

# **DMO COMPANY SCORECARD POLICY STATEMENT**

1. The Company ScoreCard is a contractor performance measurement tool issued by the Defence Materiel Organisation (DMO) to Defence companies with contracts meeting the thresholds listed at Paragraph 5 of this policy. Company ScoreCards are issued for the purposes of communicating contractor strengths and weaknesses to DMO source selection staff, and to ensure currency of contractor performance data.
2. DMO Company ScoreCard is an initiative that aims to:
  - a. formalise the corporate knowledge of a contractor's performance;
  - b. encourage better performance through active dialogue between the contractor and Defence; and
  - c. enable Defence to make informed source selection decisions during the tender process.
3. Company ScoreCards will be used by Project or Tender Evaluation Boards during tender evaluations and source selections. The Company ScoreCard will provide Defence with a perspective of tenderers' performance in the delivery of DMO contracts, past and present.
4. Company ScoreCard illustrates a company's ongoing performance in its role as either the prime or significant sub-contractor on specific contracts. For Company ScoreCard purposes, the definition of a significant sub-contractor is interpreted in terms of complexity, cost and risk, as an element on the project's critical path or, as delivering key elements of the supplies.

## **Application of Company ScoreCards to DMO Activity**

5. Company ScoreCard will apply to all capital Acquisition and In- Service Support (ISS) contracts (including In-Service Support of platforms and assets involving maintenance, technical support, services, and production contracts) managed within the DMO , as follows:
  - a. for acquisition contracts, where the value of the contract (including contractual cost, and options) exceeds \$10 million;
  - b. for ISS contracts or Standing Offers, where the value of the contract is \$5 million or greater in a single contract, or cumulative over any 12 month period; or
  - c. where a contract is considered operationally sensitive or militarily significant or may lead to subsequent contracts, the financial thresholds may be lowered if warranted.
6. Contractor performance will be regularly assessed, and discussed, by contract managers or project teams at formal contract review or progress meetings and reported in Company ScoreCards on a six-monthly basis (April to September and October to March). This will allow DMO to maintain accurate and current information and monitor performance trends across company elements, projects, or contracts at operational levels.

7. Information contained in the Company ScoreCard will become available for Tender Evaluation and Source Selection purposes, from the date the ScoreCard is released by the Chief Executive Officer (CEO) of the DMO or as delegated.

8. DMO Company ScoreCards will be provided to industry on a six-monthly basis. DMO will provide the company with the opportunity to reflect on their performance report and will allow 20 working days for the company to comment on the assessment. In the event of a disputed assessment, the relevant System Program Office (SPO) Director or ISS manager and Directors General will have the opportunity to review and amend the assessment, where appropriate. The company's response/comments will be recorded as a footnote on the ScoreCard for the relevant reporting period. This ensures natural justice and traceability of comments.

9. Company ScoreCards are intended to promote regular performance dialogue between Defence and its contractors. Managers responsible for current DMO contracts falling within the thresholds, identified in Paragraph 5, should discuss contractor performance against the contracted Statement of Work or Requirement using each relevant Company ScoreCard performance category. This dialogue will normally occur at Contract Review Meetings and will mitigate the risk of any "surprises" when a contractor's ScoreCard is provided to the company. Where a manager is unable to implement formal discussions, the requirement to compile six-monthly reports on the contractor's performance remains.

### **Alliance Contracts**

10. The current Project Alliancing methodology employed by the DMO is predicated on a model that is aimed at the sharing of project risks between all alliance participants, including the Commonwealth. Project Alliancing creates a "no blame" culture whereby all participants accept responsibility for the execution of the contract. However, this does not preclude Alliance projects from being accountable for contract performance. It is imperative that the DMO has visibility of all significant Acquisition, In-Service Support and Standing Offer contracts.

11. Alliance contracts that meet the eligibility criteria for assessment (para 5) are to be included for reporting under the Company ScoreCard Program. When determining whether an Alliance contract meets the criteria for assessment, the value of the overall contract should be used.

12. Alliance contracts will be reported during the same six monthly reporting cycle (para 6) as other contracts assessed under the Company ScoreCard Program and the assessment will be made by an officer appointed on a case by case basis by the relevant Division Head and this may be the SPO Director.

13. Further, Company ScoreCards developed for Alliance contracts will not be used for the purpose of tender evaluation and source selection. Individual contractor performance will not be assessed in the delivery of Alliance contracts, and it is therefore inappropriate to use Alliance ScoreCards for source selection purposes.

