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Issue 58 November 2023

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CEO Libby Day

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HMAS Canberra's embarked MH-60R aircraft is secured to the flight deck during Indo-Pacific Endeavour 2023.

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FROM THE DESK OF THE CEO

Libby Day, Chief Executive Officer

Welcome to the Indo Pacific edition of the Defence Business magazine. As we find ourselves at a pivotal juncture in the defence industry, it is crucial to address the pressing concerns that have emerged in recent times.

The Challenge of Delays

It is no secret that delays can be detrimental, especially when it comes to defence industry. These delays not only impact business operations but also erode business confidence. The growing sentiment among Small and Medium-sized Enterprises (SMEs) questions whether the defence sector is truly worth the hassle it entails. Ambiguity looms large, and delays persist. To remedy this situation, one solution emerges clearly: contracts, with money flowing, are the only way to fix this.

We firmly assert that a lack of decisive action and continued delays will significantly diminish industry confidence. In an era where the emphasis is placed on achieving speed to capability, the defence industry is left perplexed by the persistent delays in crucial decision-making processes. Without contracts in place, businesses find themselves reluctant to invest in vital training and resources, hampering the very growth and innovation necessary for the defence sector's future.

A Vision for the Future

I have been steadfast in my commitment to address these challenges head-on. Over the past two months, I have engaged in over a hundred meetings with stakeholders, striving to gain deeper insights into the challenges and opportunities faced by all parties involved. With our new Board of Directors now in place following our Annual General Meeting last month, the



We firmly assert that a lack of decisive action and continued delays will significantly diminish industry confidence.



Defence Teaming Centre (DTC) has scheduled a Board Strategy Day on December 7. This event will serve as a platform to focus on the unique needs of stakeholders, evaluate our current strategies, and chart a course towards better meeting the needs of our members.

This strategic planning period will be centred around enhancing our understanding of the Defence and defence industry's evolving requirements. We are currently in the process of evaluating whether we are effectively meeting these needs. It is imperative to take stock of our existing capabilities before venturing into new territories. Once we have a clear understanding of the evolving needs of the defence sector, we will be better equipped to adapt and evolve accordingly.

Charting the Course Ahead

In a bid to stay closely connected with Defence, we have been actively participating in relevant industry events. Last month, our team attended the 7th Submarine Science, Technology & Engineering Conference 2023 in Adelaide. This event brought together key stakeholders,

including Federal and State Governments, international cohorts, and other related nuclear industries, such as ANSTO. Discussions revolved around submarines and nuclear submarines, shedding light on the multifaceted nature of the task at hand.

While the initial focus is directed towards Western Australia, we are pleased to report that work in South Australia is already underway to seize upon the opportunities presented. We understand the importance of staying well-informed and prepared for the challenges that lie ahead.

In closing, we remain committed to navigating the complex terrain of Defence and industry with a clear vision and unwavering determination. Our pursuit of contracts and decisive action, our dedication to meeting our member's needs, and our active participation in industry events reflect our resolute commitment to the defence sector's growth and prosperity.

Thank you for your continued support and trust in our mission.

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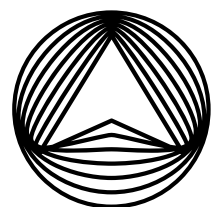
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INDOPAC

AUKUS, uncrewed systems, skills gaps and shortages, Australia's guided weapons aspirations, global supply chains, maritime cyber security, lessons from Ukraine ... these are just a few of the hot issues that will be in the spotlight at Indo Pacific 2023.

"Thought leaders from Australia and around the world will discuss the latest topics facing our naval defence and maritime communities," the organisers promise.

A record attendance of more than 25,000 people from more than 40 nations is expected across the three days from Tuesday 7 November at the International Convention Centre (ICC) Sydney.

Defence industry from across Australia will be represented in record numbers, seeking connections with Australian and international defence, government, academia and technology leaders.

The event is a platform for engagement and incorporates an international industry exhibition, specialist conference program featuring presentations and symposia from leading maritime institutions and networking opportunities.

One topic of great interest will be the progress of AUKUS.



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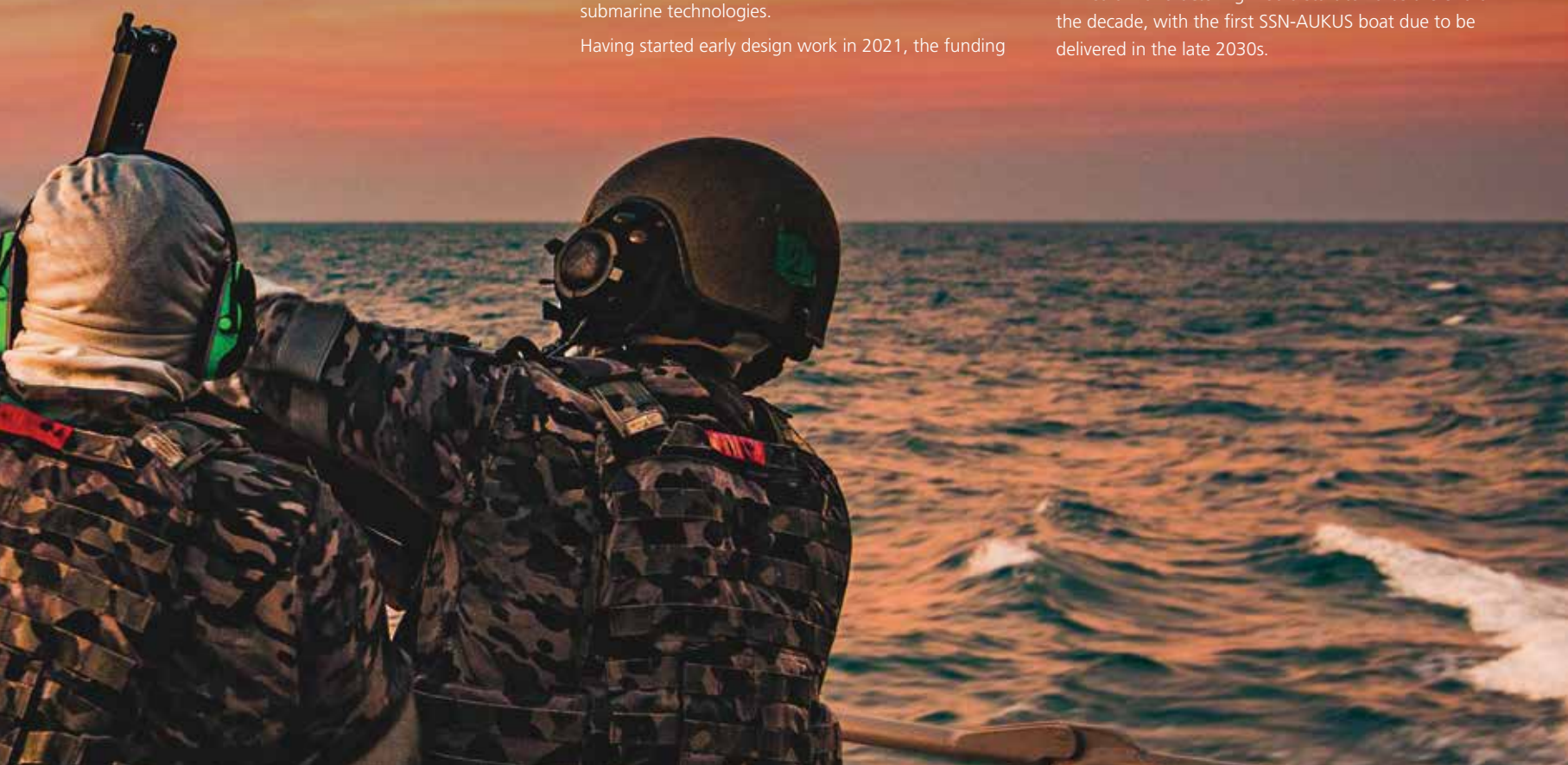
The UK's Ministry of Defense has awarded AUD \$7.6 billion (£3.95 billion) of funding to BAE Systems for the next phase of the UK's next-generation nuclear-powered attack submarine programme, known as SSN-AUKUS.

This will eventually see Australia and the UK operate SSN-AUKUS submarines, which will be based on the UK's next generation design, incorporating technology from all three nations, including cutting-edge US submarine technologies.

Having started early design work in 2021, the funding

will cover development work to 2028, enabling BAE Systems to move into the detailed design phase of the programme and begin to procure long-lead items.

BAE said manufacturing would start towards the end of the decade, with the first SSN-AUKUS boat due to be delivered in the late 2030s.



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Toolcraft The Missing Piece In Hephaestus Puzzle

By Dion Hayman

Bill Sardelis will unreservedly tell you that his 2022 acquisition of SA manufacturer Toolcraft was the missing piece in his puzzle.

Sardelis is the director of Hephaestus Global, an emerging power in the Australian manufacturing industry landscape.

And while the Hephaestus Global business may have only been founded in 2023, the histories of the companies that fall under its banner run much deeper.

Carr Fasteners has been making fasteners for cars and clothing for more than a century; it once produced spoons and can openers for army personnel.

Also under the Hephaestus umbrella is Mitchell and Cheesman, a tooling and engineering business established in 1957 that by 1996 was delivering critical tooling project for the Collins-class submarine.

Add Sharman Sheetmetal & Fabrication, established in 1972 as an electrical switchboard manufacturer which diversified with Sharman Shelving, making workbenches, cupboards and shelving for everything from backyards to big business.

It, too, had exposure in the defence industry by the mid-1990s.

In 2014, those companies were consolidated and moved to the Sharman site on North East Road, Windsor Gardens.

It was the forerunner of the Hephaestus juggernaut.

God Of Fire

Hephaestus was the god of blacksmiths in Greek mythology – a craftsman who made military equipment and fitted out Achilles with his armour.

This went hand-in-glove with Sardelis' heritage and ambition.

That ambition was heavily influenced by the closure of the Holden plant in South Australia, prompting the sale of his Carr Components business.

"Obviously the demise of the automotive game, the decision was made to get out of manufacturing components and to sell that off with three years left when Holden announced it was leaving," Sardelis said.

