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Australian Defence Budget



Australia's \$22 billion annual spending on Defence is under constant pressure. The main reason is that a commitment by the Australian authorities to a real increase in funding of 3% per year for the next decade seems to be insufficient to cover the defence needs of the country. Mainly because the real cost of military equipment is ascending, the operational costs

of the Australian armed forces remain high and the facilities costs, such as construction and computer services remain high. The current economical downturn makes the situation even worst.

The main reason the cost of Specialized Military Equipment (SME) increases is that they improve in capability. Therefore, as the replacement of equipment occurs, the real cost of maintaining the same number of platforms increase. According to the Australian authorities' calculations, a growth rate of 3.5% in capital expenditure on SME is needed just to replace today's equipment. To deliver the capabilities the Australian authorities have planned a real growth rate of 4.2% is needed.

Increase in Future Defence Spending (Estimations)	
Domain	Increase
Specialized Military Equipment	4.2%
Operational Costs	0.5%
Facilities	0.7%

Additionally, the operational costs of the Australian armed forces are increasing. Over the long run, the Australian authorities calculate that personnel costs will grow 0.4% in real terms. If additional personnel is required in order to fulfill Australia's future defence plans, then costs will grow 1.1% until the new workforce target is reached at 0.5% thereafter. Regarding facilities and other operating costs it is estimated that they will grow at 0.7% in real terms.

In order to counterbalance this increase in cost, the Australian authorities are planning a series of actions. First they will try to consolidate physical facilities and standard types of work, apply the principles of lean operations to redesign the way work is done, to increase cost-conscious decision making and to develop greater expert commercial capabilities. These improvements will save between \$354 and \$615 million/yr in operational costs and will also provide a one-off saving of \$218 to \$398 million. Additionally, the Australian ministry of defence will try to reduce the cost of major equipment procurements. This could potentially save up \$345 to \$660 million.



The ministry is looking up to take some more steps in order to reduce the costs, such as creating efficient enterprise support function, which will save between \$363 and \$406 million/yr in operating costs, reducing non-equipment procurement costs, saving between \$326 and \$518 million/yr and finally reducing the cost of combat capability through the use of Reserves which could potentially save up to \$50 million/yr. It is estimated that from all these measures a total saving of \$1.3 up to \$1.8 billion/yr and an on-off saving of \$218 to \$398 million will be achieved.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Australian Future Defence Spending

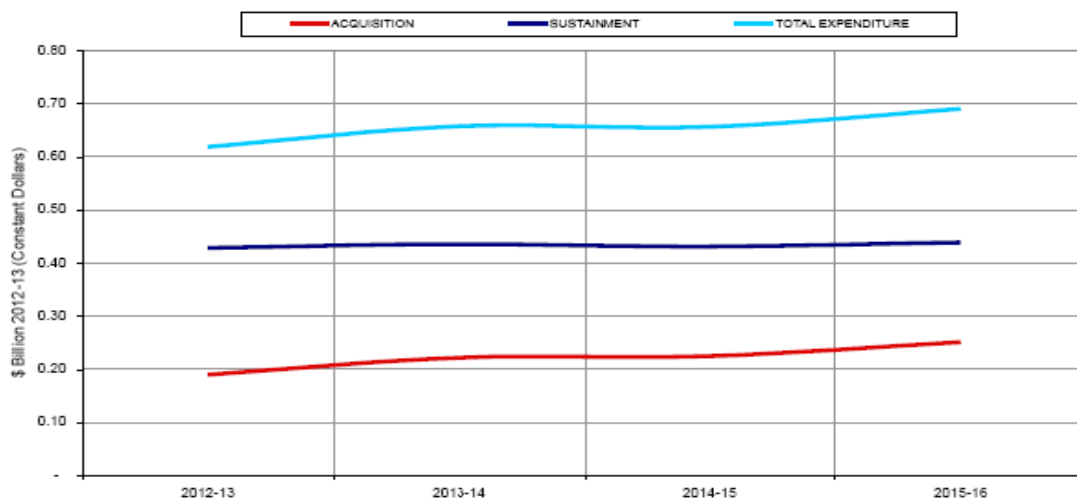


When compared with forecasts for 2011-12, the Australian sustainment activity for 2012-13 is expected to increase by 1.2% with acquisition declining by 25.3%. Overall, the Australian defence expenditure is expected to decline by 8.2% during 2011-12 and 2012-13. Additionally, it is estimated that there will be a steady growth in sustainment, which rises at a compound annual growth rate of about 2.8%. Below, you can have a thorough preview of the planned Australian

defence acquisitions for 2012-2013, placed in five (5) different categories: Maritime, Land & Vehicles, Aerospace, Electronic Systems and finally, Weapons & Ammunition. This categorization is rather schematic as a future procurement may be included in several different categories. For example, expenditure for procuring a new ship may be allocated between (3) industry categories as: Maritime (for the platform), Electronic Systems (for the Command, Control & Communication systems), and Weapons & Ammunition (for the Missiles & Guns).

