

The 2009 Defence+Industry Conference: Insights into the Rudd Government's new plan for Defence

The following is a special Australian Defence Business Review (ADBR) subscribers summary of the principal addresses delivered on the first substantive day of the 2009 Defence+Industry (D+I) Conference, held in Adelaide on 1 July 2009. This year's D+I was particularly significant in terms of its following the publication of the 2009 Defence White Paper - including the release of further details of the Strategic Reform Program (SRP) set to accompany implementation of the White Paper by yielding \$20 billion of savings over the next ten years – and the Government's response to the Defence Procurement & Sustainment Review (Mortimer Report). The D+I Conference also saw tabling of the 2009-2013 Defence Capability Plan (DCP), as well as the flagging of several new initiatives in relation to Defence Industry Policy. All of these issues are now to be addressed by a new ministerial team, in the form of Senator John Faulkner (Minister for Defence), and Greg Combet, Minister for Defence Personnel, Materiel & Science.

Canberra Bureau Report

SA GOVERNMENT SIGHTS SET ON 2009 WHITE PAPER PROJECTS: South Australian Premier, Mike Rann, has opened the 2009 Defence+Industry Conference (D+I) in Adelaide, saying his state is "well on its way to meeting its goals" to become Australia's home to naval ship- and submarine-building, and related systems and sustainment. The Premier nevertheless affirmed South Australia "refused to rest on its achievements", and had accordingly identified a number of other areas of defence activity outlined in the new 2009 Defence White Paper that were of significant interest to the state, including: new maritime patrol aircraft (project Air 7000/2B); military vehicle fleet replacement (Land 400); and the Future Frigate (project Sea 5000). Rann added his state would also benefit from the White Paper's commitment (subsequently reinforced by Prime Minister Rudd) for the 10-12 future submarines (project Sea 1000) being built in South Australia. Major activity in the repair, maintenance and upgrade of the air warfare destroyers (Sea 4000), was also envisaged as part of the plan to increase defence jobs in the state from 16,000 in 2004, to 28,000 by 2013.

NEW MINISTER LAUNCHES 2009 DEFENCE CAPABILITY PLAN: Following on from release of the 2009 Defence White Paper, newly-appointed Minister for Defence, Senator John Faulkner, has released the 2009 update of the Government's long-term Defence Capability Plan (DCP), at the D+I Conference in Adelaide. Faulkner said the new DCP foreshadowed significant growth in new military capability procurement activity, with the Rudd Government wanting to "ensure Australian industry shared in this growth." As such, small to

medium sized enterprises (SMEs), in particular, would be given every opportunity to compete for work “using open, transparent and accountable processes.”

FOUR YEAR DCP REFLECTIVE OF FINANCIAL CIRCUMSTANCES: Senator Faulkner said that over the next four years, the 2009 DCP predicts sustainable average local growth of around 4% per annum. The amount to be spent within Australian industry was projected to increase from \$4.5 billion to \$5.6b over the next four years - an increase of \$1.1b. Over the next four years, the electronics & maritime sectors are expected to grow significantly in response to local expenditure projected to grow by 8.3% per annum. An additional 5,000 (over the current 29,000) are expected to be generated. Faulkner noted recent changes to the ministry (with the departure of Joel Fitzgibbon) did not mean the Government's strategic analysis and direction had changed or would change.

DOCUMENT A MORE RELIABLE, CERTAIN BASE FOR PLANNING: Senator Faulkner submitted that the new DCP included more detailed information about particular proposals than past documents. It also adopted a “more realistic time frame” of a four year outlook, which he said should prove a more reliable, certain base for planning. The 2009 DCP embodies 110 projects or phases of projects valued at over \$60 billion (100 projects are already underway), compared to the 2006-16 DCP, which contained 132 projects or project phases valued at \$57 billion. The Minister added the 2009 DCP contained 48 new projects or phases of projects, which arose from the review of the Defence's future capability needs conducted during the 2009 Defence White Paper process.

NEW REVIEW TO EXAMINE MILITARY ACQUISITION INFORMATION FLOW: Subsequent to issuance of the new DCP, Senator Faulkner confirmed the Government would commission a consultancy to assist with a further re-examination of the way government provides military acquisition planning information to industry, including reviewing the value, nature and content of future public DCPs as a means to facilitating quality tenders for upcoming projects. Faulkner added the Rudd Government had now acted upon all of the key points of former Defence Minister Nelson's March 2007 Defence & Industry Policy Statement (DIPS). As such, work is now proceeding on a brand new Defence Industry Policy Statement, for release later this year.