"So we sold that division in an agreement with Holden, to another similar supplier in Adelaide called Precision Components in 2013.

"The focus was to continue to build the Sharman and the Carr Fastener business – but also to use that to provide capability to our machine shop in sheet metal and press metal so we could continue to grow that engineering business to provide more capability to Defence and other sectors.

"We then started picking up more defence work, doing sheet metal work, general assembly, fabrication

machining and tooling right across the defence sector."

"But something was still missing.

"We realised after growing and tripling in size, investing in seven new machine centres, that we lacked some large scale capability in machining and needing to continue to grow in that area."

This included the ability to supply components for the aerospace industry.

Sardelis had resolved to build the missing element in his business from scratch when fate stepped in and allowed him to buy it instead.

"At that point, Toolcraft came up for sale," he recalled. "So we decided to pick up the capability there, which gave us extra capacity and it gave us an 'in' because they were already 9100 certified, which Mitchells wasn't. So it opened the door to a bigger customer base.

"By this time, Toolcraft was doing work right across the BAEs of this world, with Thales and some maritime work so we tacked that onto the Mitchell and Cheesman operation and the creation of Hephaestus Global."

The Missing Piece

Sardelis concedes fate smiled upon him.

"It definitely was the missing piece," he said.

"It was a piece that we were building but it's quite nice to just be able to plug it in rather than build it as quickly as you could.

"It would have taken a lot more time and money to build it.

"We've got this 100 per cent Australian-owned collective of engineering and manufacturing capability. It really is giving us a much broader spectrum in what we can offer our customers."

Small But Mighty

Toolcraft is the smallest part of the Hephaestus group, yet arguably a vital cog in its chain.

It was established in 1979 as a special purpose machinery toolmaker working primarily in the automotive industry. The company won its first defence contracts with BAE Systems and Sikorsky in 1993, working on precision mechanical assemblies.

It became the principal mechanical system supplier for the HIFIRE hypersonic programs in 2006.

Two years later, it became an elite AS9100 certified aerospace manufacturing business, rapidly expanding its Defence connections after joining the DTC.

"It was the next logical step in providing more diversity and a bigger spread of customers," Sardelis said.

"Let's face it, Australia doesn't have a massive customer base in that sense in this sovereign industry. There was a

hole that was lacking in that 9100 certified aerospace type manufacturing business.

"It gave us that capability across similar customers. It not only added extra customers to our base but it provided us opportunity to do more with our existing customer base which was a logical step."

Sovereign Capability

Sardelis isn't just about customers.

He's about jobs and how local businesses can join forces to achieve great things.

And despite the growing influence and potential of Hephaestus on the Defence stage, Sardelis said he's not seduced by the temptation of morphing into Australia's first defence prime.

"It's probably not a conscious objective of ours," he said.

"I think the important thing for us is sovereign capability.

"What it's all about is providing jobs. It's about being local.

"I'm passionate about making things in this country. I'm passionate about making them locally.

"I don't import manufactured products. I don't send my work overseas.

"We make stuff here and I like capability. We install capability that industry needs and we fill it.

"You can see from our customer base they're just so diverse, being able to do sheet metal, pressing and tooling, being able to offer that solution to any one of our customers, be it someone buying a bench for their garage or BAE needing a fit out for their workshop.

"And then also supplying the parts that go into the missiles that they're putting together on those benches, it's a pretty unique situation."

Sardelis' patriotism extends to parochialism.

"It's all South Australian businesses. There's a history there since 1928 that's providing jobs and education and training. (Carr Fasteners moved to Adelaide that year after being established in Sydney in 1920).

"If we didn't amalgamate, all of those businesses would have died in their own right I would have thought, over the years.

"On their own they wouldn't have survived."

Growing Workforce

Despite its significant footprint in Defence, at present, Hephaestus's businesses only employ around 50 people.

Hephaestus Global companies have been involved in a range of Defence projects, including the Collins Class submarines.



"They were small family-owned businesses," Sardelis said.

"Sharman's was a four or five-person operation. And now it goes into every MFC console globally. That's a pretty big success story from something that was making just shelving 10 years ago."

But Sardelis said Hephaestus's staff numbers represent a five-fold jump from 2015 and he's predicting a further increase in staff of 20 per cent each year.

Part of the reason is the business is not reliant on defence contracts, which account for about half of

its work. This is complemented by everything from automotive tooling and production to trucking, white goods and even the renewable energy sector.

"We've got some nice orders going through for the next five or six years with Defence and working with primes providing solutions in other projects are coming through. We see it as quite sustainable.

"Because we are so diverse, it takes out a lot of the peaks and troughs that happen in the Defence game. We're not just a machining company, we're also offering tooling solutions and engineering solutions to some of

the bigger primes and secondary defence companies that are making things on their own."

But by whatever means, the company's visibility in the Defence space is growing multi-dimensionally.

"For example, if you go out to BAE Edinburgh, their whole workshop is filled with Sharman work benches and Rapier Electronics is all Sharman work benches.

"Same if you head out to the airport, with most of the guys servicing the small planes.

"So we have a nice little presence there of providing shop floor product as well."



DILP Quietly Continues To Deliver

"A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say: we did it ourselves."

This leadership philosophy is applicable to nearly every industry and set of circumstances.

And it may ring true for the DTC's Defence Industry Leadership Program which continues to have a significant impact on many working throughout Defence and defence industry.

Established in 2010, it now has more than 300 alumni, with an annual intake of 25 people.

The program's real strength is that it grows skillsets, knowledge and connections for all its participants. This in turn has the power to accelerate careers in almost any aspect of the industry.

"All participants develop as a leader and manager," said Rian Whitby, Director – Defence at DEWC Services, who completed the course in 2022.

"Participants gain an appreciation for, and new perspectives of, broader industry – in addition to developing a new network of people you know you can trust."

Whitby's new role with DEWC "builds on and applies the fundamental leadership and management skills that were a focus of the program".

"The program came highly recommended," he said.

He started the program already well versed on the mechanics of the military, its management and leadership structures having served for almost a decade with the Royal Australian Navy.

"The program participants were highly varied – there were a few participants who had a principally military background, a number of experienced public servants and a spread of defence industry participants from micro-businesses through to Primes. From my perspective, a large amount of the value of the program was an emergent characteristic of the dynamic created by these participants, within the facilitated learning environment managed by the DTC and SkillsLab."

"I watched everyone grow throughout the nine or 10 months and am confident that it was an extremely formative experience for many."

Based in Adelaide, the program runs from March to November and is roughly the equivalent of two standard university semesters.

It demands a few hours study each week which includes research, professional development work and a major project.

It also requires about one contact day per month and includes field trips to local Defence establishments and industry locations, which included ASC and REDARC in 2022.

"The Defence immersion activities were highly beneficial for those coming from non-Defence backgrounds, where the industry visitations gave context and awareness to those from a predominantly Defence background," Whitby said.

The course, he said, can be broken down into four distinct aspects:

- Understanding the 'Defence experience', its challenges and opportunities
- Understanding broader industry landscape, its challenges and opportunities
- Formal leadership training
- Management in the defence industry

Leadership Journeys

There were some parts of the course Whitby said he felt less challenged by than others, and viewed this as an opportunity to share his skills and experience to develop his peers.

"One thing that it gave me was the opportunity to leverage my military experiences and my appreciation of business operation and acumen to be able to act as a bit of a link between many of the industry participants.

"I still wear grey underneath my uniform polo shirt, I know what the service is like so while I didn't necessarily get as much out of those aspects as others did, the opportunity to give back and share my experiences was something I was glad to be able to do.



"But I don't think anyone's leadership journey is ever done. The foundational leadership modules were perhaps less relevant to me, though the opportunity to practice them in a different context were nice.

"It certainly did reinforce or solidify some of my prior experiences and prior skillsets.

"I think a lot of participants really benefitted from some experience around things like dealing with workplace conflict and crisis management, ethics in management, some of those aspects."

The real pay-off for Whitby was a much greater appreciation of the needs of businesses, big and small, that serve Defence and the ability to make invaluable connections that will last a lifetime.

"They talk about how many major business deals are not made based on dollars and cents, they're based on mutual trust.

"All of the relationships built during that course were not about business to business relationships they were people identifying common ground, seeing how peers operated, gaining appreciation and respect.

"I think those relationships and the ability to be able to work together across industry will be significantly enhanced by that.

"And I also have absolutely no doubt whatsoever, that all the participants who came from a non-military background, and had not participated in other formalised leadership training through other career

continuums saw significant benefits out of some of the structured leadership training, some of the things like having conversations with conflict or dealing with crisis."

Whitby's passion for his vocation is infectious and inspiring.

He wants to make a difference.

"I care about defence and what it does to protect the national security and national interests of our country," he said.

