

THE DEVIL IN THE DETAIL - II



DEMOCRAT CAMPAIGN PHOTO

Defence trade treaty too elusive for overwhelmed Congress

Defence officials in the UK and Australia have reluctantly admitted that, overwhelmed by the rush to pass the US\$700 billion financial market 'bail out', Congress will not realistically get back to seriously considering a Defense Trade Cooperation Treaty with each country until well into the middle of 2009, if at all. Already frustrated by US Senators fearing a loss of control over sensitive arms transfer approvals, the atmosphere that will greet Treaty consideration in the 111th Congress – thanks to the global economic crisis – will be significantly different than the one leading to its brokering at the close of 2007.

■ Trevor J Thomas/WASHINGTON

With Congress now shut down for the November presidential elections as global markets remain volatile despite unprecedented government interventions, the very high prospects for a major economic recession in the United States over 2009 can be expected to drive a resurgence of protectionist pressures, especially with the Democrat-controlled Congress.

So no matter which flavour of politics is ultimately held by the new President, and irrespective of the hopeful aspirations of defence officials in London and Canberra, the prospects of US legislators rushing to share their country's deepest military secrets with other nations, even its closest trusted allies, any time early in the new President's term now appears severely in doubt.

Following the 5 September 2007 signing – on the periphery of the APEC meetings in Sydney – by former Australian Prime Minister, John Howard and US President, George W Bush, of a formal Treaty between the two Governments concerning 'Defense Trade Cooperation', *Australian Defence Business Review* (ADBR) magazine reported (see Vol.26, Nos.08/09, p35) the likely closeness of the prospective Australian agreement with one earlier (June) signed in Washington by then UK Prime

Key Points

- **A 2007 initiative by President Bush to substantially** free up defence cooperation and arms transfer arrangements with Australia and the UK, has failed to win support from a Congress since overwhelmed by the Global Financial Crisis (GFC).
- **Bush Administration eagerness to push the US Senate** to ratify the Defense Trade Cooperation Treaty, has fuelled opposition from Senators claiming insufficient visibility was being given to substantive regulatory amendments underpinning the Treaty.
- **The US State Department has since issued** a series of 'exclusions' specifically limiting benefits for Australia under the Treaty, which were not canvassed in the enabling documents first signed by John Howard & President Bush.
- **Australian interests in signing up** to new administrative requirements do not appear to have been adequately addressed via the Fact Sheet & National Interest Analysis accompanying the Treaty when it was first tabled in the Federal Parliament.

Minister, Tony Blair. Logically, the close timing and similarity of the initiative with two of the US' closest allies, practically suggested the text of the two treaties would be substantively the same.

LACK OF TRANSPARENCY IN TREATY MAKING: Independently, ADBR was able to obtain for early inspection the text of the Treaty signed between the United States and the United Kingdom in September of 2007, given that the Australian Government elected to not release the United States/Australian text until December. As predicted, both treaties followed a common line in seeking to overcome problems experienced in overcoming US International Traffic in Arms Regulations (ITAR)-based export controls, themselves derived from the implement-

ing instructions of the Cold War-era US Arms Export Control Act.

Statistics released by the US State Department indicated that literally thousands of export licences and technical data agreements were regularly approved for both allies, suggesting the ITARs were not actually preventing US military technology from being passed to the UK and Australia. Instead, the effect of the regulations and their accompanying bureaucracy and licence administration more often frustrated the process by slowing down technology transfers, whilst imposing added complexity to the lives of those seeking to provide better outcomes for national warfighters in the course of improving interoperability between respective national forces.

As it turned out, the treaties signed by Bush respectively with Blair and Howard turned out to be remarkably similar, both in terms of their good intentions – to ‘strengthen and deepen’ the defence relationship, and ‘leverage the respective strengths’ of defence industries. However, the real workings of the Treaty relied on effecting a series of accompanying ‘Implementing Arrangements’ (then still to be drafted) and finalised for mutual approval and subsequent consent by the Australian Parliament and US Congress. In the latter, this involves the US Senate which, in recent years, has shown considerable interest in not only preserving, but actually strengthening arms export controls.

