The Economic Contribution of Babcock in Australia

March 2025

OXFORD ECONOMICS AUSTRALIA

To discuss the report further please contact:

Angus Colovic: acolovic@oxfordeconomics.com

Oxford Economics Australia,
Level 6, 95 Pitt St., Sydney, 2000
Tel: +61 2 8454 4224

Oxford Economics

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March 2025

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics Australia has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

Contents

Foreword

At Babcock we are led by our Purpose: to create a safe and secure world, together.

For more than 130 years, Babcock has been a trusted guardian of national security, protecting lives and maintaining lines of defence across the globe. We are proud of the significant role we play in empowering our servicemen and women to successfully fulfil their missions.

Australasia is a key focus region for Babcock International Group. Our ongoing investment and commitment to further increase and strengthen our presence across Australia demonstrates this. In 2024 alone, we opened two major Defence-accredited facilities: **1)** a $31 million cutting-edge building in South Australia that will allow our maintenance, manufacturing and repair operations in Adelaide to double in scale, and **2)** we formally launched our new International Engineering & Technology Hub in Melbourne, as part of increased research and development efforts across multiple defence domains.

Our local experience is backed by a strong heritage in defence and emergency services markets globally. Our diverse portfolio allows us to contribute to both national security and broader infrastructure needs across Australia. At the heart of this is our people who are committed to ensuring we deliver excellence for our customers, each and every day.

Our Purpose reflects our commitment to making a positive contribution to the communities in which we operate, providing highly-skilled jobs and delivering social and economic sustainability. That is why we have asked Oxford Economics to develop an independent analysis of the economic value of that contribution.

Data in this report shows that in FY24, Babcock generated $758 million in Gross Domestic Product through its direct spending, robust supply chain activities and the wider flow on economic effects of this activity. We also supported 4,392 full time equivalent jobs. Our labour productivity was 16% higher than the economy-wide average.

The vast technical knowledge of our workforce is evident in the fact that 74% of our employees hold an undergraduate degree - more than triple the national average - and 24% are employed as engineers. These skilled team members provide innovative engineering solutions to our key programs, contributing significantly to national security and resilience.

This report highlights our support of Australian businesses and communities. A substantial proportion of our procurement spend goes toward engaging Australian small and medium-sized enterprises, whilst we invest heavily in social initiatives that create meaningful, positive and lasting benefit.

As we continue to shape our business for future growth, we remain committed to delivering high-quality solutions for our customers, and in turn making a significant economic contribution to the Australian communities we proudly serve.

Andrew Cridland
Babcock Australasia Chief Executive Officer

Executive Summary

Babcock Australasia ("Babcock") plays a crucial role in Australia's Defence industry and is one of the country's leading providers of helicopter emergency medical services, providing innovative engineering solutions and contributing significantly to national security and resilience.

Babcock has been a trusted partner in Australia for many years, delivering critical sustainment, asset management, and engineering services. With a focus on maritime, aviation, and land sectors, Babcock leverages its extensive global expertise to provide cutting-edge services tailored to the unique needs of the Australian market. The company is also committed to supporting Australian businesses and communities, having both focused a substantial proportion of its spending in Australia toward small and medium-sized enterprises (SMEs), and contributing to numerous social initiatives.

Beyond its operational importance, Babcock contributes significantly to the Australian economy.

Through its activities, the company sustains economic activity across multiple sectors––including its own operations, its supply chain, and consumer industries benefiting from employee spending. This contribution is assessed in terms of Gross Domestic Product (GDP), employment, and tax revenues.

In FY24[1], Babcock contributed a total of $758 million to Australian GDP and sustained 4,392 full-time equivalent (FTE) jobs.

This total economic footprint includes Babcock's direct activities, its supply chain contributions, and the wider economic effects of employee spending.

Of this, Babcock's direct activities accounted for $283 million in GDP and 1,498 FTE jobs. The company's labour productivity was 16% higher than the economy-wide average and 12% higher than the average across the Australian Defence sector.

Babcock plays a vital role in supporting economic activity across key states in Australia, driving growth and sustaining employment.

Babcock's operations make a substantial economic impact, with activities in South Australia contributing an estimated $163 million to GDP and supporting 1,041 jobs. Similarly, its operations in Western Australia have generated approximately $253 million in GDP while sustaining 859 jobs.

Babcock also supports skill development and maintains a highly technical workforce.

74% of Babcock's employees have an undergraduate degree as their highest level of educational achievement – more than triple the national average. Likewise, 24% of Babcock's workforce are employed as engineers, or in related roles. This emphasis on advanced education and technical expertise positions Babcock as a leader in fostering innovation and supporting Australia's growing need for a highly skilled workforce in critical industries.

Babcock's specific projects and initiatives demonstrate its substantial contribution to Australia's economy and strategic capabilities.

Key programs such as the Defence High Frequency Communications System (DHFCS), Regional Maintenance Provider – West and Collins Class Submarine sustainment highlight Babcock's role in supporting sovereign defence priorities, engaging local suppliers, and fostering workforce development. Additionally, its aviation and emergency services operations underscore its critical role in public safety and disaster resilience, further amplifying its economic and societal impact across the nation.

Babcock is also deeply committed to driving social progress and fostering inclusivity through targeted initiatives that deliver tangible benefits across Australasia.

Its diverse programs support First Nations communities, advance STEM education and gender equity, and promote veteran welfare, showcasing the company's dedication to empowering underrepresented groups. By investing in education for Indigenous youth, building a sustainable STEM workforce, and supporting the well-being and inclusion of veterans and local communities, Babcock reinforces its role as a socially responsible and community-focused organisation.

Babcock's strong commitment to supporting small and medium-sized enterprises (SMEs) is evident in its FY24 procurement activities, with 667 SMEs engaged across Australia.

These SMEs accounted for 53% of the 1,259 businesses Babcock worked with, representing a total spend of $92 million (inc. GST) - nearly half of its $188 million (inc. GST) procurement expenditure. Through key projects like the DHFCS, Babcock supported 71 SMEs with contracts worth $3.7 million, while partnerships with Indigenous-owned businesses contributed over $2.5 million. These efforts align with Australia's Sovereign Defence Industry Priorities, fostering robust local supply chains, enabling regional participation, and strengthening the role of SMEs in delivering critical national projects.

1. Babcock's FY24 ran from 1 April 2023 to 31 March 2024

Introduction

Babcock is a prominent player in the Australian Defence sector, offering a range of services across maintenance, sustainment, and project management. It is also one of the country's leading providers of helicopter emergency medical services.

The company is deeply involved in supporting critical defence infrastructure, including the maintenance of naval vessels, submarines, and air assets. With a focus on long-term sustainment programs, Babcock delivers expertise in managing the lifecycle of defence equipment, ensuring operational readiness and extending service life through its engineering and technical capabilities.

Babcock Australasia began operations in 1990, following over a century of Babcock's global experience in national security.

Babcock undertakes operations at 29 sites (**Fig. 1**) across the country, delivering engineering, support and critical systems to Defence and Civil customers nationwide.

In addition to its Defence work, Babcock is engaged in contracts with the Queensland, South Australian and Victorian governments to provide emergency aviation services.

This diverse portfolio allows Babcock to contribute to both national security and broader infrastructure needs across Australia.

Babcock's operations in Australia are underpinned by its commitment to innovation and localised service delivery.

The company places a strong emphasis on employing Australian talent, building local partnerships, and contributing to the country's industrial capability. Its ongoing investments in research and development ensure that Babcock stays at the forefront of technological advancements, delivering cutting-edge solutions to meet the evolving needs of both the Defence and Civil sectors.

Babcock is also committed to advancing the future of education in Australia and supporting Australian communities.

Through the provision of ongoing local community support, Babcock supports the future work force, providing sponsorship to Indigenous students and supporting women in STEM. Support is also provided to Veterans' initiatives, including for the Australian Defence Force, and Military and Emergency Services Health Australia (MESHA).

Babcock is currently involved in a range of projects across Australia, demonstrating its significant role in defence, engineering, and infrastructure.

Notably, the company has partnered with Huntington Ingalls Industries (HII) to support Australia's involvement in the AUKUS nuclear submarine program. This collaboration focuses on developing nuclear-powered submarine capabilities, including infrastructure, sustainment, and skills development, leveraging expertise from the UK, USA, and Australia to enhance sovereign capabilities. In the maritime sector, Babcock is the Regional Maintenance Provider West under the Commonwealth's Maritime Sustainment Model.

The company recently opened its new Woodville North facility; a $31 million, cutting-edge building that will see its maintenance, manufacturing and repair work in Adelaide double in scale.

The 6,000m^2, defence-accredited facility will be home to more than 100 Babcock engineers and focus on critical Defence programs. These include the Collins Class in-service sustainment and future Life of Type Extension (LOTE) support, systems on the Hunter Class Frigates, Counter Chemical, Biological, Radiological, Nuclear and Explosive (C-CBRNE) asset management, and future AUKUS endeavours.

Babcock's projects extend to asset management and communications.

The company continues to deliver innovative engineering solutions for mission-critical applications and provides high-frequency communication systems for the Australian Defence Force (ADF). These activities underscore Babcock's commitment to strengthening Australia's national security and industrial capabilities.

This report quantifies the economic contribution of Babcock Australasia in Australia in its 2024 financial year from 1 April 2023 to 31 March 2024 (FY24).

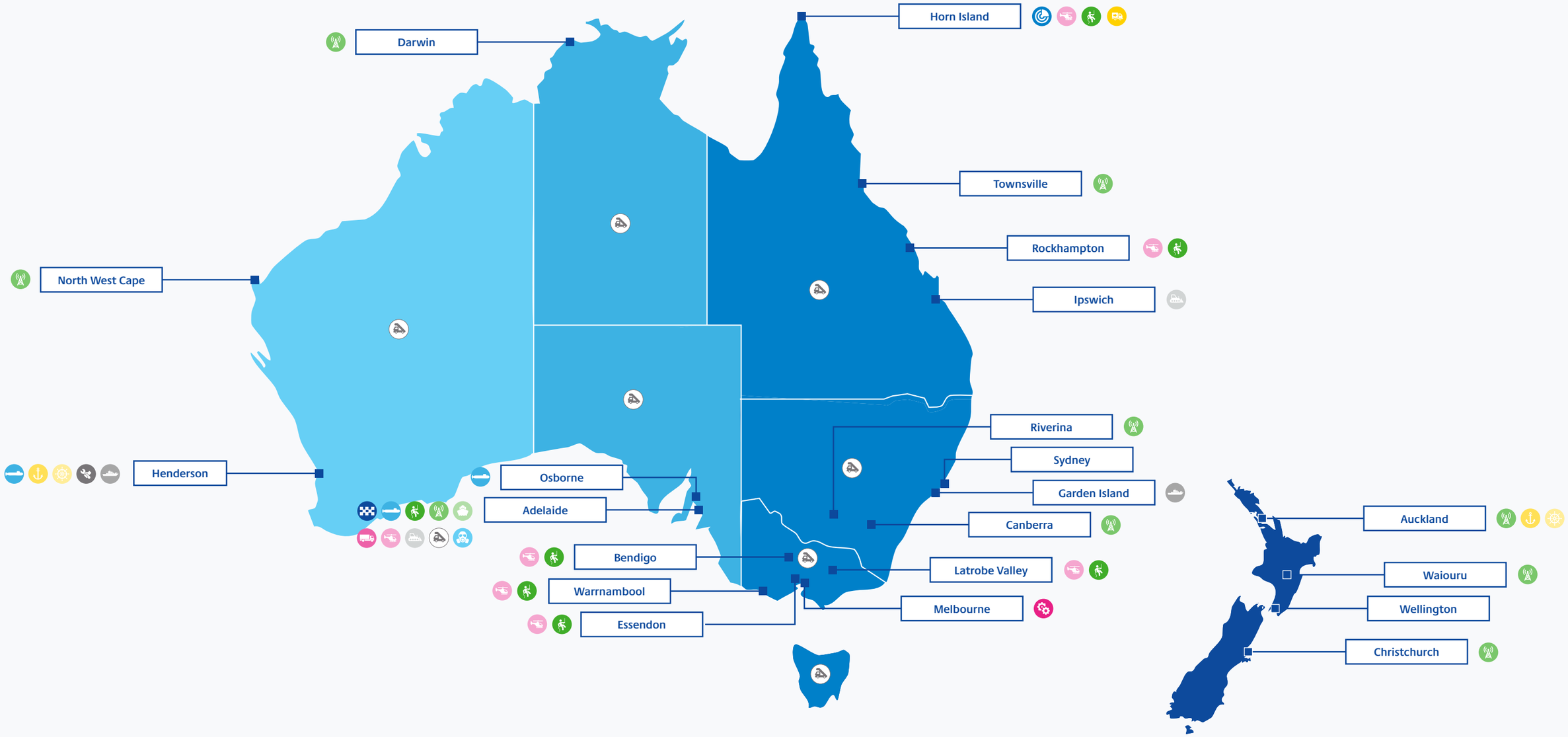
Alongside examining the GDP impacts of Babcock's operations, it also estimates contributions to employment, labour productivity, and tax revenue.

In the second half of the report, we explore the composition of jobs and skills within Babcock's workforce, highlighting the company's role in driving high-value employment and skills development in Australia's Defence sector. We also examine Babcock's community and social initiatives, showcasing the holistic impacts the company delivers in the communities where it operates.

Our findings are presented by estimating Babcock's national economic impact as well as its specific contributions to South Australia and Western Australia.

Additionally, we separate our analysis into the two core areas of Babcock's business: Defence operations and Civil operations, offering a nuanced understanding of the company's diverse economic footprint. This dual focus allows us to highlight the distinct yet interconnected roles each segment plays in supporting Australia's economy and society.

Fig 1:
Map of Babcock Sites in Australia with key sites highlighted, FY24



- Airborne law enforcement
- Airborne surveillance
- Collins class submarine sustainment
- Engineering and technology
- Fleet and asset management
- Helicopter emergency medical services
- Helicopter search and rescue
- High frequency communications
- Hunter class air weapons handling system
- Logistic support
- Maritime fleet sustainment services
- Maritime industrial design
- Regional maintenance provider west
- Warship asset management agreement
- ADF ground support equipment
- Airport ground support equipment
- Counter chemical, biological, radiological, nuclear and explosive (C-CBRNE) support. **Full sites undisclosed.**

babcock™

Modelling the economic contribution of Babcock

Our approach to measuring the impact of Babcock in Australia is focused on economic contribution. That is, the contribution made to both national and state economies because of Babcock's operations. We view these contributions through three distinct lenses:

Direct Contributions

Direct contributions reflect the immediate economic activity generated by an organisation or industry through its own operations. It includes factors like the value of goods and services produced, wages paid to employees, and revenue.