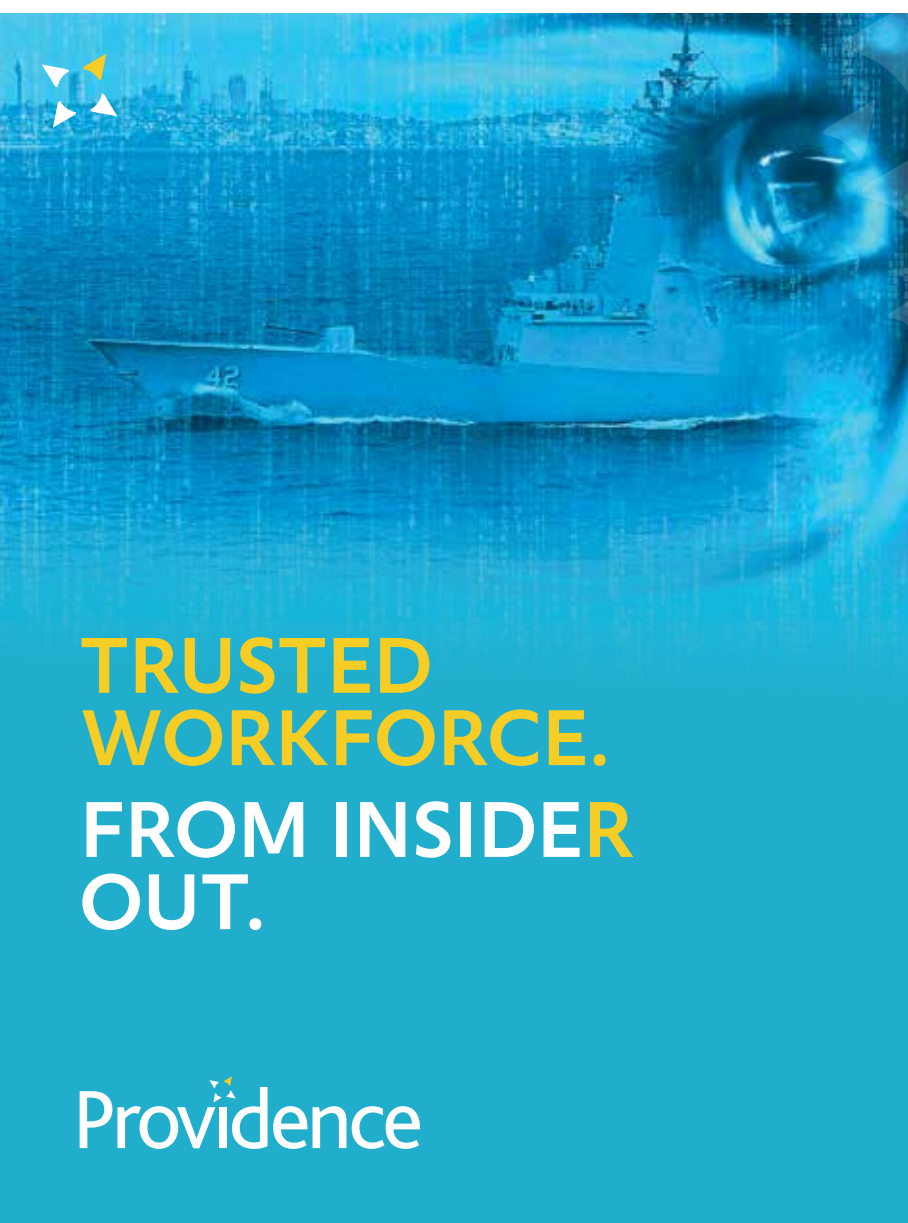
"One thing that it gave me the opportunity to do was to leverage my military experiences and my appreciation of business operation and acumen to be able to act as a bit of a link between many of the industry participants.

"In my personal opinion, defence industry doesn't work brilliantly together, it works together when it has to, not when it's in the best interests of Defence.

"So I wanted to identify where there are pockets of excellence potentially untapped or where there are challenges in pathways for some of those industry participants to be able to support Defence so that we can get the very best and very safest capability."

Collaboration

His definition of leadership extends well beyond what any dictionary offers.



People. Your greatest asset, sometimes your greatest risk.

Recent events highlight the damage malicious and unintentional insiders can inflict on reputations, finances, capabilities, and ultimately national security.

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"To me, it is being focussed on delivering defence capability, being focussed on supporting and enabling your people to do their very best and to recognise that as a defence industry, we are too small to deliver on the totality of support and technology development needs of Defence.

"Therefore, we should collaborate where possible and compete where necessary.

"Unfortunately the aspect of competition is 'compete first' because there's a presumption that there is

insufficient pie for our businesses to exist.

"I think that if we recognise that, particularly in the context of our current geo-political times, we could be focussed on what we can do to collaborate and deliver defence capability without potential collusion.

"Because Defence needs more than defence industry can possibly offer.

"So if we're not deliberate about following Defence's cues and prioritising our efforts so that we're not duplicating or undercutting or competing, then we will

have a better outcome for national security."

Whitby hopes that programs like the DILP can broker a greater awareness of the bigger picture and encourage greater collaboration rather than competition in the sector.

"One of the big challenges that defence industry has in my opinion is that the motivational structures are all about short-term profitability without the appreciation that a secure and stable defence allows for a long-term client base.

"That recognition, which used to be focused on defence capability first and business profitability enabling it, is something that the business that I work in focuses on.

"It's one of those aspects that I didn't realise was such a protective factor. There's a degree of short-sightedness to oversimplify it."

Giving Back

He remains a passionate servant of the country, and with DILP now completed, is committed to "giving back a little" wherever or whenever possible.

"There were people in that room who were remarkably more intelligent, remarkably more able and have a remarkably broader reach than me.

"So if I can offer them perspective or experience or some information about how to better support Defence and Defence needs, that's what floats my boat so I would happily do that again."

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The Sky's The Limit For Aerotech

Chris Boyd has quickly learned that when it comes to working with Defence, patience is a virtue that should be standard issue.

Head of Flying Operations at Aerotech Helicopters, he is at the forefront of the company's foray into the industry. It's a strategy barely 12 months old which has produced one job as a sub-contractor, while others remain in the wings. But industry advice has prepared Aerotech for this and convinced Boyd it will be worth the wait.

"It's one of the good aspects of DTC (Defence Teaming Centre)," he said.

"Companies have told us along the way it's a very long road working with Defence.

"If we didn't know that, we might have been thinking, 'maybe this isn't for us', because we're not seeing the progress that we're seeing in our other industries which are really quick to ramp up and procure.

"Defence is quite slow but the size of the work is often bigger."

Strong Government Record

Government contracts have comprised the vast majority of Aerotech's business.

The company was formed in 1968 and had a lengthy involvement in low-level aerial agriculture, firefighting and oil spill response work. However, it didn't invest in its hover of helicopters until 2015.

"The helicopters have quite a broad scope of approvals that can be applicable to a lot of industries in terms of what we can do, whether it's day or night, instrument flight, night vision goggles, moving people or large external loads," Boyd said.

Aerotech engages as many as 30 pilots, some with more than 10,000 flying hours logged. Those pilots were part of the company's organic move into the defence realm.

"We operate Black Hawks now and with those came quite a number of ex-ADF personnel.

"They brought a different perspective and skill set that we've capitalised on and melded with the civilian and utility type work that we do. So it's been a real advantage mixing them into the organisation."

The desire is there to strengthen an alliance with Defence that could see Aerotech soar higher than ever, delivering aviation services to remote areas, as well as running medivac activities.

"We think we can provide that at an efficient and cost effective price for them.

"And by using us, they can potentially free up their actual military hardware, rather than sitting around waiting for a medivac. They can actually be off practicing and training and be involved in the exercise instead.

"It's very early stages but we're certainly keen to keep making inroads."

Boyd is keeping his feet grounded regarding where the defence industry can take Adelaide-based Aerotech - but he thinks the sky is the limit.

"It forms a very small part of our business but we've looked at what the opportunity is in terms of government spending and the increase in that, and the fact that it's probably not going to go away for a while in terms of the geopolitical situation.

"That combined with an element of veteran employment in our workforce - as well as having approvals to do operations which would be of value to defence - it made it worthwhile and strategically relevant to enter into that market."

It's an opportunity that would not have been possible without leveraging the experience, knowledge and connections brokered from membership with the DTC.

"It's been really valuable and grown our network a lot faster than it would have otherwise," Boyd said.

"Just making lots of contacts within the industry and at trade shows and with other commercial managers at other companies to try to build that network of primes that we can potentially work with.

"These contacts when we meet them, there's usually only one degree of separation but it might otherwise take you a whole bunch of unrelated meetings to get there. The DTC have a broad range of contacts and they can narrow you down to the right one straight away.

"They've got contacts within similar organisations, whether that be Defence SA, ODIS, those kind of places, so you end up speaking to the right person straight away."

Through The Iron Door

With the iron door to the defence sector now ajar, Boyd discovered its constituents much more collaborative and amenable than he had expected.

"I've found it very different to other industries where people don't want to talk as much because they're worried about giving up any kind of secret, or may be not as cooperative I suppose," he said.

"On the commercial side, people are more willing to talk and engage with different companies. Sometimes they may be companies that are actually competitors, in order to foster that prime, sub-prime team to deliver a service.

"Whereas in other industries that we work in, you don't really talk to your competitors all that much about commercial opportunities because there isn't all that much working together."

With their interest in working in defence stimulated, Aerotech soon realised it needed assistance and approached De Stefano and Co to make it happen.

"We were looking at working with another company on some defence work and it became evident that a DISP (Defence Industry Security Program) approval was going to be required," Boyd said.

"So we had a look at that and thought 'this is going to be a bit of a monster'. And then we found De Stefano who were in Adelaide. It was good to have someone local and they helped us out with that.

"De Stefano helped us out a lot with grants as well.

"They've been helping out with getting our workforce upskilled in the areas that Defence is going to be looking for. They're going to be needing people with a certain skill set to be present in our tender applications. It's just building up that capability and that picture that is going to make us competitive in defence."

DTC Guidance

None of it, Boyd said, would have been possible without the input of the DTC.

"If you were new to it all like we are, you're not going to possibly have the connections and that knowledge of the industry.

"I think you'd be beating your head against a wall. Unless you hire in the knowledge and do it that way, to grow the knowledge you really need to have those connections and you're only going to get them through an organisation like DTC.

"It's something that you would just have to do."

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Hard To Win, Great For Business

By Dion Hayman

To use an old expression, winners of a DTC Award For Excellence are 'as rare as hen's teeth'.

With only three awards on offer each year, they only reward the best of the best and therefore carry great prestige in defence circles.

As we count down to the 2023 Awards in November, Defence Business spoke to one of the winners from 2013, to see how 10 years has shaped their business.

Daronmont Technologies's reputation both at home and abroad has grown enormously since it held aloft the Innovator Award at the DTC's night of nights a decade ago.

Established in Melbourne in 1998 before opening a base at Mawson Lakes in Adelaide's north, Daronmont Technologies develops, integrates and supports high technology systems for defence and security purposes.

"We had recently completed a major contract delivery in the acquisition phase for Air Force and had commenced the support phase," recalled Lee Stanley, Daronmont's Business Development Manager.

"So we'd really made a big jump from where we'd started in the company doing project-based work to a new phase of our development as a prime in our own right, delivering and supporting our biggest contract with CASG and the ADF.

