



**Defence Industry**  
Leadership Program

# **DILP**

# **Research**

# **Paper**

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## **ASDEFCON**

Does the Department of Defence still require a standardised contracting model?

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# RESEARCH PROJECT REPORT – TEAM 3 - ASDEFCON

002

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# 1. Executive Summary

**“There is a need to consider and implement changes within the application of ASDEFCON, to ensure Australia can maintain and support Sovereign Industry Capability in the event of a National Crisis.”**

*Defence Industry Leadership Program – Team Three 2023 Presentation*

Defence is the largest procuring agency in the Commonwealth and responsible for some of Australia’s most complex procurement activities. The Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates provides the proforma documents for the acquisition of goods and services by Defence.

This report evaluates the current effectiveness, advantages, and drawbacks of ASDEFCON, as it applies to Defence industry. Two (2) methods of research were adopted; a targeted literature review and series of stakeholder interviews, including with Australian ‘Prime’ Defence Contractors, Small to Medium Enterprises (SMEs), Commonwealth of Australia (CoA), and Australian Defence Force (ADF) representatives.

The research identified six (6) emerging themes of ASDEFCON, being Costs, Human Factors, Education, Strategy and Flexibility. The themes had their own identified strengths, weaknesses, and opportunities for improvements.

A standardised contracting model is a valuable requirement for Defence procurement in Australia. However, the research indicates the need for change and evolution of ASDEFCON in order, to maintain its relevance in modern business practices and ensure cost-effective outcomes. With the potential to improve collaboration, increase capability and importantly engagement between Defence Industry, CoA, and ADF, the following recommendations are discussed throughout this report:

- Establish an integrated cross functional ASDEFCON Reform Committee or, independently:
  - Introduce a series of Education Programs delivered by Defence and industry for industry and Defence.
  - Review and revise current suite of Contract Data Requirements.
  - Introduce a Contractor Pre-Qualification Process.
  - Introduce Integrated Project Delivery Teams, with joint Key Performance Indicators.

It is important to note that the authors of this report are not subject matter experts in ASDEFCON. The findings and recommendations have been drawn from research conducted over the course of the six-month research project component of the 2023 Defence Industry Leadership Program (DILP).

**“In a world where the geopolitical environment is currently so unstable, why would we collectively not have a mutual goal to improve and stabilise to benefit our most precious assets.”**

*Defence Industry Leadership Program – Team Three 2023 Presentation*

## 2. Research Project Overview

### 2.1. Background

The Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates was introduced by the Commonwealth of Australia (CoA) in 2002.

These templates provide a set of proforma documents for use by Procurement Officers, when drafting soliciting documentation and contract for the acquisition of goods and services by the Australian Department of Defence (DoD).

Most templates include the following at a minimum:

- a covering letter to prospective tenderers,
- conditions of tender with response volumes,
- a draft contract, and
- (where appropriate), a draft statement of work (SoW).

According to the DoD, the goals, and objectives of the ASDEFCON framework include<sup>1</sup>:

- Engender professionalism of Defence staff by providing tools and guidance for the ongoing development of procurement skills.
- Support the reprioritising of Defence contracting activities by facilitating Request for Tender (RFT) and contract development and management.
- Standardise and benchmark Defence's business practices and procedures by providing tools that:
  - Support Commonwealth and Defence policies.
  - Reflect 'best practice'.
  - Provide a framework for obtaining value for money and ensuring accountability.
- Improve relationships with industry through the engagement of industry in the development and enhancement of the tendering and contracting templates.
- Lead contracting reform in Defence by considering the use of contracting options and strategies that reward performance.

### 2.2. Objective

This Research Project seeks to evaluate the current effectiveness, advantages, and drawbacks of the ASDEFCON framework.

The research focused and aimed to answer the following questions:

1. Does the Department of Defence still require a standardised contracting model?
2. How does this differ to other government agencies, including overseas?
3. How does this suite evolve to remain relevant to modern business practices?
4. Are there enhancements or improvements that industry could suggest that would produce a better and more cost-effective outcome for Government?

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<sup>1</sup> <https://www.defence.gov.au/business-industry/procurement/contracting-templates/asdefcon-suite>

## 2.3. Research Methods

To achieve the objective, two (2) methods were adopted; literature review and stakeholder interviews, discussed briefly in subsequent sections.

### 2.3.1. Literature Review (Narrative)

Existing standard contracting models (two [2] broad categories) were reviewed, including their principles of operation in comparison to ASDEFCON, these are based on emerging themes from stakeholder interviews.

The primary purpose of the literature review was to answer Question 2: How does this differ from other Government agencies, including overseas?

#### 2.3.1.1. Australian Contracting models from Agencies other than Defence

Relevant Australian Government bodies who employ standardised contract modelling were identified, including the main characteristics of models, and their similarities and/or differences with ASDEFCON.

The following Australian templates and frameworks were considered:

- Department Infrastructure (federal)<sup>2</sup>: provides a set of national guidelines and framework rather than standardised contract templates.
- South Australia's Department for Infrastructure and Transport (DIT)<sup>3</sup>: suite of contract templates.
- Transport for New South Wales (TfNSW)<sup>4</sup>: standard terms and conditions for project delivery.
- Queensland Rail<sup>5</sup> - while not necessarily a standardised contract suite, it outlines criteria to be met by contractors, and which vary depending on the scale of the contract.

#### 2.3.1.2. Overseas' Defence Contracting Models

Relevant overseas' (non-Australian) Defence organisations who employ standardised contract modelling were identified, including review of the main characteristics, and their similarities and/or differences with ASDEFCON.

The focus of the research were the UK and US contracting models, considered most relevant to the research question:

- UK: Ministry of Defence (MoD)<sup>6</sup> adopts a standardised model, DEFCON (Defence Conditions), which appear similar to ASDEFCON. The review focussed primarily on the UK's model to identify its main principles and specificities.
- US: Department of Defense (DoD)<sup>7</sup> adopt the Defense Acquisition Regulations System (DARS), which outline and maintain acquisition rules and guidance for the DoD. The standardised acquisition model is governed by the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS).<sup>8</sup>

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<sup>2</sup> <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery>

<sup>3</sup> [https://www.dit.sa.gov.au/contractor\\_documents](https://www.dit.sa.gov.au/contractor_documents)

<sup>4</sup> <https://www.transport.nsw.gov.au/industry/doing-business-transport/tfnsw-standard-terms-and-conditions-for-project-delivery>

<sup>5</sup> <https://www.queenslandrail.com.au/forbusiness/contractors>

<sup>6</sup> <https://www.gov.uk/government/organisations/ministry-of-defence/about/procurement>

<sup>7</sup> <https://www.acq.osd.mil/dpap/dars/index.html>

<sup>8</sup> <https://www.acq.osd.mil/dpap/dars/dfarspgi/current/>



### 2.3.2. Stakeholder Interviews

Relevant stakeholders from Australian major Defence Contractors (“Primes”), SMEs, Commonwealth of Australia (CoA), and the Australian Defence Force (ADF) were identified and interviewed to obtain their perspective, insights and feedback, including as to user experience in the utilisation of the ASDEFCON framework.

The primary purpose of the interviews was to address and answer *Question 3: How does the suite evolve to remain relevant to modern business practices, and Question 4: Are there enhancements or improvements that Industry could suggest that would produce a better, and more cost-effective outcome for Government.*

#### 2.3.2.1. Selection Criteria

Interviewees were primarily selected based on having direct involvement in contracting, and/or procurement. Other relevant stakeholders were interviewed, noting their experience to comment on how the introduction, and continued application of ASDEFCON impacts DoD and broader Defence Industry.

The following criteria for all interviewees were agreed upon by the team, with potential interviewees to have met criteria (1) and at least two others.

1. Defence Industry related (working within Defence, or industry for Defence) or Defence personnel responsible for procurement.
2. Suitably qualified personnel with exposure to or experienced in working with ASDEFCON contract suite, or elements relevant to their work or organisation.
3. Responsible for review, and/or contract signature activities.
4. Exposure to a range of contracts, varying in size, scale and, or complexity.

The Schedule of Interviewees is contained within Annex B, Table 3 - Schedule of Stakeholder Interviewees.

#### 2.3.2.2. Questions

The Team compiled a set of questions to be utilised within interviews. The standardised questions enabled a uniform approach and ensured consistency, whilst maintaining established constraints that aligned with the research scope.

Interviews generally followed the below structure, however, discussions were open with interviewees provided an opportunity to provide additional feedback and opinions, as the individual deemed relevant.

1. Provision of Interviewees Background:
  - i. What is your role within your company?
  - ii. How long have you held this position?
  - iii. How long have you been working with or within Defence Industry?
2. Understand their experience with ASDEFCON:
  - i. How often do you interact with ASDEFCON?
  - ii. What size, scale and complexity of contracts are you involved with?

3. Explore the advantages and drawbacks of ASDEFCON.
  - i. In your experience, what are the positives of the ASDEFCON framework?
  - ii. In your experience, what are the limitations / drawbacks of the ASDEFCON framework?
4. Seek feedback on potential changes and improvements of ASDEFCON.
  - i. Could ASDEFCON be replaced with a more efficient model?
  - ii. What would you change within ASDEFCON?

Additional feedback was sought, as per the below, and discussed within interviews, as determined appropriate by the interviewer.

1. Provide feedback on the value of ASDEFCON (in the context of the objectives of the Research Project). Including:
  - i. Application of ASDEFCON in a variety of contract scales.
  - ii. Education in the application of ASDEFCON for Defence Industry.
  - iii. Behavioural and cultural tendencies observed when utilising standardised contract models.
2. Are there any particular items, including products or services, in which the ASDEFCON standardised contract model is not optimised for, and if yes, what changes are required?
3. Are there any clauses within ASDEFCON that are perceived as missing, or require revision within the standardised contract model?
4. Have, in your experience, seen the application of lessons learned to the ASDEFCON standardised contract model, which have been based on Industry feedback?

#### **2.3.2.3. Consent and Conduct**

To ensure interviewees could communicate freely, and without consideration for retribution, a consent form was developed and issued to the interviewee prior to their scheduled interview.

Interviewees were provided options to conduct interviews online (via Govteams or similar), or in person, the latter, a preference for the team. Where an interview was conducted online, permission to record the session was sought, including automation of transcription and use of camera on methodology.

Interviews were conducted as follows:

- Interview conducted by two (2) Team 3 DILP members, one interviewer and one scribe.
- Interviewees to have completed and returned consent form prior to the commencement of the interview.
- Interviews minuted and/or recorded as agreed.
- Interview results reviewed by two (2) team members to analyse and collate themes for analysis.