Within our analysis, Babcock's direct contribution reflects its employee numbers and compensation, fringe benefits tax (FBT), earnings before interest, tax, depreciation and amortisation (EBITDA) and payroll tax.

Indirect Contributions

Indirect contributions arise from the economic activity generated in supply chains that result from the organisation's procurement of goods and services.

These include the goods and services purchased by the organisation from other industries, such as suppliers of raw materials, transport, or utilities.

Babcock's indirect contributions within our model reflect both its capital and non-capital procurement.

Induced Contributions

Induced contributions reflect the broader economic effects of the spending of wages earned by employees, both within the organisation and across the supply chain.

This includes the consumption of goods and services like housing, retail, and leisure, which supports further economic activity.

In our model, induced contributions reflect the spending of both Babcock's employees, as well those of its suppliers.

- Please note that the estimates presented in this report are rounded to the nearest full-time equivalent (FTE) worker, million or thousand Australian dollars. In some cases, disaggregated figures have been adjusted up or down by a single increment to ensure they add to reported totals.

Further details of these contribution channels, and how they have been structured within the model, are presented in the Appendix. Drawing from these channels, the total economic footprint of Babcock is illustrated through three key metrics:

GDP

1. We estimate the impact of Babcock's operations on Australian national and state GDP through the estimation of Gross Value Added (GVA). We use these terms interchangeably throughout this report. GVA reflects the value of goods and services produced by an organisation or industry, less the cost of inputs and raw materials used in production.

It serves as a key component of GDP, which includes GVA alongside taxes on products and subsidies not captured in GVA. While GDP measures the total economic output at market prices, GVA focuses specifically on the value generated at each stage of production within the economy.

2. In this model, we use the terms interchangeably for simplicity, but it is important to note that GVA excludes product taxes and subsidies, which are integral to GDP calculations. Within our model, this specifically refers to the exclusion of both payroll tax and GST.

Employment

We estimate the employment impacts of Babcock's operations using Full-Time Equivalent (FTE) metrics. FTE represents the total number of full-time jobs or equivalent workload generated directly, indirectly, and through induced effects.

It standardises employment impacts, accounting for both full-time and part-time roles by converting them into full-time workload equivalents.

Tax

We estimate the local, state, and federal tax contributions associated with Babcock's operations. This encompasses taxes generated directly by the company, as well as those arising through indirect and induced effects. This notably includes corporate taxes, payroll taxes, and GST generated directly, indirectly and through induced channels resulting from Babcock's operations.

In addition to analysing the key model outputs that quantitatively demonstrate the total economic impact of Babcock, this report also examines a range of wider impacts.

These provide valuable context by highlighting the company's broader contributions to skills development, social outcomes, and community engagement. Specifically, the report explores:

- The typical educational qualifications and skill levels attained by Babcock Australia's workforce
- A summary of Babcock's major Defence and Civil projects
- An investigation into Babcock's socio-economic contributions
- An examination of Babcock's support for SMEs in its supply chain

GDP Impact

This section of the report outlines the contribution Babcock made to Australian GDP[2] in FY24. We also include a comparison of the labour productivity relative to national averages, and the key industries supported by its operations. These insights provide a detailed view of Babcock's role in driving economic growth and supporting industry development across Australia.

2. In this report, GDP is represented by Gross Value Added (GVA), which measures the value of goods and services produced in an economy, less the cost of inputs and raw materials used in production. While GDP includes both GVA and taxes on products minus subsidies, GVA specifically focuses on the value added at each stage of production within the economy. Thus, while the report uses the term GDP for simplicity, it is important to understand that it is derived from GVA calculations.

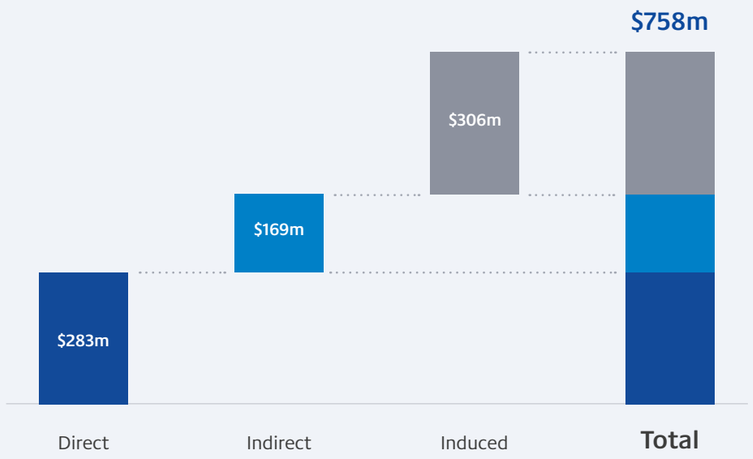
2.1 Total GDP Contribution

Babcock made a total contribution to Australian GDP worth $758 million in FY24 (Fig. 2).

This was spurred by the company's direct activity, which was worth $283m, ultimately driving a combined indirect and induced impact of $475m.

These figures correspond to a multiplier of 2.7 for Babcock in FY24. This indicates that for every dollar of Babcock's output, the Australian economy was boosted by $2.67 (including Babcock's direct impacts).

Fig. 2: Babcock's contribution to GDP, FY24



Source: Oxford Economics, Babcock.

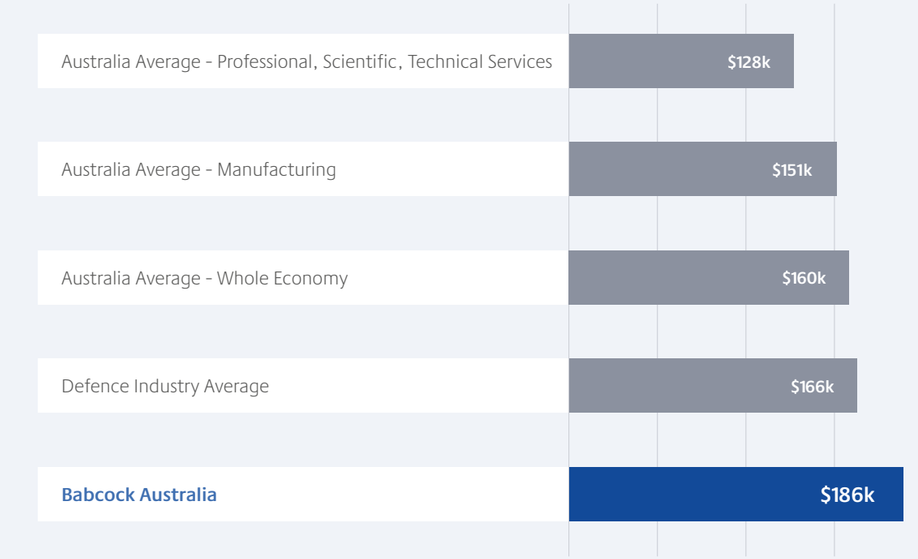
2.2 Direct GDP Contribution

Babcock's employees are highly productive in the Australian economy: in FY24, they produced a direct contribution to GDP worth $186,000 per employee (headcount).

Fig. 3 below compares the direct GDP contributions of Babcock employees at a national level to averages of the Australian Defence industry, as well as key sectors of the economy.

Babcock's workers are approximately 12% more productive than an average employee working in the Australian Defence industry ($166,000 per worker), and about 16% more productive than the economy-wide average ($160,000 per worker).

Fig. 3: Labour productivity of Babcock employees, FY24



Source: Oxford Economics, Babcock.

2.3 Supply Chain (Indirect) GDP Contribution

Babcock's activities sustain a substantial supply chain in Australia, generating considerable economic activity across various sectors.

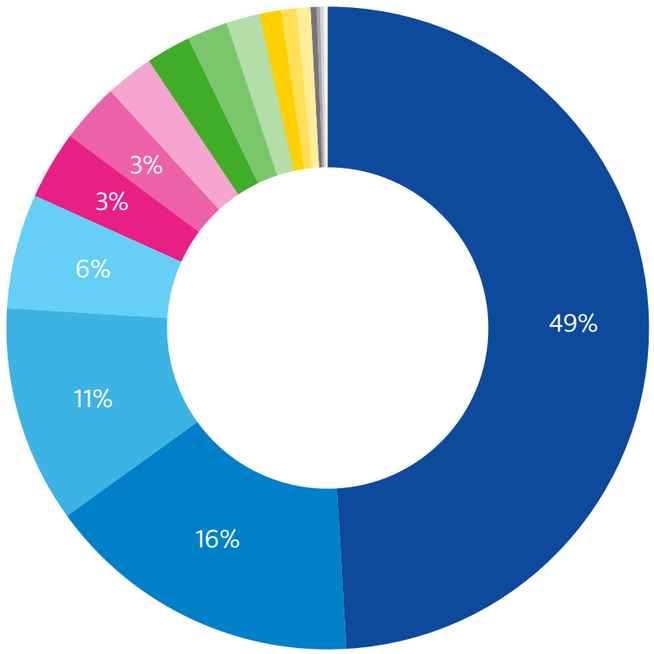
This activity resulted in an indirect contribution of $169 million to GDP in FY24, driven by the company's procurement of goods and services from Australian suppliers which totalled $171 million in the same year (ex. GST).

The professional, scientific and technical services sector was the largest beneficiary of Babcock's activities, with Babcock's purchases from this sector amounting to $105 million in FY24.

This supported a total GDP contribution of $83 million to the sectors across Babcock's supply chain (**Fig. 4**). The manufacturing sector made the next largest economic contribution, supporting a $27 million GDP impact. Additionally, the rental, hiring and real estate sector contributed $18 million to GDP, while the financial and insurance services sector, delivered an extra $10 million.

Industry percentages of the indirect contribution are illustrated in the chart below.

Fig. 4: Percentage indirect contribution to GDP, by sector, FY24



Source: Oxford Economics, Babcock.

- Professional, scientific and technical services
- Manufacturing
- Rental, hiring and real estate services
- Financial and Insurance services
- Mining
- Transport, postal and warehousing
- Information media and telecommunications
- Wholesale trade
- Other services
- Electricity, gas, water and waste services
- Administrative and support services
- Construction
- Accommodation and food services
- Agriculture, forestry and fishing
- Education and training
- Retail trade
- Arts and recreation services
- Health care and social assistance
- Public Administration and Safety

2.4 Consumer Spending (Induced) GDP Contribution

Induced effects are driven by both consumer spending patterns and the flow of wages and salaries, which together stimulate additional economic activity and amplify the initial impacts.

In FY24, Babcock's induced contribution generated an additional $306 million contribution to GDP.

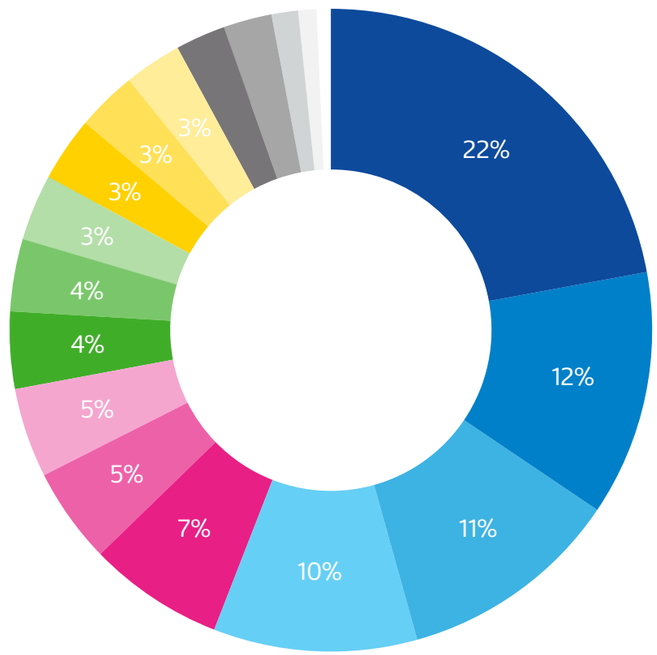
In contrast to the concentration of indirect effects seen in several key industries, induced effects are more widely distributed and are largely focused on consumer-facing sectors.

Among these, the rental, hiring and real estate services sector received the largest share, contributing $68 million to GDP and accounting for 22% of total consumer spending (i.e., induced).

The manufacturing sector contributed $38 million in induced GDP, followed by $34 million from professional, scientific and technical services.

Industry percentages of the induced contribution are shown in **Fig. 5** below.

Fig. 5: Percentage induced contribution to GDP, by sector, FY24



Source: Oxford Economics, Babcock.

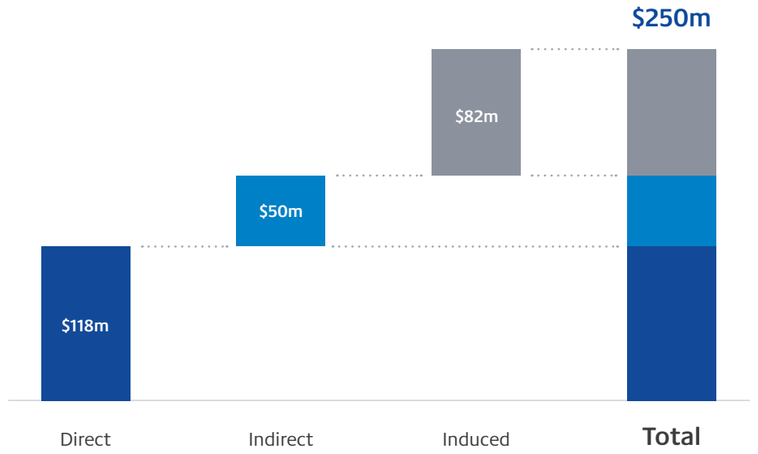
- Rental, hiring and real estate services
- Manufacturing
- Professional, scientific and technical services
- Financial and insurance services
- Retail trade
- Health care and social assistance
- Wholesale trade
- Transport, postal and warehousing
- Accommodation and food services
- Information media and telecommunications
- Agriculture, forestry and fishing
- Other services
- Education and training
- Mining
- Electricity, gas, water and waste services
- Construction
- Arts and recreation services
- Administrative and support services
- Public Administration and Safety

2.5 Tax Revenue Contribution

Babcock plays a vital role in the Australian economy, reflected in its considerable tax contributions.

In FY24, the company's total tax footprint amounted to $250 million. More than half of this ($118 million) came from Babcock's direct activities. An additional $50 million was generated through the indirect supply chain activity supported by Babcock's purchases, while $82 million was derived from induced economic activity as employees spent their earnings.

