

APDR

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AUSTRALIAN DEFENCE IN A GLOBAL CONTEXT

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DEFENCE BUDGET 2022-2023 ANALYSIS

LARGE
AUSTRALIAN UNCREWED
UNDERWATER SYSTEMS

AUSTRALIAN
DEFENCE INDUSTRY
CEO PROFILES

INTERIM
SUBMARINE CAPABILITY
MAKES SENSE



For some background, I served in the Australian Army – primarily in infantry and special forces – for around 25 years. On leaving the ADF, I wanted to apply the skillsets I'd built there to a second career I'd be just as passionate about. After leaving Defence for industry, it didn't take me long to figure out I wanted to do jobs that would gain me more management experience while making a meaningful contribution to the advancement of Australia's high technology defence industry base.

I got my start in industry at Thales, leading major programs associated with the defence side of their business – including initiating the development cycle for the Hawkei PMV – before moving to Elbit Systems (Australia), where I was Head of Strategy and Business Development for almost five years.

I established my own consulting business in 2015 and started contracting for various companies, including EOS. After helping design the growth strategy for the company's expansion into the US and Middle East, I was asked to take the reins at EOS Defence Systems in 2018.

Since then, Defence Systems' revenue has increased roughly tenfold, and EOS has transformed from a largely Australia-based operation – albeit one with an export focus – into a fully multinational business with offices, factories, and sustainment facilities around the world.

Regarding the outlook for the next couple of years - growth. We're confident in our portfolio of existing and emerging product lines and our positioning in relation to technological and geopolitical currents. Our push into counter drone capabilities, including tactical directed energy and the autonomous lethality

areas, has been well timed, as defence organisations across the globe are now rapidly transitioning to these new applications of technology.

We've faced the same challenges as a lot of businesses that operate globally, and the easing of international travel restrictions – and the related normalisation of several of our major overseas contracts – is a welcome development.

That said, our defence business has remained highly profitable through the pandemic. COVID hasn't stopped us from fulfilling our contracts, adding to our customer base or bringing new products to market.

What it has done is create an impetus for us to strengthen certain areas of the business. We've made our supply chains more robust, added to our overseas manufacturing and sustainment infrastructure, and beefed up our domestic production capacity. As a result, the company is more resilient now than it was pre-COVID.

I've always cared deeply about our ability to look after ourselves as a nation, and my broad view on our sovereign capabilities is a pretty uncomplicated one: critical national capabilities must rest solely on the nation's ability to control the development and application of these assets without the need to refer to second or third non-Australian entities for permission. In short, if we can do it here, we should do it here.

Anyone who knows me won't be surprised when I say the most important thing we can do to help with this is to support the development of internationally competitive domestic defence companies that can build great technology onshore – as well as export it to the world. Over time, some of those businesses should be supported to grow into primes in their own right.

That kind of rebalance in the domestic ecosystem would create benefits shared by the Commonwealth, hundreds if not thousands of Australian SMEs, and the nation in general. It'd help to improve national security, create onshore jobs, develop a strong skills base and build an enduring facilities infrastructure that the Commonwealth could call on as and when needed – without reference to any overseas entity.

I'd argue there's a happy medium between doing absolutely everything here and relying too much on overseas primes and allies to do things for us.

Historically, we've tended to be fairly risk-averse in our defence planning and procurement, and the international primes have often been seen as the "safe" choice. But a certain amount of risk is needed to get rewards – including for the Australian taxpayer.

Our high technology resourcing base largely sits within the defence domain. The international primes will always have a place, but it's local companies that can build the infrastructure – technical, physical, intellectual – that'll lead to lasting sovereign capabilities. That applies even if we have to import the odd component that's unavailable, or unavailable to the required specifications, locally.

In this model, the Commonwealth and the Australian taxpayer become beneficiaries rather than benefactors, as industry starts to rely less on grants and other leg-ups.

Regarding the issue of whether focussing too much on Australian capabilities restricts export opportunities, the answer is no. "The world" will always be there – and there'll always be a demand for great technology.

EOS has a real business need to stay ahead of the curve and protect the technological lead we've established. Doing that requires a significant, ongoing R&D spend. We're 100 per cent committed to Australia, but our overseas business plays a major role in financing all that homegrown R&D – which is ultimately good for the ADF and the country more broadly.

Looking at the list of desired sovereign capabilities, for starters, I'd add tactical and cyber communications, including cryptography; munitions, small arms and, obviously, stabilisation systems to enhance their range and precision lethality; plus autonomous systems for sea, air and land as well as land mobility platforms. Australian companies are already global leaders in these technical realms.

There's no question that government support for our defence ecosystem is stronger now than it was when I started in the industry and that today, there's a clearer understanding of the specific policy levers that'll be good for the industry's health. Industry has responded by building a number of world-class defence businesses that are making world-class products. In that sense, I can say that even though we're not there yet, we've come a long way.