#### **2.3.2.4. Theme Analysis**

On completion of interviews, transcripts and relevant notes from stakeholders were dissected, with 'quotes' divided based upon their common messaging. These common messages (sub-themes) were categorised into a group of six (6) emerging themes as described within Table 1 - Themes from Stakeholder Analysis.

Each quote per emerging theme was attributed as either a strength, weakness, or opportunity for improvement.

**Table 1 - Themes from Stakeholder Analysis**

Emerging Themes	Sub-Theme
Education	Education
Collaboration	Collaboration
Human factors	Interpretation, behaviours, culture, stability/instability, structure
Cost	Efficiency, cost, documentation
Strategy	Starting point, outcomes, innovation, risk
Flexibility	Complexity, growth, scalability, agility, tailoring, relevancy (current climate), continuous improvement
Other	Other frameworks

## 3. Literature Review

### 3.1. Australian National and State (Non-Defence) Contracting Models

#### 3.1.1. Framework

Australian Government Agencies are subject to Commonwealth Procurement Rules, that outline the policies and expectations for procurement officials.

The purpose of these is to provide assurance, accountability, and transparency into procurement activities, thus making it easier for businesses to participate in the economy and grow their business through contracting to the Australian Government. Achieving value for money is the core rule of the Commonwealth Procurement Rules, as this is critical in ensuring that public resources are used in the most efficient, effective, ethical, and economic manner.

The rules note that as a general principle, that risks be borne by the party best placed to manage them; that is, relevant entities should generally not accept risk which another party is better placed to manage. Similarly, when a relevant entity is best placed to manage a particular risk, it should not seek to inappropriately transfer that risk to the supplier.

The model's reviewed covered the approaches to project delivery, including traditional contracting (design and construct), alliance contracting and public-private partnerships. Contract types varied, based on the perceived risk profile and project to be delivered, including design/professional services, Infrastructure maintenance, as well as procurement of new plant and equipment.

#### 3.1.2. Standard Contracting

Australian Standard AS4122-2010 General Conditions of Contract, outlines common conditions relevant to the engagement of consultants, particularly in the construction industry and sets out the general obligations governing the relationship between these consultants and their client. These are commonly adopted by government, however, are tailored with a set of special conditions, designed for the relevant agency's use, and developed under the supervision of experienced professionals.

- TfNSW sets out standard and the minimum requirements (TSRs), that form part of the "Contract" they have with their contractors/suppliers. These TSRS can be amended/tailored, where required to meet the needs of each project.
  - QLD adopt Comprehensive contract conditions requiring a performance guarantee or financial security (e.g., bank guarantee) from the supplier where high-risk or complex, and the General Contract Conditions can't mitigate these risks.
  - QLD also adopts a contract clause bank document for use with tender and contract documents. This includes examples of other clauses which may wish to be included in contract terms and conditions, noting legal advice still to be sought if using additional terms and conditions.
- Standard Contracting

#### 3.1.3. Items of Note

Items of note, that are incorporated within the Australian Governments standard contracting models include:

##### 3.1.3.1. Pre-Qualification

Commonly adopted within standard Australian Governments contracting models is the use of pre-qualification systems, which ensures that only appropriately skilled and experienced companies are permitted to submit tenders.

To be considered as prequalified, companies must demonstrate the requisite experience, technical capacity, available resources, and management systems necessary to competently undertake the work.

The prequalification is available at various levels that reflect the complexity, risk, and value of contracts that a company is permitted to tender for. The level of prequalification required is specified during RFT stage.

### 3.1.3.2. Risk

For routine low-value and low-risk (e.g., buying products/services that are standard, commodity based, or have known or established specifications or scope), standard purchasing conditions are adopted.

The QLD model includes a value/risk matrix (VRM) tool, that considers value and risk to help determine the level of complexity associated with the following:

- A contract or group of contracts (to help with contract management).
- The sourcing of specific goods or services (to help with developing a sourcing strategy).
- Categorisation of Goods or Services (to help with developing category management plans).

The level of complexity is assessed as per the following:

- Routine – Low Value, Low Risk.
- Leveraged – High Value, Low Risk.
- Focussed – Low Value, High Risk.
- Strategic - High Value, High Risk.

## 3.2. UK Defence Contract Model

### 3.2.1. Framework

The UK DEFCON (Defence Conditions) model is in large part similar to Australia's; it employs standardised contracting templates that are tailored to the contract's size.

Procurement is handled by different bodies depending on the nature of the procurement:

- Defence Digital (DD) deals with digital and information technology.
- Defence Equipment and Support (DE&S) buys, supports, and supplies equipment and services.
- Defence Infrastructure Organisation (DIO) is responsible for planning, building, and maintaining infrastructure.
- The Submarine Delivery Agency (SDA) manages the procurement, support, and disposal of UK's nuclear submarines.
- Leidos handles logistics, storage, and distribution.
- Defence Science and Technology Laboratory (DSTL) manages innovation, science and technology matters.

Although each of the entities above has its specificities, the UK model overall is very similar to ASDEFCON, namely:

- It employs a suite of standardised contract templates, whose terms vary depending on the scale and complexity of the contract.
- It sets objective tender selection criteria and does not operate preferred supplier lists.

### 3.2.2. Education

The UK has a system in place to educate stakeholders on the inner workings of UK Defence procurement. The system, named Knowledge in Defence (KiD)<sup>9</sup> has been in place since 2019.

As per the words of the MoD, “KiD provides the information, guidance and instruction that set out how the MoD conducts acquisition business.” The system is accessed through a centralised Web portal and requires registration to access but is otherwise free.

Such an education piece is lacking from ASDEFCON, and is an issue raised throughout interviews on multiple occasions (Refer to Section 4).

### 3.2.3. Issues

It should be noted that the UK model has recently been heavily criticised. In July 2023, the UK parliament released a report<sup>10</sup> stating:

*“UK procurement system [is] highly bureaucratic, overly stratified, far too ponderous, with an inconsistent approach to safety, very poor accountability and a culture which appears institutionally averse to individual responsibility.”*

*“Recommends giving Senior Responsible Owners much greater power over their programmes,”*

*‘a system which places a much greater value on time, promotes a sense of urgency rather than institutional lethargy, and prevents endless ‘requirement creep,’” and*

*“DE&S must improve its relationships with industry, from increasing transparency about forthcoming requirements, expanding the emphasis on exportability, [...] preventing skill fade and developing the [...] Defence workforce of the future”.*

Many of these criticisms, as well as avenues for improvement, resonate with those encountered through the stakeholder interviews regarding ASDEFCON. It is no surprise the shortcomings of both Australian and UK models given the similarities between. This further supports the need for change and improvement within ASDEFCON.

## 3.3. US Defense Contract Model

Before diving into the specificities of US model, it is noted that the US Defense budget is approximately 25 times that of Australia<sup>11</sup> (\$1,300B AUD v \$53B AUD for US and Australian Defence respectively). Accordingly, some elements of the US model may not be directly comparable to Australia, given the vastly superior size and budget of its armed forces.

### 3.3.1. Framework

The overarching regulation for US procurement come from Title 10 and Title 41 of the United States Code,<sup>12</sup> for defence and non-defence procurement respectively. Those are expanded on by the Federal Acquisition Regulation (FAR), which serves as the procurement regulation for all federal procurements.

Additionally, these foundational sets of rules can be expanded on by individual departments. The Defense Federal Acquisition Regulation Supplement (DFARS) provides additional rules for defence procurement. Note that not all defence procurement has to follow DFARS; and in recent years, there

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<sup>9</sup> <https://www.gov.uk/guidance/knowledge-in-defence-kid>

<sup>10</sup> Defence Committee, 2023, *It is broke — and it's time to fix it: The UK's defence procurement system*.

<sup>11</sup> <https://www.defense.gov/News/News-Stories/Article/Article/3252968/biden-signs-national-defense-authorization-act-into-law/>

<sup>12</sup> <https://uscode.house.gov/>

has been an increasing trend to conduct procurement through the General Services Acquisition regulation, which is subject to FAR regulations but not DFARS.

A fourth layer can further expand on these sets of rules, where individual agencies can add supplementary regulations for their procurement, although these tend to deal with minor specific details. Most regulations are ultimately at the FAR and DFARS level.

### **3.3.2. Scale**

As a result of the adoption of an ‘adaptive acquisition framework,’<sup>13</sup> the DoD has different acquisition approaches for different types of capability (Urgent Capability Acquisition; Major Capability Acquisition; Middle Tier Acquisition; Software Acquisition; Defense Business Systems (DBS) Acquisition; and Defense Acquisition of Services).

Procurement procedures are tailored to the scale of the work. Procedures are more complex as the dollar value of the procurement increases. Products below \$10,000 USD fall under the “micro-purchase” threshold and can be greatly expedited. Under \$250,000 USD, contracts are below the “simplified acquisition threshold” and remain relatively simple. On the other end of the spectrum, very large procurement contracts are conducted in accordance with the full FAR and DFARS procedures, plus any additional specific procedures, and “are among the most sophisticated acquisition processes in the world.”<sup>14</sup> These contracts merge the acquisition itself with the capability requirements determination process.

### **3.3.3. Continuous Improvement, Tailoring and Feedback**

The US procurement process changes infrequently, and the system is generally slow to be altered.<sup>15</sup> There are currently no plans to radically change the US procurement system.

### **3.3.4. Liability**

The US government can limit the contractor’s liability under the contract; these are in fact standard FAR contract clauses for acquisitions over the simplified acquisition threshold (>\$250,000 USD). On the other hand, contractors are limited in their recovery against the government for breach. Under fixed-price contracts, the government’s liability is usually limited to the total contract cost.

Cost allocation (between the contractor and the government) drives a large part of the risk balance. Under a cost-reimbursement contract, there is very little risk for the contractor: all the “reasonable, permissible and allocable costs” will be paid by the government. Under a fixed-price contract however, there is significant risk for the contractor since the sum paid is fixed regardless of the actual costs incurred. A third cost model, “fixed-price incentive”, constitutes the middle ground between the above two approaches. The parties agree to a “target cost” and share a set percentage of cost overruns or underruns.

### **3.3.5. Innovation / Research and Development spending**

The US DoD publishes a list of contract value award daily.<sup>16</sup> A review of the data was undertaken for the period 1 July - 31 August 2023, to quantify the amount spent on research and development (R&D) and innovation work (based on Indefinite Delivery, Indefinite Quantity (IDIQ) contracts).

These contracts provide for an indefinite quantity of services for a fixed time, typically used when the precise quantities of supplies or services can’t be determined, above a specified minimum, during the contract period.