Fig. 6: Babcock's tax contribution, FY24



Source: Oxford Economics, Babcock.

Employment Impact

In the previous chapter, we explored how Babcock contributed to GDP through direct contributions resulting from its procurement activities, the indirect contributions that result from Babcock's supply chain, and the induced contributions resulting from staff spending by both Babcock's employees and workers in the supply chain.

Now, we shift our focus to estimating the corresponding direct, indirect, and induced employment impacts that result from Babcock's activities.

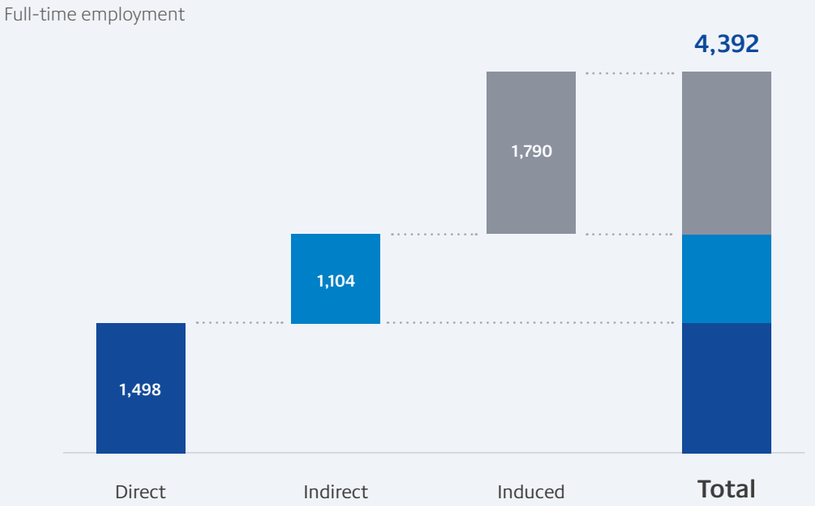
3.1 Total Employment Contribution

In FY24, Babcock's activities in Australia were estimated to support a total of 4,392 full-time equivalent (FTE) jobs.

Of these, 1,498 FTE roles were directly employed across Babcock's 29 sites nationwide (**Fig. 7**). An additional 1,104 FTE positions were indirectly sustained through supply chain activities driven by Babcock's procurement of goods and services. A further induced impact of 1,790 FTE jobs was supported by the spending of wages from Babcock employees and those within its supply chain.

This equates to a total of 29 jobs supported across the Australian economy for every 10 FTE employees directly employed by Babcock, reflecting a multiplier effect of 2.9.

Fig. 7: Babcock's contribution to employment in Australia, FY24



Source: Oxford Economics, Babcock.

3.2 Direct Employment Structure

Given its focus as a supporter of critical Defence programs in Australia, Babcock employs many engineers, technicians and other professional staff.

In FY24, of Babcock's 1,523 total workforce, 24% (365) worked as engineers or in engineering related roles.

Likewise, 35% (520) worked as senior executives, managers, or other professionals. **Fig. 8** below shows Babcock's total employment by skill level.

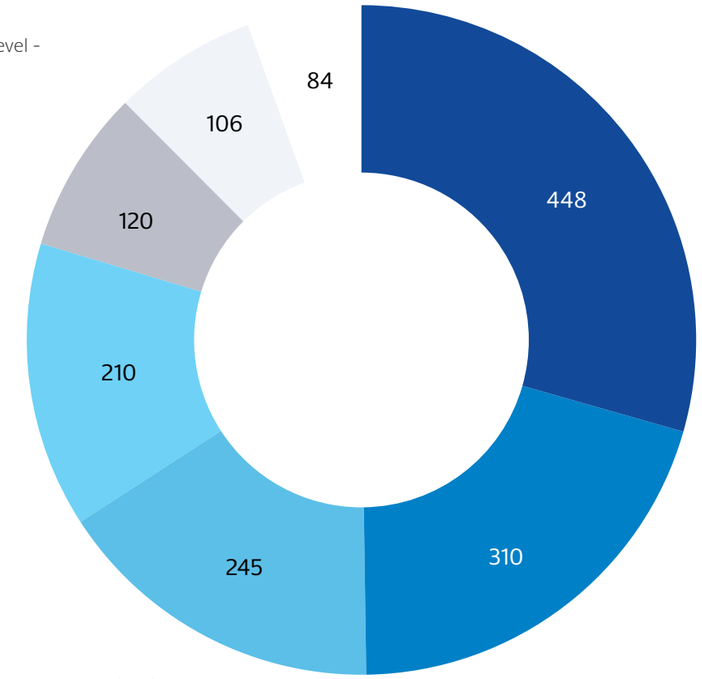
Also reflecting the highly skilled nature of Babcock's activities are the high levels of educational attainment by its workforce. 74% of Babcock's employees have an undergraduate degree as their highest educational level –more than triple the national average of 21.1%[3] in 2024.

Likewise, 23% of Babcock's workforce has a postgraduate degree – more than double the national average of 8.9%. **Fig. 9** on the page opposite segregates Babcock's workers by the highest level of non-school qualification.

Babcock Australasia also offers an Early Careers program, providing structured pathways for graduates, apprentices, interns and undergraduates in the defence, aviation, and critical services sectors.

Participants gain hands-on experience across disciplines such as engineering, project management, procurement and supply chain, environmental sustainability, business, finance, and law, while also benefiting from flexible work arrangements, further education support, and a comprehensive benefits package. Through this program, Babcock strengthens workforce capability in industries critical to Australia's defence and infrastructure sustainment. **Fig. 10** to the right provides a breakdown of Babcock's Early Careers Scheme in Australia.

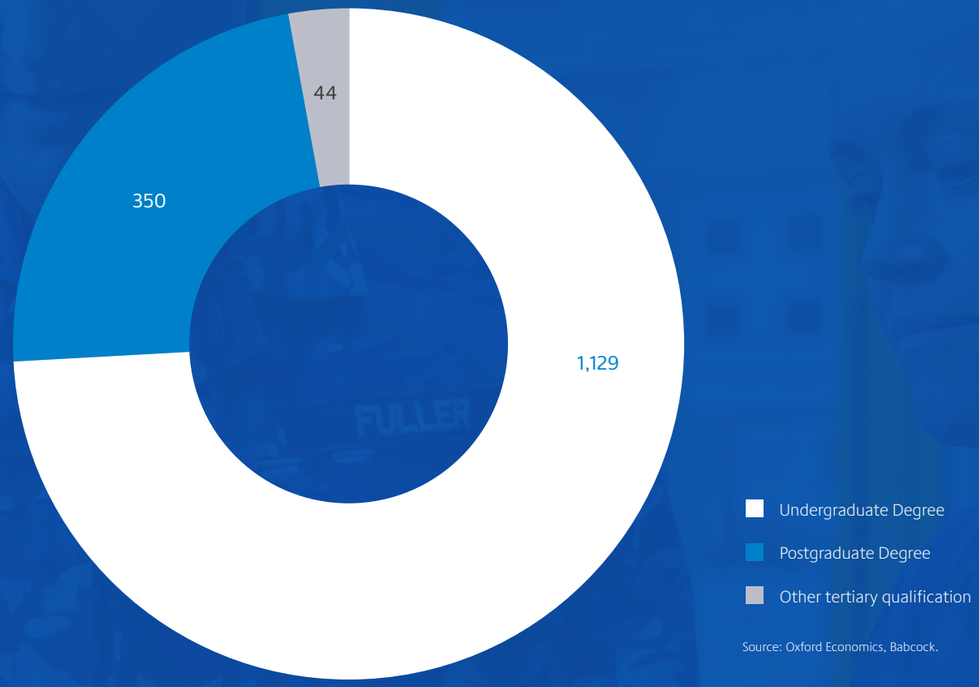
Fig. 8: Babcock's direct employment by skill level - (Headcount)[4], FY24.



Source: Oxford Economics, Babcock.

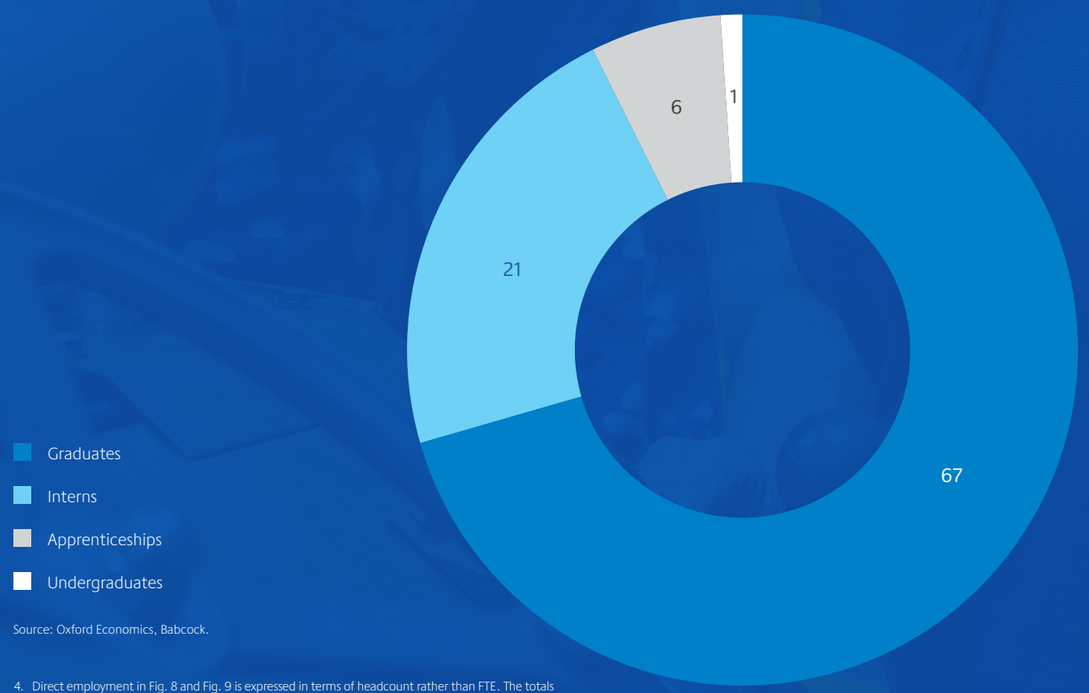
3. All persons aged 15-74 years – Table 29 – Education and work, ABS 2024

Fig 9: Babcock's direct employment by highest educational level, (Headcount)[4], FY24



Source: Oxford Economics, Babcock.

Fig 10: Australian Employment in Babcock's Early Careers program



Source: Oxford Economics, Babcock.

4. Direct employment in Fig. 8 and Fig. 9 is expressed in terms of headcount rather than FTE. The totals of these two charts are therefore lower than the total direct employment contribution indicated in Section 3.1.

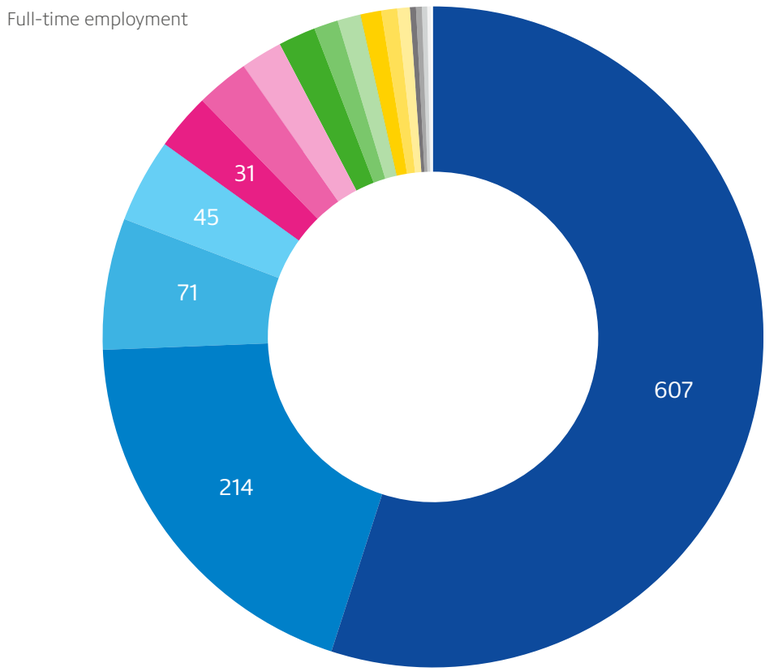
3.3 Supply Chain (Indirect) Employment Contribution

Babcock's supply chain contributed to sustaining approximately 1,104 FTE jobs across Australia in FY24.

The largest beneficiary of this economic activity was the professional, scientific and technical services sector, which accounted for an estimated 607 FTE roles supported through Babcock's procurement **(Fig. 11)**.

Following this, the manufacturing sector benefitted from approximately 214 FTE jobs. Additional employment impacts included 71 roles in rental, hiring and real estate services, 45 positions in other services, and 31 in the transport, postal and warehousing sector.

Fig. 11: Supply chain employment supported, by sector, FY24



Source: Oxford Economics, Babcock.

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- Financial and Insurance services
- Wholesale trade
- Accommodation and food service
- Administrative and support services
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- Construction
- Electricity, gas, water and waste services
- Mining
- Agriculture, forestry and fishing
- Retail trade
- Arts and recreation services
- Education and training
- Health care and social assistance
- Public Administration and Safety

3.4 Consumer Spending (Induced) Employment Contribution

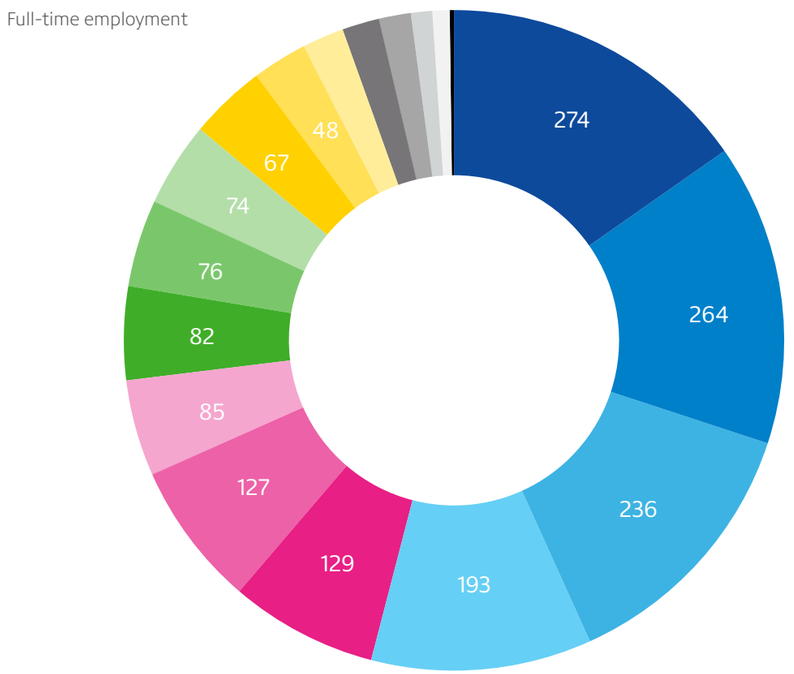
A diverse range of sectors experienced job support driven by the induced consumer spending associated with Babcock's activities.

