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Australian Defence Industry Exports

Inquiry into Government Support for Australian Defence Industry Exports
Richard Sawday

Opening Comments

I am an Electronics Engineer specialising in tactical communications, and over the course of last year I had dealings with DECO regarding a product I developed.

Terms of Reference:

1. *identification of barriers and impediments to the growth of Australia's Defence exports;*
2. *how Government can better engage and assist Australian Defence industry to export its products;*
3. *the operations of the Defence Export Control Office;*
4. *assessment of the export support given to Defence industry by governments of comparable nations; and*
5. *any other related matters.*

In the context of the Terms of Reference I will deal mainly with point 3 the operations of the Defence Export Control Office.

Dealing with DECO highlighted a number of serious shortcomings and deficiencies which I will outline and possibly make some constructive suggestions as to what might be done to improve the situation.

As a small business person - a one man band - I have neither the time, resources or patience to argue with the bureaucracy or deal with these issues fully, and I hope this inquiry will take that into account, and possibly expand on some of the points raised.

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Background

I live and work in an area with no landline telephone, marginal internet connectivity and intermittent mobile phone coverage. This is the prevailing situation over the majority of Australia's land area.

Last year I developed a new product called SKIPPY, details can be found here:
<http://home.lizzy.com.au/syntor/Skippy.html>

There is no Government support for my research and development efforts, there is no corporate funding. Therefore all my R&D is funded out of my own pocket, ie put food on the table or do R&D. Obviously, being able to sell the end product is of the utmost importance to me in order to recoup development costs.

Whilst the SKIPPY product is not in itself particularly innovative, it is priced between 1/10th and 1/100th of the cost of similar military grade products.

At the outset I had never even heard of DECO, but a colleague suggested I submit the product for evaluation just to "cover myself", prior to going to market.

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DECO's non accessibility

Because of my limited internet access, it took me a while to research DECO and locate DECO's postal address, but at the end of June 2013 I posted off all the SKIPPY details to DECO for assessment. I received a prompt email in return advising me that DECO does not accept paper applications.

Copy of the Email attached Attachment 1

Lengthy correspondence followed while I explained, by telephone and by email that:

1. It is not possible to fully access the DECO website because of the bloated graphics heavy contents, ie full of irrelevant pictures etc.
2. It is not possible for me to download the forms, because of their size, it is absurd that some of these PDF forms run to Megabytes.
3. Even after prevailing upon the Swan Reach Area School to allow me to use their IT facilities and download some of the DECO website content, it became apparent that a DECO client is expected to have the latest and greatest and no doubt most expensive software.
4. Without this software (which would be impossible for me to download in any case) it is not possible to submit forms to DECO. The Swan Reach Area School does not have the required software either.
5. repeated requests both verbally and in writing (*see attachment 2*) to post me the forms have thus far produced no result.

My recommendation is:.

1. *is that the DECO website be completely reworked and made accessible to persons outside of the CBD.*
2. *That on request, DECO promptly post out all relevant forms and explanatory documentation to any person requesting same.*
3. *The 1300 contact number be replaced by a normal Canberra phone number. From my mobile service call to 1300 numbers are charged at a dollar a minute. I cannot afford to telephone DECO to make enquires.*

DECO management has made some rather arrogant city-centric assumptions about the resources available to people needing to contact DECO.

All DECO personnel I spoke to were courteous and polite deal with, even if discussions were not ultimately fruitful or constructive.

I do think DECO management is defective, but that DECO staff are operating as per their instructions.

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The DECO Assesment Process

Due only to dogged determination on my part, I eventually had SKIPPY accepted for assesment, the actual assesment process itself took about 3 weeks.

Imagine my utter astonishment when both versions of SKIPPY that I had submitted for assesment came back as "Controlled Items". No explanation of what that really meant was included in the assesment.

No technical explanation whatsoever as to why SKIPPY was assesed as a controlled item.

Essentially I think the assesment process is a bit like a traffic cop with a quota to meet. DECO needs to get a quota of "controlled items" in order to justify it's existance.

