

CEO DMTC - Opening Statement - JSCFADT Inquiry

23 February 2018

Thank you, Chair, for this opportunity to appear before the Committee.

DMTC has what we believe to be a strategic and important role in the Defence innovation system that was envisaged in the landmark 2016 Defence Industry Policy Statement.

Our Annual Report for 2017 – which I would commend to you – summarises that role as being “*a leader, broker and manager of enhanced defence and industry capability outcomes, underpinned by Australian research expertise*”.

Our focus is very much on enhancing capability for the ADF – the work we have contributed to, to enhance the protection afforded to both mounted and dismounted Australian forces, has undoubtedly saved lives on the battlefield and we are, understandably, very proud of that. Committee members might be familiar with the work of the Diggerworks unit inside Defence, providing rapid improvements to the personal protective ensembles of our deployed personnel in Afghanistan ... DMTC was heavily involved in that.

Other examples of outstanding DMTC work include:

- battery technologies & fuel cells
- protection from blast, ballistic and stab & spike threats
- design & fabrication technologies for protected mobility vehicles
- automated welding and maritime fabrication
- corrosion prevention, detection, remediation and repair
- JSF supply chain improvements
- composite material development and
- detailed studies of Australia’s industrial capacity to work with, for example, grades of locally produced high-strength steel.

DMTC is an independent public company and not for profit. We are headquartered in Melbourne but work with industry and research partners right across Australia. We are strongly focused on building the capacity of industry to support Defence, particularly the SMEs that are so critical to the effectiveness of supply chains. We run the programs and our industry partners deliver the products and services to Defence

We directly employ just 14 staff in our head office but, at any one time, actively manages the activities of more than 400 people assigned to us from partner organisations in the defence industry and innovation sector in project work, including PhD students and early career researchers. We manage development projects that currently involve more than 25 industry partners and around 15 research partner agencies although these numbers would more than double if you took an aggregated historical view, or indeed if you included SMEs that we engage for short-term capacity-building and technology transfer workshops. Key to our model is collaboration across the industry and research sectors – around 85 to 90 per cent of our collaborations involve more than one research partner and most involve multiple industrial partners.

We are pleased to work with Defence to play our part in realising the objectives of the Defence Innovation Hub, the Force Design Division and other new policy and organisational initiatives.

DMTC’s role is to advance technologies that create a capability, not a proprietary product or platform, which is, for example, the role of a prime defence industry contractor.

DMTC's consistent and proven co-investment and Intellectual Property model is beneficial to our Defence customer. Effectively it allows Defence or other government research agencies to invest around 40 cents and yield a full dollar of R&D activity in return (the remaining 60 cents comes from the industry and research partner co-investment). Our involvement with the Defence Innovation Hub has proven to be an important enabler for our broader portfolio of innovation activities. The return on investment in not only financial terms, but leveraging capability and expertise throughout the sector is a key feature of our model.

Over time we have seen that the 'sweet spot' of DMTC activity, in technology readiness terms, is in the translational range of around TRL of 4 to 7. This is typically referred to in innovation circles as the "technology valley of death" and an area in which Australia lags behind the majority of OECD nations. Our data suggests we have one of the most effective global models for bridging this traditionally challenging space. This is in contrast, for example, to more basic or fundamental research which is at the TRL 1-3 levels, where Australia rightfully enjoys a superb reputation.

In the context of today's hearing I really can't understate the current Government's unprecedented investment in Defence and its plans for a growing Defence industry, across all of the domains that DMTC operates in. It's appropriate here to also acknowledge the federal Opposition's commitment to the benchmark of spending 2% of GDP on Defence. DMTC's objectives have been strongly supported by successive governments since the inception of our activities in 2008. There are billions of dollars being invested and, to go with that, a very strong focus on Australian industry and on sovereign industry capabilities.

We see a bright future for defence innovation in Australia. Our alignment with the Defence Innovation Hub and the funding that is provided through that relationship is critically important, not just to underpin our current activity but also to allow us to plan for future involvement in programs like SEA 5000, SEA 1000 and LAND 400.

Innovation and collaboration are difficult, but the rewards are considerable, and I must vehemently disagree with recent assertions in the press to the effect that local industry and innovation introduce cost, schedule and technical risk into acquisition, sustainment and operations. To the contrary, effective engagement with local industry and the research and innovation sector can act as a powerful risk mitigator. It is heartening that current policy settings reflect this reality.

I'd be happy to take any questions.

DMTC's submission to the inquiry is available here:

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/BipartisanDefAgreement/Submissions