

ROHDE & SCHWARZ



Rohde & Schwarz (Australia) Pty Ltd
Unit 2, 75 Epping Road, North Ryde NSW 2113,

Contact
Gareth Evans
Managing Director

Senator Raff Ciccone
Chair Legislative Committee
Senate Standing Committees on Foreign Affairs
Defence and Trade
Parliament House
Canberra ACT 2600

14 July 2023

Submission to the inquiry into the performance of the Department of Defence in supporting the capability and capacity of Australia's defence industry

Dear Senator Ciccone,

Rohde & Schwarz Australia is an Australian incorporated company, wholly owned by Rohde & Schwarz GmbH & Co KG, that has been operating in Australia since 1981. Profits generated in Australia and the Pacific region are re-invested in Australia.

Rohde & Schwarz is a civil company founded in 1933 that develops and manufactures electronic goods and has 13,000 highly qualified employees in over 70 countries. In the 1970's the company expanded its remit to include provision of secure military communication and electronic warfare solutions. Customers in Australia and the Pacific include Defence, industry, infrastructure operators and government customers. We are the Communications Systems Integrator for the Hunter Class Frigates, we provide numerous High-Frequency radio solutions to Defence including for the Strategic HF system being delivered under JP9101 Project Phoenix. Furthermore, we provide voice communications for military and civil air traffic control across the country, RF test and measurement solutions, military communications across all environmental domains, and electronic warfare capabilities.

The Company employs over 100 Australians in Sydney, Brisbane, Canberra, Melbourne and Adelaide. Over 65% of the workforce are certified Engineers and 20% of the workforce are ADF Veterans.

We are part of Australian Defence Industry.

Department of Defence support to Australia's defence industry in meeting the current and future needs of the Australian Defence Force;

Meeting the current and future needs of the Australian Defence Force is the *raison d'être* for the Defence facing elements of Rohde & Schwarz Australia which, has significant involvement across all fighting Domains.

In more general terms, Rohde & Schwarz is committed to supporting the current and future needs of the Australian Defence Force. The Company has invested in local, Australian development to ensure that it offers high quality support to Defence in capability development, delivery, sustainment and capability evolution of extant systems, particularly in HF communications and electronic warfare. Additionally, the ongoing and considerable knowledge transfer from Germany to Australia has helped build a local capability which is able to support existing Naval communications

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systems. Through the formalised knowledge transfer activities planned for the Hunter Class Frigate Program the Australian subsidiary will be well placed to facilitate regional export and the evolution of new, Australianised integrated communications systems.

By Defence leaning on a German owned Australian company it is able to benefit from research and development informed by worldwide experience and, at the same time, leverage knowledge of contemporary Australian defence doctrine, operations and tactics.

As a company, Rohde & Schwarz Australia sponsors and participates fully in the many fora involving both the Department of Defence and Defence Industry. Some of those are:

- ▶ Trade shows, Defence's participation in trade shows is inconsistent. When the key decision makers and influencers from the Department attend then the investment from Defence Industry can be justified. These include capability development and CASG project staff. Trade shows offer an unrivalled opportunity to show 'hands-on' equipment in working conditions.
- ▶ Defence+Industry Conference. A very useful conference with high-level Defence support.
- ▶ Domain Working groups. The effectiveness of these appears to be based on the personal drive of the senior officer in that particular area so they do vary.
 - The Land Environment Working Group is a good example, particularly with the specific capability stream workshops. There appears to be a genuine willingness to engage with industry early in the capability development cycle.
 - The Maritime Environment Working Group provides a very useful platform for sharing of information on capability development roadmaps, challenges and initiatives between Defence and Industry.
 - Air and Space domains appear to be less organized than the other domains.
- ▶ Industry associations such as ADIESA (Australian Defence Information and Electronic Systems Association) hosted events and working groups with Defence sponsorship and attendance are of great value.
- ▶ AIC Fora and Office of Defence Industry Support (Workshops and training courses). Defence should be commended for the resources they have put into these events. Most of the events, facilitated by Defence, provide good opportunities for SME to meet people from the larger defence companies and are an opportunity to learn more about the market they are attempting to operate in.

Department of Defence work to address the reliance of Australia's defence industry on inputs, be they tangible or intangible, from abroad and key capabilities that could form the basis of targeted exports;

There is clear evidence that Defence will invest to assist original equipment manufacturers, including Australian subsidiaries such as Rohde & Schwarz Australia to deliver cost-effective, and responsive support. Rohde & Schwarz Australia has developed significant systems integration, repair and maintenance capabilities through direct investment of the parent company with assistance from Defence with local industry investment – tied to contracts – this sovereign responsive and value for money through-life support will continue to grow.

Defence will also facilitate transfer of technology through schemes such as Skilling Defence Industry and these are welcome initiatives.

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Related issues

All of the fora, conferences and workshops cost business to attend. Rohde & Schwarz Australia will regularly spend upwards of \$500 000 per annum participating in, Land Forces, Indo-Pacific, Avalon and MilCIS and we are a small player in Australia's Defence industry. These are just costs of entry into the world of Defence in Australia and like all business costs they need to be recouped by winning business.

Decision delays in procurement have always been an issue of concern and delays experienced recently are some of the worst industry has seen in decades. For Australian industry operating in a monopsony the consequences can be existential. Investment decisions about training, and employment are often tied to opportunities and delays to decisions on major programs such as the Infantry Fighting Vehicle, and Land 125-4 carry consequences for the entire supply-chain.

For major acquisitions, Defence needs to understand that it isn't just causing a cash-flow problem for a foreign owned Prime, but challenges the entire supply chain which is where most Australian Industry operates. A six month or 18-month delay in procurement or a 30% reduction in scope has dramatic impact on a company's investment in personnel and training. While Primes will see the sovereign risk in dealing with the Australian Defence Force, and accept that decisions change the calculus used to justify investment in equipment, training and employment, for the smaller companies, these changes can make the difference between being in business or not.

Defence is often not the source of uncertainty in the capability development process. Parliament and executive government have a role to play and while the global strategic environment is uncertain and fraught. While Government rhetoric is outlining potential threats and shrinking warning times requiring greater Defence readiness and longer-range lethality the reality reveals delays in major procurement decisions, down-scoping of capability and net reduction in funding forecast for the next three years. This lack of tangible commitment to the challenging military strategic environment adds risk to the business appetite for investment in Australia.

For overseas owned companies like Rohde & Schwarz, its investment in Australia over 40 years has helped deliver capabilities to the Australian Defence Force across all domains and it will continue to do so, despite the unpredictable fluctuations in the procurement cycle.

I thank the Committee for accepting this submission from Rohde & Schwarz Australia and extend an open invitation to Committee members to visit our facilities in North Ryde, Sydney to see our extensive integration laboratory and repair and maintenance capabilities, and to talk with the people who work hard to meet the current and future needs of the Australian Defence Force.

Yours sincerely,

Gareth Evans
Managing Director
Rohde & Schwarz (Australia) Pty Ltd