In FY24, 1,790 jobs were contributed by Babcock to the national economy due to the spending activities of its employees, and those in its supply chain.

The professional, scientific and technical services sector was the primary beneficiary, with an estimated 274 FTE jobs supported through this spending **(Fig. 12)**. Significant impacts were also observed in the manufacturing sector, which accounted for approximately 264 jobs, alongside retail trade, contributing an estimated 236 jobs, and the accommodation and food services sector, supporting an additional 193 FTE positions.

Compared to the jobs supported by Babcock through indirect effects, these roles are spread across a broader and more diverse range of consumer-focused sectors. This distribution aligns closely with national consumption patterns, which is expected given that induced effects are driven by household spending across various goods and services.

Fig. 12: Induced employment supported, by sector, FY24



Source: Oxford Economics, Babcock.

- Professional, scientific and technical services
- Manufacturing
- Retail trade
- Accommodation and food services
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- Financial and Insurance services
- Wholesale trade
- Transport, postal and warehousing
- Education and training
- Agriculture, forestry and fishing
- Rental, hiring and real estate services
- Construction
- Information media and telecommunications
- Arts and recreation services
- Electricity, gas, water and waste services
- Administrative and support services
- Mining
- Public Administration and Safety

Summary of specific defence and civil contributions

We have, to this point, considered the GDP and employment effects of Babcock at a national level only. Given the duality of Babcock's activities – both in Defence and in Civil operations – we here disaggregate impacts by these activity classes.

4.1 Total GDP Contribution

We previously illustrated that, in FY24, the contribution of Babcock's Australian operations to GDP was worth $758 million. We estimate that of this, Defence activities contribute $594m and Civil activities contribute $164m.

Fig. 13 and **Fig. 14** below illustrate the breakdown of these flows by Direct, Indirect and Induced contributions.

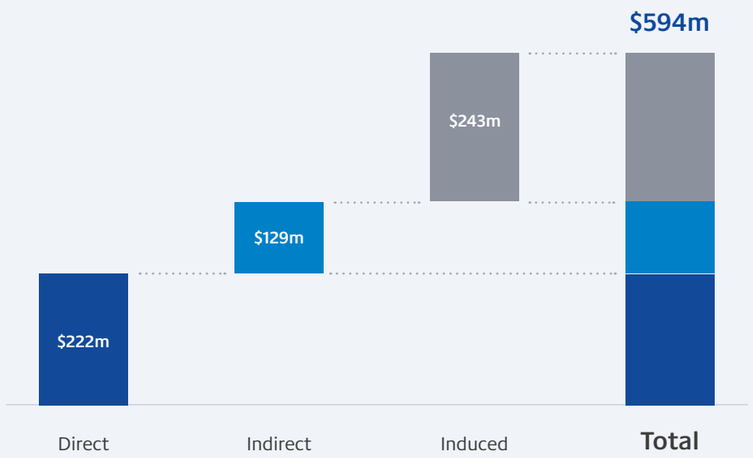
Defence Activities

$594m

Civil Activities

$164m

Fig. 13: Babcock's Defence contribution to GDP, FY24

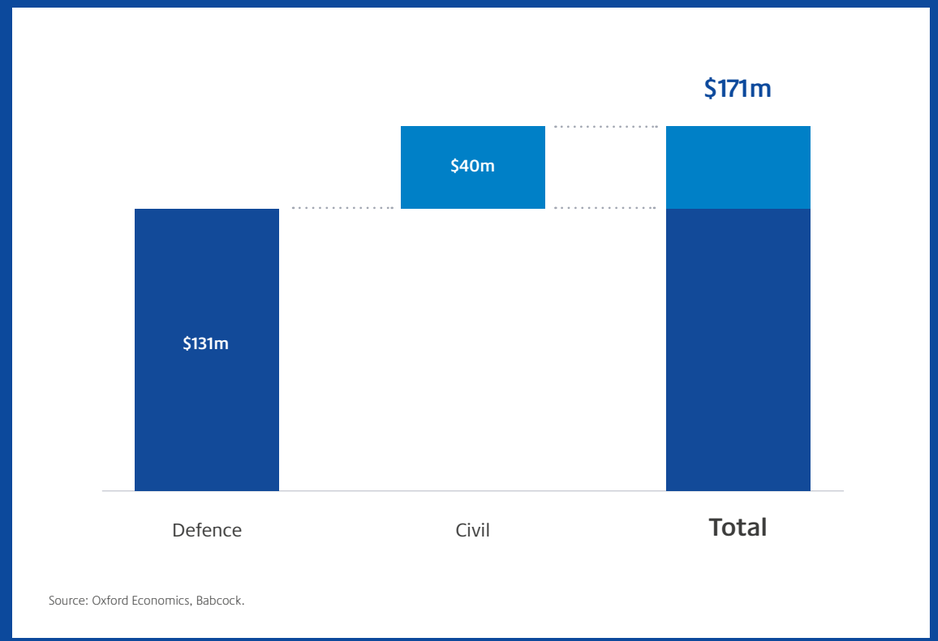


Source: Oxford Economics, Babcock.

Fig. 14: Babcock's Civil contribution to GDP, FY24

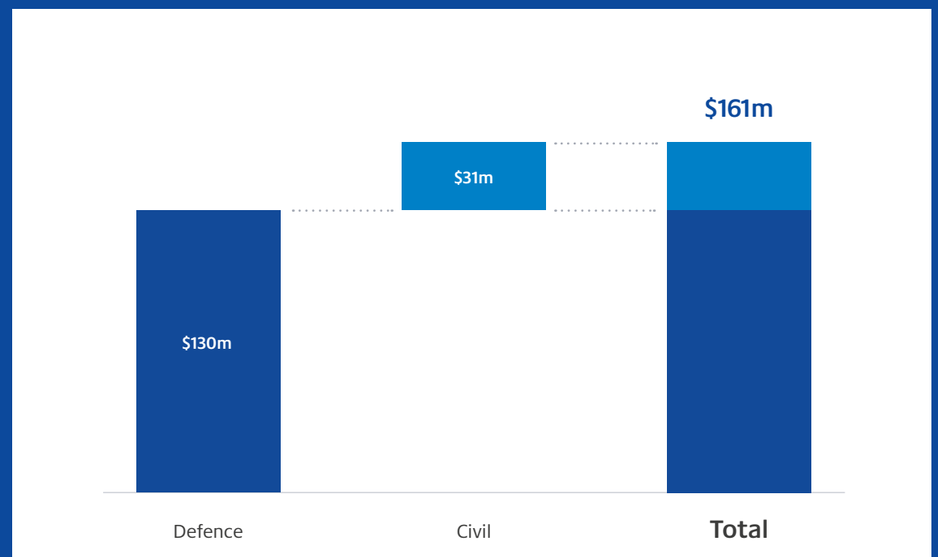
Source: Oxford Economics, Babcock.

Fig. 15: Disaggregation of Babcock's procurement spending by activity, FY24



Source: Oxford Economics, Babcock.

Fig. 16: Disaggregation of Babcock's staff spending by activity, FY24



Source: Oxford Economics, Babcock.

4.2 Supply Chain (Indirect) GDP Contribution

To estimate the indirect and induced effects of Babcock's Defence and Civil operations, we disaggregated Babcock's national procurement and staff spend figures by activity. To ensure consistency in our analysis, we undertook this activity disaggregation separately by state.

For procurement spending, we disaggregated by activity using Babcock's turnover data, which was divided between Defence and Civil operations. The share of total turnover attributable to each activity was calculated and used as a proxy to allocate both procurement spending accordingly.

For staff spending, we use data from Babcock on gross wage cost, superannuation/pension payments, and employment-related taxes paid by state. This spending is then allocated to specific industries based on data from the ABS on final household consumption by industry.

Fig. 15 and **Fig. 16** on the left illustrate our assumed breakdowns in procurement and staff spending by activity.

Fig. 17 indicates the share of indirect impacts attributed to Defence and Civil activities.

$129 million of the total $169 million of indirect impacts resulted from Babcock's Defence operations, with the remaining $40 million a result of Civil activities. As expected, these figures largely reflect the split in procurement spending between Defence ($131m ex. GST) and Civil ($40m ex. GST) activities.

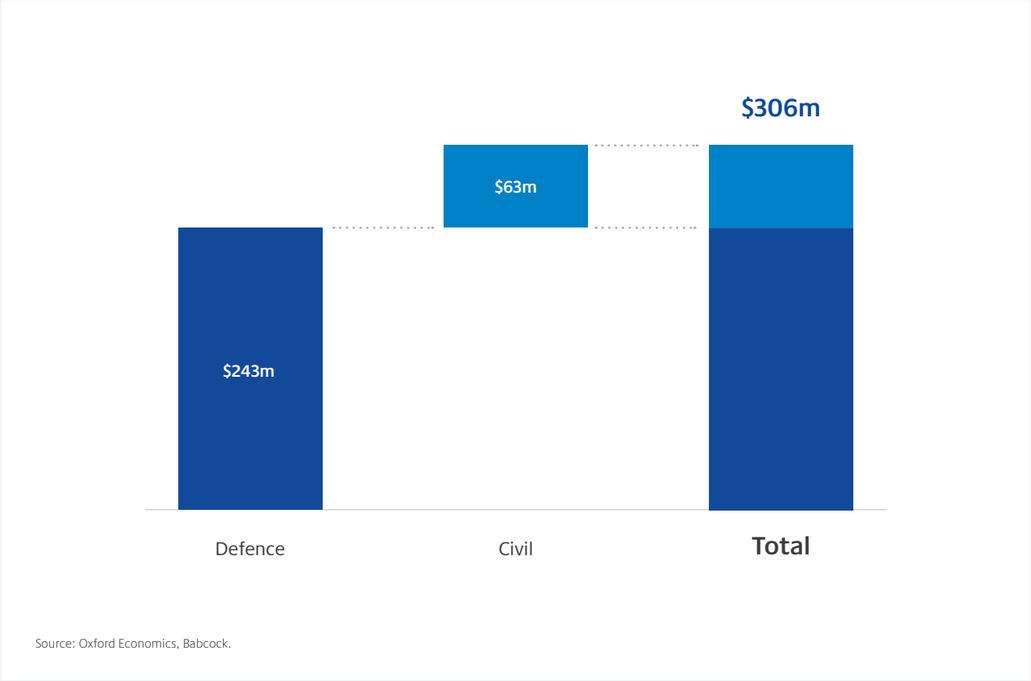
Fig. 17: Breakdown of Defence/Civil indirect contribution to GDP, FY24

Source: Oxford Economics, Babcock.

4.3 Consumer Spending (Induced) GDP Contribution

Fig. 18 below highlights the split in induced effects that were attributable to Defence and Civil activities. As expected, we see a similar breakdown for Defence and Civil induced contribution to GDP as was estimated for procurement and staff spending effects.

Fig. 18: Breakdown of Defence/Civil induced contribution to GDP, FY24



Source: Oxford Economics, Babcock.

4.4 Total Employment Contribution

In FY24, we estimate that of the 4,392 full-time equivalent jobs contributed to the Australian economy by Babcock's activities, 3,437 were from Defence and 955 resulted from Civil Activities.

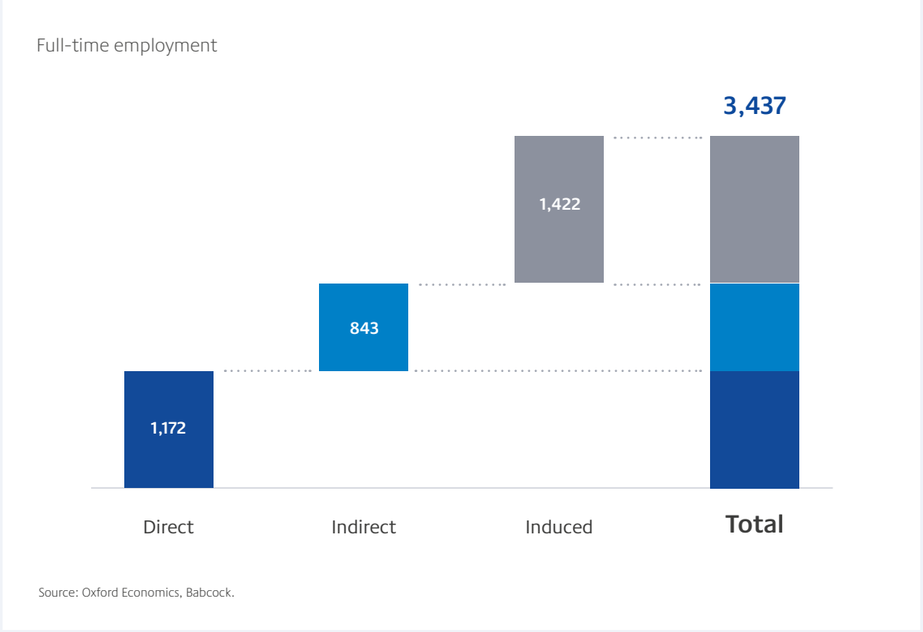
In general, we find that through each channel, the relative employment contributions from Defence activities were approximately three to four times larger than those resulting from Civil activities. **Fig. 19** and **Fig. 20** to the right disaggregate these employment impacts by direct, indirect and induced channels.

