

Defence Business

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AVALON 2023

Addressing Drone Capability Gap

Fast-track Solutions To Skills Crisis

DTC Lobbies DSR & Immigration Reviews



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In This Issue

04

From the Desk of the CEO

06

AVALON 2023 Update

08

Will DSR Address Drone Capability Gap?

12

National Teaming Improving
– Still Needs Work

14

SKILLS SHORTAGE
New Approaches to Shortcut
the Skills Recovery

16

MEMBER FOCUS
Upskilling, Leadership and Real-World
Experiences - DILP

18

DTC's Five-Point Pitch to Defence
Strategic Review

20

Subs Decisions Opaque
- But ITAR Is Not

22

INDUSTRY NEWS
Ground-breaking Australian
Capability a "Showstopper"
in Supashock's NATO Win

23

SKILLS
Reform Migration to
Help Fix Skills Crisis

26

MEMBER FOCUS
Defence Business sits down
with inspiring business leaders.
Andrew Hutchinson, Director,
Praxis Aerospace

28

Industry Interest in B-21 to
Peak at AVALON 2023

29

INDUSTRY NEWS
Torch Relay Celebrates
Everlasting Legacy

32

DTC Member Capability Matrix

38

Planning a Tax Effective Business Exit

40

Product to Profit, What to
Expect in Between and Beyond

41

AUSDEF News Growing Fast

42

DEFENCE TEAMING
CENTRESponsors, Prime Members, Charities
of Choice and Associate Members

12

NORSTA Maritime has in Team NORSTA the breadth, depth and reach they would not have as an individual company



23

Reform Migration to Help Fix Skills Crisis - The current migration system is not fit-for-purpose



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Hobart's embarked MH-60R helicopter
"Carnage" during Deck Landing Practice
as a part of Exercise Keen Sword 2022.

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“We need to see the purchase orders flow, and we need to see these flowing, where possible, to Australian businesses to grow and scale an Australian defence industry sector controlled in Australia.”

FROM THE DESK OF THE CEO

Audra McCarthy, Chief Executive Officer

Welcome to the first edition of Defence Business for 2023.

We are starting 2023 with the veil of Covid lifting as the world learns to live and manage the virus while leaving borders open. However, the pandemic provided us with some vital lessons on the vulnerability of our supply chains and a lack of depth in the skilled labour force. Additionally, the messaging of the Defence Strategic update 2020 is still ringing loud and clear, *“Now we are observing that we are within that 10-years window,”* said Minister for Defence, Richard Marles MP.

So, 2023 needs to be the year of announcements, supported by focused direction, decisions and leadership.

Defence industry is aware of the pending announcements on AUKUS and the Defence Strategic Review. These two significant announcements will give the required signals to our sector on Defence's needs and requirements. They will provide us with a focal point, offering guidance to businesses for investment in training, infrastructure, R&D and subsequent jobs. The outcome of these announcements will educate training and higher education organisations, informing them of the skill requirements for the future.

As I'm sure many of you are aware, Australia's defence procurement operates on a stop-start approach to acquiring capability. We are seeing exceedingly long decision-making time-frames and unnecessarily complex and bureaucratic processes. There are sudden cancellations of long-term projects, e.g. AIR 7003, and the continued delays in program announcements such as Land 400 Ph 3. These are on top of the cancellation/direction change of the future submarine program. However, this may lead to a better future, but it is currently unclear what is in it for Australia's defence industry and we hope to receive more clarity around this in March; after government has had time to review the reports submitted to them by the Nuclear Powered

Submarine Taskforce and the independent leads of the Defence Strategic Review.

These examples highlight the primary barriers holding Australian defence industry back from investing, growing and developing within the defence supply chain.

The last couple of years has exposed the weaknesses in our supply chain, industrial capacity, and capability to support local. Our sector, if not the country, is now operating with increased geopolitical risk, uncertainty regarding the government's strategic focus, and delays in procurement decisions. The current procurement processes are stalling the Australian Defence Force's access to better equipment services through a system that appears to be run by Vogons. For those fans of Hitchhikers' Guide to the Galaxy, you'll know exactly what I'm talking about.

The industry needs market certainty and direction. The DTC is advocating for more timely and decisive procurements. We need to see the purchase orders flow, and we need to see these flowing, where possible, to Australian businesses to grow and scale an Australian defence industry sector controlled in Australia. Australia's defence industry is ready and waiting to mobilise and deliver the capability required to keep our warfighters at the tip of regional superiority.

We see this in the Army's modernisation of its training systems, where the increased use of simulation systems provides a safer and more potently trained soldier for the Army. Integral to this is the involvement of industry which is introducing the Army to leading-edge technologies and the almost endless applications of new technology and systems to make training more effective and safer.

With AVALON ready to present industry with immense opportunities to connect, promote and pursue new opportunities, I'm pleased to announce we have responded to the changing needs of Defence by

modifying our member's capability matrix to highlight our members' space and nuclear capabilities.

As a leading Australian defence industry association the DTC is actively listening to our members and the wider defence industry sector to ensure our services, development programs and advocacy is meeting the needs of our sector. Recently we have made submissions to the Federal government about:

1. Growing sovereign industrial capability;
2. Increasing Australia's skilled workforce;
3. Improving the efficiency of Defence's contracting and procurement processes;
4. Improving the reliability and integration of ICT;
5. Law reform that prioritises industry's support to Defence during war; and
6. Policy reform on wait periods for citizenship of skilled migrants.

We know it is integral for the growth of our sector that we continue to engage with all levels of government, Defence, and other defence industry associations, to ensure our message is being heard. It is not about having one voice, it is about getting across that one message.

The DTC remains committed to growing and scaling an Australian defence industry sector that is controlled in Australia and we are looking forward to working with the different parties to achieve this goal. In closing, post the release of the reviews, procurement decisions need to be made quickly and decisively.

True support for Australian businesses is being given limited tender opportunities to support the growth of medium-sized businesses. A focus needs to be placed on the strategic capabilities that we really need to move towards; this will build a self-sufficient and sustainable defence industry.

Perhaps the objective is to make 2023 the year of the decisions!

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AVALON



Tens of thousands of defence delegates from some 30 countries will converge on the AVALON 2023 Aerospace & Defence Exposition from 28 February to 5 March.

The event will bring together military and civil aviation, aerospace, land and air defence. Highlights will include the specialist conference, symposia and congress program, as well as a Careers and Skills STEM day.

The previous AVALON attracted 15 Service Chiefs, nine National Armament Directors and 24 Chief of Air Force representatives.

Defence Strategic Review Imminent

Two critical reports will dominate conversation at AVALON this year, whether or not they have been released.

One is the Defence Strategic Review (DSR).

There are many who believe the Federal Government will be urged to make "bold" and "radical" decisions.

However, the government was 'playing its cards close to its chest' as Defence Business went to print.

After receiving the DSR's interim report, the Prime Minister, Anthony Albanese, signalled that the

recommendations would focus on "self-reliance", urgency and "defence assets... fit for purpose".

None of that was particularly new.

"I predict the Smith-Houston review will be more radical than many are expecting," George Brandis, the former UK High Commissioner and Federal Minister, wrote in the Sydney Morning Herald.

"... this will almost certainly be their last chance to put their permanent stamp on our military posture.

"They can be expected to be bold."

What will that mean for Australia's air deterrent, defence and attack capabilities?

For Air 7404?

For the ADF's long-range strike capability?

For UAVs, USAF capability on Australian soil, aerospace spending?

AUKUS Waiting Game

The second talking point will be an announcement on the AUKUS submarines. This is expected to closely coincide with the release of the DSR. Story on p20.

Impediment to Growth

As Australia holds its collective breath in anticipation of a decision from AUKUS, the DTC is taking a broader view of defence contracts.

"A lot of companies have been disappointed, both with the removal of the French contract and the delay in the LAND 400 decision," said Audra McCarthy, CEO of DTC.

"And that's the real challenge we have here.

"The DTC is focused on building a thriving sector of medium-sized businesses.

"But smaller companies can't grow into medium-sized businesses if the work and purchase orders are not flowing.

"The 'stop-start' approach doesn't allow them to take the appropriate risks they need to take to build their businesses.

"In the current environment, small businesses can't really pursue an aggressive - or even a constant - defence sector growth strategy because the work is just not there.

"We've got too many peaks and troughs.

"Unpredictable peaks and troughs."



Royal Australian Air Force F/A-18F Super Hornet and EA-18G Growler aircraft at RAAF Base Darwin in the Northern Territory, during Exercise Diamond Storm 2022.

Will DSR Address Drone Capability Gap?

Warren Ludwig,
General Atomics.



The push for Australia to recommit to a remotely piloted aircraft system (RPAS) has gathered strength as drone warfare attracts considerable attention in the Russia-Ukraine conflict.

In April last year, the ADF cancelled AIR 7003, which would have delivered the MQ-9B SkyGuardian RPAS to the RAAF.

A chorus of voices expressed surprise.

"We've been given glimpses into the next war, where autonomous systems are prolific above the battle space," observed Dr. Malcolm Davis, ASPI's Senior Analyst in Defence Strategy and Capability in The Australian.

"We can't simply invest in capabilities for the last war and expect them to survive. Tanks and AFVs have to be defended against drones, if they are to survive."

Breaking Defense reported: "Armed drones... have played critical roles in the U.S.-led wars in Iraq and

Afghanistan and more recently in the Armenia-Azerbaijan war and in Ukraine.

