plan give clear focus to the Government's intent.

To be effective, this new approach requires a high degree of granularity around the specific industry elements—eg: products, services, workforce competence and capacity (such as design engineering and manufacturing) and intellectual property—that need to be retained in Australia. The FIC assessment criteria must consider how best to deliver value for money across the whole-of-life for any given capability as well as the issue of sovereignty (ie: which decisions do we want to be able to make in the national interest without being dependant on another nation's policies or priorities).

Finally, to be of value, the Defence Industrial Capability Plan must become a key consideration in Defence's procurement practice and priorities – a topic for next months column. ✪