

# CHAPTER 6



## UPDATE ON PEOPLE AND RESOURCES

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WE PLACE A HIGH PRIORITY ON MAINTAINING A DEDICATED AND PROFESSIONAL WORKFORCE, AND ON EFFICIENT AND EFFECTIVE SYSTEMS.

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Defence is proud of its people, both military and civilian. It is our people who generate the capability, develop the knowledge and manage the resources necessary for Defence to do its job. We place a high priority on maintaining a dedicated and professional workforce, and on efficient and effective systems. Recruitment and retention are a strategic challenge: the contemporary ADF requires increasingly skilled personnel at a time of record employment in the Australian economy. This will require new and innovative approaches from managers across Defence and Government. The Government is investing in strategies aimed at ensuring the sustainability and effectiveness of the Defence organisation over the long term.

### RECRUITMENT AND RETENTION INITIATIVES

As the ADF's commitments on operations grow, Defence needs to grow to about 57,000 full-time military personnel over the coming decade. A total of \$3.1 billion is being invested in recruitment and retention initiatives for ADF men and women over ten years as they continue to protect and serve the nation.

In December 2006 the Prime Minister announced the allocation of \$1 billion for an **initial boost to the number of full-time personnel serving in the ADF.**

An additional \$2.1 billion has been allocated over ten years for the second phase of the programme. **The extra funding will benefit ADF personnel and their families,** by enhancing their remuneration and conditions of service.



Further, Defence has introduced a new strategic framework for **ADF personnel career management** with the goal of providing more flexibility and choice for both ADF members and the Defence organisation itself.

Defence aims to be recognised as an employer of choice. Achieving that goal is critical for the ADF if it is to grow to meet its planned **strength target of 57,000** over the coming decade.

## RESERVES

Reserves make a significant contribution to ADF readiness and its ability to undertake the range and number of tasks in which it is engaged. Recognising their importance, in 2005 Cabinet approved recommendations of the **Reserve Remuneration Review**, and Defence has since implemented its key recommendations. These include

- the removal of the discounted rate of salary for Reservists;
- the introduction of health support allowances for Active and High Readiness Reserves (HRR); and
- payment of completion bonuses for HRR members.

A service allowance for Reservists of the rank of major and below has also been approved. As well, public sector leave policies now allow for paid military leave in both federal and state government departments.

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**AT ANY ONE TIME, DMO HAS ABOUT \$100 BILLION DOLLARS OF PROJECTS AND SUSTAINMENT BUSINESS UNDER MANAGEMENT.**

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The Government recently approved a public awareness campaign that will specifically focus on the **reciprocal benefits to employers** of employing Defence Reservists. The campaign is part of the wider strategy undertaken by Defence to engage industry and assist in meeting specific 'capability gaps' that can be satisfied by Reservists with appropriate skills. A new '**Academic Support Policy**', under which institutions will provide academic and financial support to those Reservists who are undertaking tertiary study, has also been announced. The Government anticipates that the majority of Australia's 41 universities and TAFE colleges will have adopted the policy by end of 2007. All these initiatives underline the importance of the contribution Reserves make to Australia's defence and security needs.

## DEFENCE ACQUISITION AND INDUSTRY

Australia runs one of the world's most efficient, effective, and ethical military acquisition and sustainment systems.

Government approved the Kinnaird reforms in 2003 and these were successfully implemented through 2004 and 2005. On

1 July 2005, the Defence Materiel Organisation (DMO) became a Prescribed Agency with direct accountability to the Minister for Defence for DMO's performance and financial position in acquisitions and sustainment.

For major projects above \$20 million, Australia runs a two-pass Government approval process. Broad project definition and



acquisition strategy generally are agreed at first pass. Money is then allocated to de-risk projects and develop tender quality prices for Government at second-pass approval. The Government will invest money to retire certain risks in major projects before they reach final approval.