"For Australia, a vast country with regional and global operations, Project Air 7003 — as it was formally known — to introduce the SkyGuardian seemed a very good fit, even at a price tag of \$1.3 billion AUD (\$980 million USD)."

DSR Lifeline?

General Atomics Aeronautical, Inc. (GA-ASI) is the lead company in Team SkyGuardian Australia. It has been quietly lobbying for reinstatement of the project, while also highlighting the solution's growing ability to enhance multi-domain operations, particularly in the maritime domain. It has put the case to the Defence Strategic Review (DSR) and will promote SkyGuardian at the AVALON 2023 Airshow.

"We're waiting on the DSR to see whether that decision will be reversed, or the capability will be reinstated in some way," said Air Vice-Marshal (Rtd) Warren Ludwig, Director International Strategic Development at General Atomics Australia, the Australian arm of GA-ASI.

"Our submissions to the DSR addressed all elements of capability, including substantial benefits to the Australian defence industry.

"I've been interacting with people across the Defence spectrum, and they're all very familiar with the SkyGuardian RPAS capability from a legacy operations point of view.

"But the big developments in the last three to five years have been those which significantly broaden the capability away from a purely overland RPAS to a very capable multi-domain solution.

"Most of our new customers are intending to use

the MQ-9B SkyGuardian for multi-domain operations, if not for pure maritime operations."

History

SkyGuardian is an armed, medium-altitude long endurance RPAS with the ability to stay aloft for up to 40 hours.

Australian troops operating in the Middle East have previously made use of Coalition MQ-9 (Predator and Reaper) and MQ-1C Gray Eagle platforms for ISR, strike and protection. Additionally, the RAAF has provided crews to operate MQ-9s out of Creech Air Force Base in Nevada for several years, and also in the United Kingdom.

GA-ASI had proposed the use of the MQ-9A 'Guardian' for use on Australian Border Force (ABF) operations some two decades ago and they funded and conducted a trial of the system in Australia around that time. The potential exists to employ the maritime version of SkyGuardian - the SeaGuardian - on future ABF operations.

The AIR 7003 project was included in the 2016 Defence White Paper; however, discussions with the ADF on the potential for the MQ-9 to be introduced under an urgent operational requirement for use in Afghanistan had been underway before then.

Multi-Domain Capability Gap

It's no secret that Australia has a capability gap in the uncrewed space.

AVM (Rtd) Ludwig argues this gap has widened and the lack of Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) capabilities will be magnified if no action is taken.



"One thing that the Ukraine conflict has shown is that if you operate an unprotected asset close to a front line without a high level of situational awareness, it won't survive," he said.

"This highlights where the technology has been going for the last couple of years. You need standoff sensing and standoff weapons for successful strike operations in a contested environment. And if you sat down now with a blank piece of paper and said, 'What do we need for an armed RPAS, you would enunciate a joint, multi-domain capability.'

"Australia still has very valid land domain requirements - and deficiencies - that span regular warfare and special operations. In a contemporary sense, the acquisition of new long-range missiles will require precision, dynamic targeting, particularly for moving targets.

"Such targeting is an area where the SkyGuardian would shine.

"But in other areas, particularly in the maritime environment, whether it's ISREW and/or strike, there's also a marked deficiency."

The SkyGuardian's anti-submarine warfare (ASW) capability has been substantially developed during the last three years, in conjunction with the U.S. Navy (USN).

"There is a marked deficiency in Defence for ASW as well," said AVM (Rtd) Ludwig. "So, potentially, the Sky/SeaGuardian could also be looked at for its ASW capability, through a Navy sponsor."

"Such employment could considerably reduce the demands on the very capable but much in-demand P-8A Poseidon fleet, particularly for the 'dull, dirty and dangerous' ASW search and tracking phases."

Multi-Domain, Expeditionary Operations

In the United States:

- The USAF has been rapidly pivoting its MQ-9 capabilities to multi-domain operations, especially maritime operations. The USAF has used the MQ-9A in a number of Pacific-based exercises including Valiant Shield 2022 and Exercise Rim of the Pacific (RIMPAC) 2022. USAF MQ-9A's are currently deployed to Kanoya, Japan.
- The USN has trialled the MQ-9B SeaGuardian for maritime ISREW and ASW missions, as evidenced most recently on Exercise Rim of the Pacific (RIMPAC) 2022.
- The Marine Corps has purchased MQ-9As for ISREW missions. These aircraft will be based in Hawaii.
- The U.S. Army is expanding the role of its MQ-1C Gray Eagle fleet to incorporate multi-domain operations.

"The ability of MQ-9B platforms to operate off short runways with a very small, deployed footprint is very attractive and exactly the type of platform required for contemporary and future operations.

"Compared to larger platforms, they can employ the 'lilly-pad' concept, moving from one forward operating base to the next on a daily basis, to maximise survivability.

"This concept of small and agile is very much required for survival in the future battlespace."

DTC Concerned About Cancel Culture

When SkyGuardian was scrapped, Defence Teaming Centre CEO Audra McCarthy was vocal in expressing industry concerns.

"Member companies and DTC are concerned by what appears to be a growing trend in the sudden cancellation of Defence contracts, with approximately 150 South Australian jobs being lost as a result of the latest AIR7003 program cancellation," she told The Advertiser.

"The sudden decision means (one company) Airspeed will now lose \$10m worth of work which was scheduled to be delivered over the next eight years.

"In addition, many other DTC members have been positioning for this opportunity for over five years.

"These companies have made the conscious decision to lean forward to meet the needs of Defence. They have invested in good faith as expected and encouraged by the government to grow a sovereign defence industry, and now they are paying the cost of the government's decision."



Royal Australian Air Force aviators Flight Sergeant Stephan Barchard and Corporal David Grieger (left) stand with the MQ-28A Ghost Bat aircraft at RAAF Base Amberley, Queensland, after winning the Airpower Teaming System naming competition.

Australian Industry Opportunities

Despite the cancellation of AIR7003, Team SkyGuardian Australia remains intact. In fact, it has grown from 10 to 14 Australian companies or subsidiaries in the past one-two years.

GA-ASI continues to fund certain aspects of the team's work and is in the process of firming-up a teaming agreement with Leidos, which has acquired the Cobham Special Missions business. Like Cobham, Leidos is expected to become GA-ASI's lead teammate in Australia for Defence and security applications.

There is a range of industry work that AVM (Rtd) Ludwig says is being held in abeyance.

If the SkyGuardian contract had proceeded, the main platforms would have been manufactured in the U.S. for cost-efficiency reasons, with some components manufactured in Australia.

The main benefit to the Australian defence industry would have been through-life support.

"Work would only go back to the US if absolutely necessary but the aircraft itself, unlike crewed aircraft, would never have to go back to the US," he said.

"For example, aircraft composite repairs would be done in Australia and future spiral upgrades could be completed here.

"Regional support centres would conduct the support for certain components, such as TAE in Adelaide for engine work."

Such regional support centres would aim to bring components from regional MQ-9 operators to Australia for repair.

There was also potential for a partnership on AI with the University of Adelaide, working on self-healing logic for aircraft swarms.

"Everyone in Team SkyGuardian Australia is ready to return if the project is reinstated," said AVM (Rtd) Ludwig.

"If it returns in a different form, we might have to massage what the team looks like.

"We've always said the team isn't complete and we envisage adding more teammates and capabilities to Team SkyGuardian Australia."

Ghost Bat

An armed RPAS capability for the ADF is not the only drone that will be examined in the Defence Strategic Review. GA-ASI is one of several contenders to provide options for the Combat Collaborative Aircraft program for the USAF. In Australia, Air Force has chosen to develop the Ghost Bat in collaboration with Boeing Defence Australia although the future acquisition of a mature capability is far from certain.

"More than 35 Australian companies have contributed to the Ghost Bat program," according to Defence.

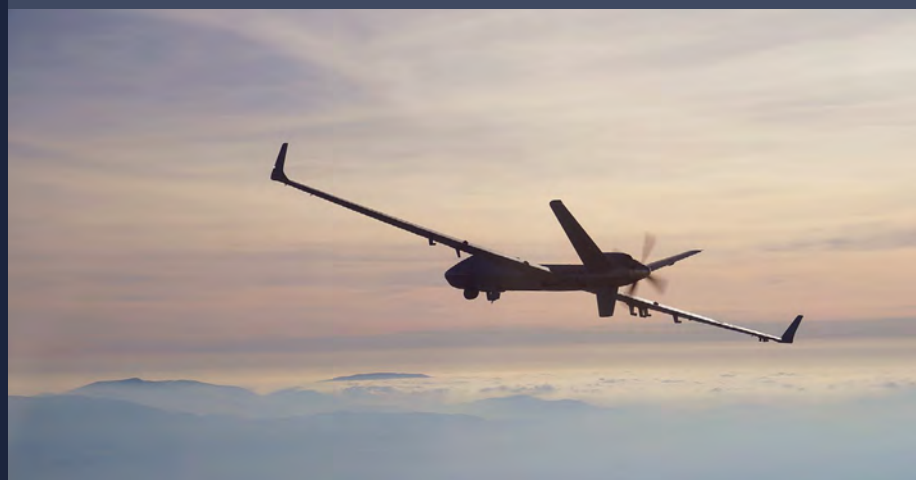
"It is the first military combat aircraft to be designed, engineered and manufactured in Australia in more than 50 years."