The in-country sustainment activity in the maritime sector during the period 2012-2013, is expected to increase by 10%, when it is compared with forecasts for 2011-12, while acquisition is expected to decline by 15.7%. Overall, in-country expenditure levels remain broadly stable between 2011-12 and 2012-13. For the period 2012-2016, expenditure is expected to increase at a compound rate of 4.2%/yr, where sustainment expenditure is expected to rise at a compound annual growth rate of 4.7%, primarily associated with support for the Collins class submarines and ANZAC and Adelaide class frigates. Acquisition expenditure is broadly stable, supported by continued activity in (2) large scale maritime projects, the Air Warfare Destroyer and Landing Helicopter Dock ship acquisitions. Growth from 2015-16 is associated with the Future Submarines program.

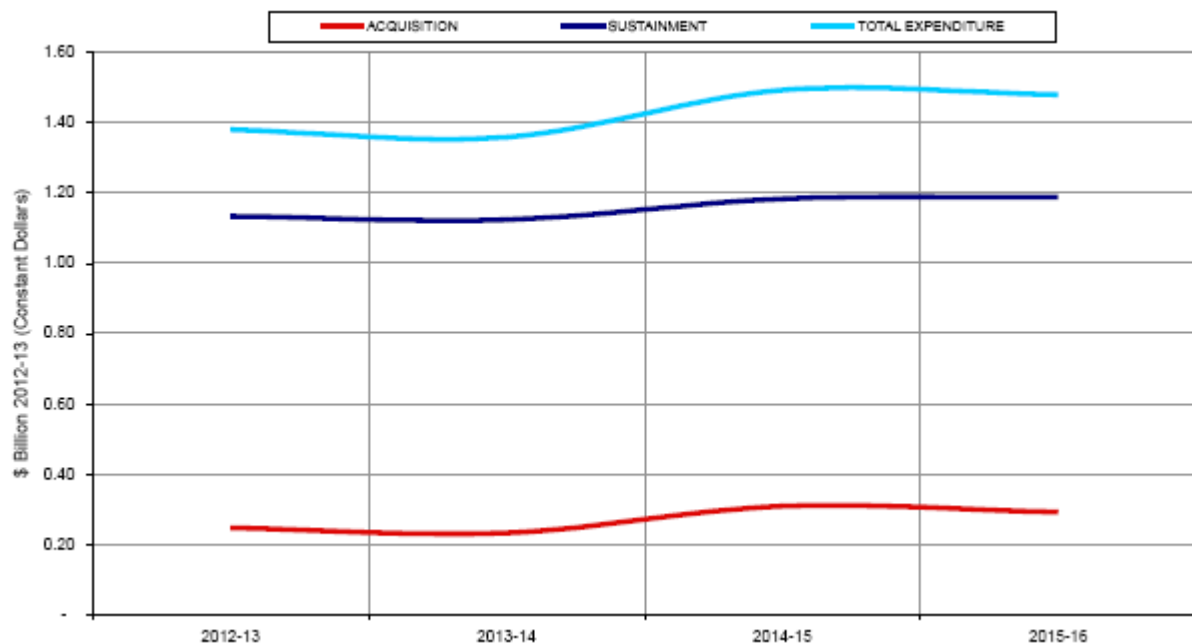
In-Country Expenditure within the Vehicles and Land Sector



Source: <http://www.defence.gov.au/publications/CapabilityPlan2012.pdf>

When compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to decrease by 17.5% and acquisition is expected to decline by 23.1%, in the land and vehicles sector. For the period 2013-2016 expenditure is estimated to increase at a compound annual average rate of 3.7%. In-country sustainment expenditure is associated with a broad range of activities, including combat clothing and support for the Bushmaster and B-vehicles, growing at a rate of 0.8%/yr across the period 2012-2016. Acquisition expenditure grows at 9.8%, due to the influence of the Bushmaster Protected Mobility Vehicle and Field Vehicles and Trailer procurements.

