DeltaPearl Partners

The Defence Dividend: Strengthening Australia's Economy Through Sovereign Defence Procurement

Two-Page Synopsis – Full Details in Final Report

Prepared for Sovereign Australian Prime Alliance

25 November 2025

SAPA
SOVEREIGN AUSTRALIAN PRIME ALLIANCE

DeltaPearl Partners

DeltaPearl Partners is a professional services firm specialising in:

- ECONOMICS
- PUBLIC POLICY
- STRATEGY
- CORPORATE ADVISORY

WWW.DELTAPEARLPARTNERS.COM | ACN: 621042537 | INFO@DELTAPEARLPARTNERS.COM

DISCLAIMER

This report has been prepared for the Sovereign Australian Prime Alliance (SAPA) and its members for an express purpose. Whilst DeltaPearl Partners endeavours to provide reliable analysis and believes the material presented to be accurate, it will not be liable for any party acting on such information. DeltaPearl Partners has relied on the accuracy and completeness of available data, and the analysis relies on models, empirical data and assumptions we believe to be reasonable and accurate; however, we make no representation or warranty regarding the analytical outcomes.

Context and background

In 2025 the Australian Government introduced significant reforms to the Commonwealth Procurement Rules (CPRs), lowering procurement thresholds for economic benefit assessments, strengthening preferences for local businesses, and formally defining "Australian business" in procurement policy. The Sovereign Australian Prime Alliance (SAPA) tasked DeltaPearl Partners to set out arguments for and against stronger preferences for Australian defence suppliers in Australian Government procurement using robust, quantitative evidence. Both government and industry have expressed an interest in understanding the actual economic returns that might be gained from a relative increase of procurement spending with Australian defence suppliers, hence the completion of this analysis.

Sovereign procurement yields higher returns

Our central finding is clear: a strategic reallocation of Defence procurement funding is one of the most powerful policy levers available to the Australian Government to maximise domestic economic benefit, create high-value jobs, and build genuine sovereign capability. This relates to procurement of both services and materiel. The economic analysis and modelling in this report demonstrate that prioritising genuinely Australian-owned and operated prime contractors delivers substantial fiscal and strategic benefits, termed the "defence dividend." This approach minimises profit leakage offshore, strengthens domestic supply chains, and fosters high-value job creation, innovation, and export potential. However, the CPRs and current framework do not deliver adequately on these goals.

Economic modelling scenarios

Three budget-neutral scenarios were modelled (i.e., assuming no change to the Defence budget set out in the National Defence Strategy) to quantify the national benefit of a revised procurement approach. All three scenarios create positive impacts through increased local jobs, taxes, and indirect supply chain stimulus.

- Scenario 1 involves shifting a portion of *total* Defence spending (5%) from imports to Australia-based companies (including foreign subsidiaries).
- Scenario 2 involves reallocating a portion of *domestic* Defence spending (10%) from foreign-owned subsidiaries based in Australia to fully Australian-owned companies.
- Scenario 3 involves combining Scenarios 1 and 2. This has a multiplicative effect that increases the size of the positive impacts. That is, the scenarios are not mutually exclusive.

Table 1: Comparison of scenario outcomes

Defence budget reallocation option	Reallocation Assumption	Net GDP Added (Annual)	Job Creation (Annual)
Scenario 1: Shift defence spending from imports to domestic procurement (to Australian-based entities, including foreign subsidiaries in Australia)	5% of total Defence procurement	$3.4-5.6 billion	17,131-29,278 FTEs
Scenario 2: Shift defence spending from foreign-owned Australian subsidiaries to Australian Primes	10% of local Defence procurement	$1.4-2.3 billion	7,558-12,474 FTEs
Scenario 3: Scenario 1 + Scenario 2	1 + 2	$5.0-8.1 billion	25,569-43,205 FTEs

The Defence Dividend

This analysis demonstrates that prioritising Australian-owned primes in defence procurement delivers significantly greater economic returns for Australia. Relatively more spending with genuinely Australian-owned companies (Scenario 2) generates a 57% greater return to national GDP. And when combined with a 5% reduction in imports (Scenario 1) this produces the maximum Defence Dividend (Scenario 3) – a net annual GDP gain of between $5 billion and $8.1 billion.

Policy implications and recommendations - summarised

1. Redefine 'Value for Money'

The Australian Government should establish a mandatory weighted procurement evaluation framework that quantifies the total value proposition of a bid. Australian Government procurement policies and practices must explicitly acknowledge that the "value" in value for money is not just financial but also strategic and economic value — measured by the contribution to Australia's sovereign industrial base and national resilience. This redefinition requires formal articulation in procurement guidelines, training, and accountability mechanisms to ensure that procurement officers and decision-makers understand the strategic imperatives of defence expenditure.

2. Adopt a Quantitative Framework for Procurement Decisions

The Australian Government should adopt a quantitative tool such as the recommended Sovereign Dividend Scorecard (SDS) prepared as part of this project for Defence procurement. This framework moves the assessment beyond the ticket price to a holistic "net benefit to nation" calculation.

3. Strengthen the Definition of an "Australian Business"

The definition of an Australian business in Defence's industry policy should be strengthened to ensure contracts awarded in the national interest deliver genuine sovereign benefits, prioritising firms with Australian ownership, control, and IP retention, reflecting the definition included in the Department of Finance's CPRs, and use it for all future tender design, analysis and subsequent reporting.

4. Empower Procurement Officials with Clear Tools and a Stronger Mandate

Policy intentions are failing at the operational level because procurement officers lack the tools and confidence to prioritise sovereign outcomes. Systemic changes are essential to empower these key decision-makers. The Australian Government should provide practical tools to assist procurement decisions to consider more than the "ticket price." A three-pillar framework is proposed: Economic Dividend; National Growth Dividend; and Sovereign Capability Dividend.

5. Adopt a Deliberate Whole-Of-Government Approach to Defence Procurement

The Australian Government should reframe Defence procurement as a primary instrument of national policy, not merely a cost impost. This requires a whole-of-nation approach to: Integrate Procurement with National Strategy; Adopt a Whole-of-Government Approach; and, Highlight the Superior Return on Investment: Our economic modelling shows that reallocating spending to Australian primes yields much higher multiplier effects, innovation spillovers, export potential, and ESG benefits, presenting a powerful, evidence-based argument for changing procurement behaviour.

Maximising the Defence Dividend - A Balanced Approach

Prioritising Australian primes in Australian defence procurement is a powerful lever for national economic growth, innovation, resilience, and national security, ensuring that public expenditure delivers lasting value for Australia. Strategic procurement must target increased genuine Australian content, including services and materiel in priority areas—critical capabilities, innovation platforms, exportable technologies—while maintaining flexibility to access specific foreign technologies and capabilities from trusted international partners when necessary. Combining both approaches, expanding overall domestic spend with Australian primes but favouring sovereign primes where logical, maximises economic return and sovereign capacity. The reforms to the CPRs to date are a meaningful but incomplete step. More targeted implementation and robust evaluation frameworks, combined with stronger preferences for Australian businesses that retain profits, intellectual property and decision-making in Australia, are required to translate policy ambitions into practical, measurable sovereign benefits – a defence dividend.

DeltaPearl
Partners