

DEFENCE

SECTION FOUR ENABLING BUSINESS PROCESS

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IMPROVEMENT INITIATIVES

The White Paper outlined the Government's strong commitment to continuous improvement in Defence and the need to ensure that money spent on Defence is managed wisely. In order to deliver the Government's direction, Defence is continuing to pursue an organisational renewal agenda that, as one of its aims, seeks to match the quality of Defence's business performance with the quality of the ADF's operational performance.

EFFICIENCIES

Table 4.1 lists the initiatives identified to meet the target of \$50m in efficiency savings for 2001-02. In relation to the more cost-effective employment of professional service providers, responsibility for the achievement of savings has been devolved to individual Groups within Defence. Savings will be made, commensurate to continuing needs, through internal Group budgets rather than on a whole-of-Defence basis. The increase of \$16.4m in the amount for the Fringe Benefits Tax liability reduction project derives primarily from refunds to be received for overpayments made in previous years. The increase of \$10.0m for the travel initiative reflects better than expected savings. The decrease of \$5.7m for the commercial vehicle fleet initiative stems from a more accurate understanding of the real savings available.

Table 4.1: Projected Efficiency Savings in 2001-02

	Budget Savings 2001-02 \$m	Revised Savings 2001-02 \$m	Variation \$m
More cost-effective employment of professional service providers	12.7	0.0	-12.7
Fringe Benefits Tax liability reduction	13.6	30.0	16.4
Savings in travel	10.0	20.0	10.0
Reduction in, and improved management of, the Defence commercial fleet	10.0	4.3	-5.7
Total	46.3	54.3	8.0

COMMERCIAL SUPPORT PROGRAM

The Commercial Support Program is a long-term competitive tendering and contracting initiative through which commercial and in-house bids compete for the provision of services, with the resulting decisions giving the best value for money for Defence.

MARKET TESTING DECISIONS IN 2001-02

To date, during 2001-02, contract decisions have been announced for two activities.

Table 4.2: Market-Testing Decisions Announced in 2001-02

Activity Name	Total Positions tested ⁽¹⁾	Decision Announced	Contract Signature
Woomera Support Services	30	August 2001	October 2001
Publishing and Printing Services	164	August 2001	December 2001
Total	194		

Note

1. This column provides the total number of positions actually evaluated. Totals previously reported in the *Portfolio Budget Statements 2001-02* were provided as expected numbers of positions to be tested and were subject to change.

Decisions on two further activities are expected during 2001-02. A decision on ADF Health Services in the Australian Capital Territory and Southern New South Wales has slipped to 2002-03 due to work priorities associated with finalising tender evaluations for the ADF Health Services in Victoria.

Table 4.3: Market-Testing Decisions Expected in 2001-02

Activity Name	Total Positions tested	PBS 2001-02 Expected Decision	Decision Expected
ADF Health Services in Victoria ⁽¹⁾	275	May 2001	Imminent
Defence Integrated Distribution System ⁽²⁾	1,392	-	July 2002
Total	1,667		

Notes

1. The *Annual Report 2000-01* erroneously reported that the decision announcement had been made in September 2001 for ADF Health Services in Victoria. The decision is expected following the completion of parallel negotiations with tenderers.
2. The previous process for the Defence Integrated Distribution System was terminated and a replacement process is currently being undertaken.

Table 4.4: Other Identified Market Testing Activities in 2001-02

Activity Name
Routine Pathology Services
ADF Health Services in Australian Capital Territory and Southern New South Wales
ADF Health Services in Northern Territory
ADF Health Services in Sydney New South Wales Region
ADF Health Services in Western Australia
ADF Health Services in South Australia
ADF Health Services in Tasmania
ADF Health Services in Queensland ⁽¹⁾
Army Marine Platforms and Systems
Ground Electronic Maintenance Function ⁽²⁾
Submarine Escape Training Facility ⁽²⁾
[New] Defence Information Technology Infrastructure Services
[New] Corporate Services (for Defence Personnel Executive)
[New] Garrison Support Hunter Valley Region
[New] FFG Ships - Fully Contracted Integrated Materiel Support
[New] Amphibious Afloat Ships - Fully Contracted Integrated Materiel Support

Notes

1. The ADF Health Services in Queensland was formerly listed in the *Portfolio Budget Statements 2001-02* as two activities, Rationalisation and Market Testing of ADF Health Services in Northern Queensland, and Rationalisation and Market Testing of ADF Health Services in Southern Queensland.
2. These activities will not be market tested under the Commercial Support Program. Instead, they will be directly contracted out.



DEFENCE MATERIEL REFORM

Defence's materiel reform program, which combines the previous acquisition reform and logistics reform programs, encompasses a comprehensive range of measures to:

- integrate the acquisition and support elements of the Defence Materiel Organisation's 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 people are valued and can do their best.

Initiatives are as reported in the *Portfolio Budget Statements 2001-02*, except for the amendment below.

- Relocating approximately 550 military and civilian positions to regional centres around Australia. The majority of these relocations will be from Canberra to Perth, Amberley, Darwin, Adelaide, Nowra and Williamstown.

Additional initiatives for 2001-02 involve:

- reviewing, simplifying and documenting all common processes;
- improving the quality of software acquisition management and systems engineering;
- implementing a company scorecard system to ensure regular assessment of contractor performance of major suppliers and to provide companies feedback on their performance;
- introducing a performance reporting tool to monitor performance across the organisation and using the Australian Business Excellence Framework as a means of organisational improvement;
- developing a standard statement of work for major software intensive projects; and
- introducing alliance contracting.

MANAGEMENT INFORMATION SYSTEMS

Improvements to the efficiency and effectiveness of management information systems will be delivered progressively during 2001-02 in two key areas: remediation of deficient business processes and practices, and remediation of key systems deficiencies.

The management information systems priorities are as reported in the *Portfolio Budget Statements 2001-02* except for the amendments below:

- *[Revised]* completion of software development for the ADF payroll phase of the human resources information system for implementation early in 2002-03.

EVALUATIONS

Evaluations endorsed by the Defence Audit Committee for calendar year 2001 were as follows:

- *Enterprise Resource Planning in Defence*, draft report should be completed by March 2002 (the delay was caused by staff absences);
- *Progress in Pursuing the National Support Approach*, completed in December 2001; and
- *Management of Equity and Diversity in Defence*, draft completed in December 2001.

Results from evaluations conducted in 2001-02 will be reported in the Defence annual report.

Evaluations endorsed by the Defence Audit Committee for calendar year 2002 are:

- *Responsibilities for Doctrinal Development*;
- *Corporate Governance of the Defence Information Environment – Phase 1*;
- *Penetration of Accrual Accounting*; and
- *Implementation of the Balanced Scorecard* (resources permitting).

The foreshadowed topic, *Resource Allocations for Capital Facilities Projects* (see *Portfolio Budget Statements 2001-02* page 102) was not endorsed because of related activity undertaken by internal audit and the Australian National Audit Office.