Employment contribution 2024

Full-time equivalent
jobs contributed

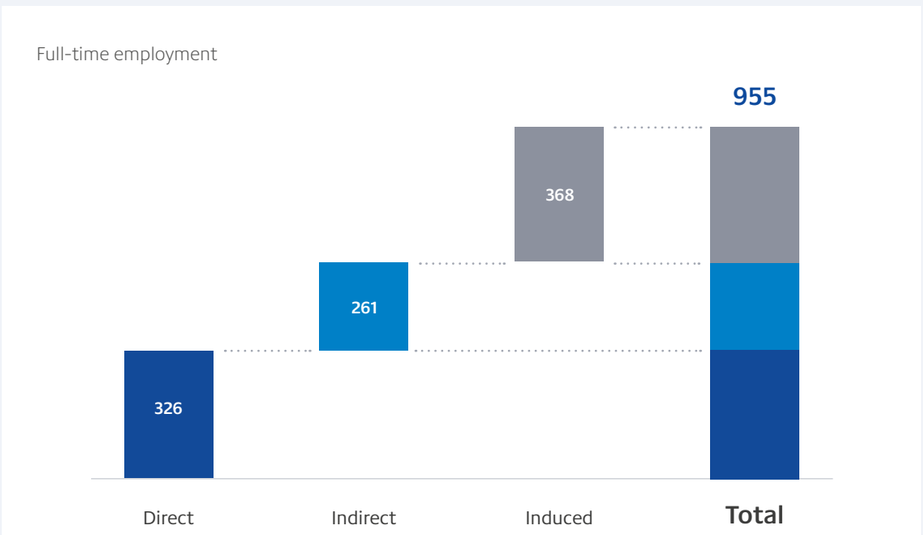
4,392

Fig. 19: Breakdown of Defence employment contributions, FY24



Source: Oxford Economics, Babcock.

Fig. 20: Breakdown of Civil employment contributions, FY24



Source: Oxford Economics, Babcock.

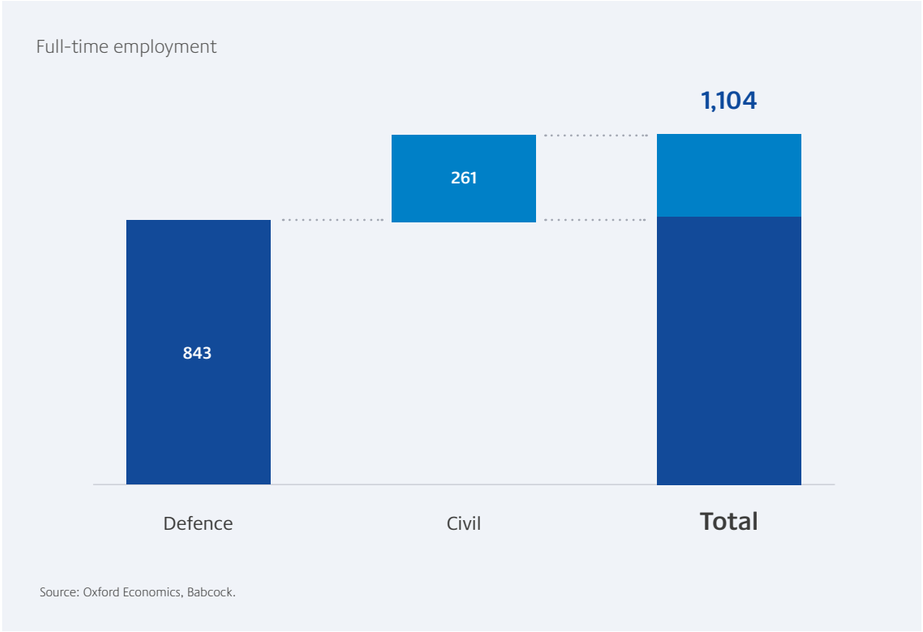
4.5 Supply Chain (Indirect) Employment Contribution

Overall, we find that the split in indirect employment contributions closely aligns with the split previously observed for GDP contributions.

This is expected, as employment estimates for indirect impacts are based on both ABS data on sector-specific employment intensity, and our estimates for indirect GDP contribution. Since these employment intensity figures remain constant throughout our analysis, the employment impacts scale proportionally with the GDP estimates derived from the model.

Fig. 21 below outlines the split between Defence and Civil indirect employment contributions:

Fig. 21: Breakdown of Defence / Civil indirect contribution to employment, FY24



Source: Oxford Economics, Babcock.

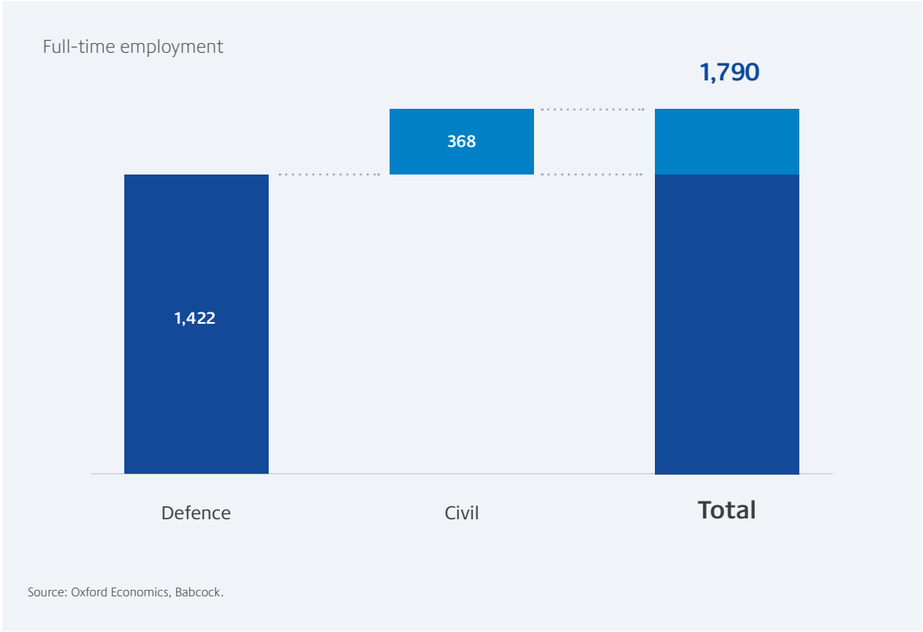
4.6 Consumer Spending (Induced) Employment Contribution

Similarly, the split in induced employment contributions mirrors the patterns observed in our derivation of induced GDP calculations (**Fig. 18**).

This alignment reflects the consistent methodology used to estimate induced effects, with employment and GDP impacts both scaling proportionally based on sector-specific intensities.

Fig. 22 below illustrates the breakdown of induced employment contributions between Defence and Civil activities, highlighting their respective shares.

Fig. 22: Breakdown of Defence / Civil induced contribution to employment, FY24



Source: Oxford Economics, Babcock.

Summary of state-specific contributions

Having discussed and disaggregated Babcock's GDP and employment contributions by activity, we now turn to examining the specific impacts of Babcock's operations in South Australia and Western Australia.

This section focuses exclusively on the effects of Babcock's spending within these states. For example, we analyse the impacts of Babcock's spending in South Australia on South Australia's economy. This localised analysis differs from the previous section, which assessed the national impacts of Babcock's Defence and Civil operations.

By narrowing the focus, we can better understand the unique economic contributions of Babcock within these two states.

It is important to recognise that the state-specific impacts presented here do not capture the full extent of inter-regional economic linkages that occur within Australia.

For instance, Babcock's procurement spending in South Australia may involve supply chains that extend into Western Australia or other states, generating additional economic activity beyond the immediate region. These interactions are only captured in the national-level analysis, highlighting the interconnected nature of Australia's economy.

By examining both state-specific and national impacts, we gain a more comprehensive understanding of how Babcock's operations contribute not only to individual state economies but also to the broader economic network across the country.

To this end, the below analysis includes national total effects, however they should be compared to the state analysis with the above considerations in mind.

5.1 Total GDP Contribution

We previously showed that, in FY24, the total GDP contribution of Babcock nationally was $758 million.

From our state-based analysis, we find that the contribution of Babcock's activities in South Australia to the state's economy was approximately $163m.

Likewise, we find that the contribution of Babcock's activities in Western Australia to the state's economy was approximately $253m.

In general, we find that through each channel, the relative employment contributions from Defence activities were approximately three to four times larger than those resulting from Civil activities. **Fig. 23** and **Fig. 24** on the right break these down into direct, indirect and induced channels.

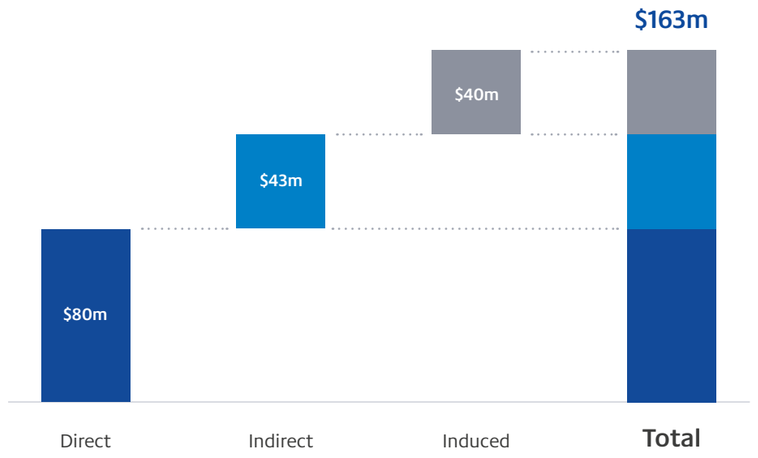
South Australia GDP Contribution 2024

$163m

West Australia GDP Contribution 2024

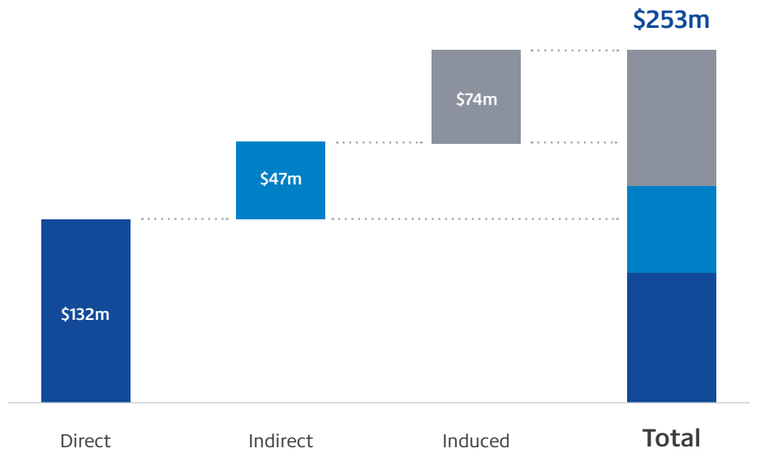
$253m

Fig. 23: Babcock's contribution to GDP in South Australia, FY24



Source: Oxford Economics, Babcock.

Fig. 24: Babcock's contribution to GDP in Western Australia, FY24



Source: Oxford Economics, Babcock.

5.2 Supply Chain (Indirect) GDP Contribution

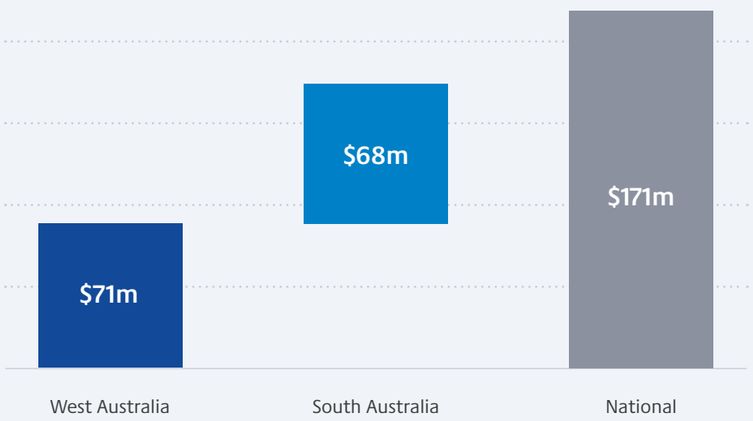
Similar to our analysis of Defence and Civil activities, in order to estimate the indirect and direct effects of Babcock's operations in South Australia and Western Australia, we needed to disaggregate national procurement and staff spending by state.

For both procurement spending (as we previously did for Defence and Civil activities), we disaggregated by activity using Babcock's turnover data, which was divided between SA, WA and Australia Ex. WA and SA. The share of total turnover attributable to both states was calculated and used as a proxy to allocate procurement spending accordingly.

Fig. 25 provides a breakdown of Babcock's procurement spending by state.

For staff spending, (again, as we previously did for Defence and Civil activities) we are able to directly use data from Babcock on gross wages, superannuation/pension payments, and employment-related taxes. This allows us to estimate the wage spend by state. Fig. 26 provides a breakdown of Babcock's staff spending by state.

Fig 25: State disaggregation of Babcock's procurement spending, FY24



Source: Oxford Economics, Babcock.

Fig 26: State disaggregation of Babcock's staff spending, FY24

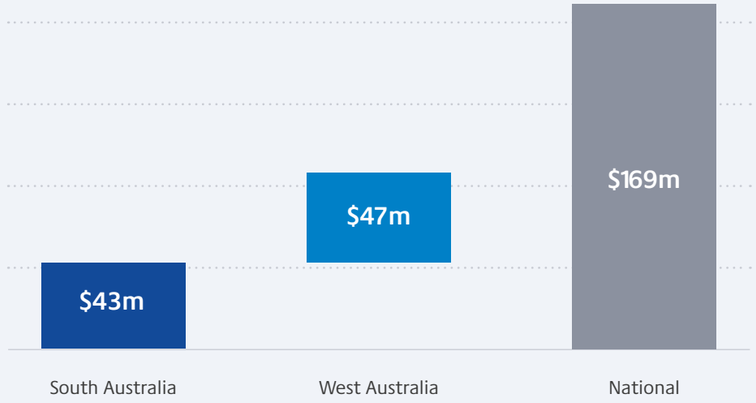
Source: Oxford Economics, Babcock.

Fig. 27 indicates the magnitude of the indirect impacts felt in both South Australia and Western Australia. As we detailed above - these results should be interpreted carefully.

The $169m of indirect effects below reflects the totality of investment across Australia, while the $43m and $47m in indirect effects for the states reflect only spending that occurs in those states.

As indirect effects reflect procurement spending, and that this was approximately the same between SA and WA, we find the magnitude of indirect effects to also be approximately equal between the states.

