

CHAPTER 4

ENABLING BUSINESS PROCESS

DEFENCE REFORM PROGRAM

OVERVIEW

The Defence Reform Program commenced in April 1997 and was closed as at 30 June 2000. With a new planning environment to operate from 2001-02, reporting on the Defence Reform Program as if it had operated through 2000-01 provides continuity. While this is the last report on the Defence Reform Program per se, all incomplete initiatives will be carried forward. From 2001-02, matters relating to ADF remuneration will be administered separately, while other initiatives will be reported on within the improvement initiatives section.

The Defence Reform Program achieved much. All findings from the precursor Defence Efficiency Review have been acted on and work on most agreed recommendations has been completed. The status of the remaining recommendations is outlined in Table 4.1 overleaf.

The Defence Reform Program will be remembered primarily as a savings exercise, but it has also significantly changed Defence by eliminating many functional stovepipes, changing command and control structures and creating new functional organisations. Without the Defence Reform Program as a precursor, today's renewal agenda would not have been possible.

An internal review has been completed, as has an ANAO audit¹. The lessons to be learned from the implementation of the Defence Reform Program have been identified in the audit report and will be pursued.

¹ The ANAO Audit Report No. 16, *Defence Reform Program Management and Outcomes*, was released in October 2001.

Table 4.1: Status of Incomplete Defence Efficiency Review Recommendations

Recommendation	Status
R10 The number of headquarters and personnel employed at the operational level of command should be reduced.	Action cannot be completed until the full establishment of Headquarters Australian Theatre.
R34 A system of internal rents should be introduced to change the culture that facilities are a 'free good'. This will expose the full cost of ownership and encourage a more business-like approach to holding assets.	After further review, Defence changed the approach. Customer-Supplier Arrangements will be implemented across Defence from 2001-02.
R37 Defence, with the assistance of industry, should develop a more efficient storage and distribution system which can accommodate its operational requirements.	Market testing of the Defence Integrated Distribution System is to recommence with retendering.
R38 A single Personnel Executive should be formed with the specific intent of achieving greater commonality, integration and efficiency in personnel administration and management amongst the three Services and the Department.	The Defence Personnel Executive has been formed. Policy action is complete. The task of streamlining and rationalising the single Service and civilian personnel structures is ongoing.
R40 The principle of payment for job type, rather than qualifications held, should be applied more widely and used to determine salaries for individual jobs, rather than the use of variable allowances.	The Nunn review of Australian Defence Force Remuneration was released in October 2001.
R41 All basic non-military training, where appropriate, should be merged across the three Services, contracted out to recognised civil institutions, and then topped-up on-the-job in military facilities.	Progressive rationalisation of common non-military training is under way. A decision as to contracting out is taken on each rationalisation project.
R42 The availability of the Australian Defence Force Academy to all members of the ADF and to Defence and other civilians to undertake mature-age, full-time and part-time studies should be more strongly encouraged.	The Zimmer report into educational arrangements at the Australian Defence Force Academy is to be reviewed by the Minister later in 2001.
R48 Medical services need to be pulled together and rationalised, taking account of community expectations and civil arrangements.	Market testing of health services continues, with initial results not due until late 2001.

RESOURCE EFFICIENCIES

The implementation of Defence Reform Program initiatives remained essentially on target. Some slippage in the market testing of logistics initiatives was offset by a decrease in funding for logistics contracts. By 30 June 2001, the overall ongoing gains were \$613m per annum compared with a revised estimate of \$667m per annum (a shortfall of \$54m or eight per cent). The variations are explained in the paragraphs that follow the tables.

Table 4.2: Defence Reform Program Cumulative Resources Available for Reinvestment by Major Category⁽¹⁾

	2000-01	2000-01	2000-01	Variation	
	Budget Estimate	Revised Estimate	Actual	\$m	%
	\$m	\$m	\$m	\$m	%
Defence Reform Program Category					
Defence Command and Management Arrangements	18.8	18.8	18.8	0.0	0.0
Intelligence	3.8	3.8	3.8	0.0	0.0
Capability Development	0.1	0.1	0.1	0.0	0.0
Acquisition and Industry	38.7	38.2	34.8	-3.4	-8.8
Science and Technology	5.5	5.5	5.5	0.0	0.0
Facilities and Long Term Force Disposition	11.8	11.8	11.8	0.0	0.0
Logistics	172.7	177.2	133.2	-44.0	-24.8
Personnel Planning	38.2	38.2	6.8	-31.4	-82.2
Education and Training	57.1	57.1	56.9	-0.2	-0.4
Administrative Support	486.9	489.5	490.2	0.7	0.1
Information Management	35.8	27.9	27.9	0.0	0.0
Defence Cooperation	0.0	0.0	0.0	0.0	0.0
Total	869.3	867.9	789.7	-78.3	-9.0
Other					
Unallocated ⁽²⁾	61.4	54.6	0.00	-54.6	-100.0
Superannuation	169.7	134.9	125.5	-9.3	-6.9
Fringe Benefits Tax	31.1	27.1	25.5	-1.6	-5.8
Total Gross Resources Available	1,131.5	1,084.5	940.7	-143.8	-13.3
Contracts Funded and Provision for Budget Year Contracts ⁽³⁾	-418.7	-428.3	-334.4	93.9	21.9
Total Net Resources Available	712.8	656.2	606.3	-49.9	-7.6
One-Off Gains					
Capital Facilities	35.0	7.0	0.5	-6.5	-92.9
Equipment and Stores	0.0	0.0	2.5	2.5	100.0
Defence Cooperation (one-off elements)	4.0	4.0	4.0	0.0	0.0
Total One-Off Gains	39.0	11.0	7.0	-4.0	-36.0
Total Resources Available for Reinvestment	751.8	667.2	613.3	-53.9	-8.1

Notes

1. Figures have been price updated to 2000-01 prices. Figures may not add due to rounding.
2. The planned unallocated savings line was included erroneously in both the budget and additional estimates statements. In previous years, the unallocated line represented the savings from initiatives that were expected to be identified during the budget year.
3. The estimate figures included funding previously allocated to contracts and a provision for contracts to be funded during 2000-01. Market testing slippage has affected the actual result.

Table 4.3: Cumulative Defence Reform Program Military Personnel Reductions by Major Category⁽¹⁾⁽²⁾

Defence Reform Program Category	2000-01	2000-01	2000-01	Variation	
	Budget	Revised	Actual	ADF	%
	Estimate	Estimate	ADF	ADF	%
Defence Command and Management Arrangements	189	189	189	0	0
Intelligence	27	27	27	0	0
Capability Development	-1	-1	-1	0	0
Acquisition and Industry	278	278	213	-65	-23.4
Science and Technology	100	100	100	0	0
Facilities and Long Term Force Disposition	56	56	56	0	0
Logistics	3,258	2,517	1,691	-826	-32.8
Personnel Planning	942	942	942	0	0
Education and Training	909	909	905	-4	-0.4
Administrative Support	4,542	4,542	4,542	0	0
Information Management	340	340	340	0	0
Total	10,640	9,899	9,004	-895	-9.0

Notes

1. These savings represent cumulative ongoing ADF personnel numbers reduced or redirected to priority combat positions as a result of rationalisation, streamlining or market-testing activities carried out as part of the Defence Reform Program.
2. These figures do not include the reinvestment of Defence Reform Program resources in ADF personnel (see Table 4.5).

Table 4.4: Cumulative Defence Reform Program Civilian Personnel Reductions by Major Category⁽¹⁾⁽²⁾

Defence Reform Program Category	2000-01	2000-01	2000-01	Variation	
	Budget	Revised	Actual	APS	%
	Estimate	Estimate	APS	APS	%
Defence Command and Management Arrangements	159	159	159	0	0
Intelligence	37	37	37	0	0
Acquisition and Industry	310	310	310	0	0
Science and Technology	1	1	1	0	0
Facilities and Long Term Force Disposition	91	91	91	0	0
Logistics	1,072	732	836	104	12.4
Personnel Planning	163	163	163	0	0
Education and Training	112	112	112	0	0
Administrative Support	1,969	1,969	1,969	0	0
Information Management	221	76	76	0	0
Total	4,135	3,650	3,754	104	2.9

Notes

1. The figures in the tables represent the cumulative ongoing reductions of Australian Public Service personnel numbers rather than the average strength.
2. These figures do not include the reinvestment of Defence Reform Program resources in APS personnel (see Table 4.5).

LOGISTICS

The final stages of the market-testing program for the F-111 and C-130 avionics, F-111 weapons systems and F-111 engines initiatives have slipped. This has delayed the recognition of savings in operating costs, resulting in a decrease of 826 military personnel and \$44m against the revised estimates. The increase in civilian personnel reductions against the revised estimate arose from restructuring activities.

