

Additional questions – AMSA

1. The Department of Finance (Finance) provides advice, support, and services to assist Commonwealth entities when conducting procurement processes.

a. To what extent does your Department make use of any resources provided by Finance during the procurement process?

- AMSA uses the Commonwealth Procurement Rules, Procurement Process Considerations and the Australian Government Contract Management Guide provided by Finance. During procurement for the Search and Rescue (SAR) service, AMSA completed the Finance Risk Assessment Potential Tool and worked with Finance through scrutiny of the New Policy Proposal.

b. Has your Department sought or received any feedback at any stage from Finance on your procurement practices?

- No specific feedback was sought or received from Finance on the SAR contract.
- AMSA refers to the comprehensive on-line guidance provided by Finance, including the Clause bank where appropriate.
- AMSA also contacts the Finance team responsible for AusTender for guidance on technical matters relating to the use of AusTender.

c. What information or data have you provided Finance about procurement processes conducted by your Department?

- None directly to Finance.
- AMSA provides procurement information through Murray Motion Reporting and AusTender – which Finance has access to.

d. What support has your Department received from Finance in implementing the Auditor-General's recommendations?

- None - AMSA did not have any recommendations from the audit.

e. Does the Department have any suggestions for additional resources that Finance could provide to better assist with procurement processes, or with developing procurement skills and capability more broadly?

- No. The Finance website procurement pages provide comprehensive guidance.

2. The AMSA audit report noted that 'In preparation for the end of the previous contract [signed with AeroRescue in 2005], commencing in November 2011 AMSA undertook market testing', followed by further industry consultation in early 2013, and a request for tender issued in August 2013. The contract with Cobham was signed in October 2014, with services to commence in 2016. The previous contract 'ceased in a phased manner between August 2016 and February 2017' (AMSA report, paras 1.5–1.7, p. 13). a. Can AMSA outline the importance of testing and going to market early in the contract planning phase?

- AMSA started work to define its capability requirements in early 2011, with the service expected to commence in 2016. This was informed by a "market sounding" in which industry was invited to review and comment on an operational concept document. Feedback from subsequent written and oral submissions fed into the request for tender. In early 2013, AMSA updated industry and gave warning that the tender was expected later that year. High level requirements were shared with industry at that time, and additional comments sought. Responses were used to further refine the market approach. A contract for the service was signed in 2014.
- The lead time was informed by AMSA's previous experience of tendering for this type of service, plus feedback from the market concerning the time they need between contract signature and service commencement. The market feedback enabled AMSA to draft an outcome focussed approach to market, confident that viable solutions were going to be put forward by industry. The market was clear on the data needed for them to determine the best solution to the capability requirement. In addition, AMSA gained enough knowledge through the market sounding to model likely aircraft and crewing solutions and calculate an accurate pre-tender estimate of potential contract cost.

b. To what extent has going to market 4 years before the expiry of the contract enabled AMSA to adequately prepare for the transition of the old contract and make arrangements for the management the new contract?

- The lead time allowed AMSA to understand the transition risks and ensure it had mitigation measures in place should the old contract end unexpectedly early, or the new contract start late. The old contract was phased out with staggered closure of bases as the new contract stood up. This proved invaluable when the new contractor was delayed, and ensured capability remained available from the old provider. AMSA also used this time to develop and resource its contract management plan.

3. The AMSA audit found that 'AMSA's contract managers are experienced and have received appropriate training'. Can AMSA outline what training AMSA contract managers are required to undertake, and how it maintains procurement capability across the organisation?

- For large contacts, AMSA recruits experienced contract managers.
- General staff awareness of basic procurement and contract management requirements is maintained through access to a simple 10-minute online training video which highlights some common issues, and 'dos and don'ts'.
- The Senior Advisor Procurement delivers targeted internal training, including contract management practices.
- A comprehensive Contract Management 'toolbox' is available through the Procurement intranet site that includes:

- comprehensive guidelines
- Contract management plan templates
- Contract manager responsibilities
- Assessing the appropriate level of contract management
- Sample risks and risk treatments

4. Can AMSA comment on the KPIs included in the Search and Rescue contract, and how they have been developed

- AMSA recognised that its key goal was to have aircraft available for tasking at short notice, and the bulk of the KPI activity is to motivate the contractor in having the aircraft, systems, and crew available in accordance with the contract. This KPI also drives the contractor to recruit sufficient crew to deliver a 24/7 service, and the sum at risk each month has generally proven sufficient. The KPI both penalises poor performance and provides an incentive for service delivery that exceeds the contract minimum requirements.
- A further KPI measures whether the contracted response times are achieved after the base has been tasked by AMSA.
- The KPIs were developed based on AMSA's experience from other contracts, and from analysis of the cost structure the contractor was likely to have. This allowed AMSA to target the KPIs to areas where the contractor may need the greatest motivation to deliver the service.