The relationship between the execution of US Foreign Policy and the approval of arms transfers has a very long and controversial history, particularly during the Cold War era. It functions within a complex political trade-off between the need for legitimate governments to be provided with the means of stabilising volatile fledgling democracies, whilst at the same time ensuring that transferred arms and military technologies do not end up in the wrong hands, and/or used for suppressing human rights and enabling the committing of atrocities against national populations.

LEGISLATORS RESIST BEING CUT OUT OF THE DEAL:

This is where the effect of the ITARs have traditionally come into play. By way of enforcing strict export licensing arrangements – said to be viewed on a case-by-case basis by State Department personnel trained in the detection of fraudulent documents (and attempts to divert arms shipments for non-legitimate purposes) – senior elements within the US Government, and particularly legislators, retain a strong belief that a modicum of justice can be achieved in a global trade that is not without its moral critics.

Hence, the need for proper oversight and transparency in the detail and nature of proposed arms transfer deals – despite the angst of some arms recipients – which are regularly made available to the public through the US Defense Security Cooperation Agency (DSCA) notices, prior to their cases being further developed for approval by Congress.

Having been interpreted in some quarters as ‘parting gifts’ by President Bush to close Prime Ministerial colleagues for their firm support in the execution of US Foreign Policy in the Middle East, Bush is understood to have been naturally eager to see the US Senate quickly ratify the two treaties, with administration officials citing ‘enhanced execution of the war against terrorism’ as a prime reason they should be dealt with quickly. As the US Senate Foreign Relations Committee (SFRC) began its first hearing on the two treaties in May, it quickly became clear the President’s expectations were running into trouble.

The shared (hostile) reaction of the SFRC – particularly from Chairman Senator Joe Biden (D-Delaware) and Senator Richard Lugar (R-Indiana) – appear to have taken the Acting Undersecretary of State for Arms Control & International Security Affairs, John Rood (along with the State Department) by surprise, as there was genuine belief the Committee had been provided with all the necessary detail required to achieve ratification.

Washington insiders have subsequently told ADBR that to be ‘surprised’ in a Congressional hearing – especially one of such significance and well telegraphed anticipation of a favourable outcome – is generally reflective of poor (pre-hearing) staff work.

EOS finds road to glory not always paved in gold

A high profile ceremony in the relatively unknown community of Richland Township near Johnstown (Pennsylvania) in August, and marking the award of a US\$28.8m contract by the US Air Force & US Army to Kongsberg Defence & Aerospace for deliveries of its ‘Protector’ crew remotely-operated weapon station, has capped off a ‘rocky road’ experience for one of Australia’s most impressive high technology exporters.

■ Trevor J Thomas/JOHNSTOWN

Encouraged by the mantra of Defence industry policy and Austrade officials (including successive ministers) to team with foreign companies to penetrate global supply chains in the quest to develop international export business, Canberra-based Electro Optic Systems (EOS) could not have been blamed for thinking it had struck gold in 2000 when – teamed with US-based Recon Optical Inc (ROI) – it was selected to supply its targeting and fire control system into the ‘Raven’/R-400 crew remotely-operated weapon station (CROWS I) solution for the US Army.

On the back of the CROWS I order, EOS and ROI got in early on the bow-wave of burgeoning international demand for weapon systems that eliminated the need for light gun operators to be exposed to insurgent snipers, as tragically experienced in operational circumstances in the Middle East.

The benefit was short-lived, however, as EOS latterly concedes ‘continuously changing specifications and the sporadic (stop-go) nature of early stabilised remote weapon system (SRWS) demand,

worked to cause significant cost over-runs in establishing this business’.