The advantages of the IDIQ contracts on R&D and innovation works are as follows:

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<sup>13</sup> US Department of Defense, 2020, Operation of the Adaptive Acquisition Framework,

<sup>14</sup> <https://www.ccc.ca/en/insights-for-exporters/the-ins-and-outs-of-u-s-dod-procurement/>

<sup>15</sup> <https://www.lexology.com/library/detail.aspx?g=e439b3ca-f400-40c9-abf7-64611796aa97>

<sup>16</sup> <https://www.defense.gov/News/Contracts/>

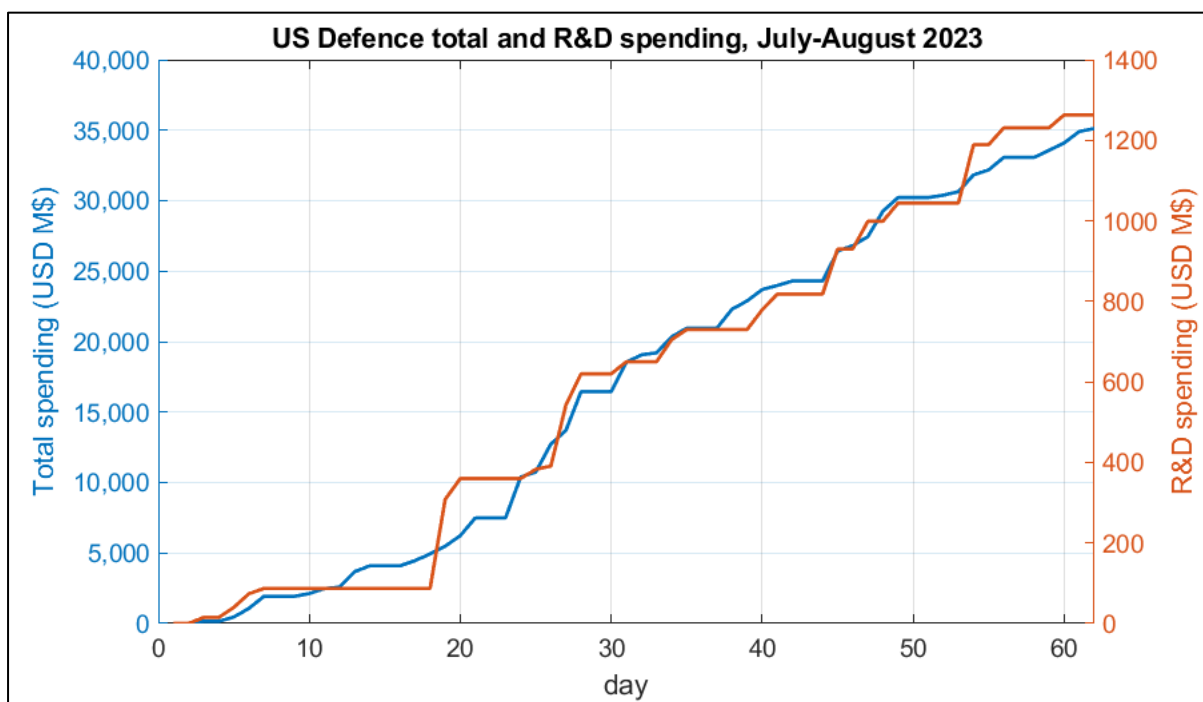
- **Flexibility:** Ability to provide a high degree of flexibility in meeting needs for R&D projects. These contracts enable agencies to rapidly respond to changing requirements, new technologies, and evolving mission priorities without the need for lengthy procurement processes.
- **Cost Savings:** Leveraging economies of scale and encouraging competition amongst contractors.
- **Reduced Procurement Time:** Shorten the procurement cycle by streamlining the contract process.

Data for the period 1 July - 31 August 2023, as shown in Figure 1, was reviewed as follows:

- Identify the total amount (\$USD) awarded daily for all US DoD procurement, excluding non-monetary modifications to previously awarded contracts.
- Identify the total amount (\$USD) awarded daily for contracts with the following keywords: “indefinite quantity / indefinite delivery” AND [“research” OR “research and development”]. The purpose to isolate contracts specifically targeting innovation / R&D projects, and the “indefinite quantity / indefinite delivery” model.
- The ratio of the second to the first item above provided an estimate of the proportion of innovation / R&D spending among overall US defense spending.

For the two (2) month period, 3.6% of total US DoD contract award was for R&D and innovation work

**Figure 1 - \$USD contract award US DoD**



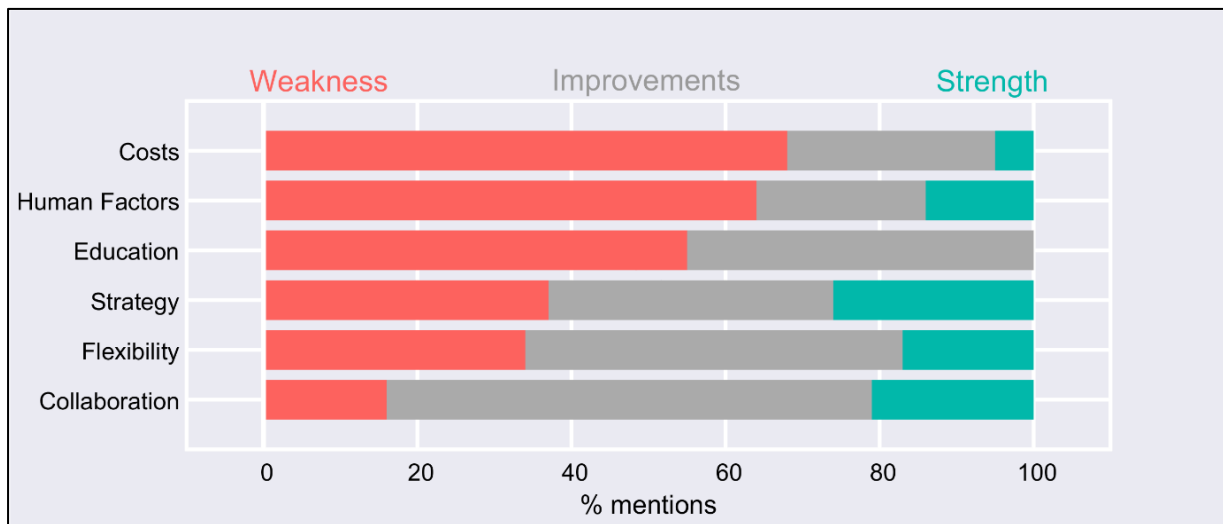


## 4. Stakeholder Interviews

### 4.1. Emerging Themes

The main themes emerging from the data, and their distribution across Weakness, Improvements and Strength are depicted in Figure 2, and elaborated in subsequent sections.

Figure 2 - Emerging Themes from Interviews



#### 4.1.1. Theme 1 – Costs

Research showed that factors that drove cost were the biggest weakness associated with executing against the ASDEFCON framework. Root causes of this finding are multi-factorial, and won't be exhaustively discussed in this report, however the research found the following issues to be thematic of the greater problem:

- For some contracts the biggest cost was in satisfying the contract reporting requirements, rather than conducting the actual work.
- The cost of bidding represents a barrier of entry for some potential industry participants, in particular SME. SMEs are seen as exemplar innovators in the Australian Defence industry; hence this barrier of entry should be lowered as much as possible for this sector.
- Some Data Item Descriptions (DID), the ASDEFCON document guide/templates, are not fit for purpose and don't meet the needs of the CoA.
- While there is no suggestion in the research data that all ASDEFCON deliverables are non-value-adding, there is evidence that a significant percentage are Project, Data, Quality, Configuration, Engineering and other management plans which detail how company process describes certain activities. These plans are usually a mixture of generic guidance (with out-references to company process assets) and specifics of process application to project outcomes. These plans are normally delivered annually with minimal change. The research team proposes that the CoA establishes a contractor portal where companies can register standard management plans and objective quality evidence of relevant certifications (e.g., third party certification of the applicable Quality Management System). This approach would deliver an essentially "pre-qualified" database of Defence Contractors and a library of standard management plans for reference by CoA during tender assessment and contract execution. Specifics of contract execution could be described in much shorter management plan addenda that are maintained for accuracy and relevance throughout project phases by the contractor.

- Noting the old joke in Australian Defence industry, that “the weight of the paperwork should equal the weight of the product”, it is undeniable that documentation requirements of typical defence projects can be substantial. Note the following real- world example: A project running for 4 years can expect to deliver over 4,500 individual files in that time to comply with the ASDEFCON requirements of the Contract. This represents a significant cost driver for the industry participant, the CoA and subsequently the taxpayer. The research team challenges the notion that inconsistency and contradiction can be readily identified in such a large documentation set.

It can be demonstrated that CoA reviewers adopt a compliance mindset when reviewing Contractor Data Requirement List (CDRL) deliveries from contractors. Precise compliance with the DID seems to prevail over delivery of value at times. Also, the author can attest to receiving multiple CoA review comments on formatting and other inconsequential details; this indicates an adversarial mindset rather than a collaborative approach where the contractor, the CoA and the end user work as a team to deliver capability to the ADF in the shortest, most cost-effective manner possible.

In addition, a non-interviewed stakeholder with experience in both Australian and overseas Defence procurement models, indicated a Scandinavian model that displays:

- a) Extensive collaboration but concise tender submissions which are not assessed if they exceed budget or are non-compliant
- b) Tender submission restricted to pre-qualified industry participants
- c) Automatic contract award if only one tender is compliant (and this can and does happen within days of submission).

This example demonstrates the practical ways to speed procurement, while minimising cost associated with the tender process.

#### **4.1.2. Theme 2 – Human Factors**

Human Factors are inherently in effect in a human operated framework. Behaviours, stability /instability, and culture will be considered within this section.

- Behaviours - We heard that relationships could become contractual, that when a difference arises in a collaboration, people tend to take a contractual position as a risk neutral option, which widens the gap rather than closes it. Reluctance to have a conversation across contract boundaries that starts with “How can we make this work?” is indicative of long-held views that the contract is all you need to successfully deliver a project. We heard that contract staff are “wired for combat”. In the context of the need for rapid capability deployment in a volatile threat environment, contract requirements agreed years in the past can rapidly become irrelevant. While ASDEFCON tends to make people think more formally and remain risk averse and compliance minded, relationships build trust which can underpin more agile and responsive acquisition arrangements.
- Stability/Instability - The development of relationships discussed previously can be challenged by the rotation and promotion cycles inherent to the ADF. Promotion and recognition are intrinsic to all branches of the ADF and are powerful psychological drivers. The effect of this on acquisition relationships is that new points of contact inevitably bring new perspectives which can stifle momentum and alter trajectories. Continuity relies heavily on handovers which are outside the control of the contractor. The research team heard that program stability is more a factor of the stability of the people involved in the program than other influences.
- Culture - Current culture in Defence is too combative to change Terms and Conditions to deliver outcomes, rather than contract requirements. Delivery within the ASDEFCON framework requires a nuanced understanding which has to be learned over time. Industry seeks a culture where relationships are valued more than the adoption of legal positions.

