



Australian Government
Department of Defence

Mr Simon Lewis
Acting Secretary

SEC/OUT/2011/443

Senator Ursula Stephens
Chair
Senate Foreign Affairs, Defence and Trade
Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Stephens

I write to correct a response to a question on notice from the Supplementary Budget Estimates hearing held on 19 October 2010.

On 21 February 2011, Defence responded to written question number W29 regarding Defence clothing contracts, asked by Senator Johnston. In the response to part (h) of the question, which referred to an extreme cold weather underwear contract, Defence stated that the contract had been awarded to Wilderness Wear Australia Pty Ltd.

Defence has recently become aware that the incorrect company was named as the successful contractor in the response.

A response correcting the previous answer to part (h) is enclosed. The revised response names Walkabout Leisurewear Pty Ltd as the successful contractor.

I apologise for this error.

Yours sincerely

✓
Simon Lewis
9 December 2011

Enclosure:

1. Revised response to Question on Notice W29.

Defence Clothing Contracts

Senator Johnston

- (a) Why wasn't the contract relating to fabric for ADF uniforms which was awarded to ADA signed off by a more senior official than someone acting in the position of Director of Clothing Systems Program Office?**
- (b) Who overviewed and vetted this high risk contracting decision at this time, immediately prior to Christmas?**
- (c) Was the Chinese Fabric submitted for review fully compliant visually and aesthetically when compared to the existing Australian fabric?**
- (d) It would appear that the contract was awarded to ADA on the basis of best value for money due to the option for the Chinese fabric reducing the overall cost of the contract. As the Chinese fabric was not proven at the time the contract was signed, isn't it that the competing Australian garment manufacturer, who did not include an offshore made fabric in their tender submission, was significantly disadvantaged in the awarding of a contract on the basis of a fabric source that was unproven?**
- (e) I refer to the review of export contract of DPCU 8818, incorporating the near IR signature management technology that was announced by MINDEF on June 1 2010. Why has this review taken so long and, if completed, what was the outcome?**
- (f) When will the Lewincamp report be publicly released, if not why not? If this report has been completed?**
- (g) At the recent clothing SPO industry forum in Melbourne, concerns were raised by industry about the contracting and tender delays that are due to the Lewincamp report not being tabled and in turn policy decisions not being made. Will you release this report as a public document?**
- (h) I refer to the contract awarded for extreme cold weather underwear in December 2009. Why was this 5 year standing offer awarded on the basis of the fabric and the garments being made in China when an interim one off purchase, was awarded in September 2009 to an Australian garment maker using Australian fabric, with that purchase order being supplied on time and to the quality specification?**
- (i) I refer to the following equipment that Defence has indicated as being sourced from foreign suppliers. Which of the following products cannot be manufactured in Australia? Why has not Australian industry been awarded the contracts to supply this equipment?**
 - Italy: Cold Weather Boots (2003).**
 - Laos: Kumul Pattern Shirts and Trousers (2008), Jacket Cold Weather (2009), noting some quantities were also manufactured in Australia.**
 - Sir-Lanka: Broad Brim Hats (2009).**
 - UK: cold Weather Jackets (2002), Cold Weather Overalls (2002).**
 - US: Extreme Cold Weather Mittens (2006) and Socks (2005). Cold Weather Gloves (2006), Combat Boots (2004), Hot Weather Boots (2007).**
 - Vietnam: Coveralls (2010).**

- (j) As there is no answer to the question asked of Maj. General Cavanagh regarding the number of offshore supplier manufacturing facilities that have been *audited* over the past 5 years for quality control and work place compliance, I would request that an answer be supplied?**
- (k) On or around the 27th August 2010 Tender number CBT/CLOSPO/09/03 was awarded to a small Sydney based company for the supply of Army Cadet Uniforms (20,000 Coats and 20,000 Trousers).**
- (l) Has this contract been awarded to a company that is producing these uniforms offshore using Australian made fabric which has been supplied by DMO from their Bandiana warehouse?**
- (m) Has the camouflage fabric used near IR signature management properties and that the garment maker was not aware that an export permit was required for the transfer of that fabric to the offshore garment making facility.**
- (n) A Circular from the Director of the Clothing Systems Program Office was issued at the start of the Tender process where he indicated to prospective Tenderers of his concerns regarding the security issues associated with garments manufactured overseas. Were these security issues taken into full account prior to the awarding of the contract?**
- (o) When making the decision to award this contract to a contractor using offshore labour was made, were the working conditions that the garments are being manufactured under to achieve such a low price taken into full account so that Australian manufacturers are not placed at an unfair advantage?**

