

## **AIDN's Perspective on the Strategic Defence Update and Force Structure Plan**

1 July this year, the Prime Minister announced the strategic defence update and the associated force structure plan in order to achieve the outcomes required in securing Australia's interests in an evolving and increasingly complex geopolitical environment.

AIDN's remit is not to provide commentary on the changes in Australia's strategic circumstances, this is the domain of others.

Where AIDN can contribute to the ongoing dialogue is in how industry can meet the requirements of the largest expenditure on capital equipment, support systems and sustainment since the end of the second world war.

The Morrison government has announced that it will be spending around \$270B over the next decade, and this expenditure is multidomain, there are some large acquisition items in the maritime domain and some much-needed enhancements of Australia's cyber security infrastructure to name but two areas of the announcement. Further to this the Government has given firm commitment to ensuring that the Defence budget remains unaffected by the declining economic forecast due to the COVID-19 pandemic.

This announcement indicates that around 2% of GDP will be spent on defence in 2020/21 and that this is forecast to rise to around 3.5% around 2029/30. This is a significant investment by the Australian Government on behalf of the Australian taxpayer. Furthermore this has to be seen through the lens that the government has announced on a number of occasions that a local build has 60% local content and the corresponding spend within Australia.

Whilst the Government is yet to publish an integrated investment plan, with usable program time lines so that industry can plan properly to undertake potential investments in additional employees and plant and machinery, the government has provide industry with some certainty to look to the future and the Government rightfully deserves praise for this.

This type of expenditure should provide a boost to the Australian economy and Australian industry, particularly the small to medium businesses.

That is assuming that a significant amount of this funding is returned to the local economy. It is important to understand the benefits to the Australian economy in local expenditure, by doing this there is a significant multiplier effect of the dollars spent, this effect ranges from one dollar creating an additional dollar, up to one dollar creating an additional two dollars of effect for the Australian economy.

There are now economic assessments finding their way into the opinion space and these initial assessments are of concern. The ANZ recently published an assessment and some of this data causes alarm; specifically, the amount of money being spent offshore verses locally. This analysis indicates that from 2021 to 2030 only around

48% of this funding is being spent locally, and a large proportion of that amount will be going to foreign owned multinational defence contractors.

It is important that the Government ensures that there is a significant proportion of this defence spend occurring locally, and with Australian companies, it should not be acceptable to Australian that only 48% of Australian taxpayer money is actually being spent in Australia. Especially when the government has made consistent statements about meeting and exceeding 60% local content on Defence programs.

If more money is spent locally, then not only is there a boost to the Australian economy overall, but the environment is created for research and development and investment in Australia's domestic market, which fundamentally increases Australia's self-reliance and therefore assists in the creation of a sovereign Australian industrial base.