Technical deficiencies in the DECO Assesment Process

The assesment process in not transparent. No technical feedback whatsoever is provided about what part of parts of the product failed the assesment process. Therefore it makes it very difficult to know what might need to be done to modify or improve the product in order to re-submit the product for reassesment.

My recommendation

1. *is that the DECO be compelled to provide a detailed technical report as to why the product failed the assesment process. With recommendations and options as to what part or parts need to be changed and in what way, in order to gain export compliance.*

Again going back to the traffic cop analogy, it's like getting a traffic ticket but not knowing what the offence is. Without technical feedback from DECO it's a bit hard to know how to do better next time.

DECO have not actually ever seen SKIPPY or evaluated its performance, in fact for all they know it may not even exist. I'm not quite sure how DECO arrived at their technical assesment of my product without making an appointment and visiting my test site for field trials. DECO's technical staff must be very talented indeed.

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Administrative deficiencies in the DECO Assessment Process

The advice that came back to me on the assessment document after SKIPPY was assessed as a controlled item says, and I quote:

"The Application for Export Approval, and further information on export controls, can be found on the DECO website www.defence.gov.au/deco."

This is not an acceptable level of support from DECO, and as detailed above, I simply cannot access it.

The current attitude from DECO is that once we have assessed your product as a "controlled item" from here on:

- it's your problem,
- you deal with it,
- at your expense,
- and don't bother us about it any more.

Well excuse me, but I voluntarily submitted my product simply to "cover myself" and whilst I now certainly wish I had not done so, DECO has an obligation and a responsibility to provide meaningful ongoing support in the event of a "controlled item" assessment.

My recommendation:

1 Is that event of an item being assessed as "controlled" DECO be compelled to provide to the applicant, by mail, hardcopies of all or any forms which the applicant may require in the future to gain export approval for their product.

2 Further, DECO be compelled to provide detailed administrative instructions, in hardcopy format, at no cost to the applicant, as to how to negotiate the Export process with actual realisable contact details of all relevant parties and exact costings of all the steps required.

Realistically this could easily become a document several hundred pages long, well too bad, it needs to be compiled so potential exporters can have any chance of negotiating the export hurdles resulting from a "controlled item" assessment.

3 Further, if requested by the applicant, a DECO representative be required to front up at the applicants workshop with all relevant paperwork and go through it line by line until the applicant is conversant with all the export requirements - and take as long as it takes.

My understanding is that Raytheon, BAE etc have in-house people to specifically deal with the complexities of exporting controlled items, and no doubt at great expense. I have to do this myself, and certainly cannot pay for assistance in this area. I believe that in the interests of fairness to small business there is an obligation and a responsibility on the part of DECO to provide meaningful and accessible support.

DECO claim to have an Outreach group to assist in this area, despite numerous verbal and eventually a written request 2nd/Aug 2013

Copy of the Email attached Attachment 2:

Nothing has been heard yet from DECO Outreach, and I am not optimistic about ever hearing from them.

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Security deficiencies in the DECO Assesment Process

1. Anyone doing R&D in Australia, in any area of electronics, gets their prototype boards made in China.

See attached SKIPPY PCB Attachment 3:

It costs \$USD45 for 10 SKIPPY boards delivered to my PO box, manufactured for me in China. The same boards made in Australia cost \$450 + GST +courier.

ie. Ten times as much and then some.

There is no possibility of doing any R&D if I had to pay the local price.

Now my point here is that if you look at the date on the PCB board, and the date on DECO's assesment of SKIPPY, you will see that the Chinese had full technical design details of SKIPPY about three months before DECO had even heard of it. At that point in time SKIPPY did not actually physically exist, had not been built and tested beyond breadboard stage, and therefore could not have been submitted to DECO for assesment, but the implications are obvious.

My recommendation:

Is that the Australian Govt subsidise PCB manufacture in Australia, in order to allow Australian intellectual property to remain in Australia.

(This recommendation is obviously a bit simplistic, given the parties and commercial interests involved, but my point remains valid. In anycase it's outside the Inquiry's Terms of Reference.)

