



Defence supply chain in Australia

Using industry insights to strengthen
our resilience



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Executive summary

Australia's Defence capability is fundamentally reliant on its supply chain. However, current geopolitical tensions, disrupted global trade, and rapid technological advancements highlight the critical importance of understanding and managing the associated risks.

EY invited the Australian Defence industry to share their perspectives on current government policies and the resilience and security of Australia's Defence supply chain.

With responses from nearly 500 participants, the survey focused on the following objective:

Core objective

To stimulate public discourse on Defence supply chain resilience and security by asking industry stakeholders how they perceive:

- 1 Supply chain risks
 - 2 Policy levers that could strengthen Defence supply chain resilience and security
 - 3 Current supplier support mechanisms and the barriers to developing sovereign capability
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The respondents included a diverse range of geographically dispersed direct and indirect suppliers to Defence, encompassing various sizes and workforce compositions. This comprehensive representation covered all bases, including Tier 1, Tier 2, and Tier 3 organisations. The survey covered those who currently supply to Defence, alongside those who do not but possess relevant capabilities and capacities for Defence-related business across different production and service sectors.

The report presents a picture of an industry that acknowledges progress while also identifying opportunities for improvement.

For instance, three in four (73%) direct suppliers believe Defence has a resilient supply chain, and 72% think government policies effectively support industrial uplift - these are strong foundations to build upon.

Perhaps the most intriguing insight is the clear disconnect between the experiences of direct (Primes/Tier 1) and indirect (Tier 2 and 3) suppliers.



This suggests that the benefits of current initiatives may not be reaching all tiers of the Defence industrial base equally, with direct suppliers expressing a more positive assessment than their indirect counterparts.

When it comes to perceived top risks, these include (in no particular order or priority):

- Ageing infrastructure
- Limited domestic manufacturing capacity
- Skills shortages
- A compliance-focused procurement culture that may hinder innovation and speed to capability

Industry respondents also shared their views on what it would take to strengthen Defence supply chain resilience and security. Three main enablers were identified (in no particular order or priority):

- Building a skilled workforce
- Investing in technology
- Attracting private capital

We hope that this survey-based paper stimulates public discourse on the best ways to support the Australian Defence Force in establishing a recognised, Defence-wide approach for identifying, assessing, and managing supply chain risks, as well as potentially developing a National Defence Supply Chain Resilience Roadmap.

Ultimately, the goal is to ensure that the Defence supply chain is mission-ready and can scale quickly to address threats to national security.

Current policy

In Australia today, there is no single, Defence-specific holistic supply chain policy that integrates all aspects of procurement, industrial development, logistics resilience, and regulatory control.

Instead, supply chain and industrial uplift in the Defence sector are pursued through multiple interrelated strategies, programs, mandates, and regulatory frameworks across various portfolios and capability clusters.

The 2023 Defence Strategic Review (DSR) aimed to reorient Australia's Defence posture in a deteriorating Indo-Pacific environment, emphasising supply chain resilience, a 'whole-of-nation' industrial mobilisation and the need to build scalable sovereign capacity to respond rapidly to unexpected disruptions.

The Defence Industry Development Strategy (DIDS), released in February 2024, provides the Federal Government's framework for Defence industry policy under this new posture. It establishes priority sovereign industrial sectors (Sovereign Defence Industrial Priorities, or SDIPs), proposes procurement reforms (such as simplifying tender requirements and revising ASDEFCON contracting templates), emphasises workforce development, security posture enhancement, deeper engagement with industry, and support for innovation.

One relevant cross-sector law is the Security of Critical Infrastructure Act (SOCI Act 2018), which imposes obligations on "critical Defence industry assets" in the Defence context, such as notifying data service providers, reporting, and risk management. However, it does not mandate all the usual "positive security obligations" in the Defence sector, as many Defence-industry security functions are already managed under the Defence Industry Security Program (DISP).

In addition, more targeted industry policies exist in key capability areas that effectively serve as supply chain interventions:

- The Australian Submarine Agency's AUKUS Submarine Industry Strategy is a capability-specific industrial policy aimed at growing local capacity for submarine build and sustainment. It seeks to create demand clarity, simplify regulation, develop workforce skills, and integrate Australian suppliers into US/UK submarine supply chains.