DMO has a budget to provide goods and services to the ADF approaching \$10 billion per year. The Chief Information Officer Group, the Defence Support Group, the Defence Housing Authority, Defence Science Technology Organisation (DSTO) and other groups invest a further \$3 billion to \$4 billion dollars per year in support of ADF capabilities.

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## AUSTRALIA'S DEFENCE INDUSTRY IS CRUCIAL TO OUR NATIONAL SECURITY AND IT UNDERPINS THE DEFENCE ORGANISATION'S ABILITY TO PERFORM ITS MISSION.

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DMO is arguably the largest project management and engineering services supplier in Australia with responsibility for over 200 major projects, more than 100 minor projects, the ongoing maintenance and upgrade of several hundred fleets of equipment, and support to military operations, including rapid acquisitions as required. At any one time, DMO has about \$100 billion dollars of projects and sustainment business under management. The DMO is charged with the responsibility for delivering some of the most advanced and complex military equipment available in the world today and as such must continue to assume and manage engineering risk. Without a calculated and measured approach to acquisition the Government risks the ADF's capability edge.

Australia's defence industry is crucial to our national security and it underpins the Defence organisation's ability to perform its mission. The Government released a new defence industry policy in March 2007 that sets out nine key strategies to achieve the goal of ensuring the men and women of the ADF are equipped and supported through an efficient and capable industry base. The Government will preserve and develop a strategic and cost-effective way to equip and sustain the ADF, and seeks to encourage Australian defence industry by providing business opportunities, boosting skills development, facilitating exports, and backing innovation.

It is important that Australian defence industry will continue to make a significant contribution to delivering the Defence Capability Plan (DCP) in a timely and cost-effective way. Approvals of several very large projects in the coming year will create opportunities for industry to gain valuable work in the aerospace, maritime, electronic systems and weapons and munitions sectors. For example, between them, the AWD and LHD projects will inject \$4.5 billion into Australian industry, providing work for more than 1,000 contractors and 3,500 new jobs across the country. This significant increase in business will be a challenge for local industry to meet Defence's schedule and capability demands, and sustain a realistic share of Defence's acquisition and sustainment budgets.

## THE DEFENCE ESTATE

The Defence Estate includes some 400 owned properties across the nation, encompassing both the built and natural environment. Through its responsibility for the infrastructure, facilities and training ranges contained on the Estate, the Defence Support Group (DSG) manages the living, working



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## THE AWD AND LHD PROJECTS WILL INJECT \$4.5 BILLION INTO AUSTRALIAN INDUSTRY.

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and training environment for the Defence organisation. This infrastructure and the broad range of DSG services that support them are a fundamental input to Defence capability. Pressures on Defence Estate funding has been partially offset by recent increases in funding for repair and maintenance functions and Defence continues to rationalise bases and facilities to ensure the most efficient use of facilities resources.

The Major Capital Facilities Program (MCFP) is a ten-year plan for Defence base infrastructure and facilities redevelopment. The current plan will see \$4.5 billion invested in the Defence Estate in the coming ten years. In the last three financial years, Defence has sought and gained government approval for 24 major infrastructure projects at a total

estimated value of over \$2 billion. These include base redevelopments at:

- Lavarack Barracks in Townsville, Queensland;
- Simpson Barracks in Melbourne, Victoria;
- Kokoda Barracks in Canungra, Queensland;
- RAAF Base Amberley, Queensland; and
- RAAF Base Pearce, Western Australia.

Other projects include works at:

- HMAS Cairns, Queensland;
- HMAS Coonawarra in Darwin, Northern Territory;



- HMAS Creswell at Jervis Bay, ACT;
- RAAF Base Townsville, Queensland; and
- the Holsworthy Program of Works, Sydney, New South Wales.

The MCFP will see an additional \$4.5 billion spent on facilities needed to support major capital equipment projects and major government initiatives such as the Hardened and Networked Army and Enhanced Land Force. That will increase the capital works projects to be managed by Defence and delivered by industry over the next ten years.

