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AIDN PRESIDENT'S REPORT TO THE 2016 ANNUAL GENERAL MEETING (AGM)

Dear AIDN Member,

This report summarises my own, and other AIDN activities since the last AGM in Melbourne on 08 December 2015. The challenging trading conditions described in the last four President's reports were relieved in 2016 with the release of the Defence White Paper, Industry Investment Plan and Defence Industry Policy Statements. Once these documents were released, a number of the major programs began to make way again and many AIDN Chapter members began to experience an increase in defence work.

I want to firstly welcome the re-invigorated AIDN Tasmania back to the fold and trust your new President will engaged positively with AIDN for the national good. It has been too long without an AIDN Tasmania representative at these national meetings. Thanks for hosting AIDN National 2016 AGM and the quarterly National Executive Committee meeting, I also express a special thanks to the Maritime College for providing their facilities and hospitality for the meetings.

When I nominated for the President's role at the last AGM, I did so on a change platform, which included a focus on refining the AIDN Strategic Plan to reflect the changed defence industry environment and implementing the Plan.

I can thankfully report that we reached the end of 2016 with the following achievements:

1. A revised Strategic Plan which is endorsed by all AIDN Chapters. I note this plan is substantively the same as emerged from the strategic sessions early in 2016 but also that it is considerably clearer and focused;
2. Implementation of the first platforms of that plan within budget;
3. Initiation of the process to gain some durable "AIDN" assets from a position where we had none;
4. Significant progress on the supporting documentation to professionalise AIDN which will continue;
5. A revised SME Participation Plan which we hope will be endorsed at the following AIDN quarterly meeting;
6. A new "office" in Canberra has been established as our interim office, co-located with Australian Industry Group (AIG).
7. The appointment of Ms Sandy Brogan as the AIDN National Coordinator in October, Sandy is beginning to feel her way into all aspects of her role; and
8. Finally, the re-establishment/re-invigoration of AIDN Tasmania has been achieved.

All of the above has been achieved within the current AIDN budget - as it was planned in February.

AIDN must acknowledge member contributions to the National arena wherever possible so I will always acknowledge that our volunteers could not perform as volunteers without the permission and support of their companies, all of which are AIDN Chapter members, some are members of multiple Chapters. By way of example, my own company Goal has given up many hours of my time over the last decade to support AIDN and has been a sponsor of AIDN NSW and the AIDN Young Achiever Award and the inaugural AIDN dinner. Goal is a member of AIDN NSW, AIDN QLD, AIDN ACT and until recently AIDN WA. From personal experience I can urge you all to consider more activity in AIDN recognising that although there is a cost to do this, there is great reward for our industry.

AIDN has regularly represented its members' collective opinions and concerns on a number of defence industry related Committees and Boards, such as:

- Regular meetings between the AIDN President and CASG Deputy Secretary;
- Regular meetings between the Assistant Secretary Industry Division and the AIDN President;
- Meetings with the Minister for Defence Industry;
- Joint working groups with AIG and ABL culminating in formal correspondence with Defence related to security clearance and facility clearance issues;
- The SEA 1000 Industry Forum and other program forums such as Land 400;
- The Ai Group's Defence Industry Council National Executive and various "kitchen cabinets";

What else have we been doing you might ask?

- I visited a number of AIDN NT members during several visits to Darwin this year. I welcome the new AIDN NT XO to the fold. AIDN NT membership is solid and the Chapter is well supported by Andrew Jones and his Executive. I also spent time with the AIDN NT Defence Advisory Board and the AIDN NT government (who speak highly of AIDN NT). They are clearly focused on supporting Defence in the North;
- This month, AIDN released invitations for our 2017 Annual Dinner in February. This is again being coordinated by Graham Priestnall, Immediate Past President (CAE Australia), Rob Forbes AIDN-ACT President (CEA), Sandy Brogan the National Coordinator and Gary Bettcher (LMA) and myself. I am pleased to advise we have already received sponsorships and all official guest and speaker invitations have been released with several acceptances already back in including the band! All Chapters are urged to encourage sponsorships from their membership (a special thanks to AIDN-Vic for their rapid response and multiple sponsors) and ticket sales will commence soon. It is our intent to proceed with engagement of Consec to provide secretariat and coordination services for as the dinner.;
- I have had several meetings with the SME Ombudsman, Kate Carnell, and have facilitated a number of member meetings with her. Thanks to Graeme Dunk of Australian Business's Defence Industry Unit for working with AIDN on these matters. We are continuing to look for reform in this area to benefit SMEs. I believe the establishment of this office satisfied our platform in the previous SME Participation Plan to have a Defence Ombudsman and Kate's office is already assisting AIDN. A good outcome;
- AIDN was represented at the SEA1000 – Future Submarine, Industry Engagement meetings in Canberra;
- Various Chapter Presidents and I attended a number of AIG Defence Council Meeting in 2016. These meetings, and indeed the Group, provide AIDN with invaluable insight into

various Defence issues and we are able to input our AIDN views as needed. Giving the Chapter Presidents a chance to view the workings of the AIG Defence Council is a good initiative and I expect this will continue;

- Kevin Carrol took the opportunity to visit the UK-Canada-Australia-U.S. Quadrilateral Conference in London during his trip to the USA this year. The Defence Industry Minister spoke at that conference and we are hopeful that his involvement will continue. We have been advised of an over budgeted contribution to AIDN from this conference so a good result.
- I represented AIDN members and other Defence SMEs as the SME co-chair of the Synthetic Environment Working Group;
- I was invited to speak at the 4th Annual Northern Australia Defence Summit in Darwin and the AIDN NT annual dinner. As previously stated the government of NT is certainly focused on Defence and the growth of the North;