"The 2013 award signalled that we'd moved from where we were to a new phase in our growth.

"The award was fantastic recognition for our people but it also gave us tremendous exposure in the defence market. The industry started to sit up and take notice of Daronmont.

"We used that award as a springboard for a range of new developments, projects and capability and growth.

"It underlined where we were going as a business and we haven't looked back."

Their success at the DTC Awards continued two years ago when they landed the Teaming Award, taking the lead in partnership with Zenith Custom Creations, Cold Logic and APC Technology to produce deployable shelter systems which had previously only been available overseas.

"The DTC awards have always been an excellent opportunity for industry to showcase what they're doing and different categories allow different sorts of businesses at different stages of their evolution to highlight their capabilities," he said.

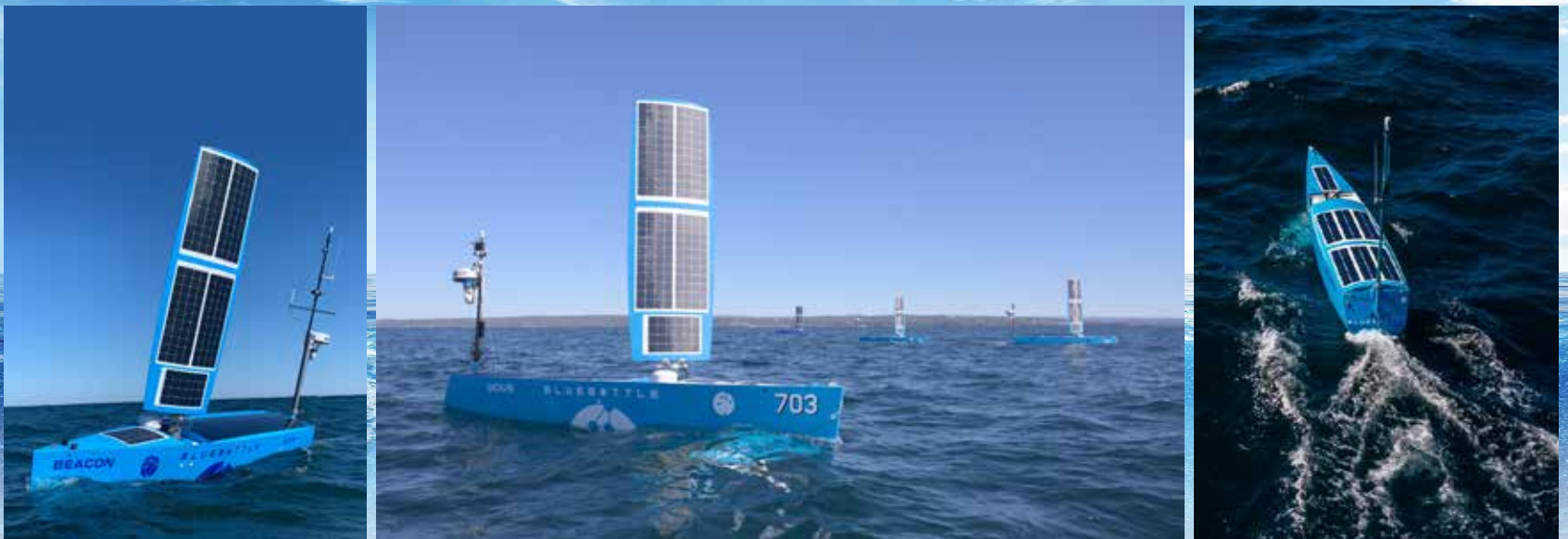
"That was again indicative of our development as a business, our ability to prime, bringing collaborations with other South Australian companies together.

"It was something we were pretty proud of and we managed to use local companies to develop a capability that previously we could only source offshore."

2023 Prospects

Daronmont Technologies could yet be back on the podium again in November, albeit this time playing second fiddle to BAE Systems.

"This year, BAE Systems are in the Prime role, we're fortunate to have an important role and be a key supplier of a major subsystem in the JORN (Jindalee Operational Radar Network) upgrade.



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- ✓ Launch + recover from a standard council boat ramp

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"So we were very pleased to join in with that nomination because we enjoy a great working relationship and the work we're doing with them.

But come November, Stanley feels Daronmont Technologies are in a no-lose position.

"From an entrant's perspective, making the list of finalists is an achievement in itself," he said. "Winning is the icing on the cake."

Significant Growth

The company's awards night successes have been paralleled by a period of significant growth, tripling in size out of the need to match the opportunities presented to them.

"Back in 2013, our deployable systems capability, which includes containerised deployable command and control and laboratory systems, was in its infancy.

"But today we've built between 75 and 100 shelters for various customers. We've probably done half a dozen major projects in the deployable systems domain since 2013.

"We're on the cusp of a major export opportunity into the US with that technology so that part of our business has gone from strength to strength.

"And another key part of our business, in passive radar technology, also has great potential.

"We hadn't begun our passive radar journey in 2013 but through our partnership with the Defence Science and Technology Group and the Defence Innovation Hub in 2016 we were awarded what was for many years the largest contract the innovation hub put into industry.

"That gave us the opportunity to develop that IP into a commercial product which we are now also on the cusp of exporting into the US and other customers."



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"We used that award as a springboard for a range of new developments, projects and capability and growth."

Export Success

Daronmont's breakthrough in the export domain virtually ensures its future success both home and abroad.

"We were doing very little exporting back then," Stanley said. "We're now looking at major exporting opportunities across all areas of our business."

"Those particular technologies have really significant development paths open to them so we export to have ongoing export success in the next three to five years."

"And following that, we'll have the opportunity to evolve those capabilities with a much larger customer base."

"We'll take those products into opportunities we have yet to discover."

"Ongoing success will support ongoing investment in research and development."

"We all know export success often leads to local orders, so we're expecting what we're doing in the US will lead to Australian market opportunities."

"There are really no limits on our potential to grow."

ASDEFCON And Primes

But Daronmont's growth can't be measured by dollars or people alone.

"Our maturity as an organisation has grown, we now offer a full ILS capability to complement our engineering, project management and systems integration."

"We've done a lot of ASDEFCON delivery, so we've matured commercially, we've matured in terms of ILS and engineering capabilities and our supply chain has matured significantly."

"We now have a very extensive supply chain, mainly in SA, which enabled us to win our Teaming award in 2021."

"That didn't exist for us in 2013 so it's an exciting time for our business."

Daronmont's interrelationships with primes are also blossoming.

"We're actively working with most of them now."

"I think we have a good reputation with them. I think primes have developed as well in the way they relate to smaller companies like ours."

"They're far more cognisant now of the way we work as businesses, the importance of cash flow, the importance of not burdening us with cost-driving contract terms and conditions."

"They're far more confident now in the capabilities within Australian industry than they may have been 10 years ago."

Skills Improvement

The dark clouds might finally be lifting in the ever-present battle to attract enough quality candidates to work in the defence industry.

"There's been a lot of commentary around the recruiting difficulty, particularly in the South Australian market, but what we've noticed just in the last six to nine months is that the talent pool is broadening and deepening," Stanley said.

"So we're starting to see a wider variety of candidates, a higher quality of candidates coming through and we're attracting quality candidates."

The precise reason for the bluer skies is difficult to ascertain, he said.

"It could be a combination of more people moving into South Australia, there's obviously movement between companies and maybe as our profile grows, we become more an employer of interest to some of the good people who are in the market."

"All of that means the relationships that primes have with the SME community are now based on collaboration, fair dealing and trust in our ability to deliver."

But like many businesses that work in the sphere, Stanley conceded Daronmont Technologies will be challenged by the Defence Strategic Review (DSR) which will continue to demand agility and flexibility from industry partners.

"Understanding the DSR and Defence's approach to acquisition and support over the next four or five years is something we all have to adapt to," he said.

"We're adjusting to the ADF's evolving requirements as a result of the DSR and working out how to position what we do to match what Defence now needs as a result of the changing strategic circumstances confronting Australia and the ADF."

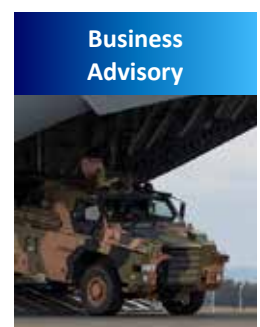
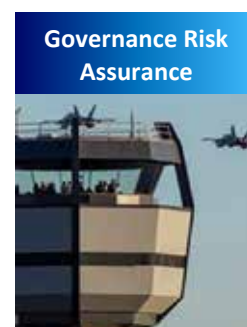
Awards Night

The 2023 DTC Awards will be held at the Adelaide Convention Centre on November 23, recognising the achievements of DTC members in the defence industry.

This year's awards will reward organisations who have excelled in service, commitment and ethical behaviour in the categories of Innovation, Skilling and Teaming.



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Insider Threat: It's real, are you ready?

Since 2021, incidents of insider threats have increased by 44 per cent. Cost per incident has increased by more than a third to US\$15.38 million, with incidents that take more than 90 days to contain averaging US\$17.2 million (2022 Cost of Insider Threats: Global Report, Ponemon Institute).

Can your enterprise afford the operational impact and financial cost that one insider can inflict? And this is before you consider damage to your reputation, or the potential damage to national security, which, as seen in the recent Teixeira case in the US, can be significant.

September is Insider Threat Awareness month. Let's explore the insider threat outlook for 2023 in the light of modern workforce challenges and the benefits of a holistic, human-centric, and balanced Insider Threat Program.

Who is an insider?

Thinking about insider threat, people often visualise a foreign spy or a Snowden-type of insider who compromises highly sensitive government information. However, insiders and their motivations take many forms, from someone disgruntled taking your intellectual property (IP) when leaving your organisation or being stressed and overworked so unintentionally clicking the phishing link enabling a cyberattack.

The ASIO 2023 *Countering the Insider Threat: A Security Manager's Guide* (ASIO Guide), available through ASIO outreach, defines an insider as 'a current or former employee or contractor who has legitimate or indirect access to a workplace's people, information, techniques, activities, technology, assets or facilities'. It is important to keep in mind that insiders also include your supply chain vendors or business partners that have, or had, authorised access to your organisation's assets.