Supply arrangements for CROWS I systems – which have been in-service since early-2005 – saw ROI manufacturing gun system stabilized weapon mounts at its Illinois facility, while EOS built its electro-optic fire control & sensor components at its own factory in Tucson (Arizona) – also set up as the base for the provision of ongoing depot support. The pair then went about progressively refining their patented ‘Raven’ R-400/CROWS I technologies, and subsequently found further commercial success in late-2006 with the Australian Defence Force, for systems destined for use in Afghanistan.

By the end of June 2008, the Australian Army had 116 EOS-based SRWS systems in service on their project Land 116 ‘Bushmaster’ infantry mobility vehicle fleet, while US Army orders pushed over 560 units (known as the M101 CROWS), for use in Operation ‘Iraqi Freedom’. The first ‘Raven’ units were fielded in 2004 in Iraq, and employed by US Special Forces, military police, infantry and transport units. CROWS I units currently equip the



ADBR PHOTO

To be fair, the State Department had submitted to the SFRC details of the 'Implementing Arrangements' (as similarly circulated to Australian stakeholders) associated with the two treaties, a move undertaken in accordance with long-standing Committee requests as a condition of hearing scheduling.

What was not submitted – and which the Department of State indicated the Senate's ratification would not be sought by the President – were the detailed changes to the ITAR regulations (and other related trade law) – that Senators maintained were ultimately required to be sighted in order to achieve their confidence that the ratification of such Treaties would not undermine Congressional oversight of sensitive arms shipments.

State Department officials went on to concede such regulatory changes were massive, with detailed resolution taking many months to draft and refine upon the receipt of legal advice, and hence, requiring considerable administrative and staff effort in the run-up to Washington closing down for the Presidential election.

The State Department responded with a commitment to closely consult Congress in the ITAR re-drafting process, and critically, reaffirmed there was absolutely no intention or suggestion of changes (despite Senator Lugar's fears) to the Congressional notification and oversight processes for major arms sales to the UK, Australia, or any other nation.

BIDEN ON FREEWAY TO FAME: Still, Biden and Lugar were 'taken aback' by a perception of arrogance in the Department of State's approach, pointing to fundamental flaws in thinking. The Senators argued that if Congress did not like the administration's regulations, it could pass new legislation to change them. Alternatively, once having ratified a Treaty, the Senate is unable to make any further changes. Biden responded that until the issue of the Implementing Arrangements

and regulations being subject to advice and consent by the Senate was resolved, "I can tell you as chairman of this committee that we are not going to move."

With SFRC Democrat and Republican leadership presenting such a clear and bipartisan front on the imperative for the State Department to come forth with the regulatory minutiae underpinning the working of the Treaties to the Committee, Secretary of State Rice was formally informed in mid-September that administration officials had fatally misread the Senate's feeling on concerns that both Treaty proposals risked conflicting with established US arms export laws, meaning they would ultimately exceed the horizon of the 110th Congress.

Sensing the pending catastrophe for Australia's Treaty as media reports filtered in from Washington, Defence Minister Fitzgibbon – during a 10-day US visit in July – ostensibly to 'reaffirm the strength of Australia's bilateral relationship with the US, and to advance Australia's security, defence & foreign policy interests in the Asia-Pacific region' – made separate calls on the Chairman of the House Armed Services Committee, Congressman Ike Skelton, and Senator Joe Lieberman (Air/Land sub-committee Chairman), to raise accumulating problems with the Trade Cooperation Treaty's ratification.

KNOCKING ON THE WRONG DOORS: Oddly, Minister Fitzgibbon's 17 July release justifying his 10-day sojourn (which took in Hawaii, Texas, New York & Washington), did not indicate any effort had been made to schedule talks with SFRC Chairman, Senator Joe Biden, who by a quirk of fate is now Vice Presidential running mate of Democrat US Presidential hopeful, Barack Obama. Hence, and in a different world post-4 November, Biden's enduring opposition to 'the war on terrorism' being justified for proposals seeking to circumvent Congressional oversight on major defence & foreign policy issues is likely to find >>>32

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M1114 up-armoured HMMWW (Armoured Scouts/Military Police), and M1116 up-armoured HMMWW (US Air Force); the M93A1P1 nuclear, biological, chemical reconnaissance vehicle, scout vehicle and some of Textron's M1117 Guardian Armoured Security Vehicles (Military Police).