While SkyGuardian saw funding cut, the MQ-28A Ghost Bat, the former government saw an additional \$454 million added to the Loyal Wingman Program.

The Defence Minister at the time, Peter Dutton, said it was expected to enter service with the RAAF in 2024-25.

"Over 70 percent of each aircraft is sourced, designed and manufactured in Australia, by Australians," he said.

The Strategic Review will also run the ruler over Australia's choice of the Northrop Grumman MQ-4C Triton for maritime ISR. Part of AIR7000 Phase 1B, it is a high-altitude long endurance remotely piloted aerial system designed to complement the P-8A Poseidon acquired under AIR7000 Phase 2 as a 'family of systems'.



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Team NORSTA accepting the Teaming Award.



National Teaming Improving – Still Needs Work

Australia still has work to do to truly embrace the much-touted “national undertaking” that typifies defence projects – but significant progress is being made.

A shining example is Team NORSTA, winner of the DTC’s Teaming Award. NORSTA Maritime comprises Norship Marine, Tropical Reef Shipyard, Nova Systems and Secora Australasia.

“NORSTA Maritime has in Team NORSTA the breadth, depth and reach we would not have as individual companies,” said NORSTA Chair, Maurie McNarn AO, at the awards ceremony.

“The sum of the team is substantially greater than the many parts.

“It’s proven a successful Australian collaboration with an integrated team can win as a prime and lead in our industry.”

This sentiment is shared by Nova Systems Chief of Strategy & Corporate Affairs, Bec Humble.

“No one entity can deliver Australia’s ongoing and growing Defence capability requirements alone or in isolation,” she said.

“All companies in our defence industrial base need to be prepared to collaborate and share innovations and even IP.

“We have to be prepared to pool our collective resources and know-how to deliver more than the ‘sum of the parts’.

“The only way we are going to achieve critical mass and generate the response Australia needs at scale – and quickly – is if everyone works together and pools their collective capability to ultimately ensure we keep Australia safe and secure.

“This is how to deliver the force multiplier we need as a nation to respond.”

Reality, Not Rhetoric

Is the state-based ‘competition’ mindset changing?

Chris Brown, Business Development Manager at CBG Systems, believes it is – “but very slowly”.

“Understandably, states will continue to compete for the ‘defence state’ moniker. However, the geopolitical circumstances will continue to drive generational programs such as AUKUS and rapid Defence growth to levels that will require a genuine national approach.”

“At a macro level, a national approach is critical to ensuring in Australia we have an innovative, robust, and competitive defence industry capable of offering world leading solutions that are required by the ADF.

“From an individual business perspective, most Defence projects are geographically diverse and restricting yourself in a particular state is almost certainly restricting the projects in which the business can be competitive for.”

Regional Challenges

Being a regionally based SME, CBG Systems has faced many challenges in positioning itself to be able to work on large defence projects. These have included skills shortages, supply chain issues and increased costs due to freight/travel.

In order to overcome these, CBG Systems has had to diversify, collaborate and grow outside its traditional base of Tasmania.

“Our growth into Adelaide was only achieved through this collaboration and embracing resources/support from organisations such as DTC and Defence SA,” said Chris.

“The DTC award has been fantastic in raising CBG Systems’ profile nationally, which is critical as we move forward and continue to look for growth.”

Chris also made the point that stretching a business and trying to “do it all” will quickly be identified as a capacity risk.

NORSTA: A National Team

John Grout, MD of Secora explained: "We established the teaming arrangement because no single partner within the teaming arrangement had all the capabilities it required to deliver to the requirements of Plan Galileo."

Under Plan Galileo, the Department of Defence is focusing naval sustainment on a network of Regional Maintenance Centres (RMCs) strategically located around the country in port cities.

NORSTA Maritime operates multi-year maritime sustainment and maintenance support program on behalf of the Royal Australian Navy.

Olav Groot, Norship's CEO, points out the true "team" nature of the teaming arrangement amongst the various companies.

"We're absolutely committed to their success because it's inextricably linked to ours," he said.

Bec at Nova agreed. "Team NORSTA is an excellent example of Australian defence companies coming together to create critical mass in order to deliver capability our customers need.

"...it really showcases how collaboration across Australian companies delivers more than the sum of the parts for the customer to support our nation's security."

She said Australia's security is "a nation-wide issue and a nation-wide response is required".

"The threat to Australia is increasing, particularly in the Indo-Pacific, and this requires a national response with collaboration from Government, the Department of Defence, defence industry across the spectrum and industry associations, supported by our allies, to ensure we collectively protect the nation and our key interests."

NORSTA Maritime is an Australian owned and controlled joint venture.

It provides advanced maritime sustainment and fleet maintenance across Far North Queensland, including Northern Australia and adjacent waters.

DTC's National Focus

Cooperation needs to be national in reality, not just rhetoric.

The DTC focuses on addressing the needs of defence industry across Australia.

"No matter what state you are located in, the needs of defence companies are much the same because they are all delivering into the same customer," said DTC CEO, Audra McCarthy.

"The challenges and the barriers, they're the same across our industry and they shape the DTC's services and programmes."

In 2021, the Defence Teaming Centre was named Industry Association Of The Year in the Australian Defence Industry Awards.

"Our member companies span small to medium sized businesses, defence primes and academia across Australia," said Audra.

"We remain based in SA so that we can access the lion's share of defence spending on defence programmes where they occur, including aerospace, maritime, land and space.

"The breadth and depth of industry that we are connected to is extensive," she said.

"It enables us to be able to support the needs of the industry located across Australia, no matter what programme they're actually involved in.

"We are the only defence industry association developing and supporting industry to grow to fill the void of medium-sized businesses noticeably lacking from Australia's defence industry sector.

"Since our inception 26 years ago, our ethos has focused on creating an ecosystem for Australian industry that supports collaboration and growth through teaming."

But it wasn't always that way.

"We'd been subcontractors for a long time and we decided that an Australian company could be the prime that ran RMP (Regional Maintenance Provider) North East into the future, under Plan Galileo," said NORSTA Chair, Maurie McNarn AO.

"NORSTA Maritime now is that prime.

"We won the contract and in addition to servicing the Royal Australian Navy, we're now getting approaches from French, British and American ships when they're in the region."

He paid tribute to Rob Downing, CEO of Tropical Reef Shipyard and Olav Groot, CEO of Norship: "They came up with the idea that we should challenge and become a prime and go for the bid.

"They came up with the idea and pushed it and then built the team, they built a bid and then built the company.

"They had the strategy and vision..."

He added: "We worked out none of us could do this on our own so we went out to find partners who could make things happen."





Engineering Australia students explore careers with Defence Jobs Australia, at HMAS Waterhen, NSW.

New Approaches to Shortcut the Skills Recovery

Part of the solution for the current skills crisis is to increase the number of appropriately skilled graduates in Australia.

History shows this is easier said than done, especially as most business sectors are facing a similar skills shortage, with everyone fighting to recruit in a limited labour pool.

Ai Group, the DTC and several universities are now gaining traction with unique approaches to the problem.

They focus on industry working with the university sector to devise programs that meet the needs of industry. Two recent initiatives the Ai Group has been driving have direct relevance to the defence industry.

Degree-level Apprenticeship

The first is a push towards establishing degree-level apprenticeships. Long a feature in countries like the UK and Germany, degree-level apprenticeships are new to Australia.

Some states have piloted higher level apprenticeships at the Diploma level. For example, the Diploma of Applied Technologies, which trains people at the technician level in the use of new digital technologies associated with the Internet of Things, has been successfully established in most states.

"The degree-level apprenticeship goes one step further by focusing on pathways to professional careers," said Peter Canavan, Senior Policy Officer at Ai's Centre for Education and Training.

Two pilots in degree-level apprenticeships are under development by Ai Group in partnership with BAE

Systems Australia and other defence or more generalist companies.

A Software Engineering apprenticeship is being established in South Australia in collaboration with the University of South Australia, and in Victoria a Systems Engineering apprenticeship is being created with RMIT University.

"Both of these initiatives focus on the critical shortage of engineers in Australia," said Peter.

"BAE's experience with degree apprenticeships in the UK has been that it can attract a different cohort than would apply to join the company as a graduate or intern.

"Some are people who need to earn a living and are not in a position to consider applying for a course and taking on debt to pursue a career.

"These may be people from low socio-economic backgrounds or people who for other, perhaps cultural, reasons need to support themselves.

"It means that this new pathway has the potential to grow the number of future home-grown engineers."

DTC CEO, Audra McCarthy, said this was a "good example of how industry is collaborating with the university sector to inform what industry actually needs.

"We're also taking into consideration the needs of students because using an apprenticeship-based model, students actually start getting paid earlier.

"It recognises the on-the-job training that happens in the workplace, which can complement and also fast-track the attainment of a university degree.

"Many people will drop out of university because

they need an income. It's designed to capture that."

A third, degree-level apprenticeship pilot, which aims to combine an electrical trade licence with an electrical engineering degree, is also under development in Victoria.

Work-Integrated Learning

The second initiative is delivering opportunities for undergraduate science, technology, engineering, and maths students to undertake internships with companies in the defence industry. Ai Group is working with partners like Defence SA, in South Australia, and the Defence Science Institute and DMTC, in Victoria, to create these opportunities.

In addition to these employment-based learning initiatives, other opportunities for work-integrated learning allows students to develop and acquire new skills and knowledge in the workplace, while allowing companies to attract, train, and employ the best and brightest students from the higher education system.

