

# **TASKING STATEMENT – AMENDMENT 1**

<b>To:</b> Scotwork Australia Partnership
<b>Please provide a Quotation for the provision of Services as per the following:</b>
<b>Deed of Standing Offer:</b> SON 3389328
<b>Relevant Subpanel:</b> Commercial
<b>Project Number/Title:</b> Strategic Domestic Munitions Manufacturing (SDMM)
<b>Security Classification:</b> Baseline
<b>Security Categorisation (If Applicable):</b> n/a
<b>Security Guidance:</b> It is a requirement that the successful negotiation panellist must complete and sign a 'Conflict of Interest' form and must sign the Deed of Confidentiality and return to the Commonwealth Representative prior to commencing these negotiation services.
<b>Applicable Tier:</b> Tier 1 or 2
<p><b>Background:</b></p> <p>The Government's 2018 Defence Industrial Capability Plan includes 'Munitions and small arms research, design, development and manufacture' as a Sovereign Industrial Capability Priority (SICP) under which 'Australian industry must be able to manufacture propellants, munitions, ammunition and small arms that provide our soldiers with a warfighting advantage'. Commonwealth-owned facilities at Benalla and Mulwala (the 'Facilities') currently provide Defence with an in-country munitions manufacturing capability using a Government-Owned Contractor-Operated (GOCO) model, as part of the broader Explosive Ordnance Enterprise.</p> <p>In Nov 2014, the Commonwealth and Thales (hereafter referred to as the Parties) entered into the Strategic Munitions Interim Contract (SMIC) Agreement for the manufacture and delivery of supplies from, and operation and maintenance of, the Benalla Munitions Facility and Mulwala Explosives Facility (the Facilities). The SMIC Agreement Operative Date was 1 July 2015. By its nature, SMIC was established as an interim contract prior to longer-term arrangements being established. The SMIC Agreement is due to expire on 30 June 2020, and does not include extension options.</p> <p>In 2016, the Parties engaged in an Explosive Ordnance (EO) Summit which discussed the options regarding the future ownership and operation of the Facilities. In December 2016, the Defence Investment Committee (IC) agreed that Thales should continue to be engaged as the operator of the Facilities, on a long-term, strategic arrangement basis. Government subsequently noted the IC decision and the proposal for a multi-tenant model for Defence to lease to other munitions suppliers to make better use of under-utilised buildings at the Facilities and increase munitions manufacture options for the ADF.</p> <p>The Support Procurement Strategy (SPS), set out in detail the proposed collaborative contracting strategy. The SPS was approved by DGEM, on behalf of FASJS, on 23 Aug 18.</p> <p>On 23 Aug 18, the SDMM ETP endorsed the approach to contract with Thales for the supply of Munitions and Property, Facilities and Asset management services under the SDMM Contract. A revised ETP was endorsed by DGEM on 15 Aug 19 as the project has matured and had strategic refinement since the original ETP in Aug 18. This new ETP will ensure that that project scope, strategy, procurement approach and outcomes are all aligned and documented to ensure full transparency for future external reviews, such as ANAO or internal Defence IAR/Gate processes.</p> <p>Pursuant to the above arrangements, the Parties signed the SDMM Heads of Agreement on 14 Sep 18. The purpose of the Heads of Agreement was to identify the intention of the Parties to work together in a collaborative, cooperative and transparent manner, to prescribe the preconditions for establishing the SDMM Arrangements, and to obtain in-principle agreement on the key terms of the</p>

SDMM Contract to inform contract development.

The request documentation has been developed as a hybrid of ASDEFCON Support V4.0 template and the Strategic Munitions Interim Contract (SMIC) Arrangement.

Approval and endorsement of the SDMM MINSUB was delayed due to the Minister requesting further clarification and additional information regarding the tender. This resulted in the SDMM tender being released as an Exposure Draft to Thales on 29 Jul 19, which allowed Thales to commence work on responding to the SDMM RFT. The Exposure Draft was caveated to inform Thales that it is subject to Government approval and may change in the final AusTender released version. Importantly, Thales acknowledge that its 49 day timeframe for responding to the tender started on 19 Jul 19.

The final SDMM RFT was released as a limited tender Single Supplier to AusTender on 16 Aug 19.

The SDMM RFT response is due on 26 Sep 19, with evaluation commencing 30 Sept 19. Contract negotiations are expected to commence at the end of October 19.