A subsequent Netherlands R-400 remotely-operated weapon system order in July 2007 for its Thales Australia-supplied 'Bushmaster' fleet was greeted by EOS as being of "huge strategic importance", and representing a breakthrough in terms of accessing the European NATO market. This order was followed 30 May 2007 by the sale of 'Raven'/CROWS systems to an unidentified Asian country, valued at up to \$50 million for completion by 2010.

In parallel with these developments, US forces in August 2006 moved to define a follow-on crew remotely-operated weapons system solicitation,

which forecast a maximum 6,500 weapons mount and targeting systems would be ordered over the life of a new CROWS II contract.

Drawn by the sheer volume of weapons systems prospectively to be ordered, new entrants came quickly to the market, with EOS butting up against Norwegian-based Kongsberg Defence & Aerospace's M151 'Protector' system in an Australian competition to equip RCWS to Australian Army ASLAVs heading for service in the Middle East.

EOS lost the Australian competition to the M151, and it is now a matter of record (August 2007) that the 'Protector' system was selected for the US Army follow-on CROWS II solution. Leading attributes for Kongsberg were that the M151 'Protector' had been in full scale production since 2001, with more than 1,500 systems delivered to the US Army through the 'Stryker' M1126 Infantry Carrier Vehicle program, with over 1,000 units fielded in Iraq since 2003.

Following media inquiries, EOS in December 2007 confirmed that the CROWS II contract award was currently the subject of 'a strong protest' by its US partner, Recon Optical Inc, with a determination to be made by the US Government Accounting Office (GAO) in January 2008.

Outlining its observations on the solicitation process in its final report, the GAO judged the CROWS II award had been made "on a best value basis with (in descending order of importance) technical,

schedule, management, logistic support, price, government purpose license rights, past performance, and small disadvantaged business being the sub-factors assessed."

ROI/EOS and Kongsberg were both said by the GAO to have based their proposals and bid samples on existing CROWS systems that each firm had provided under prior contracts, with modifications or proposed modifications to meet the CROWS II RFP requirements. ROI, however,



CROWS ON 'BUSHMASTER' IMV - ADBR PHOTO



SENATOR JOE BIDEN - DEMOCRAT CAMPAIGN PHOTO

had received either a 'red' or 'high risk' rating under three of the most important factors ('Technical', 'Schedule' & 'Management'), which then "raised uncertainties regarding their ability to meet schedule, resulting in delayed fielding of the Urgent Material Release item with an attendant increase in expenditure of [government] resources." In contrast, Kongsberg was rated as providing a technically superior proposal at a lower price.

ROI relied for its submission on the company's fielding of over 250 systems in Iraq since first being awarded the initial developmental 'Raven' SRWS contract in 2000. Since February 2007, however, the GAO observed no units were said to have been fielded, and the relevant procurement agency had moved to issue ROI with a 'show cause' letter and termination for default cure notice due to performance problems.

The GAO further noted that under the 'Vehicle Interfaces' sub-factor, ROI's proposal was given a "major weakness" rat-

ing, because its bid sample did not operate successfully at 20 volts direct current (VDC) during testing, and a critical message instructing the user to shut down the system was displayed.

ROI was also said to have had Engineering Change Proposals (ECP) required and pending, which in terms of tender evaluators, raised concerns that the weight of external components (not including the weapon & ammunition) above the roof may be over 400 pounds when fully included, and so might impact overall system performance.

Again, under the 'Stabilization' subfactor, the procurement agency gave ROI a "weakness" rating as it maintained it was unable to "extrapolate the true weapon stabilization performance" of the CROWS II response from the data and information that ROI provided. It was said ROI's stabilization tests did not account for weapon movement in the cradle, and its stabilization system did not account for 'linear disturbances.'

