

# Improving Defence and Industry Relations

## An industry perspective

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# Overview

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- Recent DMO/Industry initiatives
- What's working
- What could be improved
- Summary



# Recent Defence & Industry initiatives

- CEO Round Table
- Performance Based Contracting
- Professionalisation
- Cost Principles & Indexation
- Industry Forums
- AiG Working Groups



# What's working

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- **Focus on relationships** – Defence and industry working together (CEO Round Table, AiG Working Groups, CADG)
- **DMO PBC discussion papers** – industry views considered/reflected in iterations
- **DMO approach** to professionalisation
- **Global Supply Chain** initiative for Australian SMEs
- Defence and industry **engagement on Australia/US Treaty**



# What could be improved

## 1 Widen stakeholder engagement

- Industry, DMO, CDG and the end-user **working together** to define capability solutions, including sustainment options
- **Early engagement** through the Environmental Working Groups, input into future White Papers, clear understanding of industry skills required
- Better definition of risks and opportunities, setting **realistic budgets and timescales** with all stakeholders involved
- **Open and honest relationships** breed trust, a healthier environment for challenging each other and proposing innovative solutions
- **For its part industry must earn trust by doing what it says it will do, and continue to behave in an open, ethical and responsible manner.**



# What could be improved

## 2 Approach to SRP – Smart Sustainment Stream

- Take into account all the through-life costs of a procurement strategy (including internal Defence costs)
- Look at the end-to-end supply chain – challenge supplier and end-user established practices and processes to achieve efficiency savings
- Consider whether a longer term relationships with industry might drive better value for money in sustainment
- Don't be afraid to get industry, SPO and the end-user in the same room – much can be achieved
- **For its part industry must demonstrate to Defence how it is providing value for money.**



# What could be improved

## 3 Performance Based Contracting

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- Specify and measure outputs rather than inputs
- Don't over-specify, leave industry to innovate around how the inputs are achieved
- Set no more than 5-6 realistic KPIs focussed on the key outputs to drive optimum performance and the right behaviours
- Incentives – time to get these on the table
- **For its part industry must perform in order to remain the capability provider of choice.**



# What could be improved

## 4 Training in support of contracting reform

- Cost Principles, changes to Indexation, ASDEFCON updates etc have all been rolled out without a clear explanation of impacts
- Most of the changes will require DMO and industry personnel to do business differently
- If contracting reforms are underpinned by training changes are left to interpretation, this can create confusion e.g. 2.5% indexation
- DMO and industry share training today – e.g. Defence 101 – this could be broadened to cover PBC, ASDEFCON etc.
- **For its part industry should open its doors to Defence personnel on training.**



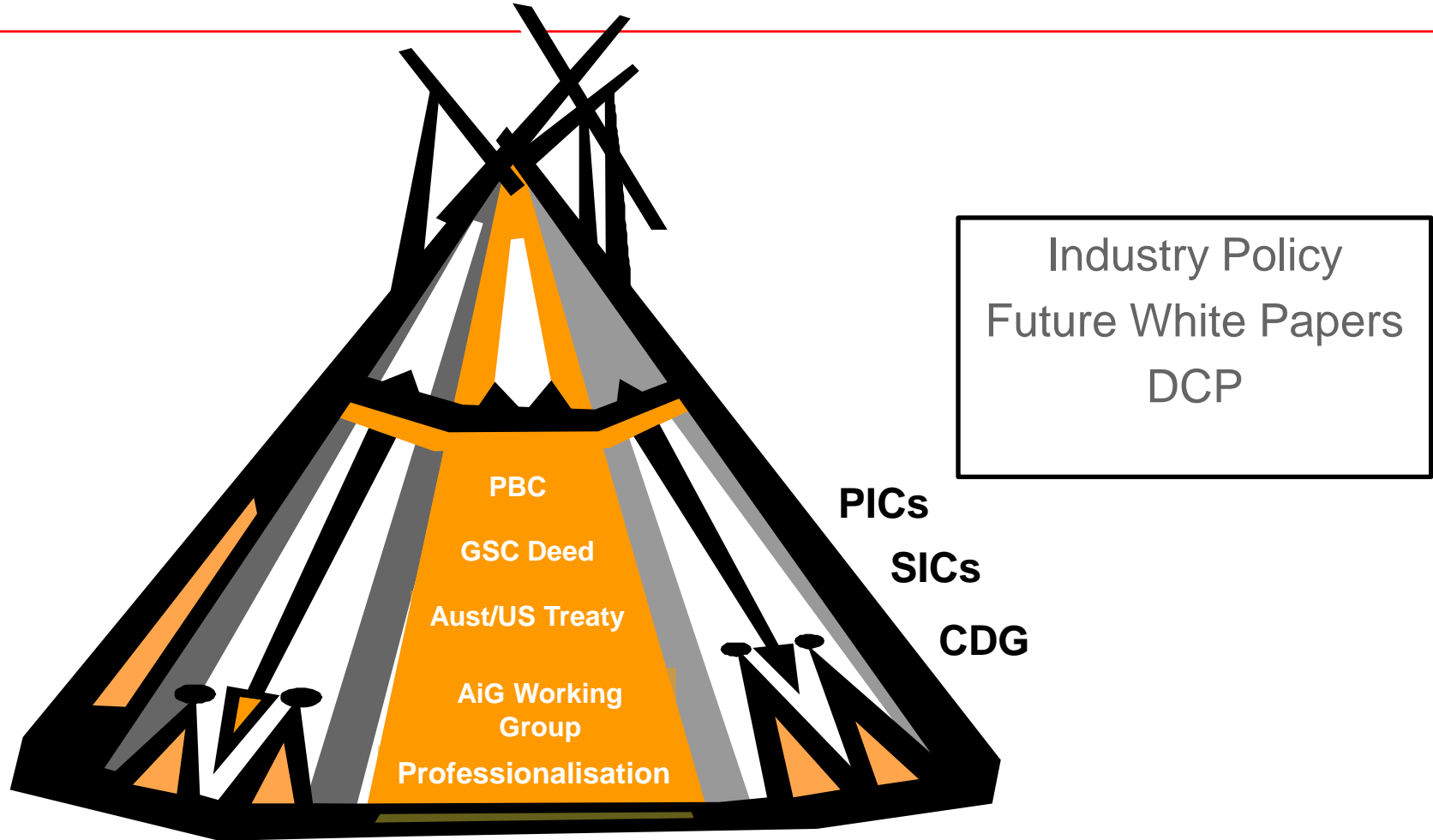
# Summary

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- Defence and industry continue to build on the things that are working
- Facilitate wider engagement with Defence stakeholders, particularly CDG
- Let's get SRP end-to-end and open the doors on working more closely together
- Keep Performance Based Contracting simple and get incentives on the table
- Ensure contracting reform is underpinned by a change management/training plan



# What's in and out of the 'tent'





**QUESTIONS?**