In-Country Expenditure within the Aerospace Sector



Source: <http://www.defence.gov.au/publications/CapabilityPlan2012.pdf>

Sustainment expenditure in aerospace sector exceeds acquisition expenditure by a wide margin. When compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to increase by 1.9%, with acquisition declining by 23.8%. Expenditure will increase at a compound annual average rate of 2.3% for the period 2013-2016. Acquisition activity will increase by 2014-15, and this will be associated with the final acquisition elements of the Multi-Role Helicopter project, and the Australian activity in programs such as the Joint Strike Fighter, results in expenditure growth across the period of 5.7% per year.

Regarding the electronics sector, it is estimated that when compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to decrease by 3.4%, while acquisition is expected to decline by 35.7%. Support for the Wide Area Surveillance systems and the Collins class submarines, provide the largest contribution to in-country electronics sustainment, although a number of other smaller equipment systems have high Australian content and contribute strongly to in-country activity.

Finally, for the smallest of the five industry sectors, namely weapons & ammunitions, when compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to increase by 21.6%, with acquisition declining by 15.2%.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Epicos "Industrial Cooperation and Offset Projects"



Epicos "Industrial Cooperation and Offset Projects" provides a unique set of online tools enabling the structure, identification and implementation of comprehensive Offsets programs, through a searchable database. By introducing different offset projects and ideas proposed by local A&D industry it ensures the optimum cost for Prime Contractors and reassures that the priorities of local industry are fully met...

[For Further Information Press Here](#)

Ballistic protected container field kitchen for peace keeping operations and catering services near the front line



A modern company with a long history in manufacturing high quality products for demanding customers in the fields of thermal technology and advanced use of stainless steel (modern field catering systems and equipment for rapid deployment troops from refrigerated trailers to field kitchens) is proposing the sourcing of a ballistic protected container field kitchen for peace keeping operations and catering services near the front line.

The proposed field kitchen will be installed in a NATO standard container and it will be equipped with catering equipment utilizing the best possible ergonomic and working conditions for the personnel.

[For Further Information Contact our ICO Department](#)

Mail at: g-menexis@epicos.com

Non-destructive Testing (NDT) services for the aerospace and defense industry

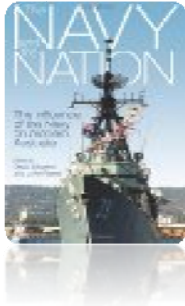


A company excelling in the area of Non-destructive Testing (NDT) is proposing the collaboration with a Prime Contractor or a third party for the provision of its NDT services in-country and abroad.

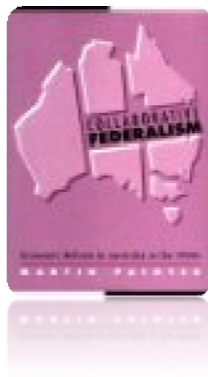
coverage. The program will include the development of a flame detector tester to be used for continuous sensor performance evaluation.

[For Further Information Contact our ICO Department](#)

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Epicos- Amazon**Navy and the Nation: The Influence of the Navy on Modern Australia, by David Stevens, John Reeve**

This book represents another important step along the path towards greater recognition and understanding of Australia's naval heritage. Dawning on the expertise of maritime historians from around the globe, the editors provide an eclectic selection of essays that bring to light many hitherto neglected aspects of the development of the Australian state. Bringing together scholars from all over the world, this detailed reference examines the navy's contribution to Australia's national development—from the initial exploration and colonization of the continent to the foundation and protection of a modern, sovereign state.

Collaborative Federalism: Economic Reform in Australia in the 1990s, by Martin Painter

Australia's federal system has undergone a fundamental reshaping in the recent years. State and the Commonwealth governments have found themselves, often against their immediate wishes, cooperating even more closely on joint schemes of policy and administration. As a consequence there has been a shift in the rules of the game of federal politics towards collaborative, as distinct from arm's - length, patterns of intergovernmental relations. The author of this book is trying to delineate the aforementioned issue and to examine the impact that it has in the socio-economical situation of the country.

**EU should step up joint defence drive, France says**

The European Union should step up its drive to forge a joint defence policy for the 27-nation bloc, French Defence Minister Jean-Yves Le Drian said on Monday.

Speaking alongside his Polish opposite number Tomasz Siemoniak, Le Drian said a coordinated EU policy was "essential and unavoidable", and driven by budgetary concerns and a need to pool military capacity.

He also underlined the importance of a shift in focus by Washington.

"America's strategy is turning more and more towards the Asia-Pacific region, but the threats still exist," he said.

