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AIDN PRESIDENT'S REPORT TO THE 2015 ANNUAL GENERAL MEETING (AGM)

Dear AIDN Member,

This report summarises the AIDN activities since the last AGM in Melbourne 27 November 2014. The challenging trading conditions described in the last three President's reports were somewhat relieved in 2015 and the long awaited new submarine Competitive Evaluation got underway. However, changes in Defence Ministers' Prime Minister's and other political upheavals continually delayed the release of the still delayed White Paper, Industry Policy and Industry Involvement Plan, which together further delayed the start to a number of other projects. Unfortunately, at the beginning of 2015, many AIDN Chapter members continued to experience a reduction in defence work due to ongoing Defence program delays and the impact of the First Principles Review.

In addition, at the beginning of this year, Australia's defence industry could rightly have felt that the new Submarine was all heading overseas which was combined with the award of two ships to overseas shipyards with Defence holding the view they could not be built in Australia.

Despite this generally slow outlook, there have been a number of positive events and initiatives for the defence industry; such as the Commissioning of the second Landing Helicopter Dock (LHD) in Australia, the continued arrival of the Landing Craft for the LHDs to Sydney and the award to Thales of significant Land contracts.

As members will be well aware, the Government has announced that the new Defence White Paper, initially planned for release in 2014, will now be released in 2016, followed later by an updated Defence Industry Policy Statement (DIPS) and Industry Involvement Plan (previously the Defence Capability Plan). Defence has appointed a new Deputy Secretary of the new Capability & Acquisition Support Group (CASG) and 3 new Ministers in 2015 have been appointed. After over 20 years our customer completely stripped the old organisation from the ground up and this change will be ongoing for the next 2 years. It is indeed a brave new world.

Like the Defence Department, it has been 2 decades or more since AIDN had any significant change in the national approach, location, composition and strategic plan. A healthy and vibrant organisation must change, particularly to align with its customer, to remain relevant. In 2015, I initiated a process of deep self-examination which we will ensure emerges with a new Strategic Plan and supporting documents early in 2016. In 2015 I have received hundreds of inputs from Chapter members in relation to AIDN and we have reached the stage of a Draft Strategic Plan which is in circulation with Chapter Presidents right now for review. Once this is done, we will be utilising professional advice to produce the business plan and business case that will underpin the chosen strategy to ensure the value for money to AIDN is maximised.

I look forward to your insight in relation to where AIDN should head and how we should operate for the next 20 years.

AIDN must acknowledge member contributions to the National arena wherever possible so I will always acknowledge that our volunteers could not perform as volunteers without the permission and support of their companies, all of which are AIDN Chapter members, some are members of

multiple Chapters. By way of example, my own company Goal has given up many hours of my time over the last decade to support AIDN and has been a sponsor of AIDN-NSW Young Achiever Award. Goal is a member of AIDN-NSW, AIDN-Qld and AIDN-WA. From personal experience I can urge you all to consider more activity in AIDN recognising that although there is a cost to do this, there is great reward for our industry.

AIDN has regularly represented its members' collective opinions and concerns on a number of Committees and Boards, such as:

- The Capability Development Advisory Forum (CDAF) and Environment Working Groups;
- The SEA 1000 Industry Forum;
- The Ai Group's Defence Council National Executive;

What else have we been doing you might ask?

Your President took a month off this year in September! Even with the break, I, with members of the National Executive, managed to fit some AIDN activities in during 2015 such as:

- AIDN undertook a tender process to assist the AIDN Executive Committee to understand market capability in relation to our Executive and Administrative Services. This was facilitated by Kevin Carrol (AIDN Queensland) and very professionally conducted thanks to him. I will also acknowledge with deep gratitude the contribution of Peter Smith (previously of Aerosonde) who gave voluntarily of his time to our process as the independent member of the RFP team. In the end the Committee reviewed the assessment team recommendations and determined to "set the RFP aside" as there was no one solution that could meet our strategic or budgetary needs. We felt the process a success though as we received a lot of good suggestions and ideas from our industry during the process;
- We commenced a review of our AIDN governance and commercial arrangements in 2015 to ensure currency and compliance with best practice. The intent is to ensure that best practice governance is in place going forward. As an Incorporated Association in NSW, ASIC has confirmed that AIDN is not subject to the Corporations Act but all of your National Committee and office holders come from companies that are. AIDN will build its processes and procedures for governance based on the Corporations Act as I can see no provision in that Act that an ethical, prudent and conservative organisation, that cares for your reputation and values, that AIDN would not implement and follow. AIDN must act internally at the highest standards at all times and it is incumbent on your Committee to ensure AIDN gets the best value for its members;
- I visited a number of AIDN-WA members during 2 visits to Perth and Rockingham this year. It is exciting to see what Serge DeSilva and his team are doing in the West. I was able to receive a tour of the Civmec facilities in Henderson where they are building a section of a German designed submarine as proof of their capabilities! Their purchase of Forgacs' Tomago site has set Newcastle and NSW abuzz;
- AIDN released invitations for our 21st birthday celebrations in 2016, which will be celebrated through a formal Dinner on Monday 8 February. This is being coordinated by Graham Priestnall, Immediate Past President (QinetiQ), Rob Forbes AIDN-ACT President (CEA) Sue Smith our National Executive Officer and I;