2. I asked a DECO staff member, what would happen if I sold a SKIPPY unit within Australia, and that subsequently, unknown to me that unit was posted overseas. Well apparently it's not my problem or DECO's problem, it's a Customs matter and that Customs will deal with it.

Well, with all due respect to Customs, they could not possibly know what a SKIPPY unit is, unless the Customs Officer on the spot just happens to be a specialist RF engineer.

3. I certainly would not again go through the aggravation and financial loss that has occurred as a result of my dealings with DECO. I would advise anyone who thought they were doing the right thing by submitting a product to DECO for assesment, to think again.

My advice would be to just quietly market your product, and DECO will never know.

4. The ultimate risk of DECO pursuing it's "traffic cop mentality" line of unhelpfulness and obstructiveness, is that R&D will be driven underground. Or that anyone developing anything more leading edge than a new Hills Hoist, will take it offshore before it risks becoming a "controlled item".

One would have thought that Defence would have more to gain by maintaing good co-operative relations with anyone doing R&D in Australia, rather than putting product developers offside.

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Changes needed for low dollar value "controlled items".

As a product, SKIPPY was expected to sell for about \$200. The direct cost, not including my time, of getting Export permission, for each sale, is probably in the order of \$1000. The process is so complex that despite having spent days on the internet trying to work it out, and no support from DECO, I am still unclear about what is required, or the exact cost.

An export approval cost of \$1000 for a entire air defence system is probably not excessive. To apply that same approach and cost structure to a \$200 item is absurd.

Recommendation:

There needs to be a tick and flick and pop it in the post process for small simple low dollar value items.

Needless to say under the current arrangements, despite sales enquiries, I have not been able to sell even one SKIPPY unit overseas.

So in the context of the Terms of Reference the cost of export compliance is clearly an absolute *barrier and impediment to the growth of Australia's Defence exports.*

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Further undesirable issues arising from a Controlled Item assessment.

From my perspective, the fact that DECO assessed SKIPPY as a "controlled item" had undesirable outcomes.

1. Because I need to sell something to continue development, and I now cannot sell SKIPPY, all development has ground to a halt. SKIPPY was intended as a low cost, entry level piece of equipment with limited performance, the sale of which could fund further development. SKIPPY is not leading edge technology, it's just an application of existing simple principles.
2. The test beds & infrastructure developed when building and testing SKIPPY prototypes have highlighted some interesting areas of further development which are very leading edge indeed, and have not been done before. Since funds from sales of SKIPPY cannot now fund further R&D, no new product can be developed. It is probable that Defence would be keenly interested in these developments, which are now not going to happen in Australia. So who really is the loser?

Overseas options as a result of a Controlled Item assessment.

There is one obvious work around to having a product assessed as a controlled item. Setting up a small workshop in another country and re-designing and building a final cut of the SKIPPY unit for sale would, as far as I can see, completely circumvent DECO's "controlled item" status. It is not difficult to come up with a short list of countries which would be suitable, and possibly find other interested overseas parties who may want to chip in some additional R&D funds. And those interested overseas parties may not necessarily have Australia's best interests at heart.

I am not going overseas with SKIPPY, but it is easy to imagine a situation where an individual or small business would consider going overseas because of difficulties Exporting from Australia. Not in Australia's best interests - at several levels.

Closing Comments

1. I will never again attempt to submit a product to DECO for assessment.
2. I would counsel any product developer to avoid DECO at all costs.
3. Dealing with DECO at a practical level is virtually impossible.
4. Once contact with DECO has been established, getting meaningful information from DECO simply does not happen.
5. DECO has absolutely NFI about the real world.

ATTACHMENT 1

Richard Sawday via TELSTRA

From: "DECO" <deco@defence.gov.au>
To: "Richard Sawday"
Sent: 02 July 2013 14:56
Subject: Your request for technical assessment of goods or services [sec=unclassified]
Good afternoon Mr Sawday,

Thank you for your 2 x requests for technical assessment of goods or services. However, DECO has recently moved to an online system and is no longer able to accept paper applications. Please follow the directions below to resubmit your applications.