To date, two programs managed by Ai Group in South Australia and Victoria have supported eighty-five students to undertake research or project based work with twenty-seven defence industry companies and DMTC's Smart Enough Factory program.

Both of these initiatives seek to increase the number of professionals working in the defence industry. Ai Group is always looking to support the industry through practical measures that can apply to any company. Membership of Ai Group is not a condition of entry.



Royal Australian Navy Marine Engineering Officer, Lieutenant Loretta Binder in the main engine room of HMAS Canberra.

Unsurprisingly, Ai Group's recent survey of skills needs (released in November 2022), and CEO expectations survey (January 2023) found that skills shortages are at the top of the agenda for businesses across every industry, including defence industry. The need for skilled labour was reported across all occupational groups, but in particular for technicians and trades workers, professionals and managers.

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Q&A with Boeing
Defence Australia
P-8A Program
Project Manager,
Allan Mankavil

Upskilling, Leadership and Real-World Experiences

Defence Teaming Centre's leading Defence Industry Leadership Program is generating a new type of Defence leader who is ready to tackle the new challenges facing the sector.

Last year Allan Mankavil, Project Manager, P-8A Program at Boeing Defence Australia seized the opportunity to participate in the Defence Industry Leadership Program (DILP). Reflecting on his journey Allan admitted that 2022 was a challenging year, both professionally and personally, but the flexibility and support he received from both the DILP participants and course facilitators made his journey that much easier and he encouraged anyone wanting to become a leader in the defence sector to consider the program.

Why did you decide to join DILP?

Strong leadership and management skills are critical in ensuring Australia's defence industry thrives despite the challenges of globalisation, technological proliferation, and shifts in the geopolitical landscape.

I had learned about the Defence Industry Leadership Program or DILP from previous graduates who spoke very highly of the program. They said that the program was a very practical and hands-on experience that provided a unique perspective on leadership, management, and Australian defence industry. So, when an opportunity presented itself and my manager suggested that I apply, I didn't have to think twice about it.

What were the key takeaways from the program?

I had two key takeaways from the program. Firstly, it is very important to engage with the end-users, and secondly, that the future of the Australian defence industry will require greater collaboration amongst primes, Small and Medium-Sized Enterprises or SMEs, academic institutions, and the Australian government.

Through the program, we got to interact with Army, Navy, and Airforce personnel, and some of the assets they utilise. Seeing first-hand the differences in roles and operational environments between the services,

and hearing some of the challenges faced due to certain design decisions made it abundantly clear that it is important to engage early with the end users to ensure the product and/or service is purpose-built.

The importance placed by the government on improving Australian Industry Capability or AIC was explored in depth throughout the duration of the DILP by guest speakers and the participants themselves through the coursework.

Did the course help increase your engagement with industry?

Most definitely, the program certainly helped increase my engagement with defence industry and even some of the adjacent industries. I was part of the 2022 cohort which included representatives with diverse backgrounds, different occupations, and varying experience levels from academia, Defence primes, and SMEs.

Throughout the duration of the program, we had formal and informal opportunities to bond with the other participants and through attendance at the various industry events we could represent our employers and network with the broader defence sector. So, you get to meet new people and even reconnect with a few old friends.

Did the course give you the skills you needed to make you even more efficient at your job?

The program covered elements of both leadership and management.

I found it beneficial to not only go through the fundamentals again but also to practice the skills taught during the workshops themselves.

In addition to this, by identifying my own affinity to the different leadership styles I was able to be more conscientious about my brand of leadership and reflect upon my learnings to be a more effective leader within my workplace.

What was the most memorable moment of the program?

For me, the most memorable moments were the field trips. They were exciting and fun-filled days through which we got the opportunity to break the ice with the other participants, see first-hand what other organisations do, and get some insight into the experience in the Australian Defence Force or ADF.

"Strong leadership and management skills are critical in ensuring Australia's defence industry thrives despite the challenges of globalisation, technological proliferation, and shifts in the geopolitical landscape."



2022 DILP graduates during the Executive Stretch field trip at RAAF Base Edinburgh. Allan Mankavil pictured bottom left.

Did the program benefit you on a personal level?

Yes, the program has supported my growth on both a personal and professional level. The structure of the program helps you step away from your work to create the headspace to immerse into the content, reflect on yourself and identify the things you can do better at; not only your work but also your life in general. This is because the skills taught are transferrable so you can apply your learnings to be more effective in your interaction with your partner, children, family, friends, and co-workers.

Is the program relevant to defence industry?

It is absolutely relevant. We got the opportunity to learn about Australian defence industry from the other participants, program facilitators, guest speakers, and most importantly members of the ADF.

So, we got a well-rounded exposure to defence industry and learned about some of the challenges presently faced by industry.

On top of this, through the field trips to: 1) Defence facilities in SA, we were able to get better insight into

the ADF experience; and 2) Defence primes and SMEs facilities, we were able to see some of the assets, supplies, and services being utilised by the ADF.

From a prime perspective how has DILP helped Boeing?

From the perspective of a prime, DILP helps in several ways. Firstly, it helps develop leaders within the organisation; secondly, it provides the participants with the opportunity to network with other participants, guest speakers, members of the DTC, and the broader industry through the Defence Industry Dinner & Awards Ceremony; thirdly, it helps the organisation promote brand awareness and awareness of the projects in which it is involved; and finally, it helps the organisation remain at the forefront of emerging industry trends to ensure business operations are sustainable.

Have you done similar leadership programs? How did they compare?

I have had the opportunity to participate in similar leadership programs in the past. Compared to those programs, DILP was much more practical, offered real-world experiences, facilitated formal and informal opportunities to network, and also provided course

material and relevant readings to help reinforce the learnings.

Would you recommended DILP?

I would wholeheartedly recommend DILP to others interested in personal and professional development. It provides the opportunity to learn about the different aspects of leadership and management, learn about the defence industry, and establish lasting relationships with others in the industry.

Personally, 2022 was a very challenging year for me juggling significant life events and part-time study whilst attending the DILP course. However, with the flexibility, support, and guidance from the program facilitators and the other participants, it was easy to complete the requirements of the program. So, if you get the opportunity, you should definitely put your hand up to participate.

Allan's manager's view of DILP:

The Defence Industry Leadership Program enables graduates to return to their organisations with a deeper understanding of the role SMEs play alongside Primes, a better understanding of the defence sector and it equips graduates to add value to their organisations strategies.

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DTC's Five-Point Pitch to Defence Strategic Review

The DTC has made five "headline recommendations", with 13 action points, to the Defence Strategic Review. Input was sourced from written submissions provided by member companies and feedback gathered through targeted interviews with member primes, SMEs and researchers.

The main key recommendations are:

1. Grow sovereign industrial capability
2. Increase Australia's skilled workforce
3. Improve the efficiency of Defence's contracting and procurement processes
4. Improve the reliability and integration of ICT
5. Law reform that prioritises industry's support to Defence during war.

"We have highlighted areas requiring policy reform, necessary legislative changes and the additional investment required to support industry's ability to fulfil its role as a Fundamental Input to Capability (FIC) for Defence," said DTC CEO, Audra McCarthy.

"Defence regularly tests the preparedness of its uniformed personnel and assets through formal exercises.

"However, unlike Defence's other FICs, industry's role and capacity to support Defence during times of a higher state of readiness, or during deployment, has never been tested or modelled."

The closest Australian industry has come to being tested is during the sudden economic lockdowns created by COVID-19 in 2020 and 2021. During this period the DTC observed the following:

1. Defence and Government had no data or visibility of tiers two and three of its supply chains to quantify how sudden changes to legislation would impact industry's ability to deliver Defence capability to the Australian warfighter.
2. Legislation changes made at both the State and Federal level did not account for the critical role of defence industry, disrupting production schedules and work practices until defence industry exemptions could be negotiated.
3. Australia's exposure to foreign sourced supplies in the production and sustainment of Defence capability had not been previously considered.
4. How defence industry's ability to deliver Defence capability would be impacted by disruptions to Australia's freight lines.

Sovereign Capability Shortfall

Audra noted that the intent of the Sovereign Industrial Capability Priorities to encourage greater investment by industry into technologies and capabilities valued by Defence "has not been met".

"Defence needs to be supported by a robust industrial base, particularly in those areas deemed to be critical for our sovereign capability.

The submission to the Defence Strategic Review states: "Australia must grow a sovereign industrial capability in key areas where we know Australia can be true world leaders.

"To do this, Defence must be prepared to trust and partner with its industry to deliver the required outcomes.

"Purchase orders deliver ongoing economic benefits to Australian taxpayers where grants deliver a once off benefit, or in some cases, no benefit.

"This means in some instances, sole source procurements will be necessary to support the growth of our sovereign industrial capabilities.

"Australia must remove its dependency upon overseas countries for capability like the US and UK and invest and grow capabilities where disruptions to freight lines and supply chains would expose the safety of Australians.

"In some cases this may require a cost premium which would be regarded by the Australian National Audit Office (ANAO) as not representing value for money.

"Therefore the ANAO's audit scope should include an assessment on how the Government's procurements contribute to the defence and security of Australians through the investment into sovereign capabilities, instead of focusing on whether a cheaper alternative was available at the time."

Defence Procurement

The submission to the review describes the speed of Defence procurement as "alarmingly slow".

