



Australian Defence Information and Electronic Systems Association

The capability to deliver capability

Baselining capability & costs,
improving business approaches,
increasing productivity, and
architecting the enterprise

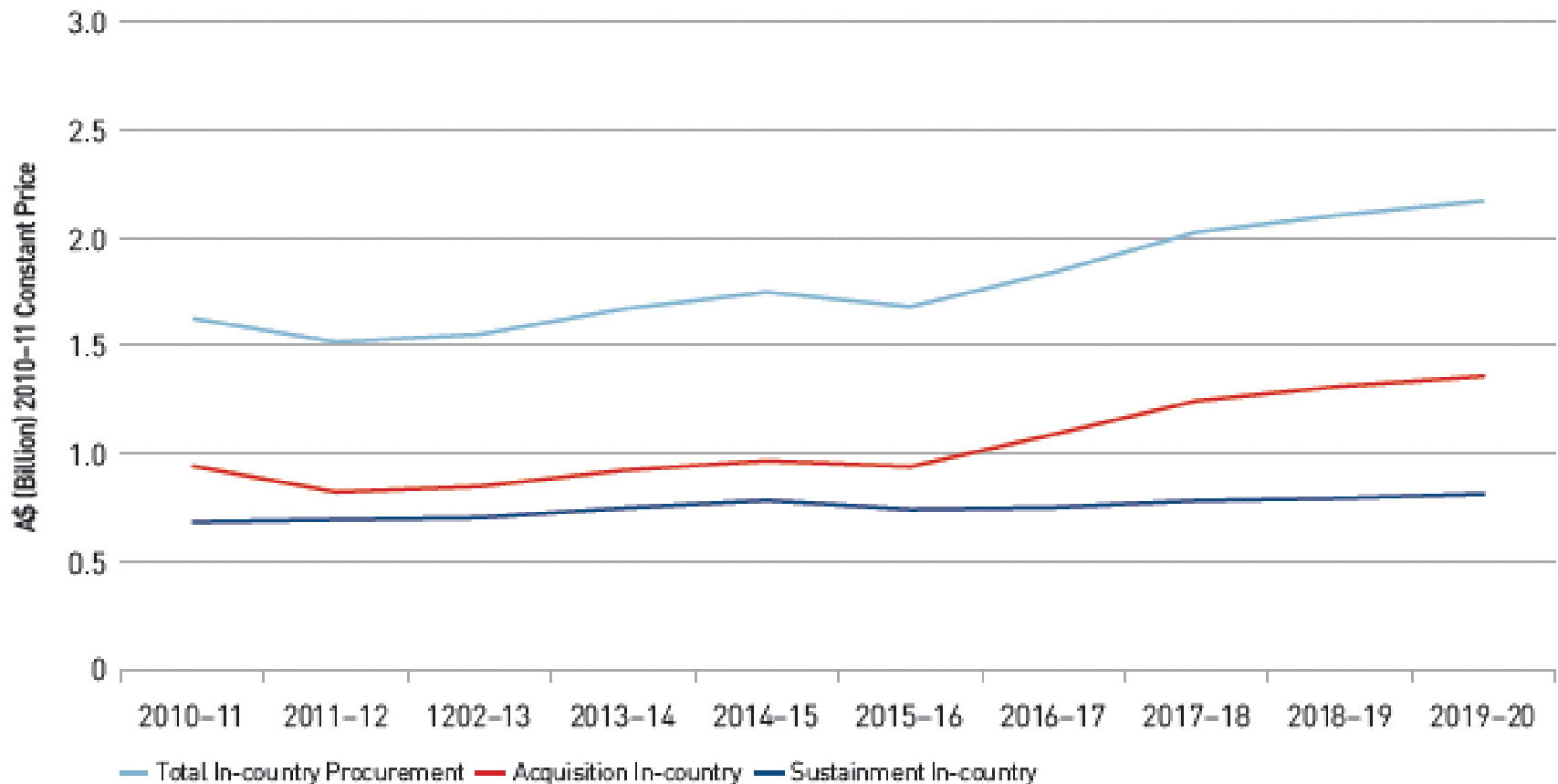
The electronics sector is undergoing fundamental change, requiring much tighter collaboration by everyone involved

