

Submission to First Principles Review Team.

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I am a former Naval Officer and APS EL2 largely involved in Acquisition as Project Sponsor & Director and in Sustainment as a SPO Director since 1987 till I retired in 2014. Although an aviator was the Operational Requirements Manager in SEA 1114, with that being the biggest project I was involved in, through to running 7 of the first CTDs, numerous Special Projects, being the military POC and eventual Director of the old DID projects, test piloting versions of Defence contracts for procurement and schemes such as Australian Ownership and Control of Information and the POC/desk officer for DSTO tasks too numerous to list. That has provided me with a multi angled look at the issues covered in the matters described in the instructions.

The system has already had 43 years of my life so I will try to be brief, focussing on points 2 and 3 in the guidance. I have discussed many of these issues before inside Defence, and they have repeatedly proven to be beyond its willpower to address – but one more go.

Let us begin:

The first thing that has to be recognised is that Material Acquisition and Material Sustainment are so different that they cannot be even remotely run under the same methodologies. It means that the Defence Capability Process that seeks Appropriation 1 allocations is clogged with probably 50% of requests that should be handled by Appropriation 2 funding. Defence has to define what it means by Capability versus the alternative ways of fielding that Capability. Too many times equipment proposals that are simply updating an existing warfighting capability get bogged in the two pass system to the point that they become uneconomic. Until Defence creates a method of defining whether a proposal to procure something is creating a new capability or simply re-invigorating an existing capability everything else you try to reform will just morph back to the as is model.

Yes the naysayers have the position that anything new is new capability. But it is also reasonable to say that a P-8 is just a P-3 with some benefits and if it wasn't fatigue/cost life driving the issue would we be even thinking about 'updating' the manned aviation based maritime surveillance and ASW capability. In this case the 'new' capability is the unmanned surveillance and the sustainment part is the replacement for the manned component. The physical risks of procurement and IOC for both of them is so different they should be handled by different processes. Every updated piece of equipment brings benefits and those benefits should be rolled into the life cycle costing models as they become evident. Many things Defence call projects are called job orders in other industries. We need to adopt same mentality

While much of points 1. and 2. above are recognised within the Sustainment world (there are even manuals to this effect), they do not appear either understood or recognised by most of the top end of the SES and that means the Government can't see the difference either. Most of that is cultural, though use of terms like 'larger and more complex projects'. It means that ambitiously people tend to call things Acquisition: it is far more prestigious working on a new project than it is working on

a sustainment project. That also stops you having to face a very angry bunch at the end of the wharf if the ship isn't ready to go to Hawaii on the due date. It ends up a question of what is harder: building a new ship or trying to rebuild/refit/update a ship in context all its existing limitations? Difficult to answer because they are both COMPLICATED but the sustainment side will definitely be more complex because if there was no legroom at the start you can't change that whereas with a new-build you can create the legroom if you want to.

So the upshot is that the first pass process needs to be altered such that it recognises that somewhere in its business model a decision is made as to whether a procurement is sustainment based or new capability based and the budget bids for Appropriations 1 and 2 amended accordingly. That way you can apply the two completely different risk profiles to the Procurements and IOC/releases (inc the DT&E>OT&E) to get best VFM. I know that will not happen but that seems to be the problem at the moment.

Stop the thinking that Asset management can be renamed Sustainment management. That is what is going on and if the pitfalls of that are not self-evident then all is lost.

As a person held accountable for public funds I found it absolutely amazing that I had to get yearly re-certification training in WH&S, equity and diversity etc BUT no-one ever asked me had I read the Commonwealth Procurement Rules or the Defence Procurement Policy Manual. But I can simply buy (and you can) a Certificate 4 and be happily on my way for the rest of my life. Defence shies away from training that looks at specific projects – ie we have a plethora of good and bad from which to train young ones in what things can go right/wrong and how to spot/intercept and regain the plot. It shies away from how to use the CPR and the DPPM in real scenarios. Address that and you fix a lot of accountability issues.

Integrate DMO back into mainstream Defence. Having worked in both models I can produce a list of witnesses that will attest that I repeatedly said I had never felt SO alone as a SPO Director in the DMO. The pre DMO material model was very inclusive –as an example I had to get my Equipment Acquisition strategy past two groups of very interested and helpful people (the Navy Material Committee and the project police in CEP Division before it went to the Defence Source Definition Committee DSDC), now I have to run a checklist gauntlet past disparate people one by one to ensure that I meet their specific outlook on life rather than looking at the activity as a whole. They all strive for a middle of the road approach which leaves the project metaphorically astride the double white lines waiting for traffic from both directions to run it down. We need to get back to being part of the org – commercialising DMO will exacerbate the current isolation issue.

DSTO in its current form is very hard to describe as useful. Even its own people say it stands for Did Science and Technology Once. Defence asking it to somehow discuss Technology Risk as Technical Risk creates, in the main, insurmountable issues for those actually having to comply with the technical regulatory systems. DSTO has to be re-invigorated to become a trusted advisor on the

science of matters not on specific technology applications. The military have to learn to nurture their scientists so that the latter can produce advice that is meaningful. The military are most at fault for the current state of DSTO in my opinion by the simple act of treating them as boffins they need to get on side to tick a box. Fixing will take effort and the single service scientific advisers need to be augmented to make that happen. ENDAT