



Australian Government

Department of Defence

Defence Materiel
Organisation

DMO

AIC

TOOLKIT



**AUSTRALIAN INDUSTRY
CAPABILITY
(AIC)
TOOLKIT**

TABLE OF CONTENTS

1.	THE AIC PROGRAM	1-1
1.1.	Background	1-1
1.2.	AIC Toolkit	1-1
1.3.	AIC Advice	1-1
1.4.	Defence Industry Policy Context	1-2
1.5.	Defence Procurement Policy	1-2
1.6.	Value for Money	1-2
1.7.	Encouraging Competition	1-3
1.8.	Non-discrimination	1-3
1.9.	Australian Industry Opportunities	1-3
1.10.	Australian and New Zealand (ANZ) Industry	1-3
1.11.	Small to Medium Enterprises	1-4
1.12.	Support for Australian Defence Industry	1-4
1.13.	Sustainment of Australian Industry through Exports	1-4
1.14.	Government-to-Government Procurements	1-5
1.15.	Relevant Publications	1-5
2.	AIC IN DEFENCE PROCUREMENT	2-1
2.1.	General	2-1
2.2.	The ASDEFCON AIC Plan	2-1
2.3.	<i>Local Industry Activities</i>	2-2
2.4.	<i>Industry Requirements</i>	2-3
2.5.	Maximise Australian Participation	2-4
3.	THE AIC PLAN	3-1
3.1.	AIC Plan Content	3-1
3.2.	Section A. <i>Executive Summary</i>	3-2
3.3.	Section B. AIC Plan Management	3-2
3.4.	Section C. Monitoring and Reporting	3-2
3.5.	Section D. <i>Supply Chain Management</i>	3-2
3.6.	Section E. <i>Innovation, Research and Development</i>	3-3
3.7.	Section F. <i>Industry Requirements</i>	3-4
3.8.	Section G. AIC Schedule	3-5
3.9.	Section H. <i>Local Industry Activities</i>	3-5
3.10.	Section I. <i>Commercial Strategy</i>	3-6
3.11.	Section J. Global Supply Chain	3-7
3.12.	Section K. Key Performance Indicators	3-8
4.	AIC TENDER EVALUATION	4-1
4.2.	Tender Evaluation Criteria	4-1
4.3.	Finance Data	4-1
4.4.	Industry Requirements	4-2
4.5.	Detailed Evaluation of AIC Proposals	4-2
4.6.	AIC Evaluation Considerations	4-3
4.7.	Evaluating Local Industry Activity Proposals	4-3

4.8. Commercial Aspects	4-4
4.9. Source Selection and Industry Issues outside the Tender	4-4
4.10. AIC Tender Evaluation Plan Process	4-5
5. AIC PLAN CONTRACT NEGOTIATION	5-1
5.1. Preparing the AIC Plan for Negotiation	5-1
5.2. AIC Plan Enforcement	5-2
6. MANAGEMENT OF AIC PLANS	6-1
6.1. Defence Management Functions for the AIC Plan	6-1
6.2. Contract Amendments	6-2
6.3. Transition to Support Phase	6-2
6.4. Project Completion	6-2
7. AIC PLAN CONTRACT MANAGEMENT AND ENFORCEMENT	7-1
7.1. AIC Plan Management	7-1
7.2. AIC Program Monitoring & Reporting	7-1
7.3. DMO Reporting to Government	7-1
8. THE AIC PROGRESS REPORT	8-1
8.1. AIC Reporting	8-1
8.2. AIC Reporting Period	8-1
8.3. Reporting against Key Performance Indicators	8-1
8.4. AIC Progress Report Format	8-1
8.5. AIC Progress Reports	8-2
8.6. AIC Progress Reviews	8-3
9. INDUSTRY ENGAGEMENT	9-1
ANNEX A ASDEFCON AIC PLAN	1
ANNEX B ASDEFCON AIC PROGRESS REPORT	1
ANNEX C AIC DEEDS	3
ANNEX D ABBREVIATIONS	1
ANNEX E GLOSSARY OF TERMS	1

Foreword

A key objective of the Government's defence industry policy is a sustainable and capable domestic industry that can support our key military capabilities and contribute to Australia's defence self reliance. The Government is committed to ensuring that the Australian Defence Force (ADF) is equipped and supported through an efficient and capable industrial base and to delivering on that commitment through the implementation of a number of strategic initiatives.

The Australian Industry Capability (AIC) Program is one of the principal mechanisms which will drive and enhance the long standing partnership between Defence and industry. The principles of the AIC Program are explained in the Defence Procurement Policy Manual. The AIC Tool Kit is designed to provide guidance for Defence and industry stakeholders on how to implement, monitor and report on Industry Requirements.

This guide will be reviewed in line with practical implementation experience. A review of this guide will be undertaken as an iterative process as practical experience suggests improved implementation. I encourage ongoing industry input to improve the AIC Toolkit, with comments welcome via the DMO website (<http://www.defence.gov.au/dmo>).

I am committed to the successful implementation of the AIC Program and commend this AIC ToolKit to Defence and industry stakeholders during the preparation and implementation of tenders and contracts.

(Signature)

Head, Industry Division

1. THE AIC PROGRAM

1.1. Background

1.1.1. The Australian Industry Capability (AIC) program replaced the Australian Industry Involvement (All) Program. The AIC Program provides a focused and measurable approach to the delivery of industry capability without seeking offsets. Investment in Australian industry should be primarily focused on the generation and sustainment of those capabilities that support ADF operational capability, with the purpose of conferring military advantage and providing for Australia's military self-reliance needs.

1.1.2. The AIC Program is a mechanism to:

- Retain those essential local industry capabilities and skills required to meet Australia's sovereign, military and self-reliance requirements in support of ADF operational capability.
- Create the commercial environment to provide local industry with opportunities to openly compete for domestic and international defence work, based on best value for money principles.

1.1.3. AIC drafters and tenderers need to ensure that the above two criteria are addressed when developing an AIC Plan in the ASDEFCON templates during preparation of solicitation documentation.

1.2. AIC Toolkit

1.2.1. The AIC Toolkit has been produced to assist Defence and industry understand the AIC Program's requirements in relation to Defence procurements. It explains what Defence is seeking from tenderers under this Program. The Toolkit will remain web-based to enable amendments to be immediately available to all stakeholders.

1.2.2. Defence's expectations of companies responding to Industry Requirements in solicitation and procurement documentation are explained, as are aspects of:

- Tender evaluation
- Contract negotiation
- AIC Plan management
- AIC reporting to Government.

1.2.3. Under the AIC Program, additional costs and risks for work addressing a specified Industry Requirement needs to be clearly described, justified and individually costed. These costs and capabilities will be presented to Government at Second Pass.

1.3. AIC Advice

1.3.1. Defence projects or companies requiring additional guidance on AIC issues should seek advice from Industry Division within the DMO, which has carriage of the AIC Program.

1.3.2. Where a company requests advice on AIC relating to a project, that project should be contacted prior to any response from Industry Division, and where that project has issued an RFT, all

communication with industry must be conducted via the Project Office; generally through the Project Manager.

1.4. Defence Industry Policy Context

1.4.1. Australia's Defence policy seeks to maximise Defence self-reliance while achieving value for money. Development and sustainment of cost-effective in-country industry capabilities, skills and infrastructure are important factors in maximising self-reliance.

1.4.2. A fundamental requirement of the ADF is the capability for Defence Industry to repair, maintain, modify and adapt systems and equipment as well as develop new solutions - especially where these are unique to the Australian operating environment. To ensure this capability is maintained, Australia requires a sustainable and competitive defence industry; one that is able to support a technologically advanced ADF.

1.4.3. The Defence Capability Plan (DCP) sets out the Government's procurement intentions for Major Capital Equipment over the next ten years. The DCP provides the ADF with a clear path for its capability development within the funding available. The release of the public version of the DCP recognises the need for industry to have greater certainty and visibility of the Government's long-term intentions.

1.4.4. Defence seeks to ensure that Australian industry is given every opportunity to compete for Defence work, either in direct contract with Defence, or as a sub-contractor to a Prime contractor. Defence industry policy does not support offsets, nor does the AIC Program prescribe any mandatory targets for work to be done by Australian industry. The primary consideration for any Defence project or procurement is the cost-effective delivery of capability to the ADF through procurement decisions based on a tender representing value for money to the Commonwealth. The strategic and operational value of access to indigenous industry capabilities, including any whole of life cost benefits, is an element of the value for money evaluation.

1.4.5. Specific capabilities sought by Defence from Australian industry will be articulated as Industry Requirements in tenders and later transposed into the resulting contract.

1.5. Defence Procurement Policy

1.5.1. Defence's procurement policy is consistent with general Commonwealth policies on procurement. The Australian Government requires all Commonwealth agencies to provide opportunities in purchasing activities for the development of Australian industry. The aim is to encourage a more innovative, internationally competitive and export-oriented Australian defence industry while promoting industry development in key technologies. In accordance with the policy, Defence aims to maximise the cost-effective contribution of Australian industry to its strategic and operational needs.

1.5.2. In addition, Defence requires that AIC Plans be included in all contracts valued at \$50 million or more, or where a specific industry requirement is sought. Procurement officers should consult with the AIC Implementation team within the DMO's Industry Division for guidance on the requirements for an AIC Plan.

1.6. Value for Money

1.6.1. Development and sustainment of Australian industry capabilities for support of the ADF must meet the government's fundamental requirement of providing value for money for the Commonwealth. The concept of value for money is the core principle underpinning Australian Government procurement and is described in the Commonwealth Procurement Guidelines (CPG). More information on value for money can be found in the [Defence Procurement Policy Manual](#) (DPPM).

1.6.2. AIC must be considered within the concept of value for money; particularly for whole-of-life costing, where industry capabilities often provide significant cost savings. Procurement officers and capability managers must consider the strategic and operational value to Defence of having in-country

industry capabilities when access to other sources of capability and support (particularly global supply and support chains) may not be available. Therefore risk of denial within the context of global support, with its operational and cost consequences, must be considered.

1.7. Encouraging Competition

1.7.1. Competition is a key element of the Commonwealth's procurement policy framework. Effective competition requires the use of competitive procurement processes.

1.7.2. Defence advocates open competition as it continues to provide the best means of delivering value for money solutions. Competition consistently provides a better outcome for Defence and industry alike, by fostering innovation, productivity and improvement in the use of scarce resources. However, where a compelling business case for alternative approaches to procurement can be made, Defence may forego competition.

1.8. Non-discrimination

1.8.1. All potential suppliers should have the same opportunities to compete for Government business and should be treated equally based on their legal commercial, technical and financial abilities and not on their degree of foreign affiliation or ownership, location or size. The goods and services on offer must be considered on the basis of their suitability for their intended purpose and not on the basis of their origin.

1.9. Australian Industry Opportunities

1.9.1. Australian Government policy is that all Commonwealth agencies are to provide opportunities in their purchasing activities for the development of Australian industry. In accordance with this policy and that of Defence self-reliance, Defence aims to maximise the cost-effective contribution of Australian industry to support the ADF.

1.9.2. In addition to developing and sustaining Australian industry capabilities in response to Industry Requirements, the AIC Program ensures that Australian industry is given the maximum opportunity to participate in Defence projects and procurement where this represents value for money to the Commonwealth. Acquisition strategies and business cases should reflect this requirement.

1.9.3. Industry Requirements will continue to be refined through the capability development process, from the broad considerations associated with First Pass to the mature requirements of tender documentation and the recommendations at Second Pass.

1.10. Australian and New Zealand (ANZ) Industry

1.10.1. In the Defence context, 'industry' generally refers to all industrial support for ADF capabilities, whether in the form of goods, facilities or services and whether provided by indigenous or overseas firms. Australia and New Zealand are regarded as one industrial base because of the Closer Economic Relations and Closer Defence Relations agreements. In this context, a reference to 'Australian industry' generally includes New Zealand industry unless eliminated by other considerations.

1.10.2. Contractually, the definition of Australian and New Zealand (ANZ) industry is considered to be industry conducted in Australia or New Zealand by:

- Any body corporate registered under the Corporations Law, the Companies Act 1955 (New Zealand), or incorporated under any other law of the Commonwealth, or a State or Territory of Australia or a law of New Zealand

or

- a natural person

or

- any other person acceptable to the Project Authority.

1.10.3. The inclusion of New Zealand industry does not apply when considering exports or participation of Australian industry in overseas global markets or supply chains.

1.11. Small to Medium Enterprises

1.11.1. Small to Medium Enterprises (SMEs) are to be provided with every opportunity to engage in fair competition for Government business. As such, procurement officers must ensure that procurement methods do not unfairly eliminate opportunities for SME participation.

1.11.2. Procurement processes must be readily communicated and accessible to SMEs and should not deliberately exclude SME participation. While SMEs must be given appropriate opportunities to compete for Government business, the following needs to be taken into account:

- the benefits of doing business with competitive Australian SMEs;
- capacity and commitment of SMEs to markets within their regions; and
- supplier base and competitive benefits of access for new markets entrants.

1.12. Support for Australian Defence Industry

1.12.1. Defence supports the involvement of Australian industry in providing capabilities to the ADF and has established a number of programs aimed at assisting companies in this sector, such as export facilitation.

1.12.2. Companies interested in these programs can contact the DMO Business Access Offices (BAOs) in their respective State or Territory for information.

1.13. Sustainment of Australian Industry through Exports

1.13.1. Defence recognises that its demand for goods and services will fluctuate, therefore the viability of many Australian defence-oriented companies will depend on their ability to develop commercial and export markets. Defence supports and encourages the export of defence-related products from Australia in line with export control regulations. The export control regulations ensure that export activity is consistent with Australia's wider national interests and international obligations.

1.13.2. Exports, including access to global supply chains, are an element of the AIC Program. Exports assist in the sustainment and development of strategically important defence industry capabilities through the troughs of Australian Defence procurement. Support may be provided to companies who are ready to market defence products overseas through general export facilitation, targeted materiel co-operation activities and specific arrangements entered into with selected overseas companies. Defence is able to work closely with Austrade in the facilitation of general defence exports.

