

# Commercial Group Initiatives – How DMO is Delivering

Harry Dunstall  
General Manager Commercial

# COMMERCIAL GROUP

To assist in setting conditions for projects and SPOs to equip and sustain the Australian Defence Force effectively and efficiently through:

- contracting support
- financial investigation services
- legal support
- Defence industry knowledge & engagement
- Priority Industry Capabilities (PICs & SICs)
- economic modelling
- supplier quality assurance
- procurement policy
- acquisition strategies



# LEGAL, POLICY AND DMOSS

- Exposure draft of ASDEFCON Support V 3 Performance Based Contracting available
- Reviewing update frequency for ASDEFCON, currently quarterly
- Objective remains for efficient contracting and reducing total cost of solicitation
- DMOSS 2010 Refresh added 38 Panel Members (total is now 352) – Whole of Government arrangements are in place to allow use of the panel

# DEFENCE AND INDUSTRY POLICY STATEMENT

- Defence industry development and support programs totalling **\$445.7 million over 10 years** which include:
  - Skilling Australia's Defence Industry (\$89m FY 10/11 – FY14/15)
  - Industry Skilling Program Enhancement package including the Defence Industry Innovation Centre (\$49.2m to FY13/14)
  - Priority Industry Capability Innovation Program (\$44.9m to FY18/19)
  - Defence Exports Unit (\$34m to FY 18/19)
  - Global Supply Chain Program (\$59.9 to FY18/19)
  - Defence Future Capability Technology Centre (DFCTC) (\$27.1m to FY 15/16) including the Defence Materials Technology Centre
  - Joint Strike Fighter Industry Capability Program (\$8.5m to FY13/14)
  - Capability Technology Demonstrator Program (CTD) (\$51m to FY12/13)
  - Capability Technology Demonstrator Extension Program (CTDEP) (\$31.6m to FY11/12)

# INVESTING IN INDUSTRY CAPACITY BUILDING: Industry skilling

- Skilling Australia's Defence Industry (SADI)
  - Since 1 July 2005, industry has committed to providing training opportunities in:
    - project management (7,278 opportunities)
    - engineering (6,296 opportunities)
    - trades skills (5,832 opportunities)
    - logistics (910 opportunities)
    - scheduling (258 opportunities)
  - 306 SADI Agreements as at October 2010 with 107 organisations.
  - Under Round One of the SADI Program 2010/11, 68 companies received \$7.8M to fund 328 training activities or 3662 training opportunities.
  - Round 1 FY11/12 was announced in March 2011.

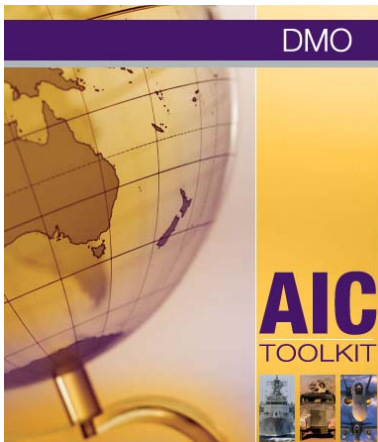
# SOME PROCUREMENT REFORM INITIATIVES

- Better Practice Guides in a number of areas that carry commercial risk, for example
  - Acquisition Strategies
  - Tender Evaluation Guides
- Supporting projects and SPOs to improve the range of procurement options – eg. Identifying use of panels to procure medical equipment and assistance to the MyDefenceGear project team
- ASDEFCON templates and DMI(PROC) system
- Certification of procurement and contracting job family members with professional bodies
- Refresher courses for both Simple and Complex Procurement are being developed

<http://www.defence.gov.au/dmo/osc/di/index.cfm>

# INDUSTRY ENGAGEMENT

- Minister Clare is fully engaged with industry
- PIC Health checks
- Australian Industry Capability (AIC) Program
- Australian Industry Group review
- Public DCP



## PRIORITY INDUSTRY CAPABILITIES

### WHAT IS A PIC?

The Defence White Paper 2009 *Defending Australia in the Asia Pacific Century*, outlined the Government's commitment to ensure that certain strategically important industry capabilities continue to be available from within Australia. Under this policy, the Government will identify Priority Industry Capabilities (PIC). PICs are defined as those capabilities that confer an essential strategic advantage by being available from within Australia and which, if not available, would significantly undermine defence self-reliance and Australian Defence Force (ADF) operational capability.