Response:

- (a) The contract relating to fabric for ADF uniforms which was awarded to Australian Defence Apparel (ADA), was signed off by the then Acting Director of Clothing Systems Program Office on 22 December 2009 as he held the appropriate delegation to sign a contract of this value.
- (b) The Director Clothing Systems Program Office oversaw the decision to enter into the contract. Overall, the procurement activity was assessed as low risk by the Tender Evaluation Board.
- (c) In conducting tender evaluations, offered solutions are compared against a specification, not directly against each other.

Neither the Chinese fabric nor the competing Australian manufactured fabric was fully compliant against the relevant specifications.

- (d) Neither ADA nor the competing Australian manufacturer offered fabric that was fully compliant against the relevant specifications. However, the Tender Evaluation Board assessed that these deficiencies were not so great as to prevent entering into contract with either tenderer. Nonetheless, the Defence Materiel Organisation (DMO) acknowledges that its evaluation process should have better assessed the potential risks associated with a new supplier of Disruptive Pattern Cloth and, if necessary, sought additional evidence from ADA to allay any risks that may have been identified.

(e) The former Minister for Defence advised the Foreign Affairs, Defence and Trade Legislation Committee at Estimates on 1 June 2010 that an internal investigation into the allegation of a breach of the Customs Act would be conducted. That review commenced on 11 June 2010 and was completed on 7 September 2010. The outcomes of the review relate closely to separate reviews underway within Defence, namely the Whalan Review of the Reporting of Defects with ADF Personal Equipment and Combat Clothing (announced by the then Minister for Defence, Senator Faulkner on 1 June 2010) and the Lewincamp Review of the Policy Framework for Clothing Procurement. Defence received all three reports and prepared responses to the recommendations they contain as a package. The Minister for Defence and the Minister for Defence Materiel have considered the reports and Defence's proposed responses. The Minister for Defence Materiel released the Whalan and Lewincamp reviews at the Land Warfare Conference on 19 November 2010. A statement about the review of the export control matter was released publicly on 22 December 2010, with the media release available at <http://www.defence.gov.au/media/DepartmentalTpl.cfm?CurrentId=11238>. In summary the investigation found evidence that a small sample fabric had been exported without the necessary permission. The Defence assessment is that approval for the export of the fabric sample would have been granted had it been sought. The Defence Export Control Office, in conjunction with the Defence Materiel Organisation, has initiated a targeted outreach program to raise awareness of Australia's export controls among companies who support Defence clothing and equipment programs.

(f) See answer to question (e).

(g) See answer to question (e).

(h) The purchase in September 2009 was made directly from Walkabout Leisurewear Pty Ltd, a known supplier, to meet an urgent operational requirement for one particular type of Extreme Cold Weather Undergarment while an open tender for the provision of 11 different types of Extreme Cold Weather and Cold Weather undergarments was being assessed.

Once the open tender was finalised, contracts were awarded to four Australian companies: Merino Country Unit Trust; Mont Adventure Equipment Pty Ltd; Wilderness Wear Australia Pty Ltd; and Platypus Outdoors Group Pty Ltd. The contracts were awarded on the basis of value for money in accordance with Commonwealth Procurement Guidelines and Defence procurement policies.

(i) DMO undertakes tender processes in accordance with Commonwealth Procurement Guidelines which require that property or services on offer must be considered on the basis of their suitability for their intended purpose and not on the basis of their origin. All clothing contracts during financial years 2008-09 and 2009-10 were with Australian companies.

Industry is always seeking opportunities to reduce tender prices in order to win contracts and this has seen a number of companies recently tendering both

offshore and local 'manufacture' bids for the same product. Nonetheless, where tenderers offer only an offshore manufactured solution this is a commercial decision taken by the tenderer and each tender is considered on its merits by the DMO.

In selecting a preferred solution based on value for money to the Commonwealth, the DMO is limited to considering the solutions tendered by industry.