- The government has also allocated funding (i.e., \$262 million announced in January 2025) to support the uplift of Australian industry so it can participate in the AUKUS nuclear submarine supply chain. This includes programs such as the Defence Industry Development Grants Program, the expansion of the Global Supply Chain Program, and the Defence Industry Vendor Qualification (DIVQ) initiative.
- Additionally, there are specific uplift programs for guided weapons, munitions, continuous naval shipbuilding, test and evaluation, autonomous systems, and more, each with associated industrial or supply chain development initiatives under DIDS or other Defence-managed programs.

In summary, the Australian government is actively utilising a broad range of policy levers to promote Defence industry growth and supply chain resilience, including procurement reform, grants, qualification programs, regulatory simplification, capability prioritisation, and security standards.



Establishing a unified, Defence-wide supply chain policy and an underpinning governance framework would further enhance coordination, ensure consistency across programs, and provide strategic oversight, building upon the existing achievements.

Defence supply chain

Resilience and security

The survey explored the industry's perceptions of supply chain resilience and security, as well as how suppliers manage their own supply chains and their efforts to mitigate risks. The results present a nuanced picture.

Respondents generally believe Defence is on the right track, but they also see opportunities for improvement. The views of prospective suppliers often mirrored those of direct suppliers.

autonomous systems, 78% working on combined-arms land systems, and 79% focused on battlespace awareness view government policies positively. In contrast, only 33% of indirect suppliers share this optimism, along with 52% of suppliers not aligned with any SDIPs.

Direct suppliers demonstrate more sophisticated approaches to supply chain management. Over a third (36%) report having fully international supply chains, and almost a third (29%) have implemented advanced real-time monitoring systems to track supply chain risks. These direct suppliers have also been proactive in building resilience: a third (31%) have diversified their suppliers and sourcing locations, and one quarter (26%) have implemented cybersecurity measures across their networks, with 29% having established long-term contracts to secure capacity.

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The Global Supply Chain Program (GSC) allows us to find, identify, and produce market-ready SMEs in support of ADF capability requirements. This is helpful to ADF for future capability readiness and should be applauded.

Supplier

Industry perceptions

Notably, direct suppliers report a more positive outlook than indirect suppliers.

Three in four (73%) direct suppliers believe Defence has a resilient supply chain, compared to less than half (48%) of indirect suppliers.

This significant gap highlights differing experiences within the Defence supplier base.

The survey reveals that 72% of direct suppliers consider government policies effective in supporting industrial uplift and enhancing potential mobilisation. This sentiment is even stronger among suppliers aligned with SDIPs. 81% of those aligned with development and integration of

Almost half (48%) of direct suppliers indicate that global supply chain disruptions significantly impact their ability to maintain operational readiness for the Department of Defence.

In contrast, indirect suppliers face different realities. These typically smaller organisations – which have annual revenues of less than \$10 million – primarily operate within local markets. In fact, 88% of indirect suppliers operate locally, compared to 51% of direct suppliers. They also tend to have domestic supply chains (38% compared to 24% of direct suppliers).



62% of indirect suppliers report having no monitoring systems in place to track supply chain risks, and nearly a third (29%) have taken no measures to enhance their supply chain resilience. This disparity raises concerns about the vulnerability of lower tiers in the Defence supply chain and whether current support mechanisms adequately reach these smaller, yet critical suppliers.

Perceived risks

Direct, indirect, and prospective suppliers identified a consistent set of challenges facing Defence's supply chain, including:

1. Ageing infrastructure and equipment (40% of direct suppliers, 33% of indirect suppliers, 37% of prospective suppliers)
2. Limited domestic manufacturing capacity (39% direct, 24% indirect, 41% prospective suppliers)
3. Skills shortages in key trades and technical areas (36% direct, 31% indirect, 36% prospective)
4. Insufficient contingency planning (29% direct, 19% indirect, 24% prospective)
5. Dependence on single or overseas suppliers (26% direct, 24% indirect, 31% prospective)
6. Cybersecurity vulnerabilities (24% direct, 14% indirect, 40% prospective)

The impact of these challenges varies by organisation size and alignment with SDIPs. 43% of suppliers aligned with the defence industrial priority of 'domestic weapons manufacturing'

identify limited domestic manufacturing capacity as a significant challenge, which is notably higher than the 30% of suppliers aligned with the priority of continuous naval shipbuilding. Similarly, those involved in system assurance, battlespace awareness, and domestic manufacturing report the cost of compliance with Defence or Prime requirements as a significantly higher challenge at 34-39%. This is in comparison to just 14% of suppliers not aligned with SDIPs.

