

18 December 2008

Mr Kerry Clarke AO  
Head Industry Division  
R2-5-C-041  
Russell Offices  
RUSSELL ACT 2600

Dear Mr Clarke,

Thank you for your letter of 5 December 2008 regarding the Defence Capability Plan (DCP) 2009-2019 Public Version and the proposed changes due to the Mortimer Review's Recommendation 1.4.

The Australian Business Defence Industry Unit (DIU) has consulted a number of member companies in forming the views expressed in this letter with all submissions from members advocating the same view on the recommendation.

The publication of project data, similar to the current version of the DCP, allows industry to identify opportunities and develop plans to meet the industry capability requirements. The DIU would welcome the inclusion of additional detail in the *Australian Industry Opportunities* section however, we do not support the removal of the *Estimated Phase Expenditure* information.

The DIU recommends that project data sheets should include both *Estimated Phase Expenditure (as cost bands as published presently)* and an 'Acquisition Category' rating (such as the *ACAT rating*) for the following reasons:

- Defence industry, like other commercial sectors, must strategically assess opportunities in a cost-benefit framework in order to determine which business activities it will undertake and those it will exclude. The breadth of the *cost bands* currently published in the DCP are such that industry understands that these only provide a ballpark planning figure.
- The *Estimated Phase Expenditure*, along with other complementary data, assists industry to evaluate the level of technology/complexity/support that Defence expects from industry.

- The *Estimated Phase Expenditure* assists industry in the medium-long term to develop capabilities and staff skills to meet Defence requirements. Without this budgetary information there may be a level of management uncertainty within industry to commit to long term development of industry capability.
- The *ACAT Framework*, as published in Annex C to *Going to the Next Level*, contains *cost bands*, however the relationship between the acquisition cost and the other five attributes may not provide sufficient guidance to industry. May within industry may not have the required understanding to assess a project based on the ACAT Framework or indeed to understand how Defence might rate a project according to the varied criteria.
- The expectation that industry submits bids based on a Defence budget may be a valid concern in a sole source environment however we believe that the commercial processes in an open tender situation should control the bidding process and final contract price rather than a published *cost band*.

In summary, the DIU believes that retaining the *Estimated Phase Expenditure*, and more refined budget figures further along in the acquisition process, will ensure that industry suppliers and Defence are both planning and working towards similar expectations. The addition of *Acquisition Category* style information would be helpful to industry but would not be a good substitute for budgetary information as now exists in the DCP.

Should you or your staff have further questions please do not hesitate to contact us on telephone (02) 6239 1488.

Yours sincerely,

*Original Signed*

Paul Fisher  
Senior Manager  
Defence Industry Unit  
Australian Business

*Original Signed*

Ben White  
Manager  
Defence Industry Unit  
Australian Business