

DEFENCE

SECTION FOUR ENABLING BUSINESS PROCESS

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IMPROVEMENT INITIATIVES

The White Paper outlined the Government's strong commitment to both 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

Defence is pursuing initiatives as diverse as cultural reform through the *Defence Matters* scorecard and an internal 'Rip-Up Red Tape' campaign which encourages individuals to identify nugatory work practices. This campaign will make the bureaucratic processes less frustrating and more results-focused and efficient, although savings will not be readily measurable.

The White Paper refers to the need for Defence to make efficiency savings. Against an expectation of \$50m in 2001-02, \$100m in 2002-03 and \$200m in 2003-04 and thereafter, various initiatives have been identified. The following table lists the initial set of initiatives for 2001-02.

Table 4.1: Projected Efficiency Savings in 2001-02

	Projected Savings ⁽¹⁾ 2001-02 \$m
More cost-effective employment of professional service providers	12.7
Fringe Benefits Tax liability reduction	13.6
Savings in travel	10.0
Reduction in, and improved management of, the Defence commercial vehicle fleet	10.0
Total	46.3

Note

1. The projected savings are indicative only.

The initiatives will be managed corporately as a package to return a minimum of \$50m in 2001-02. This means that, under a process of active revision, additional initiatives and/or additional savings from existing initiatives will be identified.

COMMERCIAL SUPPORT PROGRAM

The Commercial Support Program has been 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. As the major market-testing mechanism under the Defence Reform Program, the Commercial Support Program improved the service delivery of base garrison support, clerical and administrative support and logistics.

Although the Defence Reform Program has closed, the associated market testing will be completed. For example, testing of the health services component will continue progressively throughout the states. Additionally, the result of the pilot phase of the recruiting market test will be known before August 2001. If the contractor, Manpower Australia, is successful in the pilot phase, a national roll-out for the provision of the ADF recruiting service will occur.

The market testing of information-technology support and corporate services is being considered, but it is too early to identify specific activities. The Commercial Support Program will continue as a change management tool under the Continuous Improvement Program, but most likely at a rate nearer historical averages than the accelerated tempo experienced under the Defence Reform Program.

Some Defence Reform Program activities, having been delayed, are now in the final stages. The following table lists the decisions, by contract signature date, expected during 2001-02.

Table 4.2: Market Testing Decisions Expected for 2001-02⁽¹⁾

Activity Name	Total Positions	Decision Announced	Contract Signature
Woomera Support Services	38	May 2001	July 2001
Rationalisation and Market Testing of ADF Health Services in Victoria	275	May 2001	August 2001
Publishing and Printing	238	July 2001	October 2001
Rationalisation and Market Testing of ADF Health Services in the Australian Capital Territory and Southern New South Wales	198	December 2001	March 2002
Total	749		

Note

1. The preferred tenderer is announced when the decision is made. A contract is then negotiated and signed.

Some initiatives are not yet sufficiently well developed for a project timetable to exist. The following table lists the initiatives upon which further effort is expected to occur during 2001-02.

Table 4.3: Other Identified Market Testing Activities in 2001-02

Activity Name	Total Positions
Routine Pathology Services	35
Rationalisation and Market Testing of ADF Health Services in Northern Queensland	tba
Rationalisation and Market Testing of ADF Health Services in Northern Territory	tba
Rationalisation and Market Testing of ADF Health Services in Southern Queensland	tba
Rationalisation and Market Testing of ADF Health Services in Sydney New South Wales Region	491
Rationalisation and Market Testing of ADF Health Services in Western Australia	tba
Rationalisation and Market Testing of ADF Health Services in South Australia	tba
Rationalisation and Market Testing of ADF Health Services in Tasmania	tba
Ground Electronic Maintenance Function ⁽¹⁾	tba
Army Marine Platforms and Systems ⁽¹⁾	183
Submarine Escape Training Facility ⁽¹⁾	29
TOTAL	738