**Task Description:** The Commonwealth is seeking a lead negotiator to provide negotiation services to lead the SDMM negotiation team to obtain the best value for money outcome from the tenderer. The lead negotiator will be responsible for achieving the outcomes, as agreed by the Defence delegate, within the negotiation strategy and Negotiation Directive.

**Task Objective:** The objective is to assist and support the SDMM core negotiation team in the planning and preparation for negotiations with the tenderer; facilitate, co-ordinate, develop and finalise an effective and agreed negotiation strategy for the SDMM contract; and lead the SDMM core negotiation team in the negotiations to achieve best for capability outcomes.

A key outcome of the task is to successfully conclude contractual arrangements inclusive of a contract between the Commonwealth and the Contractor.

**Required Start Date: 25 October 2019**

**Required Completion Date: 13 December 2019**

#### **Task Deliverables:**

##### **Phase 1: Negotiation Training**

Not to Exceed 2 days: Monday 25 October 2019

Task Deliverables include but not limited to:

- Development of course outlines, format, documentation (such as workbooks, reading materials and electronic media), presentation slides and any other materials as required by the Commonwealth;
- Develop training approaches, products and tools for a range of delivery methods (e.g. face-to-face and online (if requested) within agreed timeframes, using content approved by the Commonwealth;
- When requested, tailor Commonwealth-approved content for specific projects or Contracts to include project or Contract specific scenarios and case studies, templates and processes;
- Develop examples of better practice including tools, templates and case studies that can be used to assist in training Defence business units and projects;
- Develop and deliver tailored negotiation training to meet Commonwealth objectives as specified in a Contract;
- Deliver advanced negotiation training workshops to assist Defence personnel to prepare for negotiations as required;
- Provide participants with relevant Commonwealth-approved program materials which may include, but are not limited to, workshop participant manuals or guides, facilitator slides or presentations; and
- Provide reports on evaluations and participant numbers, and provide feedback to the relevant



area within Defence or the Commonwealth more generally within agreed timeframes.

**Phase 2: Provision of Strategic Negotiation Advice**

Not to Exceed 5 days (18 – 24 October 2019)

Task Deliverables include but not limited to:

- Providing strategic negotiation advice to senior executive personnel on specific negotiation strategies and processes;
- Applying flexible, adaptive and strategic frameworks to complex negotiations for high risk and high value complex projects; and
- Development of effective negotiation strategies.

**Phase 3: Lead Negotiations**

Not to Exceed 50 days: commencing 27 Oct 19 – 11 Dec 19

Task Deliverables include but not limited to:

- Facilitate, co-ordinate, develop and finalise an agreed negotiation strategy;
- Develop and/or review negotiation artefacts including documents such as the negotiation Directive;
- Mentoring and support to Defence personnel preparing for and conducting negotiations;
- Organise relevant negotiation workshops and training for the negotiation team;
- Provide advice on 'domain' specialist issues advice related to trade-offs and concessions management;
- Provide advice on specialist subject matter considerations that should be captured in negotiation strategy and the Negotiation Directive;
- Lead the Commonwealth negotiation team throughout the conduct of the contract negotiations with Australian Munitions (Thales);
- Development and modification of negotiation framework (if required);
- Preparing an out briefing from the negotiations conducted;
- Provide ad hoc advice and reports to the Commonwealth delegate as required;

**Key Person(s):** tba

**Allowances:** Travel and accommodation (if required) in accordance with Deed of Standing Offer – Negotiation Services

**Supplementary Conditions:** Nil

**Documents Enclosed:** Nil

**Date Quotation Required:** by 11am Monday 16th September 2019

**Payment Basis:** Long term Maximum Daily Rate

**Authorised Officer Details:**

<b>Name:</b> s47E(c)		
<b>Appointment:</b> Chief Contracting Officer		
<b>Division/Branch/Section:</b> Commercial / Materiel Procurement Branch / Commercial Policy Practice		
<b>Telephone:</b> s47E(c)	<b>Fax:</b>	<b>E-mail:</b> s47E(c) <a href="mailto:s47E(c)@defence.gov.au">@defence.gov.au</a>
<b>Address:</b> Brindabella Business Park s47E(c) Canberra ACT 2610		
<b>Signature:</b>		<b>Date:</b>



Suite 2, Level 17  
Bligh Chambers, 25 Bligh Street  
Sydney NSW 2000

Telephone: +61 (2) 9211 3999  
Email: [info.au@scotwork.com](mailto:info.au@scotwork.com)  
[www.scotwork.com.au](http://www.scotwork.com.au)

15 September 2019

s47E(c)  
CCO (supporting EMB + ENC Panel)  
Capability Acquisition and Sustainment Group  
Department of Defence  
Brindabella Park s47E(c)  
ACT 2610

By email; s47E(c) [@defence.gov.au](mailto:s47E(c)@defence.gov.au)

Dear s47E(c)

**Quotation by Scotwork Negotiating Skills for provision of negotiating support the SDMM contract negotiation – Tasking Statement Amendment 1**

This Quotation is made under the Negotiation Services Standing Offer Deed SON3389328.