- Defence is responding to the emerging challenges and is “changing the game”
 - Many of the fundamental changes are still emerging, and are not fully appreciated across the defence/industry continuum

- Four main initiatives worthy of mention:
 1. **Capability-led baselining:** what do we *really* need, how much, and by when
 2. **Business Improvement:** how can we do things better
 3. **Increasing productivity:** how can we meet the growing needs *and* be more efficient with resources?
 4. **Architecting the enterprise:** how do we plan and build the integrated future?

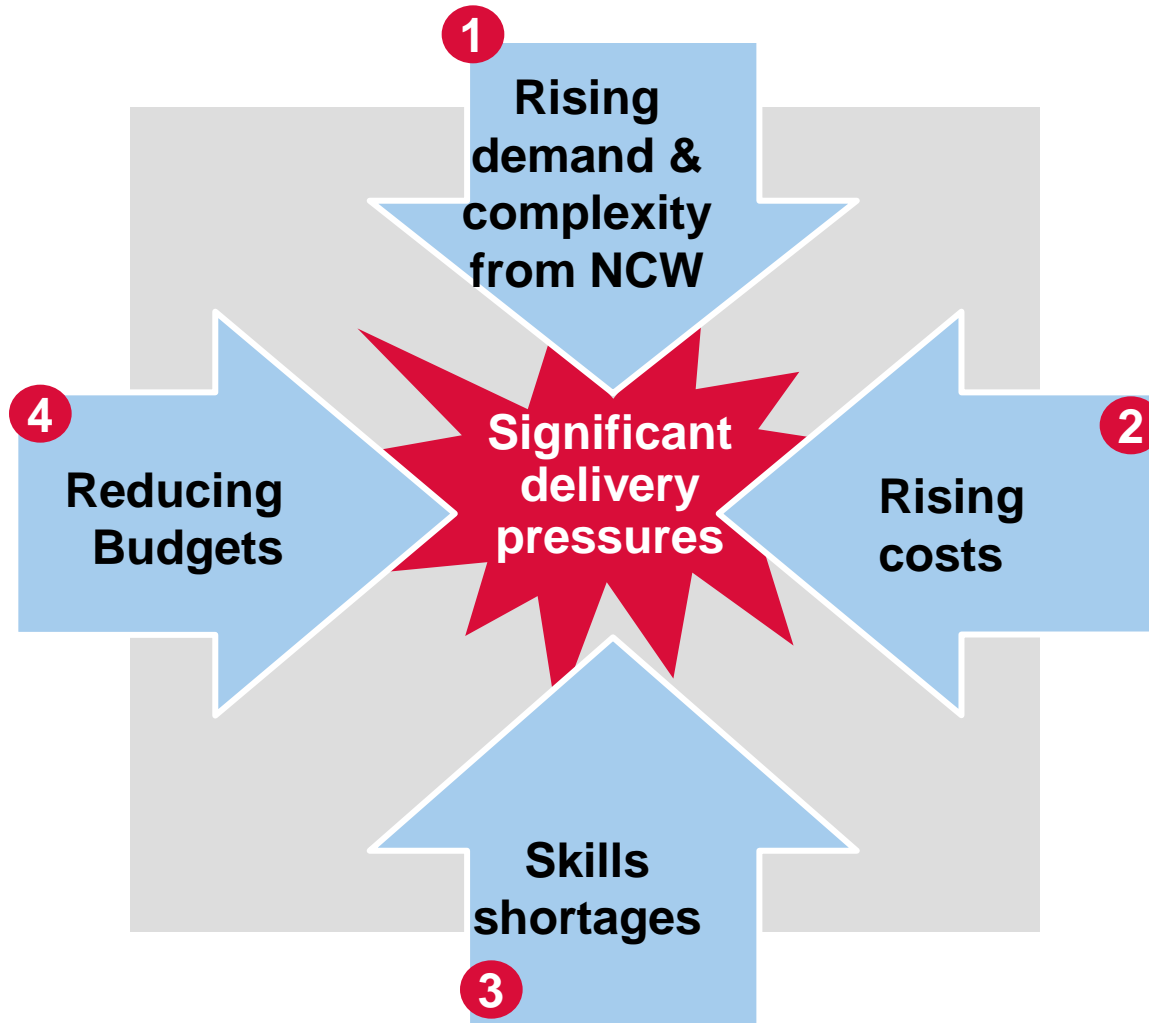
The Defence electronics sector is large and strategically important: \$1.5-2.2 bn p.a. in country, with multiple PICs and SICs