## Compiling the Company ScoreCard Assessment

14. Defence will use the Company ScoreCards to assess performance in areas that are fundamental to the successful delivery of the asset or service. Performance will be measured against the categories and criteria set out in the *Company ScoreCard Performance Parameters*. This document can be found on the DMO Intranet site at <http://intranet.defence.gov.au/dmoweb/sites/CSC/> Briefly, they address:

- a. *Technical Performance, measuring:*
  - The contractor's ability to deliver a product or provide a service that meets the requirements of the contract. In relation to the Company ScoreCard, this involves an assessment of how well the contractor understands the requirements and meets the overall intent of the product, system or services performance as set out in the specifications, Statement of Work, Requirements or other documentation provided to the contractor.
  - The contractor's management responsiveness including:
    - the ability to manage the project and integrate and coordinate all activities required to be performed under the contract;
    - timeliness and completeness when identifying problems, and initiating corrective action plans and CCPs or Engineering Change Proposals (ECPs); and
    - timely award and management of sub contracts.
- b. *Cost, measuring:*
  - The contractor's effectiveness in forecasting, managing and controlling contract costs.
- c. *Contract Schedule and Round Schedule, measuring:*
  - The contractor's timely achievement of the task, milestones, delivery schedules and administrative requirements against the original Baseline or revised baseline where the Commonwealth changes the scope or novates the contract. The contractor's ability to meet the contract schedule for each 6- month assessment period (Round Schedule) may also be measured.
- d. *Australian Industry Involvement, measuring:*
  - The contractor's achievement of the contracted AII requirements.
- e. *Contracting, measuring:*
  - The company's compliance during the tender process with the draft Conditions of Contract.
  - The company's willingness to deliver what was negotiated with the Commonwealth as set out in the contract.
  - Management of the contract under the agreed terms and conditions.
  - Performance in monitoring and checking progress of sub-contractors.
- f. *Intellectual Property, measuring:*
  - The contractor's willingness to identify, register and/or exploit the Intellectual Property requested by the Commonwealth in accordance with the contract.

- g. *Relationships, measuring:*
- The contractor's willingness to undertake cooperative behaviour and business relations significant sub-contractors.
  - The contractor's willingness to behave reasonably and cooperatively in business relations with the project office (Defence).
  - The contractor's ability to meet the terms and conditions of any Partnering Agreement in place.
- h. *Quality Systems, measuring:*
- The contractor's adherence to the contracted Quality Plan.
- i. *Earned Value, measuring:*
- The contractor's achievement of the project's on-going requirements for Earned Value.

15. Company performance will be assessed against the above criteria using ratings ranging from *Very Good* to *Unsatisfactory*. The Company ScoreCard analysis will be illustrated by a 'traffic light' colour rating and commentary on the company's performance. The colour scheme for the 'traffic light' rating system will be coded as follows:

- a. ***Very Good*** - is represented by a ***purple star*** indicating that contractor performance meets all contract requirements and exceeds some or all requirements providing benefit to Defence.
- b. ***As contracted*** - is represented by a ***green light*** indicating that the contractor is meeting all contractual requirements.
- c. ***Marginal*** - is represented by an ***amber light*** indicating that the contractor is not meeting some contract requirements.
- d. ***Unsatisfactory (showing improvement)*** - is represented by a ***red light with white arrow up*** indicating that the contractor is failing to meet contractual requirements, but there is improvement and the possibility of recovery.
- e. ***Unsatisfactory*** - is represented by a ***red light*** indicating that the contractor is failing to meet contractual requirements with a low likelihood of recovery.

16. Project or Contract Managers will be responsible for supplying performance information, which is to be cleared by the System Program Office (SPO) Director and Director-General, and endorsed by the Division Head. This process ensures comments are traceable, and accountable.

17. Information collected on a contractor's performance will generally be used for tender evaluation and source selection purposes for three (3) years to allow performance to be trended over time.

### **Commercial Sensitivity**

18. Company ScoreCard is a commercially sensitive management tool and bears the caveat 'COMMERCIAL-IN-CONFIDENCE'. Defence will take reasonable steps to maintain that confidentiality with the exception of circumstances where disclosure of the information is required by law or statutory or portfolio duties.

19. Company ScoreCard information will become available to Defence staff on a need-to-know basis and only where that need is justified and formally requested by (for example) the Chair or a designated member of a tender evaluation team or Project Governance Board.

### **Use of Company ScoreCard and other past performance information during Tender Evaluation and Source Selection**

20. During tender evaluations and source selection considerations, Defence may use all available information sources to assess the current and past performance of a tenderer and the significant sub-contractors identified in the bid. These sources include, but are not restricted to:

- a. tenderer's and significant subcontractor's Company ScoreCards or Reference Sites;
- b. other past performance information provided by the tenderer in its tender; and
- c. other information on a tenderer's or significant subcontractor's past performance obtained by the Commonwealth.

### **Application to Tendering Documents**

21. The basis for evaluating a tenderer's current and past performance is incorporated within the evaluation criteria. In ASDEFCON (Strategic Materiel) (Conditions of Tender), for example, clause 3.3.2e states:

*3.3.2 Subject to clause 3.3.1, the criteria to be applied for the purposes of evaluation will include the following:*

- e. *the tenderer's past performance of contractual obligations.*
  1. *Past performance of contractual obligations as recorded on the endorsed Company ScoreCard.*
    - *Company ScoreCard (Evaluation item)*
    - *Past Performance Annex E (Evaluation item)*
  2. *Past performance of contractual obligations as advised by referees.*
    - *Past Performance Annex E (Evaluation item)*

22. Tenderers will be required to provide past performance details in their tender responses in relation to their own performance or if they propose to use a significant subcontractor who is currently a prime or significant sub-contractor on a DMO contract (as interpreted at Paragraph 5 of this Policy).