- AIDN Commenced planning for the inaugural AIDN SME Summit in 2016 utilising the same team as above but we have deferred this Summit till mid 2016 due to the continued delays in the White Paper and Industry Policy documents;
- AIDN provided support for the Australian Made Defence Campaign, ably led by Chris Burns of AIDN-SA (DTC). This Campaign is directly aligned with one of AIDN's core objectives to support Australian Industry;
- AIDN was represented at the SEA1000 Industry Engagement meetings in Canberra (Graham Priestnall) and Melbourne (myself);
- Your National Executive attended a number of SEA 1000 participant CEP briefings across the country;
- Sue Smith and I attended a number of Ai Group Defence Council Meeting in 2015. These meetings and indeed the Group provide AIDN with invaluable insight into various Defence issues and we are able to input our AIDN views as needed;
- Sue Smith took the opportunity to visit the UK-Canada-Australia-U.S. Quadrilateral Conference in London during her trip to the UK this year. AIDN is hopeful we will host this Conference in Australia next round;
- I have represented an AIDN member to Defence in relation to a significantly poor industrial situation. This took a large amount of time but we will continue to unashamedly represent you and seek policy and approach changes where appropriate. Thanks to Graeme Dunk of Australian Business's Defence Industry Unit for working with AIDN on this matter. We are continuing to look for reform in this area to benefit SMEs;
- I attended the inaugural Industry/Government Consultative Group for the Industry Investment Plan (previously the DCP). I am hopeful this forum will continue under CASG as it seemed to have the right mix of industry and CASG personnel and was very productive;
- NSW President Medhat Wassef (Milspec) briefed the 2015 Defence Industry Study Course on my behalf on the subject of AIDN's role in Australia;
- I represented AIDN members and other Defence SMEs as the SME co-chair of the Synthetic Environment Working Group and at SimTecT in Adelaide;
- I briefed the AIDN-Victoria President Michelle Brown (TXM Lean Solutions), and members of the AIDN-Victoria Chapter executive in Melbourne. The dedication of this team to Victoria was very evident and we arranged to host this AGM in Melbourne as a result;
- I was hosted by AIDN-NT President Gary Bettcher (Leadership Management Australia) , XO Jodie Cassidy and the AIDN-NT Executive for the 3rd Annual Northern Australia Defence Summit in Darwin. The government of NT is certainly focused on Defence and the growth of the North. The increase in Marine activities and the potential for other Defence activities in the north have made the NT an clear target for our member companies. AIDN needs to take this into consideration in its future strategy.

- AIDN finalised the renewal of the Defence Engineering Internship Program subcontract with AITEC the prime contractor to Defence for this program. The program is highly regarded and receives AIDN's complete support;

Significantly, the AIDN National Executive has determined that to remain relevant and refreshed we must undertake a period of deep "naval gazing". It is imperative for an organisation to revise and grow - and given the major changes in our customer's organisation, AIDN determined it must also change. I have published an outline Communications Plan and have commenced the process to review and revise our core Operational documents such as the SME Participation Plan and Industry Involvement Paper. We have agreed a process to produce a revised Strategic Plan, Business Plan and as required, business cases to ensure best VFM for our members. With regard to communications, there is a strong view in AIDN that we need to significantly revamp our communications and this should include a direct lobbying plan. I trust your 2016 committee will not take the pressure off to move AIDN into the 21st century.

The Ai Group Defence Council, AIDN and ABDIU met as "The Joint Australia Defence Industry Associations (JADIO)" nationally in 2014 to develop a joint submission to the Minister. I thought it would be instructive to review 2015 in light of this 2014 submission:

1. **Restore Spending on Defence.** The JADIOS believe that a more structured approach is required with respect to Australian defence industry and the associated defence spend within Australia. The JADIOS also note that delays in restoring Defence spending will cause additional financial and employment stress in this sector;

What has happened? Defence has completely restructured and the new CASG has advised it is almost certain the new White Paper will have Industry as a "fundamental Input to Capability".

2. **Provide an Effective Submarine Force.** A submarine force of the size envisaged by the current and previous Governments will provide the means for the development of a sustainable submarine industry. The submarine capability is strategically important for Australia and a build rate of one submarine every two years will provide the basis for the development and maintenance of key skills, and the development of innovative supporting capabilities. A similar build rate is also required for naval surface combatants in order to provide similar structure, confidence and longevity in this strategically important sector;

What has happened? The Competitive Evaluation Process has been completed at the first stage and the 3 potential designers have submitted their proposals. Thanks in the main to the Australian Made Defence media campaign and our inputs to various Defence forums, AIDN has been at the forefront of a drive to maximise the probability that the majority of these submarines will be built in Australia. Whilst there is no reason to be complacent, I believe this campaign has shaken the government into action and has changed the political landscape for the Australian Defence industry. Time will tell and we must continue pushing at all fronts.