## INTELLIGENCE UPGRADES

Intelligence remains the first line of defence in both traditional military operations and in combating terrorism. The Government has made investments to improve the ability of

our intelligence agencies to gather, analyse and act on intelligence information. The relationship between the ADF and defence intelligence agencies has transformed over recent years with significant operational and tactical benefits being derived from those agencies' strategic intelligence capabilities.

To support the Australian Defence Force's current high level of activity in multiple theatres, the Defence Intelligence Organisation, Defence Signals Directorate and the Defence Imagery and Geospatial Organisation have expanded their activities to include direct support to the theatres of operations, providing timely fused intelligence products to support commanders and troops. This has significantly aided commanders' decision making and directly contributed to saving the lives of Defence personnel.

# DEFENCE MANAGEMENT REFORM

The report of the Defence Management Review (DMR) team was released by the Minister for Defence in April 2007. The report noted the impact on Defence management of a continuing high operational tempo and pointed to the importance of building strong, flexible and responsive management and decision-making systems. The DMR was asked to assess Defence's organisational efficiency and effectiveness and make recommendations on its management structures, leadership, decision making, non-operational business processes and information systems and processes.

The Government's response to the DMR's findings forms the core of a comprehensive reform agenda designed to ensure that all areas of Defence and the supporting internal systems and processes are fully able to support current operations and to deliver Defence's future operational and military capability requirements.

The reform programme includes a range of existing and new initiatives that focus on four important themes. First, **accountability and governance** – ensuring our accountabilities are clearly defined and devolved to the lowest appropriate level under an agreed Defence Business Model. Second, **supporting our Minister** – strengthening the ability of Defence people to support the Minister and his portfolio colleagues, and whole-of-government decision making, with high-quality, timely and accurate advice. Third, **people management** – building a skilled, adaptable and responsive workforce, and strengthening our strategic personnel policy capacity. Finally, **business system reform** – ensuring our underlying business processes

are focused on the efficient and effective delivery of Defence outcomes.

Some of the major initiatives now being implemented by Defence as a result of the DMR include the following.

**Revising our governance framework.** The existing governance framework will be reviewed and streamlined to ensure that accountabilities (including for joint activities) and resource ownership issues are clearly defined and governance processes are not overly burdensome.

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THE DEFENCE MANAGEMENT REVIEW...POINTED TO THE IMPORTANCE OF BUILDING STRONG, FLEXIBLE AND RESPONSIVE MANAGEMENT AND DECISION-MAKING SYSTEMS.

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**Policy Development.** A new policy development team has been established to work with subject-matter experts on particularly complex and sensitive policy issues to transfer policy skills throughout Defence.

**Personnel Function.** A new strategic personnel policy function is being developed to focus on policy, planning and evaluation in relation to key issues such as recruitment and retention, remuneration and reward, people development, leadership and the working environment.

**Business Systems and Process Review.** A more comprehensive business process review is under way to strengthen the business processes and systems which generate the information needed to manage Defence effectively, and to enhance the capacity of Defence to understand, estimate, and model costs.

**Financial Reform.** Existing financial reform, centred around financial statement remediation, building financial management skills, and improving resource management, will be expanded to improve visibility of costs for function, products and capabilities, and building predictive cost models to assess and advise Government on the long-term costs of Defence capability.

**Information and Communication Technology (ICT) Reform.** A substantial information technology reform agenda is being pursued to ensure that all areas in Defence have the technology and information system support to make informed decisions. The initiatives range from the development of a structured Defence-wide ICT strategy to benchmarking information technology in Defence against industry best practice and improving the engagement between customer and provider groups.

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## SUMMARY

**Defence continues to improve the support provided to Government, particularly through its workforce and systems. People remain a priority, and the Government continues its efforts to ensure the Defence organisation has the workforce it needs to undertake the tasks assigned to it by Government.**

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