

RESPONSE TO INTERIM REPORT OF INQUIRY INTO DEFENCE PROCUREMENT - J F DE WET

I thank you for the Preliminary Senate Committee Report dealing with Procurement procedures for Defence capital projects dated December 2011.

Whilst the Committee is to be commended on identifying some of the more serious issues associated with Defence Procurement problems in the Preliminary Report, it is difficult to respond in detail on all the matters identified, but allow me to comment as follows about some of the matters raised in the report:

1. Reference is made to past Reviews of and Reports into the problems surrounding Defence Procurement and the obvious question begs itself - why the necessity to conduct these multiple inquiries and why in such relatively short succession? Has the lack of responsibility and accountability for executing the agreed reforms perhaps contributed to this state of affairs and why has no-one been held responsible for failing to fully implementing the required reforms timeously?
2. The complexity of Defence projects is one of the reasons offered to explain many of the procurement failures and projects with poor outcomes. This should not be a major or only reason for the problems, delays and slippages in many of the Defence procurement projects. Few will argue that many of the Defence procurement projects are indeed challenging and complex, but then so are multi-billion dollar non-Defence projects which are successfully delivered. Many of these projects have complex and demanding project management requirements at least equal to Defence projects and in certain instances, significantly more demanding requirements, yet are not affected to the same extent by delays, performance shortfalls and cost overruns seen in Defence Procurement and the question that needs to be asked is "Why?" One part of the answer is that in the large non-Defence projects, corporations and large companies do not embark on major projects without employing the very best people they can lay their hands on, in the numbers required, with the necessary skills and experience in the relevant disciplines. Perhaps this is a good place to start looking at why so many Defence Projects have failed.
3. The Capability function needs a complete overhaul and restructuring- it does not appear to fulfill its intended role and from the material provided to the Inquiry so far it is virtually impossible to clearly determine the actual process (and accountability) for providing Australian soldiers timeously with the required capabilities.
4. The Capability Development Program can be put to better use than it currently is and the following questions need to be asked in respect of the CTD programme for instance:
 - a. How many CTD projects have been funded from inception of this programme?

- b. How many projects per sector, Land, Sea and Air have been funded to date? With most of the ADF current combat involvement in land operations in Afghanistan it would be reasonable to assume that a large part of the CTD funding would be aimed at I.E.D. protection measures and vehicles - do the CTD programme results support this?
 - c. How many projects per company or organization were funded and the total amounts granted to the successful companies and organizations?
 - d. How many of these projects have actually gone into service as new capabilities within the ADF (excluding those selected for ongoing funding) - CTD projects that have actually gone into production and service with the ADF. This is the real test of the success rate of this programme.
 - e. What amount of CTD funding has gone to DSTO via the CTD programme. DSTO has its own budget and should ideally finance its research for approved projects from its own budget.
 - f. What is the average time from submission of a CTD proposal to eventual entry into service for those projects that finally went into service with the ADF. The CTD programme should be a "fleet-footed" programme that allows Defence to quickly identify useful new technologies and capabilities and put these into service without delay. If CTD projects are taking years from submission to entry into service then the CTD programme is not functioning optimally.
5. What impact does Ministerial intervention/interference/meddling have on major project decisions and how does that affect the eventual outcomes? For example, it is on the public record that in December 2001 the Minister for Defence at the time overruled the Defence Capability and Investment Committee (DCIC) recommendation that the Bushmaster Project be terminated which raises the following questions:
- a. on which basis did the Minister and the DCIC made their totally opposite decisions?
 - b. who bears ultimate responsibility for Capability decisions?
6. Defence procurement should be made more transparent (and accountable) with results/performance against evaluation and decision criteria made available to competing companies after a decision has been made without identifying individual competitors and their products.
7. To further enhance transparency and accountability, there should be a review/appeal mechanism in place where companies can appeal a procurement decision to an independent Procurement Appeal Board (PAB) comprised of suitably skilled and experienced civilian and former military personnel who:
- a. should have access to all documentation from DMO/ADF in respect of the acquisition decision they have made.
 - b. are allowed to contract independent external experts as required to assist with the review.
 - c. the PAB must complete its review within a set time limit to avoid delaying projects unnecessarily.

