



## **Some Key observations from the Ai Group Defence Procurement Briefings, 7 and 14<sup>th</sup> July 2017**

The purpose of the briefings was to inform local SME manufacturers about:

1. the size of Defence Procurement over the next 35 years
2. to introduce them to Primes and Second Tier defence suppliers for possible business opportunities, and
3. how to become “defence ready”

Evaluations indicate that all of these objectives were achieved. Some of the attendees either have work already from Primes or are in discussions. Copies of most of the presentations are available on our website under “Resources” [www.aigroup.com.au/contact/hunter](http://www.aigroup.com.au/contact/hunter)

A recurring theme from speakers is that:

1. the Australian Government is definitely serious about maximising Australian content in all defence builds;
2. the Primes have obligations under their contracts to engage with SME manufacturers to create supply chains;
3. Minister Pyne is totally committed to these outcomes and to expanding Australian Defence exports overseas;
4. There have not been better opportunities for manufacturers in defence work since the Second World War – a once in 3 x generations opportunity.

The program for the two days is attached. Some key points by speaker were:

### **From the Primes and Government:**

#### Thales Australia, Chris Jenkins CEO

- The Hawkei Protected Mobility Vehicle for the Army is made in Bendigo with a large percentage of the total vehicle build outsourced to the Australian supply chain, enabling a smaller number of suppliers to play a greater role in Hawkei, with around 30 major work packages forming the majority of the work.
- Thales has adopted a leaner and more efficient supply chain for the Hawkei, designed to deliver a cost-effective vehicle to the ADF while saving taxpayer dollars
- The F90 rifle is designed and built in Australia by Thales in Lithgow and has been continuously enhanced in Australia since the initial technology transfer from Europe for the F88. Thales is pursuing export markets.
- Navy ship repairs are 60% outsourced to supply chain partners
- Australian suppliers are very competitive globally
- Thales at Carrington – 3 stage development to maintain small ships
  - Rehabilitate and improve the site, including new slipways
  - Reinstatement of a floating dock to maintain medium size ships
  - Decommissioning of redundant ships.
- Mine Hunter project in the 1980’s had a multiplier effect of 4.5 for local businesses and Thales wants to see a similar benefit from the Carrington site.

Supply Chain Inquiries: Michelle Richard, Procurement Director, email [michelle.richard@thalesgroup.com.au](mailto:michelle.richard@thalesgroup.com.au)

BAE Systems, Steve Drury, Director Aerospace and Todd Bardell F35 project Manager

- BAE Systems supplies ships and aerospace both locally and internationally. Primes are doorways to overseas customers as well through their Global Access Program. The GAP team can help SME's to leverage their existing capabilities into defence work. Visit [www.baesystems.icn.org.au](http://www.baesystems.icn.org.au)
- BAE has a big commitment to increasing STEM outcomes in schools (major partner in the RDA Hunter Me Program). "It is essential we communicate with kids and community about the needs of industry and career opportunities."
- They have 35 major contracts worth \$1.3bn in turnover (contrast annual Australian Government defence spend of \$19.5bn per annum to understand just how big the new spending program is. AP)
- The Nulka hovering rocket is installed on every US navy ship. BAE is the OEM.
- Collaborative and partnering behaviour is a criterion for a supplier to BAE.

BAE Global Access Program Key points of Contact:

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NSW Defence and Industry Strategy, Air Marshal John Harvey (Ret)

- NSW Government Defence Strategy Paper – New South Wales: Strong, Smart and Connected released 2017 <https://www.industry.nsw.gov.au/invest-in-nsw/industry-opportunities/defence>
- Two Federal Budgets have delivered consistent with the Defence White Paper – indicates confidence in Government's commitment to Defence spending.
- Australia is:
  - 12<sup>th</sup> largest Defence expenditure
  - 19<sup>th</sup> largest exporter of Defence equipment and knowledge
  - 5<sup>th</sup> largest importer
  - Ratio of import to export is about 12:1– gap needs to be closed
  - Defence spending in NSW is \$5.5bn in sustainment and \$2.4bn in capital expenditure over 80 defence bases and establishments
- In the Hunter the ADF currently employs 20,000 people defence industries 6,500 or about 4% of regional employment.
- Defence NSW is set up to be the single point of contact for Defence, NSW Government and defence industries.

