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Australian Government
Department of Defence
Capability Acquisition and
Sustainment Group

DIRECTIVE 01/2022

DEPSEC CASG/OUT/2022/

See distribution

IMPROVED CONTRACTOR MANAGEMENT

References:

- A. Enterprise Business Committee (EBC) Paper – Opportunities for Improved Contractor Management – 24 August 2022
- B. [Accountable Authority Instruction 2 - Spending Defence Money - Procurement](#)

PURPOSE

- 1. The purpose of the Directive is to ensure that Capability Acquisition and Sustainment Group (CASG) personnel who are engaging Contractors do so in a manner that cements CASG as a best practice organisation and leads the Department through its compliance with Reference A.

SCOPE

- 2. This Directive applies to all Australian Public Service and Australian Defence Force personnel working within or attached to CASG.

BACKGROUND

- 3. Defence constantly seeks ways to better utilise its resources to maximise capability outcomes, while demonstrating financial responsibility through the provision of sound financial management. An inability to demonstrate appropriate financial management could lead to a loss of reputation and capability outcomes for Defence.
- 4. There are five key professional services panels within Defence, with an aggregated total spend for FY2021/22 of \$2.63 billion. CASG personnel should predominantly use the Major Service Provider (MSP) Panel. The total spend for the MSP panel in FY2021/22 was \$656 million (noting it has a total contracted value since February 2018 of \$3.172 billion).

REVISED RESPONSIBILITIES

Panel arrangements

- 5. When seeking to commence a new contract, CASG personnel must comply with Reference B. When the services are within scope of the Defence panel/standing offer arrangements, CASG personnel must:


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- a. first utilise the MSP Panel; where the MSP Panel does not meet the requirements of the procurement, personnel are to utilise the Defence Support Services (DSS) Panel;
- b. first approach the ICT Provider Arrangement for the procurement of Information Communication Technology (ICT) services; and
- c. first approach the Defence Infrastructure Panel or the Defence Infrastructure Environment, Heritage & Engineering Panel for the procurement of infrastructure services.

Quotation requirements

6. When implementing a new contract through the Panel arrangements or through the use of a Limited Tender procurement the following is to apply.
7. **Three or more quotations.** When utilising any Defence panel/standing offer arrangements, with the exception of the MSP, for the provision of services, CASG personnel must:
 - a. plan to, and, approach at least three panellists (with the requisite skills and experience to be considered) with an invitation to quote.
8. **Two or less quotations.** When seeking two or less quotations, CASG personnel are to ensure that:
 - a. prior to approaching the market, a Decision Brief is prepared for DEPSEC CASG that clearly documents the decision to seek two or less quotes, and details of discounts to be sought;
 - b. the brief succinctly justifies the reason for sole sourcing and the impact of not conducting a competitive procurement if the request was denied; and
 - c. the Decision Brief demonstrates that s47D 
9. When considering quotations from panel providers, CASG personnel must ensure that the candidate(s) proposed have the appropriate skills and experience for the level they are proposed to be appointed at. Contractors are not to be appointed to a higher level than they are qualified for simply because suitably qualified people are not otherwise available.

Pricing structure

10. When accessing any Defence panel/standing offer arrangement, CASG personnel should use a fixed price or outcomes/outputs based pricing structure.

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11. Time and materials price structures must only be used where doing so will achieve value for money and a detailed justification must be kept to record the decision. This does not apply when utilising 'Survey and Quote' and other similar mechanisms as part of in-service support arrangements.

IMPLEMENTATION

12. CASG Division Heads are to distribute and implement this Directive within their Division.

13. This Directive is effective immediately and does not apply to procurements already out to market or contracts in the process of being finalised.

14. The exercising of extension options in existing panel contracts that were not subject to competition when established from that panel arrangement is not to occur without the prior approval of DEPSEC CASG.

15. This Directive will remain in force until Defence Policy is updated with the contents of this Directive.

16. This Directive does not replace current Defence requirements and should be read in conjunction with Defence's Accountable Authority Instructions (AAIs), and the Procurement and Contracting Requirements referenced by the Defence Procurement Manual.

17. An audit of CASG panel contracts will be undertaken to determine whether any should be subject to future competitive appointment processes. Division Heads are to ensure support for the audit process if required.

18. The sponsor is the First Assistant Secretary Commercial Division.

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Chris Deeble, AO CSC
Deputy Secretary
Capability Acquisition and Sustainment Group
Department of Defence

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CASG Division Heads

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