"Australia's submarine program and Land 400 Phase 3 are excellent examples. Industry are carrying significant investments in skilled workers, facilities and equipment to deliver these programs and establish a sovereign industrial capability, however delays in decision-making means investments are sitting idle and SMEs especially are burning valuable working capital."

DTC Recommendations to Defence Strategic Review

1. Grow sovereign industrial capability.

- a. Refine and prioritise the SICPs. Opportunities for the supply of goods or services that meet the definition of a SICP must not be offered to market via open tender, but rather be procured via sole source or limited tender offered to Australian owned and operated companies only.
- b. Establish industrial policy to incentivise and support small businesses to grow and build more businesses employing more than 200 FTE.

2. Increase Australia's skilled workforce.

- a. Add flexibility to the SADI grant application process to accommodate industry's need to swap and change employees out as needed.
- b. Simplify the grant application and acquittal process to reduce the administrative burden to SMEs and Industry Associations.
- c. Give Industry Associations greater flexibility to leverage from a SADI grant to facilitate the delivery of group training to members.
- d. Establish business rules with Department of Home Affairs for priority citizenship processing where citizenship is being sought to support a security clearance application for the defence sector.
- e. Negotiate improved security clearance processing times with AGSVA to support a forecast expedited defence acquisition and sustainment program.

3. Improve the efficiency of Defence's contracting and procurement processes by:

- a. Modernising ASDEFCON to align with modern day business practices.
- b. Review the suitability of CPRs to meet the flexibility and speed needed by Defence. Defence needs greater flexibility to make sole-source decisions to procure from Australian suppliers to support the growth and resilience of sovereign industrial capabilities.
- c. Improving the professionalisation of contracting and procurement skills across Defence to build greater commercial awareness and expertise.

4. Improve the reliability and integration of ICT:

- a. Improve the integration of CIO Group into capability requirements setting and capability delivery to support the timely realisation of technology and industry's ability to deliver projects on-time and to budget.
- b. Establish diverse data centre capacity on separate power grids to provide data surety for Defence projects.

5. Establish laws to prioritise industry's support to Defence during war:

- a. Establish a definition for "Critical Defence Suppliers" and establish policies for how these suppliers will be treated and managed under the Defence Act 1903.



(L-R): Director General Defence Strategic Review (DSR) Brigadier Richard Vagg, Air Chief Marshal Sir Angus Houston AK AFC (Ret'd), Commanding Officer HMAS Stirling Captain Gary Lawton RAN, Professor the Honourable Stephen Smith and First Assistant Secretary DSR Gabrielle Burrell in front of HMAS Stalwart at Fleet Base West during a Defence Strategic Review tour of Western Australia.



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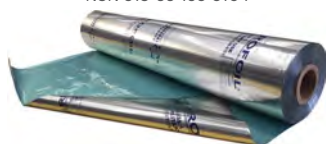


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Subs Decisions Opaque - But ITAR Is Not

In January, Defence Minister Richard Marles reiterated the need for Australia to have the “industrial capability to build nuclear powered submarines”.

This may be due, in part, to a strategic desire to build sovereign capability in Australia.

In more practical terms, it may be an acknowledgement that US and UK shipyards are “over-stretched”, as demand for US subs grows but the workforce shrinks.

“Any nuclear program we go for, you’ll see that both the supply chains from the UK and the US are full to the brim,” said DTC CEO, Audra McCarthy.

“You have to ask, ‘How are we going to get our capability delivered if they’re already working at full capacity?’

“One solution is whether Australia can start manufacturing some of the low risk modules for their fleet to free up manufacturing space, so they can work on higher risk modules for the Australian solution.

“That would be a good outcome for our industry.”

“But industry can’t continue to invest and spend money hand over fist and then not get any returns.

ITAR

While the peak decisions are outside her direct influence, Audra has continued to lobby for action in areas that can be advanced.

“We don’t have a preference as to whether it goes for a US or a UK approach,” she said.

“But there has to be a radical change to how International Traffic in Arms Regulation (ITAR) provisions are handled and managed, because ITAR deliberately excludes and is a barrier for Australian industry.

“If a US design or model is adopted, without some sudden changes, it will not work in the timeframes that we have been given.

“I’m concerned about the slow pace.”

Last October, Audra met with members of the US Department of State that administer ITAR and outlined her concerns.

“ITAR is the US’ way of protecting its industry and it is a significant barrier for Australian industry doing business with the US.

“I made the point last October that the ITAR provisions should already have been reformed, that we need to speed up the action.

“Now we’re in January 2023 and we’ve still seen no changes in how ITAR will be handled or managed, or even any concessions for Australian industry.

“They’re still talking about it.

“That’s not fast enough for Australian industry requirements. It should have been implemented by now.”



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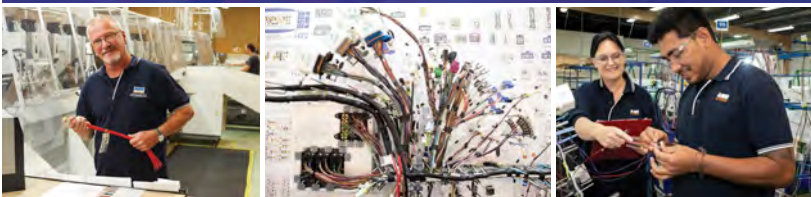


"Any nuclear program we go for, you'll see that both the supply chains from the UK and the US are full to the brim."

General Dynamics Electric Boat - Artist's Rendering of Columbia Class Submarine Underway

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Ground-breaking Australian Capability a "Showstopper" in Supashock's NATO Win

By Lucy Brewer

Adelaide-based business Supashock Defence Technologies, along with Rheinmetall, has signed a contract to supply Missile Launch Pods (MLPs) for export to a NATO allied partner. The decision will see 84 MLPs exported over the course of two years, with production programs exceeding \$20 million. This will create approximately 25 direct jobs within Supashock and support a further 85 roles through local supply chains.

"Off the back of the outstanding work we had done on a previous program in demonstrating a derivative of the MLPs, we were able to prove we had the technology and competence," said Supashock founder and CEO, Oscar Fiorinotto.

The next steps involved Supashock creating a concept demonstrator, and ensuring the business was prepared to accommodate the work, should the deal be successful. Supashock worked with its partner, Rheinmetall, to integrate the concept demonstrator in the vehicle, creating functioning prototypes.

"There are a range of benefits this engagement with sovereign industry brings, in my opinion: unmatched capability, industry relevance, reliable supply chains and the obvious economic benefits such as local upskilling, jobs and more," said Oscar.

Engagements such as this often come with hurdles, but he credits Supashock's "resilient and capable" local supply chain as imperative in alleviating pressure to secure specialist materials. He also said the partnership with Rheinmetall assisted in managing the process.

The technology involved is unique, and was developed from Supashock's expertise in mobility, motion control, vibration, and shock.

"The showstopper, however, is our ability to bring in-house skill sets such as kinematics, mechatronics, electronics, composite design and extreme forms of analysis together to create a ground-breaking,

Australian capability that meets the stringent shock and vibration requirements set by the customer," he said.

"There are many unique features in our offering — the composite material structure which enables rapid deployment and absolute rigidity for increased accuracy of the SPIKE missile. The modular design for true architectural integration, instead of being a bolt-on accessory. A dampening system for the stowed missile payload during extreme combat manoeuvres, and a host of locking and sensing features that prevent unintentional or unsafe deployment of the launching system."

As for the risk analysis, Oscar said Supashock has an extensive process all its programs are subject to.

"This process determines the viability of the project. In addition, we work closely with Rheinmetall and lean

heavily on the knowledge of our board for market research. This assists the team in defining our value add, market acceptance and future demand," he said.

The defence industry in Australia is continuing to grow, and deals such as this highlight the work local businesses, such as Supashock, are doing.

"The media and industry trends point toward procurement of munitions associated with missile launchers," said Oscar.

"The scalability of our system is exciting too. The modular design enables us to offer the MLPs for multiple vehicle platforms both on land and at sea. We have the technical experience and manufacturing abilities in-house now, enabling us to be highly agile and cost efficient for customer demands that might vary between platform or munition demands."



"There are a range of benefits this engagement with sovereign industry brings in my opinion: unmatched capability, industry relevance, reliable supply chains and the obvious economic benefits such as local upskilling, jobs and more."

Supashock's MLPS Engineering Team standing proudly by the product in the first export milestone.



Australian Army soldiers from 5th Aviation Regiment conduct a routine pre-flight inspection to prepare for flood recovery efforts in Western Australia at RAAF Base Townsville, Queensland.

Reform Migration to Help Fix Skills Crisis

The current migration system is not fit-for-purpose and does not support the sense of urgency that industry needs to support Defence in the current geopolitical environment, according to the Defence Teaming Centre.

This view is contained in the DTC's submission to the Federal Government's migration review.

The submission outlines a series of reforms needed to develop a migration system that meets "the challenges and needs of Australia's defence industry sector".

"The current system places onerous red tape on employers, making the process cost prohibitive and difficult for SMEs to access," it states.

"Consequently, Australia's competitiveness in global markets is disadvantaged because our industry lack the necessary skilled labour to compete and grow."

The report can be summarised into three key recommendations:

1. Reform the wait periods for Permanent Residency & Citizenship for skilled migrants entering the defence sector. This should commence with challenging the rules established over 25 years, confirming their applicability to today's environment, taking into consideration agreements such as AUKUS, Five-Eyes and the Quad.
2. Department of Home Affairs and the Department of Defence jointly devise a skilled migration scheme that meets the needs of Australia's defence industry sector and Defence's requirement for personnel operating within the sector to hold security clearances.
3. Departmental migration processes need to be reformed to realise efficiencies for the Department and streamline the process for applicants.