BEAZLEY DRAWS LESSONS FROM ‘TALE OF TWO WHITE PAPERS’: Former Hawke Government Defence Minister (and latterly Opposition Leader), Kim Beazley - now Professor of Political Science & International Relations, at the University of Western Australia - spoke to D+I attendees in terms of the contrast of strategic circumstances underlying the preparation of the 1987, and 2009, Defence White Papers, and pointing out relevant lessons from the Rudd Government. He said alarm that defence planning had been dissipated by “haphazard, partially politically driven massive purchases without reference to clear cut strategies and strategic rational in the immediate preceding period”, had driven both governments of the time to include strong principles of self-reliance in their respective white papers. Beazley added an almost unique feature of the Australian Labor Party (ALP) was that it had never contained a strong pacifist element. The debate, he said, “had not been about whether Australia should be militarily defended. What had historically divided the Labor Party was whether or not, or to what extent, Australia should be militarily associated with powerful allies.”

DEFENCE PRODUCTION AS TEST BED OF NATIONAL INDUSTRY: Professor Beazley went on to note the 1983 recession had savaged Australian industry, shedding 200,000 jobs from 1983 to 1986. Accordingly, “things had to change radically, and all the elements of the Labor movement - particularly the Australian Council of Trade Unions (ACTU) - accepted that fact.” Defence production was subsequently perceived as a test-bed for, and beneficiary of national industry policy. Despite objections to privatisation permeating the ALP right through the 1990s (and into the present era), Beazley said such objections “collapsed in the area of defence production” in a subsequent wave of privatisation. Accordingly, the focus of the Government's broader policy on defence procurement “was not what it could do for state defence factories, but on what defence could do on upgrading Australian industry across the board, technologically, and how Australian production could become really cost effective and export-oriented.” The main pressure points for this change were the Williamstown naval dockyard (in Victoria), and the determination to build a new submarine in Australia. As a

result, Williamstown re-emerged privately owned, and featuring Australia's first enterprise agreement.

GOVERNMENT URGED TO SEEK ITS SAVINGS EARLY: Turning to the White Paper's inclusion of a new Strategic Reform Program (SRP) advocating \$20 billion of savings, Professor Beazley said the noted defence reform process commenced in 1984 had been largely completed by 1989, and moved in parallel with White Paper implementation. He stated such reforms "saved \$300m a year" - roughly equating with a 3% per annum real increase in defence spending. As such, Beazley considered what would determine the achievability of the 2009 White Paper was not guidance or the funding deflator, but the success in reaping the \$20 billion target of savings over the next 10 years. "Seek your savings early," chided Beazley. "By the time the 1987 white paper was written, half the savings had been achieved." He went on to observe, "the good days fiscally for Australia are now over. It will be a long time before the Budget is back in balance ... (and Australia will) never again see the surpluses of the last few years."

COST BOUNDARY ISSUES FRUSTRATING NATIONAL SECURITY PLANNING: The Deputy National Security Adviser within the Department of Prime Minister & Cabinet (PM&C), Angus Campbell, outlined for D+I attendees the broad context in which Defence activity exists with respect to whole-of-government issues, along with illustrating the long-term, common policy tensions that PM&C must deal with as a central agency. Campbell said "we are often dealing with cost boundary issues, because the problems are positional ones, and may largely have been solved within traditional portfolio areas. Many solutions are not perfect, so layering is an essential component - a tradition that has been practised in Defence for many years."

INSIGHT INTO NATIONAL SECURITY ADVISER PLANNING SPACE: Campbell went on to outline three key elements of the work performed by Duncan Lewis, the Prime Minister's National Security Adviser, and including: a capacity to work effectively with the leadership of the government of the day; an understanding of how to coordinate and move the levers of bureaucracy to deliver effect to government decisions; and operating as a trusted agent of that community to ensure information is flowed in a cost effective way - going up to government, down the bureaucracy and out to the right people beyond government. Noting that 90% of the infrastructure needed to effect national security outcomes was owned by industry, Campbell questioned what business opportunities might arise for defence industry as a national security community progressively grew, and matured in its own processes and capabilities. The Smith Review set an annual reporting cycle to government in regard to how the national security community was advancing those priorities, and "we will be doing that for the first time this year."

