



**International Industry Consultants Pty. Ltd.**

ACN 058 417 860

Consulting Engineers



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## Defence White Paper Community Consultation Submissions

After attending the RUSI/USI FORUM "The Relevance of Defence Industry" held at the Spender Theatre, Australian Defence College, Weston, ACT on Wednesday 17th September 2008, IIC offers the following observations:

- The need for Australian industry to support the ADF through the capability to maintain, repair and modify its equipment for strategic purposes is supported.
- The concept of Australian Defence Industry is deprecated. Reference should be made to Australian Industry as a whole, but with defence capability and capacity.
- The disparate responsibility for industry with defence capability within the federal government needs to be better co-ordinated.
- Following on from that:
  - Responsibility for both procurement and industry policy within DMO could be regarded as a conflict of interest.
    - For Projects concentrating on schedule and performance, management of AIC requirements, particularly commercial opportunities and supply chain management issues, is a distraction and not provided with adequate support and resources. This is borne out by experience in recent projects.
  - responsibility for industry policy in respect of defence capability should not rest with DMO.
    - Following establishment of a coherent federal government industry policy, local industry support required and defined at the capability stage by Defence (with Capability Group, DMO and industry input) should then be contracted by DMO, underpinned by national policy requirements.
    - Project offices would then concentrate on contract schedule & performance, with national industry policy elements of a procurement managed with the assistance of Industry Division personnel (noting that some industry elements of a procurement outlast delivery of operational equipment).
- Definition of local support capability required should consider local manufacture, and be prepared to pay for it, if by so doing it contributes towards establishment of life cycle support capability in terms of training and accumulation of technical competence.
- In respect of the current AIC policy and implementation:
  - As discussed at the forum, due to the size and production capability of the international suppliers, the expectation of involvement in international supply chains to sustain "Defence industry" is flawed and the AIC Plan requirement for delivery of a Supply Chain Management Plan is in most cases:
    - A waste of the contractor's time during the Tender process;

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- Unlikely to be monitored to ensure implementation by project offices for the reasons stated above;
  - The results are unlikely to justify the expenditure of contractor, local industry and DMO resources;
  - The introduction of commercial opportunities with limited focus on defence needs is an example of DMO involvement in determining industry policy that should be outside its bailiwick.
    - For reasons stated above the monitoring and implementation of these commitments will be a distraction from management of schedule and performance.
  - Other issues of concern with the current AIC policy and implementation not addressed at the forum are:
    - The \$50m threshold has not been justified;
    - The dispute resolution process should allow for issues to be resolved at a higher level than IID.
    - The Capability Manual, Acquisition and Sustainment Manual, AIC Information Kit and the Defence Procurement Policy Manual all lack a consistent narrative thread regarding industry involvement in defence capability.