ROI's 'Temperature' proposal was also given a "major weak-

ness" rating because the source selection authority had "doubt that ROI will be capable of providing a production system capable of operating reliably and safely down to -50 [degrees Fahrenheit], prior to production delivery."

Testing was said to have revealed that ROI's production system did not meet rotation or elevation speeds at -50 degrees Fahrenheit as well as problems with the display – the "monitor was distorted and several vertical lines appeared on the screen ... (and lasted for) approximately three minutes" – and with "uncommanded movement in the form of a continuous side to side tremble of the mounted weapon."

The evaluation agency went on to consider ROI had 'an immature system' that did not have any demonstrated or documented system reliability that provided confidence a minimum and inherent reliability of 1000 hours mean time between system aborts [MTBSA] was achievable prior to production delivery.

ROI had relied on reliability data experienced with fielded units

(R-400s were claimed to have an operational readiness rate of over 95% in Iraq & Afghanistan), but not on units that were still in the factory – with RFP language said to have made no such distinction. System level testing was also not planned to be completed by ROI until three months after contract award, and software safety analysis would not be conducted until government testing was complete.

The evaluation agency also expressed concern ROI's production process was highly dependent on the success of its subcontractors (ie: EOS), because the company "maintains minimal stock", and had provided only limited information on EOS, which would have responsibility for building approximately half the CROWS II systems. According to authorities, "The information provided raised additional concerns related to the major subcontractor's efforts to outsource components and its ability to meet and maintain the manufacturing schedule."

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ROI contended that "as the incumbent contractor", ROI was the only offeror which has produced stabilized CROWS units," and therefore was more likely to meet the delivery schedule than the other two tenderers (ROI's system was assessed as third best overall). The evaluation agency responded by citing records showing ROI "had difficulty meeting schedule and performance requirements under the incumbent contract."

Subsequent to the CROWS II decision, and having built up a production base in the United States to service the CROWS I requirement, the loss of CROWS II to Kongsberg has impacted adversely on EOS' 2007 financial results, as well as its 2008 outlook, with the event being described as "placing large-scale US production orders out of reach for at least 24 months, slowing growth in revenue and potentially deferring the company's transition to profitable operations."

In response, EOS directors moved to substantially re-position the company in late-2007, advising that "production redundancies between plants in the US and Australia – required only for large-scale production to critical schedules – were eliminated. The company's staff numbers world-wide were reduced from 235 to 134, by 30 June."

Outsourcing of production is further said by EOS management to have "continued to achieve a reduced level of production complexity ... over 50% of SRWS technology can be purchased

from industry in the form of commercially available products. Outsourcing arrangements already in place will allow EOS to produce more SRWS in 2009 than in 2007, with less than 50% of the staff employed in 2007."

Directors add the company's investments in new technology and product evolution "have also been reduced to reflect a tighter focus on key customer objectives. In the absence of significant new contracts, EOS now has the ability to execute the closedown of the US military manufacturing facility by 30 November 2008, and German operations by 31 October 2008."

The aftermath of the CROWS II experience has seen EOS bidding for new military contracts "the results of which are not yet known, but (we are) confident of winning during the next 12 months." Directors estimate the worldwide RWS market will exceed 12,000 units (or \$4 billion in contracts by 2014), noting that in the past two years the number of SRWS producers has doubled to ten, including BAE Systems Bofors (Lemur), FN-Herstal, Krauss-Maffei Wegmann, Elbit Systems (OR-CWS), Oto Melara, Rafael (RCWS & 'Samson' families), Rheinmetall and Thales (SWARM).

Summing up the current outlook, EOS Holdings' half-year financial report (six months ended 30 June 2008) released 27 August, indicated the firm had now substantively recovered its position from the CROWS II loss, achieving a net profit of \$2,400,974 (generated principally from defence activi-

ties), compared to a net loss of \$20,734,269 for the year ended 31 December 2007.