#### 4.1.3. Theme 3 – Education

Educated industry partners deliver improved outcomes. How does ASDEFCON appear to an SME bidding against a tender for the first time? There is a significant learning curve which represents a barrier of entry to Defence contracting for SMEs engaging for the first time. SMEs are the engine room of innovation – we need them as Defence industry players and hence need to reduce that learning curve. Education fills the gap between the intent of the contract and an absolute understanding of the written word.

Rules verses Experience - We heard during research that the framework does not allow differentiation between the “rules of the road” and the “experience of the driver”. It should be noted that, while Defence personnel rotate and get promoted out of acquisition relationships, contractor employees can spend significant proportions of their career executing contracts within the ASDEFCON framework and therefore accumulate deep knowledge and experience with the model. Adding organisational governance overlays (representing flow-down in organisations of accountability to legislation, boards, and shareholders) under which decisions are made and reviewed while executing against ASDEFCON, represents a strong argument that contractors are able and motivated to make best for Defence decisions under the framework.

#### 4.1.4. Theme 4 – Strategy

It is important to highlight that the objectives of ASDEFCON, outlined within Background 2.1, are not necessarily outcomes. Several respondents voiced frustration at the lack of outcome driven intent. One comparison likened ASDEFCON to the fast-food chain, McDonalds, and its low culinary standard menu, claiming “it has done the same thing with food,” that being “it’s always consistent, but this doesn’t make it gourmet food.” The Commonwealth is not enabling the procurement of high standard products by facilitating the use of ASDEFCON as is. Workers are driven down a path of trying to satisfy a checklist rather than thinking about what they should be trying to achieve. Auditors put further pressure on the situation, assessing for compliance and not outcomes, creating an environment where workers are pressured into satisfying every tick box no matter how relevant.

The objectives address ensuring accountability, but as was discovered through the research, the risk is often passed on to Industry. The following key points were drawn from the interviews:

- The Commonwealth can pull any clause in the contract to say Industry is failing.
- The Commonwealth is risk adverse, where it should be capability first.
- The Commonwealth is known for conservatism, but in the wake of the DSR statements regarding the timely delivery of capability, this is not the future.
- The Commonwealth is maintaining the same principles as they used 30 years ago.
- The Commonwealth’s risk aversion drives companies to create un-required plans etc.

Commentary of this kind clearly identifies the need for the CoA assess their current willingness to accept risk. Not only could this improve relationships with Industry, but also an increase in speed to market, lower costs and allow more flexibility.

#### 4.1.5. Theme 5 – Flexibility

One ASDEFCON objective sought to support the reprioritising of Defence activities, i.e., to allow a level of flexibility. This is achieved through the contract tailoring system. Although tailoring is perceived in a positive light, it requires a comprehensive understanding of the scope and mechanics of the selected template. Defence Industry can tailor the template contracts as they see fit given the program/project. Without tailoring, a compliant bid will often be severely overpriced, not providing value for money to the Commonwealth. Furthermore, there are often cases of repetitive tailoring, i.e., the same section of contracts being deemed as irrelevant and removed. There is no continuous improvement strategy for tailoring clear opportunities for efficiency and value-for-money exist.

Moreover, the research revealed several other inflexibilities of ASDEFCON:

- ASDEFCON fails to scale well, especially when you consider large scale programs compared to smaller sized projects. The amount of unnecessary paperwork that would typically be tailored out of smaller projects supports this.
- It is far too complex for people to work with on a regular basis due to the inherent intricacies and number of co-dependencies. One respondent referred to the idea of a Sony remote from the nineties, stating “one side has 6 buttons”; it is simple and does what you need it to, “when you turn it over you have every function you could ever want”. ASDEFCON fails to facilitate to both ends of this spectrum.
- Software Agile projects are not suited to ASDEFCON. These projects tend to go through short “sprints” that don’t match the milestones and deliverables that ASDEFCON offers.

ASDEFCON fails to have the flexibility to remain relevant in the current geopolitical climate.

Throughout the paper reference has been made to the need for swift delivery of capability. As it stands, ASDEFCON fails to support rapid contract delivery by imposing a burden of non-value adding documentation requirements on the Contractor. Other tailoring suggestions have included an incentivised approach or even the reverse approach of starting with core contract clauses and implementing the need to “opt-in” to further clauses which are currently “opt-out”.

#### **4.1.6. Theme 6 – Collaboration**

The final theme identified from the research was that of the collaboration between CoA and Defence Industry. Along with the contract itself, this piece of the puzzle is pivotal in ensuring successful execution of programs; communication is everything.

The objectives of ASDEFCON highlight the importance the Commonwealth puts on this relationship. However, the research indicates a disconnect between these two parties. One respondent described it as “a disconnect between the people that develop those contracts and the people that actually apply those contracts at the interface with industry.” In the end what it comes down to is “a balance between tailoring to meet the needs of the practitioner and meeting legal needs when an issue comes up.” In other words, the time and effort put into changing and developing the templates is to enable a better legal position for both sides in the event of a contractual fight. However, events like this rarely occur, which again questions the necessity of this time and effort.

Furthermore, Defence historically has not involved industry partners in the decision-making process, rather tell them after the fact. This is clearly a bad example of collaboration; collaboration is where partners share risk (which we’ve previously shown to be one-sided too). The commonwealth needs to “collaborate” instead of “cooperating.” There needs to be less disputes and litigation. This brings us back to the human factor’s discussion and the fact that this behaviour is ingrained in the culture.

One recommendation to improve this suggested the Commonwealth should “instead of demanding what they want from the supplier, to ask them to put on the table what they supply to meet that need/problem.” Another suggestion was that of joint KPIs; this would naturally drive collaboration.

## **4.2. Potential Issues with ASDEFCON Changes**

Interviewees also identified some elements as strengths of the ASDEFCON model. If ASDEFCON was to be changed, one should strive to maintain these elements, including:

### **4.2.1. Strategy**

The prescriptive nature of the ASDEFCON model can also serve to provide guidance to contractors, by segmenting large projects into smaller, actionable deliverables, ensuring time constraints are met and ensuring the work progresses in a smooth manner. This is however counterbalanced by the fact that the sheer number of deliverables incurs large cost and resource commitments; as mentioned in the previous section, these numerous deliverables often represent a significant part of the cost of a

project for contractors. We believe that maintaining a standardised contracting model can preserve the benefit of providing guidance to contractors, while at the same time reducing the amount of paperwork that must be produced and delivered during projects.

#### **4.2.2. Education**

Some interviewees also mentioned that, although ASDEFCON is an intricate system that is difficult to learn, today most contractors understand its operation reasonably well, and changing the system will require re-learning, which will cause large disruption on both Government and industry sides. The question, then, becomes one of cost-benefit analysis. Do the long-term benefits of changing the model outweigh the short-term issues caused by having to learn the system again? Looking at the overall balance of strengths and weaknesses, and the almost unanimous perception that ASDEFCON is too bureaucratic and rigid, we firmly believe that the re-learning process is a necessary step that will ultimately lead to a more modern, reactive, and flexible model.

#### **4.2.3. Flexibility**

Finally, it was mentioned that allowing more flexibility in the ASDEFCON model implies more risk to the Commonwealth. The question of risk tolerance (or risk aversion) has permeated all our conversations with the interviewees and seems to be a central theme in Australian defence procurement currently. The consensus appears to be that the Commonwealth is too risk averse, and this risk aversion is detrimental to Australian Defence procurement overall. The issue of risk aversion is a very broad topic and could realistically be the topic of a research project on its own. One thing to note is that, broadly speaking, a culture of risk aversion is not changed by telling individuals to “be less risk averse” or “take more risk”. The culture can be changed by modifying the underlying framework (ASDEFCON in this case). A framework that promotes greater individual responsibility and better communication between parties could foster an environment with more trust, which may entice more risk tolerance on the CoA side.

#### **4.2.4. Collaboration**

ASDEFCON provides a level playing field due to its highly prescriptive and exhaustive nature: everyone plays by the same rules. This was perceived as a strength since it can avoid a situation where the Government privileges a few key industrial partners. However, as also mentioned by some interviewees, this level playing field only exists for companies who are currently in the Defence contracting business. For potential contractors, ASDEFCON still presents a massive barrier of entry as mentioned in the section above. We believe it is possible to maintain a level playing field for existing contractors, while lowering the barrier of entry for potential contractors.

## 5. Discussion

The shortcomings of ASDEFCON are evident from the research, which supports the need for change and evolution in order, to maintain its relevance in modern business practices and ensure cost-effective outcomes.

The research also however indicates the need for a standardised contracting model and remaining as a valuable requirement for Defence procurement in Australia. With ASDEFCON introduced in 2002, Defence industry now has a good practical understanding of its intricacies.

The research indicates that some of the goals of ASDEFCON (refer Section 2.1) have largely been met. However, in other aspects, it appears that ASDEFCON didn't fully meet its goals, and possibly even caused regression on some. For example, the goal to "improve relationships with industry" is debatable, as the research and interviews indicate ASDEFCON as a contributing factor to the development of a box-ticking mentality, thus rendering the relationship between government and industry adversarial rather than collaborative.

The interviewees' provided a diverse range of suggestions for improvements with ASDEFCON, but there was a great deal of consistency in what they identified as issues or weaknesses of ASDEFCON. This would tend to indicate that there is a strong consensus on what the deficiencies of the model are (refer to Section 3.2.2 for details), but the solutions are far from obvious.

Defence procurement is a large, complex, and intricate topic. As such, there will necessarily be a level of complexity, and bureaucracy, to Defence procurement. Other countries' models are also complex and intricate, and some work better than others, but no one has a "perfect" model. The US,<sup>17</sup> UK,<sup>18</sup> and Canadian<sup>19</sup> models, have all recently been subject to criticism.

While discussing the issues of ASDEFCON, it is easy to compare it to some theoretical, perfect model that ultimately cannot exist. ASDEFCON has clear issues, however it is not confined to just Defence procurement (highly complex matter) in Australia, and that the perfect solution does not exist. In the current times of heavy criticism of ASDEFCON, keeping this in mind will perhaps help preserve some optimism, which will be needed given the task ahead.