Recommendations for managing risk

Respondents identified several measures they believe could strengthen Defence's supply chain resilience:

1. Implement government-backed supply chain finance for critical industries (supported by 37% of direct suppliers, 26% of indirect suppliers, and 39% of prospective suppliers)
2. Accelerate procurement and contracting processes during emergencies (36% direct, 24% indirect, and 35% prospective)
3. Enhance cybersecurity standards for all suppliers (35% direct, 24% indirect, and 40% prospective)¹
4. Strategically stockpile critical materials and components (29% direct, 21% indirect, and 38% prospective)
5. Attract private capital (28% direct, 14% indirect, and 20% prospective)
6. Develop real-time supply chain visibility platforms (24% direct, 17% indirect and 40% prospective)

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One of the key issues facing Australia's supply chain is that it looks at technology through a 20th-century lens, not a 21st-century lens. As a result, it does not value the research and development ecosystem that's required to maintain 21st-century capabilities.

Academic respondent



Notably, suppliers involved in key SDIPs show even stronger support for these measures. Approximately half of those working in system assurance (51%) and domestic weapons manufacturing (50%) believe that government-backed supply chain finance could be beneficial, along with 46% of those focused on battlespace awareness. Meanwhile, 45% of suppliers engaged in the development and integration of autonomous systems support the implementation of real-time supply chain visibility platforms as a policy measure.

The survey indicates that managing Defence supply chain risk requires a multi-faceted approach that encompasses procurement reform, direct government investment, technology adoption, workforce development, and the facilitation of private capital. However, perspectives on these initiatives vary.

Direct and indirect suppliers - drawing on their experiences with Defence systems - express more caution regarding the potential impact of these initiatives compared to prospective suppliers who tend to be more optimistic about the proposed solutions.

How suppliers manage their own supply chains

Participants were surveyed about their own supply chain management, yielding the following insights:

62% of indirect suppliers have no supply chain monitoring systems in place, and about 21% have international or hybrid supply chains.

38% of indirect suppliers operate primarily domestic supply chains, compared to 24% of direct suppliers and 36% of prospective suppliers.

Other measures suppliers take to enhance supply chain resilience include:

- Contingency plans (31% direct suppliers, 12% indirect, 30% prospective)
- Regular supply chain risk assessments (29% direct, 12% indirect, 30% prospective)
- Increased domestic manufacturing and assembly (30% direct, 14% indirect, 28% prospective)
- Strengthened supply chain vetting and accreditation (24% direct, 21% indirect, 23% prospective)
- Strategic reserves of materials and components (19% direct, 10% indirect, 22% prospective)

Suppliers that fall under one of the SDIPs are significantly more likely to have implemented supply chain risk management measures.

Respondents believe that effectively managing Defence supply chain risk requires a comprehensive approach, which includes the measures taken by the suppliers themselves but also government support, such as:

- Improving Defence procurement
- Increasing direct government investment,
- Better utilisation of technology
- Building the right skill sets and capabilities
- Facilitating private capital investment

¹ On 30 September 2024, the Defence Industry Security Program (DISP) strengthened cyber security standards. DSPF Control 16.1 was updated to mandate the Australian Cyber Security Centre (ACSC) Essential Eight (E8) mitigation strategies. Existing DISP members are not required to achieve E8 before submitting the Annual Security Report. Companies applying for DISP membership are required to complete the Cyber Security Questionnaire (CSQ) but are also not required to achieve E8 prior to submitting the application. DISP cyber will support companies by assessing the CSQ and providing a Maturity Action Plan. Companies will then enter the DISP cyber uplift program and be offered ongoing support while the actions required to meet E8 are implemented.

Defence procurement process

While most view Defence procurement as comparable to other government agencies, concerns persist about compliance.

Key procurement reform initiatives

Based on the publicly available sources, below is a short summary of the procurement reform initiatives already underway in Defence. These reform initiatives align with the objectives of the Defence Industry Development Strategy (DIDS), particularly:

- The mandate to simplify procurement processes, increase speed, and reduce the burden on industry.
- The goal for Defence to become a smarter, more effective customer.
- Strengthening industry participation, innovation, sovereign capability, and export potential.