Chart 6: In-Country Expenditure within the Electronics Sector



Source: Defence Capability Plan December 2010 update

Acquisition and sustainment of ICT and electronic systems is facing significant delivery pressures over the next decade



Are defence & industry investing sufficiently in building the higher-order system of system integration capabilities that will be needed?

The integration challenges are increasing

- With the current approaches, it is difficult to:
 - ‘see the whole picture’
 - clearly define responsibilities
 - assess the combined view across acquisition and sustainment
 - trace preparedness requirements to levels of demand for individual products & systems
 - aggregate performance reports to assess overall health across related activities
 - identify and manage ‘program’ level risks
 - manage system integration to ensure everything connects as required
 - understand who has authority to decide priorities/tradeoffs
 - manage changes to capability, schedule, scope, keep everyone up to date, and communicate changes to everyone that needs to know (especially industry)

There has been significant capability and cost baselining across Defence, to truly understand capability, demand, and costs

Key Questions

- Where has the money been going?
- Where is the money going to go over the next 5 years, and does this make sense?
- What are the capability demands?
- Are our people only doing things that matter?
- Where are the opportunities to achieve the agreed capability demands using less resources?



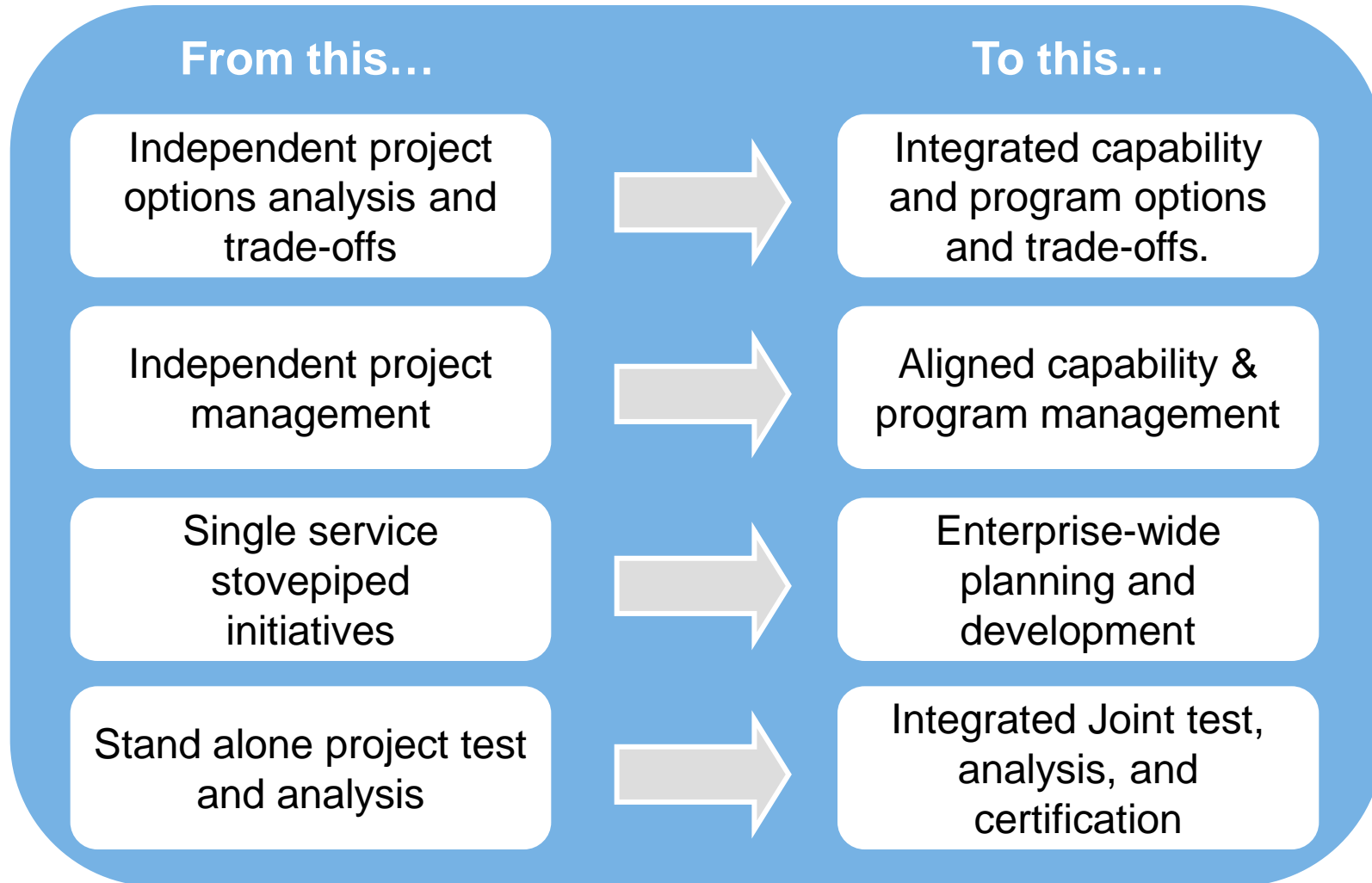
Baseline analysis

- Capability baseline
 - Who uses this capability?
 - What are their needs?
 - What missions/roles?
 - What are the levels of demand?
 - How well does it perform?