PERSONNEL PLANNING

The figure of \$31.4m of planned savings was wrongly inserted in both the budget and additional estimates statements. The 2000-01 budget and revised estimate should have been \$6.8m.

CAPITAL FACILITIES

A \$6.5m shortfall in savings required from the capital facilities program was due to delays in the sale of the Torrens Parade Ground in South Australia, Wacol in Queensland and Gan Gan in New South Wales.

EFFICIENCY GAINS

REINVESTMENT IN DEFENCE REFORM PROGRAM CATEGORIES

A total of \$872m was reinvested in combat capabilities in 2000-01. The focus was firmly on the maintenance of the ADF full-time strength at no lower than 50,000 and on new capital investment and logistics. As at 30 June 2001, cumulative reinvestment in current and future capability (\$1,657m) and in transition costs (\$353m) was \$2,010m.

The annual and cumulative reinvestment amounts exceeded Defence Reform Program savings. The approach of programming greater reinvestment than savings was adopted because of the uncertainty about lead times and achievable expenditure spreads, particularly in equipment and logistics items. Additional expenditure in a particular year was funded from within the overall Defence budget.

Table 4.5: Reinvestment In Defence Reform Program Categories⁽¹⁾

	2000-01 Budget Estimate	2000-01 Revised Estimate	2000-01 Actual	Variation	
	\$m	\$m	\$m	\$m	%
Total DRP Resources Available	751.8	667.2	613.3	-53.9	-8.1
Reinvestment Details					
New Capital Investment	175.5	175.5	175.5	0.0	0.0
Provision for 50,000 ADF	347.1	318.1	318.1	-0.1	-0.0
Output 1: Defence Operations ⁽²⁾	24.3	24.3	24.3	0.0	0.0
Output 2: Navy Capabilities ⁽²⁾	126.8	126.8	126.2	-0.6	-0.4
Output 3: Army Capabilities ⁽²⁾	68.9	68.9	68.8	-0.1	-0.1
Output 4: Air Force Capabilities ⁽²⁾	92.5	92.5	90.2	-2.4	-2.6
Output 5: Policy Advice ⁽²⁾	6.8	6.8	7.0	0.2	2.9
Defence Reform Program Transition Costs	52.9	52.9	62.4	9.5	15.2
Total Reinvestment in DRP Categories	894.8	865.8	872.4	6.6	0.8
Less Funded elsewhere from Defence Budget	-143.0	-198.6	-259.1	-60.5	-23.4
Total Reinvestment from DRP Resources	751.8	667.2	613.3	-53.9	-8.1

Notes

- These figures have been price updated to 2000-01 prices. Figures may not add due to rounding.
- The breakdown of output reinvestment by category is as follows:

	2000-01 Budget Estimate	2000-01 Revised Estimate	2000-01 Actual	Variation	
	\$m	\$m	\$m	\$m	%
Amphibious Capabilities	14.4	14.4	14.4	0.0	0.0
Capability Related Logistics	172.4	172.4	172.4	0.0	0.0
New Capabilities (Net Personnel and Operating Costs)	112.4	112.4	109.8	-2.6	-2.3
Defence Science Capability	15.8	15.8	15.5	-0.3	-1.8
Pilot Training	4.2	4.2	4.2	0.0	0.0

NEW CAPITAL INVESTMENT

As the assignment of resources to individual projects would be arbitrary and artificial, the amount available for reinvestment was used to increase the level of funding available for new equipment. As at 30 June 2001, a cumulative total of \$260m was invested in new capital equipment, including \$176m in 2000-01. This investment has not been reported by output, but is reported as a single line in Table 4.5.

PROVISION FOR 50,000 ADF

The Defence Reform Program proposed to reduce the ADF permanent force to 42,700 personnel (from a baseline of 56,600) through reductions and the market testing of Service positions. That figure was revised subsequently to 50,000. As at 30 June 2001, a cumulative total of \$436m, including \$318m in 2000-01, has been assigned to the provision for the 50,000 ADF. Increasing the number of personnel in the combat force from 24,300 to 31,700 (ie from 42 per cent to over 60 per cent of the permanent force) represents the largest reinvestment of reform savings. This investment has not reported by output, but is reported as a single line in Table 4.5. The ADF strength target was revised in the White Paper to 54,000 full-time personnel by 2010.

CAPABILITY-RELATED LOGISTICS

\$172m was invested in additional logistic support in 2000-01, bringing the cumulative total to \$563m. Funding in 2000-01 was provided to major surface combatant, naval aviation, submarine, amphibious lift, air lift and tactical fighter operations.

NEW CAPABILITIES – NET PERSONNEL AND OPERATING COSTS

A cumulative total of \$256m, including \$110m in 2000-01, has assisted in meeting the increased personnel and operating costs associated with bringing new capabilities into service. Expenditure has been directed to areas such as the Super Seasprite helicopters, Anzac frigates, Collins-class submarines and the hydrographic ship.

PILOT TRAINING

A cumulative total of \$13.6m, including \$4.2m in 2000-01, has been invested to enhance capabilities for air strike/reconnaissance and tactical fighter operations by addressing the fast-jet pilot shortfall. The investment seeks to increase the number of fast-jet suitable graduates from each pilots' course from around 10 per year to between 20 and 25 per year.

TRANSITION COSTS

Transition costs of \$62.4m were expended in 2000-01, bringing the cumulative total to \$353m. The increase in expenditure was due to market-testing slippage.

ADMINISTRATIVE SAVINGS INITIATIVE

In the 1996-97 budget, Defence made a reduction in administrative expenditure totalling \$125m per annum (subsequently increased to \$136m per annum), which has been reallocated to a range of capability-related expenditure initiatives. The

budget reallocation of \$140.8m was increased to \$150.4m, with a subsequent actual of \$144.2m. Major expenditure activities comprised a range of combat capability enhancements, including the acquisition of the Black Hawk maintenance training aid, air-to-air weapons, two additional Chinook helicopters and the partial upgrade to the F-111G. The variation in expenditure was due to slippage in the establishment of a second major servicing line for the F-111 strike aircraft, lower than anticipated expenditure associated with the submarine 'fast track' letting of contracts and an underspend in the extension of the ADF home owner scheme to Reservists.

Table 4.6: Administrative Savings Initiative⁽¹⁾

Initiative Category	2000-01	2000-01	2000-01	Variation	
	Budget Estimate	Revised Estimate	Actual	\$m	%
	\$m	\$m	\$m		
Programmed Savings	135.7	135.7	135.7	0.0	0
Programmed Reallocation:					
Land Force Capabilities	31.4	39.8	42.0	2.2	5.2
Strike	7.9	8.8	4.9	-3.9	-44.3
Maritime and Air Defence	76.4	76.4	77.1	0.8	1.0
Command, Control, Communications, Intelligence	15.0	14.0	11.2	-2.8	-20.0
Personnel Initiatives	10.1	11.5	9.0	-2.5	-21.0
Other Government Initiatives	0.0	0.0	0.0	0.0	0.0
Total Reallocation⁽²⁾	140.8	150.4	144.2	-6.2	-4.0

Notes

1. Figures have been price updated to 2000-01 prices. Figures may not add due to rounding.
2. These initiatives have projected gross expenditure levels in excess of the resource reallocations. This approach has been adopted because of uncertainty about the lead times and achievable expenditure spreads, particularly in equipment and logistics items. Expenditure in a particular year has been matched to the funds available by provision of extra funds from within the overall Defence budget.

COMMERCIAL SUPPORT PROGRAM

OVERVIEW

The Commercial Support Program is Defence's primary mechanism for undertaking competitive tendering and contracting. The program, which began in 1991, aims to ensure that support services are provided to Defence in the most cost-effective manner by contracting out those services where it is operationally feasible, a viable market exists and industry can demonstrate better value for money.

Although the Defence Reform Program has closed, the associated market testing will be completed. The Commercial Support Program will continue as a change management tool under a program of continuous improvement but, in view of the extensive testing completed under the Defence Reform Program, the future rate of testing will be reduced. A progress summary, as at 30 June 2001 and based on information provided at the time of decision announcement, is shown below.

Table 4.7: Status of the Commercial Support Program as at 30 June 2001

CSP Evaluation Decisions Made	115	
Commercial Contracts	77	(67%)
In-House Options	31	(27%)
Status Quo Retained	7	(6%)
Total Value of Commercial Contracts and In-house Options	\$4,535m	
Number of Positions Tested	14,249	
Projected recurring annual savings to date	\$358m	
Mean projected annual savings	31%	

RESULTS

See overleaf.