Fig 27: Breakdown of indirect GDP effects experienced in SA and WA, FY24



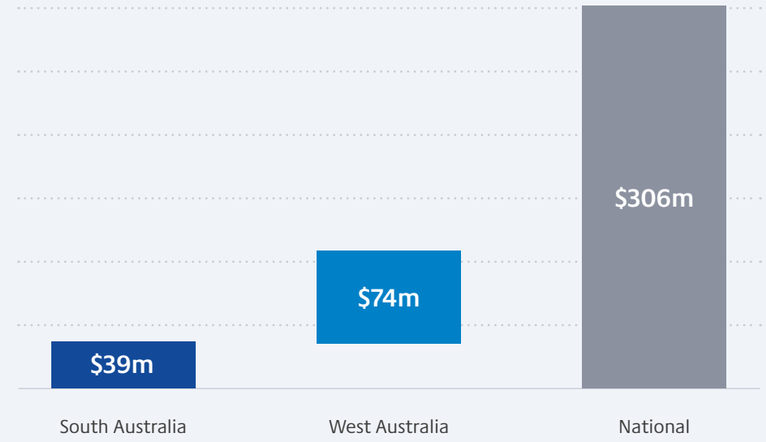
Source: Oxford Economics, Babcock.

5.3 Consumer Spending (Induced) GDP Contribution

In examining the induced GDP effects of Babcock's operations in SA and WA, we find a disparity relative to the indirect effects we observed. **Fig. 28** below illustrates these induced effects. While the indirect GDP effects found for SA and WA were approximately the same, the induced effects for WA are approximately double that for SA.

While differences in procurement can drive induced effects, this disparity is largely due to differences in staff spending by Babcock on it's SA and WA employees. This can be seen in **Fig. 26** on page 49.

Fig 28: Breakdown of induced GDP effects experienced in SA and WA, FY24



Source: Oxford Economics, Babcock.

5.4 Total Employment Contribution

In FY24, we estimate that in South Australia, 1,041 jobs were contributed to the state economy as a result of Babcock's state-wide activities. Likewise, we estimate that for FY24, 859 jobs were contributed to the Western Australian economy from Babcock's activities in WA.

Fig. 29 and **Fig. 30** disaggregate these employment impacts by channel for the two states.

In comparing the employment effects between these two states, we find that, despite direct employment in SA being more than twice the size of direct employment in WA, indirect employment effects are approximately equivalent.

This is due to the procurement spending between the two states being approximately equal. Further, we find (as we did for GDP) that induced employment impacts are approximately twice as high in WA as in SA.

This is predominantly due to the higher total staff wage in WA – despite the fact that the direct employment in WA is lower than in SA.

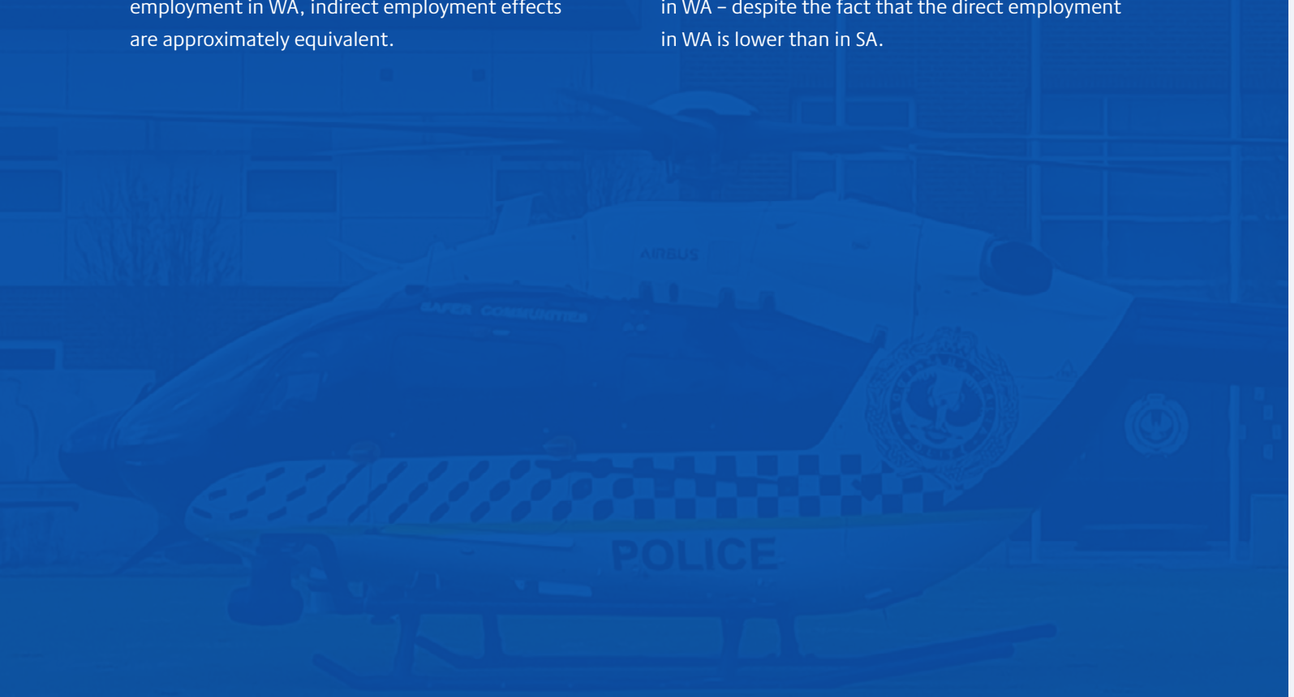
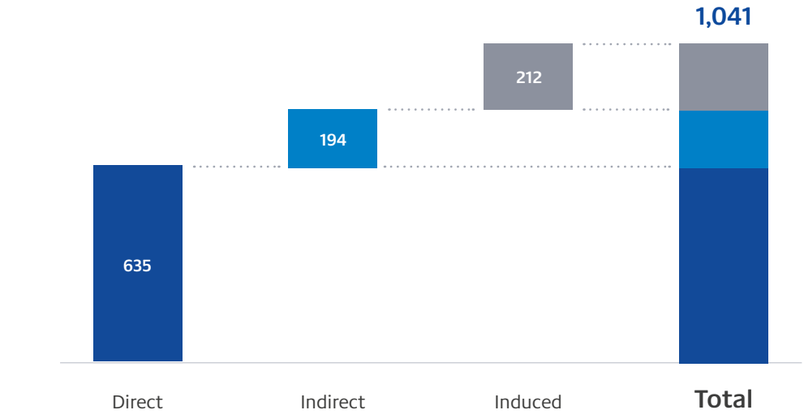
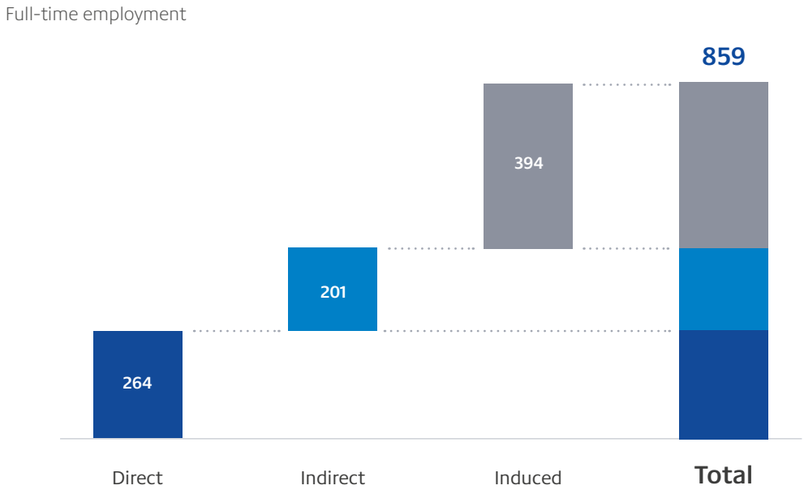


Fig. 29: Breakdown of SA employment contributions, FY24



Source: Oxford Economics, Babcock.

Fig. 30: Breakdown of WA employment contributions, FY24



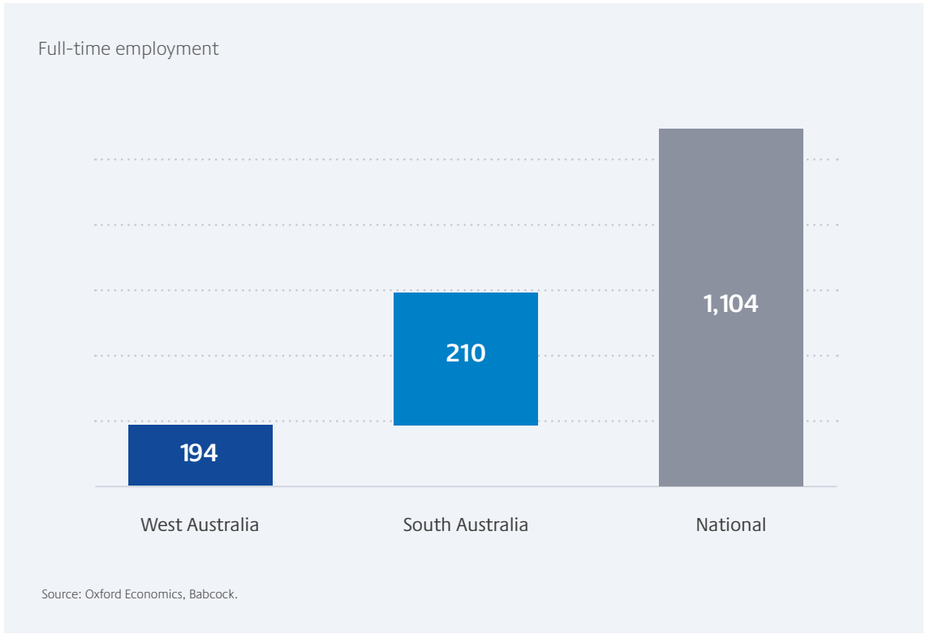
Source: Oxford Economics, Babcock.

5.5 Supply Chain (Indirect) Employment Contribution

We find Babcock's indirect employment impacts in SA and WA are approximately equal, reflecting the similar procurement spending allocated to both states.

As we detail in the above section discussing GDP, comparison to the national total should be made with caution.

Fig. 31: Breakdown of indirect contribution to employment in SA/WA, FY24



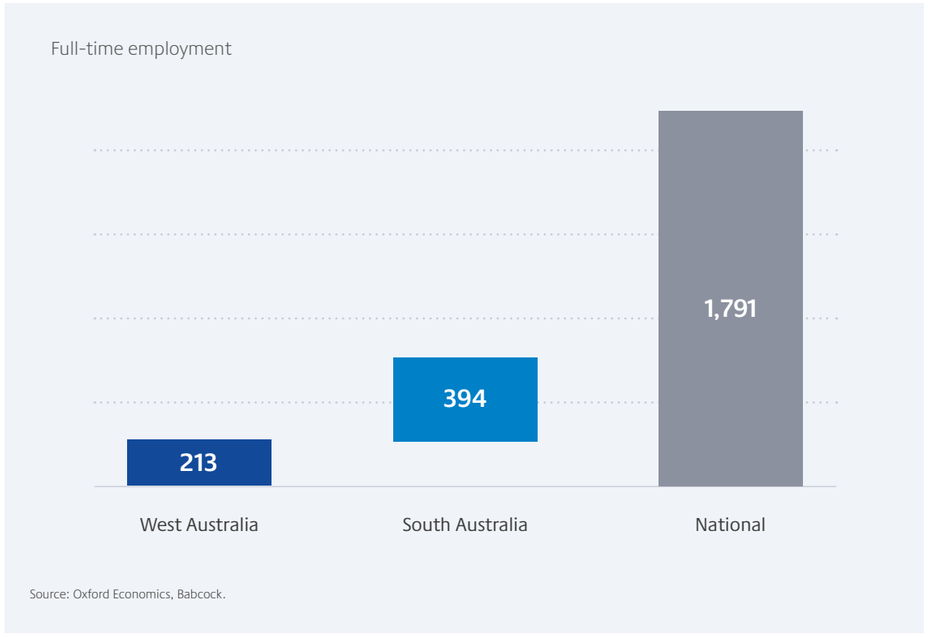
Source: Oxford Economics, Babcock.

5.6 Consumer Spending (Induced) Employment Contribution

Similarly, we find that induced employment effects are approximately twice the size in WA as in SA, reflecting the differential in staff spending.

The rationale for this is the same as for the disparity we observed in GDP contributions between the states.

Fig. 32: Breakdown of induced contribution to employment in SA/WA, FY24



Source: Oxford Economics, Babcock.

Major Defence and Civil Initiatives

Until now, our analysis has centred on the broader picture of Babcock's total economic contributions across Australia, considering GDP and employment impacts in aggregate. However, to fully understand how these impacts are realised, it is essential to delve into specific projects and initiatives undertaken by Babcock.

By focusing on specific examples, we can highlight how Babcock's operations generate economic value—not only through direct employment and activities but also by fostering significant ripple effects along its supply chains. This deeper exploration showcases the mechanisms driving these contributions, offering a tangible understanding of the company's far-reaching economic influence.

6.1 High Frequency Communications System (DHFCS)

In FY24, Babcock commenced operations of the JP9101 Strategic Communications System, part of the ADF's DHFCS.

This system provides long-range communication capabilities essential for ADF operations across land, sea, and air. Babcock's role includes modernising and operating the system to ensure secure, sovereign, and reliable communication for both routine and critical Defence activities.

The project draws on Babcock's global expertise in high-frequency communication, utilising lessons learned from similar systems in the UK and New Zealand. Key features of the DHFCS include advanced technology integration and robust cybersecurity measures, designed to support the ADF's evolving strategic needs. The system's implementation strengthens Australia's Defence infrastructure and enhances operational resilience by ensuring uninterrupted communication even in contested environments.

Under the project, Babcock has prioritised engaging and supporting local Australian suppliers, especially small and medium-sized enterprises (SMEs).

In line with Australia's Sovereign Defence Industry Priorities, Babcock has engaged 71 SMEs under the Support Contract for work valued at $3.7 million.

As a part of its procurement, Babcock has demonstrated a commitment to supporting local and remote communities throughout the project, including in Exmouth, Darwin, Townsville and the Riverina region.

Babcock is also committed to creating opportunities for indigenous suppliers in its supply chain.

Babcock currently has 17 Indigenous suppliers registered, with seven Indigenous suppliers engaged over the period from April 2023 to March 2024 for a total procurement value of over $2.5 million.

Babcock's recognition of SME contributions was deeply appreciated.

Especially by suppliers who had long supported Australia's Strategic HF Communications capability. For many, these engagements marked the first direct interaction with a Defence prime contractor, highlighting the importance of fostering personal connections.

These efforts underscore Babcock's dedication to empowering local suppliers and sustaining the critical communications infrastructure relied upon by the Australian Defence Force.

6.2 Marine Australia

Babcock’s marine activities in Australia focus on enhancing local industry involvement in national maritime projects, including naval and commercial operations.