As at 30 June 2008, the consolidated entity – which operates more broadly across Australia, the USA (as EOS Technologies) and Germany (as EOS Optronics GmbH) – in the development manufacture and sale of telescopes and dome enclosures, laser satellite tracking systems and the manufacture of electro-optic fire control systems for defence, held cash totalling \$22,522,095.

The accounts note flexibility with \$5,616,713 is restricted, as the cash pool secures bank guarantees relating to performance on some extant contracts. Directors went on to affirm, "the ability to continue as a going concern remains dependent upon the company's ability to achieve target production levels for the military business in the second half of the calendar year."

Successful re-positioning initiatives were also said in the half-year report to have re-based the company from being competitive & profitable at annual revenues over \$60m (achieved in 2006), "to an entity with profitable operations at \$40m per annum. New military orders received in 2007 totalled \$46m, with a total backlog at 31 December of \$56m – representing 18 months of production capacity from diverse customers not identical to CROWS business.

Directors indicated the company was now "actively preparing for the next wave of US remote weapon system requirements ... with opportunities expected to

emerge from 2009, and requiring a diverse range of weapon systems." Outside of the US, EOS is continuing to expand sales to Asia (Asian customers have ordered dual weapon, airburst and marine systems), Europe (NATO) and the Middle East, with up to 90% of military business now generated outside of the USA, and expected to be sustained in this fashion through 2009.

The half year report goes on to state the combined value of these programs – EOS serves as prime contractor in these markets – (and outside the US) exceeded A\$43m, with firm funded orders exceeding \$22m. Australia is also said to have emerged "as a major customer in the past two years, and in the half-year to 30 June 2008 a total of 60 weapon systems were shipped for use by Australian forces."

The company similarly maintains it is supporting "over 600 previously shipped weapon systems, with approximately 400 fielded in current conflict areas."

EOS is also re-focusing its traditional telescope business through military optical gimbals to weapon system gimbals for conventional ballistic weapons, and a new market for directed energy weapons, which are both areas of new capability development for the Australian Defence Force expected to be included in the new Defence White Paper.

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TAKING CARE OF BUSINESS USA-STYLE: US Army Humvees (far L) fitted with the ROI/EOS 'Raven' R-400 crew remotely-operated weapons system (CROWS I); US Congressman John P Murtha (L), as Chairman of the House Appropriations Defense Subcommittee, says he's seen every kind of new military capability acquisition pitch that's ever been proposed, and is always happy to welcome new defence-industry investment into his own 12th Congressional district; Kongsberg Defence & Aerospace M151 'Protector' CROWS II SRWS and controller (R); Kongsberg opened its 138,000sqft 'Protector' manufacturing facility in Richland Township, Pennsylvania on 14 August. US ARMY & ADBR PHOTOS

very little tolerance, thus ensuring treaties of the nature proposed for the UK and Australia will continue to butt up against opposition if progressed in the same manner as advanced by the Bush administration.

Further revelations as to the diminution of the benefits of the Australia-United States Defense Trade Cooperation Treaty first signed off by John Howard and George Bush emerged recently in an article by Robert Wylie, published in the Kokoda Foundation's *'Security Challenges'* journal (Vol.4, No.3). The article provides a useful expose of the scope and intent of the proposed Treaty, along with observations regarding development of the accompanying 'Implementing Arrangements' and the utility of the overall arrangements for Australian-based defence companies.

PROTECTIONISM SETS IN ON FREE TRADE: The article notes that since the Treaty was first signed – and perhaps reflective of concerns expressed by Congress to retain firm control over major arms export deals – the US State Department has promulgated a tripartite (A, B and C) list of Treaty exclusions, which critically, might reasonably have been relied upon by the Australian government in populating future military capability acquisitions arising out of the new Defence White Paper.

In brief, the exclusions lists now proposed to be applicable to the Australia-US Defense Cooperation Treaty covers stealth and counter-stealth technology, satellite technologies and a range of enabling (including manufacturing) technologies related to precision guided munitions, electronic warfare tools and systems for submarines.