NEW BRAND LAUNCHED FOR DEFENCE INDUSTRY COMMUNITY: Defence Personnel, Materiel & Science Minister, Greg Combet, has formally launch a new 'brand' for Australian defence-industry, created to better reflect its role in the delivery of ADF capability. Given the defence-industry workforce will need to grow significantly to meet Defence demands outlined in the new Defence White Paper and Defence Capability Plan, Combet said the new brand and associated marketing material "will help position defence-industry as a challenging and rewarding career choice, and ensure it competes on a more equal footing with other sectors to attract Australia's best talent." The new brand - 'Defence Industry ... We Build It' - was developed under the \$61.8m Industry Skilling Program Enhancement package announced last November. The initial target group is high school students in support of the 'School Pathway' programs being developed in South Australia & Western Australia, and in the Hunter Region of New South Wales.

AIC DEEDS TO BE ROLLED OUT TO ALL LARGE MULTINATIONALS: Turning to wider defence- industry initiatives, Minister Combet advised it was the Government's intention to roll out Australian Industry Capability (AIC) Deeds to all large multinational defence companies operating in the local market. The subject Deeds would be modelled on the subsequent establishment an Office of Australian Industry Capability (OAIC) for each firm, in a manner similar to the Boeing OAIC established early last year. Combet further confirmed he had just

signed an AIC Deed with Raytheon Australia, which proposed to establish within the company an indigenous Industry Development Unit.

RAYTHEON AIC DEED BEING MODELLED ON BOEING AGREEMENT: Under the terms of the Raytheon Deed, the company's IDU would work to identify potential opportunities for Australian firms, mentor Australian industry on the US defence market, and work with the DMO and other government agencies to coordinate trade missions. It will also help break down any barriers that may inhibit doing business in the US defence market. The unit will also distribute expressions of interest to Australian SMEs for relevant technologies and products, and work to secure new business for local industry. In one successful case to date, Brisbane-based SME, Micro Ltd, has had its components selected for inclusion in Raytheon's ALR67(v)3 radar warning receiver (now used on RAAF F/A-18s) for both US and global customers.

STRENGTHENED INDUSTRY PARTNERSHIP KEY TO FORCE 2030: Defence Personnel, Materiel & Science Minister Combet also highlighted at D+I the Government's commitment to fostering the concept of 'partnership' with the defence-industry, as a means of realising 2009 Defence White Paper objectives. In terms of Rudd Government Defence Industry Policy foundations, Combet nominated: the need for encouraging continual reform of the DCP; improving the accuracy & reliability of information in the DCP; ensuring accountability through greater transparency for DCP projects; and improving the capacity and opportunities for defence-industry participants. He added that recent Ministerial changes had yielded, for the first time in over a decade, a Minister specifically responsible for materiel or defence-industry. He flagged this position intended to be recognised within the Government's National Security Committee of Cabinet (NSC), as a means of giving defence-industry a voice at the Cabinet table. Such action, he said, "builds on the Mortimer Review's recommendation to have the CEO of the DMO present during NSC decisions."

IMPLEMENTATION OF ACAT SYSTEM TO BENEFIT INDUSTRY: Turning to the contents of the 2009 DCP, Combet noted - over the period 2009/10 to 2012/13 - information had been provided relating to the scope of proposed acquisitions, and key dates for prospective 'first-' and 'second-pass' approvals (termed as 'Year of Decision'). Additionally, information was provided on projects scheduled for first pass approval beyond 2013, whilst 2009 DCP project descriptives had been complemented by a more expansive explanation of project scale, complexity and risks through the inclusion of the DMO-developed Acquisition Categorisation (ACAT) ratings. The ACAT system was developed several years ago as a means to more accurately describe the risk associated with new military capability projects over different stages of their acquisition cycles. Combet said two key messages received from industry were that reliable cost bands and regular project updates were "of great value to industry". Accordingly, he flagged regular updates (every six months) of the web-based version of the DCP are to be produced and published. Combet added that in the industry section of the new DCP, "we provide data on the level of demand for current and future projects, split between acquisition and sustainment over the time period, (thus) allowing industry to look at whether the total demand justifies investment decisions."

