

Thursday, 25 January 2024



Senator Raff Ciccone
Chair
Senate Foreign Affairs, Defence and Trade Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator,

Submission – Defence Trade Controls Amendment Bill 2023 Inquiry

Leidos Australia welcomes the opportunity to provide a submission to the Defence Trade Controls Amendment Bill 2023 Inquiry by the Senate Foreign Affairs, Defence and Trade Legislation Committee.

With 25 years of local experience, Leidos Australia is working to solve the world's toughest challenges in government, defence, intelligence, border protection, and health markets. We employ more than 2,000 local experts who, backed by our global experience and network of partners, deliver solutions that help secure Australia and make the world safer, healthier and more efficient through information technology, engineering and science.

Leidos is a FORTUNE 500® global science and technology solutions and services leader, reporting annual revenues of approximately US\$14.4 billion in FY22. Over the past half-century, Leidos has worked in some of the most advanced areas of science and technology to deliver critical solutions to our customers' most demanding challenges. We have 47,000 people worldwide, and work across countless jurisdictions, predominantly Australia, the United States, and the United Kingdom.

We deliver for the Australian Government in every state and territory, supporting the Department of Defence, the Australian Defence Force, the Australian Taxation Office, the Bureau of Meteorology, Department of Home Affairs, Australian Maritime Safety Authority, and Australia's National Intelligence Community by delivering solutions in information technology, cyber, systems integration, C4ISR, and chemical, biological, radiological and nuclear protection.

Leidos Australia broadly supports the intent of the Defence Trade Controls Amendment Bill 2023 (the Bill). The broad tightening of defence export controls closely aligns with International Trafficking in Arms Regulations (ITAR) reforms outlined in the National Defense Authorisation Act (NDAA) recently passed by the US Congress. The reforms proposed under the Bill look to fulfil the conditions outlined in the NDAA for the Australian Government to receive special treatment under ITAR, which will help the Australian Government achieve the technology transfer needed to deliver the AUKUS agreement. Furthermore, the ability to export licence-free to the United States and United Kingdom creates important export opportunities and reduces barriers for businesses looking to operate in these markets, and the resulting reciprocal arrangements will assist both US and UK companies wanting to operate or expand in Australia.

However, Leidos Australia also recognises that the Bill would drive significant change, particularly for small and medium enterprises, that risk impacting defence supply chains. In particular, the lack of clarity on subsequent enabling regulations under the Bill will create challenges for small and medium companies, both those already working, and those looking to start to work, in defence industry. The Government should consider the grandfathering of existing Defence arrangements for programs already contracted or delivered under the previous export control arrangements. This would ensure that there is no inadvertent loss or slowdown of

Defence capability through the implementation of these new regulations, particularly through the potential risk to supply chains for programs already in flight.

Similarly, the Government should also consider the impact for companies producing dual use technologies and ensure adequate resourcing and education is provided for those impacted, particularly small and medium enterprises. There is a significant risk of dual-use technology being captured under the existing regulatory regime, creating challenges for companies who may already be delivering for Defence.

Additionally, a full understanding of the impacts of the legislative changes created by the Bill should be considered carefully. While Leidos Australia supports the intent and objectives of the Bill, there needs to be recognition of the significant cost for defence industry in implementing these changes. The existing regime for compliance with both Australia's export control regime as well as companies working with ITAR is well-established, and companies with US footprints will have dedicated trade compliance teams who are responsible for managing the regime. There will be costs to businesses in training and adaptation for the new regime, and understanding these costs is an important element of the delivery of the Bill.

Furthermore, clarity on the future implementation of this regulatory framework is not outlined in the Bill. While Leidos Australia recognises and supports the 12-month implementation window for the Bill, we have concerns that this window also allows time for Defence to draft and implement the required regulations to support the Bill coming into effect. This reduces the time for defence industry suppliers to both understand and implement the new regulatory regime to ensure they are fully compliant with the new regime. Considerations should be given to ensuring defence industry has timely access to the new regulatory regime to ensure they can implement the necessary changes within the 12-month window.

We thank the committee for the consideration of our submission.

Yours sincerely,

Paul Chase
Chief Executive

Leidos Australia