1.13.3. Entering into an Original Equipment Manufacturer's (OEM) global supply chains has the potential to provide Australian industry access to increased volume and duration of work associated with planned ADF acquisitions and sustainment. Access to an OEM's global supply chain may precede ADF acquisition of an associated defence system, but may be dependent upon a Government decision to commit to the acquisition.

1.13.4. In supporting defence exports, Defence expects prime contractors to mentor subcontractors (including SMEs) in marketing Australian Defence products overseas while maximising the use of Australian industry in successful defence export sales and support.

1.14. Government-to-Government Procurements

1.14.1. Defence may purchase equipment from overseas governments through Memorandums of Understanding or Foreign Military Sales (FMS) for major items of equipment such as ships, aircraft or certain controlled items which cannot be purchased commercially from overseas companies.

1.14.2. All government-to-government procurements, including those under the FMS program, are not exempt from meeting value-for-money or the AIC Program. Such procurements must consider and include identified Industry Requirements in both acquisition and Through-life Support (TLS) arrangements.

1.14.3. There are several ways that Defence may implement AIC in a Government-to-Government procurement:

- Defence may arrange an AIC Program directly with the OEM through the establishment of an AIC Deed. An AIC Deed consists of a Head Agreement between the OEM and the Commonwealth. Attached to the AIC Deed are annexes that provide for global supply chains, as well as other specific requirements of industry. Normally, the scope and cost of the AIC Deed are agreed with the OEM before the requirement is identified in the Letter of Request (LOR).

or

- Defence may restrict the purchase to the component/s which must be procured through overseas government arrangements. Commercially available components would be sourced separately through Direct Commercial Sales (DCS) Procurement and in these circumstances, normal AIC Program requirements would apply

or

- A combination of the above options above may be applied.

1.14.4. When Defence plans a Government-to-Government procurement, the Project Office should contact Industry Division and seek advice on how to implement the AIC Program, including specific Industry Requirements.

1.15. Relevant Publications

1.15.1. In addition to this Toolkit, there are other policy documents and manuals that provide useful information for defence and industry participants. These include:

- [Defence Capability Plan](#) (DCP) – which will enable industry to:
 - Obtain early information and broad guidance on Defence's long-term capability plans;
 - Identify the skill, technology and infrastructure development requirements needed to support defence capability;
 - Identify opportunities for involvement in defence capability delivery and support;
 - Understand Defence's future capability requirement.
- [Defence White Paper](#) - establishes the Australian Government's view on the role of Australian industry.
- Government and Defence purchasing policies and principles - provide the underlying foundations for all Commonwealth and Defence purchasing; promulgated in:
 - [Commonwealth Procurement Guidelines](#) (CPG) – clarifies the requirements and expectations for Commonwealth procurement activity.

- [**Defence Procurement Policy Manual \(DPPM\)**](#), - provides the prime reference document for most Defence procurement; generally directed at Program Managers, staff and purchasing officers at all levels.
- [**Australian Defence Contracting templates \(ASDEFCON\)**](#) - consists of a suite of proforma documents for use by procurement officers when drafting Requests For Tender (RFTs) for the procurement of goods and services by Defence.
- [**Intellectual Property Policy 2008**](#) - consolidates Defence's Intellectual Property policy and management framework.

2. AIC IN DEFENCE PROCUREMENT

2.1. General

2.1.1. The AIC Program is focused on developing and sustaining strategically important in-country industry capabilities. The program seeks to optimise the utilisation of Australian industry to provide the best possible cost-effective support to Australian Defence Force (ADF) operations. It achieves this by reviewing all potential opportunities for using Australian industry in the development, acquisition and TLS and links these to clearly defined outcomes.

2.1.2. For large Defence contracts (valued at \$50 million or more) and, or whenever Defence specifies Industry Requirements in an RFT, regardless of the contract value, tenderers will be required to deliver an AIC Plan. The AIC Plan will deal with certain mandatory requirements which will be the basis for which tenderers' responses are evaluated and compared.

2.1.3. The AIC Plan will describe the cost-effective use of Australian industry in a contract, as well as any work that the RFT requires the contractor to perform in-country that delivers strategically important industry capabilities aligned to ADF capability.

2.1.4. The AIC Plan may be tailored to the scale of the procurement consistent with achievement and measurement of the work done and the satisfaction of any Industry Requirements. Similarly, the AIC Reporting regime may be tailored to reflect the output of the AIC Plan.

2.1.5. The successful tenderer, as contractor, will undertake to carry out the Local Industry Activities (LIAs) proposed in the tender as the draft AIC plan responses will be evaluated and will form the basis of the agreed AIC plan in Contract. As a minimum, where a formal AIC Plan is not required, basic LIA and imported content information will be accommodated within the contract Price and Delivery Schedule for the purposes of monitoring achievement and reporting outcomes.

2.1.6. Project Offices will tailor the AIC clauses and Data Item Descriptions (DIDs) in ASDEFCON to match the needs of the contract. Tenderers will propose a Draft AIC Plan in the tender response that will become the basis for the agreed AIC Plan in the contract.

2.1.7. AIC policy remains a requirement for procurements under \$50 million, but there is no obligation to develop an AIC Plan. However, if a contract is a discrete phase of a larger project, then AIC should be considered in the broader context and tailored to meet the outcomes required of Australian industry for the whole program. Tenderers should seek to maximise the cost-effective participation of Australian industry in all contracts.

2.1.8. AIC Policy applies to all Defence contracts. Recognising that ASDEFCON contracting templates are not used for most Defence acquisitions the intent of the Toolkit should be met. However, for an ASDEFCON suite, this Toolkit provide guidance on drafting and responding to the AIC Program requirements.

2.2. The ASDEFCON AIC Plan

2.2.1. The AIC Plan seeks to optimise the utilisation of Australian industry to provide cost-effective support to Australian Defence Force (ADF) operations. It achieves this by reviewing all potential opportunities for using Australian industry in the development, acquisition and TLS of all new Defence capabilities and services; linking these opportunities to clearly defined industry capabilities that support ADF capability and military self-reliance.

2.2.2. The AIC Plan contains a description of the activities proposed by the tender to meet the specified Industry Requirements while also describing how it seeks to maximise the cost-effective use of Australian industry. AIC Plans are developed in response to a formal solicitation from Defence; usually a Request for Tender (RFT). The content and format of the AIC Plan is defined in the AIC Plan Data Item Description (DID) found within the ASDEFCON suite of tendering and contract documents.

2.2.3. The AIC DIDs are listed under Project Management in the Contract Data Requirements (CDR) for the Statement of Work (SOW). The AIC Plan is DID-PM-AIC-AICP, listed at CDR MGT-700, while the AIC Progress Report is DID-PM-AIC-AICPR, listed at CDR MGT-710.

2.3. Local Industry Activities

2.3.1. Local Industry Activities (LIAs) are defined as work that represent value added by Australian or New Zealand industry in a Defence contract, whether as the cost-effective AIC response to an RFT or as work proposed to satisfy an Industry Requirement.

2.3.2. LIAs include the value added by Australian and New Zealand industry, and can be broadly costed as the contract price minus the value of imported supplies. LIAs are the major focus of the AIC Program and are the preferred means of achieving the Industry Requirements.

2.3.3. LIAs relate to the spectrum of activities covered in the Statement of Work for the Contract. Activities which are highly regarded include:

- Design
- Development
- Production
- Systems integration
- In country TLS

2.3.4. LIAs involving other skills, such as local manufacture to overseas designs, are also important to the AIC Program, where those skills can be applied to ongoing TLS activities.

2.3.5. For the purposes of the AIC Program, LIA may be performed by ANZ industry. However, in those cases where it is only possible to satisfy an Industry Requirement through the exclusive involvement of Australian industry, this will be indicated in the RFT.

2.3.6. LIA proposals must be based on value for money considerations. The tenderers may wish to propose LIA that cost more than performing a similar activity overseas in order to:

- Satisfy an Industry Requirement
- or
- Produce value for money benefits to Defence, such as reduced TLS costs.

2.3.7. The Commonwealth will not pay more unless the extra cost can be justified in value for money terms against enhanced ADF capability.

2.3.8. Where an AIC Plan is not required, tendered LIA details are to be included in columns added to the Price and Delivery Schedule (PDS):

- LIA value for the line item
- A brief description of the LIA
- The company undertaking the work.

2.4. Industry Requirements

2.4.1. Industry Requirements specify the capabilities required by Defence from Australian industry to support ADF operational capabilities.

2.4.2. Defence will determine the need for specific in-country industry capabilities for each project, and drafters will include specific Industry Requirements in tender documentation. Industry Division should be consulted.

2.4.3. There are three types of Defence mandated Industry Requirements:

- **strategic industry capability**– these are capabilities which confer a national security and strategic advantage to Australia by being resident in Australia; which if denied, may affect the way the ADF operates.
- **Priority Industry Capability (PICs)** – These are a narrower subset of strategic industry capabilities that confer an essential national security and strategic advantage by being resident in-country.
- **Project Specific Industry Capability (PSICs)** – Industry capabilities that the project prefers to be resident in-country such as maintenance and sustainment activities.

2.4.4. Where an RFT contains one or more Industry Requirements the tenderer must address:

- Activities that the tenderer (or its principal sub-contractors) will undertake to establish, develop and sustain the required industry capabilities in Australia.
- The cost to Defence for each proposed individual activity identified for each Industry Requirement including any flow on cost impacts on areas of the project such as purchasing, project management and TLS.
- An assessment of those risks associated with undertaking each of the proposed Industry Requirements in Australia.
- The potential impact of each industry requirement activity on the project including schedule, performance and project management.

2.4.5. Industry Requirements will be specified as contract deliverables and listed in the PDS where they are a component of the preferred tenderer's offer. If the requested Industry Requirement is not included in the tenderer's preferred solution, then it is to be included in the offer as a costed option.

2.4.6. Industry Requirements may cover a broad range of activities, such as:

- A specified capability required by Defence to be resident in Australian industry. This may include the following abilities to support ADF capability to be embedded in Australian industry:
 - Design, modification and adaptation of systems and equipment.
 - Maintenance, repair and overhaul, production of equipment, components and facilities.
 - Training.
 - Other.
- A capability required to be sourced as an option from a nominated Australian company.

2.4.7. Responses to Industry Requirements outlined in an RFT are mandatory. Where an Industry Requirement results in additional cost to the Commonwealth beyond the tenderer's cost-effective commercial solution, Defence requires the tenderer to provide any additional cost as a fully costed

option. Defence may elect to take up the option and embed it as a contract deliverable, specified as an element of the Contract Work Breakdown Structure (CWBS) and listed in the PDS.

2.4.8. When developing Industry Requirements, Defence must be aware of any impact the requirement may have on other projects and reflect this in the relevant business case and acquisition strategy. This recognises the effect that the requirements may have on the development, sustainment and the flow-on effect on other acquisition and sustainment contracts.

2.4.9. To ensure these are included, as required, the Project Manager must contact the AIC Implementation team, Industry Division when developing Industry Requirements.. This relates to both acquisition and Through-life support tenders.

2.4.10. Industry capabilities provided in response to [Industry Requirements](#) will be measured through [Key Performance Indicators](#) (KPIs).

TENDER INITIATED PROPOSALS

2.4.11. A tenderer could nominate a LIA for an in-country industry capability that provides a benefit to ADF capability, but for which investment by Defence is required. In this case, industry submits a [Development Proposal](#), outlining the benefits to Defence in terms of its impact on the capability being delivered. Defence may elect to take up the option and include it as a contract deliverable specified in the Work Breakdown Structure (WBS). Such proposals may be associated with a company's Innovation Research & Development (IR&D) strategy.

2.4.12. Industry capabilities provided as a result of a Development Proposal will be measured through [Key Performance Indicators](#) (KPIs).

2.5. Maximise Australian Participation

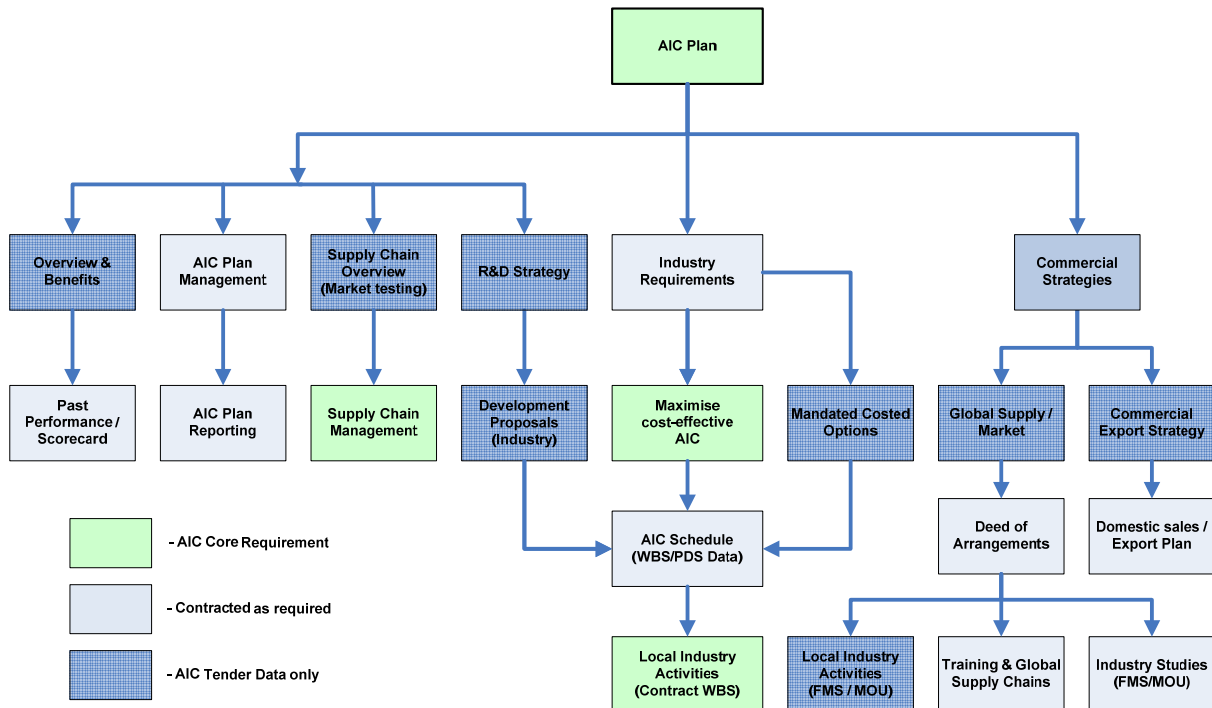
2.5.1. Tenderers are required to provide information on how they are able to demonstrate they have provided Australian industry with opportunities to participate if cost-effective in both the acquisition and Through-life support phases of the project. , As such, tenderers are required to provide information on the process that they have or will use to select Australian suppliers.