4
UNACCEPTABLE

Dear DECO Client

DECO has recently moved to a web-based IT system to receive and assess applications, and to issue export permissions, import and delivery verification certificates, and non-transfer and end-use certificates.

For further information, please visit <http://www.defence.gov.au/deco/forms.htm> and follow these three easy steps:

1) **Fill out and submit the Client Registration Form.** If you are a part of a company or organisation, you will need to register the organisation's name and ABN as the primary details, and list yourself as a contact, as well as any other relevant officers. If you are an individual, please register under your own name, providing any relevant details, such as an ABN or CCID. Once received, DECO will be able to issue you with a Defence Client Registration Number (DCRN). This number is unique and will allow DECO to identify you and assist in speeding up both the application process, and any inquiries you may have along the way. Submitting the form is as easy as filling out the relevant fields and hitting the submit button at the bottom of the form.

EARLY - JOKE !!!

Registrations should be made in the name of the entity that will be the exporter for the purposes of the export declaration to the Australian Customs and Border Protection Service. For example, System Program Offices (SPO) from the Defence Materiel Organisation must register the SPO as the client. A person who is taking a firearm overseas for competition must register the name of the individual as the client. There is no requirement for individuals, who may submit applications on behalf of an organisation, to register separately.

When registering contacts for a company or government entity, each contact must have their own individual email addresses. Otherwise, the registration form can not be uploaded into DECS. If your organisation has a group email address which should be included as a recipient on emails sent from Defence; include this group email address in the body of the email in which the registration form is submitted.

2) **Wait to receive your Defence Client Registration Number.** You should receive this within 24 hours of submitting your application.

NOT POSSIBLE

3) **Fill out and submit the relevant application webform** found at www.defence.gov.au/deco/forms.htm. You should note that the **Application to Export Controlled Goods and Technology** form has replaced the DEC01 and DEC60 forms.

Please note that the new International Import Certificates, Import and Delivery Verification Certificates, and Non-Transfer and End-Use Certificates are also found at this link, and should be completed through the relevant webform.

Please fill out all required fields, and attach any relevant supporting documentation as required, then submit via the submit button at the bottom of the form.

****All permissions issued from the old system will remain valid until they either expire, or you request a change or amendment; at which point you will need to apply for a new permission using the smart forms.

If you have any difficulties, problems or questions, please contact us either on 1800 661 066 or at deco@defence.gov.au.

Yours sincerely,

Defence Export Control Office
R1-1-A037
PO Box 7901

CANBERRA BC ACT 2610

Tel: 1800 66 10 66

Email: deco@defence.gov.au

Internet: www.defence.gov.au/deco

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ATTACHMENT 2

Richard Sawday via TELSTRA

From: "DECO" <deco@defence.gov.au>
To: "Richard Sawday"
Sent: 02 August 2013 14:48
Attach: Export form.pdf
Subject: RE: Re: Finalisation of Assessment [SEC=UNCLASSIFIED]
Good Afternoon Richard.

In relation to our phone conversation please find attached the export form.

Open it in Adobe Reader or your computers equivalent. If you are unable to open it we may be able to come to some other arrangement. If you are able to open it we recommend partially filling it in with your details and saving it onto your hard drive so that when you receive a request to export you will only need to fill in the information regarding what you are exporting and to whom you are exporting it.

Please allow more than 15 working days before shipment date for us to process the application.

Question 3 from below: The questions regarding which countries you can export.

There are two main ways to determine this which I have outlined below. For you, as a currently small manufacturer, I would suggest the first method may be the better option and as you business grows then possibly begin looking at the second option.

1. Trial and error - wait until you have an order and put in an application. The application is then assessed against that particular end-user and consignee. As it is an assessment against the individual company an export permit, if successful, would be issued. Read below in the marketing section for an indication of when a permit may be refused.

2. Put in a serious of "In principal" applications for the specific countries you are planning to market to. The applications are assessed to determine if there are any specific issues with exporting your product to any consignee/end-user in that country.

