



Friday, 21 July 2006

The Secretary
Senate Foreign Affairs, Defence and Trade Committee
Parliament House
Canberra ACT 2600

Dear Secretary,

RE: ANSWERS TO QUESTIONS TAKEN ON NOTICE

I refer to my appearance before the Senate Foreign Affairs, Defence and Trade Committee at its hearings in Sydney on Wednesday June 28, 2006.

During that appearance I agreed to take on notice several questions, the answers to which are attached.

Should clarification be required, I can be contacted in my Sydney office on telephone (02) 9562 2550 or e-mail: geoff.smith@adi-limited.com

Yours faithfully,

Mr Geoff Smith
Naval Sales and Marketing Director

Attachment:

- Answers to Senate Foreign Affairs, Defence And Trade Committee Questions on Notice – 21 July 2006.

Premier Iemma Visit to Garden Island

Proposed Visit Program

Visit date: TBA

- 10:00 ADI Corporate Headquarters, Building 51 Garden Island
 - Refreshments
 - Meet and greet with senior management
 - Corporate briefing

- 10:30 Tour of ADI's Garden Island facility

- 11:30 LHD Project Team office – Building 1 Garden Island
 - LHD project briefing
 - Meet project team

- 12:00 Depart Garden Island

ANSWERS TO SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE QUESTIONS ON NOTICE

Hearings: Wednesday 28 June 2006, NSW Parliament House, Sydney

QoN – 1

Hansard Extract (FAD&T 9)

Senator PAYNE—You need not answer this right now, Mr Smith, but could you take it on notice? Could you give the committee some idea of the major focus of your investment in training? Where are your apprentices? What are you training them in? How many are there?

Question parts:

a. What is the major focus of your investment in training?

As a significant participant in the Skilling Australia's Defence Industry (SADI) program, ADI is pursuing a range of initiatives that address that program's requirement to target growth in those professional and technical trades categories where current and future shortages are identified. These initiatives include:

- Training in **Integrated Logistics Support**, which will potentially benefit several sectors of the defence industry and include service delivery functions as well as product development, engineering and management functions.
- An **Advanced Trade Trainee** program which has been designed to meet the short and medium term need for high level skills in welding and hydraulics and pneumatics.
- ADI's apprenticeship program will meet the company's longer-term need for trade skills. Where possible, this program will be opened to participation from within and outside the Defence industry.
- ADI has targeted **Project Management** over the past two years with a structured approach connected to a career path and underpinning development program. The program has been developed to encourage employees to pursue qualifications recognised by the industry and aligned with the DMO Program Managers Certification Framework.
- A **Scheduling** program, comprised of a range of training and development activities designed to achieve behavioural and knowledge based change outcomes. The program uses a combination of classroom and action learning events which are catered for individual skill levels and provides a development program for employees with limited skills.

b. Where are your apprentices?

Refer to Table QoN 1–1 below for the location of ADI apprentices.

c. What are you training them in?

Refer to Table QoN 1–1 below for the training courses being undertaken by ADI apprentices.

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d. *How many are there?*

Refer to Table QoN 1–1 below for the number of ADI apprentices and trainees.

Table QoN 1–1

| Location | Course/Trade | Total By Location |
|--------------------------|---|--------------------|
| Apprentices | | |
| Bendigo | Fitting & Machining | 9 |
| | Heavy Fabrication | 12 |
| | Certificate III in Electrotechnology (electrician) | 2 |
| Benalla | Certificate III in Engineering | 4 |
| | Certificate II in Engineering | 2 (School Based) |
| | Certificate III in Electrotechnology | 2 |
| Lithgow | Certificate III Mechanical (Toolmaking) | 2 |
| | Certificate III Mechanical (Fitting & Machining) | 2 (1 School Based) |
| | Certificate III Mechanical (Production) | 4 |
| Mulwala | Mechanical Trade (Fitter & Turner) | 3 (2 School Based) |
| | Engineering – Fabrication Trade | 2 (1 School Based) |
| | Electrical Trade | 1 |
| | Electro Technology Instrumentation | 1 |
| Sydney | Certificate III in Electrotechnology System Electrician | 6 |
| | Certificate III in Engineering – Fabrication (Heavy) | 5 |
| | Certificate III in Engineering – Fabrication (Light) | 3 |
| | Certificate III in Engineering – Mechanical | 7 |
| | Certificate III in Plumbing | 4 |
| | Certificate III in Ship & Boat Building | 1 |
| | Certificate II in Engineering Production (Mechanical) | 2 |
| | Certificate III in Electronics | 1 |
| Trainees | | |
| Sydney | Advance Diploma of Electrical Technology | 1 |
| | Certificate II in Engineering Production (Mechanical) | 2 |
| TOTAL APPRENTICES | | 75 |
| TOTAL TRAINEES | | 3 |