2.5.2. In the RFT, the tenderer will explain what approach they have or will be taking and how it will maximise cost effective participation by Australian industry. Examples include:

- Conducting workshops that provide information on how to prepare bids against tenders, such as becoming e-procurement ready;
- Identifying potential areas of import replacement;
- How Australian companies have been given the opportunity to tender for the management of the project?
- Introducing supplier development programs in Australia that actively seek out new Australian suppliers, training programs and technology transfer; and
- Consulting with and involving Government agencies, Australian industry, and relevant government and industry organisations, such as the [Industry Capability Network](#) (ICN), to identify potential Australian suppliers and the capability to supply the project.

3. THE AIC PLAN

Figure 1 - The AIC Model



3.1. AIC Plan Content

3.1.1. The **AIC Plan** contains some sections that will be only used during the tender evaluation and which will not appear in the contract. Other sections such as those for R&D or commercial strategies may not be applicable to all contracts. The AIC Plan contains the following sections, which can be tailored as required to suit the scope of the contract:

- Section A: Executive Summary (core)
- Section B: AIC Management (core)
- Section C: Monitoring and Reporting (core)
- Section D: Supply Chain Management (core)
- Section E: Innovation, Research and Development (optional)
- Section F: Industry Requirements (Core)
- Section G: AIC Schedule (core)
- Section H: Local Industry Activities (core)
- Section I: Commercial Strategy (optional)
- Section J: Global Supply Chain objectives (optional)
- Section K: Key Performance Indicators (core)

3.2. Section A. *Executive Summary*

3.2.1. Tenderers should concisely summarise their draft AIC Plan and explain the benefits and advantage of the proposal. They should also highlight the key aspects of the AIC Plan and describe its benefit to ADF capability.

3.2.2. The summary should provide details of any additional advantages of the AIC Plan in terms of:

- Reduced acquisition and Through-life support costs
- Reduced turn-around times for repairs
- Reduced supply times
- Increased sustainability through R&D and exports
- Skills and employment generated by this Contract
- Commercial benefits.

3.2.3. Tenderers should only provide sufficient information to provide Defence with a brief overview of the AIC Plan and an explanation of the benefits to the ADF. Project Offices will find it advantageous to have a condensed version of the Executive Summary in the contracted AIC Plan.

3.3. Section B. *AIC Plan Management*

3.3.1. Tenderers should supply details of the nominated AIC manager, describe the AIC manager's responsibilities and provide an organisation chart showing the relationship between the AIC manager and the tenderer's high level management and subcontractors.

3.3.2. This section should also describe arrangements for implementing an independent audit of AIC Plan compliance.

3.4. Section C. *Monitoring and Reporting*

3.4.1. Tenderers should describe the proposed methodology for monitoring and recording AIC Plan achievement and reporting against the contract. For large contracts the tenderer will be required to propose and implement a mechanism for independent audit of its compliance with the AIC Plan.

3.4.2. Progress reporting is a contract deliverable in the form of an AIC Progress Report using DID-PM-AIC-AICPR.

3.4.3. The tenderer should:

- Identify the monitoring and recording mechanism for measuring performance and achievement of LIAs and Industry Requirements.
- Describe the arrangements whereby the contractor submits AIC Progress Reports to the Commonwealth.

3.5. Section D. *Supply Chain Management*

3.5.1. The tenderer is required to describe how the Supply Chain Management arrangements will maximise Australian industry participation within the tendered proposal, while achieving a cost-effective industry solution and achieving value for money in delivery of the required capability.

3.5.2. The proposed supply chain management arrangements should foster sustainable, competitive and innovative sub-contractors in the broader supply chain, and provide a framework for

the support, education, development, enhancement, promotion and organisation of the Australian supply base (including SMEs and Australian niche technologies). The description should address how the supply chain will be developed in the immediate, medium and longer term.

3.5.3. The Supply Chain Management section of the AIC Plan requires prime contractors to:

- Demonstrate a credible record in fostering competitiveness and innovation in the supply chain, as well as identify effective and transparent policies for fostering these in the future.
- Agree to the adoption of [Industry Engagement Conduct Standards](#) for their dealings with sub contractors.
- Identify their claimed core business as a basis for distinguishing between the work which can properly be conducted in-house and those which will be competed between unrelated companies.
- Identify which components of the tender are non-core to their business and will be fully competed within the open market; the processes by which such competition will or has been let and how transparency needs to be addressed.
- Detail the policies and practices by which transparency in the selection of suppliers is maintained.
- Describe how the interest of unrelated suppliers in areas of non-core business has been solicited, and how niche or scarce capabilities essential to the project and the broader sector will be sustained.
- Detail proposed suppliers for the tender (including critical subcontractors), the nature of the work to be undertaken and the basis by which those suppliers will be engaged.
- Identify their current and proposed alliances with unrelated suppliers and the intended commercial objectives of these alliances.

3.5.4. Supply Chain Management will be an important evaluation criterion and will influence rankings of AIC responses.

3.5.5. Defence will use measurable indicators of supply chain integrity to monitor the behaviour of primes. Successful tenderers may be required to provide a 'public' version of their contracted Supply Chain Management strategy.

3.5.6. Defence may specify areas of the supply chain that it wants subjected to market testing. This is intended to ensure that small business is given every opportunity to compete for non-core prime contractor activities in Defence contracts.

3.6. Section E. *Innovation, Research and Development*

3.6.1. A tenderer may elect not to respond to this section where an R&D proposal is not justified by the scale or scope of the project.

3.6.2. This section still provides an opportunity for tenderers to detail strategies for long-term investment in Innovation, Research and Development (IR&D) activities in Australia as demonstration of its in-country footprint and its commitment to Australian industry.

3.6.3. Defence recognises that investment in targeted IR&D has the potential to enhance the military capability outcomes for Defence. To this end, Defence is keen to optimise the level of IR&D activities undertaken in conjunction with Defence acquisition and Through-life support (TLS) contracts.

3.6.4. Where the tenderer proposes IR&D which seeks Defence funding, then such proposals will be considered as options and included as tenderer initiated industry development proposals. These development proposals will require an IR&D proposal to support each option, which will be considered by Defence on a case-by-case basis.

3.6.5. The outcome of an IR&D activity could be:

- Advice which improves ADF understanding of the capability
- New applications for technology which enhances capability
- A solution to an identified gap in current ADF capability

3.6.6. The description of any IR&D will include:

- How the proposed activity meets the definition of IR&D
- In whom and where the ownership of foreground IP will reside
- Any restrictions placed upon background IP
- Whether commercialisation by local industry is proposed and, if so, the nature of that commercialisation
- How the proposed activity will be undertaken by the Australian beneficiary
- Details of the IP issues involved.

3.6.7. The IR&D areas selected for investment should directly relate to Defence's future capability and be associated with procurement outcomes by addressing:

- The tenderer's approach to the investment in IR&D activities directly related to Australian Defence capabilities and future industry capabilities resident in its supply chain.
- The overall strategy to be adopted in its IR&D strategy within Australia. This statement may also include parent company IR&D investment strategy in Australia and in Australian industry capabilities with particular emphasis on the project.
- Any assumptions on which this IR&D strategy is based.
- Specific IR&D activities to be undertaken by the tenderer that can be directly related to the project and improvements.
- Areas of non-project IR&D investment activities currently being undertaken by the tenderer, including parent company IR&D investments.
- Current and future IR&D collaborative ventures that the tenderer is participating in.
- Any significant deficiencies in an IR&D investment gap analysis that may impact upon the IR&D investment activities for this program.
- Involvement or participation in government-funded initiatives or current applications.
- The degree of Defence participation required to implement the IR&D strategy in the immediate longer terms.
- Any specific risks for the IR&D investment.

3.7. **Section F. Industry Requirements**

3.7.1. Industry Requirements for which detailed responses are required are detailed in the draft Conditions of Contract. They will identify the Industry Requirements that Defence requires to be resident in country. The tenderer should describe how specific elements of its proposed AIC Plan will satisfy the Industry Requirements.

3.7.2. This section shall detail how the AIC Program of activities will achieve the Industry Requirements including:

- Explanation (including a cross-reference matrix) of how the LIAs set out in the AIC Plan will contribute towards meeting the Industry Requirements.
- A set of Key Performance Indicators (KPIs) which enable the achievement of Industry Requirements to be measured.
- A schedule showing the Milestone Dates by which each of the Industry Requirements is to be achieved.
- An outline which details supply chain management aspects and how the in-country industrial capabilities required to achieve the Industry Requirements will be engaged, developed, supported and sustained.
- An outline of the program and processes that are being implemented to create commercial opportunities for Australian industry.

3.8. Section G. AIC Schedule

3.8.1. The tenderer will provide a breakdown of work to be undertaken by Australian industry in accordance with the AIC Schedule at Attachment 1 to the AIC Plan DID. Note the LIA Description sheets are to be kept at the highest practical CWBS level, and as such can reflect multiple sub-contractors and subordinate activities.

3.8.2. The tender is to include a summary of AIC Activity, in the form of a table showing:

AIC Activity Summary - Values of LIA and IR	
Activity	Value (\$A)
Total value of LIA	
Total estimated value of tender initiated proposals	
Total contract price	
Value of AIC as % of Contract price	

3.9. Section H. Local Industry Activities

3.9.1. LIAs are activities undertaken by Australian industry against the Statement of Work. The Statement of Work is the description of work that is required to be done, is stated in the RFT and, after any modification forms part of the contract.

3.9.2. Local Industry Activities (LIAs) are defined as activities that represent the value added by Australian industry as part of a specific contract between Defence and industry, and may include the following:

- Value added by Australian industry.
- Contract price minus the value of duty paid imports.

3.9.3. LIAs relate to the spectrum of activities conducted by Australian industry in the Statement of Work for the Contract. Activities which are highly regarded include:

- Design
- Development
- Production

- Systems integration
- Elements of work that contribute to in country TLS

3.9.4. LIAs involving other skills, such as local manufacture to an overseas design, are also important to the AIC Program, where those skills can be applied to ongoing TLS, or where it becomes a long term arrangement as part of a global network of suppliers.

3.9.5. Tenderers are expected to propose an AIC Plan that reflects a cost-effective commercial solution that provides value for money to the Commonwealth. The tenderers may wish to propose LIAs that involve a premium cost to the Commonwealth in order to:

- Satisfy a specified industry requirement
- or
- Provide long term benefits to Defence, such as reduced TLS costs.

These activities should be included as Development Proposals.

3.9.6. Note that items procured through Australian suppliers are not necessarily 100% Australian. Subcontractors should be requested to provide LIA information to the same level of detail required in the RFT. For minor items and COTS items procured from Australian suppliers, the tenderer should estimate the LIA and Imported Content when determining the LIA value for that line item.

3.9.7. The tenderer is to include an LIA Description Sheet for each line of the AIC Schedule.

- All monetary values are required to be entered in Australian Dollars as required within the PDS at Base Date Dollars.
- All Industry Requirements and the associated AIC activities should be uniquely numbered for ease of reference in Contract documentation and reporting.
- The LIA is to be directly linked to the WBS.

3.10. Section I. Commercial Strategy

3.10.1. The commercial aspects are designed to focus the tenderer on opportunities for Australian suppliers. This is broken down into two DID sections: Export Plan and Domestic sales.

3.10.2. In proposing a commercial opportunities program, companies need to outline their program and processes to provide Australian industry with competitive bidding opportunities. To meet this requirement, the tenderer will provide the following information:

- The program proposed by the tenderer (or its principal sub-contractors) will create real opportunities for Australian industry to compete for defence business both domestically and internationally.
- The principles underpinning the proposed program reflect open and transparent business practices, and are based on best value for money.
- The program complies with, and manages appropriately, any defence export license requirements, where applicable.
- The company and its major suppliers will assign the level of skills and resources needed to implement and manage the program.
- The company and its major suppliers are committed to establish and maintain internal corporate support for the program.

EXPORTS AND DOMESTIC SALES

3.10.3. Defence procurement may lead to the development of Intellectual Property (IP) or a product or service by the prime contractor and Australian industry. In these instances the tenderer should include an export strategy in the draft AIC Plan will require the development of an Export Plan to promote those developments to acceptable export markets.

3.10.4. The Export Plan should provide an action plan which sets out how the tenderer will facilitate exports of the jointly developed product or the incorporated product of the Australian company, such as:

- The formation of an Industry Capability Team (ICT), consisting of a panel of companies and DMO (Defence Export Unit (DEU)) that collaborates to provide solutions to meet foreign requirements.
- Working with Federal and State Government organisations (eg Austrade and DMO (DEU)).
- Focussed marketing campaigns, such as trade missions and exhibitions or assisting the Australian company to get into its own or other company supply chains.