ASDEFCON template revisions

The suite of Australian Standards for Defence Contracting (ASDEFCON) templates is undergoing progressive reform. Contracting templates for Complex Materiel, Strategic Materiel, Support, and other categories are being simplified, modernised, and standardised.

"CASG 2.0" procurement reform initiative

Under the Capability Acquisition and Sustainment Group (CASG), reforms include the "Procurement Reform Initiative 1: TDR Reduction", which aims to lessen the burden on industry during the tender process. This initiative is part of a broader agenda to expedite delivery and position Defence as a "smarter buyer".

Improving Defence as a customer

Several reforms are focused on enhancing Defence's engagement with industry:

- Establishing an Industry Intelligence Capability to better understand industry capacity, markets, and supply, enabling Defence to make more informed procurement decisions.
- Implementing a professionalisation framework for Defence project, program, engineering, logistics, and commercial functions to improve the capability to manage complex and rapid procurement processes.
- Enhancing digital engagement with industry, including the development of a proposed Australian digital engineering strategy.



- Introducing reciprocal industry secondment frameworks, allowing industry personnel to work within Defence and vice versa, fostering mutual understanding and capability development.

Policy/program updates to encourage industry participation and global supply chains

The Defence Policy for Industry Participation (DPIP) and related programs - Australian Industry Capability (AIC) and Global Supply Chain (GSC) - are being updated to better connect innovation, capability development, and export potential.

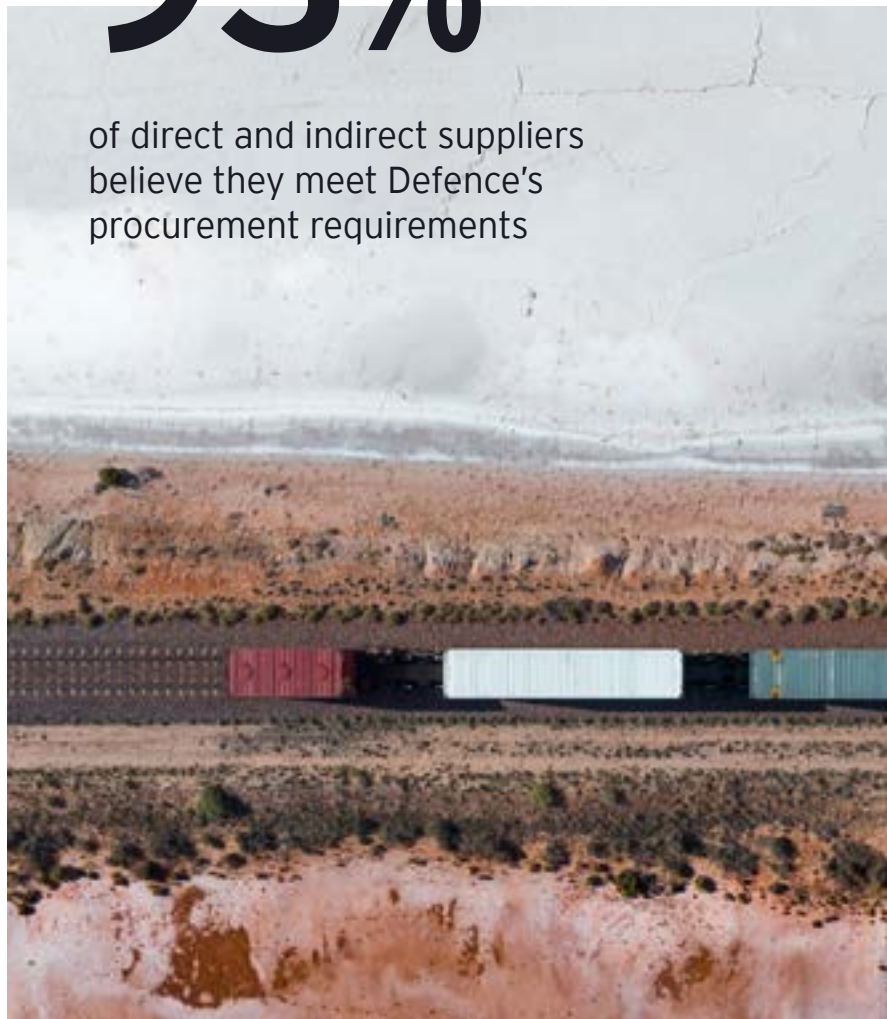
Current supplier confidence

The survey indicates that current Defence suppliers have a high level of confidence in their ability to meet procurement requirements.

