

TruLaser Cell 7040

MONITORING

DEFENCE TECHNOLOGIES

Sector Strategy



Victoria's
Future
Industries.



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Definition: Transport, Defence and Construction Technologies is one of six priority sectors. Individual strategy documents have been developed to reflect the distinctiveness of each industry within this group.

This sector strategy was subject to a limited consultation process, with the key defence industry stakeholders and employers in Victoria invited to provide input. In the order of 140 stakeholders, including industry, industry associations, unions and research organisations contributed their views and ideas.

- 90 people participated in 6 stakeholder forums, 2 of which were held in regional and rural areas
- 22 organisations participated in direct discussions with the Department
- 13 written submissions were received from key industry organisations and associations.

This sector strategy responds to the major themes arising from consultation with these organisations.

In addition, we would like to acknowledge the contribution of members of the Future Industries Ministerial Advisory Council, who provided valuable advice and generously shared their knowledge and experience with Departmental staff charged with developing sector strategies:

- Mr David Bartlett, Chair, former Premier of Tasmania
- Mr Nixon Apple, Alternate Director, Australian Super
- Mr Jeff Connolly, Chairman and Chief Executive Officer of Siemens Group, Australia-Pacific Region
- Ms Gabrielle Coyne, former Chief Executive Officer, Penguin Random House Australia
- Professor Linda Kristjanson, Vice-Chancellor, Swinburne University of Technology
- Dr Leonie Walsh, Victorian Government Lead Scientist.

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PREMIER'S FOREWORD

4



We talk so much about our economic 'transition', but this transition won't occur on its own. We have to take action ourselves. We need a real plan. And we need to invest.

That's what our \$200 million Future Industries Fund is all about.

The priorities of today will define our economic future, and we believe the Victorian Government needs to set those priorities.

With those priorities in mind, we can work with businesses to grow our traditional industries and invest in the sectors that will shape the next century.

Our Government has identified the priority sectors with potential for remarkable growth – the sectors in which Victoria is uniquely poised to lead the world:

- Medical technology and pharmaceuticals
- New energy technologies
- Transport, defence and construction technologies
- Food and fibre
- International education
- Professional services.

Collectively, these sectors have the potential to drive up to \$70 billion in additional economic output by the year 2025, and create over 400,000 new jobs for Victorians.

The \$200 million Future Industries Fund is turbocharging these priority sectors through job-creating grants to specialist firms and companies.

The \$500 million Regional Jobs and Infrastructure Fund and the \$508 million Premier's Jobs and Investment Fund also lay the foundation for growth across our entire economy.

We have a few advantages under our belt: high-quality infrastructure, skilled workers, world-class liveability, well-connected cities, productive land and resources, all in close proximity to Asia.

We also have outstanding defence manufacturers. Our capacity and skills place Victoria at the forefront of the next generation of defence and cyberdefence technologies. Within this sector, we have the opportunity to pioneer and innovate – but we also have the opportunity to grow and create jobs.

Our priorities for assisting this sector, outlined in this strategy, are the next step. It's all about securing the high-growth industries of the future, and the jobs that come with them.

A handwritten signature in black ink, appearing to read 'Dan Andrews', written in a cursive style.

The Hon. Daniel Andrews MP
Premier of Victoria

MINISTERS' FOREWORD

The Victorian defence sector has an annual economic impact on Victoria of up to \$8 billion. Victoria's defence industry includes more than 300 businesses and directly employs around 7,000 people making equipment and providing services for defence activities.

Victoria's defence industry offering has strong potential for future growth.

Victoria's capabilities match global defence industry needs in areas spanning information and communication technology (ICT) systems; cyber technologies managing the interface between human and digital systems; robotics, aerospace and unmanned aerial systems; chemical, biological, radiological and nuclear handling facilities; defence infrastructure; professional services; science and research and advanced manufacturing technologies.