This strategy aligns with the nation's broader Defence objectives, ensuring a strong local supply chain and sovereign capabilities for shipbuilding and sustainment. This ensures Australian firms are integrated into global supply chains and can provide long-term support for complex Defence and commercial marine projects.

Babcock plays a critical role in this domain by delivering comprehensive marine engineering and sustainment services.

In collaboration with other global leaders, Babcock contributes its expertise to pivotal projects like the development of Australia's nuclear-powered submarine capability under the AUKUS agreement. This work includes sustainment, workforce development, and the establishment of advanced technical facilities.

Babcock has significantly advanced the involvement of Australian industry in the Maritime sector through strategic partnerships, workforce development, and active engagement with local enterprises.

A pivotal collaboration is the joint venture with HII and Babcock, forming H&B Defence in June 2024. This entity aims to accelerate the development of Australia's nuclear-powered submarine program under the AUKUS agreement, combining expertise from Australia, the UK, and the US to enhance sovereign capabilities.

In December 2023, Babcock, Bechtel Australia, and HII signed a Memorandum of Understanding to explore opportunities supporting Australia's nuclear-powered submarine initiative. This collaboration leverages each company's strengths to establish a robust foundation for the program, encompassing infrastructure development and lifecycle management.

Babcock has partnered with Franmarine in a strategic agreement to enhance underwater sustainment and biofouling management services for Australia's naval marine programs.

This collaboration leverages Franmarine's expertise in innovative marine technologies and Babcock's proven capabilities in sustainment services to deliver critical support for naval operations. The agreement underscores a shared commitment to protecting Australia's maritime assets, ensuring operational efficiency, and meeting environmental compliance requirements. By integrating advanced biofouling management techniques, the partnership contributes to the longevity and performance of naval vessels, further strengthening Australia's sovereign capabilities in maritime sustainment.

Babcock also emphasises workforce development through the AUKUS Workforce Alliance, established in November 2023 with HII and Australian universities, including The University of Adelaide, Curtin University, and The University of New South Wales.

This alliance focuses on preparing a skilled workforce to support Australia's nuclear-powered submarine pathway, addressing critical skill shortages and fostering industry-academic collaboration.

Locally, Babcock engages with small and medium-sized enterprises (SMEs) to integrate them into the Defence supply chain.

By attending industry networking events and implementing platforms like JOSCAR (Joint Supply Chain Accreditation Register) for streamlined supplier onboarding, Babcock reduces barriers to entry, enabling SMEs to participate in Defence projects. Notably, Babcock has collaborated with Indigenous-owned companies such as Birli Group, Warrikal, and Marlin Group, offering discounted rates for JOSCAR registration to support their inclusion.

Babcock has been chosen as a key Defence prime to join the expanding Global Supply Chain (GSC) Program – which is aimed at creating export opportunities for Australian businesses.

As part of its GSC program commitment, Babcock is putting its suppliers front and centre on the global stage. Babcock has established a dedicated GSC delivery team to identify, assess and qualify national suppliers with capability solutions across all Technology Readiness Levels. They will then work with these suppliers to embed, develop, and scale their solutions within Babcock’s international programs.

6.3 Aviation and Emergency Services

Paired with its Defence operations, Babcock supports the Civil sector through the delivery of aviation and emergency services, aligning with government priorities to enhance public safety and disaster resilience.

Through strategic partnerships and specialised operations, Babcock contributes significantly to emergency medical services, law enforcement support, and disaster management initiatives.

Since the early 1990s, Babcock has provided critical emergency medical aviation services across Australia.

Operating a fleet of dedicated, ambulance-configured helicopters, Babcock delivers emergency medical, evacuation, and search and rescue services to organisations such as Ambulance Victoria, the Government of South Australia, and Queensland Health. These services ensure rapid medical response and patient transport across vast and often remote regions, directly supporting Australia's healthcare system and public safety objectives.

In partnership with Ambulance Victoria, Babcock operates five AgustaWestland AW139 helicopters, providing Helicopter Emergency Medical Services (HEMS) throughout the state.

Since January 2016, this collaboration has enabled over 20,000 flying hours, underscoring a commitment to delivering timely and effective medical assistance. This service ensures that more than 6,000 patients annually receive critical care, aligning with government priorities to enhance emergency healthcare accessibility and responsiveness.

Babcock has strengthened its partnership with the South Australia Police (SAPOL) by delivering a new Airbus H145 helicopter.

This advanced aircraft, owned, operated, and maintained by Babcock, is quieter, faster, lighter, more manoeuvrable, and more fuel-efficient than previous models, providing greater operational scope and responsiveness for law enforcement missions.

The H145 supports SAPOL's 24/7 operations, enhancing its capability to serve and protect the community effectively. In addition, Babcock delivered a Bell 412 helicopter to the SA Ambulance Service bringing the total number of Bell 412 helicopters in that fleet to three.

This creates extra flying capability for the team with at least two ambulance aircraft now able to operate simultaneously.

Babcock is exploring opportunities for unmanned aerial systems.

They are eager to pursue greater autonomous capability within their current and future defence and civil contracts across Australia and New Zealand with partnerships being established across industry.

Babcock's Socioeconomic Contributions

Babcock’s initiatives in Australia span diverse focus areas, delivering socioeconomic benefits across Australia and New Zealand.

These programs reflect the company’s commitment to fostering inclusivity, supporting First Nations and veteran communities, and advancing education and gender equality in STEM fields.

7.1 Supporting First Nations Communities

Babcock has demonstrated a strong commitment to empowering First Nations communities through education and career development initiatives.

As a sponsor of the Indigenous Australian Engineering Schools (IAES) program run by Engineering Aid Australia, Babcock provides opportunities for Indigenous students to explore careers in engineering. The program offers a dynamic learning environment that introduces students to STEM careers, equipping them with skills to contribute to Australia's future workforce.

Babcock is also an ongoing sponsor of Yalari

Yalari is a not-for-profit organisation providing Indigenous children from remote, rural, and regional communities across Australia with scholarships to attend leading boarding schools. The program aims to empower Indigenous youth through education, fostering leadership and creating pathways to success.

7.2 Advancing Stem Education And Gender Equity

Babcock actively promotes STEM education and gender equity through strategic partnerships with leading Australian and New Zealand institutions. The company sponsors several initiatives aimed at building a sustainable STEM workforce.

At The University of Adelaide, Babcock supports the "Women in STEM Careers" (WiSC) program.

The program offers professional development opportunities for women enrolled in STEM degrees, focusing on leadership, career development, and entrepreneurship. Supported by industry partners like Babcock, the program aims to equip participants with confidence, resilience, and the skills necessary to pursue successful careers in STEM fields.

A similar focus extends to New Zealand, where Babcock partners with the Auckland University of Technology (AUT) to sponsor STEM programs.

This has included sponsorships such as the Excellence in Māori and Pasifika Advancement Awards and Women in Technology Awards. Babcock also partners with the Royal Institution of Naval Architects (RINA) and Marine Industrial Design to offer a scholarship to support students pursuing maritime engineering studies at AUT.

Since 2018, Babcock has been a proud sponsor of the IAES program, run by Engineering Aid Australia.

This initiative introduces First Nations high school students to engineering and technology careers through immersive workshops and mentoring opportunities. Participants gain hands-on experience with engineering concepts and meet industry professionals, inspiring them to pursue STEM pathways.

7.3 Supporting veterans and local communities

Babcock is also committed to supporting veterans and local communities through various initiatives that promote well-being, inclusion, and recognition of service. These efforts include sponsorships, partnerships, and active participation in events that honour and assist veterans, emergency service personnel, and their families.

Babcock sponsors the Australian Defence Force Australian Rules (ADFAR) wheelchair team.

This sponsorship enables veterans and active service members with disabilities to engage in competitive sports, fostering physical health, camaraderie, and community engagement. By supporting adaptive sports, Babcock contributes to the rehabilitation and social integration of disabled veterans, enhancing their quality of life.

Babcock collaborates with the Returned and Services League (RSL) to support veterans in transitioning to civilian employment.

This partnership includes participation in initiatives such as the RSL Employment Program, which connects veterans with career opportunities. Further to this, Babcock also engages with events like the RSL Career Fair, promoting direct connections between veterans and prospective employers.

Babcock has reaffirmed its commitment to supporting Australian defence personnel and frontline workers by extending its partnership with Military and Emergency Services Health Australia.

Babcock is supporting two new initiatives as part of the amplified partnership, that will use art as a tool to improve the mental health and wellbeing of these selfless cohorts of Australians, and their families. The programs are the Defence Kids Art Workshops and the Emergency Services Art Group Pilot Program.

Babcock supported the South Australia Police Legacy's Triple 0 Charity Ball as a Silver Sponsor.

This event raises funds for the families of police officers and emergency service personnel who have lost their lives or suffered significant hardship. Babcock's involvement reflects its dedication to supporting local communities and recognising the sacrifices made by first responders.

Babcock supports the Lifeblood by participating in the Defence Blood Drive.

The contribution made by Babcock staff in 2024 helped to save 570 lives.

Babcock is the national Platinum sponsor of the Women in Defence Association.

Women in Defence Association is a not-for-profit organisation and leading catalyst for gender equity and inclusion within the defence sector, fostering a culture where women thrive and their contributions to global security and innovation are acknowledged and celebrated.

Support For Small and Medium-Sized Enterprises (SMES)

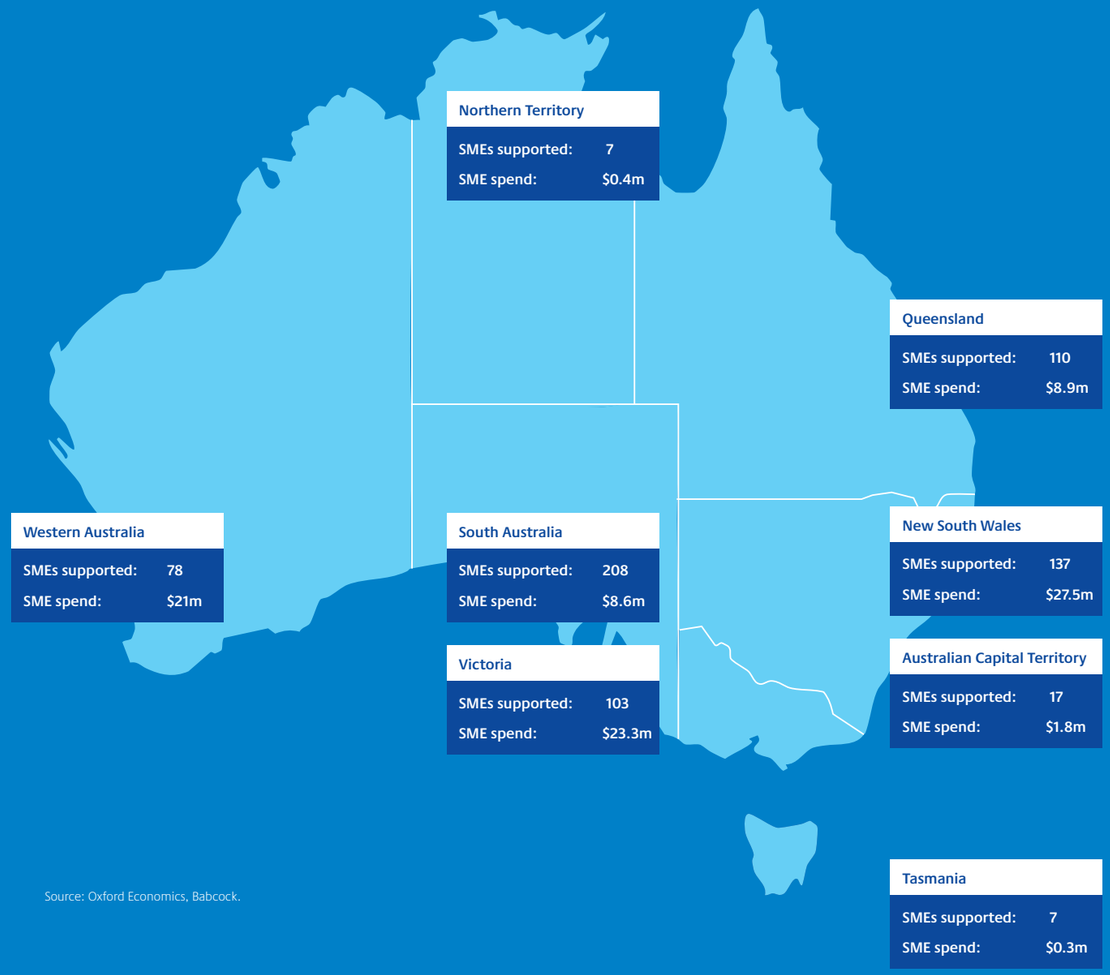
8

8.1 Quantifying Babcock's Contribution to SMES

In FY24, Babcock engaged with a total of 1,259 businesses, of which, 667 were SMEs[5].

The distribution of these firms throughout the country is shown below in **Fig. 33**. In total, spend on these SMEs amounted to $92 million (inc. GST), approximately half of Babcock's total $188 million (inc. GST) procurement spend.

Fig. 33: SMEs supported by Babcock by State, FY24



Source: Oxford Economics, Babcock.

5. SMEs defined using the ATO definition. That is, an individual, partnership, company or trust that: 1) is carrying on a business, and 2) has an aggregated turnover of less than $10 million.

8.2 Babcock's Commitment To Supporting SMES

As we detailed in Section 6, Babcock has shown a steadfast commitment to supporting small and medium-sized enterprises (SMEs) as part of its broader economic contributions. Through its Defence and Civil projects, Babcock has fostered robust local supply chains, prioritised engagement with Indigenous and regional businesses, and created opportunities for SMEs to participate in critical national projects.

These efforts align with Australia's Sovereign Defence Industry Priorities, ensuring that local enterprises are integral to Babcock's operations while driving economic benefits across diverse regions.

For example, under the DHFCS project, Babcock engaged 71 SMEs for work valued at $3.7 million, directly supporting local suppliers in areas like Exmouth and remote regions.

Additionally, the company has partnered with Indigenous-owned businesses such as the Birli Group and Warrikal, contributing over $2.5 million in procurement in FY24. Babcock's partnerships include agreements with Franmarine to advance naval sustainment technologies and networking initiatives to onboard SMEs into the Defence supply chain. By reducing barriers to entry and fostering direct collaboration, Babcock has reinforced the role of SMEs in the national Defence industry.

Conclusion

Babcock Australasia is a cornerstone of Australia's Defence and Critical Services sectors, playing a vital role in sustaining national security and enhancing resilience.