Table 4.8: Forecasts Achieved

501 Wing (RAAF Amberley) – F-111 Engines		July 2000	October 2000	-	Achieved October 2000	149.4	10	0.3
Army Engineering Agency Engineering Manufacturing Unit		July 2000		December 2000	Achieved November 2000	4.5	3	1.6
Clerical and Administrative Support – Sydney Combined		September 2000	September 2000	-	Achieved September 2000	23.8	5	4.7
Clerical and Administrative Support – ACT/Southern NSW		July 2000	August 2000	-	Achieved August 2000	47.4	5	6.5
501 Wing (RAAF Amberley) – F-111 Weapons Systems			August 2000		Achieved August 2000	471.2	10	2.6
Electronic Warfare Training Services			August 2000		Achieved August 2000	60.8	10	-0.4
ADF Explosives Ordnance Storage Maintenance and Distribution Project		-	-	December 2000	Achieved November 2000	250.0	10	23
Army Engineering Agency – Laboratories		-	-	December 2000	Achieved November 2000	20.0	5	1.8
501/503 Wing Avionics	July 2000				Decision Announced July 2000	169.0	7	5.4
Re-testing of Facilities and Property Operations – DSTO Melbourne	July 2000				Decision Announced July 2000	2.0	3	0.1
Naval Materiel Requirements Data Management	Scope being reviewed				Did not proceed as a market testing activity (only 9 positions identified)	n/a	n/a	n/a
Joint Logistics Unit – South Edinburgh Airfield Services	Scope reviewed				Activity Subsumed by other activities	n/a	n/a	n/a
Mechanical Engineering Operational Maintenance Function	Scope reviewed				Activity Subsumed (or rationalised) with parts placed into service contracts	n/a	n/a	n/a
Army Engineering Agency Engineering Proof and Experimental ⁽³⁾					Decision to leave as status quo announced November 2000	n/a	n/a	n/a

Notes

1. Contract value and duration provided at time of decision announcement.
2. Expected annual savings estimated at time of decision announcement.
3. Last referred to in 1999-2000 PAES (p23) as a test and evaluation function under Market Testing – Support Command activities.



Table 4.9: Forecasts Not Achieved

Activity Name	PBS 2000-01 (Table 1.14) Expected Decision	PAES 2000-01 (Table 1.12) Decision Announced	PAES 2000-01 (Table 1.13) Revised Expected Decision	Comment
ADF Health Services in Victoria ⁽¹⁾	November 2000	-	May 2001	Delayed due to the complexities involved in the tender evaluation. Announcement expected in September 2001. ⁽²⁾
Woomera Support Services	October 2000	October 2000	-	Delayed due to extended negotiations. Announcement expected in August 2001. ⁽²⁾
Publishing and Printing Services	October 2000	-	June 2001	Announcement expected in August 2001. ⁽²⁾
Defence Integrated Distribution System	-	-	December 2000	Current process terminated. Replacement activity being planned.
Maintenance of T56 Engines	October 2000	-	-	Erroneously reported as a market testing activity (p 33 of 2000-01 <i>Portfolio Budget Statements</i>). The activity was a re-letting of an existing contract.

Notes

1. Formerly known as 'Victorian Health Services'.
2. Decision announced.

Table 4.10: Market Testing Activities to be Progressed or Considered

Activity Name
Routine Pathology Services (<i>Originally identified in the PBS 1999-2000 Table 1.2</i>)
ADF Health Services in Northern Queensland
ADF Health Services in Northern Territory
ADF Health Services in Southern Queensland
ADF Health Services in Sydney NSW Region
ADF Health Services in Western Australia
ADF Health Services in South Australia
ADF Health Services in Tasmania
Ground Electronic Maintenance Function
Army Marine Platforms and Systems
Submarine Escape Training Facility
Defence IT Infrastructure Services
Corporate Services (for Defence Personnel Executive)
Garrison Support Hunter Valley Region



DEFENCE MATERIEL REFORM

The Minister for Defence approved the establishment of the Defence Materiel Organisation on 22 June 2000, through the amalgamation of the Defence Acquisition Organisation, Support Command Australia and part of National Support Division. The rationale behind the amalgamation was to improve the delivery of equipment, systems and related goods and services to the ADF by integrating acquisition and through-life support activities into a whole-of-life capability management system. The Defence Materiel Organisation came into effect on 1 July 2000 and structural and organisational changes to the organisation were achieved by December 2000.

The reform strategy adopted by the Defence Materiel Organisation has been designed to:

- integrate the acquisition and support elements of its business and locate them appropriately with customers;
- reform its processes based on commercial approaches and best practice;
- adopt a more strategic approach to its relationship with industry;
- improve its relationship with stakeholders and customers; and
- create the climate where its people are valued and can do their best.

Integrated system program offices that have a whole-of-life focus have replaced the previous arrangement of separate acquisition project offices and support units. System program offices are generally located near their ADF customers - the force element groups. This will entail relocating civilian and military project management staff from Canberra to regional areas throughout Australia.

In recognition of the personal impact that relocations have on people and their families, a mobility management unit has been established to assist officers planning to relocate, and special arrangements have been put in place to assist with the financial and material aspects of relocation. Planning for, and the relocation of, the organisation's acquisition and support elements is well advanced and staff commenced relocating in January 2001. Projections for the relocation of Defence Materiel Organisation positions from Canberra to regional areas and between regional areas are presented in the table that follows.

Table 4.11: Projections for Relocation of Project Management Staff

From	To	Number of Positions	By
Canberra	Wollongong (New South Wales)	21	October 2001
Canberra	East Sale (Victoria)	6	December 2001
Canberra	Oakey (Queensland)	10	December 2001
Canberra	Adelaide	10	January 2002
Canberra	Amberley (Queensland)	51	January 2002
Canberra	Melbourne	169	January 2002
Canberra	Nowra (New South Wales)	44	January 2002
Canberra	Perth	45	January 2002
Canberra	Sydney	101	January 2002
Canberra	Williamstown (New South Wales)	40	January 2002
Melbourne	Perth	25	January 2002
Newcastle	Sydney	14	January 2002
Cairns	Darwin	7	January 2003
Canberra	Darwin	6	January 2003
Canberra	Edinburgh (South Australia)	88	December 2003
Melbourne	Canberra	71	January 2003

By December 2001, some 1,700 military and civilian staff positions in the Defence Materiel Organisation will be located in Canberra. These positions represent less than 20 per cent of a total staffing of approximately 8,000.

REFORM PLAN

A reform plan has been developed to implement and deliver individual initiatives flowing from the Defence Materiel Organisation's reform strategy, with performance achievements measured against a balanced scorecard. The notable reforms that have been achieved are discussed below.

Governance arrangements have been adopted at the executive level of the organisation to take a broad corporate business perspective rather than the previous functional-based approach. Greater attention is being paid to risk and risk management at all levels of the organisation.

The Government has agreed to a two-pass approval process for the acquisition of new capital equipment for the ADF. In the early stages of capability analysis, the Government will be provided with a range of new investment options to fill a capability gap. At this stage, first-pass approval is sought to develop specific options. In the second-pass process, the Government will be provided with the necessary level of detail to make an informed decision on acquisition and through-life support resource implications. Defence will undertake to deliver against the business case underpinning the approved option.

Consulting with industry in the preparation stage of tenders is now a regular feature of the bidding process for major procurements. This enables the identification of greater potential for industry innovation and value adding through the elimination of unnecessarily prescriptive requirements. Requirements are now expressed in function and performance terms.



Cumbersome and time-consuming source selection committees have been replaced by revised management arrangements that devolve responsibility and accountability. The result of these changes has been to shortlist earlier in the tender evaluation process and to substantially reduce the time taken from source selection to the award of a contract, thereby reducing the cost to unsuccessful bidders of keeping bid teams together.

A more rigorous approach has been introduced to major capital equipment project reviews which adopt principles of private sector company boards. New project governance board arrangements are being put in place which provide for regular independent, objective and expert review of commercial, financial, technical, contractual and legal aspects of projects and contracts.

A company scorecard system has been implemented to make regular assessments of contract performance of major suppliers and to provide companies with feedback on their performance. A company's previous performance now features as a significant factor in tendering and source selection. The assessment system will be extended shortly to include company assessments of the Defence Materiel Organisation's performance.

Market testing of support functions continues to identify activities that can more effectively be undertaken by the commercial sector. In 2000-01, 12 market-testing activity decisions were made; of these, six activities were awarded to the commercial sector.