We already have a dynamic and thriving industry that is critical to Australia's national defence capability and Australia's alliance relationships. Through strategic investment in facilities, industry skills, research and development, our state has developed vital expertise in delivering major defence platforms and capabilities for the Royal Australian Navy, Australian Army and the Royal Australian Air Force.

We are proud of Victoria's defence manufacturing and systems integration facilities. HMAS Canberra and HMAS Adelaide, the Navy's two new landing helicopter dock ships, were delivered to the Royal Australian Navy from the Williamstown shipyard. These new ships are the Navy's largest.

Victorian companies contribute over 70 per cent of the Australian content to the international Joint Strike Fighter program. The Army's Bushmaster Vehicle, manufactured in Bendigo, is renowned for saving Australian lives in combat.

A robust and responsive local supply chain network strengthens our national security and plays a vital role in building and sustaining multiple defence platforms. The Department of Economic Development, Jobs, Transport and Resources, including the newly established Victorian Defence Procurement Office in Geelong, provides dedicated support to the Victorian defence industry and assists companies seeking to secure domestic and global supply chain opportunities.

As the Minister for Industry and the Minister for Small Business, Innovation and Trade, we are committed to a forward looking defence sector. With this in mind, we are proud to present this strategy articulating the Government's vision on how we can maximise the economic potential of this vital sector and grow high technology jobs for Victorians.

This strategy was developed through extensive consultation with Victorian defence industry stakeholders, including in the order of 140 stakeholder engagements.

We welcome the release of the Commonwealth Government's 2016 Defence White Paper and the associated Defence Industry Policy Statement and the Integrated Investment Program. This sector strategy positions us well to capitalise on the opportunities presented by the \$195 billion of proposed investments outlined in the Integrated Investment Program.

We recognise the importance in keeping our skilled workers in the defence industry. Victoria has the capability to lead the world in this high growth field. We look forward to working with the defence sector to achieve just that.



The Hon. Lily D'Ambrosio MP
Minister for Industry



The Hon. Philip Dalidakis MP
Minister for Small Business,
Innovation and Trade



DEFENCE VICTORIA: INDUSTRY EXCELLENCE

It is our vision that Victoria will become known for the excellence of its defence industry to secure investment and jobs.

We will lead the diversification and globalisation of the national defence industry to secure a resilient and capable industry, one that is a benchmark for Australia's national defence industry capabilities.

We will generate momentum for Victoria's defence industry through strong industry leadership, advocacy, market presence, and investment in domestic and international project opportunities.

We will also fight to maintain the existing defence presence and industrial capabilities in Victoria. Where feasible, we will invest in Victorian infrastructure to attract new domestic and international defence projects.

We will strengthen our defence supply chain to ensure Victorian participation in the international defence market and the supply chains of other sectors.

We will capitalise on our competitive advantages to maximise Victoria's share of domestic defence programs, further our reach into emerging markets and to increase our share of traditional markets.

We will also invest in advanced and innovative defence technologies to ensure that Victorian firms continue to lead the way into the future.

To achieve this vision the Government is ably assisted by the Defence Council Victoria, which provides advice on how best to grow and sustain Victoria's defence industry.

Our focus	Our goals
Support Victoria's defence industry via effective advocacy and branding	<ol style="list-style-type: none"> 1. Appoint a Victorian defence industry advocate 2. Develop a compelling brand to market Victoria's defence industry
Access emerging defence markets and a broad range of global supply chains	<ol style="list-style-type: none"> 3. Assist the Victorian defence industry to access Asian, European and other growing defence markets 4. Develop a broad based Victorian global supply chain program
Win future defence projects for Victoria and retain existing infrastructure	<ol style="list-style-type: none"> 5. Identify opportunities for Victoria's defence industry 6. Cooperate with other states on specific defence projects and policy issues 7. Retain and expand defence and industry infrastructure
Assist Victoria's defence industry to diversify and become supply chain ready	<ol style="list-style-type: none"> 8. Assist Victoria's defence industry to diversify 9. Develop a supply chain awareness and certification readiness program
Promote innovation in defence research and technology	<ol style="list-style-type: none"> 10. Support Victoria's defence research and development sector 11. Develop a program to assist companies developing future defence technologies



A CHANGING DEFENCE INDUSTRY

The international defence market is dynamic with shifting global spend patterns and emerging technologies such as cyber and robotics set to change the way the world thinks about defence industry.