3.10.5. The tenderer could assist Australian companies by:

- Providing market opportunities to Australian companies, including mentoring Australian companies by providing knowledge of international markets and price trends.
- Exposure of foreign government and commercial procurement officers to Australian companies' capabilities to increase awareness of Australian industry.
- Providing support for overseas demonstrations of Australian industry capability.

3.10.6. The tenderer should provide details of how it intends to facilitate commercial sales in Australia of any product/service that is produced as a result of the project. This action plan should provide details such as:

- Who is going to oversee any commercial opportunity
- How it intends to facilitate commercial opportunities in Australia
- How it intends to assist relevant sub-contractors with timely commercial information.

3.11. Section J. Global Supply Chain

3.11.1. The implementation of current Defence and Industry Policy necessitated a number of fundamental policy changes to Australian industry participation within Defence procurements. The changes remove the need for offsets or Australian industry participation targets, but reinforce the concept of engagement of industry in global supply chains. Hence, work won as a result of access to global supply chains is also one aspect of the AIC Program. Australian industry may be assisted in accessing global supply chains as a result of Australian Government procurement through:

- A collaborative International Defence Program
- FMS/Foreign government purchase
- or
- Direct commercial arrangements.

3.11.2. Access to the global supply chain of an Original Equipment Manufacturer (OEM) may either be offered by tenderers or sought by Defence. In all cases where the tenderer proposes a program for Australian industry participation in their global supply chain the Commonwealth is looking for a value for money outcome, and hence will consider:

- The likely benefits to Australian industry
- The nature of the proposition
- How it will be managed
- The degree of support within the overseas company to implement the arrangement
- What it will cost.

3.11.3. Early access to collaborative programs can see Australian industry involved in design, initial development, test and evaluation, or if later entry, as second source suppliers. It may expand its involvement through production for the global market and follow-on development and support of the defence system whose acquisition is being considered or planned for the ADF. This may further increase local industry sustainment through work on other global systems produced by the OEM. It may also include non-defence equipment in order to provide economies of scale or to provide greater economic stability for Australian companies.

3.11.4. Entry into the global market is difficult and requires commitment and resources. To facilitate entry Defence requires that OEMs consider a wide range of initiatives which may include providing directed training to Australian industry, and particularly SMEs.

3.11.5. Because of the nature of the opportunities, some arrangements for facilitating access into a global supply chain for Australian SMEs may be established directly between Defence and the overseas OEM. The mechanism for the funding of such arrangements may be in the form of an AIC Deed between Defence and the OEM.

3.12. Section K. Key Performance Indicators

3.12.1. AIC Key Performance Indicators (KPI) are a means to determine contractor performance in delivering the agreed AIC Plan. Drafters will determine the AIC KPIs and suggest performance measures to establish the contractor's performance in delivering the AIC Plan. Tenderers should propose performance measures that are specifically tailored to their offer.

3.12.2. As a minimum, Project Offices should include KPIs to measure AIC Plan performance for:

- Maximum cost-effective value of AIC during delivery and sustainment.
- Sustainable LIA to provide Industry Requirements for ADF self-reliance.
- Contracted performance of Local Industry Activities.
- Effective supply chain management fostering competitive Australian companies.

3.12.3. In larger or complex projects, additional AIC KPI may address a wider scope of contractor performance. In the context of the overall project needs, drafters should consider including additional KPI such as:

- Global supply chain endeavours that result in exports of project-related solutions.
- Research & development initiatives that improve the effectiveness of project-related technologies.
- A cooperative relationship with the Commonwealth by achieving the AIC objectives of the Contract.
- Effective communications and a viable association with the OEM.

3.12.4. Once agreed, the AIC KPI will form the basis for summarising the health of the AIC Plan in delivery. Precise metrics must accompany the Performance Measures.

AIC KPIs will assess the achievement of Industry Requirements of the AIC Plan. Performance against agreed KPIs is an element of AIC Progress Reports.

KPI No	Key Performance Indicator	Performance Measure
1	Maximised cost-effective AIC	Variations to market tested cost of contracted AIC in design, delivery and support.
2	Strategic industry capabilities	ADF acceptance of sustainable LIA in support of ADF self-reliance
3	Local Industry Activities	Variation to cost / schedule or performance against contracted LIA
4	Supply Chain Management	Sustained or increased SME engagement and development
5	Global Supply Chains	Export achievement against competed opportunities
6	Innovation, Research & Development	R&D investment and achievement
7	Effective Relationship with the Commonwealth	Disputes arising and resolutions against unresolved issues
8	Effective Relationship with the OEM	Compliance with ITAR, TAA, export licences, technology transfer, IP rights

3.12.5. If the Contract contains a number of KPI for overall performance of the contractor, the AIC Plan KPI may be aggregated by Defence into a single AIC Plan KPI for the purposes of overall project reporting, with significant concerns identified by individual AIC KPI determining the overall AIC Plan performance.

Contract KPI	Performance Measure	Measurement
AIC	Achievement of the AIC Plan.	Measured against significant KPI issues in the AIC Progress Report.

4. AIC TENDER EVALUATION

4.1.1. The aim of the evaluation process is to select the tender that best satisfies the requirements of the RFT and offers best value for money to the Commonwealth, while ensuring that all tenderers are treated fairly and equitably.

4.1.2. The Project Office prepares the Tender Evaluation Plan (TEP), which details the evaluation criteria and the methodology to be used for the evaluation, including the AIC aspects. The Project Office may also prepare a Tender Evaluation Instruction (TEI), which describes the evaluation methodology in greater detail. The TEP and TEI are for internal use only.

4.1.3. An AIC Tender evaluation can be complex, but for smaller projects these procedures may be tailored to accommodate the scale and scope of the tender documentation. The evaluation of a Request For Proposal (RFP) may be similarly reduced in scope given the lower definition of Proposal data.

4.1.4. While the evaluation is made against the requirements of the RFT, other information relating to a tenderer's performance may be utilised that is not provided in the tender.

4.2. Tender Evaluation Criteria

4.2.1. The purpose of identifying Tender Evaluation Criteria is to provide a focus for those preparing tenders and to enable those performing the tender evaluation to objectively identify the most appropriate solution available.

4.2.2. The TEC for a tendered draft AIC Plan are typically the:

- Nature and extent to which the tender response satisfies the Industry Requirements of the RFT
- Value and quality added by cost-effective LIA
- Company's past performance in delivering AIC or its predecessor, All
- Availability, development and employment of an Australian skilled workforce
- Extent to which the TLS is Australian based, including the use of Australian SMEs.

4.2.3. Broad guidance on tender evaluation is contained in the [DPPM](#). The tender evaluation will be made against the AIC tender evaluation criteria provided in the solicitation documentation.

4.3. Finance Data

4.3.1. The AIC Tender Evaluation Working Group (TEWG) has access to financial information that is not available to most other areas of the evaluation. Industry proposals provided in the tendered draft AIC Plan contain costing data that requires cross-referencing with the Finance TEWG. The AIC TEWG must arrange for this access through the Project Manager and ensure that the same costing data is contained within the AIC and Finance areas of the tender evaluation to prevent any influence on the outcomes of assessments elsewhere.

4.3.2. Until delivery of the completed AIC TEWG Report, this may include eliminating financial data from reports or presentations on the progress of the evaluation to the TEWG.

4.4. Industry Requirements

4.4.1. Tender responses must address Industry Requirements. A tender which does not address all of the Industry Requirements in an RFT will be assessed as non-compliant, and may be set aside without further consideration.

4.4.2. The TEWG is required to consider a number of issues when assessing tendered AIC Plans that include LIA tendered in direct response to Industry Requirements. The most important of these are the:

- Qualitative and risk assessment of the LIA that the tenderer has proposed to establish, develop or sustain an industry capability in Australia.
- The cost and capability impact to Defence for every LIA proposed in response to each Industry Requirement.

4.5. Detailed Evaluation of AIC Proposals

4.5.1. A general principle in evaluating tenders is that tenders can only be evaluated against requirements in the RFT, not against any new criteria or requirements that are considered after the RFT release. Furthermore, the Project Office will strictly control the release of Clarifying Questions to tenderers, and their responses will be vetted for the inclusion of new information. New information, including unsolicited information from tenderers or their Governments will be set aside and not considered in the evaluation.

4.5.2. The AIC aspects of tenders are evaluated by the Project Office in the TEWG or by a subgroup that has been established as part of a TEWG to evaluate specific aspects of the tender.

4.5.3. At any stage during Tender Evaluation the Project Office may wish to seek advice and clarification on any aspect of the AIC Program from the AIC Implementation team, Industry Division.

4.5.4. The Project Office when evaluating AIC in the RFT considers:

- The AIC Plans submitted by tenderers
- Company viability
- Company's past performance in AIC.

4.5.5. Other sections in the tender that the Project Office will need to assess or have access to, are:

- Company Scorecard
- Price and Delivery Schedule
- Schedule of Subcontractors
- Draft Project Management Plan
- Any Through-life support (TLS) arrangements on offer.

4.5.6. If the information contained within the AIC Schedule is inconsistent with the Price and Delivery Schedule, the Project Office will need to undertake a more rigorous assessment of the AIC Plan and may need to seek clarification with the tenderer. In addition, the Project Office should ensure consistency with LIA information found in the Project Management and Integrated Logistics Support (ILS) volumes of the tender responses.

4.6. AIC Evaluation Considerations

4.6.1. The evaluation is based upon how well responses to the AIC Plan satisfy the Industry Requirements. In cases where there may be an ambiguity or discrepancy in a tender response, the AIC Lead is to seek clarification from the tenderer through the Project Manager.

4.6.2. The AIC Lead addresses a number of discrete elements when assessing an AIC Plan including: the achievement of individual Industry Requirements and the impact on Australian industry.

4.6.3. A spreadsheet combining information on the LIAs, the Imported Content, the Price and Delivery Schedule, and the Schedule of Subcontractors may assist the AIC Lead confirm consistency and compliance.

4.7. Evaluating Local Industry Activity Proposals

4.7.1. Under the AIC Program, there are no set minimum content levels. The focus for the AIC Lead is ensuring that opportunities are maximised for Australian companies, provided they are cost effective and capable.

4.7.2. The evaluation needs to consider what type of activities will be offered to Australian companies, such as:

- Design and development
- Installation and assembly
- Systems engineering
- Systems integration
- System components
- Software production
- Manufacturing
- Project management
- Through-life support (TLS) activities.

4.7.3. The tenderer will provide detail of the estimated Australian and imported content in the project, including labour costs and services. The figures calculated for each line item are:

- LIA value
- Line item tendered value converted to \$A using conversion rates provided by the Finance TEWG
- LIA percentage (i.e. LIA divided by line item value).

4.7.4. **TLS:** The Industry Requirements for a project usually include TLS. The impact of LIAs on TLS is sometimes not apparent but is an important aspect for Australian industry.

4.7.5. The general principle is that the higher the level of LIAs in the acquisition of an item, the greater the capability of an Australian company to undertake TLS.

4.7.6. Where the LIAs proposed do not include design and development or software production activities, then it is reasonable to assess that the Australian company involved may have the capability to undertake maintenance and repair activities, but not the adaption or modification of the capability; unless the appropriate transfer of technology and IP is achieved.

4.7.7. The Project Office is to consider the level of risk attached to each LIA. In an AIC context, the assessment is based on the likelihood of the activity not being achieved. Factors that might be considered in the risk assessment include:

- Is the quantity and quality of LIA claimed for an item consistent with the description provided?
- Does the tenderer have arrangements in place to undertake the LIA?
- Does the LIA represent new work for Australian industry?
- Does it use existing capability or duplicate an existing capability? If so, what is the impact on the industrial capability to provide on-going support (sustainability)?
- Do the LIA figures add up, and are they consistent with the Price and Delivery Schedule and Schedule of Subcontractors?
- How have the tenderer and his sub-contractors performed in the past?
- Is the company viable? Will this activity or contract over-stretch the company?

4.8. Commercial Aspects

4.8.1. The AIC TEWG is required to consider a number of issues when assessing a tenderer's commercial opportunities program, as detailed in their tendered AIC Plan. The most important of these are whether:

- The program proposed by the tenderer will create real opportunities for local industry to compete for defence business, both domestically and internationally.
- The principles underpinning the proposed program reflect open and transparent business practices, and are based on best value for money.
- The program complies with, and manages appropriately, any applicable defence export license requirements.
- The tenderer and its major suppliers assign the level of skills and resources needed to implement and manage the program.

4.9. Source Selection and Industry Issues outside the Tender

4.9.1. After the tender evaluation is completed, a Source Evaluation Report (SER) is prepared based on the individual TEWG reports, including that of AIC. The SER details:

- The results of the evaluation of competing tenders
- The comparative assessment and ranking of the offers
- The preferred tenderer
- Any implications of accepting the offer of the preferred tenderer.