**We understand that:**

The Commonwealth and Thales have been involved in the collaborative development of a new SDMM contract to replace the extant interim contract between the parties. Thales have been asked to respond to a formal (limited) tender by 26 September 2019 and negotiations are expected to begin at the end of October and run through to mid-December 2019.

Scotwork has been invited to submit a Quotation as a member of the Commercial sub-panel of the NSSO Deed. We have structured this Quotation to align with the **Task Objective**:

“.....to assist and support the SDMM core negotiation team in the planning and preparation for negotiations with the tenderer; facilitate, co-ordinate, develop and finalise an effective and agreed negotiation strategy for the SDMM contract; and lead the SDMM core negotiation team in the negotiations to achieve best for capability outcomes...”

We propose that the Key Person(s), s47F and s47F, will provide negotiation support services to the SDMM negotiation team to obtain the best value for money outcome for the Commonwealth. s47F will provide support during phases one and two and s47F will provide support during all three phases, acting as lead negotiator for the Commonwealth.



We propose to break the assistance into three phases:

- **Training.** A two day Advanced Negotiation Training course for the entire core negotiating team – comprising the “at the table” negotiating team from *both Thales and the Commonwealth* (maximum 12 people) and a one day workshop for the wider Commonwealth team covering the key negotiating structure and process issues covered in the skills program. Content to cover all the Deliverables as defined under Phase 1 in the Tasking Statement;
- **Strategy Development and Advice.** Strategic advice and assistance to the senior stakeholders and the negotiating team, and the development of an agreed Negotiating Strategy document for endorsement. Content to cover all the Deliverables as defined under Phase 2 in the Tasking Statement; and
- **Support Negotiations.** Assistance with preparation of the Source Evaluation Report and the Contract Negotiation Directive followed by process lead negotiator support to the Commonwealth core negotiation team with Deliverables as defined under Phase 3 in the Tasking Statement.

### Detailed Delivery Methodology

**Phase One: Negotiation Training. Monday 28 and Tuesday 29 October 2019. 1 x tailored 2 day ANS course for 12 participants plus 1 x 1 day information workshop for the wider negotiation team.**

**ANS course assumed to commence at 0800 on Monday 28 October 2019 and conclude at 1730 on Tuesday 29 October 2019, with a two hour teleconference setup session to be held the previous Friday 25 October 2019. Location TBC (Sydney/Melbourne/Canberra) with external training venue to be provided by Scotwork.**

**Information workshop for the balance of the Commonwealth team to run 0900-1600 on Wednesday 30 October 2019.**

We will deliver a tailored 2 day Scotwork Advancing Negotiation Skills (ANS) course (Defence variant) which is the core structure, process and skills training we provide to CASG (and also all our non-Defence clients).

We strongly recommend that, in view of the fact that the SDMM contract has been collaboratively developed and is sole source, **the cohort of 12 on the course be made up of representatives from both the Thales and the Commonwealth negotiating teams** – ideally half and half. Because the teaching content is not Defence or contract specific but rather highlights the key skills and structure of best practice mutual gain (win/win) negotiations, both “sides” of a negotiation can learn together in a non competitive environment and build trust as well as skill prior to entering into negotiations. We know from experience in Defence and other industries that running this type of collaborative training “up front” significantly improves both the effectiveness of the negotiations (measured by value created) and efficiency (significantly reduced duration of negotiations).

For the wider Commonwealth team (broadly defined as the TEB members) not involved in the ANS course, we propose to run a one day negotiation workshop to cover the key structure and process elements covered in the ANS course but without the skill development case learning. This is important because the balance of the engagement – from SER/CND development through conduct of the negotiations and ultimately CNR, s23 and contract redrafting and signature, will be managed by the Scotwork negotiation process lead using the structure, process and terminology covered in the training.