The global defence market is worth approximately US\$1.7 trillion per year. Since 2005 the top 15 defence spenders have been consistent with the US remaining the biggest global defence spender with 35 per cent of the global market at US\$610 billion in 2014. Nonetheless, traditional markets such as the United States and Europe are reducing their annual defence spend.

Emerging countries in Africa, Asia, the Middle East and other areas are increasing their annual defence spend. Since 2005 India has been the biggest mover, up from ninth to seventh place (\$50 billion in 2014, up 39 per cent). Asian defence budgets are projected to grow by over 19 per cent to \$612 billion by 2018.

At the same time, defence companies are no longer relying primarily on defence revenue. Western companies are consolidating core military businesses to adjust to decreases in United States spending, while Asian defence companies are emerging with highly skilled labour, commercial acumen and an ability to diversify easily in a world where commercial technology revenues surpass those of military procurement.

Australia's defence budget continues to grow

Australia is steady at around the 13th largest defence spender in the world. The 2016 Defence White Paper forecasts the annual defence budget to grow from \$32.3 billion in 2015-16 to \$42.4 billion in 2020-21. Over the decade to 2025-26 the defence budget is \$29.9 billion more than had previously been planned. Over the same time period approximately \$195 billion is forecast to be invested in defence capability.

Victoria is primed for growth

Victoria's defence sector has an annual economic value of up to \$8 billion. Victoria has a diverse and productive defence industry consisting of over 300 businesses which employ around 7,000 people. And there is scope to grow more jobs in this sector.

Our state has capabilities in naval shipbuilding and design, military vehicle design and manufacture, aerospace component manufacture, autonomous systems, munitions and combat clothing, and personal equipment.

The diversity and proven performance of Victoria's defence industry means we are ready and capable of meeting many of Australia's defence needs. The Commonwealth's new \$1.3 billion Hawkei light protected mobility vehicle fleet, is being manufactured by Thales in Bendigo. Similarly, Lockheed Martin's \$1.2 billion contract to provide the Australian Defence Force's Basic Flying Training is to be based at the RAAF base in East Sale.

To ensure Victoria gets its share of national defence work, the Government has opened a Victorian Defence Procurement Office in Geelong and increased the number of departmental officers that are supporting the growth of this important sector.

This strategy outlines a roadmap to enable Victoria's defence industry to maximise domestic defence business opportunities and to expand into the growing international defence market to grow the industry and create high value jobs.





ACHIEVEMENTS TO DATE

The Andrews Labor Government is delivering on its election commitments with a clear focus on growing jobs and sharing opportunities across our society.

We have established three new Funds totalling over \$1.2 billion to support job creation and economic development, with a particular focus on our priority sectors including defence technologies:

- \$200 million Future Industries Fund
- \$508 million Premier's Jobs and Investment Fund
- \$500 million Regional Jobs and Infrastructure Fund.

We opened the \$5 million Future Industries Manufacturing Program in 2015 and the \$20 million Future Industries Sector Growth Program has just opened. These programs are focused on helping businesses to partner with each other, and with educational institutions and the community, to invest in job-creating projects. We have also established LaunchVic, a \$60 million initiative to foster the creation of start-up enterprises.

To support our economy as it continues to transition, we recently released *Towards Future Industries: Victoria's Automotive Transition Plan*. This \$46.5 million plan will help businesses, workers and communities affected by the closure of automotive manufacturing operations to meet the challenges ahead and capture emerging opportunities. This includes \$33 million for the Local Industry Fund for Transition (LIFT) and a further \$5 million to establish the Automotive Supply Chain Transition Program.