There is major membership overlap between the EU and the 28-nation North Atlantic Treaty Organisation, where Washington is the heavyweight. Twenty-one EU states are in both.

But joint EU defence efforts were long complicated by the fact that it also includes neutral, non-NATO nations.

However, the EU's reforming Lisbon Treaty, which came into force in 2009, set a path towards bloc-wide defence and security policies. The treaty still recognises that Europe's defence remains NATO's remit.

Le Drian said joint defence efforts could be accelerated by the Weimar Triangle, a political cooperation forum set up in 1991 by France, Germany and Poland.

"There's an existing form of cooperation that could be revived, as we are among those countries which are key for European defence," he said, adding that he had also raised the idea with his German counterpart.

The three countries are already working to set up a tactical military group by 2013, seen as providing an model for wider EU cooperation.

Poland is seen as a key partner because with 38.2 million people, it is the largest of 12 mainly ex-communist nations to have joined the EU since 2004.

It has also become a major player in NATO, which it joined in 1999, 10 years after breaking free from the crumbling Soviet bloc.

On Tuesday, Le Drian is due in London to discuss Franco-British military cooperation.

On Thursday, meanwhile, French Foreign Minister Laurent Fabius is set to visit Poland and is also scheduled to discuss security issues.

Source: 2012 AFP, Agence France-Presse (AFP)

Australia to Upgrade Hawk Trainers to RAF's T2 Standard

Australia's BAE Systems Hawk 127 lead-in fighter trainers are to be upgraded to a configuration based on the new-generation T2 model flown by the UK Royal Air Force, defence minister Stephen Smith has confirmed.

Providing details of an initial A\$25 million (\$25.8 million) contract with BAE, Smith says the award "signals the commencement of upgrade activities on the Royal Australian Air Force's fast jet training capability".

Flightglobal's MilICAS database records the service as having 33 of the aircraft, which were delivered between 1999 and 2001 and are flown from RAAF Base Williamtown, New South Wales and RAAF Base Pearce in Western Australia.

Speaking at the Farnborough air show on 10 July, BAE's director of Hawk aircraft programmes Michael Christie said the mid-life upgrade will take Australia's trainers to largely the same OC2 software standard as the 28 T2s flown by the RAF and the 22 Hawk 165s recently ordered by Saudi Arabia.

The company hopes India's inventory of the type could also be equipped with the same mission computers and software as part of a future modification programme, he added.

Upgrading the Hawk 127 fleet will "ensure a suitable foundation for progression on to the [Boeing] F/A-18 Classic and Super Hornets and the [Lockheed Martin F-35] Joint Strike Fighter," says minister for defence materiel Jason Clare.

"Australian industry will be responsible for construction of simulator facilities, modification of the Hawk fleet, and in-service support of equipment," states the nation's Department of Defence.

Source: Epicos

Harris Atlas Systems Awarded \$8 Million Contract by Middle Eastern Government to Supply Geospatial Data Sharing System

Harris Atlas Systems LLC has been awarded an \$8 million contract to provide a Middle Eastern government agency with a system that will ensure that critical military and public safety information can be shared quickly, easily and securely even under the most demanding circumstances.

The advanced geospatial intelligence solution consists of enterprise and mobile versions of Harris Corporation's Active Catalog™ system, which enables users to manage, share, and retrieve large volumes of geospatial data -- information that identifies the geographic location and characteristics of natural or constructed objects -- that reside throughout an enterprise. It also provides access to live data feeds, and can generate and publish documents and map products of urban environments.

Active Catalog integrates with a variety of Open Geospatial Consortium-compliant and standard geographic information systems software, such as ESRI and Bentley, which many customers are already using for military, intelligence and public safety operations. With sophisticated techniques to extract metadata, it supports a wide range of data formats, including overhead and aerial imagery, maps, intelligence reports, sensor data and other derived products. Data and metadata are shared easily between enterprise and remote versions of the system via a secure, efficient and configurable sharing facility. Remote users can efficiently access enterprise-based geospatial intelligence data and also send field-collected information back to the enterprise.

“Active Catalog leverages 130 patents and more than 30 years of experience developing systems for the largest geospatial customers in the world,” said Leon Shivamber, managing director for Harris Atlas Systems. “The result is a solution that goes beyond traditional catalog capabilities to one that incorporates the widest variety of data sources, is easy to use, can be accessed in the most limiting environments – such as in a disaster or emergency – and delivers the highest level of security possible.

“When combined with our in-country support, this combination allows our customer to become geospatially-enabled and conduct their missions without worrying about the technology,” he added.