Contacts:

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Air Marshal John Harvey, AM (Ret'd) [Defence.advocate@nsw.industry.gov.au](mailto:Defence.advocate@nsw.industry.gov.au)

## Case Studies of Hunter Defence Suppliers

### Varley Group, Victor Ugarte, General Manager Defence

Varley Group is an established supplier in military vehicles, deployable structures and aircraft support equipment for Defence plus it is a very diversified business with opportunities for SME suppliers in:

- Steel & Aluminium Alloys
- Lightweight Composite Materials
- CNC Precision Machining,
- Cutting & Folding
- Abrasive Blasting & CARC Painting
- Vacuum Pressed Panelling
- HVAC and Power Supply Systems
- Electrical and Data Cables/Connectors
- Hydraulics and Pneumatics Systems
- Heavy Duty Furniture
- Vehicle Body Building Hardware
- Powered Actuation & Transfer Devices
- Specialist Engineering Support Services

Contacts:

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Kim Warland – Procurement Manager [kim.warland@varleygroup.com](mailto:kim.warland@varleygroup.com)

### Bluezone Group, Neil Hodges CEO and Andrew Hazell General Manager

- Electrotechnology SME, 15 years supplying to Defence and to Defence primes – spin foo from the Mine Hunter project
- Remotely controlled underwater, floating and in-pipeline survey and detection.
- Confirmation that Primes are willing to engage with SME's
- Tips for winning and keeping Defence work:
  - Understand Defence
  - Become Defence-Ready (quality and security)
  - Engage, develop and maintain relationships
  - Identify opportunities
  - Patience and Resilience
  - Process, procedures and paperwork
  - Deliver, deliver, deliver

### R&R Murphy, Rod Murphy, General Manager.

R&R Murphy is a recent SME entrant to defence work but has contracts with 3 Primes already. Rod offers the following tips to SME's considering entering Defence work.

- Developing a 5 year business plan was critical to their market diversification

- Standards are high – 2 years getting prepared in systems and training
- Implemented 5 Sigma and gained ISO accreditation in safety, quality and environment (this can now be streamlined off a common system AP)
- Implemented a rigorous order management system as traceability is essential.
- Lead-time for defence work – 3-5 years.

### Agencies which can help you get into Defence Work

#### 1. Centre for Defence Industry Capability, Trent Goldsack

CDIC sits within the Australian Department of industry, Science and Technology (Ausindustry). Its focus is to:

- Strategically plan and develop Australia's industrial base to meet Defence capability needs;
- Develop Australian industry as fundamental to Sovereign Capability
- Provide information and assistance to achieve these.

In terms of services to industry, CDIC works in partnership with the Entrepreneurs Program Business Advisers to:

- Undertake a business review and prepare a report of recommendations (free to eligible companies)
- Develop a business plan
- Develop capabilities identified in the business plan (systems, people etc)
- Companies may be eligible for a Capability Improvement Grant of up to \$250k (matched funding) for up to grant for up to 3 years.

Register for updates on the CDIC, Innovation Portal and Hub [www.business.gov.au/cdic](http://www.business.gov.au/cdic)

Business Adviser Contact details:

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#### 2. Industry Capability Network, Dusko Bajic, Manager Northern NSW

In addition to being a contact point for BAE Systems, ICN can provide subscribers with information from a wide range of Defence Contractors such as Rolls Royce and Babcock and Brown. In order to receive regular tendering information, register your details at [www.gateway.icn.org.au](http://www.gateway.icn.org.au) ICN provides a free service which is funded by the NSW Government.

Contact details:

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3. Australian Industry and Defence Network (AIDN), Alan Rankins, National President

AIDN is a membership organisation which assists companies to bid for Defence work. In particular they assist companies to develop Joint Venture Partnerships where:

- a) They are too small to be able to bid alone, or
- b) Where a collective of complementary capabilities is required to win the tender.

AIDN is developing a model Collaboration Contract with CDIC.

Alan is also CEO of the Goal Group which is a network of defence suppliers and consultants familiar with defence work. Their members can be of great help to companies considering entering defence supply chains.

Contact:

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