We have trained well over 1,000 CASG/DMO and other Defence Department personnel (and many Thales personnel as well) through the ANS course and built on and deployed further support based on the training to many Defence contracts over the years. The ANS course is designed for 12 participants and is delivered by two Scotwork consultants – for the purposes of this Quotation we propose that the two consultants delivering the training will be s47F and s47F both Partners of the firm with extensive experience in supporting Defence Materiel and Commercial Negotiations in engagements similar in scope to this one – in particular, s47F



s47F

The ANS course is designed specifically to “advance” negotiation skills (as opposed to being pitched at any specific level of pre-existing knowledge or capability). It is ideally suited to bring together project/negotiation teams with a diversity of experience to provide the participant group with a common language, structure, process and skill set for the planning and execution of complex negotiations.

The course is delivered as a case based, intensive, face to face experiential learning program that puts participants, working in teams, in a series of relevant negotiating scenarios – usually 4 cases over the two days – with each of the negotiations videotaped and replayed by the Scotwork consultants to the “negotiators”, using key moments in each case review to make skill observations and coaching advice to the negotiators.

All participants are then supported post course through free, perpetual access to our online Digital Tools Platform which provides a digital set of all the hard copy course materials that they received during the course as well as an interactive preparation template, variable library (which they can add to over time), white papers, skill tip videos, blog posts from Scotwork consultants around the world, diagnostic “how to” guides for stepping through decision trees in typical negotiation scenarios (for example, how to break a deadlock on an important issue, etc). This helps participants not only apply the structure, skills and processes of best practice mutual gain negotiation to the immediate project for which they are being trained but continue to develop and deploy skill over time.

s47F and s47F have delivered dozens of ANS courses to Defence (and Thales) over the years. In addition, s47F

when we deliver training, it's not from a book, it's leavened by real, direct and recent experience. Up to date CVs for s47F and s47F are attached.

The two day CASG ANS timetable for up to 12 participants is structured to run:

- Day 0 (usually Monday) 1400 – 1600. Proposed to be telecon Friday 25 Oct 19
- Day 1 (usually Tuesday) 0800 – 1730. Proposed to be Monday 28 Oct 19
- Day 2 (usually Wednesday) 0800 – 1730. Proposed to be Tuesday 29 Oct 19

By agreement with the group to be trained, we can be flexible in the timetable structure (with the constraint that it must be delivered in an intensive/immersive series of days, not split up).

## **Phase Two: Strategic Negotiation Advice**

**Assumed to commence on Monday 21 October and conclude with the delivery of an endorsed Negotiation Strategy document no later than Wednesday 30 October 2019. Not to exceed 5 days.**

This element can be delivered prior to the training (as per this Quotation) but if the project is flexible, it would be optimal to deliver this phase after the conclusion of the training because the process, structure and terminology used in the Strategy will be that learned on the training course. The strategy document will be developed interactively through meetings with key senior stakeholders and will inform and become an Annex to the Contract Negotiation Directive. At a minimum it will cover:

- Strategic Objective for the Contract;
- Guiding Principles for the negotiations;
- Roles and responsibilities of the Commonwealth negotiating team;
- Rules of engagement (and escalation) governing the negotiation (as agreed with Thales);
- Operating rhythm for the negotiation period (location, which days “on” and which days “adjourned” for each week);
- High level tactical objectives and prioritisation of the same for the Commonwealth;
- Information disclosure and discovery strategy; and
- Initial wish and concession lists.

In practice, we will continue to draft and refine the Strategy document in parallel with the training so that we can use the days allocated to this phase to meet with senior stakeholders, refine iterations, etc. We have followed this process over several years in Defence contract negotiation support and find that it saves significant time in preparation of the CND.

**Phase Three: Lead Negotiations. Assumed to commence on or about Monday 28 October 2019 and conclude in mid-December 2019. Not to exceed 50 days.**

Taking each of the Task Deliverables in turn, we propose to deliver the services as follows:

- Facilitate, coordinate, develop and finalise an agreed negotiation strategy. The Negotiating Strategy document developed by Scotwork in Phase 2, and endorsed by the senior stakeholders, will be included as an Annex to the CND to provide the link back to the SER and to provide background to some of the CND main body and negotiating issues matrix.
- Develop and/or review key negotiation artefacts including documents such as the negotiation Directive. Scotwork will take primary Responsibility for drafting the Contract Negotiation Directive, including the Annex of negotiating issues – with the draft Annex workshopped extensively with relevant stakeholders to ensure that they correctly reflect the needs and interests of the Commonwealth.
- Mentoring and support to Defence personnel preparing for and conducting negotiations. Both Key Persons will provide this support during all three phases – we have extensive experience across many Defence and non Defence negotiations providing this support.
- Organise relevant negotiation workshops and training for the negotiation team. Per the Quotation we plan to run a 2 day Advancing Negotiation Skills course and a 1 day information workshop at the beginning of the engagement but if we believe that there is a need for further training or skill development during the engagement, we will tailor and deliver it in consultation with the relevant project authority.
- Provide advice on 'domain' specialist issues advice related to trade-offs and concessions management. This is the longest and most exhaustive part of the process – the correct prioritisation of negotiating issues, the development of Intend (Commonwealth Preferred) and Limit (Fallback) positions, each with their proposed negotiation approach and the construction of Wish and Concession Lists takes a great deal of time to get right because it has to be workshopped extensively with the SMEs, MPB and often external advisers. This time is well spent though because a properly constructed, prioritised, planned and flexible negotiating issues matrix that has been "signed off" by and aligned with the interests of all internal stakeholders acts as the "how to" guide for the lead negotiator and the Defence stakeholders. In practice, time spent in this activity minimises the need for escalation outside the negotiating team.
- Provide advice on specialist subject matter considerations that should be captured in negotiation strategy and the Negotiation Directive. Already covered in the previous point.
- Lead the Commonwealth negotiation team throughout the conduct of the contract negotiations with Australian Munitions (Thales). s47F [REDACTED] will be the nominated lead negotiator and will work closely with the Project Manager, Project Director and other key stakeholders throughout the negotiation for input and advice in areas not already covered in the CND.
- Development and modification of negotiation framework (if required). Already covered.
- Preparing an out briefing from the negotiations conducted. We will draft the CNR and associated senior management briefing pack(s) as required. The lead negotiator will also keep the delegate informed of the progress of the negotiation throughout with formal and informal briefs as required.
- Provide ad hoc advice and reports to the Commonwealth delegate as required. Already covered.



**Key Person(s) and Costing**

The nominated Key Persons for Phase 1 Training are s47F and s47F . Both have been made available for the two weeks commencing Monday 21 October. We understand that the training may be conducted in Canberra, Sydney or Melbourne.

For the Phase 2 Strategy activities we propose that both s47F and s47F be involved in senior stakeholder briefings and development of the Negotiating Strategy document – both are similarly experienced and qualified s47F We confirm that both have the capacity to undertake the engagement, that they will be available to deliver the services required in Phase 2 for the period 21 October to 30 October. Note that, whilst we propose to use two Key Persons for Phase 2, we will only charge for a maximum of one Scotwork consultant on any day.

For Phase 3 lead negotiator services, s47F is proposed as the Key Person.

The costing for phase 1 is quoted at the agreed “product” fee for the ANS1 course (pro-rated for the afternoon and 2 day duration) – we’ve quoted the all-inclusive rate (within which Scotwork sources the venue and covers all its own consultant travel costs and incidentals). Phases 2 and 3 are quoted at the rate agreed by Scotwork for long term engagements under the Negotiation Services Standing Offer Deed of s47G

**Summary**

Item	Duration (days)	Number of Consultants	Total Maximum Fee (ex GST)	Total Maximum Fee (inc GST)
s47G			s47G	
Total (not to exceed) – time and materials basis		s47G		
OR, FIXED FEE				

s47G



### **Allowances**

We acknowledge that travel and accommodation allowances will be in accordance with Deed of Standing Offer - Negotiation Services. We further acknowledge that the work will predominantly be conducted in Canberra, Melbourne and/or Sydney. Given that the Key Persons are domiciled in s47F we will work with the Commonwealth Representative to optimise the travel and, where possible, conduct “desk” activities at the Scotwork office in s47F especially during Phase 3.

If you have any questions, please call or email either of the undersigned.

Yours sincerely,

*Original Signed – on file*

*Original Signed – on file*

s47F  
Partner  
Scotwork Negotiating Skills  
T (02) 9211 3999  
M s47F  
E s47F [@scotwork.com](mailto:s47F@scotwork.com)

s47F  
Partner  
Scotwork Negotiating Skills  
T (02) 9211 3999  
M s47F  
E s47F [@scotwork.com](mailto:s47F@scotwork.com)