We have also put in place changes to help local businesses get their fair share of work from government projects. For government procurement projects with a total value of \$50 million or more, we now set local content level targets that must be met – meaning more work for local businesses and more local jobs.

The Major Project Skills Guarantee, which commenced on 1 January 2016, requires that apprentices make up 10 per cent of the workforce on major state projects. We are continuing to look for other opportunities to strengthen our local content policies and using government procurement to support the local economy.

The Victorian Invitation Program is the most expansive inbound trade mission program in the state's history. More than 590 qualified international buyers from 27 countries visited Victoria in 2015 as part of the program. We have also supported over 420 businesses, across a number of sectors, to visit 35 cities in 19 countries as part of our outbound trade mission program.

We have already provided support to the industry in building capabilities and boosting demand. Three Victorian defence industry representatives were sponsored by the Government to participate in Defence's 2015 Defence and Industry Study Course, which aims to help participants develop a better understanding both Defence and industry in order to improve Australia's defence industry capabilities. We have provided offers of support to the tenderers for Defence's Land 400 Phase 2 – Combat Reconnaissance Vehicle Project, with the intention that the successful tenderer set up operations for this \$2-3 billion project in Victoria.

Additionally, we are facilitating collaborative efforts both across the state and around the country. We have come to an agreement with the South Australian Government to commit the states to a higher level of cooperation and calling on the Commonwealth Government to deliver certainty to the defence sector. Furthermore, we established the Victorian Defence Procurement Office, which supports the growth of defence and non-defence industries statewide by facilitating access to defence prime contractors and local and global supply chains, within 100 days of attaining office.

The Victorian Defence Procurement Office has had over 260 meetings with companies, including discussions on opportunities associated with the:

- \$1.3 billion Hawkei vehicle fleet to be built in Bendigo
- \$1.2 billion Australian Defence Force pilot training service to be provided by Lockheed Martin at Sale.

We are proud of these achievements but know there is much more to do, working in partnership with industry, educational institutions, unions, and the broader community.



DEFENCE TECHNOLOGIES
Sector Strategy

Support Victoria's defence industry via effective advocacy and branding

Victoria's defence industry has great potential for future growth. Our existing capabilities match global defence industry needs in areas spanning:

- Information and communication technology (ICT) systems
- Cyber technologies that manage the interface between human and digital systems
- Robotics, aerospace and unmanned aerial systems (UAS)
- Chemical, biological, radiological and nuclear (CBRN) handling facilities
- Defence infrastructure
- Professional services
- Advanced manufacturing technologies.

Recent analysis shows the areas with the greatest potential for growth in the Victorian defence industry are military ICT, CBRN defence and cyber technologies.

Our priority now is to help industry to benefit from these opportunities.

In partnership with industry, we aim to:

- Develop a 'Team Victoria' approach between the Victorian Government, industry associations and businesses to attract investment to the defence industry
- Ensure Victoria has strong and visible leadership and advocacy for the development of its defence industry
- Brand Victorian defence industry effectively and promote it through trade, investment and wider industry activity
- Position Victoria at the leading edge of the defence industry with a focus on skills, training and industry development.

In increasing the awareness of Victoria's strong defence industry capability we aim to attract a greater share of domestic and global defence business to the state, grow new and existing businesses and create new jobs.



What we plan to do

1. **Appoint a Victorian defence industry advocate**

Victoria will appoint a Defence Industry Advocate to assist with the delivery and coordination of Victoria's defence industry trade, investment attraction and promotion activities.

The Advocate will provide advice to the Victorian Government.

As the identified face of Victoria's defence industry, the Advocate will be at the forefront of advocacy on behalf of Victoria's defence industry interests both nationally and internationally.

2. **Develop a compelling brand to market Victoria's defence industry**

We will develop a brand for the promotion of Victoria's defence industry to sell to the world.

Victoria has a large and diverse defence industry. It comprises a broad range of businesses in advanced manufacturing, ICT, professional services and infrastructure development with an extensive research and development base, backed by a world-class tertiary training sector.