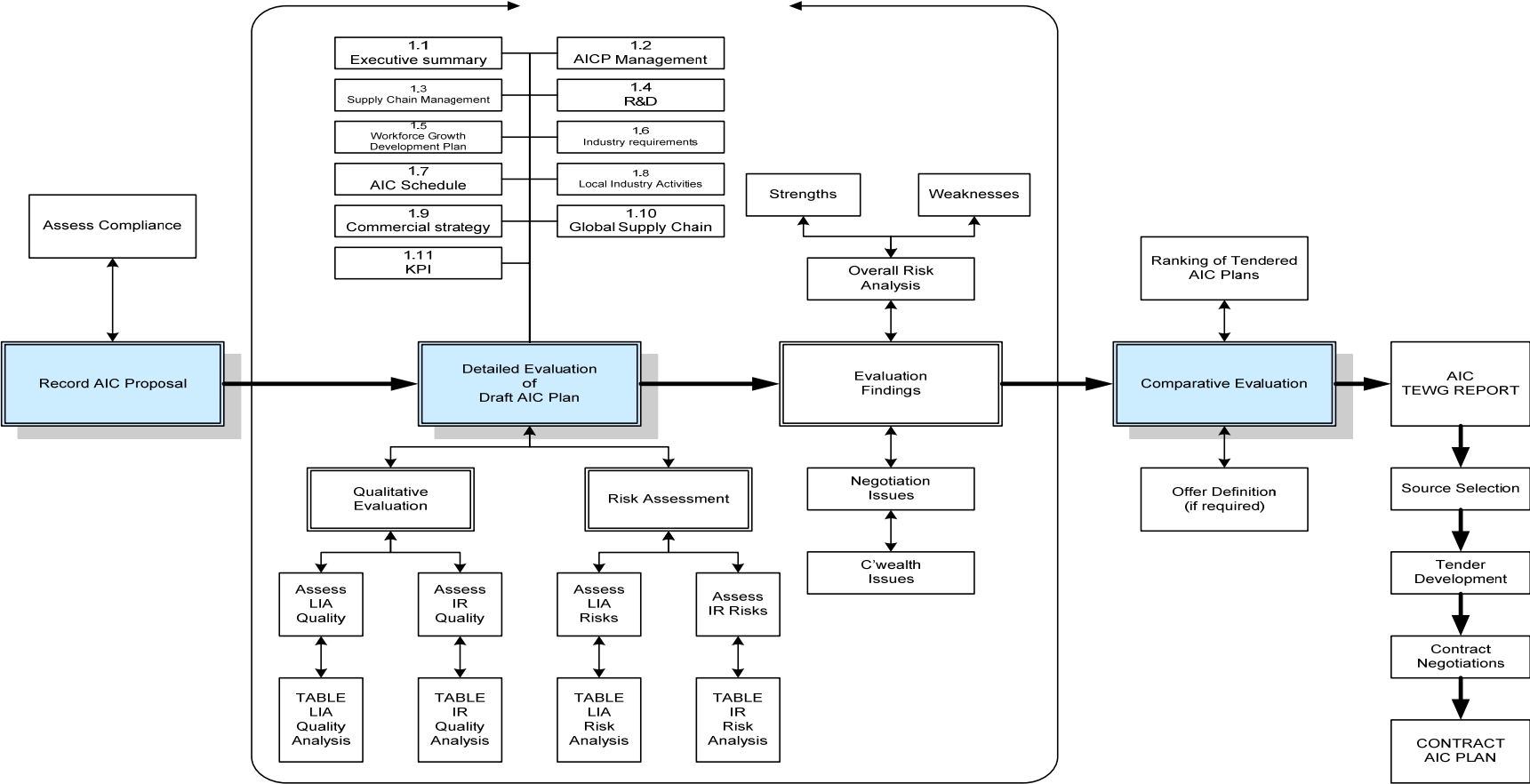
4.9.2. The SER may also include an assessment of the contractor's performance in other Defence contracts using Company Score Cards.

4.9.3. The SER addresses issues such as the payment of premiums for work done in Australia, and considers the question of "value for money". The evaluation is ultimately considered by a Source Selection Project Board who is tasked with selecting the preferred tender and seeking the endorsement of the appropriate Defence Committee.

4.10. AIC Tender Evaluation Plan Process

4.10.1. Figure 2 outlines the AIC Tender Evaluation Process.

Figure 2 – AIC Tender Evaluation Process



4.10.2. If a proposal is unclear, ambiguous or contains contradictory statements and does not permit constructive evaluation, the TEP will detail how a clarification request is submitted through the Project Manager to the tenderer in writing. Clarifying questions and their responses are the sole means of formal communications between the Project Manager and tenderers from Tender closing date to the completion of the Tender Evaluation.

STAGE 1 – DOCUMENT EACH OFFER

4.10.3. The Project Office should undertake the following:

- Review the draft AIC Plan to ensure all required sections have been completed. Do not include judgments of the offer, but record any issues of non-compliance.
- Ensure that all [Industry Requirements](#) have been addressed and identify any that have not been addressed, as well as the reasons why.
- Ensure there is consistency between the LIA entries made in the Price and Delivery Schedules with the figures presented in the AIC Plan.
- Review the LIA Description Sheets to ensure entries exist for each LIA made in the Price and Delivery Schedules.
- Identify any cost premiums associated with LIAs.
- Undertake a quantitative analysis of each tender and prepare a table for review in accordance with Table 4.1, for each offer.

Table 4-1 - LIA Quantity Analysis Summary

LIA Number	Contract WBS Line Number	LIA Title	Company	Location Performed	Value (AUD)
LIA-01					
LIA-02					
LIA-03					
				LIA Total	

Interim Report

4.10.4. Prepare Interim Reports as required for the Project Authority on the adequacy of each tenderer's AIC Plan.

4.10.5. Identify any anomalies (not deficiencies) for clarification, through the Project Authority, by the tenderer. Clarifying questions are not to be used to allow revision of the Tender. Responses to clarifying questions that change or are interpreted as changing the tenderer's original response will be withheld from consideration.

STAGE 2 – EVALUATE EACH OFFER

4.10.6. Once the tender has been documented it is evaluated against the requirements of the RFT. Each LIA is evaluated against the Tender Evaluation Criteria and an assessment made of the effectiveness of the tendered LIA in providing in-country industry capabilities needed for the project and the wider technology domains.

4.10.7. Undertake a qualitative analysis of each LIA. All LIAs will be assessed on a combination of:

- Relevance to the Project and any Industry Requirements
- Commitment to Australian industry offered by the tenderer
- Risks associated with successful achievement
- The capability benefits either to the capability or strategic industry capability.

4.10.8. A record of the analysis shall be retained. The LIA results shall be summarised in tabular form as outlined in Table 4.2.

Table 4-2 - LIA Qualitative Analysis & Risk Summary

LIA Number	Title	Capability Benefits	Risk ^{1, 2}	Summary of Issues
LIA-01				
LIA-02				
LIA-02				

Notes:

1. The Risk assessments shall be consistent with the TEP requirements.
2. The Risk cell within the column is to be colour coded based on the risk assessment.

Supply Chain Management

4.10.9. Record and evaluate the tendered Supply Chain Management strategy in the context of the draft AIC Plan. Assess the degree to which the response satisfies the RFT by maintaining effective supply chain management arrangements and ensuring that small business is given every prospect of realising Defence business opportunities. Determine the quality of any proposed Australian SMEs engagement in the project and the policies and practices by which they will manage sub-contract work and provide for transparency in the selection of suppliers.

Industry Engagement Conduct Standards

4.10.10. Confirm that the tenderer has agreed to the terms of the DMO [Industry Engagement Conduct Standards](#) to guide the relationship between primes and SMEs.

Innovation, Research & Development

4.10.11. Record and evaluate the tendered IR&D and proposals in the context of the draft AIC Plan. Assess the degree to which the IR&D proposal directly relates to Defence's future capability and the extent to which it is coupled with planned procurement outcomes.

4.10.12. Ensure that a Developmental Plan is associated with each IR&D proposal.

Commercial

4.10.13. The Project Office is to record and evaluate the tendered Commercial Program in the draft AIC Plan in terms of both potential and viability

Summary

4.10.14. The evaluation should then identify a summary of key issues in the offer, highlighting the:

- Strengths
- Weaknesses
- Overall Risks
- Commonwealth Issues
- Negotiation Issues.

STAGE 3 – COMPARISON OF OFFERS

4.10.15. On completion of the detailed assessment of each tendered draft AIC Plan, the AIC TEWG undertakes a comparative assessment that involves ranking tenderers in relative order of merit against AIC evaluation criteria. The comparative assessment focuses on major differences between offers as they relate to the evaluation criteria without making value for money assessments. Key discriminators between tenderers form the basis upon which tenderers are ranked in order of preference.

4.10.16. Prepare a table, which provides a quantitative comparison of the LIA and Industry Requirements offered by each tenderer. The information to be provided is identified in Table 4.3.

Table 4-3 - Comparison of Offers

Tenderer	LIA (AUD)	Contract Price (AUD)
Tenderer A		
Tenderer B		
Tenderer C		

4.10.17. The Project Office shall then overlay the qualitative analysis over the quantitative analysis to provide an overall comparison of each tenderer's AIC Plan. This information will be presented in narrative form and will conclude with the tenderers listed in order of preference.

4.10.18. Qualitative comparisons will be presented in narrative form, highlighting the benefits of superior tenders as well as shortcomings.

4.10.19. The evaluation shall then consider the quantitative analysis within the qualitative analysis to provide an overall comparison of each tenderer's AIC Plan.

Ranking of Tender Responses

4.10.20. The comparative evaluation forms the basis for the ranking of tenderers listed in order of preference for inclusion in the TEWG Report.

4.10.21. Include the list of recommended Industry Requirements for inclusion in the contract.

Tender Evaluation Working Group Report

4.10.22. An AIC TEWG Report against the criteria is to be prepared for subsequent consideration by the Tender Evaluation Stakeholder Group (TESG). The AIC TEWG Report will be a stand-alone document that is to contain:

- An executive summary which presents summary level assessments in narrative and tabular form for each tender against the AIC evaluation criteria.

- A comparative assessment which compares tenders at the level of the executive summary against the AIC evaluation criteria and establishes a ranking of tenders for AIC.
- A detailed narrative describing the evaluation of each tender against the AIC evaluation criteria.

4.10.23. The detailed evaluation should begin by outlining the AIC requirement of the RFT and describing the basic structure of the draft AIC Plan and Progress Report agreement expected from the tenderer.

5. AIC PLAN CONTRACT NEGOTIATION

5.1. Preparing the AIC Plan for Negotiation

5.1.1. After approval of the source selection, the Project Office is usually in close consultation with the preferred tenderer. The AIC Project Office and the preferred tenderer (in consultation with the Project Office) can further refine the tendered AIC Plan.

5.1.2. The tendered AIC Plan forms the basis of the AIC Plan that becomes part of the Contract. Before the draft contract is forwarded to the successful tenderer, the Project Office redrafts the tendered AIC Plan. This involves removing promotional material and ambiguities, reformatting the AIC Schedule and often modifying the AIC Plan to prepare it for contract. This is to ensure the AIC Plan will:

- Provide a precise agreement as to what is to be achieved under the plan and by whom.
- Be easy to use by the contractor during contract management and AIC progress reporting.
- Assist the Commonwealth's assessment of the contractor's AIC performance and progress.

5.1.3. Defence will ensure that the AIC Progress Report DID is tailored, where required, in order to match the structure and reporting needs of the draft AIC Plan.

NEGOTIATIONS

5.1.4. In preparation for contract negotiation, the Project Office may refer the draft AIC Plan developed from the tenderers offered AIC Plan to Industry Division for guidance.

5.1.5. All negotiations are conducted in accordance with the Negotiation Directive prepared for each project. The level of involvement of the Project Office depends on the Chief Negotiator's requirements. While the Chief Negotiator may elect to negotiate the AIC Plan personally, a member of the Project Office may be invited to either act as an adviser or to conduct parts of the negotiation.

5.1.6. During negotiations, the Project Office should monitor developments in technical, operations, and logistics areas of negotiation in order to assess any impact on the AIC Plan.

5.1.7. Issues raised at the AIC contract negotiation often cover:

- The tenderer's non-compliance with any AIC contract clauses
- Clarification of the AIC Plan, so that both sides understand and can use it
- Substituted or traded LIA due to economic or configuration changes since tender preparation, necessitating changes to LIA
- The completeness of the AIC Schedule and Activity Description Sheets, and consistency with the Price and Delivery Schedule
- AIC reporting procedures
- AIC Performance Reviews.

5.1.8. During the negotiations, the Project Office needs to remain up to date with the progress of the negotiations, and to ensure, at the very least, that outstanding AIC related activities are resolved or finalised before the negotiations are completed. These activities are as follows:

-
- The AIC Schedule to the AIC Plan is completed and LIA values are inserted. (LIA figures depend on the pricing schedule – this is one of the last matters to be determined at contract negotiations).
 - The Project Office will ensure it uses its negotiating leverage to have the preferred tenderer provide LIA figures before the contract is signed.

5.1.9. Any outstanding issues that need clarification are explained:

- Industry Requirements are fully documented.
- The preferred tenderer understands reporting and review requirements.
- The WBS used in the AIC Plan is reasonable and is consistent with the contract.
- The agreed AIC Plan forms part of the Contract.

5.2. AIC Plan Enforcement

5.2.1. Contractors will be required to inform the Project Office if the likelihood arises of an Industry Requirement being jeopardised, or if LIA issues raise concerns of cost, schedule or performance risk, with a view to working with the Project Office to minimise or negate the impact of the perceived risk.

5.2.2. Where a prime seeks to divert a sub-activity originally allocated in the contract to an Australian company, the contractor must provide a written justification to the Project Office and also to the effected Australian company. The agreed variation is to be effected through a formal Contract Change Proposal. The Commonwealth will not unreasonably withhold its agreement to any resulting change provided there is no detriment to an Industry Requirement.

5.2.3. Where a dispute involving AIC matters arise, it will be mandatory for the aggrieved party to seek resolution of the matter in the first instance through the relevant Project Office. Collaboration between the Project Office and the contractor will always be Defence's preferred approach to dealing with problems arising in the delivery of AIC plans.

5.2.4. If an Industry Requirement required under the AIC Plan is not satisfied, or LIA is not delivered by the contractor, then the Commonwealth may invoke Liquidated Damages. The dollar amount of liquidated damages is to be established prior to contract.

5.2.5. The Head of Industry Division is the AIC policy authority. This authority on AIC matters covers the whole of Defence. Where an AIC dispute cannot be resolved by the Project Office to the satisfaction of the aggrieved party, only then should the matter be referred to the Head of Industry Division.

6. MANAGEMENT OF AIC PLANS

6.1. Defence Management Functions for the AIC Plan

6.1.1. The Project Manager is responsible for all aspects of a project, including the AIC Plan. The Project Manager normally undertakes the AIC management solely from within the Project Office, or where unable to do so seeks advice from Industry Division. Major Projects are expected to manage the AIC Plan from within their existing resources.

