

What will a Labor Government mean for Defence Industry in Australia?

Hon Greg Combet AM

Opinion polls suggest a change of government in the Australian Federal election in (expected) May 2019.

An incoming Labor Government led by Bill Shorten will likely feature Richard Marles as Minister for Defence and Mike Kelly as Assisting Minister for Defence Industry and Support. Jason Clare, a former Minister for Defence Matériel, would likely have influence upon the defence industry portfolio in his potential role as Minister for Trade and Investment.

Under a Labor Government, it is possible Shorten would appoint a new Minister for Defence Matériel (as has been an established practice for many years) given the magnitude of expenditure and complexity of the portfolio.

Shorten and Marles have been associates since university and have been closely aligned during their trade union and political careers. With extensive practical experience of the Australian industry, Shorten and Marles have a record of working constructively with business leadership. Both have a sound understanding of the role and the significance of defence industry in Australia. Marles, in particular, has a greater interest in national security and strategic issues and would likely concentrate on these in the portfolio and delegate aspects of defence industry to a ministerial colleague.

Labor's defence industry policy was reviewed and adopted during the December 2018 Party National Conference. The policy is consistent with Labor's approach when it was last in government, reiterating support for:

- an Australian defence industry that provides the Australian Defence Force with the necessary capabilities;
- sovereign industrial capability where required, specifically identifying naval shipbuilding;
- an export focus;
- the maximisation of the participation of small-to-medium enterprises (SMEs) in defence projects; and
- initiatives to develop workforce skills.

In government, Labor can be expected to work closely with the Defence leadership on capability planning and procurement. It is not anticipated that there will be any significant changes to major defence projects.

Labor will continue the emphasis on domestic job creation in naval shipbuilding. Marles can be expected to review the decision-making processes and risk assessments underpinning the future submarine project to establish confidence for his own administration of the project. However, there will be no lessening of commitment to the Adelaide based construction of the submarines. Similarly, the future frigates programme can be expected to continue, with major land projects also expected to stay on track.

As with any government, the principal pressure on defence capability acquisition decisions will be the budgetary process. Labor has a significant program of expenditure in health, education and other areas of social spending. It anticipates funding through a range of taxation measures alongside general expenditure disciplines across portfolios.

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Should Labor be unable to legislate its taxation measures, it can be expected that the focus will shift towards tighter fiscal constraints in areas including defence. In these circumstances, relationships with Treasurer Chris Bowen and Minister for Finance Jim Chalmers, both of whom will be members of the National Security Committee of Cabinet, will be important. A further significant player at this level will be the Attorney General and Minister for National Security, Mark Dreyfus.

Should such pressures arise and intensify it could be expected that rather than cancel particular projects, the approach taken by Labor will be to delay and postpone decisions on defence acquisitions. It is too early to speculate about such risks for specific programs; however experience suggests that significant programmes such as the future frigates and the future submarines can easily be downgraded to accommodate shorter-term fiscal priorities.

However, the overall outlook for the defence industry would be positive. A Shorten Labor Government can be expected to actively engage with the defence industry at both the level of primes and SMEs and to strongly support the maximisation of job creation and investment in Australia. Labor would also be mindful of the economic importance of the sustainment of defence capabilities, as well as the need to maintain momentum in capability planning and acquisition.



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