The reviewers are scheduled to report to Government "in early 2023". The government says the review will help ensure the migration system serves Australia's national interests and complements the skills and capabilities of Australian workers.

It says permanent residency and citizenship processes and policies need to be simplified and streamlined.

"The Departments of Home Affairs and Defence need to embrace appropriate technology to support inter-agency information sharing, including automating background checking where possible.

"A critical issue for Australia's defence industry is the need for Australia's security clearance process to be integrated into the migration process, making it more streamlined and efficient for skilled migrants to enter Australia's defence industry sector."

Global Transformation

The submission argues that the current system does not support Australia's international interests for Defence.

"It was devised in 1996 at a time when Defence procurement was dominated by foreign military sales and Defence's dependency on industry to deliver and sustain capability was significantly less than what it is today.

"Since then, Australia's economy has become globalised and integrated into the wider global community.

"As of 30th June 2021, Defence had 21 programs valued at a cumulative \$58bn to acquire new capability.

"The current system places onerous red tape on employers, making the process cost prohibitive and difficult for SMEs to access."

Approximately 80% of these programs are being delivered by primes with origins from UK, US, Germany, France, and Spain.

"Australia's defence industry is therefore dominated by foreign defence primes charged with the responsibility of transferring technology and know-how to Australians to deliver Defence capability and help Australia build a sovereign defence industrial sector.

"Defence primes and specialist foreign SMEs frequently send staff to Australia to support the delivery of Defence capability, however the efficiency and effectiveness of major programs is directly impacted by the Australian citizenship issue and security clearances.

"In most cases, Defence supply chains require key project delivery personnel to have security clearances. This requirement extends down the supply chain to subcontractors who are typically small to medium sized enterprises (SMEs). To gain a security clearance, applicants must first have Australian Citizenship, which requires applicants to have permanent residency first which takes four years. This requirement extends to all applicants, irrespective of their home country, existing security clearance or whether they come from a Five-Eyes country.

"The Five Eyes Alliance enables Defence to effectively operate with its national allies and personnel can discuss highly sensitive information. However, when these individuals change jobs and move to Australia, the same level of information cannot be shared due to a lack of Australian citizenship.

"Affected people are not only ex-service personnel, but also civilians working in defence industry or academics, and others with an interest in relevant research.

"This is a disincentive for highly talented individuals to move to Australia and hence an impediment to the development of Australia's sovereign capability.

"It is our recommendation that people holding high level security clearances from Five Eyes partners should be granted a clearance of a similar level by AGSVA upon application by an authorised sponsor, without needing the requirement for an Australian citizenship.

"This will remove the bureaucratic requirements currently impacting Australia's defence industry to access the skilled workforce desperately needed to support the delivery capability to Defence."

Bipartisan Support Required

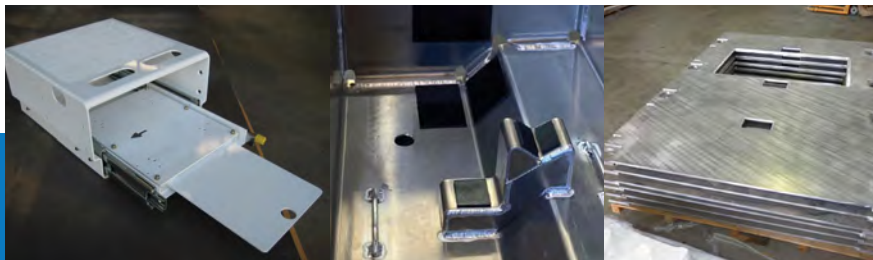
Faced with a worsening skills crisis, the DTC also argues that a bipartisan approach to migration reform is necessary to develop a migration system which delivers and maximises the economic benefits to Australia in the shortest time possible.

"The reforms needed to Australia's migration system cannot be realised within the standard three-year election cycle and Australia's defence industry sector cannot afford to operate within the current system which is clearly not fit-for-purpose."



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Migration is part of the solution to Australia's chronic skills shortages. So, too, educating people about the pathways Defence and defence industry provide. In this photo, A group of future engineers were given a unique opportunity to sample the benefits of a career in Defence when they were hosted by RAAF Base Richmond on Monday 5 December. The 68 students and staff from Honeywell Engineering Summer School (HESS) were given first-hand insight into some of the roles and functions they can expect to undertake as an engineer in the RAAF, with the hope of inspiring them to consider it as a career.

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IN CONVERSATION:

Defence Business sits down with inspiring business leaders. Andrew Hutchinson, Director, Praxis Aerospace



What led you to start working in defence industry?

I wanted to go to university to study aeronautical engineering and I was also interested in flying helicopters. I had been lucky enough to gain a scholarship to go to ADFA, so at the end of Year 12 I joined the Army and went off to ADFA with the dream of becoming an Army pilot. After spending 20+ years in the Army, I wanted to stay in Brisbane and started looking at jobs within defence industry. After a couple of years working at Boeing Defence Australia, it became time to leave the big business and to start Praxis Aerospace.

What advice do you have for SMEs wanting to break into the Defence sector?

Defence is hard, you need to have a great product or service with a great team. Even though I had spent 20+ years in the military, a lot of time and effort is required to build a network as an SME. Being an SME and selling directly into Defence or to a Defence Prime can be very challenging with lots of barriers to entry to overcome. Building trust and business relationships is very important, as we have grown, we have continued to expand our network to be able to increase the scope of services we can offer. Trust, commitment to our customers and integrity are some of our core values.

How is Praxis Aerospace tackling the skill shortage issue?

We are looking to be a net positive contributor to Defence. We have been recruiting people with the right background and experience outside of Defence, taking them through our internal "Defence Ready" training program and in parallel sponsoring their security clearance as a DISP company. To improve the skills shortage, Defence needs access to a greater pool of security cleared people. An expanding group of trusted SMEs across all domains will be a key enabler for the defence of Australia in the future. As a company we are focused on building a solid foundation to support rapid growth when called upon.

In your opinion, what has been the biggest challenge Praxis Aerospace has overcome in the last 12 to 24 months?

Breaking into the commercial space industry and establishing ourselves as the only company approved by the Minister as a Suitably Qualified Expert (SQE) for space launch risk hazard analysis. In parallel to this we have significantly ramped up our IT security posture to be compliant with ISO 270001. This is part of Praxis Aerospace being a trusted partner within Aerospace and Space sectors.

What is the most interesting trend you see in 2023 for aerospace?

In space, hopefully we will see two Australian space launch companies achieving orbital flights from Australia later this year. In the military aerospace segment, the Australian Black Hawk and Apache helicopter acquisition programs both have very aggressive schedules. These will be two key platforms for Army Aviation that can't afford to take 10+ years to introduce into service. Outside of Defence, the continued rapid electrification of aviation will continue with some new commercial electric aircraft getting closer to achieving certification. For Defence, there are numerous areas where small electric aircraft should be considered in greater detail, mainly to offset the risk of a lack of supply of aviation fuel during a conflict.

How will AI change defence industry, particular in the aerospace sector?

Aerospace has often been at the forefront of technological change, particular military aerospace. I expect that there will be increased use of airborne AI to make sense of the massive amounts of sensor data that all our air platforms are generating. Constrained bandwidth will always be an issue, even if JP 9102 survives the Defence Strategic Review. The ability for ISR data to be analysed in real-time and to further reduce the time between sensor and shooter is where I see AI having the biggest impact in defence aerospace.

What functions or capability should the ADF consider bringing or creating in Australia?

Defence should be considering greater investment in SMEs in Australia to grow and develop Australian technologies to use on the world stage. Within Defence, SMEs are often considered higher risk than handing a non-competed acquisition or support contract to a Defence Prime. If Defence competed more work at a lower level and removed barriers to entry for SMEs we would see greater and faster innovation within acquisition and in-service support of defence aerospace platforms. Investment shouldn't be in the form of grants, but in being able to compete and deliver on long term contracts.

"Defence is hard, you need to have a great product or service with a great team."

An Australian Army Black Hawk helicopter lands at Blamey Barracks, Kapooka, south of Wagga Wagga, NSW, during 6th Aviation Regiment's Exercise Enduring Valour 2021.



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Industry Interest in B-21 to Peak at AVALON 2023

Northrop Grumman is a major industry sponsor of AVALON 2023 and it can expect considerable interest in its newly unveiled B-21 Raider stealth bomber.

A wide range of informed voices is recommending to the Defence Strategic Review that Australia bridge the AUKUS submarine delivery gap with this sixth-generation aircraft.

While the Raider's manufacturing team is already in place - six of the bombers are in final assembly

and test - Australian defence industry could benefit through the lucrative sustainment of B-21s on Australian soil and throughout the region.

Furthermore, it could help Australian defence companies to gain a greater slice of the nuclear-powered submarines project by reducing the time urgency that would naturally push manufacturing to existing, experienced build locations in the US and UK.

The B-21 "would allow Australian industry to focus on

maintaining the Collins as a viable capability throughout its life while it ramps up for the SSN enterprise," the Australian Strategic Policy Institute has suggested.

It adds: "Ultimately, the issue comes down to how much independent, sovereign strike capability the Australian Government requires. And any sovereign Australian capability adds to the overall alliance pool, which is the core concept underpinning AUKUS."