The Standard Defence Supply System upgrade project will improve end-to-end supply chain management, asset and consignment visibility, inventory management capability and warehousing practices, and enable e-business, financial, performance management and reporting. During 2000-01 the management of the project was contracted and initial design completed.

During 2000-01, there were also significant enhancements to the supply system to meet user needs and to address audit findings identified by both the ANAO and the Management Audit Branch.

REFORM OF TENDER PROCESS

Defence, through the Defence Materiel Organisation, has implemented major reforms of its tendering process for strategic acquisition in 2000-01. A new tendering and contracting template, Strategic Materiel Acquisition Request for Tender (SMART) 2000, has been developed for major projects. The template uses plain English drafting principles, reflects commercial realities and reduces the cost of tendering.

The SMART 2000 template was released in October 2000 for use by Defence in the procurement of strategic major capital equipment and systems. During the development of the SMART 2000 template, an extensive consultation process with industry, commercial advisers and Defence procurement staff was undertaken. The new template will:

- share risk more appropriately;

- adopt a more commercial approach to acquisition;
- streamline the tender process; and
- ensure that principles like value for money and accountability continue to be satisfied.

A companion SMART 2000 handbook was released in March 2001, containing guidance on the use and interpretation of the template. A SMART 2000 enhancement project was established in May to develop a generic statement of work for large software intensive projects.

Following the release of SMART 2000, contracting policy has begun a review of other contracting templates, in order to produce a new standard 'complex' procurement request for tender template for the acquisition of supplies.

ALLIANCE CONTRACTING

Alliance contracting represents a fundamental change to traditional contracting methods. Alliance contracting is an alternative contracting model in which the parties assume a degree of joint management responsibility for the acquisition of a capability. Alliance concepts comprise open book accounting, target cost identification, risk/reward payment structures, risk sharing and integrated project team structures. The focus of alliance contracts is on the ability of the parties to work in a close and cooperative alliance, rather than in the traditional 'adversarial' relationship. All alliance participants share both the risks and rewards, and a major outcome of an alliance is that costs are driven down through continuous improvement and innovation. The Commonwealth's rewards are the achievement of goals in accordance with the project's objective and business case. The contractor's reward is the earning of profit.

The concept of alliance contracting represents a significant departure from the traditional Defence contracting approach and is potentially a dynamic procurement tool to assist in obtaining best value for money. The Defence Materiel Organisation is piloting alliance contracting in two projects – the light weight torpedo and Anzac ship projects. The contract for the first phase of the light weight torpedo project commenced in April 2000. The Anzac systems office is also piloting the use of the alliance-contracting strategy to implement and manage change in the Anzac-class ships.

PURCHASING

The following provides an assessment of Defence's performance against core purchasing policies and principles (including the participation of Australian and New Zealand enterprises and small/medium businesses).

PROCUREMENT POLICY AND TRAINING

The *Defence Procurement Policy Manual* consolidates policy guidance and information for use across all categories of Defence procurement. It describes the core policies and principles contained in the *Commonwealth Procurement Guidelines*



and outlines how Defence will comply with these guidelines when conducting its procurement activities. The core policies and principles are:

- value for money;
- open and effective competition;
- ethics and fair dealing;
- accountability and reporting;
- national competitiveness and industry development; and
- support for other Commonwealth policies.

A major review of the manual is being conducted to update its content and incorporate recent policy developments commenced in February 2001. The manual is scheduled for release in December 2001.

Defence runs a procurement training program, to ensure that staff involved in procurement activities are aware of the Commonwealth and Defence procurement guidelines and their responsibilities under them. In 2000-01, 1,030 Defence personnel undertook training in 'simple' procurement, while 1,525 modules of the 'complex' procurement program were completed. Simple procurements usually are for low-level, off-the-shelf items and for purchases made against Common Use Arrangements and/or Defence Standing Offers. Simple procurement is generally conducted under routine supervision in an environment where established routines, methods and procedures and small degrees of risk are involved. Complex procurement is generally carried out without supervision and under limited guidance within a broad framework of policy and best practice. As the procurement activity becomes more complex, both the degree of risk involved and the level of expertise and professional judgment required become greater.

CONTRACT REPORTING

To demonstrate openness in procurement, Defence, like other government agencies, reports all contracts valued at \$2,000 and above in the Commonwealth Government Gazette. In 2000-01, approximately 50,000 Defence contracts were reported in the gazette. Exemptions from reporting can be obtained in writing from the Secretary of the Department of Defence under the *Freedom of Information Act 1982*.

Defence promulgates additional information on contracts valued at \$100,000 and above on its 'Buying Australian' website [<http://ba.dao.defence.gov.au/main.htm>]. Contracts reported on the website must advise whether any off-shore purchases were made as part of the contract and the reasons for purchasing off-shore. In 2000-01, approximately 3,500 purchases were reported on the website. In addition to this, amendments are being made to the financial management system requiring procurement areas to report the anticipated Australian and New Zealand content of the contract at the time purchase orders are raised.

In 2000, an audit of the reasons for procuring from overseas was undertaken by Defence. Following the audit, off-shore purchases reporting has improved and now covers 80 per cent of the value of all procurements.

INTELLECTUAL PROPERTY

Over the past year, Defence has sought to improve the effective management of intellectual property. This has seen the development of several initiatives, the more notable of which are listed below.

- Intellectual property awareness programs are being run for procurement staff and industry.
- An intellectual property manual has been developed for Defence use.
- As part of the SMART 2000 tendering and contracting template, Defence now requires access to contractors' intellectual property so that Defence and Australian industry can operate, maintain, repair, modify, develop and manufacture equipment elements as required.

Defence continues to make intellectual property, resulting from Defence research and development, available to industry through licensing arrangements. This contributes to the development of Australian industry and recognises that Defence cannot commercially exploit its own intellectual property.

AUSTRALIAN AND NEW ZEALAND INDUSTRY INITIATIVES

Defence has an Australian industry involvement program, aimed at enhancing Australian and New Zealand defence-related industries. All contracts worth more than \$5m are required to have an industry involvement plan. Tenderers are required to approach the Industrial Supplies Office network, an independently managed non-profit organisation financially supported by State, Territory and Commonwealth governments, to identify opportunities for Australian and New Zealand industry.

For militarily significant acquisitions (usually capital equipment acquisitions), more stringent industry requirements apply under the Australian industry involvement program. These requirements are aimed at developing support for ADF capabilities.

As part of its policy of encouraging open and effective competition, and to promote the development of Australian and New Zealand industry capabilities, Defence has continued with the privatisation of its manufacturing interests. The Government is currently undertaking a process that will lead to the sale of its stake in the Australian Submarine Corporation.



DEFENCE SCIENCE AND TECHNOLOGY

CONTRIBUTION TO DEFENCE OUTPUTS

The following section summarises the performance of the Defence Science and Technology Organisation for 2000-01. The summary is necessarily selective, as the fields covered by the organisation are diverse, many research programs take place over several years and some activities and details are classified.

OUTPUT 1 (DEFENCE OPERATIONS)

The research and development conducted during the year focused on investigating the impact of mainstream and emerging technologies on current and future capabilities and the nature of warfare. These technologies, and their impact, are often referred to as the 'revolution in military affairs'. The key scientific developments in this sphere are information technologies, networks and micro devices. As a consequence, the organisation established a Military Systems Experimentation Branch in June 2001 to conduct research in order to explore and develop innovative joint warfighting concepts and capabilities, within a collaborative experimentation framework.

The Defence Science and Technology Organisation continued to provide support to the deployed forces in East Timor. This included the formation of a force operations research capability to provide real-time operational analysis support to the land force.

Support provided to Headquarters Australian Theatre's operational planning included analytical tools and techniques for planning and evaluating a range of operations (including theatre evacuation, strike operations, targeting and logistics management) which have now been integrated into the headquarter's planning processes.

Defence Science and Technology Organisation is assisting in development of the collocated Headquarters Australian Theatre that will be established in 2006.

Contribution to National Support Tasks

The organisation provided support for the chemical, biological and radiological anti-terrorist response capability for the Sydney Olympics. Approximately 20 staff were involved in providing a sophisticated analysis/detection capability for various threats during that time.

OUTPUT 2 - NAVY CAPABILITIES

The organisation's contribution included assisting the Navy to develop policy in order to provide a strategic focus and direction for the enhancement of its electronic warfare capability. In addition, the organisation used 'virtual ship' simulation to research how multiple above-water sensors could be used to combine data in developing an integrated approach to air defence and air warfare. As part of this integrated approach, the organisation participated in trials for the Nulka active missile decoy that addressed the interfacing, commissioning and operational tactics of that system.

