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Royal United Services Institute
New South Wales

Submission to the First Principles Review of Defence

This submission has been prepared by the Special Interest Group on Defence Industry of the Royal United Services Institute of New South Wales (the Institute) in response to the call by for public submissions to the First Principles Review of Defence. However, it will focus on only one area of the issues identified to be considered by the Review *viz.* "Options to significantly accelerate the capability development process, including examination of whole-of-government issues and risk-based approaches". The views expressed are those of the authors and are not necessarily those of the Institute. Consent is given for publication of this submission by Defence.

Background

The Institute conducts monthly presentations by a wide range of prominent and senior executives, academics, and government officials as well as specialist seminars on various topics. The Institute's Defence Strategy Special Interest Group has made a submission to the 2015 Defence White Paper and the Chair of its Defence Industry Special Industry Group has also contributed to submissions on defence industry policy via the New South Wales Government and the Australian Business Defence Industry. Notwithstanding these activities and contributions, this submission to the First Principles Review has not arisen from a strong base of research or the opinions from the many expert presentations to the Institute. Rather it expresses the concerns raised by a number of members of the Institute from their experiences working in the Department of Defence.

Acceleration of the Capability Development Process

The Foreword to the *Defence Procurement Policy Manual (DPPM)* advises that it is the "primary reference document for all Defence officials, procurement officers and others involved in the procurement process". It also states that: "Effective management across the procurement lifecycle is necessary for Defence to be able to deliver capability on time, on budget and to the required quality and safety standards. This applies from the conception of a capability, through the approach to market, contract formation and management and then to project closure and disposal."

A study of page 439 of the DPPM shows that the procurement process is very complex, that many processes have to be undertaken to introduce a capability into the ADF and that any procurement is very risk averse. In addition, there is no doubt that the introduction of a capability is very driven by processes which require many decisions by various committees. Thus the overheads for the conduct of procurement are very high, time consuming and very costly. This conclusion was strongly supported by the various defence industry policy workshops in which the Institute was represented. The main thrusts of the submissions on defence industry policy to which the Institute has contributed were:

- the need to align defence industry policy with strategic policy;
- greater use to be made of the benefits to the capability process of using the more efficient management capabilities of industry; and

- the need to simplify the procurement processes.

The Institute notes that the First Principles Review will take account of all relevant submissions to the Defence White Paper so will not repeat the conclusions in this submission. However, the inclusion of the requirement of the Terms of Reference of the First Principles Review: "Reviewing the cost, efficiency, timeliness and appropriateness of Defence's current business model and processes, including compliance with external processes and responsiveness to Government, with an aim to simplify and improve accountability" is welcomed by the Institute.

In addition to this general observation on the procurement processes and the support of the Institute for the aims of the First Principles Review, members of the Institute have provided comments on their experiences with the processes of the development of the capability of the ADF. These comments include the following conclusions and recommendations:

- The committee system that is in widespread use across nearly all layers within the Department of Defence (DoD) is risk averse, serves to delay considerably any final decisions, considerably slows the capability process, is very frustrating to defence industry and is totally inefficient.
- There are considerable resources (mostly middle ranking military officers or public servants) committed to writing up the minutes of meetings of these committees, drawing up agendas and organising meetings. These people add little value, as they are focused mostly on the processing of information.
- Despite the widespread access to secure communication facilities which allow the conduct of meetings without the need for face-to-face meetings, the preference appears to be on face-to-face meetings which can involve considerable additional cost (airfares, accommodation and time).
- Regrettably, some people within the DoD use the committee system to deliberately delay and obfuscate the decision-making process.
- A review of the processes of a sample number of committees operating across the DoD would reveal that many issues, including relatively minor issues, can take years to reach resolution. The more complex the matter, the longer it normally takes to reach the decision-making process. This applies particularly to the capability development process and is of immense frustration to industry. *(Cont'd on p7)*

First Principles Submission... (Cont'd from p5)

The argument in support of the widespread use of the committee system is that, because of the size of the DoD and complexity of many matters being considered within the DoD, there needs to be widespread and adequate consultation on such matters both within the DoD and with other government agencies.

However, members of the Institute who have had experience with the committee system advocate the abolition of the committee system used within the DoD and its replacement by a system based more on a Cabinet submission process and which is more aligned with the decision-making process used in the private sector. Such a system would require the author of the submission to ensure that adequate and widespread internal and external consultation had taken place.

Consequently, such submissions requiring decisions should include information under the following headings, as a minimum:

- Consultation – details all groups or individuals consulted on the proposal;
- Industry – details the impact of the proposal on industry, industry's likely reaction *etc.*;
- Women – details the impact of the proposal on females;

- Reserves – details the impact of the proposal on Reservists;
- Risk Assessment – provides a detailed risk assessment of the proposal; and
- Finance – provides details of the costs and funding sources of the proposal.

As is the case with the process used by Cabinet in approving Cabinet minutes, there should be sufficient details in the submission to allow the decision maker to make a well-informed and timely decision. The Institute considers that such a process would greatly expedite the decision-making process in DoD, require fewer people resources, would lead to considerable savings, would greatly enhance the capability development process and would be welcomed by industry.

Conclusion

The present Defence capability development process devolves on a committee system that is grossly inefficient. We recommend that it be replaced by a new system styled on the 'cabinet submission' process.

Doug Roser, FIEAust, FRAeS, CPEng

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31 October 2014