Change is needed for ASDEFCON to be more reactive, more collaborative, foster greater innovation and maintain Australia's sovereign Defence capability. The current approach entices government and industry to negotiate through paperwork and deliverables, rather than true collaboration; there is no incentive to promote true collaborative work and some level of risk sharing. This issue may be conflated by the fact that there can be a high rate of turnover within Government staff; and that as mentioned by some interviewees, newly appointed staff want to make an impression, which often means making changes and decisions in the short term in mind, rather than considering the medium to long term objectives. This in turn deteriorates the image that the Government (customer) projects to industry: if the customer has no clear long-vision plan, and changes their mind frequently, it is difficult to establish trust and collaboration over the long term. Staff turnover also means that practical knowledge and expertise is not maintained over the long term on the government side, which is an obvious barrier to establishing long-lasting relationships with Defence industry. This also creates deep information and knowledge asymmetries between public and private sectors: if most of the technical knowledge is on the industry's side, it is difficult for government to negotiate properly. Facing similar issues in the early 2000s, the French government made significant changes to staffing and recruitment: high ranking staff of the General Directorate of Armament (DGA), responsible for Defence procurement, have to come from a select few engineering schools ("Grandes Ecoles"), in which the DGA has a stake; have a military rank, have maintained their position for a number of years

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<sup>17</sup> <https://www.gao.gov/products/t-nsiad-88-38>

<sup>18</sup> <https://publications.parliament.uk/pa/cm5803/cmselect/cmdfence/1099/summary.html>

<sup>19</sup> [https://lop.parl.ca/sites/PublicWebsite/default/en\\_CA/ResearchPublications/202054E](https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/202054E)

(tuition is paid by government in exchange for graduates having to work for government for a number of years), and are embedded within industry for a number of years.

This has given the DGA the technical competency and deep knowledge of defence technology necessary for enhanced collaboration with industry. The US have investigated these ideas in a 2009 review of their procurement process.<sup>20</sup> The French defence system has large differences from Australia's, with DGA having a stake in some "Grandes Ecoles" as noted above, and the Government owning part of some primes (Thales, Airbus, Naval Group) so the model is not applicable to Australia directly. However, the general idea of recruiting and maintaining staff with high level technical competence and experience seems clearly beneficial. Overall, we want to emphasize the fact that the ASDEFCON model itself might not be the only source of issues for Australian Defence procurement: other factors, such as staff's experience, can also dictate the nature of relationships between government and industry.

Another factor evident in the research, was Defence industry's desire to open communication with the government to discuss the perceived disproportionate time it takes to evaluate a tender, compared to the time it takes for industry to prepare the tender. Industry interviewees expressed the perception that Defence routinely requests more information than is needed to evaluate a tender and issue a contract. Once again, fostering a more open and collaborative approach to tendering could help improve on these issues. This will require that the Government maintains a high level of technical competence and expertise in Defence procurement and contracting matters.

The highly prescriptive and exhaustive nature of ASDEFCON tends to encourage individuals - on both industry and Government sides - to rely on official documentation, rather than engaging in open conversations. This slows down the entire procurement process, creates unnecessary hurdles, and stifles innovation.

This section has presented general, high-level observations and thoughts; the next section outlines potential avenues for actionable changes to ASDEFCON, benefiting Defence and industry.

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<sup>20</sup> <https://www.jstor.org/stable/resrep061711?seq=1>

## 6. Recommendations

**“There is a need to consider and implement changes within ASDEFCON application in order to ensure Australia can maintain and support Sovereign Industry Capability in the event of a National Crisis”.**

### *Defence Industry Leadership Program – Team Three 2023 Presentation*

Change has the potential to improve collaboration, increase capability and importantly engagement between Defence Industry, Commonwealth of Australia, and the Australian Defence Force, resulting in a holistic and integrated solution.

During the research process, it was evident that interviewees required change, with actionable solutions provided to the research group. Most were considered minor continuous improvement changes to the suite, rather than radical change. However, the following quotes are some examples of where radical change were considered and discussed.

*“Consider transformation rather than continuous improvement.”*

*“Ask Primes what they can deliver instead of going to them with requirements. Other than the schedule, and price breakdown, up to you to tell me what you will supply to support the production, if you can convince me that its good enough, then I will take it. We can reduce the resource, and reduce our costs, it may reduce their contract value, but it builds a relationship of understanding between the parties that is quite clear.”*

*“We have to climb the Eiffel Tower to get to perfect, so we have dozens of opinions of what perfect looks like, and we kill the contractor beyond belief to develop a whole new suite of new documents. And, I could have just said to them, can you supply me the operator’s manual for this piece of kit, and they say yes, here you go.”*

Whilst it would be easy to focus on a suite of subtle, yet impactful changes to improve the longstanding status quo of ASDEFCON, an opportunity currently exists under the current geopolitical environment to make radical change to support Australian Defence for the years to come.

Looking at the UK Defence Committee Report “Broken or no longer fit for purpose.?” published in July 2023 regarding the UK standard contracting model Defence Conditions (DEFCONs) the following was said:

***“UK procurement system .... highly bureaucratic, overly stratified, far too ponderous, with an inconsistent approach to safety, very poor accountability and a culture which appears institutionally averse to individual responsibility...”***

Could the same not be said for ASDEFCON?

***“To summarize Australian Defence, have a burning platform, and this must be changed. Suggest to ‘rip it up’ and whether we are “looking to do things differently or do different things.”***



## 6.1. ASDEFCON Reform Committee

In a recent interview conducted by Australian Defence Magazine<sup>21</sup> with Deputy Secretary of Capability Acquisition and Sustainment Group (CASG) Chris Deeble, he sets out the challenges that CASG 2.0 face in the reform of the organisation.

*“Turning around what has become a process-bound juggernaut that moves at glacial speed will be no easy task.”*

As part of this organisational reform, consideration should be given to implementing a specific integrated ASDEFCON reform task force which included Defence Industry, CASG and the Australian Defence Force with the objective to restructure and deliver contract reform.

An ASDEFCON reform committee would be a specialised targeted focus group established to review, analyse and propose changes or enhancements to the ASDEFCON framework. This committee would play a critical role in ensuring that ASDEFCON remains relevant, adaptable and effective in meeting the evolving needs of defence procurement in an ever-changing geopolitical environment, where speed to capability is of critical importance.

The Committee should include individuals with extensive experience and knowledge in various aspects of Defence contracting, such as legal experts, procurement specialists, industry representatives and Defence officials. These experts are required to bring a depth and breadth of knowledge to allow for discussion, recommendations, and actions to be derived whilst understanding the complexities and nuances of Defence contracting in the Australian landscape.

- Government Representatives to provide guidance and insights into Government priorities, strategic objective, and regulatory considerations.
- Industry Representatives ranging from Primes to SMEs to ensure that the experience, and knowledge of Industry is considered within reform.
- Legal Advisors with experience in contract law, procurement regulations, and related legal matters are required to ensure legal soundness of proposed reforms.
- Procurement Specialists with experience in the practical application of ASDEFCON, to allow for the framework’s effectiveness to be assessed and improvements to be suggested.

The role of the Committee would be to:

### 6.1.1. Review current ASDEFCON Framework

The Committee’s primary role is to conduct a thorough review of the existing ASDEFCON Framework, including all its components, templates, and associated artefacts. This review should identify initial areas that may require reform or improvement.

Further to the review of the ASDEFCON framework, a review of previous attempts to reform ASDEFCON should be conducted to consider lessons learned, ensuring that the committee is set up for success.

### 6.1.2. Recommend Reform

Based on their assessment, the committee should propose specific reforms or enhancements to ASDEFCON. These recommendations should include changes to contract templates, policy updates, process improvements, and the incorporation of best practices.

Additionally, looking to overseas contracting models to ensure adoption of mutual learnings.

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<sup>21</sup> <https://www.australiandefence.com.au/adm/editorials/turning-around-the-titanic>

### **6.1.3. Consider Industry Input**

The committee should actively engage with Industry, to gather input, feedback, and recommendations. This ensure that proposed reforms are well-informed and address the needs, and concerns of Defence Industry.

### **6.1.4. Address Regulatory Compliance**

The committee should ensure that ASDEFCON aligns with and supports relevant regulatory and legislative requirements.

### **6.1.5. Promote Innovation**

The committee should consider how ASDEFCON can encourage and facilitate innovation within the Defence Industry and ensuring speed to capability.

### **6.1.6. Support Transparency and Accountability**

The committee should focus on achieving an ASDEFCON that is more transparent and accountable, promoting trust and integrity.

### **6.1.7. Continual Review**

The committee should ensure that as part of reforms that a meaningful mechanism for ongoing review, and evaluation is adopted to ensure that ASDEFCON remains effective and adaptable to changing circumstances.

This mechanism must also be empowered to act and implement change.

### **6.1.8. Report and Recommendations**

The committee's findings and recommendations should be documented in a formal report, to be presented to the Deputy Secretary Capability Acquisition and Sustainment for consideration, and implementation.

A formal implementation team should be established and stood up to deliver the outcomes of the committee given time, and budget to do so.

### **6.1.9. Recommendation Summary**

In conclusion, Team Three's primary recommendation to ensure Australia can maintain and support Sovereign Industry Capability in the event of a National Crisis, is the formation of an ASDEFCON Reform Committee. By bringing together a diverse range of expertise, to review, propose reform and commit to act will ensure that ongoing evolution of defence contracting practices in Australia can be maintained, improving the ability to implement speed to capability practices and CASG 2.0 vision.

However, it is critical to the success of the ASDEFCON Reform Committee that authority to act, and commitment for investment and change is provided by Government. Otherwise, the success of the reform will follow suit of previously ordered reviews such as that by the Morrison Government in 2021<sup>22</sup>.

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<sup>22</sup> <https://www.minister.defence.gov.au/media-releases/2021-12-27/red-tape-slashed-following-defence-procurement-review>

## **6.2. Independent Recommendations**

However, it is noted that with the current geopolitical landscape, and the uncertainties introduced by the Defence Strategic Review that CASG may not be comfortable with embracing a radical reform program, and subsequent changes or navigating perceived higher risk opportunities.

In response to this potential situation, Team 3 have included independent recommendations where stability, and status quo is required whilst still acknowledging change is required. Whilst not considered radical change, if adopted would lead to immediate positive change in the application of ASDEFCON.

### **6.2.1. Contractor Pre-Qualification Processes**

ASDEFCON is designed to ensure that the Australian Department of Defence and its contractors engage in defence procurement effectively and efficiently.

The introduction of a Contractor Pre-Qualification process to the Defence tender process would be beneficial in that it could:

#### **6.2.1.1. Assessing Capability and Capacity**

Pre-Qualification allows for CASG to assess the competence and capacity of Industry to support the delivery of the required capability. It ensures that prospective contractors have the necessary resources, experience, and expertise to undertake Defence contracts in general, and specifically. This alignment with ASDEFCON requirements promotes the selection of qualified and capable contractors.

#### **6.2.1.2. Quality Assurance**

Pre-Qualification should involve an evaluation of a contractor's Quality Management System (QMS), and Business Management System (BMS) processes, and compliance with relevant standards such as ISO9001:2015.