We will identify and clearly define Victoria's core capabilities that are attractive to the Commonwealth Government and encourage domestic and international corporations to do business in Victoria.

We will also develop a factual prospectus outlining Victoria's broad capabilities to assist defence and related industries attract interest from prime defence contractors.

In addition we will develop a suite of information for use by Victorian Government officials to ensure consistent and effective advocacy for Victoria's defence industry. We will also continue to have a major presence at Australia's key defence trade shows; the Avalon Airshow, the Pacific Maritime Exhibition and Land Forces.

"The most significant initiative would be a model... where there is a Defence Industry Advocate ..."

Clive Pugh, Chair of the
Geelong Defence Alliance



Access emerging defence markets and a broad range of global supply chains

The global defence market will expand over the coming years. To place Victoria at the forefront of this growth and create more jobs, we need to capture business in these emerging markets. A significant growth area is the Asian defence market that is set to grow to \$612 billion by 2018.

However, we must not neglect opportunities presented by our existing alliances. While defence spending in traditional markets is shrinking (US down 2.5 per cent and Europe down 0.8 per cent since 2010), these regions still represent the majority of the global defence market. Importantly they are also regions we have ready access to.

We will capitalise on Victoria's existing global presence provided by the 18 Victorian Government Business Offices around the world to ensure our defence industry is a global one.

We will support Victorian businesses entering the global supply chain in broader areas such as defence ICT, infrastructure development and professional and other support services, which have often been overlooked as a part of the defence industry. We will seek to complement existing programs to ensure Victoria's defence industry benefits from this broader view of defence industry.

Furthermore, many global technology companies are expanding into defence as a means of growing their businesses. We must support local industry seeking to enter into the global supply chains of these companies.

Finally, we need to assist Victorian defence companies to seek access to the global supply chain of non-defence companies as a means of diversifying their business and safeguarding their long term viability.

What we plan to do

3. **Assist the Victorian defence industry to access Asian, European and other growing defence markets**

We will establish Asian and European defence representatives to analyse and engage with these defence markets to identify business opportunities for Victorian industries.

We will consider the placement of similar defence representatives in our global offices to capture emerging activity in the South American, Middle East and African markets.

These representatives will be modelled on the highly successful Victorian defence representative in Washington, DC.

4. **Develop a broad based Victorian global supply chain program**

The Commonwealth Government's Defence Global Supply Chain program has helped Australian companies enter the global supply chains of international defence companies since 2009. It has been focused on traditional defence manufacturing and has not examined the possibility of Australian companies entering the global supply chain for the broader defence industry, global companies expanding into defence and non-defence companies.

To address this problem, we will develop a complementary Victorian global supply chain program focusing on three core areas:

- The broader defence sector such as defence ICT, infrastructure development and professional and support services
- Global companies expanding into defence
- Global non-defence companies.

The core focus of this program will be creating partnerships between national and global companies operating in these areas and small and medium Victorian enterprises (SMEs) with the potential to grow and operate effectively on a global scale.

"Continue to support Victorian Government Business Office representatives in key strategic countries around the globe to ensure current and continuous communications amongst vital stakeholders."

Raydon Gates AO CSM, Chief Executive,
Lockheed Martin Australia



Win future defence projects for Victoria and retaining existing infrastructure

Victoria's defence industry simply cannot survive and grow without access to a pipeline of defence work. We will need to pursue domestic and international opportunities to ensure the long term growth and sustainability of the industry.

The 2016 Defence White Paper, as well as the associated Defence Industry Policy Statement and the Integrated Investment Program, outline the pipeline of work for the next 20 years and in some cases beyond. They also establish the defence industry policy settings to support Australian industry partnering with defence to deliver the Commonwealth Government's desired capability outcomes.

This strategy positions us well to examine the Defence White Paper and the associated documents to identify opportunities that Victoria has the capabilities and capacity to undertake.