There are two types of insiders: unintentional (negligent) and intentional (malicious) insiders. An insider's reasons for conducting harmful activities, either intentionally or unintentionally, are varied, often complex and, as shown by decades of international research, generally have more than one motivation for their activity.

Common motivations of trusted insiders.

Motivations of unintentional insiders

- lack of security awareness and training
- negligence and carelessness
- misunderstanding of policies/processes
- fatigue, mistakes, confusion
- distraction or inattention

Motivations of intentional insiders

- financial gain
- disgruntlement
- ideology
- desire for recognition
- compulsive, risky or destructive tendencies
- ego and revenge

The Verizon 2023 Data Breach Investigations Report revealed that following analysis of the last year's misuse of legitimate access, a shocking figure of 89 per cent of malicious insiders are motivated by financial gain, 13 per cent by disgruntlement, and 5 per cent by espionage.



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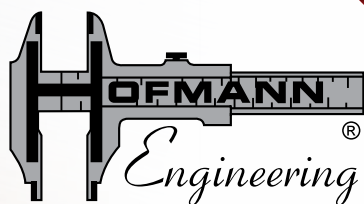


"A holistic, human-centric and balanced Insider Threat Program (ITP) that can serve as an enabler for employee wellbeing and a foundation for a more productive, engaged, and secure workforce."

Australian Army Colonel Hamish Ashman, CSM, Director Joint Cyber Projects, delivering the opening brief to the Five Eyes Cyber Summit.



Pictured left to right: The Former Governor of Western Australia and Minister for Defence Kim Beazley, Rear Admiral Raydon Gates and Hofmann's Managing Director Erich J Hofmann inspecting the completed Bow Thrusters that were made for FINCANTIERI and exported to Italy.



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Modern workforce challenges

Delivering AUKUS and Defence Strategic Review (DSR) outcomes will require a larger trusted workforce, more people than is currently available, to create and transfer highly sensitive and valuable technology between the AUKUS nations. In addition to Defence industry, there are many Australian entities now subject to the *Security of Critical Infrastructure Act 2018* (the SOCI Act) that are obligated to implement critical infrastructure risk management programs and report annually their ability to protect their vital capabilities in support of national sovereignty and resilience.

For defence industry and academia, the two pillars of AUKUS agreement— nuclear powered submarines and a cluster of advanced technologies — have exposed the yawning gap between workforce fantasy and reality: the fundamental need to grow, win and retain a precious highly educated and secure workforce.

Defence reporting suggests that the Nuclear Submarine Pillar alone will require around 20,000 direct jobs over the next 30 years across industry, the Australian Defence Force and the Australian Public Service including trades workers, operators, technicians, engineers, scientists, submariners, and project managers. That does not include those required to address Pillar 2 activities, such as growing a sovereign guided weapons industry and advanced scientific and engineering activities. How can we grow this workforce over the coming decades?

Finding these reliable and trusted people is an exciting proposition, but to do so we will need to explore all options, including modifying approaches to managing security. Defence industry, academia and SOCI entities will be compelled to compete for workforce from the domestic and international talent pool, however current security practices make non-citizens difficult to employ. With the clear and present risk posed by foreign intelligence services, issue motivated and extremist groups, and employee nomadism, can a trusted workforce be created without increasing the risk of insider threat?

No organisation is immune to insider threats, which do not just emanate from malicious and criminal activity, but also from careless and negligent staff (56 percent of incidents). With the enduring skills shortage a reality can you afford to reject or discard skilled staff because they do not 'fit the mould' or make simple careless mistakes?

Lastly to note, organisational culture and personnel management processes can foster a working environment conducive to insider threats: employees feel undervalued, unsupported, or treated unfairly. Conversely, culture can mitigate insider threats. So, what can be done?

Insider Threat Programs

You need to know your people. You need to know the security risks attached to them. And not from the perspective of 'big brother watching you' but to be able to understand what motivates your employees, to genuinely support them during stressful times both within the workplace and beyond the workplace. Remember, the vast majority of insider incidents are perpetrated by individuals who you selected to be part of your team and started out in your organisation as committed and loyal employees. But people change so employers need to be nimble and alert in managing their people, in mitigating insider threat.

A holistic, human-centric and balanced Insider Threat Program (ITP) that can serve as an enabler for employee wellbeing and a foundation for a more productive, engaged, and secure workforce. An ITP also provides risk management for your organisation.

7 key steps from Providence on how to build a holistic, human-centric, and balanced ITP:

1. Conduct a security risk assessment

- determine risk tolerance of an organisation as a necessary precursor to tailoring an ITP to address specific needs, threat types, and unique culture of the organisation.

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2. Establish multi-disciplinary governance

- break down data silos, build collective understanding of security objectives and enable information sharing.

3. Introduce an in-house workforce security risk-based screening

- determine the level of screening to be proportional to the level of risk posed by that role to organisational objectives, processes, and business impact.

4. Develop an ITP foundation

- establish and clearly communicate personnel security policies, procedures, education, and training.

5. Enable access and technical controls

- link existing physical and IT security access and technical controls.

6. Empower robust virtual and non-virtual behavioural monitoring

- roll out reporting mechanism for employees to express their concerns to prompt an investigation capability.

7. Data analysis and reporting using advanced open-source intelligence capabilities

- advanced analytics tools provide automated analysis and reporting based on a risk algorithm that aligns with a risk tolerance of an organisation.

Our approach to an ITP will also equip your organisation to:

- bolster wellbeing, employee performance, staff retention and workforce diversity
- establish an adequate organisational response to incidents thus mitigating the insider threat
- enhance loyalty and organisation's security culture.
- People. Your greatest assets, sometimes your greatest risk. Adopting a cost-effective method of mitigating insider threat will open new sources of talent and enable you to attract and retain the precious human capital needed to deliver critical national security outcomes.



Authors: Tim Slattery is a Senior Director, Enterprise Protective Security, at Providence Consulting Group with 35 years' experience of the national security and intelligence communities.

Marina Maydanov is the Critical Infrastructure Security Practice Lead at Providences Consulting Group with extensive experience in the national security, infrastructure, and transport sectors.

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Ascent Rising To The Top

By Dion Hayman

"Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime."

This saying by Chinese philosopher Lao Tzu could easily be applied to the Australian government's \$4.1b pledge in April to boost the nation's defence capabilities.

Coincidentally, it is due in part to the rise of China that has accelerated the government's actions as it boosts the range of Australian artillery from 40 to 500km.

Of that commitment, some \$2.5b will be directed toward the Guided Weapons & Explosive Ordnance (GWEO) Enterprise.

It's a space that has attracted multiple SMEs, including Adelaide-based Ascent Professional Services, an Australian-owned, veteran-owned company working to enhance Australia's sovereign Defence capability through technology, training, skill development and outcome-focused solutions.

It now boasts around 50 per cent of all engineers in the EMB (Explosive Materiel Branch) and nearly two-thirds

of the senior ones. But the real litmus test in terms of the impact and success of the government's investment will be how the money is spent, according to Ascent's Strategic Partnerships Manager, Darren Roles.

"It's the classic give a man a fish story," he said.

"If they spend the money on weapons and equipment acquisition, then not so much.

"If they spend the money on acquisition but also development of Sovereign manufacturing capability, then it probably will."

CFO, John Giffard, who spent more than 11 years as an Armament Officer with the RAAF, said it's a critical moment for Defence in Australia.

"This could genuinely give Australia a massive step forward in manufacturing capability," he said. "It needs to be spent well though.

The Australian Government Defence GWEO Enterprise wants to accelerate, grow and sustain the sector across several enablers that encompass the full life cycle of GWEO. This involves the use of larger strategic partners to accelerate acquisitions and multiple enterprise partners to provide specialist advice and services directly to Defence.

"Holden never manufactured a windscreen in their life, they never manufactured wheels, instead they went out to industry to support overall manufacturing.

"I think if the strategic partners consisting of the big primes come into Australia and take the approach that

Australian industry partners are genuinely part of the supply chain, and we're supplying many of the parts required for this, then yes, it could be an awesome step forward for us.

"At that point, we're doing a lot of the heavy lifting, we're not just putting it together at the end stage.

"I think that would set Australia up very well for the future. If Defence just buys the parts overseas, brings them over to Australia and puts them together, I'd argue that's probably not as good a solution as can be expected as there's no value add.

"Australian companies and Australian-based companies need to be a larger part of the supply chain."

Giffard also said it is a massive opportunity to establish Australia as an important cog in the global defence industry.

"We don't have any of the big primes based here in Australia; we don't have any big weapons manufacturers based here.

"I think many of the overseas primes are interested in establishing some sort of manufacturing base here given our abundance of resources and strategic position.

"I don't believe there's likely to be an Australian company that comes out of this that manufactures its own weapons.



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Hobart Class guided missile destroyer HMAS Sydney

"We don't buy enough weapons and we don't use enough weapons for an Australian-only manufacturer to stand up. Realistically, from an Australian company perspective, we are likely to be a subcontractor or supplying parts, materials, experience, and understanding to that enterprise."

But for this to materialise, there needs to be greater buy-in of innovation, not just in Australia but abroad.

"If you come up with a new idea, it does take time for that idea to manifest itself because you're dealing with a big bureaucracy," Giffard said.

"Defence and government are always going to be slow on the uptake of really innovative ideas.

"Innovation should be a six-week to three-month turnaround, not an eighteen-month turnaround. It's very fast, furious and agile and you have to fail a number of times until you get it right.

"As you've seen in Ukraine, when time, money and existence is on the line, innovation becomes very quick and your turnaround times are very short.

"But innovation in Australia seems to stall, largely because in Australia there is little tolerance for failure and genuine innovation is hard. If you don't fail, you don't learn. If you maintain the status quo and replicate only what others have done, you don't innovate."

Hearing about the government's multi-billion-dollar investment but not seeing it is also proving problematic for companies like Ascent, he said.

"Whilst the government is committed to doing a lot of the GWEO content, the flow of funds hasn't occurred yet and that's providing headwinds for all companies to deal with.

