

Commercial Reforms

(Contracting and Procurement)

Mr Harry Dunstall
General Manager Commercial

Key Message

- DMO is undertaking initiatives in conjunction with industry to improve Defence's commercial approach
- Focus on:
 - Simplification
 - Standardisation
 - Professionalisation
- To improve the conduct and outcome of procurement processes
- Commercial Group is actively working with areas across Defence and Industry to improve policy, operational guidance (including tendering and contracting templates), training and e-systems to improve and streamline procurement and commercial approach.

The Broader Context

- Department of Finance and Deregulation proposing significant changes to the Commonwealth financial and procurement framework
- Other Commonwealth agencies procurement-connected policies must be complied with by Defence
- Issues will have major impact on Defence procurement
- Commercial Group is working to influence proposed changes to ensure practical implementation approaches and to minimise the impact on Defence and industry.



Some Reform Initiatives

- DMO and industry have consulted on a number of initiatives – for example:
 - Cost of tendering to look at the cost drivers in Defence tendering and to consider ways to reduce the resource burden on tenderers through eliminating excessive data requirements in the tender request documents
- Agreed cost principles (those costs that are allowable for recovery by Defence contractors under Defence contracts)
- DMO / industry engagement on liability and intellectual property
- Approved Contractor Insurance Program

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Procurement lifecycle

- Develop Request Documentation
 - Better Practice Guidance (TBD) and internal centre of excellence to provide guidance on contract insurance to procurement teams
- Tender Evaluation
 - Approved Contractors' insurance program – no TDR response
 - Project-specific insurances – TDR response to be submitted
- Contract Negotiations
 - Procurement team request ACIP Compliance Assurance Report
- Contract Management
 - Procurement team rely on ACIP Compliance Assurance Report

Further Reform Initiatives

- Focus has been on improving performance of tender processes and outcomes through the development of new and updated procurement policy, tools and templates, and training.
- Initiatives include:
 - Enhanced guidance on conducting tender evaluations including release of simple procurement evaluation guide;
 - New range of templates across the procurement risk profile spectrum
 - Suite of Defence Materiel Instructions (Procurement) which provide standard mandatory approach to activities across the procurement lifecycle – simplification and standardisation approach
 - Acquisition and Support Implementation Strategy (ASIS)

Contracting Templates

- New support templates including ASDEFCON (Support) Version 3 that focuses on Productivity and Performance Based Contracting which was developed after extensive industry consultation
- ASDEFCON (Support Short) is being developed for less complex support contracting arrangements
- Enhanced training and guidance materials on the appropriate template selection and tailoring of templates to suit the scale, scope, complexity and risk of specific procurements
- Contract Template Selection and Tailoring Guide was released on 1 December 2010 to provide additional guidance on selecting the right template.

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

Workforce Professionalisation

- Professionalisation of the contracting and procurement workforce: updated vocational procurement courses across Australia
- Memorandum of Understandings signed with two professional bodies:
 - Chartered Institute of Purchasing and Supply Australasia (CIPSA)



Signing of MOU with CIPSA

- Australian Association of Procurement and Contract Management (AAPCM)
- Graduate Certificate/Graduate Diploma/Masters of Strategic Procurement courses across Australia