



20 September 2019

The Secretary

Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA ACT 2600

SUBMISSION INTO INQUIRY INTO SUPPORTING AUSTRALIA'S EXPORTS AND ATTRACTING INVESTMENT

Introduction

Electro Optic Systems, Pty Limited (EOS) is an Australian listed technology company and major defence exporter operating within the defence and aerospace markets. EOS appreciates the opportunity to contribute to the Inquiry.

EOS has achieved strong growth in the past two years on the success of its exports and forecasts continued export related growth with concomitant national economic benefit, into the foreseeable future. A major brake, however, on growth levels, is the sovereign risk levels presented by export processing and lack of risk managed flexibility in the granting of permits.

The sovereign risk to business, from the exports approval process, cannot be understated. It is noteworthy that many of EOS' defence products also require a US Department of State ITAR approval, in conjunction with the Australian export approval. There would be other Australian businesses with similar, significant export approvals overhead.

Export Application Processing Times

In the past three years, EOS has received 18 export permits from Defence Exports Control Office (DECO) with the average time taken from submission to approval being 102 calendar days (Note 1). The longest time to approval being 765 calendar days and the shortest, two. EOS has 17 active export permits filed for processing where one was filed 170 days ago at the time of writing this submission. The DECO website cites processing times of 15 and 35 days dependent upon the complexity and sensitivity of the submission. The lengthy time it takes to process export applications means EOS is not able to contend for business where the customer has delivery requirements of 6 months or less, from contract signature. A conservative estimate of business loss would be 25% of current turnover. It is noteworthy that all 18 applications were eventually approved.

In recognition of this difficulty, DECO allows for in-principle approval assessments to aid companies risk assessment. This is a good initiative, however, it too has proven to take too long in process time to be of reliable assistance. For example, it took 191 days to process one in-principle application and by the time the approval in-principle was granted, the customer had moved on.

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Initiatives such as the US/AUST Defence Trade Cooperation Treaty are viable mechanisms for enhancing efficient exports, however this too suffers from a lack of reasonable brevity in the approvals process. EOS applied for participation in this Treaty on 14 Feb 2019. The application was not acknowledged until 5 Apr 2019. To date, some 216 days later, the Company awaits approval.

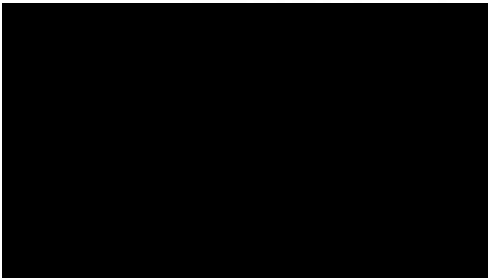
EOS would advise, that a concerted effort to significantly reduce export application processing times would realise considerable national economic benefit. An investment in additional processing staff and investigating means of reducing the process time would more than pay for itself.

Duplication of Permit Requirements

EOS is an Australian company with 90 to 95% of its business in the global exports market. This necessitates a persistent marketing effort globally to remain competitive. Since our key products are designated controlled goods, we are required to secure a permit every time we send a product overseas even when the requirement is temporary, small in number and does not involve the handing over of a product to a foreign end user. EOS strongly recommends DECO adopt multi-year/multi-territory marketing and development approvals to address this sovereign risk to winning exports business. One example is to grant a five year permit, upon application that covers NATO +4 (Israel, Japan, NZ and South Korea). Other territories can be considered on the merits of the application. Multi-year/multi-territorial permits will enhance business efficiency for EOS and simultaneously reduce the number of applications DECO would need to process. The temporary nature of marketing and development exports warrants the consideration of a risk managed approach.

In summary, Australia is unquestionably denying itself, significant export revenue because it cannot provide the brevity and risk managed flexibility needed in the export application process.

Yours sincerely,



Note:

1. Verifiable data is commercial-in-confidence, however, can be made available separately, upon request.