Victoria acknowledges that for some projects states will need to cooperate rather than to compete against one another, particularly regarding future submarine and surface ship building programs. On complex defence industry policy issues, a common view from the states may also aid the Commonwealth Government in developing a sustainable national defence industry.

Victoria has signed an accord with South Australia regarding cooperation on defence industry matters. When it is in Victoria's and the national interest to do so we will explore cooperative approaches with other states to identify defence industry capabilities, opportunities or initiatives to pursue collectively.

Victoria possesses significant military and defence industry infrastructure, including the Williamstown shipyard, training facilities such as the Royal Australian Navy base at HMAS Cerberus, the Royal Australian Air Force base at East Sale, the Army training base at Puckapunyal and testing facilities at Monegeetta, and the Royal Australian Army and research facilities such as the Defence Science and Technology Group's at Fisherman's Bend.

Defence infrastructure benefits the economy and community by generating growth in manufacturing, engineering and information technology. The Anzac shipbuilding project, which started in Victoria, is estimated to have increased Australia's GDP by at least \$3 billion over its 15 year construction phase from 1992, increasing consumption by at least \$2.2 billion over the same time period while creating 7,850 full time local jobs.

We will advocate vigorously to retain our existing defence infrastructure, particularly the Williamstown shipyard, a vital national asset, and the Australian Defence Force bases located in Victoria. We will examine the Commonwealth's infrastructure needs for future defence projects and consider developing these in Victoria, as a cost effective way to generate jobs and capital investment.

What we plan to do

5. Identify opportunities for Victoria's defence industry

We will continue to identify and support the pursuit of potential market opportunities for Victoria's defence industry, domestically and internationally.

We are already working with industry to ensure they fully capture the business opportunities outlined in the 2016 Defence White Paper.

We will also identify opportunities through our network of international Victorian Government Business Offices and engagement with the Australian subsidiaries of global defence prime contractors.

To do this, we will develop a clear framework for assessing, approaching and capturing domestic and international defence opportunities. This framework will be developed and applied together with Victorian industry groups including the Australian Industry & Defence Network – Victoria, the Australian Industry Group and the Industry Capability Network.

We will focus our efforts to secure new investment in areas including advanced manufacturing, engineering, design and development and systems integration capabilities to leverage Victoria's considerable research and development strengths.

We will seek to build on Victoria's existing strengths at all levels of the maritime supply chain to attract work from the Commonwealth Government's future submarine and surface ship building programs to maintain Victoria at the forefront of maritime excellence.

We will also seek to identify opportunities for rural and regional Victorian companies.

6. Cooperate with other states on specific defence projects and policy issues

Where a particular Defence project is clearly beyond the capacity of any one state to deliver, we will seek to engage cooperatively with other state governments and assist Victorian businesses to establish interstate partnerships in order to deliver the required capability to Defence.

We will also cooperate on defence industry issues and continue to make the case to the Commonwealth Government on the need to build and sustain a competitive national defence industry.

7. Retain and expand defence and industry infrastructure

We will continue to advocate to the Commonwealth Government on the need to take action to secure a long term future for the Williamstown shipyard and its workers.

We will work with the Commonwealth to retain and grow the existing defence presence in Victoria.

We will also examine the industrial infrastructure requirements for future defence projects and where cost effective, consider investing in this infrastructure to attract defence projects to Victoria.

"The role of the Victorian Government should be to facilitate, coordinate, inform and support major projects."

Clive Pugh, Chair of the
Geelong Defence Alliance



Assist Victoria's defence industry to diversify and to become supply chain ready

Flexibility and adaptability are central to the success of the modern Victorian defence industry. Long term reliance on a single customer, the Commonwealth Government, or a defence prime contractor, is a risky strategy given the intermittent nature of major defence contract opportunities.

Assisting Victoria's defence industry to diversify its customer base will help insulate the industry from over-dependence on Australian defence contracts, especially as national defence spending has been declining since the early 1990s.