Collins-class Submarine

The Defence Science and Technology Organisation provided research and advice in support of the Collins-class submarine. With regard to the combat system, the organisation carried out extensive research at its Combat Systems Research Centre, in collaboration with industry and tertiary institutions. The centre made extensive use of a 'virtual submarine' in supporting this project.

Work on the submarines' propellers included fatigue testing, corrosion control, non-destructive inspection and materials science. This work has enabled the propellers to meet their full design life.

Mine Warfare

In support of mine warfare, the organisation used its 'virtual minehunter coastal' to develop decision aids and high-level operator aids to assist with ship effectiveness and safety. The organisation continued the development of an acoustic mine-imaging system designed to enhance the minehunter coastal capability by using ultrasonic technology to positively identify and allow for the disposal of submerged objects.

OUTPUT 3 - ARMY CAPABILITIES

The Defence Science and Technology Organisation contributed support for the Army experimental framework. It provided experimental tools and methods for the development of future warfighting concepts and capabilities to conduct mechanised/motorised operations. It supported the 'Headline 2000' experiment, a major seminar wargame designed to assess the warfighting concept and structure for the mechanised component of the enhanced combat force. It investigated methodologies to optimise tactical command and control systems to inform the enhanced combat force and the Army of the future.

Special Forces

The Defence Science and Technology Organisation provided support to Special Forces operations in the areas of measures to reduce the probability of detection, enhancements to human performance, research into soldier-system integration

and capability concept development for special operations for the Army of the future.

Land Projects

The organisation provided tender support for a number of key land projects; in particular, the armed reconnaissance helicopter project tender specification and the technical evaluation of the tender responses for the helicopter's systems and sub-systems, and the soldier combat system project.

A structural load assessment for the Black Hawk helicopter was completed, with the results being used to validate stress prediction and airframe life-of-type models. The Defence Science and Technology Organisation also provided the lead in evaluating and providing advice on the evolution of the Battlefield Command Support System.

Research into a 'synthetic studies environment' was undertaken to support the development of joint land-air tactical warfighting concepts. This environment allowed locations around Australia to be connected by a network and to interact with each other during experiments. It was also used to investigate the introduction into service of the armed reconnaissance helicopter.

The organisation carried out research into reconnaissance and surveillance for the land force, particularly with regard to the complementary use of low-light-level and infra-red sensors with imaging radar. This resulted in a number of trials and analyses of systems performance, where many lessons were learnt in informing the major attributes to be sought in operational focal-area aerial surveillance, using tactical uninhabited aerial vehicles, and broad-area aerial surveillance systems.

Non-conventional approaches to warfare, and the recognition that advances in biotechnology could be exploited to develop even more potent biological threat agents, have prompted further research into seeking countermeasures to these possibilities. Development of a prototype device to detect biological warfare agents continued.

An area denial weapon system concept has been developed as an alternative to anti-personnel land mines. The technology demonstrator for this concept has been developed as a collaborative effort between the Defence Science and Technology Organisation, the United States Defense Advanced Research Project Agency and Australian and overseas industry.

OUTPUT 4 – AIR FORCE CAPABILITIES

A significant effort was expended during the year on research relating to through-life support of airframes and aero-engines. This research was aimed at reducing the cost of aircraft ownership while, at the same time, increasing operational effectiveness and improving safety. Research continued on the new aerospace combat capability project to define new force structures that are

capable of meeting the capability currently provided by the F/A-18 and F-111 in the areas of air defence and offensive strike. The organisation continued to provide advice and carry out operational analysis on the various contender platforms for the project, as well as supporting the introduction of advanced air-to-air missiles for the F/A-18 aircraft.

The Defence Science and Technology Organisation provided advice for the development of tender specifications and the evaluation of tenders for the air combat training system project and provided support in the areas of modelling and simulation, human factors, hardware and software, data requirements and validation. In addition, support continued for the airborne early warning and control project through the provision of advice on a wide range of technology areas to assist in monitoring the progress of the contractor and prepare for the test and evaluation phase and for introduction into service.

The organisation also supported the Global Hawk project agreement with the United States Air Force which resulted in the recent operational demonstration of the Global Hawk high-altitude endurance uninhabited aerial vehicle in Australia.

OUTPUT 5 – STRATEGIC POLICY

The Defence Science and Technology Organisation assisted with the development of decision aids and visualisation tools to allow force element groups to contribute to the military response options being examined for benefit and effectiveness. The organisation continued with a study to support the preparedness decision-making system, aimed at advising the Secretary and the Chief of the Defence Force on how to develop the support systems needed to manage the readiness of the ADF to conduct operations and the ability to sustain those operations efficiently and effectively.

Several studies were undertaken in support of Capability Systems Division to examine the ADF's capacity to meet the current and future demands of strategic guidance. Studies were undertaken into capability enhancement options in support of ADF helicopter, airlift and air combat capabilities and air-to-air refuelling.

International Relationships and Activities

The Defence Science and Technology Organisation's international collaboration in important technologies continued to expand. The Technical Cooperation Program with the United States, the United Kingdom, Canada and New Zealand remains the backbone of the organisation's collaborative activities. Bilateral involvement with countries such as the United States, the United Kingdom and France increased during the year. There are currently 20 project arrangements and 33 data exchange arrangements in place with the United States. Cooperation with the United Kingdom is conducted on 46 different topics. There are three technical arrangements in place with France, with the prospect of several more.



Overall, the benefit to Defence from this collaboration is significant and estimated to be several times the worth of the input.

The organisation's interaction with regional countries continued during the year. The focus was on helping regional countries to sustain and increase their abilities to defend themselves in cost-effective ways, on supporting regional countries' operations with the ADF and on dialogue on issues of mutual interest.

Strategic Intelligence

The Defence Science and Technology Organisation undertook research into image analysis and exploitation tools. It also developed computer-based techniques and tools to support intelligence analysis and production, and the evaluation of intelligence processes.

IMPROVING THE ORGANISATION

As well as providing support to the Defence outputs, the Defence Science and Technology Organisation continued to develop its own organisational initiatives.

PEOPLE STRATEGIES

The organisation continued to focus on the development, consolidation and integration of its leadership and management framework. This framework is designed to assist staff in identifying and attaining their holistic learning and development needs throughout their careers, spanning staff induction and orientation, leadership, management and professional development. The framework is well regarded by staff and senior management, and has assisted the organisation in attaining many of its people development objectives

The organisation developed and initiated a comprehensive recruitment communication plan aimed at attracting and recruiting high-quality graduates through formal marketing and networking. Thirty graduate scientists were employed by the Defence Science and Technology Organisation in 2000-01. The organisation's profile has been heightened considerably throughout Australian universities. Graduates now have a much better understanding of what the organisation does, and whom it is looking to employ. As a consequence, the calibre and competence of those graduates who now apply for positions has increased considerably.

In June 2001, the organisation introduced an internal occupational health and safety scorecard that measures the occupational health and safety performance of each of its research divisions.

INDUSTRY AND EXTERNAL INTERACTION

The Commonwealth Government launched *Backing Australia's Ability: An Innovation Action Plan for the Future* in January 2001. This is a comprehensive and

integrated innovation plan worth \$2.9 billion over five years. Considerable effort has been devoted to this initiative. Defence established a working group to identify opportunities offered under the initiative and to ensure that it gained maximum leverage from the initiative. The Defence Materiel Organisation and the Defence Science and Technology Organisation jointly coordinate this group, which also includes representatives from other areas of Defence.

Defence initiatives and involvement under the *Backing Australia's Ability* initiative include:

- Providing comments on the World Class Centres of Excellence in an information and communications technology discussion paper circulated by the National Office of Information Economy;
- Providing comments on Defence's preferred position regarding the expansion of the Cooperative Research Centres program;
- Initiating discussions with potential fund managers on a competitive pre-seed fund for universities and public sector research agencies;
- Monitoring the progress of the World Class Centre of Excellence in Biotechnology program; and
- Participating in the Australian Maritime College's successful bid for a Hydrodynamic Research Centre under the major national research facility program.

EXTERNAL CONSULTANTS

External consultants investigate assigned problems under limited direction or supervision and provide recommendations or options for improvement. External consultants assist Defence management in decision-making, but do not implement those decisions. Defence contracts consultants for one of the following reasons:

- The specialised skills or service required are not available in Defence.
- The specialised skills or service are not available in Defence in the time frame in which they are required.
- The technology is not available within Defence.