I thought it would be instructive to review our AIDN 2016 activities in light of the revised AIDN Strategic Plan:

1. A reconsideration of the definition of value of money (VFM).

What has progressed? Defence has implemented the First Principles Review and has completely restructured. As a result CASG has changed their approach and channels for engaging with defence industry. The Government has released the DIPS 2016 and will shortly open the CDIC. All procurements since then have been given a greater focus on the level of Australian defence industry content. The VFM consideration has not yet formally changed but all procurement is being streamlined. There has been concern regarding SME access to the proposed new structure for the CASG SS Panel, which is the primary contracting method for SMEs providing 'above-the-line' services. It is an evolving space and AIDN needs to watch this closely. I have attended a number of forums and "kitchen cabinet" meetings with Industry Division to ensure that the SME view is included in defence industry's inputs to the panel review.

2. An Australian Government and Defence commitment to the establishment and implementation of ongoing support for Sovereign Capability programs

What has progressed? The Competitive Evaluation Process has become "de rigour" for major projects. The 30 year Shipbuilding Program is now in place. Stronger AIC commitment has been discussed and is included in the DIPS but we await new policy implementation and more importantly implementation steps. The CDIC will be a catalyst and as defence industry SMEs we need to be ready to participate

3. A Strategic Sourcing Program to further inform rigorous priorities for AIC Plans in projects.

What has progressed? Industry is now one of the nine Fundamental Inputs to Capability (FICs). CASG continues its significant downsizing with the "outsourcing of the SPOs" a priority for the DepSec, CASG. As detailed in above this includes some change to the above-the-line services contracting through the CASG SS panel.

It is apparent the recent policies related to Defence clearances has created a significant issue for Defence and Industry. AIDN must continue to work with Defence and the joint defence industry organisations (JDIOs) to seek a clear and usable method to ensure industry has the appropriate resources available to support Defence.

4. Innovation to be a key objective within the Strategic Sourcing Program.

What has progressed? The federal Government is seeking to create a culture of Innovation with Industry and this includes Defence. The Innovation Portal is now open. AIDN needs to monitor the implementation of this approach, to ensure SMEs maximise their participation in Innovation projects, while ensuring that SME IP is safeguarded. This access should include working directly with Defence as well as a member of a Primes' supply chain. AIDN will most probably need to appoint an "Innovation Lead" to coordinate our activities supporting members accessing Innovation opportunities.

5. Where AIC Plans fail to deliver Australian content of at least seventy-five percent of the value of projects including the first five years of Through Life Support, the contractor be required to implement an Australian Industry Participation Program (AIPP) to make up the shortfall.

What has progressed? Nothing! This is a relatively new platform in its current form and we now need to do the work to promote this platform to our members, the Defence Department and Government. AIDN should prepare a position paper with options related to this platform or ensure it is covered in the Communications Plan.

6. Prime Contractors be held accountable for the achievement of AIC KPIs in their contracts, with a requirement for annual reporting of progress. In addition, failure to fulfil the requirements of endorsed AIC plans to have real consequences for non-compliant prime contractors.

What has progressed? – No change yet. Again a modified platform. AIDN is pushing for measurable change and 'real teeth' to ensure compliance with the AIC KPIs. I attended an AIG and Industry Division "kitchen cabinet" on this issue and a KPI for achievement with fiscal and other penalties for non-achievement seem to be agreeable to the Primes, which is a very positive position.

7. Consistent with the Defence First Principles Review and the establishment of the Centre for Defence Industry Capability (CDIC), a strategically focussed and integrated system be put in place to manage all aspects of SME participation

What has progressed? – No change yet but AIDN needs to appoint a CDIC lead from the National Executive Committee to work with CDIC senior management.

We are continuing to look at ways to grown AIDN. Now that Strategic Plan is formally endorsed we can finalise our supporting documentation, particularly the Communications Plan and Service Level Agreements. We can also start on our longer term view of funding and making formal approaches to potential sponsors.

I thank all of the AIDN Chapter Presidents and Executive Officers who donate their time and energy to serve on the AIDN National Executive and report on so many Defence issues. Without their hard work it would be very difficult to represent the over 800 AIDN members and their interests in achieving our planned national goals.

On behalf of the membership of AIDN, I thank all Executive Committee members for their contributions to AIDN and in particular want to give strong praise to Gary Bettcher from AIDN NT for his devotion to the often thankless task of Treasurer in both National and the NT and to his focus. Thanks Gary.

Finally, I want to thank all of the AIDN membership for their support over the three years I have served as your National President. I have nominated to serve again and only time will tell! I wish

to sincerely thank Graham Priestnall, Immediate-Past President, and Rob Forbes the Vice-President for their assistance and council. I have great confidence that the new AIDN National Executive team will continue to build on the 'good work' of the previous National Executive Committees.

The other Chapter Presidents and Executive Officers have been very diligent and unsparing of their time but a special mention is deserved for Kerryn Smith and Trevor Duell of AIDN-SA (Defence Teaming Centre). Their considerable effort in developing the AIDN National strategic documents, is much appreciated.

Finally, might I say that I have thoroughly enjoyed representing defence industry SMEs and working to fulfil AIDN's goal of "Maximising Defence-related Business for Australian SMEs".

Thank you and Best Regards,

A handwritten signature in black ink that reads "Alan Rankins". The signature is written in a cursive, flowing style.

Alan Rankins
National President AIDN
01 December 2016