## Agencies fall down on tendering

A large number of government departments are failing to comply with basic procurements processes, **PHILLIP THOMPSON** writes

**T**AXPAYER dollars can be wasted in an infinite number of ways by government departments.

But the justification is almost always the same. "We adhered to procurement guidelines. The department strives to achieve value for money."

It's the standard response, general enough so they can't be nailed down, and completely Orwellian. In their minds, just speaking the words somehow makes them true. The analysis of raw data for

or to go through a select tender process. These last two options are only supposed to be used in exceptional circumstances.

Direct sourcing, for example, can be used in times of "extreme urgency" or when the goods required are so specific that there are no reasonable alternative suppliers or when no submissions were received for an open tender.

Direct sourcing is, or should be, the exception.

But since November, 2007, a total of 39 per cent of all purchases

regained power in late 2007.

The Department of Broadband, Communications and the Digital Economy and the Department of Education, Employment and Workplace Relations are both at the better end of the list with more than 70 per cent of their purchases made on the open market.

In the bottom half of the list are Australia's biggest spenders, the Department of Defence and the Defence Materiel Organisation.

Some agencies at the bottom of

Extract from article in the *Sunday Canberra Times*, 3 April 2011



## Public DCP

# DEFENCE INDUSTRY INNOVATION BOARD

- Provision of high level advice on Defence industry programs to the Federal Government.
- First task of the Defence Industry Innovation Board is to develop Guidelines for the new PIC Innovation Program, as advised by Minister Clare.
  - \$44.9 million program will provide funding, particularly to SMEs, to develop innovative products that contribute to our PIC goals.
- First meeting in March 2011. Second meeting held on Monday (27 June).
- The Board has representatives from primes, small and medium enterprises, industry associations and Defence.
- Linkages with CDAF, DFCTC, DIST, DIIC

# WORKING WITH INDUSTRY

- Marketing campaign plans for Australian defence industry to access potential export markets in India, SE Asia and the Middle East have been developed in consultation with the Defence Export Support Forum, which consists of State and Federal Government agencies involved in exports
- Recent significant exports - Marathon Robotics (Training Robots to US Marines), KORD Technologies (Rifle Input Control to US via Comparative Test Office) Broens Engineering (Loading equipment to UAE Air Force)
- Some 500 defence SMEs have been assisted to improve their productivity and competitiveness by the Defence Industry Innovation Centre funded through the DMO's Industry Skilling Program Enhancement package
- School Pathway programs have been established in conjunction with Education Departments in WA, SA and NSW
- Global Supply Chain Deals signed with Eurocopter/Australian Aerospace and with Lockheed Martin, joining Boeing, Thales & Raytheon. This program has now returned approx \$300m to Australian companies
- International Material Cooperation is working on the development of the internal policy and procedures to enable implementation of the Defence Trade Cooperation Treaty with the US.

# WORKING WITH INDUSTRY

## Business Access Offices

- Provide a local link for businesses, State Governments and Industry Organisations to learn about doing business with Defence.
- Offices in most Australian capital cities except for Tasmania and Canberra.
- Provide a source of industry intelligence for Defence and DMO leadership.
- Assist with implementing selected industry policies programs.

# THE AUS-US DEFENCE TRADE COOPERATION TREATY

- Implementation processes proceeding in both US and AUS
- Draft legislative package being developed for AUS Government consideration
- Department conducting consultation on legislation and associated regulations
- Ability to operate in licence free environment has significant schedule advantages and should provide increased opportunities for AUS companies in US defence marketplace.
- Remain engaged and consider using the Treaty for your project or sustainment activity

# SOME CHALLENGES FACING COMMERCIAL GROUP

- Early input and engagement into acquisition strategy development (ASIS)
- Australian Industry Capability (AIC) Program – how can we do better at creating opportunities for Australian industry
- Priority Industry Capabilities (PIC) – working hard to refine, articulate and understand implications of PICs including health checks
- Increasing commercial acumen in how we deal with contractors
- Update by the Department of Finance & Deregulation’s Commonwealth Procurement Guidelines Review – to be known as “Commonwealth Procurement Rules”
- Better engagement with industry throughout the procurement lifecycle, particularly during requirements development