MUCH WORK STILL NEEDED TO IMPROVE PROJECT COST ESTIMATES: Defence Personnel, Materiel & Science Minister Combet went on to reject claims that by utilising cost bands and ACAT categories in the new DCP, the Department of Defence would be able to better disguise project cost and schedule blow outs. He argued that, "if we nominated a specific figure for the acquisition cost or even a narrow range of figures, the Commonwealth runs the risk of having industry treat that figure as the cost point they need to aim at. The fact is that Defence has a lot of work to do to improve cost estimates for projects in the DCP, and that is an immediate priority for me in implementing the Mortimer reforms." Combet added he was committed to sustaining operation of the 'Projects of Concern Unit' within the DMO, with the list of flagging projects to cover both acquisition and sustainment contracts. The Minister said, "I have found it an invaluable tool in resolving projects that are in trouble. It is also an excellent motivational tool for defence-industry companies who have no desire to see one of their projects added to this list."

GREATER LEVELS OF RELIABILITY PROMISED IN NEW DCP: Minister Combet went on to note a second significant new feature of the 2009 DCP, in that effort has been made to ensure a greater level of accuracy and reliability than in the past. Citing the former Howard Government's 2001 DCP published after their 2000 White Paper, Combet observed that document detailed 144 projects with decision dates from 2001 onwards. Of the 144 projects canvassed, he said some "thirty were deleted, and 56 had a year of decision other than the one nominated in that DCP. The level of accuracy and reliability was even worse when you examine projects beyond the first three years of that DCP – in that category 90% of all projects in the final seven years of that DCP were either deleted or had an inaccurate year of decision. In fact over one third of all projects beyond the first three years were deleted."

PRIORITY INDUSTRY CAPABILITIES PRESENT IN SOUTH AUSTRALIA: Referring to Defence Minister Faulkner's announcement the Government had decided to publicly state its list of priority industry capabilities (PICs) requiring to be nurtured in Australia to give substance to the roll-out of the 2009 Defence White Paper, Defence Personnel, Materiel & Science Minister Combet commented that, of the 12 newly announced PICs, "six could be associated with core activities of South Australian (SA) defence-industry, including electronic warfare, high-end systems integration, signature management, in service support of the 'Collins'-class submarine combat system, underwater acoustic technologies, and ship dry docking facilities and common user facilities. SA is home to both the 'Collins'-class support program and the project Sea 4000 air warfare destroyer build.

E-PORTAL CELEBRATES ITS FIRST BIRTHDAY ON-LINE: The Defence+Industry ePortal - created in the aftermath of former Defence Minister Nelson's March 2007 Defence Industry Policy Statement - has celebrated its first birthday as a provider of publicly searchable industry capability information within a system (ICIS). The Internet site - www.dplusi.defence.gov.au - now lists over 1,200 companies, and in excess of 3,520 registered users. A further 100 companies are said to be currently in the process of adding their capability data onto the system. Externally hosted and supported by Fujitsu, the ePortal and ICIS are expected by officials to evolve further to allow registered users, including individuals, companies, industry associations and state and local Governments to undertake regional searches and locate specific defence industry capabilities locally and Australia-wide. Strategic industry capabilities outlined in the 2009 Defence White Paper and 2009 Defence Capability Plan 2009 have already been mapped capability classifications in the ePortal.

RAYTHEON BOSS OUTLINES INDUSTRY BLUEPRINT FOR CHANGE: Addressing the D+I Conference, the Managing Director of Raytheon Australia, Ron Fisher, has outlined "a blueprint for real change through practical measures to reduce costs and drive industry performance to new levels". Fisher said one area that had not been considered in the context of efficiency savings was reducing the costs of tendering (which inevitably flowed onto Defence), by addressing the "sheer volume of data" the Department requires in its tender solicitations. Fisher went on to suggest, "both sides would benefit from a more discriminating approach that focuses more on key information. This would likely result in reduced costs to industry, and to Defence, through earlier decisions on whether or not to bid." Fisher saw earlier decisions as also providing more time for industry to achieve better teaming arrangements and more competitive solutions, as well as leading to increased investment prior to the RFT, with a view to reducing technical risk.

'SCORECARD' PERFORMANCE CRITERIA UNDERVALUED: Fisher went on to observe that industry's performance on current contracts (as measured by the DMO's 'ScoreCard' system) had yet to become a major selection criterion in tender evaluations. Such 'Scorecards', he said, "should be an explicit and significant factor - not to supplant tender responses, but to supplement them - in the decision of the evaluation board as to the preferred tenderer." Another measure to drive performance in the sustainment and support areas, said Fisher, was to offer shorter contracts, but with more rolling extensions that are contingent upon good performance. Migrating from sustainment contracts to performance-based contracting arrangements, would also drive performance, as well as create savings. The introduction of "truth in tendering", he said, "would also hold tenderers accountable for the promises they make in their tenders."