An overwhelming 93% of both direct and indirect suppliers believe they have what it takes to fulfil Defence contracts. However, this confidence drops significantly among prospective suppliers to 57%. This confidence gap is particularly pronounced among smaller organisations. Suppliers with annual revenue under \$10 million are significantly less likely to believe they meet Defence's requirements (only 49%).

93%

of direct and indirect suppliers believe they meet Defence's procurement requirements





85%

of current suppliers believe early visibility of budget allocations will positively impact the procurement process

70%

of direct suppliers believe Defence's procurement processes and technology value compliance over delivering outcomes and execution

81%

of current suppliers believe simplification of the process will positively impact the procurement process

Similarly, organisations with fewer than 20 full-time employees (only 54%) report lower confidence compared to larger firms.

Even more striking, 55% of prospective suppliers are unaware that Defence issues procurement opportunities relevant to their organisations, suggesting that there is room for improvement in outreach.

Among those who have successfully won Defence contracts, the value varies considerably. Direct suppliers report a more substantial engagement, with 33% having won contracts worth \$100 million to \$1 billion over the past five years, and 11% securing contracts exceeding \$1 billion. In contrast, half of indirect suppliers report contract values below \$5 million.

Most suppliers view Defence's procurement processes as comparable to other Australian government organisations. However, perceptions diverge when comparing Defence to private sector organisations. 22% of all suppliers – 17% of direct and 36% of indirect – believe Defence's procurement processes lag behind Australian private sector organisations. This perception gap suggests that, while Defence may be meeting government standards, it may not yet have achieved the efficiency and agility that industry experiences in commercial contexts.

It is interesting to note that direct suppliers have a more positive perception of Defence procurement, which suggests that the process is smoother than outsiders would believe.

The compliance conundrum

A point of view emerges: most direct suppliers believe current processes value compliance over delivering outcomes.

This perception is especially strong among suppliers aligned with SDIPs, ranging from 73% to 84% across different capability areas. In contrast, only 38% of suppliers not aligned with SDIPs share this view, suggesting those working most closely with Defence feel the weight of compliance requirements most acutely.

This compliance-dominant approach potentially creates several challenges:

- **Innovation constraints:** When compliance becomes the primary focus, suppliers may be less inclined to propose innovative solutions that might not fit neatly within existing frameworks.

- **Speed to capability:** Rigid processes can slow the delivery of critical capabilities, particularly in rapidly evolving technological domains.
- **Resource burden:** Smaller suppliers may struggle to meet extensive compliance requirements, potentially excluding them from opportunities despite having relevant capabilities.

42%

of direct suppliers and 21% of indirect suppliers believe Defence's procurement technology and e-procurement systems are modern

Among smaller suppliers (those with fewer than 20 full-time employees or less than \$10 million in revenue), this perception is even less, with 16-33% respectively viewing the systems as modern.

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Repeat orders in the manufacturing space look like being for a number of years. It is positive that we don't have to re-tender every year.

Supplier

What's working well

Suppliers identify many positive aspects of Defence's procurement processes worth keeping:

- **Transparency and communications:** Suppliers appreciate clear processes and communication channels.
- **Long-term contracts:** The stability of multi-year agreements allows for better planning and investment.
- **Established systems:** Familiarity with existing processes enables efficiency, even if improvements are needed.

Recommendations for improvement

Suppliers provide clear guidance on steps Defence could take to improve the quality of procurement processes:

- Provide early visibility of budget allocations and clear demand signals (86% of direct suppliers, 81% of indirect suppliers, 78% of prospective suppliers)
- Provide guaranteed longer-term opportunities with multi-year funding (84% direct, 81% indirect, 77% prospective)
- Simplify processes (83% direct, 74% indirect, 77% prospective)
- Build commercial acumen in procurement and contract management teams (70% direct, 62% indirect, 71% prospective)
- Treat organisations as strategic partners (70% direct, 52% indirect, 72% prospective)

These recommendations reflect a desire for an approach that enables true strategic partnership. Early demand visibility allows suppliers to invest in capabilities, facilities, and workforce with greater confidence. Multi-year funding commitments provide the stability needed for strategic planning and capital investment.