Italy: Cold Weather Boots (2003)

To DMO's knowledge, there are currently no companies that manufacture a cold weather combat or cold weather hiking boot in Australia.

The Cold Weather Boot manufactured in Italy was identified by Army as appropriate to meet an operational requirement.

This contract was awarded to an Australian company, Mainpeak Pty Ltd, of Cottesloe, Western Australia.

Laos: Kumul Pattern Shirts and Trousers (2008)

The contract for Kumul Pattern Shirts and Trousers was for the Papua New Guinea Defence Force (PNGDF) and Tongan Defence Forces. It was awarded to Australian Defence Apparel (ADA), an Australian company based in Coburg, Victoria.

The Kumul pattern PNGDF uniforms purchased by the DMO were manufactured by Venture International (Vietnam). This approach took advantage of a concurrent contract awarded to ADA by the Government of PNG for the supply of the same items to the PNGDF. These uniforms are funded by Defence as part of Australia's support to PNG's and Tonga's contribution to regional operations.

Laos: Jacket Cold Weather (2009), noting some quantities were also manufactured in Australia

The contract for the Cold Weather Windproof Jacket was awarded to Australian Defence Apparel (ADA), an Australian company based in Coburg, Victoria. One third of the contracted quantity with ADA was manufactured in Australia. The rest of the contract was manufactured in Laos.

Sri-Lanka: Broad Brim Hats (2009)

This contract was awarded to Mountcastle Pty Ltd, an Australian company based in Yeronga Queensland.

The hats were manufactured by Statesman Hats Sri Lanka, a fully owned subsidiary of Mountcastle Pty Ltd.

UK: Cold Weather Jackets (2002), Cold Weather Overalls (2002)

The most recent contract for these items, signed in 2010, was awarded to Mont Adventure Equipment, an Australian company.

Previously these items were supplied by Platypus Outdoors Group, an Australian company, who sourced the product from Snugpak, UK.

US: Cold Weather Gloves (2006)

The supplier for the Cold Weather Gloves in 2006 was Platypus Outdoors Group Pty Ltd, an Australian company.

US: Extreme Cold Weather Mittens (2006)

The supplier for the Extreme Cold Weather Mittens in 2006 was Mainpeak Pty Ltd, an Australian company.

US: Socks (2005)

The supplier for the Socks in 2005 was Mainpeak Pty Ltd, an Australian company.

US: Combat Boots (2004)

A recent Request for Information released to Industry resulted in only 1 of 19 respondents committing to local manufacture of the combat boot. Several refused to commit to local manufacture and some respondents indicated that they may consider local manufacture provided other conditions were met.

US: Hot Weather Boots (2007)

To DMO's knowledge, there are currently no companies that manufacture a Hot Weather Boot in Australia.

The contract for Hot Weather Boots was awarded to an Australian company, Lymington Pacific Pty Ltd, based in NSW. However, the boot is manufactured in the USA.

Vietnam: Coveralls (2010)

This contract was awarded to Australian Defence Apparel, an Australian company based in Coburg, Victoria.

The uniforms ordered against the current contract were manufactured in Laos.

- (j) No offshore companies have been audited for quality control and workplace compliance over the past five years.

However as recorded in the Budget Estimates Hansard of 1 June 2010 p 63, one visit has been conducted to an offshore manufacturer of Defence apparel in the last five years. This was to Apex Ventures Private Limited, a sub-contracted manufacturer for Crossfire (AUST) Pty Ltd, located in Vietnam. This visit was undertaken by the Defence Attaché in Vietnam.

- (k) The Contract for Army Cadet Uniforms (CBT/CLOSPO/09/03) was signed on 23 August 2010 with Babylon Industries Pty Ltd of Villawood, Sydney, NSW. The contract was gazetted through Austender on 24 August 2010.
- (l) Babylon Industries Pty Ltd is producing the garments at its Villawood, NSW, site using Australian made fabric which has been supplied by DMO from Defence's Bandiana warehouses.
- (m) The camouflage fabric being used has Near Infrared (NIR) signature management properties; however since manufacture is being conducted in Australia there is no need for an export permit.
- (n) Yes.

- (o) This contract has not been awarded to a contractor using off-shore labour.
The contract has been awarded to Babylon Industries Pty Ltd which is accredited by Ethical Clothing Australia (formerly the Homeworkers Code of Practice).