This aligns with ASDEFCON's emphasis on quality and ensures that selected contractors meet the necessary quality assurance criteria.

#### **6.2.1.3. Risk Mitigation**

By evaluating a contractor's financial stability and past performance, pre-qualification helps CASG assess and mitigate risk without adding additional burden during the contract negotiations and contract performance.

ASDEFCON acknowledges the importance of risk management in defence contracting, and pre-qualification supports this by enabling informed risk assessments before entering contracts.

#### **6.2.1.4. Cost Efficiency**

Pre-Qualified contractors have already demonstrated their financial viability, and ability to deliver contracts successfully.

This minimises the risk of potential project failures or costly delays, based on past performance and aligns with ASDEFCON's objective of provide a framework of obtaining value for money and ensuring accountability and timely delivery of capability.

#### **6.2.1.5. Industry Engagement**

Pre-Qualification fosters ongoing engagement with Defence Industry. Contractors interested in working with CASG, and within delivery of capability in Australia, invest in understanding ASDEFCON and related policies promoting a more collaborative and cooperative relationship.

This aligns with ASDEFCON's objective of 'Improve relationships with industry through the engagement of industry in the development and enhancement of the tendering and contracting templates.'

#### **6.2.1.6. Streamlined Procurement Processes**

Pre-Qualification expedites the procurement process by reducing the time required to assess the suitability of potential contractors.

This aligns with ASDEFCONs objective of streamlining and expediting the procurement process, improving efficiency.

#### **6.2.1.7. Accountability**

Contractors that have successfully completed pre-qualification are more likely to be accountable for their performance throughout the contract. They understand the responsibilities and expectations outlined in ASDEFCON prior to contract signature and are better positioned to meet those requirements.

#### **6.2.1.8. Recommendation Summary**

In summary, contractor pre-qualification is a critical step that supports the effective application of ASDEFCON by ensuring that contractors meet the necessary criteria, possess the required capabilities, and adhere to the principles and stands outlined in ASDEFCON contracts. This process enhances the overall effectiveness, efficiency, and success of defence procurement within the Australian Department of Defence.

### **6.2.2. Education Programs**

Knowledge in Defence (KiD) defines how the UK Defence and Armed Forces conduct, govern, and control their defence acquisition process and is the primary bearer of all policy and guidance governing defence's project delivery and commercial functions.

KiD provides the information, guidance, and instructions that set out how the MoD conducts acquisition business and includes handbooks and toolkits on Acquisition, Capability Management, Commercial, Engineering, Finance, Infrastructure, Logistics, Project Delivery, Safety and Environmental Protection and Science and Technology.

Australia currently lacks a suitable education and support program, created, and delivered by the Department of Defence to support Defence, Defence Industry, and the Australian Defence Force.

This has led to Industry, and associated partners developing and delivering their own ASDEFCON workshops. One example of an 'ASDEFCON workshop' was conducted in South Australia with the purpose of 'demystifying the tender evaluation process and provide insights, tips, and tricks for proposal writing. Additionally, to explore Defence procurement and provide a better understanding of the Australian Standard for Defence Contracting (ASDEFCON).'

The introduction of an education program within its own contracting model, for Defence, Defence Industry, and the Australian Defence Force has several key advantages and benefits including but not limited to:

#### **6.2.2.1. Enhanced Understanding**

An education program can help defence industry stakeholders, including those working in CASG, the ADF as well as Industry gain a deeper understanding of intricacies of the ASDEFCON framework.

This education program should include details about the procurement process, compliance requirements, quality standards and contract deliverables.

With clearer understanding, industry stakeholders, specifically contractors are more likely to align their services and offerings, as well as understand them, to Defence's needs and expectations, leading to more successful partnerships and outcomes.

#### **6.2.2.2. Improved Compliance**

Defence contracts come with strict regulations, security requirements and compliance standards.

Providing education on these matters can support Industry to navigate the intricacies and complexities of compliance more effectively, reducing the likelihood of non-compliances.

#### **6.2.2.3. Improved Quality and Innovation**

A well-structured, and robust education program can support in the delivery of quality and innovation in Defence Industry.

When Defence stakeholders are educated on best practices, and understand the expectations and commitments required to undertake Defence Contracts, they are better equipped to deliver innovative, high-quality products and service, ultimately benefiting Defence capability.

#### **6.2.2.4. Risk Mitigation**

Educating Industry Partners on risk management within the ASDEFCON framework can help identify and mitigate potential risks more proactively or remove them before they exist.

This in theory, would lead to smoother project execution and a reduction in costly delays or disputes.

#### **6.2.2.5. Consistency and Standardisation**

An education program can establish foundational knowledge and understanding that ensures consistent and shared language and terminology is utilised. Additionally, consistency in the application of standards and processes across Industry, ensuring all parties are on the same page creating a level playing field.

This consistency simplifies collaboration and communication, making it easier for Defence and its Industry partners to work together effectively.

#### **6.2.2.6. Strengthen Defence Industry**

By providing education and support from Defence for Defence, Industry and the ADF, CASG can contribute to the development and growth of a robust and capable Industry base.

This in turn, increases Australian Industry Content (AIC) capabilities, and national security by ensuring that Australia has longevity as a resilient and competitive Defence Industry.

#### **6.2.2.7. Enhanced Transparency**

Transparency in Defence procurement is critical.

An education program can promote transparency by clarifying expectations, processes and decision-making criteria used in the ASDEFCON framework.

This transparency can build trust and confidence among Industry, ADF and CASG, as well as Industry partners.

#### **6.2.2.8. Tailored Solutions**

An education program can be customised to address the specific needs of each party, Industry and ADF, and CASG, ensuring that content is relevant, relatable, and applicable.

This tailoring can lead to more effective and engaged learning and buy in.

#### **6.2.2.9. Recommendation Summary**

In summary, CoA delivering an ASDEFCON education program for defence, Defence Industry, and the Australian Defence Force is a strategic investment in improving collaboration, quality, compliance,

and overall effectiveness. It supports the development of a stronger and more capable defence industry.

### **6.2.3. Integrated Delivery Team and Joint Key Performance Indicators.**

*“The Program was co-located with the customer, in an integrated workspace and environment. Responsible for joint KPIs, and governance to the board. Mutually incentivised against an outcome, and the Program delivered... jointly.”*

The Availability, Transformation Tornado Aircraft Contract (ATTAC) methodology was introduced by the UK Department of Defence to deliver the Tornado Aircraft Program in 2007 and was a new contractual never seen before and considered a flagship concept.

By introducing a new contractual mechanism, whereby Industry and Defence were incentivised differently this was proven to encourage results, and outcomes reducing down-time and increase in capability availability as well as reducing program cost by 15%. Both parties mutually contributed to the development, and delivery of the Contract, and were jointly responsible for outcomes and incentives.

Joint Key Performance Indicators (KPIs) and Integrated Delivery Teams between defence, Defence Industry, and the Australian Defence Force has several key advantages and benefits including but not limited to:

and objectives. This alignment assists in prevent conflicts of interest, misunderstandings, or misalignment of priorities.

#### **6.2.3.1. Improved Communication**

Integrated project teams foster open and ongoing communication between Defence and Defence Industry partners. This transparency allows for a more agile and responsive approach to capability delivery, enabling quick adjustments in response to changing requirements of challenges.

#### **6.2.3.2. Efficiency and Speed**

Integrated teams can work together more efficiently, reducing delays in capability development, and decision making,

#### **6.2.3.3. Resource Optimisation**

Joint KPIs and integrated teams can help optimise the allocation of resources, both human and financial. This ensures that resources are used effectively to meet capability objectives while avoiding duplication or waste.

#### **6.2.3.4. Risk Mitigation**

Collaborative teams are better equipment to identify and mitigate risks early in the process, and to a mutually satisfactory position. By sharing insights and knowledge, Defence and Industry can proactively address challenges as they arise, reducing costs and risk.

#### **6.2.3.5. Cost Control**

Whilst there is potential expenditure in standing up an integrated, and potentially co-located team, joint KPIs can help control costs by setting clear expectations and boundaries for expenditure through the Earned Value Management (EVM) processes.

Resource optimisation can also ensure cost-efficiencies can be achieved.

#### **6.2.3.6. Adaptability**

In the current geopolitical environment where change is frequent, the ability to adapt quickly to new threats and technologies is crucial. Integrated teams are better positioned to respond to emerging threats and implement the latest technologies into capability development.

#### **6.2.3.7. Integrated and aligned Project Management**

By introducing joint and mutual accountable project delivery, ensures that all elements of the contract, and capability delivery are well coordinated and are delivered on time, budget and at the highest level of quality.

#### **6.2.3.8. Quality Assurance**

Collaborative efforts between Defence, and Industry enable for projects for success, in that the delivered capability meets the highest quality standards. Joint KPIs should include quality metrics, that hold all parties included in the delivery of capability accountable.

#### **6.2.3.9. Capability First Approach**

A joint approach to the delivery of capability, focuses all parties on the delivery of capability to the ADF. This ensures projects are driven by the needs of the ADF, resulting in products and services that are fit for purpose.

#### **6.2.3.10. Recommendation Summary**

In summary, a collaborative approach with joint KPIs and integrated delivery teams enhances the efficiency, effectiveness, and responsiveness of capability development in the defence sector. By working together deliver a single successful partnership outcome and capability, rather than two contractual entities delivering a contract.

#### **6.2.4. Contract Deliverables Deliverable Review**

During one four-year program period, a Defence Prime can anticipate delivering over 4,500 individual documents during this period.

Is this really value add? Are all 4,500 documents critical to the delivery of capability?

A comprehensive review of the Contract Data Requirement Items (CDRIs), or Contract Data Requirement List (CDRLs) as they are more commonly referred to, requirements within ASDEFCON is required to:

1. Ensure the Quality and Accuracy of data delivered throughout a project.
2. Identify and mitigate risks associated with data reporting and deliverables.
3. Enhance the efficiency and effectiveness of the CDRL process, contributing to project success.
4. Ensure compliance with industry standards, regulations, and project objectives.
5. Improve Defence Industry collaboration and engagement.

This review must consider the following:

##### **6.2.4.1. Analysis of Data Item Description (DID)**

- Break down each DID requirement specified within ASDEFCON.
- Examine the purpose and relevance of each DID.
- Identify duplication, ambiguity, obsolescence, and inconsistencies across the DID suite.
- Review the consistency of the application of DID requirements across existing ASDEFCON contracts.
- Review the submission, and reporting requirements of each DID to ensure these are required, achievable, and necessary for the delivery of the capability.