Harris Atlas Systems LLC is a joint venture between U.S.-based Harris Corporation and Atlas Telecom, a UAE-based technology leader. Harris Atlas Systems is at the forefront of delivering advanced capabilities for situational awareness, command and control, emergency management and other mission-critical solutions.

About Harris Corporation

Harris is an international communications and information technology company serving government and commercial markets in more than 150 countries. Headquartered in Melbourne, Florida, the company has approximately \$6 billion of annual revenue and about 17,000 employees — including nearly 7,000 engineers and scientists. Harris is dedicated to developing best-in-class assured communications® products, systems, and services. Additional information about Harris Corporation is available at www.harris.com.

Forward-Looking Statement

This press release contains forward-looking statements that reflect management's current expectations, assumptions and estimates of future performance and economic conditions. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The company cautions investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. Statements about the expected value of the program to Harris are forward-looking and involve risks and uncertainties. Other factors that may impact the company's results and forward-looking statement may be disclosed in the company's filings with the SEC. Harris disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Source: Harris Corporation

Australian Navy explores alternative fuel use with United States

The Royal Australian Navy has signed an agreement with the US Navy to explore the increased use of environmentally friendly fuels.

Australia's Chief of Navy, Vice Admiral Ray Griggs, AO, CSC, RAN and the US Secretary for Navy, Ray Mabus, have signed a Statement of Cooperation which recognises the potentially significant benefits research into alternative fuels can bring. It acknowledges the importance of the project, both for the environment and for national security.

The RAN's Fleet Commander, Rear Admiral Tim Barrett, AM, CSC, RAN delivered the Statement of Cooperation for the signing ceremony on board the US aircraft carrier USS Nimitz with Secretary Mabus on 19 July.

Rear Admiral Barrett said the project had enormous potential.

"All of us have a responsibility to be more environmentally aware. As things stand today, biofuel remains too costly to use across our fleet. However, this project could lead to a cheaper alternative fuel," he said.

The US Navy is moving towards the general use of a 50/50 blended biofuel product by 2020.

The RAN will observe the USN as it further develops the use of alternative fuels in time for a joint deployment in 2016. The 'Great Green Fleet' initiative aims to replicate the famous 'Great White Fleet' deployment when US ships circumnavigated the globe in 1907.

"We are making sure that we look to the future so that we can continue to operate with the US as we do in company around the world," Rear Admiral Barrett said.

As part of the event, a Royal Australian Navy Seahawk helicopter landed on USS Nimitz and refuelled with a biofuel blend, before flying the Fleet Commander to HMAS Darwin. This is the first time a RAN aircraft has flown with a biofuel blend.

Source: 2012 AFP, Agence France-Presse (AFP)

Philippines ratifies Australia military pact

The Philippine Senate ratified a sensitive military pact with Australia Tuesday that lays out rules for visiting troops, in a move politicians said would improve regional security.

The agreement was first signed in 2007 but remained in legislative limbo amid political sensitivities, as the country's constitution explicitly bans the long-term stationing of foreign forces on its territory.

Its endorsement by the Senate five years on is seen by some observers as a bid to get Australia's backing in Manila's row with China over South China Sea islands.

Senate president Juan Ponce Enrile said the body passed a resolution endorsing the treaty 17-1 with no abstentions, putting it into force after a four-year debate in the Philippines.

"Concurrence with the ratification... will not only pave the way for us to improve our defence mechanisms, it will also solidify our decades-old relationship with Australia," he said in a press release.

President Benigno Aquino's spokesman Edwin Lacierda hailed the senate vote.

"The Senate... has taken an important step in enhancing our national and regional security by ratifying the Status of Visiting Forces Agreement between Australia and the Philippines," he said in a statement.

The two countries had earlier signed a preliminary agreement on defence and military cooperation in 1995.

The latest pact would, among other things, subject visiting soldiers to the jurisdiction of the host country should they commit acts that are illegal in the host country but not in the sending country.

The Philippines signed a similar pact in 1998 with its traditional military ally the United States.

Under the pact small numbers of US military advisers have been deployed in the southern Philippines for the past decade to help train Philippine forces fighting Islamic militants.

The lone holdout against Tuesday's signing, Senator Joker Arroyo, accused the government of putting pressure on the senators to ratify the pact to get Australian backing in Manila's ongoing row with China over the resource-rich Scarborough Shoal.

"Although the agreement is not a defence pact, its symbolism cannot be lost on China. Let us not grab at straws," Arroyo said in a statement after the vote.

Source: Epicos