SECURITY & DIVERSITY OF SUPPLY, KEY DMO CONCERNS: The Chief Executive Officer of the Defence Materiel Organisation (DMO), Dr Stephen Gumley, spoke to D+I on implementation of the Mortimer Review's recommendations, and other related reviews just completed. The Government accepted 42 (of the 46) Mortimer recommendations in full, with twenty of those specifically relating to the DMO. The result, said Gumley, would permeate through in terms of greater scrutiny of industry capacity, including critical analysis of supplier schedules and more discipline regarding scope creep and add-ons. Dr Gumley said there was to be an expansion of the 'gate review' process, to provide more assurance on the health and outlook of projects. Similarly, there would be more accountability through Project and Product Charters. According to Dr Gumley, "security and diversity of supply is what we are after in DMO." A particularly close look would now be taken at international scale effects on unit prices, whilst future projects would "be considered successful if money were returned to the DMO."

BUMPER YEAR FOR SUSTAINMENT SAVINGS YIELDS \$230M: Dr Gumley went on to say the DMO was intending to move to free up defence-industry for priority local tasks - 77% of the total 2009/10 budget will be spent locally - and action would be taken to contain costs by tapping off-the-shelf (OTS) acquisitions and the products of joint international programs. There would also be more use of the public private partnership (PPP) model for projects, where appropriate, while roll-out of the Strategic Reform Program (SRP) would shave 10% off the sustainment budget for return (transfer) to acquisition. Dr Gumley claimed \$230m in sustainment savings had been garnered in the last financial year, and rolling contract extensions over the next 12 months would be utilised as a means of finding additional savings in sustainment. Some 50% of the DMO's savings (as part of the SRP goals) will be demand driven (Force Element Groups & Services), 30% will derive from contracts, and 20% will come from DMO processes.

CAPABILITY DEVELOPMENT PRINCIPLES REVISTED: In his last day on the job as Deputy Secretary Strategy in the Department of Defence, Michael Pezzullo (formerly principal Defence White Paper author) spoke to D+I in terms of revisiting the set of force attributes and capability development principles viewed as being "absolutely central across all forms of capability", and subsequently developed in the White Paper process to guide the selection of new capabilities called for in the White Paper. These included, he said, "precise force applications, networked capability, operational flexibility, fully developed capability, capability advantage, survivable and robust capabilities, interoperable capabilities and cost-effective capabilities." Pezzullo singled out the success of Indonesia's democratic transformation, particularly under President Yudhoyono, as making "an important positive contribution to Australia's long-term defence planning calculus". Pezzullo will shortly take up a new position with the Australian Customs Service.

CDG HEAD SAYS RE-SCHEDULING PROVIDES PLANNING CERTAINTY: The Chief of the Capability Development Group, Vice Admiral Matt Tripovich, spoke to D+I attendees in terms of his Group's role in the development of the 2009 Defence Capability Plan (DCP), which he said represented "two years of work, starting shortly after the White Paper process began." Tripovich noted the large number of projects declared in the DCP as set to enter service "well beyond" 2013, saying such forecasts would provide industry with "long planning certainty". He conceded the timing of some 60 DCP projects had been rescheduled, while the cost bands of 30 projects had been readjusted. Seventeen projects are scheduled for 'second pass' approval in the next four years. Major project/phases falling to subsequent DCPs include: Multi-mission Unmanned Aerial Vehicle (Air 7000/1B); Land Combat Vehicles (Land 400); Future Frigates (Sea 5000); and Strategic Sealift Ship (JP 2048).

NEW MILITARY CAPABILITY ENHANCEMENT PROJECT CHANGES: Other longer-term enhancements envisaged in the 2009 DCP include: AWD Strike Capability (a new phase of Sea 4000); Maritime Operational Support Capability (a new phase of Sea 1654), Maritime Extended Range Air Defence (a proposed new project), Long Range Subsurface Detection (Sea 1100). Further post-2013 projects include: ADF Small Arms Replacement (new project); Army Battle Management System (a new phase of Land 75); Ground based Air Defence Enhancements or Replacement (Land 19); maritime strike weapon for the Air 6000 New Air Combat Capability (new project); Battlespace Communications Systems Land (a later phase

of JP 2072); Defence GEOINT Capabilities (later phases of JP 2044); ADF Joint Command Support Environment (a later phase of JP 2030); Military Satellite Communications (JP 2008); AEW&C Upgrades (new phases of Air 5077); and Armed reconnaissance helicopter upgrades (new phases of project Air 87).