"At the same time, they've also announced they're bringing a lot of above-the-line contracting in-house.

"So a lot of the smaller Australian companies are facing difficulties in that space because of that withdrawal of contracting from above the line and that hasn't manifested itself below the line yet.

"A lot of the primes have been insulated from that withdrawal of funds."

Despite the challenges, Ascent remains committed to the best-case scenario, actively recruiting an average of six young engineers annually at a time when many in the sector are struggling to find new blood.

Unlike their core business, their method is anything but innovative.

"We advertise. We simply put up a post on SEEK and go around to the universities and say, 'look, we've got a job up'," Giffard said. "It's extraordinarily well received, somewhere in the vicinity of 160-180 responses for each round of recruitment, and we usually put on about five personnel out of that.

"Everyone seems to say they're scratching for people. If we put up an ad, we seem to be massively oversubscribed for everything we advertise for."

A more personable approach appears to be doing the trick for Ascent.

"We definitely try to do our best to show that human side of defence," said Roles. "People in civilian industry don't have an understanding of what that is, the acronyms they use, the terms they use, whereas we explain it with the outcome in mind.

"A lot of the responses are that they simply weren't aware this was an area where they could be working." Ascent's old-school approach was born of necessity, Giffard said.

"About three-and-a-half years ago, we were struggling to get personnel from the normal sources being the ADF and Public Service, so we started putting on our own graduates and training them up inside the company.

"We've actually managed to put 18 dedicated GWEO engineering graduates into the system in that time, which is more than the Air Force, Army and Navy have put into the space and I think more than any other company has in GWEO to our knowledge."

Ascent selects the best engineering graduates from around Australia, including a handful who have been in the workforce for a few years.

"We're endeavouring to increase the number of women within the Ascent extant workforce of over 50 GWEO

engineers with significant interest from our interns and undergraduate programs."

Candidates are then immersed in an intense training regime of up to 12 months, before being deployed to wherever they are most needed.

"The skills are readily applicable across a whole range of other places, but the knowledge is very specific to defence," Giffard said.

"What we're trying to do is use the engineering knowledge that we've got and apply it to ensure that the explosive material that we're dealing with operates the first time it's pulled out and used for real; the first time every time. But these could have been in storage up to 30-40 years and that's a massive impost.

"Explosives are naturally degrading materials which degrade when subjected to time and temperature. We're trying to slow that process down and understand what, if any, performance and safety implications may exist as they age. We're working against nature to ensure when the Australian Defence Force pulls these things out and tries to use them, they work."

Graduates can become a fully qualified engineer status in three to five years and may take a further five to 10 years before being considered "experts" in their field.

"It's very specific training but also very dynamic," Giffard said.

"Most of it revolves around ensuring the explosives are maintained in a safe way. It's a multi-disciplinary task drawing upon knowledge as diverse as software, physics, aeronautical engineering and chemistry.

"We try to understand how the explosives can degrade and how to mitigate the effects or remove them from service before they become too unsafe or unreliable to use. In essence, we're risk-based engineers.

"Let's face it, there's certainly a lot of pressure. If this goes wrong, it happens very quickly, and people can die hence our focus on safety."

Bridging Gaps Key To Next Decade In Defence

Defence businesses face two major challenges that must be overcome in the next decade: bridging significant gaps in industry skills and knowledge; and cutting through red tape to allow Defence to engage with more prospective industry partners.

This is the view of Stephen Baker, the Director of Business Development at Coherics.

Coherics' core business is to measure and improve the return on investment for the large scale integration of technology and capability into Defence, using a bespoke database and analysis combined with a deep operational understanding.

"We help Defence get a strong return on investment for their products," Baker said.

To achieve that goal, Coherics has built its program from the ground up.

"One avenue we are taking is by giving people some foundational knowledge in the business, just being able to work in the defence industry, because we're going to need a lot of people that aren't familiar with it.

"Working with Defence is a complicated thing just on its own, to speak the language, to know their needs, which are wildly different from that of corporate level customers.

"And while some of the words might be the same like corporates talking about a capability and Defence talking about a capability, when you play them out to the actual solutions base, they can mean very, very different things.

"Just even understanding those little nuances is quite a big step.

"So we're building courses and courseware to help people with that foundational knowledge aspect to be able to understand the client and have the appropriate skill sets to communicate effectively in the industry."

It's an issue that has been years in the making, he said.

"There are large gaps in knowledge and skills right across the board because of the fact that industry itself has been expanding for quite some time to support Defence, while all that time, there is not enough ex-Defence personnel to fulfil that growth.

"This has happened generically over the last decade or so.

"The current government vernacular to try to absolve that is by growing APS and people in uniform but with that, it has effectively created a gap in terms of the capability of industry.

"Because of Defence workforce demands while industry has been expanding, there's a whole lot of workforce that has to come straight out of universities and out of schools and other industries that don't have specific Defence understanding of the client.

"Not only that but all the advancements in technology and capability of the actual pieces of equipment that Defence is procuring, there's just not a wealth of people who understand the customer enough to know how to integrate and use those pieces of technology effectively and efficiently."

AUKUS Implications

Baker said it has massive implications for the immediate future of AUKUS.

"There's a very specific gap in capability and knowledge with nuclear understanding for example. The government has obviously recognised that and it's sent some of our personnel, both military and civilian, overseas to get some experience.

"But when you're talking about growing a whole new industry, it's just so multi-faceted in terms of how much

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“If you look at what AI is really good for, it’s a bit of a shame the way it’s been coined AI.”



support around all that is going to be needed to be grown with multiple gaps across the board.

“We don’t even know the size of the gaps at the moment.

“It’s going to be a really long journey across multiple industry partners, multiple agencies, across government, people in uniform, and we’re going to have to find ways to work closely together to identify solutions to all of those little gaps.

“It’s going to be a rocky road, it’s going to take quite a long time.”

However, he has been encouraged by the quality of talent drawn to the sector.

“The skills of young people coming out of schools and universities at the moment, they’re really capable individuals.

“Their learning rates and their learning needs are very different from people 20 or 30 years ago. So we’re looking at different ways of engagement to make sure the training material is appropriate to fit the need and you’re not spending long timeframes learning those skill sets.”

Rapidly upskilling workers in the industry is also an emerging component of Coherics’ business.

“For example, when you’re growing a whole new industry like AUKUS, there are going to be so many different vocations and roles that a lot of graduates will be able to do and provide value.

“But for them to go to that next level of being able to work in an integrated team to provide a lot of value to their team internally, having a deeper understanding of the client can only add a lot of benefit, so that’s one of the things that we’re looking at doing.”

New Ways Of Working

Additionally, breaking down barriers and fast-tracking engagement with like-minded industries will be critical, according to Baker.

“Currently, with a lot of the procurement cycles through ASDEFCON and engaging industry partners,



there is a large amount of governance and assurance requirements to be a company capable of providing services in Defence.

“So finding innovative ways for us to be able to work together in a secure manner is one of the biggest challenges.

“While we all categorically understand there needs to be a lot of governance around risk assurance, security, and capability, for the government to spend Commonwealth funds, there are also paths we can build together to make that a bit more seamless.

“It would really foster lots of other industry partnerships to come to fruition because Australia has some amazing skill sets right across the board in other industries that would be very valuable in our industry.”

The future of AUKUS again looms as the critical case in point.

“There’s still a bunch more work that needs to be done to give everyone a clearer picture on the distinct projects that the government wants to fund.

“Until that process crystallises, there’s a lot of waiting around for the Commonwealth to take the next steps to see how the DSR will play out and therefore how they are going to generate business going forward.

“For the Commonwealth to meet its capability requirements, the one thing that is exceedingly clear is that industry is going to work hand in hand with Defence and Defence needs to figure out clearer ways to make that happen.

“A lot of the barriers that have been in place previously are just not going to work going forward.

“Not just on the large scale of AUKUS, but also new custom fit capabilities – small pieces of technology like drones, training aids, virtual reality, AI, and how we are going to integrate that seamlessly into Defence across all sorts of projects.

“They’re going to need to understand how to work with bespoke industry partners more closely and in an agile manner, due to rapidly changing technologies and environmental threats.”

Artificial Intelligence

Artificial Intelligence in the public realm has grown exponentially in the last 12 months but remains largely misunderstood,” Baker said

“If you look at what AI is really good for, it’s a bit of a shame the way it’s been coined AI.

“It’s not actually a true representation of what it really does. It does not possess consciousness, self-awareness or genuine understanding. It operates from a set of rules and learns from data.

“That doesn’t mean to say it can replace human decision making.

“It can certainly help humans come to decisions much quicker. Once you understand that, you can start to see where it’s best placed to help Defence.

“There’s lots of governance associated with Defence that’s but that’s one small aspect where AI would be ripe to provide a lot of efficiency.

“When you start to pull apart all of the missions, roles, jobs, and tasks that members in uniform perform and you start to delve behind that onion skin of layers, you see that AI is ripe for integration right across the board – to be able to make sure that those who wear uniform are really effective at the core roles they are required to do.

“That could be anything from logistics management, training management efficiency, asset utilisations, there are all sorts of different ways that AI can be integrated into Defence.

“But I don’t think we’re going to see a place in the immediate foreseeable future where AI will actually be autonomously employing the effect of any sort of weapons in a battle space.”



Assistance Dogs Allowing Veterans To See Differently

The assistance dogs placed with ADF veterans are not just man's best friend, they are certified life savers.

Research undertaken in 2022-23 with 16 participants in the See Differently with the Royal Society for the Blind program confirmed veterans with assistance dogs were enjoying significant benefits.

Half reported their PTSD (post-traumatic stress disorder) symptoms had subsided, while 34 per cent reported their suicidal thoughts had passed.

Another independent study with Adelaide University and MESHA (Military and Emergency Services Health Australia) found the OPK9 program saw veterans improve their mobility and exercise by 40 per cent and their social connection by 20-45 per cent while also seeing a 15 per cent reduction in alcohol use.

The numbers are startling and a tribute to the meticulous work and preparation that goes in to not just training these dogs but matching them with suitable clients.