Value for money considerations, when contracting for a consultant, relate not only to cost, but to the experience and previously demonstrated capabilities of the consultant; the location of the consultant and the associated travelling costs; the capacity of the consultant's locally-based resources to provide continuing services at levels likely to be required during the course of the engagement; and the consultant's professional standing and reputation.

The table below summarises Defence use of consultants, on a Group basis, for 2000-01.

Table 4.12: Defence use of Consultants for 2000-01

Group	Number of Consultants	Expenditure \$
Headquarters Australian Theatre	2	27,889
Navy	10	290,728
Army	1	13,000
Air Force	0	0
Strategic Policy	3	110,668
Intelligence	0	0
Capability	7	210,451
Chief Finance Officer	1	33,619
Defence Science and Technology Organisation	2	72,068
Defence Personnel Executive	13	490,503
Public Affairs and Corporate Communication	2	60,652
Defence Materiel Organisation	18	4,152,823
Corporate Services and Infrastructure ⁽¹⁾	10	444,168
Total	69	5,906,569

Note

1. Corporate Services and Infrastructure Group data includes the Inspector General's Division data.

The significant decrease in Defence's use of consultants in 2000-01 (\$5.9m) compared with 1999-2000 (\$22.6m) and previous financial years is due in part to a more rigorous data assurance process this financial year. The assurance process found widespread miscoding of transactions when selecting between consultants and professional service providers. (Professional service providers exercise professional/technical skills, under Defence supervision and guidance, in the delivery of a service. The contract, generally, does not require a significant contribution to management decision-making processes, and requires the professional service provider to perform a prescribed task as a result of management decisions.) This is an internal account code issue that will be addressed by the promulgation of clearer guidelines as well as an awareness-raising program across Defence in 2001-02.

The consultants and professional services category in suppliers expenses (see Note 9 in *Notes to the Financial Statements*) showed a small decrease in 2000-01 (\$182m) compared to 1999-2000 (\$190m).

BREAKDOWN OF DEFENCE USE OF CONSULTANTS IN 2000-01

The following list provides detail on all consultancy services utilised by Defence Groups during 2000-01.

KEY	
<u>Symbols</u>	<u>Justification</u>
*Consultancy was publicly advertised	1. Specialised skills or service required not available within Defence. 2. Specialised skills or service required not available within time frame. 3. Technology not available within Defence.

Commander Australian Theatre

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i>	<i>Justification</i>
		\$	
SMS Consulting Group Ltd	Conduct a review of current Headquarters Australian Theatre business processes.	6,000	1
Rawlinsons (ACT) Pty Ltd	Provide project management advice on ADF personnel facilities project in East Timor.	21,889	2

Navy

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i>	<i>Justification</i>
		\$	
Avecs Pacific Pty Ltd	Conduct a review of the fleet activity schedule process to address the command of the fleet, operations planning and doctrine and conduct of operations.	19,242	1
Bureau Veritas	Examine and advise on quality management within the Fleet Intermediate Maintenance Activities National Office.	1,000	1
Changedrivers Pty Ltd	Provide options on conducting a strategic planning workshop.	8,500	1



<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Changedrivers Pty Ltd	Provide recommendations on activity mapping and business planning.	3,750	2
Greenbank Consultants	Conduct a review of Training Ship <i>Young Endeavour</i> strategic planning and key performance indicators.	3,500	1
Keystone Corporate Positioning	Assist and advise the Director General Navy Improvement and the Chief of Navy's Senior Advisory Committee on the formation, design and development of a functional change management plan strategy.	105,000	1
Legerwood Consulting Pty Ltd	Investigate and specify existing information systems within a naval component and propose an information systems strategy.	27,900	3
National Project Consultants	Investigate options for the replanning of Maritime Headquarters to improve functionality of the force headquarters staff.	4,500	1
The Phillips Group	Develop a plan to help improve the Navy's reputation internally and externally.	113,336	1
The Riches Group Pty Ltd	Review the Navy human resources strategy and provide expert comment on the structure and content of the strategy to ensure that it meets industry standards.	4,000	1

Army

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Mavor Pty Ltd	Provide analysis on issues relating to various operations conducted by the ADF to assist Defence's preparation for future operations.	13,000	1

Strategic Policy

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Rogen Australia Ltd	Conduct presentations for the patrol boat life extension program training team prior to its consultation with several Pacific Island governments about the Pacific patrol boat program.	4,108	1
Michael Jeffrey Consultancy	Member of the Commonwealth Eminent Persons Group which conducted a comprehensive review of the PNG Defence Force at the request of the PNG Government to inform its Defence reform process.	63,000	1
Uniquet	Conduct a review of military postgraduate education.	43,560	1

Capability

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Brown & Root Services Asia	Develop the operational concept document and documentation plan for the replacement patrol boat project.	8,400	
Mr I Dudgeon	Draft the National Information Operations policy.	16,500	2
Raytheon Australia Pty Ltd	Undertake a study to identify the current capability of Defence ranges to support test and evaluation of air assets, review future requirements and provide options (with indicative costings) for the provision of this capability.	21,773	
Raytheon System Company Australia	Concept exploration and definition study for the ADF supersonic air target capability.	59,107	1
SMS Consulting Group Ltd	Conduct a study to determine Australia's highest priority coalition logistics interoperability deficiencies, compare the Australian-identified deficiencies with US-identified deficiencies and recommend coalition priorities for remediation.	78,431	2
Sverdrup Technology Australia	Develop costed options to maximise the electronic countermeasures offered by the Elta EL/L-8222 jamming system.	11,351	2
Topley & Associates Pty Ltd	Conduct a strategic review of the Australian Services Cadet Scheme.	14,889	3

Chief Finance Officer Group

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Cultural Imprint	Provide advice and guidance to the Defence Committee on the Defence values and their application.	33,619	1

Defence Science and Technology

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Pacific Challenge	Conduct an industry study of American markets for information security technologies and provide advice on findings.	37,368	1
Professor Peter N. Joubert	Develop a research plan in the area of hydrodynamics and assist in the implementation of that plan.	34,700	1



Defence Personnel Executive

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Benmarco Pty Ltd	Conduct a scoping study seeking information from stakeholders to determine the subjects that should be included in the ADF Reserve command and staff course.	9,000	2
Cogent Business Solutions	Provide consultancy services for the Defence Force Recruiting Organisation including the analysis of the Manpower recruiting tender, preparation of a report and conducting a negotiation workshop.	28,685	1
Cogent Business Solutions	Provide consultancy services for Defence Force Recruiting Organisation including the evaluation of the Manpower recruiting performance, preparation of baseline costings and the development of a transition roll-out plan.	49,171	1
IISM Group Pty Ltd	Provide advice on the extent of work required to implement the production support role and re-engineering process for PMKeyS.	19,300	3
James Cook University	Conduct a scoping study to determine Defence's medical capability in any civilian disaster.	30,000	1
Marshall Consulting	Analysis of remuneration setting strategies and framework.	675	1
Mastech Asia Pacific*	Analyse and design the PMKeyS professional development training package.	156,915	1
Mercadier Pty Ltd	Research to identify critical personnel trends and how they affect Defence.	42,003	1
Pericon Pty Ltd	Analysis of remuneration setting strategies and framework.	300	1
PS Consulting	Provide options for closing the Civilprism system, including archiving options.	47,000	2
Re-Engineering Australia	Provide change management/business process support to the Defence Service Centre.	82,524	1
SMS Consulting Group Ltd	Provide Defence with options on the set-up of the military personnel administration cell.	12,430	1
Team HR (Australia) Pty Ltd	Conduct a scoping study on the Defence Training Information Management System computer system and provide options.	12,500	2

Public Affairs and Corporate Communication

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Learning Curve Pty Ltd	Develop concepts for the Defence corporate brand and develop the final brand product.	30,000	1
New Focus Research Pty Ltd	Conduct focus group testing and research for the Defence corporate brand.	30,652	1