6.1.2. The Project Office at the in-contract stage of the project is to:

- Review AIC Progress Reports received from the contractor
- Monitor and evaluate progress on the AIC Plan
- Review all Contract Change Proposals that might impact on the AIC Plan
- Resolve any problems relating to AIC
- Review any new LIA and innovation proposals proposed by the contractor
- Advise the contractor of the status of performance in meeting the AIC Plan (through the Project Manager)
- Record the contractor's AIC achievements
- Visit the contractor's premises to verify that Local Industry Activities and innovation proposals have occurred as described in the AIC Plan and that the AIC [Industry Requirements](#) are being satisfied.

CONTRACTOR MANAGEMENT OF THE AIC PLAN

6.1.3. The contractor is required to manage the implementation of the AIC Plan in accordance with the contract, and to submit AIC Progress Reports outlining progress in achieving the AIC Plan.

6.1.4. For Major Capital Equipment Projects, the contractor should have an Earned Value Management (EVM) system in place. It is expected that the Contractor will use these reporting structures to facilitate the recording and reporting of LIA achievement.

6.1.5. The contractor must ensure that subcontractors also maintain appropriate records of Local Industry Activity and Imported content.

FAILING TO ACHIEVE AIC PLAN REQUIREMENTS

6.1.6. Occasionally, it may not be possible for the prime contractor to achieve the AIC Plan requirements. Should this occur the contractor is to:

- Inform the Project Office of any such developments
- Offer alternative means of satisfying the AIC objectives.

6.1.7. Failure to achieve the AIC Plan does not serve the contractor's best interests; particularly when tendering for future Defence work. Recent enhancements to the Defence Major Capital Equipment acquisition procedures require a greater emphasis on the contractor's past performance as a measure of future performance in Government contracts. Achievement of the AIC Plan is a measure of the commitment of the company to its customers.

6.1.8. If the failure to deliver is due to circumstances beyond the reasonable control of the contractor, which could not have reasonably been foreseen at the date of contract signature, then the contractor will work with the Commonwealth to identify suitable alternative tasks to make up any shortfall in Australian industry capability.

6.1.9. The contractor may change the AIC Plan with the prior approval of the Commonwealth using a Contract Change Proposal. In changing the AIC Plan, the contractor will continue to work with the Commonwealth to identify suitable alternative tasks to make up any shortfall in Australian industry capability and work share.

6.2. Contract Amendments

6.2.1. The mechanism used for contract amendment is the Contract Change Proposal (CCP); usually prepared by the contractor. When submitting a CCP, the contractor needs to consider the impact the change may have on the AIC Plan.

6.2.2. If the AIC Plan is affected, the contractor should recommend action to ensure that the Industry Requirements and the level of LIA detailed in the AIC Plan will be satisfied. The Project Office is responsible for the negotiations and for approval of the contractor's proposal to satisfy the industry requirements and level of LIA. The procedures for contract amendments are detailed in the contract. Changes to the Contract will usually require the AIC Plan to be updated.

6.3. Transition to Support Phase

6.3.1. The Australian prime or sub-contractor for the supply of the equipment (the Supplier) is often responsible for providing the initial support of the equipment, either as part of the acquisition contract or as a separate support contract. As the Supplier has the advantage of gaining capabilities, IP and experience during the acquisition phase, the company should be in a strong position to provide a value for money option, at RFT, for work to be performed beyond the Initial Support Period contract.

6.3.2. The SPO may select another support contractor should this represent a better value for money option and if the situation warranted it. Therefore, Defence expects strong justification for replacing an Australian support contractor with an overseas support contractor.

6.4. Project Completion

6.4.1. On completion of the contract and closure of the project, the Project Manager prepares a Project Completion Report, which is to be concise and include a statement on the contractor's achievement of the AIC Plan. AIC topics included in the Project Completion Report are:

- Success in fulfilling the Industry Requirements.
- Achievement of the AIC Plan. The contractor's level of achievement in meeting the LIA obligations (under achieved or over achieved).
- Any developmental proposals that have not been completed must be addressed.

6.4.2. The contractor remains responsible for completing these proposals, but responsibility for management within Defence will pass from the Project Office to Industry Capability Branch.

6.4.3. As a measure of the effectiveness of the overall AIC Program, and of the particular project AIC Plan, an evaluation is undertaken based on the content of the AIC Project Completion Report and of records held within Defence. A contractor's success in completing an AIC Plan will be considered during future source selections.

7. AIC PLAN CONTRACT MANAGEMENT AND ENFORCEMENT

7.1. AIC Plan Management

7.1.1. Each Project Office will be responsible for managing its AIC Program. Project Offices, within the provisions of solicitation documentation, will determine how AIC is to be implemented and aligned with the project's Acquisition Strategy. The Project Director or System Program Office is also responsible for the monitoring and reporting of the contracted AIC Plan. As such they will assume the responsibility for reporting AIC progress and achievement within Defence.

7.1.2. Defence Groups and Executives should consider that, with all submissions seeking funding approval, such submissions will include a provision of funding for management of the associated AIC Program. Resourcing of AIC Program management at an appropriate level is to be determined by Defence Groups and Executives dependent upon the business circumstances governing the raising of solicitation documentation.

7.2. AIC Program Monitoring & Reporting

7.2.1. Monitoring and review of reported AIC Plan commitments by contractors will be undertaken as a function of overall contract management activities by individual Project Offices. DMO's Industry Division will conduct ongoing reviews of projects to monitor AIC activities.

7.3. DMO Reporting to Government

7.3.1. The DMO also has a broader monitoring and reporting role to Government in relation to overall AIC Program outcomes and other policy initiatives arising from the Policy. In particular, the DMO will report to the Minister for Defence on the performance of prime contractors and their principal teaming partners regarding the creation of genuine opportunities for Australian industry both within Australian defence contracts and in wider global supply chains. A principal means of data collection and analysis will be the use of company scorecards and other such instruments developed to support AIC Program implementation.

7.3.2. Given the importance of maintaining nominated industry capabilities to Australia's self-reliance, Defence will report annually to Government on the health and sustainability of [Strategic Industry Capabilities](#).

8. THE AIC PROGRESS REPORT

8.1. AIC Reporting

8.1.1. A contractor is required to provide periodic reports against the contracted AIC Plan. The AIC Progress Report will present claims of actual progress against contracted requirements and will include the use of agreed Key Performance Indicators. The report will primarily verify that any contracted Industry Requirements are being met through the generation and sustainment of in-country industry capabilities. It will also record the progress of work conducted through Australian industry. The AIC Progress Report will provide adequate data to allow both quantitative and qualitative assessments of progress made.

8.1.2. The contractor will be required to report on each Section of the contracted AIC Plan, particularly against the LIAs and Industry Requirements. The cost of conducting LIA is not in itself evidence that the Industry Requirements are being met. Project Offices must satisfy themselves that the relevant industry capabilities have been successfully generated and sustained in response to the contracted Industry Requirements specified by Defence.

8.1.3. Actual LIA costs for the reporting period, when plotted against forecast expenditure for each LIA, will provide a Project Office with quantitative data on the cost and schedule progress of the activity.

8.2. AIC Reporting Period

8.2.1. Effective reporting allows the identification of industry capability issues and the timely detection of areas requiring intervention. AIC Progress Reports will be submitted as required by the contract, which will be at least annually. Where appropriate, particularly during the initial stages of complex projects, Defence should consider an increased reporting frequency of three to six months. Once the initial reports verify that an AIC Plan is being delivered satisfactorily, Defence may extend the reporting periods as appropriate. Projects should consider reducing overheads by aligning the delivery dates for AIC Progress Reports with related scheduled project reports.

8.3. Reporting against Key Performance Indicators

8.3.1. The chief indicator of the health of the AIC Plan is through agreed Key Performance Indicators (KPI) initially expressed in the RFT. As the primary measure of achievement of the Industry Requirements and performance of the LIA, the KPI should contain appropriate metrics to measure acceptable cost, schedule and performance parameters to determine the qualitative performance of the contractor.

8.3.2. The AIC Progress Report will contain a summary table of the current and predicted status of each KPI, illustrated by traffic light assessments and with comments to explain trends or variations from nominal performance.

8.4. AIC Progress Report Format

8.4.1. Claims of performance against contracted LIA should be accompanied by graphic presentations supported by tabulated data. Actual expenditure should be reported against the predicted phasing and the total predicted activity cost. The AIC Progress Report summary in Attachment B is indicative and may vary to accommodate the contractor's reporting tools. The format should be adopted for each LIA and then consolidated into a form that summarises all AIC activities.

8.4.2. The contractor will be required to provide Defence with predicted LIA costs for each report period in the contract (phasing costs). Contractors will prepare a graph for the AIC Progress Report

that illustrates the cost of conducting the LIA during the reporting period against the planned cost. With each report, contractors have the opportunity to amend the planned phasing for the next reporting period.

8.5. AIC Progress Reports

8.5.1. A major activity of the Project Office is the review of AIC Progress Reports submitted by the contractor. AIC Progress Reports are to be supported by appropriate supporting material, the extent of which depends upon individual project arrangements

REPORT COVERAGE

8.5.2. The information in an AIC Progress Report allows for assessment of the contractor's performance in meeting the AIC Plan. In addition, the information is used to develop a more complete view of Australian industry Capability and for the further development of Defence-related industry policies and practices. In a broader sense, the information collated from the AIC Progress Reports will assist Government considerations for national industry policy.

REPORT FORMAT

8.5.3. The information required in an AIC Progress Report is described in the standard report format shown at Annex A. This format may be tailored to suit individual projects.

REVIEW OF AIC PROGRESS REPORTS

8.5.4. The Project Office examines and analyses each AIC Progress Report for inconsistencies and for any claims that appear improbable. The Project Office should:

- Ensure that AIC claims are consistent with the contracted AIC Plan and any previous AIC Progress Reports
- Verify that AIC claims are consistent with any supporting information
- Verify that LIA claims are consistent with earned value achievement or with progress payments against the CWBS
- Verify that LIA claims are consistent with sub-contracts placed with Australian industry and that the work is actually occurring
- Verify that AIC claims are consistent with the Project Office's management of the project
- Confirm AIC claims with any Project Office staff resident at the contractor's premises
- Confirm with the recipient Australian company that the AIC activity has occurred (be aware of any conflicts of interest between the recipient and the company providing the reports); and make an assessment as to whether or not the Industry Requirements are being satisfied.

8.5.5. The Project Office then advises the Project Manager that the report:

- Is acceptable
- or
- is unacceptable, listing the inconsistencies, anomalies or incorrect claims
- or
- requires further supporting material before an assessment can be made, and detailing the information sought.

8.5.6. It is the responsibility of the Project Manager to act upon the advice provided in relation to the AIC Progress Report.

8.6. AIC Progress Reviews

8.6.1. The Project Office, may arrange reviews to ensure that claims made by the contractor in AIC Progress Reports are correct, and that the Industry Requirements are being achieved. These reviews will occur at the contractor's and major subcontractor's premises. The review procedures need to be agreed by the contractor and adequate notice must be given.

8.6.2. The issues to be canvassed at such reviews include:

- The nature and level of LIA
- The methodology used by the company to record, report and to differentiate LIAs from imported content
- If the company is an innovation proposal beneficiary, the progress in achieving the proposal, and the outcomes of such proposals.

8.6.3. The Project Office is forewarned that an AIC activity, which had been previously claimed and accepted as having been (partly) completed in an earlier AIC Progress Report may subsequently be found in fact to have not reached the stage claimed. In this situation, the claim is to be considered invalid, and the contractor's AIC progress is to be adjusted accordingly.

9. INDUSTRY ENGAGEMENT

BACKGROUND

9.1.1. Defence values the contribution that small to medium enterprises (SMEs) in Australia and New Zealand can make in sustaining the Australian Defence Force. Well managed relationships between prime contractors and their sub-contractors and suppliers are vital to Defence acquiring required capabilities on schedule and on budget.

9.1.2. For this reason the Commonwealth has endorsed the introduction of a suite of standards to promote sound relations between defence industry companies and to facilitate the successful involvement of SMEs in Defence procurement.

9.1.3. Defence recognises that companies with which it does business have responsibilities to their owners and that all companies have legal obligations, including those arising from the *Trade Practices Act (1974)* and under specific contracts. These obligations in part govern company to company relationships. Many companies acknowledge however that they have a wider range of responsibilities to each other.

9.1.4. This suite of principles seeks to identify activities and responsibilities for both contractors to Defence and their sub-contractors and suppliers that will promote fairness in commercial arrangements, open and effective competition, assist the participation of SMEs and optimise the outcomes of Defence's capability acquisition programs.

9.1.5. These principles have neither legislative nor regulatory status. Contractors will be asked to abide by these principles and demonstrated compliance with them will subsequently be taken into account by Defence in tender evaluation processes.

9.1.6. Defence will be mindful of these standards during its procurement activities, and will act reasonably to facilitate their ongoing implementation by Defence contractors.

INDUSTRY ENGAGEMENT CONDUCT STANDARDS

FOR PRIME CONTRACTORS TO DEFENCE

1.1. Contractors will:

- Promote open and effective competition, including competition among units within their own organisations and among unrelated sub-contractors, while avoiding anti-competitive behaviour.
- Foster long term relations with sub-contractors and suppliers to encourage investment, training and R&D by those companies with spin-off benefits in terms of employment, improved commercial viability and exports.
- Avoid entering unnecessarily into tied arrangements or exclusivity agreements that would preclude potential sub-contractors or suppliers from being part of other consortia or from supplying to a winning tenderer.
- Allowing for constraints arising from Defence solicitation requirements, give potential sub-contractors sufficient time and information to develop adequate tender responses.
- Develop contract terms for sub-contractors which fairly reflect the complexity of the work to be undertaken and the proper apportionment of risk and which pass on relevant requirements from the Head Contract.

- Be prepared to develop payment schedules for sub-contractors which recognise that smaller companies can have special needs for working and investment capital.
- Where ANZ companies are nominated sub-contractors in tenders, engage them to provide goods or services unless unforeseen circumstances arise.

