Australian Government
Department of Defence

Office of Chief
Capability Development Group

R1-3-C004, Russell Offices, CANBERRA, ACT, 2600, AUSTRALIA

RECORD OF PROCEEDINGS
CAPABILITY DEVELOPMENT ADVISORY FORUM
METING 21 AUGUST 2007

Item 1

1. The Chairman, LTGEN David Hurley opened the meeting at 1405 hrs and welcomed members. He indicated that there was no Business Arising from the previous meeting of 24 November 2006.

Item 2

2. The Head Industry Division (HID), Mr Kerry Clarke, provided an update on the Defence Industry Self-Reliance Plan, and Defence Industry and Policy Statement 2007 recommendations.

3. Mr Clarke indicated that Defence had delivered on nine of the 39 initiatives in the Defence and Industry Policy Statement 2007 and was on schedule to deliver the remainder on time. The issue most on his mind was the development and testing of the Priority Local Industry Capabilities (PLIC). The generic approach is to examine strategic guidance, that defines what Government wants from the Australian Defence Force, and identify what industry support is necessary to sustain those operations. Where that support is widely available or has ready and reliable supply, then no further action will be taken. However where there are two or fewer companies containing a necessary capability, or supply is limited in some other way, then those will be examined in more detail. The current analysis will use as a baseline, what the Australian Defence Force does now on operations, and determine what underpinning industry support is necessary to sustain those force elements in the various theatres. That support which is limited in availability will be tested. From that testing PLIC will emerge. PLIC will then be assessed for ‘health’ and, if necessary, through the First and Second Pass process to ensure the priority capabilities remain healthy. It was felt that an 80% solution could be delivered in the first iteration with adjustments occurring as required. As an example, Mr Clarke indicated that the holding of appropriate Intellectual Property to support land-based weapon-laying platforms has emerged as an issue from the early analysis. He explained that because the report to Government would be based on the strategic guidance for the ADF and would identify vulnerabilities, it would be classified. He expected Defence to identify PLIC by the end of September 07, with a view to presenting the report to the Minister by the end of October.

4. Discussion followed on how Defence identified key equipment vulnerabilities. Mr Clarke outlined the processes and the method being used by the KoBold Group, and other Defence subject-matter experts, to determine ‘critical’ items. LTGEN Hurley asked how the CDAF members would classify critical items. Although there were no definite responses on specific items, the Members agreed that there was only likely to

be about 10 ‘products’ (as opposed to individual pieces of equipment such as specific weapon parts).

5. Further discussion followed on ‘PLIC’, the number of companies requred to give Defence confidence that critical equipments could be delivered, and the influence of changing Government decisions and international alliances. Mr Clarke stated that Government strategic guidance would always shape capability decisions, but these decisions were also affected by emerging contingencies and commercial circumstance. He indicated that, because of the varying responses to a contingency, industry would not always have direct, early visibility of all Defence capability decisions.

6. Mr Purnell discussed the issue of industry approaching the Minister to plead special cause for their industry vulnerabilities. LTGEN Hurley responded that it was always industry’s right to do so and discussed how the PLIC would be published in concert with the Defence Capability Plan, which is due in June 08.

7. Mr Clarke concluded by stating that the overall aim was ‘…to test the health of an industry around a priority capability’ and to ‘allow companies to self-align to the PLIC space over their normal planning horizon of three-to-five years’. He reinforced that Defence’s goal was to identify realistic strategies to continue to sustain a variety of capabilities. He also reinforced that the remainder of the Defence and Industry Policy Statement 2007 strategies were applicable to broad industry capabilities beyond those in the PLIC space and would be strongly implemented by Defence.

Item 3

8. LTGEN Hurley gave an update on the Defence Capability Strategy. He started by discussing the implications of the Kinnaird Report and the hierarchy of papers in the Defence Capability Strategy, Defence Capability Plan, and their relationship to the Defence Update 07. He went on to discuss key force structure determinants and likely contingencies, concurrency requirements, joint capability and force structures.

9. LTGEN Hurley stated that Defence capability strategy has three themes:

a. capability assurance—what to enhance and when;

b. the ability to meet asymmetrical threats; and

c. hedging—what does Defence need to do now to respond to specific future threats.

10. He also discussed timeframes for Developing DCP 08-18. He indicated that his key staff were actively working to map pressures on the DCP by running it through filters (funding guidance). It is expected that it will be presented for senior Minister review in October 07. The DCP is then due to proceed to the Expenditure Review Committee in March 08. LTGEN Hurley also indicated that there were also pressures from the RPDE acquisition process.

11. He then went on to address a question on notice raised by Mr John O’Callaghan. The question was:

> *It would be helpful, too, if attention could be given to discussing Australian industry involvement in off-the-shelf capability decisions. It’s the case that a number of recent capability announcements (e.g. Abrams tanks, C-17s, new tanker transport aircraft and Super Hornets) have caused some in*

industry to question government commitment to fostering opportunities for Australian companies. Perhaps such concern could be alleviated if industry were informed earlier in the decision making process within Defence.