QoN - 2

Hansard Extract (FAD&T 15-16)

Senator HOGG—*I want to get one question on the record which has been asked of a number of witnesses that have appeared before us because it is a concern—that is, are there any former DMO employees on your team and, if so, how far removed from their employment with DMO are they?*

Mr Smith—*In our company or in our team?*

Senator HOGG—*In the team—either the LHD team or the FFGs.*

Mr Smith—*To my knowledge, we do not have anybody in the LHD program out of the DMO. On FFG, I would have to take that on notice—certainly no-one in any senior position has come to us from the DMO. There may be others within the program.*

Question parts:

a. *Are there any former DMO employees on your LHD team?*

ADI has no former DMO employees on its LHD team.

b. *If so, how far removed from their employment with DMO are they?*

Not applicable

c. *Are there any former DMO employees on your FFG Upgrade team?*

Yes. There are two.

d. *If so, how far removed from their employment with DMO are they?*

As would be expected from normal career development, both are in roles requiring similar skills, qualifications and experience, but neither are in roles directly related to their former DMO employment.

QoN - 3

Hansard Extract (FAD&T 16)

Senator HOGG—Whether it be for state governments and/or players in the industry, it seems to be such a small industry that there is this immediate crossover, and we are concerned about that. The other thing that I want to get—and you may need to take this on notice; it is something we discussed—is the relationship with DMO. How is that changing as a result of the establishment of DMO? Given the time constraints, you could answer that on notice. As well, on the ability of DMO now—and without going to the specifics of the tender that is out to you—we are interested in whether or not better definition of contract is coming out and, as a result of a better definition of what DMO are seeking, does that enable your company to focus more clearly on delivering on time and within cost?

Question parts:

- a. *How is ADI's relationship with DMO changing as a result of the establishment of DMO [as a prescribed agency]?*

The establishment of the DMO as a prescribed agency, along with implementation of other Kinnard Review recommendations, has brought significant changes to DMO's relationship with industry.

- Delineation of the roles and responsibilities of DMO compared to other areas of Defence such as the Service Headquarters and the Capability Development Group is clearer. This has assisted ADI in its interaction with the various parts of the Defence organisation.
- ADI has observed a demonstrable improvement in the professionalism of DMO staff, with more becoming better qualified in project management. This has not been the case previously. This is a trend also being mirrored within ADI, with the expectation that improved professionalism will yield better results in all aspects of acquisition and project delivery.
- Nevertheless, DMO remains very legalistic in its dealings with industry, particularly during the solicitation process. Although an appropriate level of attention to detail and legal compliance is required (and expected) an excessive focus on this aspect of the DMO/Industry relationship results in higher legal costs and project delays.

- b. *On the ability of DMO, (avoiding the specifics of the LHD tender) is a better definition of contract coming out?*

Improvements in the definition of contract are linked with improvements in processes more generally.

ADI has observed that acquisition processes, particularly the two pass approval process, are generally clearer and more logical. ADI has observed in recent tenders greater time scheduled in the contract negotiation phase to determine requirements and how their fulfilment will be verified.

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Although processes are clearer, ADI has observed some instances where DMO has elected to adhere to the AUSTDEFCON (Complex) procurement regime when employment of the simpler procurement process guidelines available to Defence may have been justifiable and avoided additional costs and/or delays.

- c. *If so, as a result of a better definition of what DMO is seeking, does that enable ADI to focus more clearly on delivering on time and within cost?*

In general terms, better contract definition does contribute to risk reduction and aid informed scheduling and budgeting. It also facilitates delivery to contracted technical and performance specifications.

However, it should be noted that this comes at a price. The greater the requirement to examine, clarify, document and maintain auditable records of minute details of very large and complex projects, the greater the cost to industry, Defence and ultimately Australian taxpayers.

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