While more than 50 per cent of Australia's arms exports were to the US from 2010 to 2014, opportunities for trade exist with other allied countries and should be explored.

Victorian companies must also be able to participate across multiple sectors and multiple points of the supply chain. This will support Victorian companies to operate in the global defence supply chain.

In partnership with industry, we aim to:

- Ensure Victorian businesses are able to participate in a broad range of industries including defence
- Ensure Victorian small businesses are easily able to enter defence supply chains
- Ensure Victorian businesses grow and create high value-added jobs for a sustainable business future.

What we plan to do

8. **Assist Victoria's defence industry to diversify**

In partnership with industry, we will facilitate cross-sector networking for defence suppliers, and training and awareness sessions on sector diversification. Furthermore, these activities will be made available to those companies not yet in the defence sector but are looking to enter.

Defence suppliers will also be able to access the new global supply chain program (see Initiative 4) in order to diversify within the defence industry sector.

This will decrease reliance on intermittent international and domestic defence contracts and also help Victorian business to be prepared to compete for these contracts.

In this way, we will assist Victorian companies to move in and out of the defence sector supply chain.

9. **Develop a supply chain awareness and certification readiness program**

This program will focus on raising SMEs knowledge of the process, time and cost required to be certified by a prime contractor as 'supply chain ready'. Support will be provided to SMEs to develop the business systems maturity to be considered by global prime contractors as a potential supply chain partner.

Further assistance may be considered on a case-by-case basis to assist SMEs to undertake certification by individual global prime contractors.

"... assist SMEs to improve capability and to achieve the necessary accreditations to participate in global supply chains."

Sue Smith, Executive Officer,
Australian Industry & Defence Network – Victoria



Promote innovation in defence research and technology

Global demand for military ICT technologies such as cyber security, robotics and biotechnology are all within the existing capabilities of the Victorian defence industry. The military ICT sector is worth US\$54 billion annually and is expected to grow to US\$65 billion by 2020. Currently, developments in cyber security and cyberwarfare account for 26 per cent of this sector.

The 2016 Defence White Paper and the Integrated Investment Program forecast expenditure on ICT and cyber systems in the order \$4.2 to \$6.7 billion over the next 20 years. A further \$2 to \$3 billion is forecast to fund the development of next generation technologies over the same time period. Finally, some \$640 million over the next decade will be invested in a Defence Innovation Hub to support collaborative innovation activities.

Victoria has been at the forefront of cyber research since the early 2000's. It is home to major national cyber security capabilities of organisations such as the CSIRO's Data61, NBN Co Ltd and Telstra. More than 40 leading multinational businesses have set up operations in Victoria to deliver defence and cyber security solutions including: Computer Associates, Symantec, IBM, Honeywell, Siemens and Kustodian. We will leverage this resident expertise to establish Victoria as the home of defence cyber security.

To capitalise on these opportunities in the ICT/cyber sector and other priority sectors, support for research, development and the commercialisation of innovative technologies for defence markets will be critical.

Companies who are already collaborating will be encouraged to create innovative capabilities, materials or processes for the defence industry.

In addition, we will continue to support Victoria's defence research base by promoting existing defence research capabilities, such as the Defence Science Institute, and seek to further develop these facilities.

We also aim to leverage the strengths of Victoria's health, medical, biotechnology and pharmaceuticals research sector to promote the development of medical countermeasures, particularly in the area of CBRN defence. Such developments will be consistent with Australia's obligations as a member of the Medical Countermeasures Consortium.

We will do this in tandem with Victoria's strong university sector and other defence research and technology commercialisation centres as well as research institutions such as the Defence Materials Technology Centre and the Commonwealth Government's Defence Science and Technology Group research facility at Fisherman's Bend.

In partnership with industry, we aim to:

- Ensure Victoria is at the leading edge of future defence technologies
- Maximise the opportunities for Victorian companies who have the ideas but not the capital to generate future defence technologies and high value-added jobs here in Victoria
- Develop Victoria's defence technologies research base into one of world-class capability.

