

Sent: Saturday, 24 May 2014 3:16 AM

To: Committee, JSCFADT (REPS)

Subject: Submission - Government Support for Australian Defence Industry Exports

Submission: 7 Steps to an improved outcome for all

1. Australian and overseas Defence Trade **Shows could have a common theme**

While there has been a mix of approaches to support exhibiting Australian defence industry potential exporters, there may be value in putting more emphasis on a common theme on the same stand, so potential buyers who are attracted because of interest in a common theme, see a range of ways to meet the identified market opportunity. And for a particular trade show, there could be 2 or 3 separate themes at 2 or 3 separate stands, at best adjoining, but preferably distinctly differently grouped.

2. IR&D Act needs to change to **recognise both RESEARCH AND DEVELOPMENT**

The current interpretation of the IR&D Act only concentrates on research. It is difficult to sell research. By recognising the importance of DEVELOPMENT then innovative hardware can be produced and shown to the market, and that should also benefit from concessional IR&D tax treatments.

3. Defence R&D **concessional tax benefits should not be restricted** to eligible registered companies.

If individuals can make Defence CTD (Capability Technology Demonstration) submissions, and UIP (Unsolicited innovative project) submissions, and then be restricted by Defence Export Control Office (DECO) Control Advices, why are such individuals, sole traders and partnerships not allowed to seek R&D concessional tax benefits. This needs to be changed to encourage Australian Defence Industry Exports.

4. **CTD and UIP Programs should receive substantially more financial support**

The CTD (Capability Technology Demonstration) Program is a highly competitive process with only a few winners. (Typically 100 or more submissions are made and after about a year of evaluation, maybe 4 or 5 receive support of around \$2 million each).

So what of the 95% of bright defence ideas that are NOT supported in Australia and suffer further export restriction with a DECO Control Advice being issued for what is just a concept, in desperate need of development support, to become a viable export industry. There may be value in publishing a list of all CTD proposals with short summaries in any year, as a small recognition of the technology presented to the DSTO for evaluation, and that may assist in raising private capital to support the proposals to become more defined and exportable.

5. Defence Trade Control Act of 2012, section 14A, regarding **publishing of DSGL technology.**

Breaching of the Defence and Strategic Goods List (DSGL) publishing restrictions may be happening almost every day through the transmission of emails where such services such as operated by Telstra and Optus have a storage and management component outside Australia.

By just sending even intra-office emails that discuss technical aspects of items on the DSGL apparently within Australia, and not even sending such emails to potential export buyers, the Defence Trade Control Act of 2012 may be broken. Guidelines need to be produced to assist possible Australian Defence Industry Exporters.

6. **Trade agreements may have unwanted implications.**

Government support of Australian Defence Industry Exporters should include a close review of all current and proposed trade agreements, so that Australian Exporters are not disadvantaged.

7. **Strategic industries should be identified** and financially supported

It is often joked that the ammunition used by the ADF on the battlefield is supplied by overseas entities, such as from Indonesia. Australian Defence capabilities may be seriously compromised by the tender process seeking the lowest cost, regardless of the source. Certain strategic supplies should be identified so that (a) Australian supply is secured, and (b) such Australian suppliers may then be in a position to exploit defence industry export opportunities with economies of scale benefits.

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