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Centenary Torch Relay launch event.



Torch Relay Celebrates Everlasting Legacy

By Tyler Maund

From the trenches of Pozieres, France in World War I came a promise to a dying soldier that would shape the future of families for centuries.

"I'll look after the missus and the kids," said a soldier to his dying comrade, in a commitment that has now stood for 100 years, as Legacy celebrates the milestone with its Centenary Torch Relay, beginning in April.

"I'm as excited as ten excited people, this is a significant event in our history, and recognises the sacrifices made by those we support and by Legatees gone before us," said President of Legacy South Australia, Rob Eley.

1923 saw the formation of the Remembrance Club (later Hobart Legacy), founded by returning soldier Sir John Gellibrand.

That same year the first Legacy club was established in Melbourne, and since then Legacy has grown to 45 clubs worldwide, all of which are devoted to supporting families of veterans who have given their lives during military service.

"The centenary year supports the fact that we have been assisting the families of veterans who have lost their lives, or suffer as a result of their service, for 100 years," said Rob Eley, who joined Legacy in 2009.

"Rob is a veteran with 40 years of service in both the Navy and Air Force.

"I was involved in the Vietnam campaign as a 16-year-old sailor in 1971-72 and the Middle East in 2006 with the Air Force," he said.

"I had been involved in selling merchandise at Legacy Week over a large part of my career and decided that I wanted to be more involved in helping the families of deceased veterans."

Rob is a Legatee, a term that has long been associated with returned servicemen.

"This has evolved into any person who accepts the Legacy of looking after the families of those who lose their lives or suffer as a result of their service," he said.

On April 23rd the torch relay will begin its journey across Europe and Australia, starting in Pozieres in the lead up to Anzac Day.

It will then journey via the Menin Gate, Belgium and the United Kingdom, before reaching home soil in May when it arrives in Western Australia.

The 50,000-kilometre expedition has taken years of planning.

It will feature 100 stops, each with significance,

Legacy South Australia President, Rob Eley.



including all 45 Legacy club locations, concluding in Melbourne in October.

"Pozières was selected because of that first promise 'to look after the missus and kids' made to a dying soldier in the trenches of Pozières," said Rob.

"Menin Gate is a significant memorial in Ypres, Belgium which records the names of those who died on the battlefield in WWI, and whose graves are unknown.

"London is the home of the only Legacy club outside of Australia.

"It was established to support the families of those

Australians who lost their lives or suffered as a result of their service and whose families live in the UK."

Each location will have the relay followed by a Legacy Club hosted reception.

There will also be Gala Dinners in key locations and six Community 'Family' Days across the event in certain towns.

"There will be a public relations day advertising the role of Legacy in the veterans community," said Rob.

The torch relay takes place over a single day at each location, and will feature approximately 1,500 torchbearers over the journey, supported by 2,000 volunteers.

"In South Australia this includes the Governor, Premier, Leader of the Opposition and Federal and State Members of Parliament," he said.

Members of the Australian Defence Force will also be involved on the day, along with Legatees, beneficiaries of Legacy's service and community volunteers. This will be followed by a reception to celebrate the torch's journey.

"On the final day there is local community event involving food trucks, sideshow activities and merchandise sales highlighting our role in the community," he said.

All torchbearers will wear an official torchbearer uniform, created and sponsored by Australian Defence Apparel.

Rob, a torchbearer himself, has had a crucial role in organising the relay's visit to Adelaide.

"Locally we have approximately 100 people involved in the relay," he said.

"Torch bearers were selected from volunteer applications based on their relationship to Defence or the families that Legacy supports, their role in the local communities and their expressed desire to support Legacy in its role."

"I am a torchbearer, and as the club President I will also be involved in acknowledging the support of all parties in the success of the torch relay in Adelaide and highlighting the importance of our role in the Defence community."

The significance of this year's Legacy Centenary Torch Relay cannot be understated, with Legacy's support to the families of fallen veterans unwavering, and a commitment to the next 100 years beyond doubt.

It is being identified as a once-in-a-lifetime opportunity for the Legacy movement.

"Events like the Centenary Torch Relay reinforce the fact that we are still here," said Rob.

"We seek the support of the community in assisting us to maintain that promise made in WWI on the battlefield to dying soldiers.

"We want to move forward and start the next 100 years, by ensuring that we continue to invigorate our volunteer base so that we can meet the needs of the next generation of families seeking our support."

The incredible work that Legacy has done so far is not lost on Rob, who gets immense satisfaction when hearing of how Legacy has supported a family affected by a veteran's passing.

"It's incredible that we have been doing this for 100 years," he said.

"The satisfaction of being part of the support team looking after these families is difficult to explain.

"Each family you deal with is different and being able to see the development of young children become amazing, confident adults is very heart-warming."

Nationally, our 3,400 Legatees care for around 40,000 beneficiaries including 1,200 children and youth (0-26 years) and over 1,000 beneficiaries with a disability.

"We have a large population of widows who reach 100 years of age and older," said Rob.

"They enjoy a social life with their fellow beneficiaries in places like our widows clubs and social clubs.

"You know it makes a difference."

Volunteers

Volunteering applications are now open. This is an opportunity for individuals, community groups and workplace volunteering programs to part of this once in a lifetime milestone event.

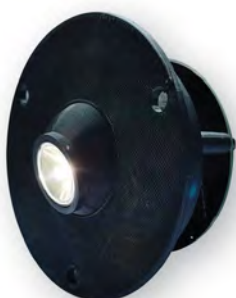
Support your local community and Legacy Club by registering to be a volunteer when The Legacy Centenary Torch Relay 2023 visits a town near you.

For more details and to apply to volunteer visit www.legacytorchrelay.com.au/volunteering.



"We seek the support of the community in assisting us to maintain that promise made in WWI on the battlefield to dying soldiers."

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Eric Easterbrook OAM, Chairman, Legacy Australia says, "We are delighted to be presenting The Legacy Centenary Torch Relay 2023, presented by Defence Health, as part of Legacy's Centenary. Legacy's Centenary is an important commemoration for our nation. It recognises the sacrifice of so many families over the past century as well as the efforts of countless volunteers who have supported them throughout grief and hardship. Legacy aims to remain strong for another 100 years and continue to support and empower all our veterans' families to build a better life."

Community Day Dates:

- Saturday 6 May 2023
– Perth, WA: Wellington Square Park
- Saturday 13 May 2023
– Adelaide, SA: Torrens Parade Ground
- Saturday 27 May 2023
– Townsville, QLD: Jezzine Park
- Sunday 23 July 2023
– Sydney, NSW: Botanical Gardens, Parade Ground (TBC)
- Saturday 26 August 2023
– Nowra, NSW: Location TBC
- Saturday 7 October 2023
– Hobart, TAS: Location TBC

Each community day will take place from 10am – 2pm.



At an official launch in Melbourne last November, the unveiling of The Legacy Centenary Torch Relay 2023, presented by Defence Health torch was carried Torch Bearers 90+ year old Legacy beneficiary, Jennifer Sheppard and Stan Waters (grandson of Legacy founder Sir Stanley Savage). Pictured with Torch Bearers unveiling the uniform: (L-R) Nathan Sawan, young Legacy representative, Annabelle Wilson, Legacy beneficiary representative, Sarnia Birch OAM, Legacy Australia Board and Jack Blackley, Defence Consulting Capability Lead, Accenture.



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Planning a Tax Effective Business Exit

There are many ways to exit a business in the defence sector, for example through trade sale, IPO, private equity and family succession. While each option has its own nuances, they share the potential for complex tax implications. Without proper planning, the tax implications can turn a good deal into bad one.

Here are five tips for ensuring a tax effective exit from your business.

1. Understand your tax profile

Your tax profile is what informs tax planning and enables better tax outcomes to be achieved. To understand it, you need to assess your business's legal structure, assets and ownership.

Accessing CGT concessions is a major planning objective. For smaller businesses, the small business CGT concession can fundamentally change the tax outcomes from a sale. In the right circumstances, a business could be sold for \$4 million with zero tax liability. For owners of larger businesses, the 50% general discount can have a major impact on tax exposure.

For older businesses, in particular family businesses, pre-CGT status can mean a tax-free capital gain. Changes in shareholdings or share structures, in the business and the acquisition of new assets can all adversely impact on your pre-CGT position.

Franking credits are another important attribute. In many instances, limited value will be attributed to franking credits by the buyer, so utilising these in pre-sale dividends or dealing with minority shareholders may be tax effective.

2. Plan your preferred exit transaction

Once you understand your tax profile, you can identify your preferred path to exit. Fundamentally, this will either be an asset sale or a share sale, but it tends to be more involved than that. First, model the alternatives to identify the different tax outcomes. If the preference is to sell an entity, but it holds assets that are not going to be part of the sale, then restructuring is required.

Depending on the intended purchaser and type of exit transaction, you may need to sell a 'clean' entity which will necessitate restructuring the ownership of the existing legal entities. Trust structures are common in private businesses but are often unattractive to purchasers and may need to be unwound prior to sale.

If the preference is to sell an asset, you need to consider the plan for the sale proceeds. Are these to be reinvested within the existing structure or distributed to the owners? Are you planning to sell in one tranche or in multiple tranches over time? Each of these decisions triggers different tax implications.

