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Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via Email: Economics.Sen@aph.gov.au

In response to a Question on Notice at the Public Hearing on Friday 14 August 2020 we provide the attached.

Kind regards



Kate Louis
Head of Industry Development
Executive Director Ai Group Defence Council

Answer to Question on Notice
Hansard transcript – Page 26

Ms Louis: Yes. Thank you for the question. I had understood that the Department of Finance and the Department of Defence had been looking—and I had certainly been briefed—at value for money. I haven't had a chance to look at the details yet. But I am looking forward to that because, as you're suggesting, it is really going to underpin the way Defence procurement and tenders are reviewed. So, it is very important indeed.

Senator PRATT: I am interested in any feedback, on notice, once you've had a chance to look at it. They put it out but I don't know whether it would match—because you haven't seen it yet—your feedback—does it match what you wanted? Or would it have been better if you had been consulted on it?

Answer:

Ai Group welcomes the Government's focus on helping to build local Defence industry capability through a package of reforms, including the recent update to the guidance "Consideration of Broader Economic Benefits in Procurement" that support the Commonwealth Procurement Rules.

We understand the updated guidance includes a range of valuable amendments:

- An explicit statement in relation to 'the importance of considering the economic benefit of procurements to the Australian economy'.
- A note that the assessment will require officials to gather appropriate information on economic benefits as part of the decision making process and document how economic benefit has been considered as part of the overall value for money assessment.
- A reference to enhancing key industry sectors through the Department of Defence's Sovereign Industrial Capability Priorities.

Ai Group also welcomes the additional clarity being provided to procuring officials in the tendering process including a checklist of key steps for officials considering the economic benefit of a procurement.

In evaluating a tender response relating to procuring a Defence capability that is expected to exceed \$4 million, the updated guidance also usefully provides an example of the economic benefit considerations that could be included.

We note that in the Ai Group submission to the Senate inquiry into Sovereign Naval Shipbuilding, we stated the importance of clarifying and expanding the current definition of value for money, and our views on that approach still stand. We noted the importance of including additional consideration in the context of Defence industry evaluations such as:

- Sustainment costs,
- Sustainment time critical capability,
- Technical evolution capability versus creating technical orphans,
- Skills created which can benefit Australia's overall complex project needs beyond Defence,
- Development of advanced technology exports, and
- Facilitation of long-term investment by companies in the technology areas covered by AIC and sovereign priorities.

In relation to consultation processes, we are of the view that providing industry appropriate and timely consultation on defence industry issues leads to improved relationships, a strengthened partnership between Defence and industry and better outcomes that benefit both Defence and industry. The Ai Group Defence Council convenes three Working Groups with industry and Defence members that provide an ideal opportunity to work together and consult on industry matters with appropriate inclusion of probity issues. The Working Groups are: Commercial, Contracting and Ethics; Security Working Group and Exports.