AFGHANISTAN EXPERIENCE SEES NEW DCP FASTRACK C-RAM SYSTEM: The 2009-13 Defence Capability Plan has brought forward the potential acquisition of a new or replacement ground based air defence system, previously canvassed as phase 7 of project Land 19. According to the new DCP, "Defence will be developing this phase for government consideration after 2013." The former 2006-16 DCP had listed a year-of-decision for this new capability as between 2015 and 2018, with an in-service delivery date of 2018-2020. The prospective new solution is to include technologies and weapon systems that are also capable of countering rockets, artillery, and mortars (C-RAM), although very different computational characteristics are required to combat direct fire rockets, compared to 'arch trajectory-based' artillery and mortar rounds.

PHASE 1B OF AIR 7000 FALLS BACK INTO THE 2020s: Consistent with Government pronouncements earlier in the year, release of the new Defence Capability Plan (DCP) has confirmed Australia's intent to defer the acquisition of a high altitude long endurance (HALE) maritime unmanned aerial system (MUAS) until well after 2020. The new DCP indicates Defence will get around "to commencing work on developing this phase for Government consideration beyond 2019." The new DCP nevertheless retains the project's traditional formal designation – phase 1B of project Air 7000. Former Defence Minister Fitzgibbon announced 2 March the Government's decision to instruct the Department of Defence to decline an option to continue further collaboration with the US Navy on development of its Broad Area Maritime Surveillance (BAMS) program. The new DCP states the future HALE capability will need to encompass maritime & overland intelligence collection, surveillance & reconnaissance and electronic support.

UK PROCUREMENT PROVIDING LESSONS FOR THE DMO & CDG: General Sir Kevin O'Donoghue, the UK's Chief of Defence Materiel, has stressed to D+I attendees that the only way for the Government to succeed with its new Strategic Reform Program (SRP), is to "go hard, go deep and early. We've been there, we've done that". O'Donoghue said the UK procurement agency had the current challenge of cutting its own budget by £1.3 billion. The key, he says, "is fundamental behaviour change across acquisition platforms. You need a burning platform ... a program approach, not just a project approach." O'Donoghue observed Australia's Capability Development Group needed to stimulate solutions to emerging threats - not just develop better armour (adding the Taliban 'can quickly beat our current up-armour approach') – and look at other ways of training combined with better commercial relations. Defence should move away from transactional contracts to shorter performance-based contracts, and contracting for availability. O'Donoghue added, "we should stop spending money on things we don't need ... exit strategies should always be built into contracts, and another 'gate' could be inserted at the production stage of contracts. It was (also) wrong that countries were automatically allocated work on international collaborative projects when their companies sometimes had no experience."

CANADIAN DEFENCE PROCUREMENT A MODEL FOR AUSTRALIA?: The Chief of Staff, Defence Materiel Group, Canadian Department of National Defence, David Jacobson, has shared with D+I attendees some of the lessons learnt in advancing Canadian defence procurement, and the 'Canada First Defence Strategy' 20-year investment plan. Jacobson said the strategy increases annual defence spending to 2% (from around 1.5%) beginning in 2011/12. As such, an additional C\$12 billion will be spent over the next 20 years, bringing Canada's annual defence budget to \$30 billion in 2027/28. Jacobson considered military procurement efficiency could be improved by using new instruments, such as 'Solicitation of Interest' and 'Qualification with performance demonstration'. Combined project and contract approvals could also be sought. There was also merit in opting a single point of accountability for acquisition and in-service support, as well as the bundling of contracts. Strategic technology management (not wasting money developing technologies that already existed), could also be fine tuned considered Jacobsen.

DEFENCE INDUSTRY POLICY 'LARGELY SILENT' ON SME NEEDS: Providing a strategic industry perspective on critical issues facing small and medium-sized enterprises (SMEs) in delivering Defence capabilities, both globally and domestically, Jim Whalley, the Chief Executive Officer of Nova Defence, told D+I delegates that industry policy had "largely been silent" on addressing the specific needs of SMEs. He claimed Australia's 'free trade' approach had not created advantages for many Australian SMEs seeking to address defence business. Nevertheless, some of the new priority industry capabilities (PICs) would potentially find market success in other parts of the non-defence economy. The DMO's prospective move to a higher proportion of military-off-the-shelf (MOTS)/commercial-off-the-shelf (COTS)-derived products and FMS-based acquisitions said Whalley, "could make it harder to retain the local skills base, while absorbing significant peaks and troughs in demand would also likely remain a key challenge."