Wylie points out that the 'List A' exclusions appear likely to have the effect of "reinforcing the appeal of the US Defense Department's Foreign Military Sales (FMS) program" to an Australian Defence customer he observes is "already predisposed to buy proven equipment already in-service. It is also likely to encourage US companies to market military-off-the-shelf solutions to Australian capability requirements ...

(and is) likely to inhibit Australian industry involvement in the supply and support of platforms involved."

In respect of 'List B' exclusions, the paper notes that while such technologies will not be the subject of technology access benefits provided for under the Treaty, "such technologies are expected to continue to be subject to the existing ITAR licensing processes." In short, this will force a reconsideration of the utility of the Treaty from the Australian side, with Wylie warning, "Australian stakeholders should bear in mind that (the treaty) seems unlikely to contribute materially to the realisation of Australia's key capability development objective" in network enabled operations.

As noted above, 'List C' operates to exclude from the Treaty manufacturing technology for a large range of platforms and systems of key relevance to the ADF, which Wylie concludes will "significantly reduce the utility of the Treaty in terms of facilitating Australian industry involvement in the supply of platforms and systems."

In short, this pours salt into a long-festering sore in Australia's security relationship with the US, given Wylie's observation "the denial of access to the source code required to configure US-origin platforms and systems for operation by the ADF in Australia's region of primary strategic concern has long vexed defence business relations between the US and Australia at both government-to-government and commercial levels."

ANAO ON THE MONEY, AGAIN: To illustrate his point, Wylie cites problems identified by the Australian National Audit Office (ANAO) in 2004 (Report #32), where it was said a lack of US Government export licenses for some of project Air 5077's ('Wedgetail' AEW&C) advanced technology, worked to preclude local industry from involvement in some \$44 million worth of contracts in such areas as system design and development, system integration, software and systems engineering.

While the Australian Parliament's Joint Standing Committee on Treaties has yet to report on the merits of ratifying the Defense Trade Cooperation Treaty in the changed environment of the introduction of new restrictions and exclusions, Wylie points out such developments have thrown up a conflict with Rudd Government statements as to "the importance to Australian defence self-reliance of selective Australian industry involvement in the supply and support of defence materiel."

The commitment is all the more important given recent industry consolidations mean the majority of the Australian defence market is now substantively controlled by overseas-owned companies, and recent new entrants (eg: Ultra Electronics, QinetiQ, Cobham, etc) all hark from the UK. As Wylie notes, the UK and Australian treaties broke important ground on creating trusted communities "to share advanced technology pursuant to common political and strategic interests".

However, changing political and economic circumstances over 2009 associated with a re-emergence of trade protectionism, suggest the United States will be most likely to act first in pursuit of its own interests, above those of others. Australian defence firms might accordingly look to persisting with the 'devil we know' – in terms of the existing ITAR arrangements – and just get on with doing business.



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FCS technology progressing as NLOS cannon fired

■ Canberra Bureau Report

Raytheon, working in partnership with the US Army, and the Future Combat System (FCS) Lead Systems Integration team (ie: comprising Boeing, Science Applications International and BAE Systems), reported 7 October it had successfully completed stationary and moving target intercept tests for the new FCS Active Protection System (APS).

The tests were described as representing "a significant step in design verification" testing for the system, which includes defeating multiple incoming projectiles simultaneously while on the move - a unique capability for the provision of active protection for Future Combat System manned ground vehicles.



In a related development, the FCS program also successfully fired the first artillery projectile from the manned ground vehicle non-line-of-sight cannon (NLOS-C) prototype on 24 September, marking the first 155mm round fired from a fully automated howitzer mounted on an FCS hybrid-electric chassis and remotely commanded through

its on-board computers and controls.

The NLOS-C has the ability to rapidly deliver precision munitions in both urban and conventional battle space, and is the lead prototype in the US Army's family of eight FCS manned ground vehicles. Soldiers at the Army's Evaluation Task Force are scheduled to receive the first of 18 NLOS-C platforms at the start of 2010.

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