**6.2.4.2. Consider Alignment with Project Scale, Complexity and Capability**

- Evaluate the DID requirements in line with a range of projects varying in scale, complexity, and capability.
- Assess whether the DID components adequately support the requirements outlined within Mandated System Reviews (MSRs) and Milestones.

**6.2.4.3. Compliance with Regulations and Standards**

- Ensure that existing, revised, and new DIDs resulting as an outcome of this review are compliant with Defence regulations and standards, as well as International Standards.

**6.2.4.4. Clarity and Transparency**

- Assess the clarity of language used within the DID suite to ensure clarity, lack of ambiguity and to avoid misinterpretation of the DID requirements.
- Evaluate the transparency of DID components in terms of the contract clause regarding reporting, and data submission.

**6.2.4.5. Risk Management**

- Evaluate how the delivery of DID requirements address and mitigate Program risks.
- Ensure that existing, revised, and new DIDs contribute to effective Program risk management.

**6.2.4.6. Recommendation Summary**

In summary, a comprehensive review of CDRL requirement within ASDEFCON is essential to ensure that what Industry produces is current, required and of benefit to the end user and the delivery of capability rather than to satisfy contract clauses, and risk appetites.

The review team must make recommendations for improvements to the DID suite based on lessons learned that will ensure the ASDEFCON contracting process is transparent, efficient, and aligned and will help to minimise risks, improve data quality, and foster collaboration among Defence, and Defence Industry.



## Annex A – Acronyms

Table 2 – List of Acronyms

Acronym	Definition
ADF	Australian Defence Force
AIC	Australian Industry Content
APS	Australian Public Service
ASDEFCON	Australian Standard for Defence Contracting
ATTAC	Availability, Transformation Tornado Aircraft Contract
AUKUS	Australia United Kingdom United States (agreement)
BMS	Business Management System
CASG	Capability Acquisition and Sustainment Group
CCP	Contract Change Proposal
CDR	Critical Design Review
CDRI	Contract Data Requirement Items
CI	Continuous Improvement
CoA	Commonwealth of Australia
DARS	Defense Acquisition Regulations System
DBS	Defense Business Systems
DD	Defence Digital
DE&S	Defence Equipment Support
DEFCON	Defence Conditions
DFARS	Defense Federal Acquisition Regulation Supplement
DGA	General Directorate of Armament
DID	Data Item Descriptions
DILP	Defence Industry Leadership Program
DIO	Defence Infrastructure Organisation
DIT	Department Infrastructure Transport
DoD	Department of Defence
DSR	Defence Strategic Review
DSTL	Defence Science technology Laboratory
EV	Earned Value
EVM	Earned Value Management
FAR	Federal Acquisition Regulation
IDIQ	Indefinite Delivery, Indefinite Quantity
IP	Intellectual Property
KiD	Knowledge in Defence
KPI	Key Performance Indicator
MoD	Ministry of Defence
MSR	Mandated System Reviews
PDR	Preliminary Design Review
QMP	Quality Management Plan
QMS	Quality Management System
RFT	Request for Tender

RMP	Risk Management Plan
RP	Risk Profile
SDA	Submarine Delivery Agency
SME	Small to Medium Enterprise
SoW	Statement of Work
SRR	System Requirements Review
TfNSW	Transport for New South Wales
TSR	Transport Standard Requirements
UK	United Kingdom
US	United States (of America)
VRM	Value Risk Matrix

## Annex B – Schedule of Stakeholder Interviewees

Table 3 - Schedule of Stakeholder Interviewees

Interviewee	Title	Organisation
Neill Morgan	Business Director	Coras – SA
Warren McDonald	Chief Executive Officer	Lockheed Martin Australia
Jens Nielsen	Chief Executive Officer	Luerssen Australia
Ellen Mitten	Contracts Manager	Raytheon
Martin Green	Engineering Manager	Aurizn
Rebecca Humble	Chief of Corporate Development	SAGE Group
Stuart Lindley	Future Business and Strategy	Marand Defence
David Jucha	Maritime, Program Manager	Saab Australia
Peter Croser	Former Assistant Secretary Ships Acquisition – Specialist Ships (AS-SS) – CASG *Currently consulting for Luerssen Australia.	Pacific Management Partners Pty Ltd
Chris Greenbank	Principal Human Factors Consultant	BMT

## Annex C – Raw Data Findings from Stakeholder Interviews

The quotes used for data analysis are listed in the below tables, categorised by their emerging theme and classified as follows:

1. Improvement
2. Strength
3. Weakness

Where a quote could not be classified, it was left blank and not included in the quantifiable analysis.

Cost
1. Avoid duplication of clauses (which no one reads)
1. Clear a path navigating through all the documents I would find helpful
1. Most of the time the documents are put in the bottom drawer. Need a balance between meeting the needs of practitioners and legal. Changing the templates to meet the needs of the occasion when we need to have a contractual fight which doesn't happen often
1. Seeing good and bad, easier to remember the bad. Customer can get tied up in the deliverables, and the contract becomes a target to delivery and maintain documents... when people could spend time on useful activities.
1. Tell them to hand over their existing CM plan instead of knocking it back because of a missing title block or version number etc.
2. They're (CASG) trying to cut 50% of the of the paperwork out of the process
3. Agile projects have consumed 30-50% of effort due to the need to conduct MSRs (SRR, PDR and CDR)
3. Contract clauses flowing 2 levels down: SMEs have to report everything they spent = not doing that
3. Finds it unwieldy, costly (bids are costly), effort, pain and cost for the company
3. I'm doing a contract now and the bulk of the cost is reporting requirements, not doing the work
3. It's impacting the cost of the program. We wanna highlight where ASDEFCON is increasing the cost of the contract to the government
3. Negatives - some DIDs are not fit for purpose, which don't meet the clients' expectations either
3. Overly prescriptive
3. Paper vs product weight argument: Small to medium enterprises don't necessarily have the profit to generate millions of dollars of paperwork.
3. The most expensive part of a contract execution is probably the last 5%. You talk about very specific little detail things, but to get this finally over the line, you spend 10 times more money to do this, and it takes you years to get this over the line - five or 10 years sometimes.

- 3. Time, effort, pain - it's a lot of work, and needs experience behind it
  - 3. Twice the time and energy put into documentation, deliverables, meetings and reporting. Repeating QMS documentation example.
  - 3. You will have maybe hundreds of documents, but nobody checks if they are contradictory to another document whatsoever
- Yes, and still needs to be covered by a commercial letter. For example, removal of a CDRL by formal letter, and in best case via CCP.

### Human Factors

- 1. Consistency on both sides is important
  - 1. If you change that contractual mechanism, it will drive the behaviours because you're incentivized.
  - 1. It again drives certain behaviours on both sides that we've just said again in the defence strategic review, we have to collaborate more.
- 1. Suspect there's a lot of discussion behind the scenes about why it's asking for what is asking for
  - 1. To prevent that (instability) I get contracts people working close to me – integrated and on the same page.
- 1. We should be able to have the conversation
  - 2. ASDEFCON causes people to become more formal
    - 2. Greater degree of certainty in how to respond to CASG requests
  - 2. It causes people to tighten cost spending
    - 2. Very effective cause it's a structure
  - 3. 'Contract' staff are "wired to combat"
    - 3. A lot of the interface people disappear. Then you start from scratch, and you are the only one who carries the history.
    - 3. A reasonable understanding of the structure/terms does not necessarily equate to reduced negotiation times
    - 3. ADF personnel, they have a rotating principle and people in acting (temporary) roles who might want to make an impression
    - 3. ASDEFCON has been around for a long time, and there was historically intent from the CoA to introduce improvements to make the contract more flexible, especially for smaller business and SMEs. The current structure often hinders the ability of SMEs to work with Defence, who may decide that the contract is too prohibitive to work in the Defence Industry. This highlights the need for change!
    - 3. But the APS people are the ones who are jobs are on the line cut. So, they will literally follow it to the letter of the law
  - 3. Current culture in Defence and industry – change/adjust T&Cs to meet outcomes becomes too combative
    - 3. Drives conservative, slow moving and transaction behaviours. Perception that Australian Defence can't do anything fast, purely risk adverse and has 'always been this way'. What does this say to Industry, sets cultural views of Defence and amplifies the perception that Defence is not an attractive industry to be a part of. This is a spiralling problem and is creating a systemic culture that is not going to drive what is required to in the future for Australian Defence.

- 3. I can think of instances where people have blindly followed ASDEFCON and missed sections of work that would have been critical to a better outcome
- 3. It is in various areas very specific and in others not. We have seen this in the interpretation when the Commonwealth pulls a clause termination by convenience
- 3. It's not so much about the stability of the template or tailoring, it's more about the stability of the people involved in the program
- 3. No matter if APS are trained, they will get punished if they try to achieve a mutually beneficial outcome and it isn't by the book
- 3. Opinions are what kill programs
- 3. People stop thinking and you just follow it
- 3. Relationships become contractual
- 3. Unfortunately the less risk-averse people are and the more systematic they are the more chance is that ASDEFCON fails
- 3. Varying strategies/agendas across defence
- 3. We have to climb the Eiffel Tower to get to perfect, and we keep climbing and falling off because someone says that's not perfect. So, we have a dozen opinions about what perfect looks like, and we kill the contractor beyond belief to develop a whole suite of new documents. And I could have just said to them, can you supply me the operator's manual for this piece of kit? And they go "Yeah"

## Education

1. A previous company that I worked for, had a campaign running to influence and educate Defence on other models in existence and should form part of education building principles.
1. Its defence's responsibility (Education)
  1. May be useful for Defence to focus education efforts with industry
  1. So there are 2 types of training required: those for unilateral contracts with the commonwealth and those for contracts with flow-down clauses.
  1. The education piece is how to interpret and utilize the meaning of the contract rather than understanding the absolute written word.
  1. The most important part for both parties is to understand the meaning of the contracts, not remember every single word
  1. To mitigate issues with subcontractors, primes can educate
    1. What is CASG doing to educate people, maybe it's not happening and think it should be happening. Education and awareness. Should be coming from CoA, and not from Industry.
    1. You have to have competent people.
  3. "Horrendous" to deliver against without experience and knowledge
  3. 'Significant event clause' – not clear what it's trying to achieve, kneejerk reaction to previous issues, drives more cost
  3. ASDEFCON can be a nightmare for suppliers who are new to the game
  3. For SMEs the learning curve/barrier of entry is significant
  3. I can work with ASDEFCON as is now, but only because I tailored my thinking within the rules.
  3. If you don't know what you're doing, you can easily fail to miss shortcoming
  3. It takes some work to understand/map out mechanics of ASDEFCON
  3. Lack of exposure can lead to incorrect pricings and issues during execution
  3. Needs to be ASDEFCON training
  3. Nuance is learnt over time, rather than explained
  3. What it doesn't differentiate is the Rules of the road from the experience of the driver

## Strategy

1. CoA need to accept that ASDEFCON is a burning platform and ask themselves what they need to change. Need something that fosters flexibility, speed to delivery and risk assessment and appetite. But importantly, behaviours and the check box exercises.