Understand industry economics, technology trajectories, and market dynamics by Defence buyers enables more effective dialogue with industry and better-informed decisions about capability development.

77%

of prospective suppliers want greater transparency around procurement, compared to 60% of direct and 40% of indirect

Prospective suppliers prioritise better visibility. Seventy-seven percent believe enhanced transparency through clear and simple communication would positively impact procurement, compared to 60% of direct suppliers and just 40% of indirect suppliers.

Building resilience

Key enablers for the future



53%

of direct suppliers and 50% of prospective suppliers believe a skilled workforce is essential to improving Defence's mobilisation capabilities

Addressing Defence supply chain vulnerabilities requires not just the policy reform but also investment in three fundamental enablers.

Workforce capability, technological innovation, and private capital emerge as crucial to building supply chain resilience.

The survey suggests that success depends on making these enablers accessible across all supplier tiers and economically sustainable for industry.

Workforce: The foundation of capability

Maintaining a skilled, available, and mobile workforce is essential for improving Defence's mobilisation capabilities, as identified by half of direct and prospective suppliers. This priority reflects a broader reality: without the right people, even the most advanced technology and well-funded programs cannot deliver results.

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Lessons learned from Ukraine suggests that they're as successful as they are now (in their supply chain) because as well as mobilising industry, they mobilise their research and development base within the country. And as a result, they've been able to constantly evolve their capabilities to counter Russian effects.

Academic respondent

The observation regarding Ukraine points to a workforce that spans not just manufacturing and maintenance but also R&D. The ability to rapidly innovate and adapt capabilities in response to emerging threats requires a diverse talent pool with deep technical expertise. Current government initiatives - including the Defence Industry Internship Program and the establishment of a Skills and Training Academy - represent important steps to achieving this end.

Technology as a force multiplier

Respondents identify three key technologies they believe will have significant positive impact on Defence's supply chain management over the next five years:

1. Cybersecurity innovations for supply chain protection (41% of direct suppliers, 24% of indirect suppliers, 45% of prospective suppliers)
2. AI and machine learning for demand forecasting (36% direct, 14% indirect, 45% prospective)
3. Advanced robotics and automation in manufacturing and logistics (35% direct, 19% indirect, and 41% prospective)

Attitudes towards AI and machine learning for demand forecasting reveal an interesting divide. While direct and prospective suppliers see substantial potential, indirect suppliers express more scepticism, with only 14% viewing these technologies positively compared to 45% of direct suppliers and 45% of prospective suppliers.

Notably, smaller suppliers with less than 20 employees show greater scepticism about technology's potential impact overall.

Private capital: A catalyst for innovation

Nearly half (44%) of direct suppliers and prospective suppliers (46%) believe private capital should play a role in uplifting the Defence industry, though only 29% of indirect suppliers share this view. This difference may reflect indirect suppliers' more limited exposure to capital markets or concerns about maintaining independence.

Among those who support private capital involvement, there is clear consensus on where it should be directed:

- Invest in advanced manufacturing capacity (60% of direct suppliers, 75% of indirect suppliers, 51% of prospective suppliers)
- Co-invest in strategic infrastructure (53% direct, 58% indirect, 44% prospective)
- Venture capital for Defence solutions (51% direct, 25% indirect, 39% prospective)
- Fund rapid production during mobilisation (51% direct, 42% indirect, 30% prospective)

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One of the issues with SMEs in Australia is if they just rely on cash flow from the Australian Department of Defence, they will most likely go out of business within five to seven years because of the scale of orders, the continuity of order and the bureaucratic overhead... There is a role for private equity.

Academic respondent

The observation from the academic respondent underscores an important commercial reality: Defence cannot be the sole customer for most suppliers if they are to remain viable. Dual-use capabilities – where products serve both Defence and civilian markets – provide business sustainability while maintaining Defence-relevant capacity. Private capital can go a long way to enable this diversification.