1.2. For prime contractors to sub-contractors Companies will:

- Negotiate in good faith and be honest and open in commercial communications with each other concerning business opportunities, their own capabilities and business practices and the requirements of Defence contracts.
- Honour all confidentiality agreements and disclose any conflicts of interest.
- Develop effective lines of communication to ensure that contract related issues, including potential disputes, are discussed and managed in a timely and effective way.
- Promote adoption of these principles among their business partners, suppliers, employees and agents.

ANNEX A ASDEFCON AIC PLAN

- 1.1. The ASDEFCON Australian Industry Capability (AIC) Plan is, in effect, contained in the AIC Plan DID. Tenderers should refer to the guidance in Part 3 of the AIC Toolkit.

Data Item Description (DID):	AIC Plan
DID NUMBER:	DID-PM-AIC-AICP
CDRL Number	MGT-700
Section	Section Title
A	Executive Summary – overview and benefits (core)
B	AIC Management (core)
C	AIC Monitoring and Reporting (core)
D	Supply Chain Management (core)
E	Innovation, Research and Development (optional)
F	Industry Requirements (core)
G	Local Industry Activity Description Sheets (Appendix 2) (core)
H	AIC Schedule (Appendix 1) (core)
I	Commercial Strategy - Export & Domestic sales (optional)
J	Global Supply Chain (optional)
K	Key Performance Indicators (core)

Appendices:

Appendix 1 AIC Schedule

Appendix 2 LIA Description Sheet

AIC SCHEDULE

TABLE 1 - Australian Industry Capability (AIC) Schedule

LIA Number	PDS Line Item No.	Contract WBS Item	Line Item Description	WBS Line Item Value (AUD)	Industry Requirement	LIA Line Item Value (AUD)	Additional Cost for LIA (AUD)	Company Details	Value of Imported Content in line item (AUD)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
LIA-01				\$		\$	\$		\$
LIA-02				\$		\$	\$		\$
LIA-03				\$		\$	\$		\$
TOTAL						\$	\$		\$

When preparing this schedule, include all items of Supplies listed in the Price Schedule Each Line Item in this Schedule should correspond to a Line Item in the Price Schedule. If necessary, break the AIC Schedule Line Item into sub line items to better describe the Local Industry Activities.

- a. Cross reference to the line item in the Price Schedule
- b. Line item reference – from the Work Breakdown Structure
- c. Line item description – from the Work Breakdown Structure.
- d. Value of the WBS Line Item - from the Price Schedule. Use a separate column for each currency, alternatively convert all to AUD, but indicate exchange rates used.
- e. Cross reference to an Industry Requirement for which the LIA has been specifically proposed.
- f. Value of LIA in the line item (AUD).
- g. If applicable, identify the additional cost of performing the work in Australia with respect to an overseas source.
- h. Identify the local company performing the LIA. If more than one company, detail the value of the work to each company.
- i. Indicate value of imported content in the WBS line item (AUD).

LOCAL INDUSTRY ACTIVITIES (LIAs)

Table 2: Local Industry Activity (LIA) Description Sheet

IDENTIFICATION				
LIA Serial Number.	Each LIA is to have a unique reference number. (eg LIA-01)			
LIA Title.	Provide a short descriptive title for the LIA.			
LIA Description.	Provide a description of the work to be conducted through the LIA.			
Local Company Details.		LIA Element	Value (AUD)	Assumptions
Name of each local company(s) performing the LIA.	Location of each local company(s) performing the LIA.	Description of LIA work by the company.	Share of LIA work to the company	
CROSS REFERENCING				
Contract WBS Item number.	This will be the number used in the Price and Delivery Schedule.			
CONTRACTUAL COMMITMENT				
Scope of Contractual Commitment.	Provide details of the work to be completed under the LIA.			
Assumptions.	List any general assumptions that may influence the outcome of the LIA.			
Value.	Insert the total value of the LIA in Australian dollars.			
Completion Date.	Insert the date the LIA is expected to be completed.			
Major Milestones.	Identify the major milestones against which progress of the LIA can be measured.			
Cost or Schedule Impact.	Identify any cost or schedule impact associated with doing the LIA work in Australia, compared with doing the work overseas.			
Intellectual Property (IP).	Confirm that all appropriate IP will be made available for all tasks where appropriate.			
Status of negotiations with Australian industry.	Provide details of the agreements in place to enable the LIA to be undertaken.			
Commonwealth Contribution.	List any resources the Commonwealth will need to commit to enable the LIA to be undertaken.			
Opportunities for increasing LIA.	Identify any opportunities that may exist for increasing the level of LIA.			
Risks.	Identify the risks associated with achieving the proposed LIA.			

ANNEX B ASDEFCON AIC PROGRESS REPORT

Data Item Description (DID):	AIC Progress Report
DID NUMBER:	DID-PM-AIC-AICPR
CDRL Number	MGT-710

AIC Progress Report Content

- 1.1. The AIC Progress Report is the contractor's statement and explanation of progress against the contracted AIC Plan for each reporting period. A brief Executive Summary should provide an overview of the report and highlight any key issues that arose during the report period.
- 1.2. The contractor is to confirm the cost of work undertaken and illustrate the progressive achievement of the LIA. An assessment against KPI should reflect the successful performance of the LIA and their contribution to any Industry Requirements.
- 1.3. LIA being conducted in accordance with the contract need only be reported in graphic and tabulated format. Detailed reporting need only be by exception, where a descriptive narrative is required to address performance issues. Where a LIA performance issue has been identified, a risk-reduction strategy should be identified to recover the LIA to perform as contracted.
- 1.4. The report is used by the Commonwealth to monitor, review and validate the contractor's progress against the AIC Plan, and to assist Defence understand potential AIC risk issues affecting project delivery.

AIC PROGRESS REPORT STRUCTURE

Section	Section Title and Description:
Achievements During AIC Reporting Period	Identify the progress made against the AIC Plan during the reporting period , including progress made in achieving each LIA and in performance against the KPI.
Significant Events	Highlight significant events that occurred during the reporting period in achieving the AIC Plan. Provide a forecast of significant events for the next period.
Issues and Risks	Report any difficulties in achieving LIA and describe proposed mitigation strategies. Identify any risk that may prevent an LIA from occurring.
Changes to LIA	Fully describe LIA proposed as an addition to the contracted AIC Plan or changes to established LIA.

Appendices:

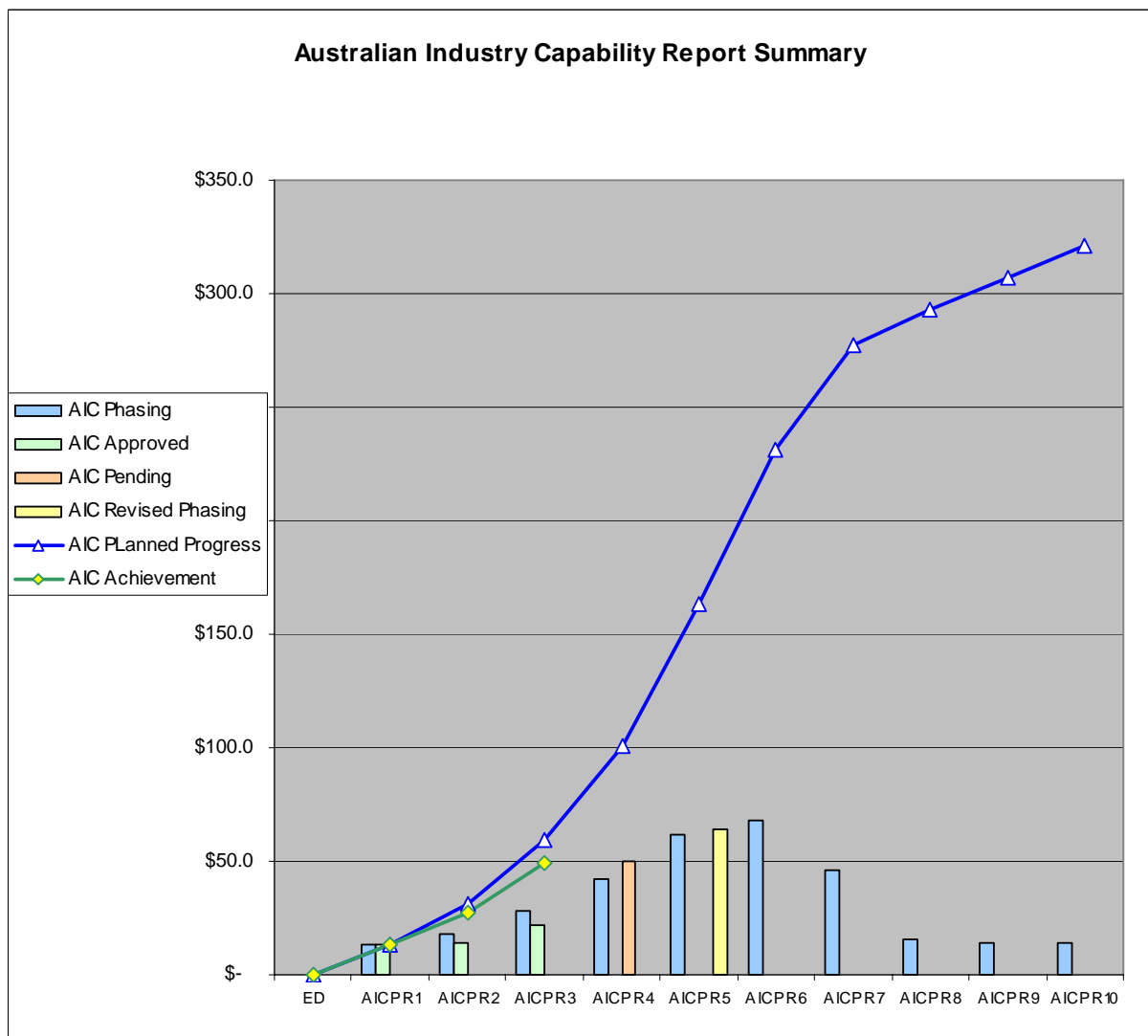
1. **AIC Progressive Cost Reporting Graphics**
2. **AIC Summary**

AIC PROGRESSIVE COST REPORTING GRAPHICS

Figure 1 – Traffic Light Assessment of Industry Requirements

Key Performance Indicators	Current Status	Predicted Status	Observation
KPI-1 (Title)	Red	Green	eg. Current objectives not achieved, however longer-term outcomes will exceed expectations.
KPI-2 (Title)	Amber	Green	eg. Corrective action in progress.
KPI-3 (Title)	Green	Red	eg. Longer term aims not commercially sustainable.

Figure 2 – AIC Report Summary



AIC SUMMARY

Contractors should complete the following table with data for each LIA in accordance with the following summary table:

LIA Number	Company	Work Location	Task Description	Contracted LIA Value (AUD)	Achievement This Period (AUD)	Cumulative Achievement (AUD)
a	b	c	d	e	f	g
LIA 01						
LIA 02						
LIA 03						
AUD TOTAL						

Notes:

- a. Insert LIA Number (from the LIA Description Sheet).
- b. Name of Company conducting the LIA.
- c. Physical location of work being carried out by the Company.
- d. Insert brief description of the LIA (from the LIA Description Sheet).
- e. Insert the contracted obligation for each LIA (from the LIA Description Sheet).
- f. Insert the claimed achievement for the reporting period.
- g. Insert the cumulative LIA value to date.

ANNEX C AIC DEEDS

- 1.1. The AIC Deeds are aimed at facilitating global supply chain opportunities in the larger primes and their first and second tier suppliers for Australian companies, particularly for SMEs, that might otherwise find it difficult to approach large overseas companies on their own. In addition, the AIC Deeds may provide selected training and mentoring to Australian companies to enable them to be more globally competitive. The AIC Deed consists of a Head Agreement and annexes covering various projects or programs.
- 1.2. The AIC Deed does not supplant the requirement for an AIC Plan when requested in a Direct Commercial Sale (DCS).
- 1.3. AIC Deeds are arrangements between DMO, Industry Division and selected multinational primes. AIC Deeds will be established and implemented by Industry Division in cooperation with the relevant area within the multinational prime. The purpose of the AIC Deeds is to specify arrangements by which the entry by Australian companies into the global supply chains of multinational primes and their tier suppliers is to be facilitated, monitored and reported.
- 1.4. Each AIC Deed will be established on a case-by-case basis with selected OEMs. However, tenders can request establishment of an AIC Deed where they consider that a value for money business case can be presented to Industry Division.
- 1.5. AIC Deeds cover the following aspects:
 - How access to global supply chains is to be facilitated
 - Opportunities (request for quote)
 - Training to assistance to enhance market entry
 - Planned local and international marketing of Australian companies to the OEM and tier suppliers
 - AIC Deed key performance indicators
 - Recognition of LIAs provided by an OEM under any Government-to-Government procurement
 - Studies related to improving Australian industry to participate in global supply chains/markets, or to improve LIA in relation to a Government-to-Government procurement
 - Key Performance Indicators, management reviews and benchmarking.

- 1.6. Head Agreements for AIC Deeds can be established at any time with an OEM but not implemented unless funded. The Deed can also be used across multiple procurements.
- 1.7. In order to fund the AIC Deeds, three mechanisms have been identified, which can be used at various points of engagement with an OEM:
- Use of ASDEFCON and subsequent contract.
 - Inclusion in the FMS or Government to Government procurement process, beginning with the establishment of a Head Agreement (AIC Deed) and funding through its reference in the Letter of Request/Acceptance Process or similar.
 - Direct funding via a specific DMO program or monetary transfer from a project. Selective use of each of these three mechanisms may be implemented.
- 1.8. Implementation is based on a teaming approach between designated personnel in the global company and in Industry Division of the DMO. It is anticipated that:
- OEM performance is on a 'best endeavours' basis but measured against agreed KPIs.
 - DMO (Industry Division) would assist by nominating suitably skilled and qualified companies for consideration against operations.
 - Bi-annual Program Reviews will take place in alternating countries.
 - Metrics will be agreed which measure performance against the KPI, including DMO (Industry Division)'s performance which contributes to the outcome. A set of metrics have been agreed with the OAIC.
- 1.9. AIC Deed Annexes and Appendices will cover, inter alia; approach to identifying opportunities, and may include industry marketing and training, potential studies and any local industry activities not covered otherwise by commercial contracts.