What we plan to do

10. **Support Victoria's defence research and development sector**

We will establish a Defence Cyber Security Program within the Oceania Cyber Security Centre in Melbourne. This will enable Victoria to take advantage of its strength in commercial ICT and cyber security capabilities, and to position itself as Australia's defence cyber security epicenter.

We will develop business cases to capture the research, design and development aspects of key defence procurement programs.

We will monitor the long term viability of the Defence Materials Technology Centre and the Defence Science Institute, and if necessary act to help maintain their presence in Victoria. Both these organisations provide significant capability to leverage the Victorian defence research and development sector, and to bring innovation to Victoria's defence industry.

We will also examine cross-sector opportunities arising in Victoria's other key future industries for potential take-up by the defence industry.

11. **Develop a program to assist companies developing future defence technologies**

We will develop a program to assist fast-developing companies who collaborate to create innovative capabilities, materials or processes for the defence industry.

This program will coordinate collaborative partnerships to develop and commercialise defence technologies for the sector. It will focus on meeting the needs of the Australian Defence Force, other foreign militaries, defence prime contractors or other multinational companies.

This program may be delivered in conjunction with LaunchVic or other suitable organisations such as the Defence Materials Technology Centre or the Defence Science Institute.

"Victoria currently has a significant natural advantage in the value-added, technology-critical areas of Defence, building on the capabilities of the Defence Science and Technology Group and the inherent defence research and development capabilities resident in Victoria's tertiary institutions."

Dr Mark Hodge, Chief Executive Officer,
Defence Materials Technology Centre



Positioning our defence sector now and into the future

Victoria's defence industry has strong potential for growth. Our existing capabilities match global defence industry needs and we have a growing reputation for innovation and adaptability.

It is our vision that successful implementation of this strategy will support Victoria's goal of securing Victorian defence industry's significant participation in the domestic defence projects in the 2016 Defence White Paper, and an increased share of the international defence market. Our strategy will deliver:

- Improved advocacy and branding of Victoria's defence sector will be reflected in greater awareness of Victoria as the state of choice for defence industry
- Greater market penetration in emerging defence markets and across a broader range of companies
- A more flexible and agile industry, reflected in an increase in Victorian companies moving easily in and out of the defence sector supply chain.

This will culminate in increased innovation in the Victorian defence industry, reflected in new programs maximising our competitive advantages in the defence technologies industry and to assist companies in developing future defence technologies.

This strategy will grow jobs, secure and expand the level of defence industry infrastructure in Victoria, and increase the value of the defence industry to the Victorian economy.

Victorian Government Programs

There are a range of programs which will support and complement delivery of the Defence Technologies sector strategy.

Future Industries Fund	<p>The \$200 million Future Industries Fund will support implementation of the Government's high growth sector strategies, including a significant grants program.</p> <p>http://www.business.vic.gov.au/support-for-your-business/future-industries</p>
Premier's Jobs and Investment Fund	<p>The \$508 million Premier's Jobs and Investment Fund will support strategic investments that underpin high quality, sustainable jobs throughout Victoria.</p>
Regional Jobs and Infrastructure Fund	<p>The \$500 million Regional Jobs and Infrastructure Fund will provide funding for targeted regional infrastructure, jobs and community projects in regional Victoria.</p> <p>http://www.rdv.vic.gov.au/regional-jobs-and-infrastructure-fund</p>
Local Industry Fund for Transition	<p>The new \$33 million Local Industry Fund for Transition will support communities in Melbourne's North, South-East and West, and the Geelong Region hit hardest by departing automotive companies, to attract investment and create new jobs for local workers.</p> <p>http://www.business.vic.gov.au/lift</p>
LaunchVic	<p>The Victorian Government, through its \$60 million Start-up Initiative, will establish LaunchVic as an independent entity to grow Victoria's broader start up ecosystem in partnership with the start-up community.</p>

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