PRIORITY INDUSTRY CAPABILITIES NOW PUBLICLY RELEASED: The Government has publicly released a list of twelve Priority Industry Capabilities (PICs) considered to confer an essential strategic capability advantage upon the ADF by being resident within Australia. The list of PICs were earlier considered as needing to remain 'classified', however, this view was overturned by incoming Defence Ministers Faulkner & Combet. Heading the list of PICs is: electronic warfare; high frequency (JORN) and phased array radars; 'high end' system and system of systems integration; and through-life and real-time support of mission and safety critical software. The list of PICs also includes: anti-tampering capabilities; signature management; in-service support of the 'Collins'-class submarine combat system; underwater acoustics technologies & systems; ship dry docking facilities and common user facilities; selected ballistic munitions & explosives; infantry weapons & remote weapons stations; and (development of the multispectral elements of) combat clothing and personal equipment. The 2009 Defence White Paper also foreshadowed the creation of a Centre of Excellence to assist in maintaining and developing PICs. Some 6-7% (or around \$700m per annum), of the total DMO acquisition and sustainment budget is estimated to flow into PIC sectors.

PACE OF TECHNOLOGY MEANS PIC LIST TO BE REVIEWED ANNUALLY: The retiring Head of the DMO's Industry Division, Kerry Clarke, has told D+I attendees the just released list of priority industry capabilities (PICs) would be reviewed annually. He said the subject PICs did not have to be Australian-owned - what mattered was residence in Australia of the capability, not the company. An 'unhealthy PIC' was defined as a sub-sector that did not meet ADF demands, or which required government intervention if the market failed. Elaborating on one PIC area, Clarke said Electronic Warfare (EW) encompassed: counter-measures development and validation; reprogramming, integration, upgrading, and the tuning of overseas developed systems; the management of threat libraries; and selective strategic product development. He stressed that public elaboration of a preference to engender PICs in Australia "would not guarantee a return on investments made, and careful planning and commercial considerations would still need to be undertaken."

DSG SETS OUT TO PROFESSIONALISE SERVICE DELIVERY: The Deputy Secretary of the Defence Support Group (DSG), Martin Bowles, has spoken to D+I attendees on the means for driving value and innovation in service delivery in support of defence capability. DSG manages the \$62 billion Defence Estate (\$500m is to be spent on major capital facilities in 2009-10), and employs 4,000 civilians, 1,500 contractors, and 7,000 sub-contractors. With an annual budget of \$3.6 billion, Bowles said the DSG needed to manage itself as a total workforce, not in silos, and needed to introduce lean technology production processes into its service delivery. He stressed that improving performance metrics was a key goal, with the largest potential savings (as part of its Strategic Reform Plan commitments) most likely coming from travel, professional services, building maintenance, training, utilities, and removals. A whole-of-government procurement scoping study was now looking into the economies of scale that could be achieved from grouping the DSG's own various service needs - accounting, telecommunications, air travel, major office equipment - with other government departments.

DETAILS SET FOR DELIVERING THE DEFENCE ICT REFORM AGENDA: Head of the Chief Information Officer (CIO) Group, Greg Farr, spoke at D+I on delivering the Defence information, communications & technology (ICT) reform agenda through an improved

Defence Information Environment (DIE) and governance framework. All ICT investments are to be aligned with priorities set by the Chief of Defence Force and Secretary of Defence, in a single portfolio of work. Defence presently has nine major data centres - which it aims to reduce to just three - and approximately 200 rooms with racks of servers. Noting 85% of the Group's funds are spent on external providers, Farr said "we need a single view of what our ICT spend will be to present the totality of our future spend to the CDF. Consolidation of these sites and operations was being achieved through DIE simulation & modelling, which would eventually result in a single secure desktop, a services oriented architecture, centralised services and improved information management." He further indicated ICT Architects would have the freedom to create enterprise architecture to best meet the demands of their customer requirements. A specialist Business Solutions Design capability has been set up, and a high-speed communications network was in the process of being delivered. Analysis of disruptive technologies was also under way.

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