

Senate Standing Committee on Foreign Affairs, Defence and Trade

Parliamentary inquiry – Inquiry into the Impact of Defence Activities and Training Areas on Rural and Regional Communities

ANSWER TO QUESTION SENT THROUGH IN ADVANCE OF PUBLIC HEARING

Department of Defence

Topic: SSCFADT – Questions in advance of public hearing on Impact of Defence training activities and facilities on rural and regional communities – 1.10 - The Committee

Question reference number: 1.10

Date set by the committee for the return of answer: 19 March 2018

Question:

During the committee's inquiry, SMEs noted the complexity of the procurement system and in particular the detailed documentation required by Defence when tendering for contracts. Defence advised that following the First Principles Review, a 'slimmed down' version of the Defence procurement manual has been issued.

- The committee recognises that some simplifications to the procurement process have been made. Are there plans to further simplify processes?
- What could Defence and Tier 1 contractors do to make it less onerous for SMEs to tender for Defence contracts?

Answer:

Defence has made good progress streamlining and simplifying procurement processes. The following initiatives are underway to further simplify the procurement process while reducing the cost of tendering and contract administration:

- An ongoing Commercial Reform Program with elements aimed at reducing transaction costs and improving the tendering process for Defence and industry. Through:
 - reducing the length and complexity of the tender process and tender information requirements.
 - balancing the commercial risk allocation in contracting templates.
 - simplifying technical data and intellectual property provisions and processes.
 - enhancing tender engagement, evaluation and negotiation outcomes.
 - implementing Smart Buyer through:
 - designing commercial arrangements that are commensurate with the scale, scope and risk of the activity,
 - access to industry specialist support; and
 - early industry engagement.

- Using the Department of Finance Commonwealth Contracting Suite (CCS) for low risk procurements valued up to \$1 million. The CCS templates feature simplified documentation that standardises core terms and conditions across the Commonwealth and reduce the cost of tendering for SMEs.
- Working with the Department of Finance to implement a whole of government approach to dynamic sourcing for panels. This will streamline and enhance the visibility and useability of Commonwealth panels, in addition to simplifying procurement processes.
- Replacing the Capability and Sustainment Support Services panel with the Defence Support Services panel. Development of the new panel involved significant consultation with industry and will provide SMEs simpler and more streamlined access to Defence business opportunities.
- Developing a Defence Indigenous Procurement Strategy to enhance engagement and maximise the number of contracts with Indigenous business by raising awareness of procurement opportunities.

Defence regularly engages with industry, including SMEs and subcontractors through a range of fora on a range of procurement and contracting issues. Defence has a range of initiatives targeting SME engagement including:

- An ongoing Commercial Reform Program with elements aimed at streamlining and reducing the cost of tendering for Defence and industry.
- Using the Department of Finance Commonwealth Contracting Suite for low risk procurements valued up to \$1 million.
- Conducting industry briefings on procurement activities to provide background information and details of Defence's requirements and the tendering process.
- Engaging with SMEs and subcontractors through fora such as the Australian Industry Group Contracting Working Group, the Australian Defence Industry Procurement Group and through events such as Defence and Industry Conference. This ensures Defence understands SME and subcontractor related issues.
- Having a range of contracting templates so that commercial arrangements can be designed based on the scale, scope and risk of the activity.
- Working with Department of Finance to implement a whole of government approach to dynamic sourcing for panels. This will streamline and enhance the visibility and useability of Commonwealth panels and simplify procurement processes.
- Establishment of the CDIC to provide a focal point and an entry point to Australian industry, particularly SMEs, into Defence. The CDIC provides advice, assistance, and grants to eligible businesses to be better positioned to support Defence. The CDIC is a \$23 million per year initiative that businesses across Australia can access.
- Strengthen the AIC Program that applies to major capital equipment procurements of \$20 million and above with tenderers now required to more explicitly demonstrate how they have maximised consideration of Australian industry as part of their proposed capability solution and what value add work is proposed to be undertaken in Australia. The AIC Program is the most significant lever for promoting Australian industry capability development, employment, innovation, and upskilling.

- Developing the first Defence Industrial Capability Plan for Government release in 2018 that will provide the Government's objectives for the growth of Australian defence industry over the next decade and how those objectives will be delivered through a systematic approach to Australian defence industry development.
- Releasing the Defence Export Strategy on 29 January which is focused on providing strong support to increase defence exports and maintain and grow employment in the defence industry sector. The Strategy includes \$4.1 million in additional funding specifically to support Australian businesses to increase their export competitiveness and a number of other initiatives aimed at delivering better defence export outcomes particularly for SMEs, including sustaining and expanding the Global Supply Chain Program that provides valuable opportunities for SMEs to receive mentoring and support from participating Tier 1s to compete for work in their international supply chains.
- Developing a Defence Industry Participation Policy to provide a more consistent approach to maximising Australian and local industry involvement in Defence procurement of \$4 million and above. The Policy will be released in 2018 and be informed by the pilots being conducted in the six major capital facilities projects.
- Establishing the Defence Innovation Hub to provide a mechanism for SMEs to propose ideas and collaborate in the development of innovative technology relevant to Defence capability. The Next Generation Technologies Fund also includes a range of opportunities for SMEs, including the Small Business Exploratory Research Program.
- The Government launch of the first ever Defence Industry Information Campaign aimed at raising awareness within the Australian defence industry and the opportunities, particularly for SMEs, as a result of the Government's investment in defence capability. The first phase of the Campaign launched in November 2017 and included a television commercial and information across a range of media platforms. The second phase launched on 22 February 2018 and is specifically targeting SMEs and younger Australians. The Campaign landing page is at www.defenceindustry.gov.au. The landing page provides a range of information to SMEs about opportunities to support Defence.