Defence Materiel Organisation

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i> \$	<i>Justification</i>
Ball Aerospace Australia	Conduct an independent verification and validation review of the airborne early warning and control project.	115,152	1
Bureau of Transport Economics	Conduct a rail study on support of ADF in peacetime and contingencies – the study focused on future policy, regulatory, commercial and the operational environment affecting rail transport.	20,909	1
Clayton Management Pty Ltd	Advise on the full integration of three existing organisations into the Defence Materiel Organisation.	89,795	1
Codarra Advance Systems Pty Ltd	Advise on definition systems architecture and transaction to the ADF Joint Command Support environment.	2,860	2
Qld Department of Minerals and Energy	Conduct F-111 sprayable fuel tank sealant research.	177,813	1
Eurotorp	Conduct a lightweight torpedo project definition study.	1,624,000	1
Eurotorp	Conduct a heavyweight torpedo target study.	116,411	1
Geoff McDonald & Associates Pty Ltd	Conduct F-111 sprayable fuel tank sealant research.	90,269	1
Griffith University	Conduct F-111 sprayable fuel tank sealant research.	20,750	2
Gutteridge, Haskins & Davey Pty Ltd	Advise the maritime ranges project on environmental aspects in accordance with the <i>Environment Protection and Biodiversity Conservation Act 1999</i> .	17,400	1
Pricewaterhouse Coopers	Provide management advice on Navy minor project changes.	26,250	1
Pricewaterhouse Coopers	Review into the impact of the Defence Materiel Organisation restructure. Report on areas of concern and provide recommendations to address issues effectively and efficiently.	32,100	1
Sverdrup Technology Australia	Conduct F-111 sprayable fuel tank sealant research.	215,235	1
TDA Systems Engineering	Conduct a study of ADF reliability, availability and maintainability and identify organisational options for meeting requirements.	92,798	2
TDA Systems Engineering	Advise on function and performance specification of the light armored vehicles.	75,302	1
The Phillips Group	Advise on strategic communications and change management.	632,850	1
Thomson Marconi Sonar	Conduct lightweight torpedo project definition study.	696,000	1
Total Logistics Management	Conduct vehicle fleet management study.	106,929	2



Corporate Services and Infrastructure⁽¹⁾

<i>Consultant Name</i>	<i>Purpose</i>	<i>Total Amount Paid</i>	<i>Justification</i>
		\$	
Corporate Diagnostics Pty Ltd	Provide options on the Defence career management project.	1,050	1
True Q Pty Ltd	Provide expert advice and guidance on the development of a balanced scorecard-based business planning and quality management system.	37,133	2
Allied Tech Group Pty Ltd	Conduct a feasibility study for proposed microwave link - Oakey/Cabarlah and Oakey/Toowoomba.	10,000	1
APA Management Services	Review the costs of various future options for living accommodation for members without dependants, develop business cases to compare options and recommend a way forward.	46,823	2
Jamieson Pty Ltd	Make recommendations on how Defence might improve its returns from property sales.	56,754	1
Oxley Corporate Finance Ltd	Review Infrastructure Division's business practices including benchmarking against other agencies, identify scope for efficiencies and further industry involvement.	191,254	1
Timbelle Pty Ltd	Advise on the management and administration of Defence Information Systems information technology and telecommunications services.	30,505	1
URS Australia Pty Ltd	Assess the feasibility of land in the Defence communication station Riverina node to identify land-use practices that will align with government initiatives and legislative compliance.	10,737	1
V.P Heffernan Pty Ltd	Make recommendations on how Defence might improve its returns from property sales.	27,162	1
Changedrivers Pty Ltd	Provide advice to management on product mapping and opportunities for improvement to identify the future role of base representatives in the Sydney Central and Sydney West regions.	32,750	2

Note

1. Corporate Services and Infrastructure Group data include the Inspector General's Division data.

ADVERTISING AND MARKET RESEARCH

Under section 311A of the *Commonwealth Electoral Act 1918*, the annual report is to include particulars of all amounts paid by, or on behalf of Defence during the financial year to:

- advertising agencies;
- market research organisations;
- polling organisations;
- direct mail organisations; and
- media advertising organisations.

Defence spent a total of \$45.5m on advertising and market research in 2000-01, broken down as follows:

Table 4.13: Total advertising and market research expenditure by group

Group	Expenditure in 2000-01 \$
Headquarters Australian Theatre	3,042
Navy	157,017
Army	166,482
Air Force	97,025
Strategy	216,748
Security and Intelligence	361,705
Capability	4,356
Chief Finance Officer	21,285
Defence Science and Technology Organisation	463,691
Defence Personnel Executive	42,358,877
Public Affairs and Corporate Communication	225,415
Defence Materiel Organisation	253,918
Corporate Services and Infrastructure	1,135,786
Total	45,465,347

The following table shows total advertising and market research expenditure by type of agency.

Table 4.14: Total advertising and market research expenditure by type of agency

Type of Agency	Amount \$
Advertising agencies	0
Market research organisations	1,069,396
Polling organisations	0
Direct mail organisations	18,701
Media advertising organisation	44,377,250
Total	45,465,347

The following table lists all particulars of payments, on a Group basis, made to relevant individuals and organisations for advertising and market research.

Table 4.15: Particulars of payments by group for advertising and market research expenditure

Payee	Amount (\$)	Purpose
Headquarters Australian Theatre		
<i>Media advertising organisations</i>		
AIS Media	3,042	Recruitment – civilian
Navy		
<i>Media advertising organisations</i>		
Mitchell and Partners Australia Pty Ltd	157,017	Recruitment – civilian
Army		
<i>Media advertising organisations</i>		
Cumberland Newspaper Group	2,085	Recruitment – General Reserves
Daily Telegraph	2,000	Recruitment – General Reserves
Enever Signs	2,286	Recruitment – General Reserves
Gippsland Audio Visual Consultancy	2,177	Army public relations
Kingsbury Design	3,350	Recruitment – General Reserves
Norforce News	3,636	Army public relations
Para-Vogue Printing	7,365	Recruitment – General Reserves
Queensland Corporate Communications	10,303	Recruitment – General Reserves
Quest Newspaper Group	9,942	Recruitment – General Reserves
R S & D M Hobden Pty Ltd	8,382	Recruitment – General Reserves
Ron Howard Pty Ltd	2,316	Publishing of Unit magazine for 51 FNQ Regiment
Sign A Rama	5,552	Recruitment – General Reserves
Starcom Worldwide (Aust) Pty Ltd	87,824	Recruitment – General Reserves
Telecasters Australia Ltd	1,500	Recruitment - General Reserves
The Federal Capital Press of Australia Pty Ltd	3,636	Army public relations
The Herald Weekly Times	4,567	Recruitment - General Reserves
The Queensland Times	3,045	Recruitment - General Reserves
Triple M	2,516	Army public relations
Valley Signworks	4,000	Recruitment- General Reserves
Air Force		
<i>Media advertising organisations</i>		
3AW Southern Cross Radio	13,112	General museum publicity
3AW Southern Cross Radio	2,000	Advertising Twilight Spectacular
Academy Publishing	1,755	Museum school programs – Schools Today

Payee	Amount (\$)	Purpose
AIS Media	2,699	Advertising – Avalon Air Show
APN Business Magazines	2,640	General museum publicity
Barton Marketing	2,997	General museum publicity
Fairfax Community Newspapers	2,080	Museum school programs and International Year of Volunteers
Geelong Independent	3,102	Museum school programs
Mirror Australian Telegraph	4,547	Promotional advertising – Air Command Band
Starcom Worldwide (Aust) Pty Ltd	15,167	Advertising Avalon Air Show and 2001 RAAF Heritage Awards
Starcom Worldwide (Aust) Pty Ltd	46,926	Recruitment – civilian
Strategy		
Market research organisations		
MediaScape	26,320	Analysis of media coverage of White Paper development and Defence public consultation process
Professor Ian McAllister (Research School of Social Sciences, Australian National University)	57,574	Telephone polling on White Paper community consultation
Worthington Di Marzio	44,550	Focus groups on White Paper community consultation
Media advertising organisations		
AIS Media	16,729	Recruitment – civilian
Starcom Worldwide (Aust) Pty Ltd	71,575	Recruitment – civilian
Security and Intelligence		
Media advertising organisations		
Air Force News	260	Recruitment – advertising
AIS Media	130,625	Recruitment – advertising
Apprentice & Traineeship Co	561	Recruitment – advertising
Geraldton Newspapers Ltd	185	Tender advertising
Recruitment Management Company Pty	3,408	Recruitment activities
Reed Business Information	2,400	Recruitment – advertising
Royal Australian Navy News	429	Recruitment – advertising
Starcom Worldwide (Aust) Pty Ltd	205,136	Recruitment – advertising
Direct mail organisations		
Australia Post	196	Mailout to graduates
Curtin University of Technology	336	Mailout to students
Edith Cowan University	516	Mailout to students
Griffith University	273	Careers Fair
Griffith University	349	Recruitment – advertising
Monash Unicomm	909	Graduate Recruitment Fair
Murdoch University	186	Mailout to students
Queensland University of Technology	520	Careers and Futures Fair
Queensland University of Technology	1,020	Mailout to students
RMIT University	1,127	Careers Expo
RMIT University	1,222	Mailout to students
Swinburne University of Technology	655	Employer Fair
University of Adelaide	700	Careers Fair
University of Adelaide	684	Mailout to students
University of Canberra	2,190	Mailout to students
University of Melbourne	1,898	Careers Fair
University of Melbourne	1,846	Mailout to students
University of Newcastle	527	Mailout to students