Daniel Fitzgerald has been a certified dog trainer for 14 years, the last six with the OPK9 (Operation Canine) program at Gilles Plains.

Technically, he trains not just dogs but people too. The latter can be inherently more challenging.

"Dogs ask less questions," Fitzgerald joked. "But it's always nice to know in your work you are achieving outcomes that benefit people - and dogs."

The program currently has more than 50 dogs matched with veterans in need and aims to partner an additional 12 per year. But it's a detailed and intricately planned process that can take up to two years.

The program breeds its own labradors, golden retrievers and crosses with both in-depth analysis and a watchful eye to determine exactly which dogs make that cut.

"The two biggest factors would be temperament and health," Fitzgerald said. "We check the hips are good, the elbows are good, the eyes are good. We'll do a lot of genetic testing as well to make sure that we're hitting all the markers for their health."

Up to 50 puppies are bred annually for guide or assistance roles. Those that pass further health and temperament checks are exposed to a string of carers, on their way to their ultimate destiny.

"They start out with volunteers in the whelping nest until they are eight weeks old and then they go to different volunteers we call 'puppy educators'.

"They stay with them until they're about 15 months old and then they'll come in for formal training.

"The whole way through that process, we've got staff who go out supporting the volunteers, tracking where the dogs are at, making sure their obedience responses are reliable, they're being well socialised and positioned to be successful when they come in for formal training."

Formal training for the dogs is just like school - it's much like dropping your child off in grade one.

"They come into our facility at Gilles Plains in the morning, Monday to Friday, and they get picked up in the evening," Fitzgerald said.

And like a mother watching their baby walk out the door, schoolbag in hand, these puppy volunteers are forgiven for suffering a little melancholy of their own,

knowing they will soon bid their 'babies' farewell.

"It's difficult for the volunteers. They form really strong relationships with their dogs but they understand it's all part of the process and the dogs go on to provide a role that is significantly helping someone achieve a better quality of life."

Canine Curriculum

At puppy school, the lessons come thick and fast, broken down into two main areas.

The first is ensuring the dogs are familiar and assured in any environment they are likely to encounter.

"Areas like the CBD, public transport, travelators, escalators, big shopping centres, rural environments, urban environments, residential environments, anywhere that people could be living or going, we want to make sure our dogs are confident in those environments.

"So it's really about building their confidence, teaching obedience behaviours, encouraging handler engagement from the dogs and making sure there is a good ability to cope in a range of different situations."

The second key area of learning that starts at the formal training stage, when the dog has reached social maturity, involves teaching the dogs how to behave and relate to people, specifically veterans, suffering various kinds of emotional challenges.

"It's about teaching them specific tasks that are going to mitigate some of the symptoms," Fitzgerald said.

"The value of the dogs is they can help with emotional regulation. They can help with giving people a sense of purpose and creating a routine. That's what dogs can do, just by being dogs.

"But then we can also train specific tasks that are going to help mitigate the symptoms of PTSD.

"We train dogs to recognise physical cues from our clients that they're starting to feel anxious or upset and then teach the dog to perform a specific behaviour in response to that.

"And we can teach clients themselves to recognise when they are starting to become anxious and request a specific behaviour from the dog as well."

This indeed is a two-way street - a program that teaches both human and dog to help each other.

"So we teach them 'grounding' where the dogs apply pressure to the client, whether that's just a head on the lap or two front paws across the legs, or applying pressure across the chest. That can help calm some of those symptoms of PTSD.

"We can also teach the dogs to retrieve items. Having a dog search the house for their leash, and returning it to their client might just be the kicker that the clients need to get themselves out of the house and take the dog for a walk. This encourages a flow on effect of an exercise opportunity and increased social interactions. Avoiding situations is a symptom of PTSD and we want our dogs to support our clients to get back to reintegrating into society with confidence"

"You absolutely have to have an understanding of behaviour when teaching people and dogs. Learning should be a fun and enjoyable process"

Behaviour-Based Training

Teaching the dogs such intimate and deep insights into the human psyche relies heavily on the age-old process

of reward for good behaviour, usually with food.

It's a method Fitzgerald is passionate about and he openly scorns alternative methods that favour punishment.

"In the dog training world internationally, there has always sort of been this belief that using food in training is bribing dogs. But it's really just a lack of understanding of how behaviour works.

"There's been this long held view that dogs are trying to be top dog or alpha dog which means the human needs to be the leader and punish the dog to put it in its place.

"It's based on outdated information about wolves that should have never come about in the first place. It became a popular theory in the 1960s or 70s and it's just hung around.

"It's fine if dogs are doing things for food and other reinforcers. That's how learning occurs.

"For us, it is about finding out for each individual dog what is their reinforcer. Sometimes it will be physical praise or verbal praise, often for us working with labradors, it's going to be food. Sometimes it's going to be toys or play."

The Match Up Process

Prospective clients are invited to partake in the dogs' training sessions which also assists the program to make better matchmaking decisions.

They are then given the green light from a psychiatrist to ensure they are ready and capable of looking after a dog. That's when the experts go to work and it all gets very

'Married at First Sight'.

"Generally, we're really good with that aspect. It's not something that's done by chance.

"There are regular conversations amongst the team about our clients. And then there are regular discussions about our dogs, their strengths, weaknesses, personalities, what sort of environmental set up would work for each dog so that when we settle on a match, we're confident that it's going to be a good one.

"We know our clients in advance, even before they come in for their training sessions with the dog.

"We know where they live, what their home environment is like, what their lifestyle is like, their plans for the future, environments they go to or would like to go to. We know which dogs cope well in particular areas. So we have an idea of what to expect.

"We are setting ourselves, our dogs and our clients up to be successful. I think we do a really good job with that."

But with the decisions made and new friendships formed, it's far from the end of See Differently's involvement.

"The clients are supported the whole way through.

"In the first year, there are more regular follow-ups. Then after that, we're seeing them a minimum of two times per year and we're only just a phone call away if there are any issues.

"If they need a bit of extra support we can come out and help them. Maybe they want to get a pet cat. We'll advise them on the best way to make sure everything in the household is cohesive."

Most of the dogs spend their lives with the veteran deemed to be their 'perfect match'.

Their testimonies speak louder than any statistical evidence trumpeting the program's success.

"I didn't think it was possible for me to ever, ever improve," said one veteran. "I thought this was going to be my lifestyle for the rest of my life. This has proven me wrong, it turned me right around 180 degrees."

"They give me reassurance and confidence," said another. "I rest easier at night. It's comforting just having them walking around with me during the day – it's all been amazingly positive."

Another declared: "I was a recluse and didn't leave my home for many, many years and now every day is an adventure, they give me something to look forward to."

It goes without saying that Fitzgerald is himself a dog lover. But while his working life is dedicated to improving the lives of veterans, he goes home to Maggie, an 18-month-old poodle cross he rescued from an early demise.

"She had a whole range of behavioural issues and the danger would have been that she would have been mistreated because of those issues if someone tried to retrain her without the support of a Veterinary Behaviourist," he said.

"So my partner and I decided to adopt her.

"Her diagnosis was Canine Hyperkinesia (dog ADHD). She's calmed down a lot and lives an incredibly rewarding life."

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A diverse industry ecosystem to support Defence Australia

Tony Nicholls, Director Space Defence and Intelligence, CGI Australia

Australia is in a unique position in terms of our diplomatic and strategic situation, and we need industry that is focused on Australia, providing security, agility, and assuredness in a rapidly evolving environment. We need an industry to support these unique requirements; one that builds long-lasting relationships, and that commits to sovereign capability and an Australian workforce. SMEs and primes must put the customer first and look to the long term for outlook and returns. These relationships must also be supported by an industry that is capable of being flexible and adapting to the needs of customers as well as predicting and informing to maximise success.

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world and support the requirements of many nation's defence forces. However, CGI is a relative newcomer to the

Defence ecosystem in Australia having entered the market around two years ago so able to bring a fresh perspective. Our commitment is to deliver cutting edge capability, using the best Australian products, built by an Australian supply chain from global primes to SMEs.

We are vendor agnostic so along with a broad network of best-in-class delivery partners, CGI is a trusted delivery partner for government, Defence, and industry clients in Australia. We are a true independent sub-prime IT systems integrator. Our success depends on integrating the highly technical and complex to deliver world class mission critical capabilities.

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promises to all our stakeholders. Building and managing an expansive ecosystem of third-party providers in Australia for the benefit of our clients is one of our top priorities. Key to this success has been the recognition of the need to match the commercial agility and limitations of those organisation to meet the needs of the end client. This is all supported by our metro model where the engagement with local organisations and capability is built in from the outset. Our role ensures that success is based on attributes that are common to all our stakeholders.

Building upon our extensive global heritage allows CGI to deliver Australian Defence and Space industries with mission-critical solutions backed by extensive

experience. We draw upon our global capabilities to help clients identify, develop, implement and operate effective strategies. Our proximity model, supported by the depth of our international presence, range of services, and insights, delivers value for clients. We focus on building our relationships with industry and government, as our experts bring technology knowledge to every engagement, focusing on outcomes and helping clients achieve business agility, applied innovation and financial benefits.

We are building a large, permanent workforce in Australia. We are differentiating our existing Australian workforce through a comprehensive knowledge transfer and transformation programme pulling in the best from around the globe to be developed here. Early and experienced careers are key; graduate programmes, apprenticeships and work placements are all part of our DNA as well as continued engagement and employment with the veteran community and their families. The vast majority of CGI's experts are shareholders of CGI and as such are referred to as members to signify their ownership.

Environmental, social and corporate governance is an intrinsic part of our business and is one of our six company values. We embrace our responsibility to the environment, our members, and to the communities in which we live and work. Part of CGI's heritage is

to build relationships with our local communities, including those of our clients, through volunteering and fundraising activities.