Since commencing operations in 1990, Babcock has established itself as a trusted partner to both the Australian Defence Force and a number of key partners in the civil sector, delivering innovative engineering solutions, advanced sustainment capabilities, and providing robust infrastructure management. Its contributions extend beyond Defence, encompassing critical services such as emergency medical aviation, law enforcement support, and disaster resilience.

In FY24, Babcock made a significant contribution to the Australian economy, generating an estimated total GDP contribution of $758 million and supporting 4,392 full-time equivalent (FTE) jobs.

Its direct activities alone accounted for $283 million in GDP and 1,498 FTE roles, with its workforce achieving a labour productivity level 16% higher than the national average. Babcock's supply chain and induced effects amplified this impact, driving economic activity in a range of industries across the national economy.

Babcock's commitment to fostering local economic growth is underscored by its strong engagement with small and medium-sized enterprises (SMEs), which accounted for over half of its $188 million (inc. GST) procurement expenditure.

This includes targeted initiatives supporting Indigenous-owned businesses and regional suppliers, demonstrating alignment with Australia's Sovereign Defence Industry Priorities.

The company also prioritises social responsibility, with wide-ranging programs that promote inclusivity, education, and workforce development.

Babcock's initiatives have empowered First Nations communities, advanced gender equity in STEM fields, and created meaningful opportunities for veterans and local communities. These efforts highlight its holistic approach to delivering value, both to the national economy, as well as to local Australian communities.

Through significant investments in technology and skills development, Babcock is well-positioned to continue its legacy of delivering critical services and supporting national capabilities.

Whether through its defence operations, civil projects, or socioeconomic initiatives, Babcock's contributions are set to remain a vital driver of Australia's economic and social progress for years to come.

Appendix:
Economic Impact Methodology

Modelling the Economic Contribution

The analysis in this report was undertaken using economic contribution modelling. This is a tool used to assess the economic contribution made by a business, industry, policy, project or investment. Three separate channels are used to estimate economic contribution:

Direct Contributions

Direct contributions reflect the immediate economic activity generated by an organisation or industry through its own operations.

Within our analysis, Babcock's direct contribution reflects its employee numbers and compensation, fringe benefits tax (FBT), earnings before interest, tax, depreciation and amortisation (EBITDA) and payroll tax.

Indirect Contributions

Indirect contributions arise from the economic activity generated in supply chains that result from the organisation's procurement of goods and services. These include the goods and services purchased by the organisation from other industries, such as suppliers of raw materials, transport, or utilities.

Babcock's indirect contributions within our model reflect both its capital and non-capital procurement.

Induced Contributions

Induced contributions reflect the broader economic effects of the spending of wages earned by employees, both within the organisation and across the supply chain. This includes the consumption of goods and services like housing, retail, and leisure, which supports further economic activity.

In our model, induced contributions reflect the spending of both Babcock's employees, as well those of its suppliers.

Structure of Direct, Indirect, Induced and Total Economic Contributions

Direct Impact

The direct impact of Babcock includes changes in employment, changes in revenue and changes in capital investment over a range of Defence-related sectors.

Indirect Impact

Direct changes lead to indirect impacts in sectors in Babcock's supply chain. In practice, these impacts are indirectly caused by Babcock's capital and non-capital procurement.

Induced Impact

Induced impacts manifest through changes in spending patterns resulting from direct and indirect effects. As such, Babcock's spending impacts other sectors across the economy.

Total Impact

The sum of direct, indirect and induced impacts aggregate to a total level on the Australian economy. These impacts are disaggregated both by region and activity, with effects for both Babcock's Defence and Civil operations measured at a national level, and separately for SA and WA.

Direct Contribution

The direct contribution made to the Australian economy is estimated using data provided by Babcock.

Gross value added contribution to GDP

Gross value added contribution to GDP (referred to as GDP, for simplicity, in this report) is calculated as the total of the cost of employment (including wages, benefits and employee taxes), the company's EBITDA and other taxes on production.

This relates to activity within Australia and therefore might not be the same as annual accounts figures which can follow different accounting rules and practices.

Full-time equivalent (FTE) employment

Full-time equivalent (FTE) employment is estimated based on the number of Babcock employees working full time and part time, with each part time worker judged to be equivalent to half of one full time worker.

Labour productivity

Labour productivity is measured as the firm's gross value added per FTE employee, with the same approach.

Tax contributions

Tax contributions were also made available by Babcock. This covers taxes on employment, corporate profits and production. It excludes goods and sales tax on Babcock's products and services as this is not paid by the company itself.

However, it includes consumption taxes paid by the Babcock and the supply chain workforce, as these are indirect taxes on their income. These are derived based on individuals' propensity to consume out of their income and the relevant tax rates.

Indirect and Induced Contributions

To measure the broader economic impacts of Babcock, Oxford Economics Australia employed an input-output (IO) model tailored to the Australian economy using the 2021-22 supply and use tables from the Australian Bureau of Statistics (ABS).

To measure the broader economic impacts of Babcock, Oxford Economics Australia employed an input-output (IO) model tailored to the Australian economy using the 2021-22 supply and use tables from the Australian Bureau of Statistics (ABS). These models provide a comprehensive view of how sectors interact within the economy and reveal the cascading effects of changes in spending or production.

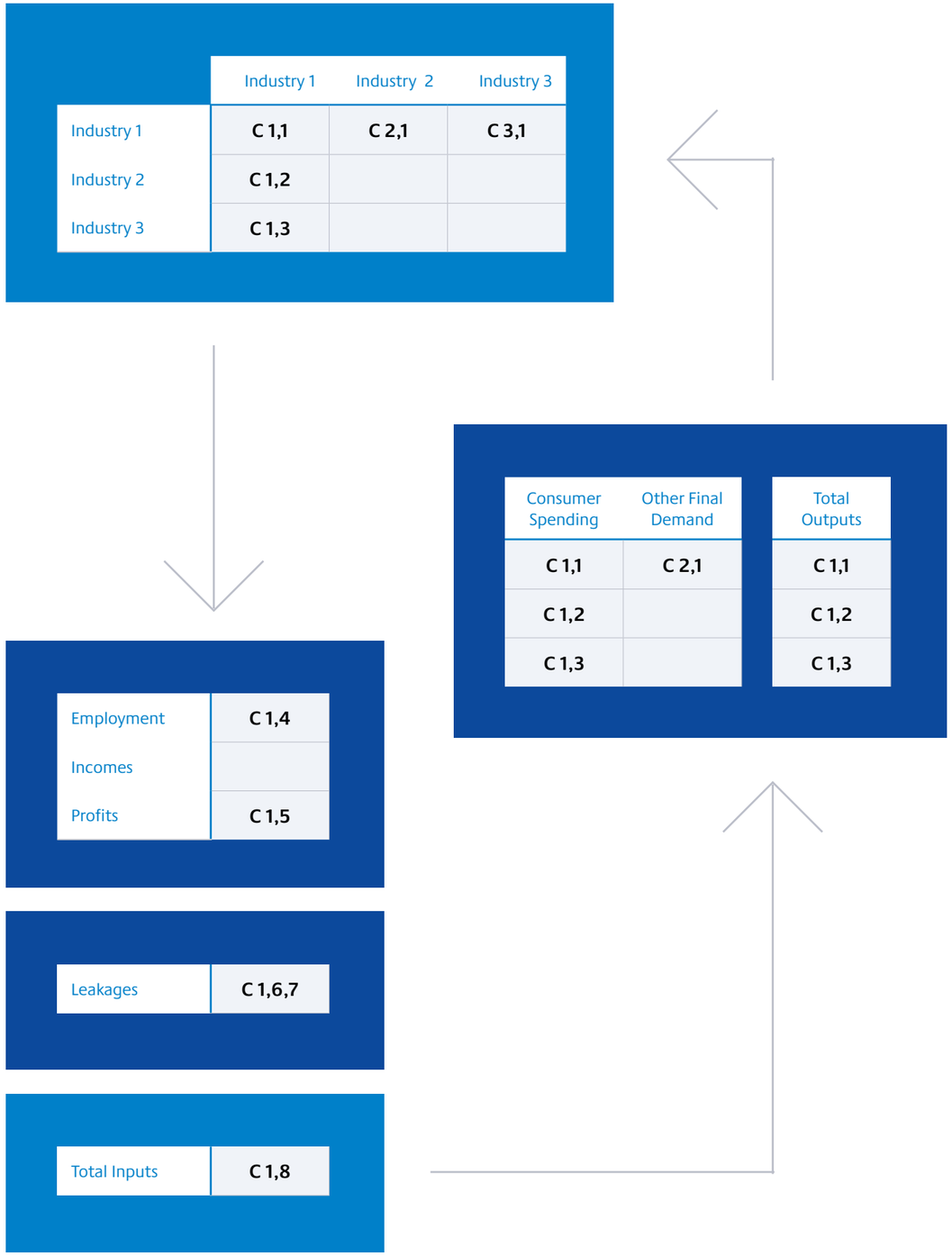
At their core, IO models map the flow of transactions within the economy, connecting sectors through spending and supply chain activities. They capture two key economic dynamics: final demand—including household consumption, government spending, investments, and exports—and intermediate demand, which reflects the goods and services purchased by industries to produce their outputs. Additionally, IO models account for how much spending remains within the economy and the distribution of income between wages and corporate profits.

By analysing these interactions, the IO model estimates the "multiplier effects" generated by a sector. These "multiplier effects" capture how initial spending in one sector generates additional economic activity across other sectors through supply chain linkages and increased consumer spending. This demonstrates the knock-on effects of economic activity, showing how a change in spending or production in one sector ripples through to others and ultimately impacts the economy as a whole.

In practical terms, an IO model is a detailed table illustrating who supplies what to whom in the economy. This matrix-like framework allows researchers to simulate scenarios, such as changes in consumer behaviour or industry investment, and predict their economy-wide outcomes.

An illustrative example of how such a model operates is provided in **Fig. 34** to the right.

Fig. 34: MEs supported by Babcock by State, FY24



Source: Oxford Economics, Babcock.

Deriving Procurement And Staff Spending Shocks

After constructing our IO model, we then "shock" it using data from Babcock.

To estimate indirect effects, we use Type 1 estimators, which capture inter-industry linkages but exclude induced effects from household spending. These are "shocked" using data from Babcock's capital and non-capital expenditures. This is achieved through matrix multiplication. These procurement data were provided by Babcock, who separated both flows into specific industries, matching the Input-Output Industrial Group (IOIG) classification system used by the ABS in their input-output tables.

As such, the drivers of indirect effects are procurement activities, which stimulate inter-industry linkages as businesses purchase goods and services along the supply chain.

To estimate induced effects, we use data on wage spending, superannuation/pension payments, employment-related taxes, and procurement data to construct the shocks. These shocks are modelled using two separate input-output (IO) models of the national Australian economy. In the first model, procurement spending is used as the shock, while in the second, staff-related spending (wages, superannuation, and taxes) forms the basis of the shock. Both models apply Type 2 multipliers, which capture the combined indirect and induced effects of economic activity. To isolate the induced effects, we subtract the output of a separate model where procurement spending is shocked using Type 1 multipliers, which account only for direct and indirect effects. This approach ensures that the additional economic activity generated by household spending is accurately captured and aligned with the structure of the Input-Output Industrial Group (IOIG) classification system used by the ABS.

To surmise, the drivers of induced effects are household expenditures generated from wages, superannuation payments, and employment-related taxes, which are influenced both by direct staff spending and by wages paid within the supply chain as a result of procurement activities.

Using this approach, indirect and induced effects - supply chain activities and spending driven by wages earned - are quantified. This methodology enables a precise understanding of the wider economic role played by Babcock's operations, illustrating how its activities contribute to both employment and broader economic growth.

Estimating State-Specific Effects

State-specific effects were calculated by employing two techniques: generating region-specific input-output tables, and then apportioning shocks.

Since the ABS has not historically produced input-output tables at any specific regional levels, we utilised the methodology developed by Flegg and Tohmo (2013) to estimate state-specific adjusted Location Quotients (LQs). Location Quotients (LQs) are a tool used to estimate the relative concentration of a particular industry or sector in a region compared to the national average. They are often adjusted in methods like those developed by Flegg and Tohmo to account for regional size differences.

The purpose of using LQs in the context of input-output modelling is to adjust national input-output tables for regional characteristics by estimating the extent to which sectors in a specific region are self-sufficient or reliant on "external" interstate trade.

We amend our model in several ways to ensure this approach works. Notably, because the employment data which underpins our LQ estimates relies on the ABS Australia and New Zealand Standard Industrial Classification (ANZSIC) system, we must transform our procurement vectors from IOIG classification using correspondence tables provided by the ABS.

A key assumption of our model of state-specific effects is in our attribution of state-specific procurement shocks (the spending we assume occurs in South Australia and Western Australia) and staff spending shocks (the spending by those workers in SA and WA that are directly or indirectly in Babcock's supply chain).

As we detail in the report, we assume that the proportion of Babcock's spend in a given state is equivalent to the relative proportion of Babcock's national turnover generated in that state.

For staff spending, we use data from Babcock on the wage spend, superannuation/pension payments, and employment related taxes specific to South Australia and Western Australia.

Estimating Defence And Civil Contributions

As for state specific effects, to derive estimates for the Defence and Civil indirect and induced contributions, we disaggregated both procurement spending and staff spending by specific activity.

To achieve this, we used Babcock's turnover data, which was divided between Defence and Civil operations.

The share of total turnover attributable to each activity was calculated and used as a proxy to allocate both procurement spending accordingly.

Sydney
Level 6, 95 Pitt St
Sydney, NSW, 2000
+61 (0)2 8458 54200

Melbourne
Level 22, 120 Spencer St
Melbourne, VIC, 3000

Global Headquarters
Oxford Economics Ltd
Abbey House, 121 St Aldates
Oxford, OX1 1HB
+44 1865 268 900

London
+44 (0)20 7803 1400

Belfast
+44 (0)2982 635400

Frankfurt
+49 69 95 925 280

Paris
+033 (0)1 78 91 50 52

Milan
+39 02 9406 1054

Paarl
+27 (0)21 863 6200

New York
+1 (646) 786 1879

Philadelphia
+1 (610) 995 9600

Boston
+1 (617) 206 6112

Chicago
+1 (847) 993 3140

Los Angeles
+1 (424) 303 3449

Florida
+1 (954) 916 5373

Toronto
+1 (905) 361 6573

Mexico City
+52 155 5419 4173

Singapore
+65 6850 0110

Hong Kong
+852 3974 8842

Tokyo
+81 (0)3 4588 2798

Dubai
+971 56 396 7998

e-mail: info@oxfordeconomics.com

website: oxfordeconomics.com.au