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Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

Attention: The Committee Secretary, Joint Standing Committee on Foreign Affairs,
Defence and Trade

Dear Committee Secretary,

**INQUIRY INTO GOVERNMENT SUPPORT FOR AUSTRALIAN DEFENCE INDUSTRY
EXPORTS**

1. CEA is pleased to prepare this submission for the Joint Standing Committee on Foreign Affairs, Defence and Trade for the Inquiry into Government Support for Australian Defence Industry Exports.
2. CEA Technologies Pty Limited (CEA) designs, develops and builds Defence communications and radar systems. CEA's primary product is its family of Phased Array Radar (PAR) systems; as such, CEA is part of the High Frequency and Phased Array Radar Priority Industry Capability (PIC).
3. CEA is the designer and manufacturer of the CEAFAR and CEAMOUNT PAR systems currently in service and being installed on the ANZAC Class Frigates as part of SEA 1448 Ph4B – Anti Ship Missile Defence (ASMD) upgrade project.
4. CEA is seeking to export its PAR technology to various allies' maritime and land based programs.
5. As part of CEA's efforts to export its technologies, CEA has received significant support from successive Ministers for Defence and the Department of Defence; examples of this support include:
 - Undertaking visits by HMAS Perth to allied countries and organising demonstrations of CEA PAR capability. This was also supported by the Defence Export Unit (DEU), now the Australian Military Sales Office (AMSO).

- Facilitating the presence of allied Navy personnel aboard HMAS Perth during missile firings and acceptance testing.
 - Providing Australian Diplomatic and Navy personnel to support system demonstrations in the United States.
 - Having Australian Army and Capability Development personnel attending the Ground Based Air Defence Demonstrations in South Africa.
6. In addition, CEA has received ongoing support from the Defence Materiel Organisation (DMO), Defence Export Control Office (DECO) and the AMSO in obtaining export permits for PAR technology.
 7. CEA believes that Australian industry has and is continuing to create valuable Intellectual Property (IP). This IP is worth protecting to ensure it benefits Australia's national interests and underpins future IP development. CEA believes that protecting that IP is the starting point in any export consideration.
 8. CEA wishes the Committee to consider the following points on the Terms of Reference.

SUBMISSION ON THE TERMS OF REFERENCE

Identification of barriers and impediments to the growth of Australia's Defence exports

9. CEA believes Australia needs a defined process to conduct Australian Government sales of sensitive defence technologies, similar to the legislated US Government's Foreign Military Sales (FMS) process, to facilitate the export of Australian defence goods and technologies. Such a Government to Government process would ensure that Australian technologies have a clear, well defined path for sales to allied overseas governments. These processes need to be developed.
10. The advantages of an Australian FMS process include:
 - The Commonwealth being able to formally assist Australian Industry in ensuring that IP is fully protected during the sale process. Alternative sale methods such as commercial to foreign government or commercial to foreign prime to foreign government, involve greater risk to IP;
 - Providing another and well protected channel to market to assist companies to grow revenue, and advance the development of their products and technologies, enabling ongoing, more cost effective support and innovation for the Australian Department of Defence;
 - Providing foreign governments with an "underwritten" avenue to procure Australian Defence industries' services and products via a responsive FMS system using clearly promulgated policies and procedures; and
 - The Commonwealth being able to do this at potentially no net cost while enabling closer and more active engagement with industry to mutual benefit.
11. In order for such a process to be successful it needs to be recognised that related activities must be undertaken in competitive timeframes if Australian industry is to be able to compete through this mechanism. As a result such a process would require:
 - Well developed policy;

- Clearly defined time frames would need to be established. Obtaining export licences for items on the Defence Strategic Goods List (DSGL) has taken in excess of 18 months in some cases; and
 - Standing Terms & Conditions similar to the United States Defence Federal Acquisition Regulations (DFARS) for rapid acquisitions of Australian defence technology/goods by foreign Governments would be required.
12. The success of the approach would depend on the effectiveness of the Defence / Defence Industry relationship and would be a key element of Defence Industry Policy

How Government can better engage and assist Australian Defence Industry to export its products

13. Developing a “Quick Assessment Check List” so that exporters can self-assess an opportunity before investing significant resources in pursuing it would be beneficial. Initial marketing activities are expensive for companies; by self-assessing the likelihood of obtaining an export licence companies can make more informed decisions regarding future opportunities. This could not only benefit DECO, but also lead to more effective relationships with international customers, who would have clarity earlier on their ability to procure Australian systems.
14. Facilitating a Government to Government mechanism to allow for technical information exchange with the foreign governments would also be beneficial, enabling appropriate dialogue earlier in the marketing/sales process. Importantly this enables sensitive information to be passed to the end user without it being disclosed to other potentially competitive parties involved in the program.
15. CEA suggests a mechanism, such as a Technical Assistance Agreement (TAA), covering exports that require approval from the Standing Interdepartmental Committee on Defence Exports (SIDCE), whereby Australian Government expressly authorises what Australian technical data can be disclosed and to whom. By ensuring that appropriate focus is given to a program’s technical aspects at the start of any potential export program. Programs can proceed relatively quickly disclosing that which is necessary while still protecting IP. Technical assistance provided to customers early in program planning has the ability to shape requirements and thus increase the prospects of success.
16. Developing an Australian FMS system as previously described, which does not rely on establishing MOU’s or Project Arrangements (PA’s), which currently take 12-18 months to establish would create a more timely mechanism to support overseas sales.

The operations of the Defence Export Control Office

17. DECO in concert with the DMO, has been very proactive and effective in assisting CEA obtain export licences.
18. CEA notes that DECO’s current activities are very inclusive of Industry.
- CEA believes DECO has the right approach in supporting exporters. Online training has been effective however, face to face training should still feature in DECO interaction with the Industry.
 - DECO has been effective in providing Industry with forums to help industry navigate the current changes to Defence Export Controls and Defence Trade Cooperation with the US. E.g. Defence Industry Export Control Experts Group.

- DECO's initiative in sponsoring the creation of Export Summits and Conferences to keep Industry abreast of changes in Defence Export regulations is well received.
- DECO has also taken a sensible and practical approach to managing tangible and intangible exports under legislation designed to strengthen export controls. Adoption of transfers across geographical borders rather than a "deemed export" concept will make the new controls workable.

19. It is unfortunate that the legislation to strengthen export controls was bundled up with the Australian Defence Trade Co-operation Treaty legislation. There are now three Government departments (Customs, Defence & DFAT) which administer legislation governing or impacting defence exports. DSGL exports might be better managed by one department.

Assessment of the export support given to Defence industry by governments of comparable nations

20. French, Russian, Chinese, US, UK, Canadian, Israel, and Swedish Governments have very active and dedicated defence export sales programs and organisations to promote the export of their defence technology and products.
21. CEA believes that the broader benefits that accrue to Defence Exports should be reflected in the policy and resourcing of related Commonwealth organisations and activities.

Any other matters?

22. CEA is grateful for the opportunity to engage the Standing Committee on the issue of defence exports. CEA is pleased to contribute to an ongoing dialog about the defence industry and export framework.

Yours sincerely

Merv Davis
Chief Executive Office