 - What options are there to reduce spend without impacting capability, quality, safety?
- Cost baseline
 - What are the major cost drivers?
 - How achievable are target reductions given capability demands and projected budgets?

Business Improvements are being assessed across the value chain, and lifecycle, with deep dives around a consistent set of themes

Theme	Analysis
Fleet Composition	Detailed capability baselining – mission, demands, technologies, age
Demand Management	Spend analysis Product usage trends / capacity utilisation Customer interviews
Strategic Sourcing	Spend analysis - by product / service and vendor Vendor interviews
Inventory Management	Inventory levels, Inventory turns, # stockouts Storage costs
Maintenance & Servicing	Maintenance and service schedules Root cause analysis of breakdowns
Discretionary Spend	Discretionary spending breakdown

The benefits of a programmatic approach are starting to take hold across projects, architectures, and delivery



What is Defence Industry doing... a lot, via ADIESA

www.adiesa.org.au

- Achieve ***close alignment*** and ***robust information exchange*** between Defence & industry.
- Give ***balanced industry advice to Defence*** on issues across the lifecycle.
- ***Increase involvement of industry in Capability Development*** to enhance Defence capability and reduce risks associated with system implementation.
- Provide ***industry input to the development of Defence policy***
- Enhance industry focus on Defence requirements and the ***formation of industry-to-industry and industry-to-Defence alliances***
- Satisfy the ***information capability objectives of the Capability Development Advisory Forum.***
- ***Promote an internationally competitive Australian defence information and electronic systems industry.***