The "In Principal" approval issued by us is not permission to export but an indication to yourself that any future application to export to that country, stands a good chance of approval, as long as the individual entity is not an entity of concern. That is, we can offer general approval for a country and still refuse to allow an export to an individual entity where they are an entity of concern, for example have ties with terrorist organisations etc.

Where to market?

A basic indicator as to whether there may be issues with a country are considerations such as its current state of political stability and known affiliations, and whether that country is currently Sanctioned (visit the DFAT sanctions webpage http://www.dfat.gov.au/un/unsc_sanctions/ to keep abreast of these countries).

As every application is reviewed on an individual basis, even where there are issues with a country, we have been known to issue approval to export to a trusted source within that country. The application process time in cases where there may be issues can extend to 30 working days and beyond.

As a general principal we do all we can to support Australian Businesses ability to pursue overseas opportunities however every application is reviewed to ensure that it does not breach national interests or our international security obligations.

In relation to request for further information regarding Outreach, I have forwarded your email onto the Outreach team who will hopefully get back to you soon

If you have any further questions, please feel free to ask.

Regards,

9 MONTHS AND STILL WAITING!

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Defence Export Control Office

----- Original Message -----

From: Richard Sawday

Received: 29/07/2013 8:19 AM

To: DECO

Subject: Re: Finalisation of Assessment [SEC=UNCLASSIFIED]

Richard Sawday

29 Jul 2013

Dear Sir/Madam,

Thank you for the timely processing of my Application to Export Controlled Goods and Technology, submitted on 9/07/2013, reference number **2013100656**. I have a number of questions arising from the Finalisation of Assesment.

1/ I assume Defence has no objection to me selling Skippy modules within Australia. This is not covered in the Finalisation of Assesment. Can you please clarify this point.

2/ In order for me to sell sell Skippy modules overseas, could you please advise me precisely which forms must be filled in and submitted in order to constitute a valid Application for Export Approval. This is not mentioned in the Finalisation of Assesment.

Specifically:

a) which forms must the purchaser fill in?

b) which forms must I fill in?

3/ It is not possible for me to download forms from the DECO website, or use the PDF Smart Form system, because:

a) I do not have the internet capacity to access and download the forms and

b) I do not have the requisite software to process the forms.

I have also attempted to access the DECO PDF Smart Forms from the Swan Reach Area School, who were kind enough to allow access to their computers, however their software is also not compatable with the DECO PDF Smart Form system. Therefore most of the DECO website is effectively not available to me.

Given my inability to access the DECO website, would it be possible for DECO to print out the relevant forms and Post me copies of what I need to export Skippy modules? Please do not attempt to email me these forms, they will be too big.

4/ Could DECO please provide some form-of guidance as to who is an acceptable purchaser, and who is not an accepable purchaser in the context of gaining Export Approval for Skippy modules. This is not mentioned in the Finalisation of Assesment.

5/ I understand that DECO has an Outreach Education and Training program and that staff are available to visit exporters. I am certainly struggling with the DECO system, would it be possible to arrange such a visit?

26/05/2014

Regards,
Richard Sawday

----- Original Message -----

From: DECO
To: [Richard Sawday](#)
Sent: Friday, July 26, 2013 11:19 AM
Subject: Finalisation of Assessment [SEC=UNCLASSIFIED]

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UNCLASSIFIED

Dear Sir/Madam,

I refer to your Application to Export Controlled Goods and Technology, submitted on 9/07/2013.

The assessment of your application has been finalised. The attached document contains the outcome of that assessment.

You should read the attached document fully so that you are aware of your rights and any obligations arising from our finalised assessment.

If you have any questions regarding the assessment and its outcome, you should quote reference number 2013100656 in your correspondence with us.

Yours sincerely,

Defence Export Control Office
R1-1-A037
PO Box 7901
CANBERRA BC ACT 2610

Tel: 1800 66 10 66
Email: deco@defence.gov.au
Internet: www.defence.gov.au/deco

26/05/2014