Payee	Amount (\$)	Purpose
University of Queensland	327	Mailout to students
University of South Australia	430	Mailout to students
University of Southern Queensland	136	Careers Fair
University of Southern Queensland	380	Mailout to students
University of Tasmania	450	Careers Fair
University of Tasmania	230	Mailout to students
University of Western Australia	500	Graduate Expo
University of Western Australia	50	Mailout to students
University of Wollongong	644	Mailout to students
University of Wollongong	400	Careers Fair
Capability		
<i>Media advertising organisations</i>		
AIS Media	2,656	Promotion of Defence Reserves activities
Northern Defence Magazine	600	Defence Support Reserves Council – advertising
Northern Warrior Magazine	1,100	Defence Reserves Support Council – advertising
Chief Finance Officer		
<i>Media advertising organisations</i>		
AIS Media	648	Tender to conduct training – advertising
Army Amenities Fund	575	Recruitment – civilian
Army Newspaper Unit	234	Recruitment – civilian
Flight Publishing Pty Ltd	395	Publishing costs – advertising
Royal Australian Navy News	598	Recruitment – civilian
Starcom Worldwide (Aust) Pty Ltd	18,116	Recruitment – advertising
Starcom Worldwide (Aust) Pty Ltd	719	Tender advertising
Defence Science and Technology Organisation		
<i>Market research organisations</i>		
Northeast Quadrant Consulting	12,000	Forum held for graduate recruitment
<i>Media advertising organisations</i>		
ADBR	7,200	Advertisement to promote technology expertise
AIS Media	311,675	Recruitment – civilian
APN	3,990	Advertisement in Graduate Outlook
Canprint	3,200	Advertisement to promote technology expertise
Executive Media Pty Ltd	2,882	Advertisement to promote technology expertise
Mirror	6,048	Advertisement to promote technology expertise
Starcom Publishing Group	1,513	Promote exposure for capability and technology demonstrators
Starcom Publishing Group	100,618	Recruitment – civilian
The Good Guides Group	7,425	Advertising in University Guides for Graduates
Yaffa Publishing Group	7,140	Advertisement to promote technology expertise
Defence Personnel Executive		
<i>Market research organisations</i>		
New Focus Pty Ltd	838,599	Research for recruiting
Sociotech Management Consultants	2,500	Research for recruiting
University of New England	20,000	Research for recruiting
<i>Media advertising organisations</i>		
Adelaide 2000-AMSA Conference	4,545	Recruitment – tri-Service
AIS Elliot Mathews	2,542	Recruitment – health practitioner
AIS Media	353,810	Recruitment – ADFA
AIS Media	59,049	Recruitment – civilian
AIS Media	6,387	Recruitment – health practitioner
Australia Formula One Superboat	7,273	Recruitment – tri-Service
Baypond Productions Pty Ltd	202,267	Recruitment – tri-Service

Payee	Amount (\$)	Purpose
BeSeen Promotions	12,632	PMKeyS promotional products
Blenheim Design Partners	2,315	Recruitment – RAAF
Queensland Department of Employment, Training and Industrial Relations	10,000	Recruitment – tri-Service
Emitch Pty Ltd	2,785	Recruitment – Army Reserve
Emitch Pty Ltd	635,081	Recruitment – tri-Service
Federal Capital Press	1,746	Conference
Federal Capital Press	2,336	Recruitment – health practitioner
Grey Advertising	15,448	Recruitment – ADFA
Grey Advertising	3,603	Recruitment – Army
Grey Advertising	36,537	Recruitment – RAAF
Grey Advertising	2,369	Recruitment – Royal Military College
Grey Advertising	266,825	Recruitment – tri-Service
Mitchell and Partners	3,271,848	Recruitment – ADFA
Mitchell and Partners	3,600,114	Recruitment – Army
Mitchell and Partners	2,603,545	Recruitment – Army Reserve
Mitchell and Partners	2,526,345	Recruitment – Navy
Mitchell and Partners	5,337,304	Recruitment – RAAF
Mitchell and Partners	2,701,586	Recruitment – Royal Military College
Mitchell and Partners	14,180,688	Recruitment – tri-Service
North Queensland Newspaper	2,631	Recruitment – health practitioner
P3 Pty Ltd	3,755	Television research
Ray Bartlett Racing	10,000	Recruitment – tri-Service
Showcase Publications	3,475	Publishing the Defence Equity advice lines
Starcom Worldwide (Aust) Pty Ltd	1,549	Advertise the services of the Family Information Network for Defence
Starcom Worldwide (Aust) Pty Ltd	165,599	Recruitment - civilian
Starcom Worldwide (Aust) Pty Ltd	57,799	Recruitment – health practitioner
Unicom Design	2,273	Recruitment – Navy
Young & Rubicam Mattingly	1,620,238	Recruitment – ADFA
Young & Rubicam Mattingly	101,966	Recruitment – Army
Young & Rubicam Mattingly	49,382	Recruitment – Army Reserve
Young & Rubicam Mattingly	428,439	Recruitment – Navy
Young & Rubicam Mattingly	181,556	Recruitment – RAAF
Young & Rubicam Mattingly	39,969	Recruitment – Royal Military College
Young & Rubicam Mattingly	2,980,167	Recruitment – tri-Service
Public Affairs and Corporate Communication		
<i>Market research organisations</i>		
Elliott and Shanahan Research	17,500	Research the impact of Defence assets at the Avalon Airshow
Market Attitude Research Services	32,358	1999-2000 annual monitoring survey – research into community attitudes towards Defence and defence issues
Mediascape Analytical & Research Services	17,995	Provide media issues tracking analysis of the Australian domestic and Defence agenda
<i>Media advertising organisations</i>		
3AW Southern Cross Radio Pty Ltd	25,438	Advertising for Centenary of Federation
AIS Media	6,074	Advertising for Queensland Defence exhibit
ARN Broadcasting Pty Ltd	13,070	Advertising for Centenary of Federation
Australian Broadcasting Corporation	30,959	Production fee for Centenary of Army Parade in Adelaide

Payee	Amount (\$)	Purpose
Bass Radio Pty Ltd	4,043	Publicity for HMA Ships <i>Launceston</i> and <i>Dechaineux</i> visit
Ellis Displays Pty Ltd	4,050	Supply and erect Navy Week promotional panels in South Australia
Great Southern Land Broadcasters	2,160	Publicity for HMAS <i>Warramunga</i> Visit
Media Monitors Australia Pty Ltd	4,057	Media coverage of major Adelaide-based activities including Clipsal 500, Global Hawk, Army Week and Navy Week
SA FM	2,128	Advertising open days
Starcom Worldwide (Aust) Pty Ltd	65,583	Advertising open days
Defence Materiel Organisation <i>Media advertising organisations</i>		
Starcom Worldwide (Aust) Pty Ltd	129,296	Recruitment advertising.
Starcom Worldwide (Aust) Pty Ltd	77,135	Advertising of tenders and Defence briefs to industry
Starcom Worldwide (Aust) Pty Ltd	1,899	Defence export outlook seminar
Starcom Worldwide (Aust) Pty Ltd	45,588	Defence and Industry Conference 2001
Corporate Services and Infrastructure <i>Media advertising organisations</i>		
Advertising Energy Pty Ltd	2,910	Requests for tender
AIS Media	6,070	Advertising of regulations
AIS Media	33,034	Range activity warnings and notices
AIS Media	47,998	Recruitment – civilian
AIS Media	27,056	Requests for tender
Brisbane Courier Mail	1,940	Recruitment – civilian
Commonwealth Government Gazette	5,520	Gazetting of regulations
Mirror Australian Telegraph	2,237	Requests for tender
Northern Services Courier	3,250	Notices of welfare activities and services
Port Stephens Examiner	3,621	Night flying warnings and notices
Public Service and Merit Protection Commission	256,618	Recruitment – civilian
SSL Asset Services	4,358	Requests for tender
Starcom Worldwide (Aust) Pty Ltd	3,919	Closure of naval waters and notices
Starcom Worldwide (Aust) Pty Ltd	47,791	Range warning activities and notices
Starcom Worldwide (Aust) Pty Ltd	654,373	Recruitment – civilian
Starcom Worldwide (Aust) Pty Ltd	27,084	Requests for tender
The Australian	3,627	Recruitment – civilian
The McIvor Times	2,784	Range activity warnings and notices
The Telegraph	1,596	Range activity warnings and notices