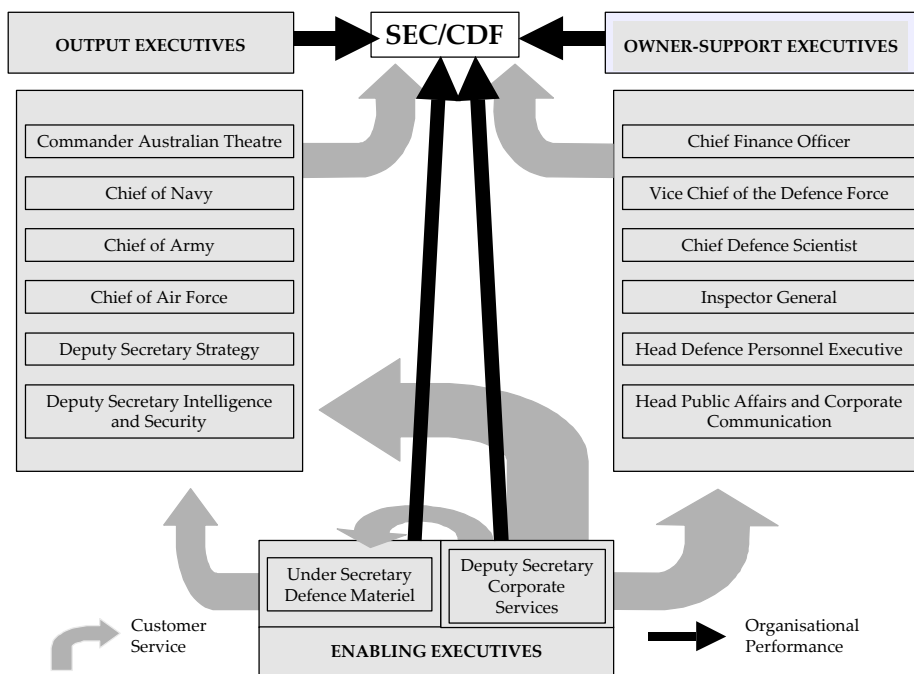
Note

1. Activities are under review and may not proceed.

CUSTOMER-SUPPLIER ARRANGEMENTS

An internal customer-supplier model will be a key plank of integrated Group performance monitoring arrangements to be implemented across Defence from 2001-02. This internal performance management model will better inform Defence’s Groups in supporting the Secretary and the Chief of the Defence Force in delivering the outputs and financial performance expected of Defence by the Government.

Customer Service and Organisational Performance



The customer-supplier model will be the basis for all funding for Groups (ie. internal resource allocations) to deliver expected services and investments to the Secretary and the Chief of the Defence Force. The model will reflect Defence's organisational group structure:

- **Output Executives** are responsible for the majority of direct effort within Defence to allow the Secretary and the Chief of the Defence Force to deliver the outputs expected by the Government;
- **Owner-Support Executives** are responsible for providing independent advice and other services to the Secretary and the Chief of the Defence Force in relation to output and other organisational performance issues; and
- **Enabling Executives** are responsible for providing services, including the provision of the majority of assets, to other Groups within Defence to assist them in delivering Defence's outputs.

Consistent with the above roles, Groups' responsibilities under the customer-supplier model will be incorporated in a comprehensive set of agreements to reflect the different expectations of each Group to internal service customers (including the Secretary and the Chief of the Defence Force) and as service suppliers/providers.

Customer service will focus on the provision of goods and services to an internal customer in the year in question - at a price. Organisational performance will focus on strategies and issues associated with 'organisational' performance, including the ability to deliver expected customer services - now and in the foreseeable future.

An essential component of the customer-supplier model will be the incorporation of Directed Level of Capability requirements between the Secretary and the Chief of the Defence Force and the Service Chiefs.

The model will:

- provide an improved framework for establishing expected and achievable performance levels;
- focus on measuring customer service by output measures, rather than by inputs used in delivering services;
- promote accountability and performance review across Defence; and
- aid future decision making within Defence.

ACQUISITION REFORM

The acquisition reform program encompasses a comprehensive range of measures to enhance accountability; increase government and industry involvement in capability development and acquisition planning; reduce tendering costs; and improve the cost, timeliness and effectiveness of Defence acquisitions.

Initiatives for 2001-02 include:

- increasing government and industry involvement in capability definition and acquisition processes;
- improving risk management, emphasising increased investment in risk reduction prior to committing to acquisition;
- adopting best commercial practice in acquisition management, consistent with public sector accountabilities;
- attracting, developing and retaining skilled personnel;
- implementing an activity-based costing model which may be expanded to encompass all Defence Materiel Organisation activities;
- developing a framework to permit the more rigorous application of past performance as a source discriminator in tender evaluations;
- establishing new project governance boards;
- applying a new tendering and contracting pro forma for major projects, Strategic Materiel Acquisition Request for Tender 2000, which reflects commercial realities and reduces the cost of tendering;
- relocating approximately 700 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; and
- improving logistic processes and upgrading logistic support information systems including the linkages to other corporate systems.

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.

Priorities for 2001-02 include:

- finalisation of the human resources information system with the roll-out of Phase 3 (ADF Pay) of the Personnel Management Key Solutions project;
- finalisation of the financial information system following the Australia-wide roll-out of the Resource and Output Management Accounting Network project; and
- upgrade of the Standard Defence Supply System.

EVALUATIONS

Evaluations endorsed by the Defence Audit Committee for calendar year 2001 are:

- Enterprise Resource Planning in Defence;
- Progress in Pursuing the National Support Agenda; and
- Management of the Equity Process (this evaluation of gender integration was deferred from 2000-01).

The scope and terms of reference for these evaluations are currently being developed.

Evaluations foreshadowed by the Defence Audit Committee for 2001-02 are:

- Responsibilities for Doctrinal Development; and
- Resource Allocations for Capital Facilities Projects.

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