3. **Capability Acquisition and Sustainment.** Whilst the Government's plans for the acquisition of the JSF and Unmanned Aerial Vehicles (UAVs) are supported, the JADIOS note the long term strategic risks should sustainment activities continue to move offshore, and advocate the need to ensure that the maximum sustainment activity is conducted within Australia by Australian-based companies;

What has happened? As previously stated, Industry will be one of the 9 Fundamental Inputs to Capability. CASG is undergoing a significant downsizing with the "outsourcing of the SPOs" a priority for the DepSec. The perceived threat to SMEs re the demise of the DMOSS panel has

eased with the plan to extend the Panel for 3 more years at least. AIDN must watch closely that this move to greater use of industry is not turned into a cut out of direct engagement with SMEs.

It is apparent the recent policies related to Defence clearances has created a significant issue for Defence and Industry. AIDN must continue to work with Defence and the JDIOs to seek a clear and usable method to ensure industry has the appropriate resources available to support Defence.

4. **Continue to support and develop a strong Alliance.** Whilst the maintenance of a strong Alliance with the United States is a key strategic issue for Australia, we need to ensure that the Alliance does not become the proxy solution for both acquisition and sustainment activity;

What has happened? Defence is demonstrating a stronger desire to strengthen our ties in Asia, particularly with Free Trade Agreements.

5. **Develop a new Defence White Paper.** The JADIOs believe that it is important that the funding expressed within any new White Paper be realistic, and consistent with the capability aims expressed in the document. The new White Paper needs to recognise that defence industry is a strategic asset, and it is therefore important that the White Paper provide guidance on the type of industry that Australia needs, and the associated priority capabilities; and

What has happened? Nothing! AIDN, together with its industry partners, continues to be frustrated by delays in this area. Having said that, we have developed close ties with Defence policy division and will continue to push for a fair industry policy for SMEs;

6. **Defence Industry and the Defence Materiel Organisation.** Defence Industry in Australia is hampered by the inconsistent approaches to engagement that are adopted across the Defence organisation. As an example, engagement with industry differs markedly between the DMO and the Defence Support and Reform Group (DSRG). The JADIOs propose the establishment of a Defence-wide Industry Advocate who would have responsibility for this important area.

What has happened? – Defence has undertaken its First Principles Review and completely revised its organisation and approach. We have yet to see the Advocate. The new Depsec CASG has promised to implement Smart Buyer and cut the costs of tendering by ensuring only those companies with a likelihood of winning will be invited to attend. The change for SMEs will require careful watching to ensure this simply doesn't become a "usual suspects" approach.

The AIDN National Executive Office was under review in 2015 as I have stated. For some time now AIDN has expressed a clear strategy to relocate this office to Canberra and revamp our approach. I have unashamedly and without fear or favour, championed the position that if we have a strategy, we must pursue it or alter it. If re-elected, I will not relax until the Strategic Review is completed and we have a funded strategy. I will expect to lead the implementation of that strategy and I also expect the first elements of the change program to be in 2016. Your Committee will keep you all posted.

We are continuing to look at ways to grow AIDN. I would welcome any constructive suggestion re how this can be achieved. I want to remind our membership that AIDN National's success in delivering 'a voice' for the membership is a team effort. I thank all of the AIDN Chapter Presidents and Executive Officers who donate their time and energy to serve on the AIDN National Executive and report on so many Defence issues. Without their hard work it would be very difficult to represent the over 800 AIDN members and their interests in achieving our planned national goals.

On behalf of the membership of AIDN, I thank Sue Smith and Sharon Blondel for their contributions to AIDN and irrespective of what happens to the AIDN office, I am sure they will continue to contribute to the member services for the foreseeable future.

Finally, I want to thank all of the AIDN membership for their support over the two years I have served as your National President. I have nominated to serve again and only time will tell! I wish to sincerely thank Graham Priestnall, immediate Past President, and Rob Forbes the Vice President for their assistance and council. I have great confidence that the new AIDN National Executive team will continue to build on the 'good work' of the previous National Executive Committees.

The other Chapter Presidents and Executive Officers have been very diligent and unsparing of their time but a special mention is deserved for Chris Burns of AIDN-SA (Also the Defence Teaming Centre). Chris' unselfish teaming of the DTC to AIDN at the national level, for the better good, is much appreciated by us in AIDN. I have thoroughly enjoyed representing defence industry SMEs and working to fulfil AIDN's goal of "Maximising Defence-related Business for Australian SMEs".

Thank you and Best Regards,



Alan Rankins
National President AIDN
08 December 2015