3. Do your own tax due diligence

The general 50% discount has created a real bias towards the sale of shares in a company over the sale of the business assets. For the same commercial deal, this change in transaction structure can halve the tax payable by shareholders. However, purchasers still have a preference towards asset deals which ensure they receive a full tax cost base in the assets they acquire and are protected from exposure to historical liabilities.

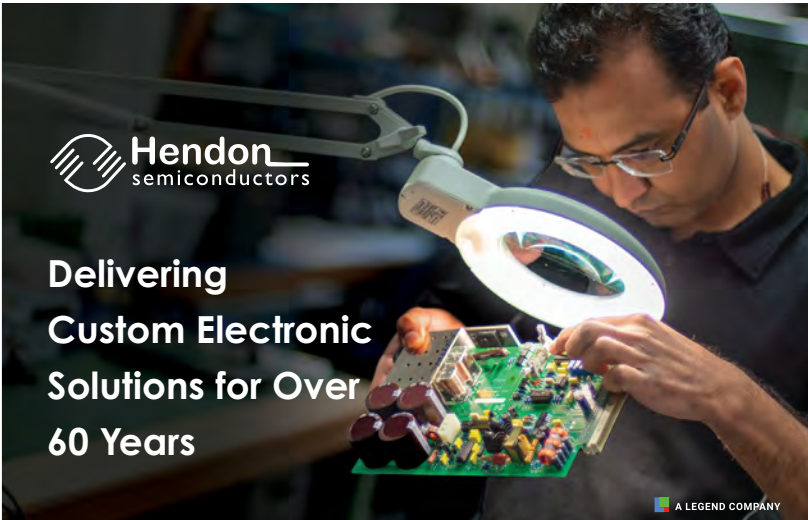
When negotiating a share sale, you place yourself at a significant advantage when you address any major tax issue before you engage with a potential purchaser. Private expenses, related party transactions, late payment of employee obligations, and neglecting to identify tax obligations such as FBT and payroll tax are all tax issues that regularly arise in this context.

4. Restructure or reorganise your affairs in advance

Good tax planning is not crisis management. Pre-planning is key. For example, if you need to separate assets into a new entity, unwind a trust, or interpose a new clean entity, doing it before a sale transaction is on the horizon is fundamental.

Once you have started actively seeking an exit transaction, tax-effective restructuring transactions may not be possible and could be struck down as tax avoidance. The same restructuring transaction undertaken well before any exit transaction is planned is much less likely to be subject to the tax anti-avoidance rules.

Having an experienced advisor on your team will help you manage your tax issues and maximise your outcomes. For more information, contact Lee Fuller at lee.fuller@williambuck.com.



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Product to Profit, What to Expect in Between and Beyond

Jones Harley Toole

There is nothing more exciting and satisfying from a business point of view than seeing your product successfully introduced and secured in the defence marketplace. However, the journey can be complex and challenging.

What should you expect when you undertake contract negotiations with Prime Contractors and the Commonwealth?

Firstly, it is important to understand who has presented you with the contract and what their motives are.

What can be expected from the parties you will be negotiating with?

The Prime contractor will likely be aiming to pass on its contract risk as much as possible to you, as they will want to keep their contract in line with its contract with the Commonwealth.

The Commonwealth will aim to stretch the limits of the price to product ratio.

With that in mind, you (and your specialised legal advisor) are now ready to start reviewing the contract. Initially there will be many issues that arise when reviewing the contract, as it has been drafted with the Prime and Commonwealth's interests in mind.

So how do you identify the key issues with the contract?

The most important issues are the ones which will cost the most if left unresolved.

You should quantify the risks so that each has a value, the more value a risk has, the higher priority it is given, and the more time spent resolving that issue.

In our experience the highest value risks are usually intellectual property, Warranties, and the Right to Perform (although this does vary depending on the specific product).

Intellectual property

Lose the rights to intellectual property in a poorly worded contract and the product, and potential future products, lose value fast.

It is for this reason intellectual property is a high value risk.

Often contracts are initially worded so that the Commonwealth has "wide ranging rights" over the Intellectual property that is associated with the product.

Care and caution must be exercised with such clauses, as it gives the Commonwealth the right to use the product's intellectual property outside of the scope it was intended for in the contract.

If left unresolved, businesses lose out on potential future

revenue as the Commonwealth could access and use the Intellectual property for future projects without paying anything more.

We know the Commonwealth want the best price to product ratio.

In the course of the negotiations and contract discussions, the Commonwealth should be given the option of either recognising the value of the intellectual property and compensate accordingly, increasing the price, or tightening the contract to limit the scope of Intellectual property, putting limitations the product.

Protecting the intellectual property greatly reduces the risk of the product losing value and creates a platform for further contracts on the intellectual property in the future.

Warranty Period

A long warranty period given after delivery of the product can carry a significant risk.

The warranty section of the contract is where the Prime is likely to pass on their risk onto the product and ultimately the business.

For example, if the Commonwealth seeks five years of warranty after they have accepted the product from the Prime, and the Prime has five years to test the product, the product has a warranty period of up to 10 years.

Whilst one may be confident their product will last 10 years, one can also be confident that in those 10 years, the chances of external influences causing defects in the product increases significantly.

So how do we reduce the risk, when the Prime needs to deliver on the full 10-year warranty it has contracted with the Commonwealth?

Negotiate to reduce the testing period.

By reducing the warranty on the test period with the Prime, they can still deliver the original 10 years warranty to the Commonwealth.

The Prime can test the product as rigorously during that test period as they like under warranty, and once delivered to the Commonwealth, the Prime takes on the risk of the warranty.

The less time the business is responsible for the warranty the more the risk is reduced.

Right to Perform

The right to perform clause of the contract needs to be worded to reflect the nature of the product otherwise the right to perform could undermine the whole business.

The aim for this negotiation should be to reduce the risk of the business producing the product being affected in

the event of default. The risk has high value because of the potential financial loss sustained in the event of a default.

Worded incorrectly, the right to perform could mean the Commonwealth and/or the Prime having the power to take over the production facility, interfere with other projects and potentially direct employees in the event of a default.

Whilst this might sound like an unlikely position, it's a very real reality if the "right to perform" clause is too wide-ranging.

Unless the product is a matter of national security, such as a weapons system, it should be negotiated vigorously that continuation of production of the product in the event of a default is not more important than the business's autonomy over the production of the product.

Convincing a representative for the Commonwealth that the production of a specific product isn't a matter of national security might take time but is ultimately achievable.

The Commonwealth will be more resistant to concessions when it comes to clauses which affect the ability to complete the contract.

It is reasonable for the Commonwealth to keep the contract going in the event the Prime contractor defaults, so an amendment to give the Commonwealth the power to step into the Prime's position if required is a sensible suggestion.

The Prime will be more amenable to negotiations where they have enough remedies in the contract to compensate them in the event of default already without the need to take over the running of the business.

Limiting the right to perform protects the business and reduces the risk of the remedies of default.

Whilst the immediate success of turning a product into a profit is rewarding, it's making decisions to reduce risk and protect the growth and the value of product which is the foundation of a truly prosperous business.

These can be complex negotiations where the long-term successful outcome depends on expertise and experience. It is very important to engage specialised and experienced legal advisors early in the process. Jones Harley Toole has been providing specialist advice and support for defence contract negotiations for many years and we look forward to assisting your business to secure lasting success well into the future.



AUSDEF News Growing Fast

Australia's Defence video news channel, AUSDEF News, is going from strength to strength as its subscriptions continue to grow rapidly. Offering a mix of defence current affairs and in-depth reporting, the site provides weekly briefs and detailed bulletins to keep subscribers up to date with industry news.

After 18 months of development, the free-to-subscribe channel officially launched in October 2022 at Land Forces, Australia's largest defence industry exhibition. Its exclusive content includes interviews with industry leaders and coverage of defence events. AUSDEF News has been met with an enthusiastic response, with Tim Dore, Director of Member Services at the Defence Teaming Centre commending the channel's creation.

"It is great to have an Australian Defence focused online

news channel that is providing current news in bite size pieces," he said. "I highly encourage everyone to subscribe to AUSDEF. It is a great platform to use to stay abreast of what is happening."

It seems that many Defence personnel have done just that, with AUSDEF News already reaching thousands and clocking up dozens of hours of viewing.

While the channel is free to access, a subscription is required – this is to maintain the integrity of the viewership and keep the service exclusive for Defence personnel.

AUSDEF News is an initiative of production company Adelaide Film Works, who have over 12 years of experience in creating Defence video content. With many defence organisations, primes and SMEs all producing video content of their own, a gap was identified and it was realised that many Australian Defence news stories are better communicated via video form. Video content now accounts for 82% of all web traffic and is by far the most popular way of disseminating information. From new land vehicles, a missile test or a tour around a nuclear submarine,

many newsworthy stories benefit from being told in video form.

One upcoming event that promises to deliver thrilling video content is AVALON 2023, the Australian International Aerospace and Defence exposition. AUSDEF News is proud to be a supporter of this event. The AUSDEF team will be covering the expo in detail, with two camera crews filming all of the aircraft action and conducting interviews.

Recent stories include Operation Christmas Drop which was recently carried out in the Pacific North West and coverage of the United States' unveiling of the B-21 Raider.

The AUSDEF News editorial team invite anyone in the defence industry with a story to tell to reach out. They are especially keen to hear stories about innovation, growing companies and opportunities for people and firms in the defence industry.

If you have something you would like to share with the AUSDEF News team, please email editor@ausdef.com.

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