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GENERAL

Robotics

Cyber Security

ICT

Intelligence, Surveillance & Recon

Systems Engineering

Testing Equipment

Software Engineering/Architecture

Electronic Warfare

Communications/Network

Machine Learning/Artificial Intelligence

Industrial

Construction & Infrastructure

Missiles & Explosive Ordnance

Hypersonics

ENGINEERING

Mechanical

Structural

Electrical

Civil

Mechatronic

Software

Systems

Safety

MANUFACTURING

Electronics

Sheet Metal

Medium to Heavy Steel Fabrication

Plastics

Composites

Precision

PROFESSIONAL SERVICES

Design/Creative

Legal

Workforce/HR Support

Banking/Finance

Bidding/Tender Writing

Communications

Project Management

Consultants

Logistics/Transport

Research & Development

Training & Education

Through-Life Support

Inspection, Testing, Certification & Asset Integrity

SPACE

Advanced Manufacturing

Command Centre Data Processing and Management

Design of Components, Instrumentation, Sensors or Satellites

Design Testing

Global Positioning

Ground Systems for Space Technology

Research & Development

Space Launch Risk Hazard Analysis

Telecommunications

NUCLEAR

Engineering and Design

Manufacturing

Through Life Support

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Are you keeping up with the rapid changes to Workplace Laws?

Significant changes to the *Fair Work Act 2009 (Cth)*

Where are we now and where are we going?

Along with the many challenges facing SME's in the defence sector, recent changes to workplace laws add further obligations upon employers.

In December 2022, the Federal Government passed the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022*, which saw a number of substantial amendments to workplace laws and the *Fair Work Act 2009 (Cth)* ('Act'). These changes have seen the introduction of some of the most significant reforms to the legal framework of the Australian workplace relations system since the establishment of the Act.

Employers have now assumed higher and broader levels of responsibility for their employees. Employers must undertake training and education on the effect of these new laws and immediately commence updating relevant human resources and payroll systems to ensure compliance with the law. The increasing costs of compliance will also need to be considered by businesses when taking into account tenders and contract discussions.

Employers who fail to comply with these new laws could potentially expose themselves, and in some cases their line managers to monetary penalties and or adverse court orders for non-compliance.

How do these changes affect your business and is your business ready?

Overall, these legislative changes were designed to restore a perceived lack of fairness in the workplace, by ensuring all workers receive the same pay, eliminate gender and wage inequality, focus on job security, and eliminate workplace issues, which contribute to these employment, and social issues alike.

The practical reality of these changes is that the Act includes two new clear objectives, namely job security and gender equality.

Importantly, it will not just be direct employers who may be liable for contraventions. There have been past findings of liability in situations where the contracting business has had knowledge of contraventions to the Act within the course of their business dealings with the employer. We therefore recommend seeking advice regarding your specific supply chain arrangements.

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“Employees also now have a workplace right to disclose their remuneration, relevant terms or conditions of employment to any person.”

Prohibition on Pay Secrecy Clauses

Traditionally employment contracts have contained requirements that employees do not disclose or discuss their salary with other employees. A breach of such clauses has previously provided an employer with valid and lawful reasons to institute disciplinary action against an employee.

For all new employee contracts from 7 December 2022, or past contracts that are varied or replaced, it is now unlawful for Employers to offer new contracts, which contain pay secrecy clauses. This means that pay secrecy clauses in new employment contracts have no effect.

Since 7 June 2023, any new employment contracts put forward by employers, containing pay secrecy provisions, employers may be liable for penalties of up to \$66,000 per contravention.

Employees also now have a workplace right to disclose their remuneration, relevant terms or conditions of employment to any person.

Limiting Use of Fixed Term Contracts

From 7 December 2023, it will be unlawful to offer fixed or maximum term contracts for periods of over two or more years, unless an exception applies; this also applies to employees on a series of one-year contracts. A number of Defence industry businesses may fall within one of the exceptions in relation to this provision. We recommend seeking advice.

Any existing contracts that exceed this limit will have no effect and penalties may apply to employers. Some exceptions apply.

The general practice of multiple yearly contracts has come to an end.

Employer Liability for Discrimination and Sexual Harassment

Amendments to the Act bolster legal avenues and protections against sexual harassment in the workplace. Sexual harassment of employees and prospective employees is now prohibited and there is now express civil penalties for such conduct.

There is also an introduced pathway in the Fair Work Commission for stop sexual harassment orders; and the Commission has increased power to deal with disputes.

If a matter cannot be resolved the Commission can make orders for compensation for lost wages or require a party to do something to remedy any loss of damages suffered by an employee.

The Sexual Discrimination Act 1984 (Cth) has also been amended to target persons who subject another person to harassment in the workplace with an introduction of a positive duty for all employers to take reasonable steps to stop and prevent such behaviour.

This means employers are liable for any sexual harassment which is committed by an employee or agent unless the employer can demonstrate that they had taken “all reasonable steps” to prevent such harassment occurring.

Building capability and performance

As South Australia's largest locally owned and operated accounting and advisory firm, we proudly support businesses and service providers in the defence sector.

How we can help:

- Strategic and succession planning
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- Financial analysis and board reporting
- Due diligence
- Local branch establishment
- Bank finance
- Tender and contract costing
- Grant application assistance including R&D tax incentive
- Wealth creation
- Budgeting and forecasting



Family and Domestic Violence Leave Entitlements

Since 1 February 2023 all employees (including part time and casual employees) and from 1 August 2023 employees working for small businesses can access 10 days of paid family and domestic violence leave in a 12-month period as part of the leave entitlement under the National Employment Standards.

This leave can be accessed by anyone experiencing domestic violence and there is an expanded scope of the relevant definition governing family and domestic violence under the Act. Importantly for employers there are now specific rules governing how to treat such leave applications and the records of such leave in employer payroll systems.

Flexible working Arrangement Requests

Since 6 June 2023 important changes have also been made to the Act to bolster the right of employees to request flexible working arrangements by assisting employees to negotiate flexible arrangements relating to their personal circumstances.

In particular the Act has been amended:

- To expand the circumstances in which an employee can request flexible work arrangements to include pregnant employees and employees caring for family members over 55 years of age or in family and domestic violence circumstances;
- To provide a clear process for responding to flexible working arrangement requests; and
- To enable the Fair Work Commission to arbitrate disputes about flexible work arrangement applications as required.

What's next?

Recently the Federal Government sought to introduce further changes by way of the *Fair Work Legislation Amendment (Closing the Loopholes) Bill 2023*, which was introduced to Parliament in September. The intention of this new legislation is to further enhance amendments already made to the Act.



In short, this new bill will seek to make further significant changes to support long term casual workers, re-define casual employment, regulate labour hire workers, the criminalisation of wage theft and industrial manslaughter, increased union delegate rights, the introduction of minimum conditions for gig workers and bring an end to sham contracting for independent contractors.

Ensuring compliance with these significant changes will require employers to plan and properly consider how such legislative changes will affect their workplaces moving forward. Employers are encouraged to ensure their employment contracts, policies and procedures are compliant and reflect these new laws.

Jones Harley Toole is here to provide and assist members to navigate these fast paced changes and members are encouraged to seek assistance in understanding how these changes are to be implemented and plan for additional obligations as they arise.



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Are You Missing Out On The Research & Development Tax Break?

Lee Fuller, Director – William Buck

The development of a new product or service is a challenging time for any business, as significant time and resources are invested into the project. The Research and Development (R&D) tax incentive can assist by offering a tax incentive based on your expenditure on eligible R&D activities.

The R&D Tax Incentive was introduced by the Federal Government in 2011 which provides a tax offset for businesses that undertake certain R&D activities. The Incentive is jointly administered by AusIndustry and the Australian Taxation Office and supports companies from a wide variety of industry sectors including defence, information technology, manufacturing and more.

Who is eligible?

Generally, to be eligible for the R&D Tax Incentive, you must be an R&D entity engaging in eligible R&D activities and have notional R&D deductions of at least \$20,000 for the financial year.

An R&D entity is either a corporation that is incorporated under an Australian law or, in some circumstances, a foreign corporation. Special rules apply to tax consolidated groups and R&D partnerships.

Businesses must have carried out at least one 'core activity' during the year in order to make a claim. A core activity is an experimental activity whose outcome cannot be known or determined in advance on the basis of current knowledge and the activity is undertaken to generate new knowledge in the form of new or improved materials, devices, products or processes.

If you register for the R&D Tax Incentive, you must keep contemporaneous documentation demonstrating the work undertaken – i.e. documentation in existence at the time the R&D activities were conducted. This documentation can include testing results, progress reports, lab records, employee timesheets and contractor invoices.

What are the benefits?

The Incentive reimburses some of the cost of developing new products, processes and services through tax offsets related to your eligible R&D expenditure.

The benefit is in the returned to applicants in form of an income tax offset. From 1 July 2021, the R&D Tax Incentive provides the following tax offset:

- R&D entities with aggregated turnover of less than \$20 million are entitled to a refundable tax offset that is fixed at 18.5 percentage points above the company's tax rate (i.e. 43.5%).
- For R&D entities with aggregated turnover of at least \$20 million, the non-refundable tax offset will be set at the company's tax rate plus 8.5 percentage points for R&D expenditure between 0 and 2% R&D intensity, and 16.5 percentage points for the portion of R&D expenditure above 2% R&D intensity.



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Tracy Pierce
(De Stefano & Co / formerly DTC)

R&D intensity is the portion of the company's total expenditure that is identified as being R&D expenditure.

The Incentive helps your business to develop technology and new knowledge through offsetting some of the costs reducing the risk of new product development. Eligible costs include: salaries and wages, amounts paid to relevant contractors, an apportionment of company overheads, costs involved in conducting the experiment, trial costs, depreciation of tangible assets used in the experiment.

How we can help

William Buck has a dedicated and experienced R&D Tax Incentive team to assist you in developing your R&D Tax Incentive registration. Registration with AusIndustry is required on an annual basis, with applications due 10 months following the end of the applicant's financial year.

The R&D Tax Incentive is not a Government Grant program, where applicants compete for a pool of funds, rather it is an entitlement program where you are rewarded for developing new knowledge and maintaining sufficient records.

To discuss your eligibility for the program please contact William Buck Director, Lee Fuller on (08) 8409 4333 or email lee.fuller@williambuck.com.



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South Australian Space Industry Centre
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Photo courtesy BAE Systems

Rolls-Royce - powering Australia's Hunter Class frigates

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