- d. the findings of the PAB must be made public unless national security considerations dictate otherwise and if security consideration are indeed a consideration, then the reasons for invoking them should be provided.
 - e. the findings of the PAB review process should be final and binding and conclude the acquisition decision process.
- 8. Overall project performance must be tracked and recorded from commencement and not from re-baselining, specifications changes, requirement modification or performance adjustment and any changes and the implications from project commencement should be clearly detailed and recorded and be subject to Parliamentary review.
- 9. There needs to be a fully documented (and regularly updated) accountability chain for each and every project to avoid what has been happening where no-one seems to be accountable when projects go wrong.
- 10. DMO does not appear to have sufficient suitably trained and experienced personnel for the job it is required to do and this is a very serious matter that needs to be addressed without delay. In this context, the Committee may wish to ask DMO to provide it with the qualifications and experience of its personnel that have been involved in deciding and managing Land projects over the past 5 years. A specific question to DMO could be how many of the DMO personnel have actually designed and built armoured and/or protected vehicles.
- 11. The senior management structure of DMO needs a more balanced mix of people with actual Defence industry background and commercial experience to get better project outcomes.
- 12. There should be a bi-annual Parliamentary review of all the major Defence projects at which the CDF, CEO of DMO and the Minister report back to Parliament on the major projects, the projects of concern and the measures being taken to address developing problems.
- 13. The Defence Media department should be provided with accurate (warts and all) project information to avoid allegations of "spin" when media releases dealing with problem projects are put out. This will contribute to improving overall transparency and accountability in the acquisition process.
- 14. DMO's voluminous tender documentation must (and can be simplified) to give local industry a real chance of participating in Defence business. Currently SME's are almost totally at the mercy of the few big Defence corporations who virtually dictate terms to the SME's on a "take it or leave it" basis with SME's fearful of confronting the large Corporations in case they get shut out of the business.
- 15. If the Federal Government is indeed serious about supporting and stimulating local manufacture, then DMO's approach to local manufacture needs to change dramatically to allow SME's a real opportunity of obtaining a greater slice of the Defence manufacturing work, starting with simplifying the unnecessarily complicated paperwork associated with DMO tenders and requirements which SME's simply do not have the resources to comply with.
- 16. Defence and DMO need to get more professional in the way they manage projects and must not hesitate to remove and replace (or urgently re-train) underperforming personnel.

17. If Defence Corporations and private contractors have failed in their obligations or undertakings they should be held to account, in Parliament if need be, and similarly Defence, Capability and DMO should also be held to account if they on their part have failed in their undertakings and commitments. It is taxpayer money that is involved after all..
18. The Minister for Defence, DMO and Defence's poor record of frequently failing to meet project announcement undertakings or decision dates needs to change. How can contractors and DMO personnel ever be held accountable when the Minister, DMO management and Defence set a bad example by continually failing to meet their own decision and announcement dates?

There can be no doubt that the ADF/CAPABILITY/DMO/THROUGH LIFE SUPPORT model in its current form has failed and without major restructuring, streamlining and reform of the acquisition mechanism and process with a far greater focus on early (and more professional) Capability requirement identification, faster decision making process, urgent improvement in the skills and experience base and significantly improved accountability it is unlikely there will be any improvement in the acquisition process.

What is required now to address the problem plagued Defence Procurement process is not another study or review, but rather concrete steps (with the political will) to address the problems surrounding Defence Procurement head on, once and for all, through appropriate restructuring and reform with increased accountability across every level of the process - Australia expects and deserves better.

Yours faithfully,

J F (Koos) de Wet