ANNEX D ABBREVIATIONS

ADF	Australian Defence Force
ADO	Australian Defence Organisation
AIC	Australian Industry Capability
AS	Acquisition Strategy
DCIC	Defence Capability Investment Committee
DGIC	Director General, Industry Capability
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation
FMS	Foreign Military Sales
HID	Head Industry Division
IIP	Industry Issues Paper
IP	Intellectual Property
ITR	Invitation to Register Interest
LIA	Local Industry Activity
OEM	Original Equipment Manufacturer
PMM	Project Management Method
RFP	Request for Proposal
RFT	Request for Tender
SER	Source Evaluation Report
IR	Industry Requirements
SMEs	Small to Medium Enterprise
SBS	System Breakdown Structure
TEB	Tender Evaluation Board
TEWG	Tender Evaluation Working Group
TEI	Tender Evaluation Instruction
TEP	Tender Evaluation Plan
WBS	Work Breakdown Structure

ANNEX E GLOSSARY OF TERMS

Acquisition

Acquisition is the process of obtaining or procuring goods and services.

Acquisition Strategy (AS)

An AS is one of the major planning documents used in the acquisition of capital equipment. It is a plan that defines the proposed activities, and sets major milestone completion dates for activities that are crucial to achieving the planned approvals and the introduction-into-service date for the equipment. It identifies the authorities responsible for each substantive action and nominates major review points. It also contains a summary of purchasing activities. The AS is a dynamic document and it may be subject to amendments arising from changing circumstances.

ASDEFCON

Australian Defence Contracting (ASDEFCON) templates, which are used by Defence and industry for tenders.

Australian and New Zealand Industry

Australian and New Zealand (ANZ) Industry is industry carried on in Australia or New Zealand by:

- Any body corporate registered under the Corporations Law, the Companies Act 1955 (New Zealand), or incorporated under any other law of the Commonwealth, or a State or Territory of Australia or a law of New Zealand
- or
- A natural person
- or
- any other person acceptable to the Project Authority.

Australian Industry Capability (AIC) Program

The AIC Program is the major program used by Defence to involve Australian industry in Defence's capital equipment projects. It has two primary goals:

- To develop and sustain specific Australian industry capabilities that are considered to be strategically important for the defence of Australia, including modification, adaptation and through-life support of key assets.
- To broaden the capability and capacity of Defence-related industrial infrastructure to further enhance Australia's defence self-reliance.

AIC Plan

An AIC Plan details the Local Industry Activities that are intended to maximise the cost-effective use of Australian industry for a Defence project. An AIC Plan is proposed by tenderers in response to the Industry Requirements identified in the Request for Tender and will form part of the final contract.

AIC Progress Report

Periodic AIC progress reports from the contractor on the delivery of the contracted AIC Plan.

Capability Development

This term refers to the process of determining the future composition of the Australian Defence Force, based upon strategic and financial guidance. Capability Development Division in HQADF manages this process. This process results in requirements for major capital equipment procurements, which are then managed by Defence Materiel Organisation.

Capital Equipment

Capital Equipment includes:

- Substantial end items of equipment such as ships, aircraft, armoured vehicles, weapons, communications systems, electronics systems or other armaments that are additional to, or replacements for, items in the Defence inventory.
- Equipment associated with the modernisation, conversion or modification of substantial end items (as defined above) already in the Defence inventory.
- Additional quantities of ammunition and significant items to meet increased scales of entitlements and reserves.
- Initial supplies (as defined by current policy directives) or maintenance, test and support equipment, machinery, spares, ammunition, training aids and other supplies for the requirements identified above.
- Substantial initial requirements of new items of clothing and other personal equipment and additional requirements to meet major increases in the size of the Australian Defence Force.
- Capital equipment is acquired through major capital equipment projects and minor capital equipment projects.

Collaborative Ventures

A collaborative venture is when an overseas government or company participates with Australian-based industry or institutions, or the Commonwealth, in activities involving the conceptual design, development and production stages in a local or overseas project.

Contract

A contract is an agreement made between two or more parties, with legal rights and obligations that are enforceable in law.

Contract Change Proposal (CCP)

This is a formal written proposal by the Commonwealth or the contractor, prepared in accordance with the terms and conditions of the contract, to change the contract after the effective date. After agreement by the parties, the contract is amended in accordance with the processes established in the contract.

Contractor

A contractor is any party who has entered into a contract to supply goods or services to the Commonwealth. (See also Prime contractor and Subcontractor.)

Cost-Effective

In the context of the AIC Program, the term cost-effective is applied to an activity, product or service that makes the best use of the money spent to meet a defined level of requirement or to effectively achieve a desired outcome.

Data Item Description

The Data Item Description (DID) is used in various reports, such as the Australian Industry Capability Progress Reports. The DIDs define each element of the AIC Plan.

Development

In the context of the AIC Program, development of an industry capability means to undertake activities that will generate the requisite skills, knowledge and infrastructure in Australian industry. Development may be evolutionary, but will essentially involve Australian industry acquiring new skills or reviving latent ones.

Foreign Military Sales (FMS)

Foreign Military Sales is a Government-to-Government procurement arrangement that forms part of the United States Defense Security Cooperation Agency (DSCA) program. The Australian Government is able to use FMS to purchase items either directly from the US Department Defense stocks, or through US Department of Defense procurements.

Imported Content

Imported content is that part of the Supplies that is not LIA or Australian Government charges or duties. Imported content includes that part of the Supplies that is of overseas origin (other than from New Zealand) plus all costs including but not limited to international freight and cartage (by other than Australian and New Zealand carriers), agents' fees and overseas storage.

Industry Requirements

Industry Requirements are specified by Defence in an RFT for in-country industry capabilities that will maintain, modify, adapt and repair systems that are fundamental to ADF capability.

Infrastructure

This term generally refers to all fixed and permanent installations, and to the fabrication of facilities for the support and control of military forces.

Innovation, Research and Development (IR&D)

IR&D refers to systematic investigation or experimentation involving innovation or technical risk. The outcome of IR&D is new knowledge, with or without a specific practical application, or new or improved materials, products, devices, processes or services.

Integrated Project (Product) Team (IPT)

Integrated Project (or Product) Team is a generic term for the teams set up in Defence to establish a seamless team environment to progress a project from the capability concept to the full capability in service.

Intellectual Property (IP)

IP is a generic term for the outcome of human creative effort. It may be found in or take the form of books, manuscripts, reports and notes, computer software, inventions, drawings and designs, technical data and specifications, photographs and other graphical images. This list is not exhaustive. IP can be categorised in two groups:

- IP that is protected by statute law relating to copyright, patents, designs and trademarks.
- IP that is known as confidential information (and sometimes as trade secrets or know-how), and that is protected by common law and sometimes by contracts and similar agreements.

Invitation to Register Interest (ITR)

An ITR is a publicly issued invitation to industry to register interest in tendering for a particular Defence contract.

Local Industry Activity (LIA)

Local Industry Activity is that part of the Supplies that is value-added by Australian and New Zealand industry.

Local Industry

This term refers to industry located in Australia or New Zealand.

Maintenance

In the context of the AIC Program, maintenance means the routine recurring work required to keep a facility (plant, building, structure, ground facility, utility system) or item of equipment in such condition that it may be continuously utilised, at its original or designed capacity and efficiency, for its intended purpose.

Major Capital Equipment project

A major capital equipment project is a Defence project that meets one or more of the following criteria:

- It has an estimated total one-time cost of bringing the capital equipment concerned into operation of AUD 20 million or more.

- The unit cost of an individual item in a multi-item acquisition is estimated at AUD one million or more.
- The project is strategically important and has significant Defence policy or joint Service implications.

Militarily Significant

The term 'militarily significant' describes activities, capabilities or equipment that have an impact upon one or more of the following areas:

- Weapon systems and modifications
- Support capabilities for weapons systems including specialist facilities
- National security
- Defence-related national interest
- Capital equipment projects are usually considered to be militarily significant.

Minor Capital Equipment Project

This is a project in which the proposed equipment falls within the definition of capital equipment but does not meet the criteria in the definition of major capital equipment projects.

Modification

In relation to equipment, this is a change to the approved configuration of an item, usually to correct a deficiency, facilitate production or maintenance, or improve performance.

New Zealand Industry

Refer to the definition of Australian industry, which also applies to New Zealand industry.

Overseas Supplier

An overseas supplier is:

- An overseas-based company, Division or group of a corporation that produces part or all of the imported content of a purchase, irrespective of whether such goods or services are provided directly or indirectly through a local representative, agency or company
or
- a prime contractor to an agency of a foreign government that supplies the imported goods or services to the Australian Government.

Premium

When work performed in Australia rather than overseas incurs an additional cost, this cost is referred to as a premium. In certain circumstances, to meet important strategic goals for the defence of Australia, Defence may opt to have certain work performed in Australia rather than overseas.

Prime Contractor

A prime contractor is a party having a prime contract with the Commonwealth for the supply of goods or services.

Production

Production is the conversion of raw materials into products and components thereof, through a series of manufacturing processes. In the context of the AIC Program, an industry capability for production refers to such things as the materials, data, equipment, facilities, knowledge and skills that allow the manufacture of equipment and components for use in support of the Australian Defence Force.

Project Manager

This is an officer responsible for the management of a capital equipment project.

Project Office

This comprises a group of specialists working under a single manager to achieve a fixed objective. In the context of the DMO, the Project Office is the office that manages a procurement project.

Request For Proposal (RFP)

An RFP requests proposals from industry on how to meet a project requirement. The RFP is focused on identifying feasible options, schedules and costs to deliver the required capability. RFPs may be issued publicly or only to shortlisted companies.

Request For Tender (RFT)

This is a formal statement of a Commonwealth requirement that is used to solicit offers from suppliers for the purpose of placing a contract to satisfy that requirement.

Risk

Risk refers to the possibilities of adverse outcomes, usually by way of deliberate actions, unforeseen environmental factors, miscalculation or other human error. Risk is measured in terms of consequences.

Self-Reliance

Self-reliance is the defence policy of ensuring that Australia maintains the military capabilities to defend the country without depending on help from any other countries' combat forces or industry. Self-reliance is a variable term, the value of which depends on a range of factors, including the circumstances of the contingency. It implies the need for combat forces capable of independent operations for an extended period in Australia's area of direct military interest. With regard to the AIC Program and Defence policy for industry, self-reliance implies the necessity for Defence to promote the capability and capacity of the Australian industrial base to support the Australian Defence Force to the maximum extent practicable.

Small to Medium Enterprise (SMEs)

An SME is a company that has less than 200 employees.

Statement of Work (SOW)

A SOW is the description of work that is required to be done. The SOW is stated in the RFT and, after any modification, forms part of the contract.

Subcontractor

Any person or company that agrees to supply goods or services (either directly or through another person) to the prime contractor specifically to enable the prime contractor to fulfil the prime contract.

Supplies

Supplies are goods and services, including Intellectual Property (IP) and technical information, required to be supplied under a contract.

Support

In the context of the AIC Program, support means the provision of skills, facilities and tools necessary to ensure the proper operation and adequate maintenance of an item of equipment.

System

A system is a combination or assembly of hardware, software, principles, doctrines, methods, ideas, procedures and personnel, or any combination of these, arranged or ordered towards a common objective.

Technology Transfer

A LIA may involve technology transfer when an Australian firm, agency, or institution is receiving specialised, technical knowledge related to products or production processes from an overseas source.

Tender

A tender is a form of offer to supply goods or services, or both, usually submitted in response to a public or confined inquiry.

Tenderer

A tenderer is any party that has submitted a tender for the supply of goods or services to the Commonwealth.

Tender Evaluation Criteria (TEC)

Tender Evaluation Criteria are the criteria under which the tenders will be evaluated. They will generally be developed by the Project Manager as part of the Tender Evaluation Plan (TEP), in consultation with Service technical authorities, contracting authorities, DMO Legal, DMO Procurement & Contracting and Industry Division. The criteria are generally issued along with the RFT documentation, as this information is critical to all tenderers in the development and structuring of their responses.

Tender Evaluation Plan (TEP)

A TEP is an internal Defence document describing the authorities involved and the manner of evaluating tender responses. Designed to assist in the tender evaluation, it is developed in conjunction with the Request for Tender by the Project Manager in consultation with other authorities

Tender Evaluation Working Group (TEWG)

This comprises a group of officers appointed by the Tender Evaluation Board to examine and report on specific aspects of the tender documents, related equipment and AIC proposals.

Through-life support (TLS)

Through-life support refers to all the activities and costs associated with keeping a piece of equipment in service and operational. This includes maintenance, repairs and servicing, and can incorporate modification and adaptation to meet altered requirements or strategic environments.

Value for Money

Value for money is a concept requiring all of the factors contributing to the purpose, utility, and usability of an item to be considered in a procurement decision. If value for money is achieved, the long and short term benefits to the Commonwealth will be commensurate with the costs. The lowest priced option may not necessarily represent the best value for money. Conversely, the best technical or operational option may not offer value for money as Defence will not be seeking the best solution at any cost.

Weapon System

A weapon system is the final combination of sub-systems, assemblies, components, parts and materiel that make up an end item for use in combat or in support thereof, either offensively or defensively, to destroy, injure, defeat or threaten the enemy. It includes the basic materiel items and all related equipment, supporting facilities and negotiation of Australian industry capability plans services required for the operation and maintenance of the end item.



Australian Government

Department of Defence

Defence Materiel
Organisation



AIC

TOOLKIT

DMO