12. LTGEN Hurley responded that all capability proposals to Government must include a military off-the-shelf option. The Government then considers a range of competing, whole-of-government variables in coming to its decision, based heavily on Defence's advice. In the foreseeable future, he believed the issue for Australian industry is to continue to become more involved in sustainment and upgrades, rather than providing the initial product. Although he agreed that remaining involved in delivering aspects of products remains important; for example the Joint Strike Fighter.

13. He also indicated that the First and Second round pass system is likely to help reduce uncertainty. Discussion followed on the fact that most industries, understandably, are still focussed on building, not sustainment, particularly considering the inherent challenges with global supply chains. The possibility of global supply chains opening up further to Australian industry, FMS and Government support of Australian Industry was discussed. Positive comments were made that there is evidence of an increase of a genuine global 'mindset' in Australian industries.

14. LTGEN Hurley asked the members, were there any other ways that Defence might help provide 'certainty' to industry. The following suggestions were offered:

a. Reducing the time between decisions, letting contracts and delivering products.

b. Different or shorter decision timeframes.

Item 5

15. Mr Kerry Clarke discussed workforce skilling and the fact that the Joint Defence and Industry taskforce had identified around 10 ideas to address declining workforce numbers across Defence and defence industry. As an example, he stated that one idea raised was to approach areas within industry that are facing a downturn, to try and entice their skilled workers to join the defence industry. Defence industry requires around 1,700 additional skilled workers over the next few years, while still improving productivity. A re-examination of retention and recruiting factors was also being addressed. Mr Clarke indicated that studies had shown that half the skilled workers were leaving an industry in the first few years, unfortunately moving on to work in areas outside their primary skills domain.

16. General discussion followed on:

a. The difficulties of training workers in a 'fixed-price' environment.

b. The existence of a 'fractured, inefficient industrial base.'

c. The necessity for 'radical restructuring of the defence industry sector'.

d. All 'capability' does not reside across all industry.

e. Workforce skilling is not the end, rather it is often the start of a process.

f. The possibility of industry sharing a workforce.

g. Simplifying the RFT process, thus releasing more people to participate in production.

h. Modifying contracting in the DMO, supporting and approach that was more outcome driven, rather than process driven.

Item 6

17. Mr Clarke discussed the success of the Defence and Industry Study Course, noting that module 2 (of 3) is run in conjunction with the D&I conference. A main determinate of the success of the course is the quality of candidates being provided. Furthermore, continued access to the CDAF Members' companies ensures concurrency and variety of course content. The current course had more industry participants than Defence participants. Mr Clarke also noted that he had more applications for the course than places. He commented that it was very difficult to get 'military operators' to the course due to the current pace and tempo of operations. Mr Clarke asked for suggested changes for the next course. The Members asked to take this question on notice.

Action: CDAF Members to consider possible changes to the Study Course and provide them to Mr Clarke before the next meeting.

Item 7

18. Mr Clarke discussed the Defence and Industry Advisory Committee (DIAC) relationship with CDAF and other Defence-related advisory bodies. In summary:

a. The DIAC provides a strategic industry perspective and provides some cogency to underpin any changes to Government policy.

b. Membership on the DIAC was rotational and represented industry, not their individual companies.

c. Representation on DIAC covers the full spectrum of industry activities supporting Defence.

d. The CDAF operates at a lower, operational level and to some extent feeds the DIAC.

Item 8

19. LTGEN Hurley spoke about the RPDE program and what the Programs focus would be in FY 08/09. A copy of the slides are at Attachment 1.

Item 9

20. Mr Clarke discussed the Defence Future Capability Technology Centre (DFCTC), relationship with the Cooperative Research Centres (CRC) Program and focus for future years. He indicated that it is a partnership between industry, academia and other research bodies, and sponsored by Defence and that it uses DEST CRC processes.

21. Mr Clarke indicated that in July 2007, in response to a public request for research themes, the DFCTC board approved six broad research fields. He indicated that 24 themes were received. Defence had sought applications against those six research fields by mid September 07. Applicants need to provide 50% of the funding. Following a first stage filter of applications, the Board would shortlist likely candidates

for more detailed submission. The plan is to approve the successful research task before the end of calendar year 2007.

New Business

22. No new business was raised. The Chairman indicated that the next meeting would be held in the second week of January in conjunction with PAC 08.

Original Signed

D.J. HURLEY

LTGEN
CCDG
Chairman
Capability Development Advisory Forum

26 August 2007

Original Signed

Mr Kerry Clarke

HID DMO
Acting Co-charirman
Capability Development Advisory Forum

26 August 2007

Annex:
A. List of Participants.

Attachment:
1. RPDE Presentation Slides.