CoA is known for conservatism, but noting the DSR statements, this is not the future.

CoA is still using the same principles as they did 30 years ago.

Drives conservative, slow moving and transaction behaviours. Perception that Australian Defence can't do anything fast, purely risk adverse and has 'always been this way'.

What does this say to Industry, sets cultural views of Defence and amplifies the perception that Defence is not an attractive industry to be a part of. This is a spiralling problem and is creating a systemic culture that is not going to drive what is required to in the future for Australian Defence.

1. I'd be interesting to think about how the motivations the various players can be better harnessed within the framework to achieve the outcome defence actually wants.

1. Is it really a risk??

1. It is a scary prospect to be told to write a thing in accordance with it without having the safety rails up. And I think including those safety rails is essential.

1. Perception: CASG is risk adverse where rather it should be capability first.

1. Public servants come in to do a job and they will fall back to what's safe and what's safe is what other people did

1. Repercussion and risk appetite in CoA, i.e., RMP, and personal impact if not included to the person who missed this in ASDEFCON.

1. Support follows, 'trust'...more trust established at the early stage, and the customer be more accepting of risk and let the companies not waste time making useless plans could be a lesson. Comes back to the tailoring of the contract.

1. think the principles of uh fostering a contractual mechanism that fosters flexibility, agility, speed to market, I think it does warrant at the risk section has to be looked at defence and it does need to consider have a different risk appetite.

1. What are the key plans that shows the point of difference between the tenders, for example, a risk management plan isn't the reason one tenderer will be selected over the other.

2. Everyone knows what is to be delivered

2. Framework of delivery expectations

2. Great set of docs that has the fundamentals

2. It gives you a framework to be starting with and it tells you what to think about

2. It is effective, provides defence with the answers it needs in down-selecting

2. Negotiation Starting point

2. Well known, clear left/right barriers

3. Agreed that innovation is stifled by paperwork, and bureaucracy.

3. ASDEFCON stifles innovation



- 3. If a small contractor gets a direct contract with the Commonwealth it will be a small contract and they will be more protected. But if they end up as subcontractors there will be a flow down of clauses from the prime's contract and they need to understand these.
- 3. It tends to drive people down a path of trying to satisfy what it's saying rather than thinking about what you're trying to achieve
- 3. It's far easier for the Commonwealth to give the risk to you (industry). They can pull any string in the contract to say you're failing
- 3. Less so for technology that doesn't yet exist, i.e., to be developed
- 3. People are scared of audits
- 3. Still have issues when 'non-compliant' bids immediately thrown out/discarded
- 3. This affects the retention of defence industry personnel too. Paints a bad image of industry for potential workers. They would rather work on a supply level rather than the prime level as less risk is involved.
- 3. You could argue Maccas has done the same thing with food. it's not necessarily a high culinary standard required to deliver their menu and it's always consistent, but that doesn't make it gourmet food

#### Flexibility

- 1. A little bit of extra thought about what actually is relevant to what Australia is trying to do, rather than just being a good idea generically would probably be time worth spent prowling through
- 1. Assess how the tailoring has been done to reach mutually beneficial outcomes.
- 1. Consider an Agile ASDEFCON framework
- 1. Could do design reviews as sprint retrospective
- 1. Establish ASDEFCON contracts, in house: Tendering process, does this include a tailored version.  
Tender response is the tailored version of the acquisition contract, i.e., PMP, QMP etc. upfront at tender. Respond to 'all' boiler plate plans, which can be used.
- 1. How many people in CASG? You have to balance getting a better system against causing too much disruption.
- 1. I think the principles of uh fostering a contractual mechanism that fosters flexibility, agility, speed to market, I think it does warrant at the risk section has to be looked at defence and it does need to consider have a different risk appetite.
- 1. Is it right framework for development type project – yes with tailoring
- 1. It's just about getting capability to service. Depends on the demand and the capability that's required to improve the process
- 1. Sometimes you need to just have a simple set of things for people to follow (Sony remote from the 90s with 6 buttons)
- 1. Tailor to meet the needs of the contract and relationship with industry, not just follow it to the nth degree
- 1. To summarize Australian Defence have a burning platform, and this has to be changed. Suggest to 'rip it up' and whether we are "looking to do things differently or do different things". Consider transformation rather than continuous improvement.

1. Try to incentivise people to tailor
  1. You look at the right of technology advancements, what's happening in the commercial sector, again, geopolitical threat aside, that just should be you know well if defence wants to adopt new technology.
2. Aligns to best practice, is a model for growth in defence contracting
  2. ASDEFCON great/ok for non-development type acquisition
  2. Comprehensive and tailorable - provides case by case workability
  2. Tailoring to fix cost price contracts
  2. There should be a focus on the CI of specific elements, as there are good elements, and there are things that are working.
3. Ability to tailor depends on a comprehensive understanding of the scope and mechanics of the selected template
  3. Can be complicated as it may be change in funding as part of the CCP which always needs negotiation
  3. Contract negotiation at fixed price would always be most challenged, especially when they don't have a clear scope
  3. Doesn't scale well
  3. Far too complex for people to use on a regular basis
  3. Implies the need to conduct systems engineering outside agile methods
  3. Inherently intricate and full of co-dependencies
  3. Only worked in Defence, but compared to the European contracting models which is based on scope, rather than prescriptive requirements. We want this, by this and will cost x, and it happens with appropriate deliverables i.e., no EV, RP etc., and is based on trust and relationship. Compromise position which could be used on Defence contracts, based on what is the essential items required to deliver the capability and is extremely important in the current labour market. Tailoring and trust, both sides, and that whilst things go wrong, how can we adapt and agree.
  3. Software/Agile projects are not suited to ASDEFCON
  3. Systematic tailoring of IP (Liabilities, warranties, latent defects, penalties for late deliveries, and damages) – hard to ask a prime to deliver IP of a third party. No, can't think of an example. People's knowledge has improved, and awareness and understanding of what the traps maybe to tailor the contract. Industry tailor to suit, and Defence are not leaning forward to support. Tailoring also (regularly) occurs to products and support

## Collaboration

1. And so it's trying to think, you know, you said about the burning platform and the collaboration and the joint KPIs that really resonated with me, the joint delivery component is something I think we could push forward and is something that they could probably come to the table with as well.
1. ASDEFCON seems to lack a path to resolve disputes
1. Collaborative model would be fantastic - need to change people's mindset. Commonwealth should collaborate instead of cooperating: Defence won't involve industry "partners" in the decision-making process, rather tell them after the fact
1. Defence & Industry should be 'seamlessly' working together to allow for capability to be delivered as quickly as possible particularly noting the Geo-Political environment. Need to work together to collaborate and make change
1. Defence starting to move away
1. I was speaking to someone else who was from a think tank couple of months ago now, but just after the DSR came out and she was trying to get a, you know, round table together in Canberra to with cross collaboration to really just try and say well, what next, what, what do we actually have to tangibly do?
1. Industry is a fundamental input to capability with proactiveness on both sides required. Less disputes, and litigation and more collaboration. This will not be solved unless Defence, Academia and Industry nut this out and all parties change their behaviours.
1. Instead of us demanding what we want from the supplier, let's ask the supplier to put on the table what they supply to meet that need.
1. Is there a way I can make it work rather than identify clause how it won't work
1. Successful execution (of a program) is primarily driven by the Contract, Collaboration, Relationships and Pragmatism. Communication is everything.
1. Support follows, 'trust'...more trust established at the early stage, and the customer be more accepting of risk and let the companies not waste time making useless plans could be a lesson. Comes back to the tailoring of the contract.  
New organisations don't want to tailor, or CoA don't trust, MORE trust early on.
1. You can also think about and also in a way to achieve the same objectives
2. Defence starting to have more discussion with industry
2. Everyone at the same point, starts on the same foot
2. Positive relationship is driven by people and their approach to execution
2. Singing of the same hymn sheet, nothing hidden which could restrict the relationships
3. Avoidance of non-compliance is a feature of contracting in defence in Australia
3. Disconnect between contract developers (lawyers) and users (at CASG) at the interface with industry
3. Not enough collaboration, consider integrated approach of AUKUS?

## Other Frameworks

Acquisition program for squads in Afghanistan did rapid procurements

Other models are simpler

Probably the best one would be the Availability, Transformation Tornado Aircraft Contract (ATTAC), where it's literally you pay by the hour. Both had to come to the table. A brand-new contracting framework which was tailored for that specific contract 20 year contract.

Reasonable knowledge and knows where to get the documents, series of volumes and sections of contract templates. Different models i.e., acquisition & support, which are slightly different. Contracting model is fat, and worked under smaller value contracts but the contract was based on intent and outcomes, rather than deliverable and milestones such as CDRLs. Big feature of ASDEFCON.

Example: Tornado Aircraft Program within the UK, with the program integrated with MoD. This was a new contractual method (2007), not seen before and considered a flagship concept.

Availability (ATTAC). Industry was incentivised differently and remunerated based on aircraft availability rather than performance of maintenance. This encouraged Industry to resolve problems pragmatically, and quickly to reduce down time and reduction in capability.

The Program was co-located with the customer, in an integrated workspace and environment. Responsible for joint KPIs, and governance to the board. Mutually incentivized against an outcome, and the Program delivered... jointly.

Intention was to roll this out to other platforms in Air Force, and then other forces. However, we don't think this ever translated beyond the unique program environment, but the intent was right.

Why did this work: The 'burning platform' for this program was costs and required a reduction by 15% urgently. Both parties mutually contributed to the contract and were jointly responsible for government and incentives.

Would something like this work in Australia, or be adapted to the Australian environment? How hard would this be?

A previous company that I worked for, had a campaign running to influence and educate Defence on other models in existence and should form part of education building principles.

Another model seen within the UK was one used by QinetiQ, who was owned by MoD, then privatised by them and by doing this had set up above the line T&E, and R&D capability. Intent was that the work was channelled and diversified but that the capability was sovereign.

A recall of Army activities, literally a demonstration of capability. If people can demonstrate a technological capability that meets some requirements it is accelerated through the process.

The Program was co-located with the customer, in an integrated workspace and environment. Responsible for joint KPIs, and governance to the board. Mutually incentivised against an outcome, and the Program delivered... jointly.

The UK model is much more transparent and easily described

the US framework assumes you're developing things and that's not necessarily the case in Australia

Why did this work: The 'burning platform' for this program was costs and required a reduction by 15% urgently. Both parties mutually contributed to the contract and were jointly responsible for government and incentives.