23. Under these requirements, a tender response should provide information on the company's past performance as well as its ability to successfully perform the proposed contract. The tenderer should address any Marginal or Unsatisfactory ratings in their DMO Company ScoreCard and provide the Commonwealth with strategies through which they will implement performance improvements for the tendered contract and the company's performance overall.

24. Where a tenderer proposes a significant sub-contractor for which Defence holds a current Company ScoreCard (refer to List on the DMO Intranet site) or meets the requirements of Paragraph 5, the tender, through a statement offered by the relevant subcontractor, is to address any Marginal or Unsatisfactory ratings in the proposed sub-contractor's Company ScoreCard.

25. Information contained in a Company ScoreCard relating to a tenderer or a proposed significant sub-contractor will be considered by the Commonwealth during the evaluation of tenders. This information must be relevant and recent (generally within three years to allow performance to be trended over time), with the size, scope, complexity and contract type recorded so that all aspects can be taken into account.

26. The Evaluation Board may seek to clarify the performance of a proposed significant subcontractor with the tenderer to ensure an overall past performance assessment is developed. The Project Board should be in the best position to clarify a tenderer's ScoreCard, including very good and/or unsatisfactory performance.

### **New Players**

27. Where a tenderer or a proposed sub-contractor is not known to Defence or does not have a Company ScoreCard, Reference Sites are to be requested through the RFT and provided in the tender response. A Reference Site is **defined** as an entity external to the company and the Department of Defence. The Reference Site must be able to give feedback about the company's performance in delivering the specified contract. Following consultation and examination of the Reference Site a Company ScoreCard will be developed based on the information provided by the Reference Site. The tenderer is to be offered the opportunity to comment on these ratings within 20 working days.

28. Where past performance information is not forthcoming in a tender response, Tender Evaluation staff are to use the normal tender clarification processes to establish how the tenderer intends to mitigate the risk associated with performance shortfalls of both the tenderer and its significant sub-contractors during the delivery of the subject contract. For instance, where:

- a. a tender response does not adequately address, to the Commonwealth's satisfaction, the performance issues identified in their DMO Company ScoreCard; or
- b. a tenderer does not have a Company Scorecard but assessment of its Reference Sites indicates a performance issue which the tenderer has not addressed to the Commonwealth's satisfaction. Note: When gathering and documenting Reference Site sourced information, the Project or Tender Evaluation Board must ensure all comments are justifiable and auditable.

29. The clarification process will allow the Commonwealth to develop a risk mitigation strategy to address the tenderer's or significant subcontractor's past performance deficiencies. Where an acceptable strategy cannot be agreed, as a measure of last resort the Commonwealth may exclude that tender from further consideration.

## Responsibilities of Project Boards in Tender Evaluation

30. The Project or Tender Evaluation Board (TEB) is solely responsible for decisions based on past performance in tender evaluation. The TEB may delegate this responsibility to the Tender Evaluation Working Group (TEWG) or Tender Evaluation Team (TET). Company ScoreCards are to be used to assist in the evaluation process through the assessment of contractor past performance. Each TEWG or TET will gather and assess the relevant past performance information and provide the Board with an assessment detailing the level of confidence in the tenderer's ability to successfully deliver the capability as bid.
31. The Board should use the Company ScoreCard and other valid past performance information to familiarise themselves with:
- a. the performance of the tenderer in areas relevant to the contract being tendered;
  - b. the context in which the ratings were provided (including the complexity of technologies and project management);
  - c. the ability of the tenderer to develop and support a solution that meets the Commonwealth's requirement; and
  - d. the tenderer's performance trends relevant to the technology to be delivered and the company element responsible for that delivery.
32. Information which the Board may also use for past performance in conjunction with Company ScoreCards includes, but is not limited to, the:
- a. assessment of a company's strengths and weaknesses as an existing or potential Defence contractor;
  - b. clarification and confirmation of a tenderer's strategy to overcome shortfalls in known areas of *marginal* or *unsatisfactory* performance by the tenderer or proposed significant subcontractor;
  - c. establishment of a risk mitigation strategy and develop a profile for possible contract negotiation;
  - d. inclusion, during negotiation, of additional clauses in the Conditions of Contract to manage the performance of contractors in any areas of performance identified as high risk; or
  - e. exclusion of a tender from further consideration on the basis of past performance where the tenderer has not addressed the performance issue to the satisfaction of the Commonwealth in its tender response or otherwise clearly fails to meet the past performance evaluation criterion (paragraph 3.3.2e of the ASDEFCON (Strategic Materiel) Conditions of Tender).
33. The Board should also consult with the relevant Director-General to clarify the circumstances surrounding any rating for a given contract or seek clarification on a company's project performance and management issues.