



PO Box 6008
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7th of July 2023

RE: Performance of the Department of Defence in supporting the capability and capacity of Australia's defence industry

To Whom It May Concern:

Mercury Information Security Services Pty Ltd (Mercury) are an Australian based, independent cyber security practice. Founded in 2015, our organisation has successfully conducted in excess of 900 professional service engagements over the past 8 years. Our team regularly contributes to the cyber security body of knowledge, is an active member of several professional organisations and 25% of our workforce are active serving members of the Army Reserve. The Director of Mercury, Edward Farrell, is a serving member of the Australian Army Reserve, Industry fellow of the Australian Defence Force Academy and member of the ISC2 global board of directors.

The purpose of this letter is to provide a response to the Senate Standing Committee on Foreign Affairs and Trades inquiry into the performance of the Department of Defence in supporting the capability and capacity of Australia's Defence Industry. Mercury has provided a response to two of the references below:

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

Our experience with the Department of Defence has largely been positive. In our experience, the integrity, commitment to the defence of Australia and its national interest and values of Australia have been a notable experience with our engagement in defence. Having stated this, several opportunities for improvements have been observed and detailed below:

1. **Structure and method of engagement:** A key concern and experience of Mercury has been the manner and method with which professional service engagements take place. Many of our engagements with Defence occur on a time and materials basis which, in our professional opinion, presents a significant risk to defence capability. We assess that the conditioned attitude is that a backside on a seat is an effective measurement of success, often billed and measured in hours or days. Carl von Clausewitz, a Prussian general and military theorist whose theories underpin our own defence forces highlights in his principles of war *the necessity to act with the utmost speed*. The resultant financial incentive with most professional engagements under the Defence Support Services (DSS) Panel is to drag out an engagement for as long as possible to the detriment of the Australian Defence Force and the Australian Taxpayer. Should such an engagement be delivered with any expediency, the contractor is penalised. Consideration should be given to a fixed price approach for the delivery of services over an established time frame, and delivering objectives earlier to be rewarded with the remaining budget of time and materials.



2. **Emphasis on governance and project management over outcome:** Based on our observations below with initiatives and interactions with several projects, there is often an emphasis on following process over a requisite outcome. On a project in 2021 which Mercury contributed towards, we were confident that our observations and recommendations were established in a single document, however project requirements required a substantially more volume of product than what we would have otherwise delivered in a commercial project. This behaviour is further exhibited often in the complex forms and employment of PDF files or excel spreadsheets in lieu of more efficient methods of working. Notwithstanding the unique demands and requirements of defence and defence industry, we assess there is an opportunity to deliver outcomes with greater efficiency, meeting the intended objective of the organisation.

It is our assessment that greater emphasis should be placed on the threat environment and the requisite objectives above all else. Uniformed personnel best achieve this through cultural attitudes and commitment to their profession, however industry and the wider defence environment must be incentivised financially to achieve such an outcome, including appropriate structures to engagement. This includes measurement against non financial resources such as individual time, technological expenditure, user experience as well as the speed of execution.

design and implementation of programmes and initiatives that seek to improve the Australian defence industry's capability and capacity

Mercury assesses there is a significant opportunity for improvement across multiple programs and initiatives. In addition to improving access, greater clarity will enhance the discipline, confidence of these programs, and subsequently the capability and capacity of the industries capacity to support Defence. this has been observed in three areas:

3. **Capacity to access grants and funding:** Recent experience for accessing funding through the defence innovation hub was a challenge. As a smaller enterprise, Mercury's capacity to commit the required personnel and resources to apply for funding which came with no guarantee saw us take on a significant business risk in time and effort which contributed to a reduced profitability last financial year. The barriers to entry and complexity to some of these programs do not add any value to our outputs for Defence, and are a deterrent for capability. Noting point 1 above, this issue also impacts our capacity, with more time and effort going towards document generation over the formation of capabilities.
4. **DISP, clarity and direction:** Explicit direction within the DISP program and the program's cyber requirements have been a difficulty experienced by Mercury and its clients. Whilst our own assessment has been that the program offers effective structure and guidance, the cyber requirements can on occasion be overanalysed, subject to interpretation contrary to the program's intent, or not validated through formal verification. Clarity on cyber requirements, including exemplar actions for small business, activities that are inaccurate (including the impact of failures) alongside enhanced information sharing and reporting. We understand that new tools and features have recently been introduced to the program including a new self assessment tool; Mercury will remain vigilant over the next few months however in its own experience, the lack of clarity and direction has slowed down our approach to meet requirements.



5. **Direction on cyber security test and evaluation:** there is an absence of clarity in the test and evaluation program for cyber security. Whilst this program is in place, we do not believe it to be fit for purpose and communicates cyber security requirements of projects for defence networks and mission systems. An opportunity exists to enhance guidance in cyber security for defence industry.

We appreciate the opportunity to respond.

Regards,

Edward Farrell
Director | Principal Consultant

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