Creating the conditions for private investment

Suppliers identify remarkably consistent priorities for facilitating private capital flow into Defence, regardless of their size or current relationship with Defence:

Top three priorities for direct suppliers:

1. Tax incentives (70%)
2. Greater policy certainty (49%)
3. Enhanced access to Defence market forecasts / clearer partnership pathways (43%)

Top three priorities for indirect suppliers:

1. Streamlined procurement and lower bid costs (58%)
2. Reduced unnecessary compliance burden (50%)
3. Tax incentives / clearer partnership pathways (33%)

Top three priorities for prospective suppliers:

1. Tax incentives (46%)
2. Greater policy certainty (44%)
3. Clearer pathways for partnerships (43%)

The common thread across all groups is the need for tax incentives and clearer, more predictable pathways for engagement with Defence. Policy certainty emerged as particularly important.

Private capital's role in accelerating technological innovation deserves special attention. The survey suggests that private investment could help bridge the divide between research and deployment, particularly for technologies at higher Technology Readiness Levels (TRLs). While government funding supports early-stage research, private capital can provide the resources needed to scale promising technologies and bring them to market more quickly.

The Defence supply chain would benefit from being more economically viable with systems to track where investments are made and whether they deliver value. Taking a systemic view also enables a more strategic approach to maintenance, repair, and overhaul, potentially alleviating some current skills shortages by optimising how technical expertise is deployed.

Pursuing sovereign capability with global integration

A noteworthy insight emerges from respondents around the balance between sovereign capability and global supply chain integration.

While building domestic capacity is necessary, complete self-sufficiency may be neither achievable nor desirable.

This perspective suggests a more nuanced approach: being strategic about what Australia manufactures domestically versus what is assembled from global components. True supply chain resilience may lie in understanding which capabilities must be sovereign for security reasons, which can be sourced from trusted partners, and how to maintain both pathways simultaneously.

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Having companies that purely do Defence work is the wrong way. You need companies that are diverse... Defence gives you those bulk orders... But the problem is we'll deliver... to Defence (today), and it'll be 20 years before they need another... So, you can't just be dependent on that.

Supplier

Conclusion

Continuing the conversation

A coordinated supply chain resilience roadmap?

As highlighted in the survey, several lines of enquiry warrant ongoing discussion:

- How do we create a consistent, **Defence-wide approach** to ensure supply chain resilience and security, including enabling system-wide assessments, early risk identification, and proactive **holistic** mitigation strategies?
- How can we develop a **comprehensive Defence supply chain resilience roadmap** that integrates existing initiatives and addresses identified gaps to support **all tiers** of the Defence industrial base?
- What strategies can we implement to build on the foundation that Defence has already established, particularly through **continued investment** in workforce development, advanced manufacturing capacity, and critical infrastructure, which underpin all other capabilities?
- How can we enable greater technology adoption across the Defence supply chain, ensuring that cybersecurity tools, AI-enabled forecasting, and advanced monitoring systems are accessible to **suppliers of all sizes** to enhance resilience throughout the industrial base?
- What are the most effective ways to facilitate **private capital investment in Defence**, including creating clearer pathways, stronger tax incentives, and greater policy certainty to unlock private investment and accelerate innovation while building dual-use capabilities?
- How can Defence's procurement approach be improved to streamline processes, enhance commercial acumen, provide early demand visibility, and shift the focus from compliance as a goal to **compliance as a means to achieve better outcomes**?

By fostering ongoing dialogue among government, allies, Defence, Primes, SMEs, research institutions, and other stakeholders - and determining a best-practice approach moving forward - Australia can build a Defence industrial base that is truly resilient, innovative, and capable of responding to emerging challenges.

EY is committed to supporting this dialogue and assisting Defence and industry partners in developing practical solutions to strengthen Australia's sovereign Defence capabilities.

An idea to consider: Supply chain resilience index

A concept worth exploring is the Supply Chain Resilience Index (SCRI), which could be integrated into a more structured, capability-specific approach to supply chain risk management. In this model, capability managers would define their risk appetite, which could be adjusted based on the threat profile. They would also establish clear criteria for measuring supply chain resilience, ensuring a logical connection to capability requirements. The Delivery Groups (or DISP) would then oversee and validate the Primes' assessments of their supply chains against these criteria, providing Defence with a consistent view of risk and performance.

The SCRI would serve as a dynamic reflection of these assessments, evolving as risk appetites change or mitigation measures are implemented. This approach would enable Defence to not only understand resilience in the context of specific capability requirements but also to identify where targeted investments could most effectively reduce risk. Over time, aggregated insights from the Index could provide Defence with a comprehensive, enterprise-wide view of supply chain resilience, supporting more strategic, macro-level investment and policy decisions.

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