

# **DEFENCE**

## **CHAPTER FOUR**

### **ENABLING BUSINESS PROCESSES**

**EFFICIENCIES**

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## EFFICIENCIES

The White Paper resourcing strategy required Defence to make efficiency savings of \$50m in 2001-02, \$100m in 2002-03 and \$200m in 2003-04 and thereafter. The following table lists the initiatives for 2002-03 together with revised estimates.

**Table 4.1 Projected Efficiency Savings in 2002-03**

	<b>2002-03 Budget Estimate \$m</b>	<b>2002-03 Revised Estimate \$m</b>	<b>Variation \$m</b>
Fringe Benefits Tax liability reduction	14.2	14.2	0.0
Savings in travel	20.0	20.0	0.0
Reduction in, and improved management of, the Defence commercial vehicle fleet	4.3	0.0	(4.3)
Rebasing of Group budget allocations	69.0	69.0	0.0
Reduction in recruitment and advertising <sup>(1)</sup>	10.0	10.0	0.0
Reduction in administrative spending <sup>(1)</sup>	87.0	87.0	0.0
<b>Total</b>	<b>204.5</b>	<b>200.2</b>	<b>(4.3)</b>

**Note**

1. Applied as offsets for the cost of new operations.

The forecast saving in Defence's commercial vehicle fleet in 2002-03 will not now occur in the expected timeframe, following the establishment of a review of the Commonwealth's commercial vehicle fleet by the Department of Finance and Administration in September 2002. The results of this review, including the potential for savings, will not be known until after 1 July 2003, following exposure of the recommendations to the market.

## 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 Made in 2002-03

**Table 4.2: Market Testing Decisions in 2002-03**

Activity Name	Total Positions Evaluated	PBS 2002-03 (Table 4.2) Decision Expected	Decision Announcement
ADF Health Services in Victoria	100	Imminent	October 2002
Defence Integrated Distribution System	1,392	July 2002	October 2002
<b>Total</b>	<b>1,492</b>		

The Defence Force Recruiting Activity (formerly reported as ADF recruiting), which was undergoing a pilot test phase in Victoria, is to be rolled out nationally. The contract is expected to be let by mid-2003 with full implementation by 2003-04.

### Market Testing Decisions Expected in 2002-03

**Table 4.3: Market Testing Decisions Expected in 2002-03**

Activity Name	Total Positions <sup>(1)</sup>	PBS 2002-03 (Table 4.2) Decision Expected	Revised Decision Expected <sup>(2)</sup>	Comment
Amphibious Afloat Ships – Fully Contracted Integrated Materiel Support	16	December 2002	Mid 2003	Delayed pending the Government's approval of the Naval Shipbuilding and Repair Sector Plan.
Army Marine Commercial Support Program Project <sup>(3)</sup>	183	December 2002	June 2003	Delayed due to the activity transferring from the Navy to Defence Materiel Organisation responsibility.
ADF Health Services in ACT and Southern NSW	139	July 2002	December 2002	Delayed due to a complex tender evaluation process.
<b>Total</b>	<b>338</b>			

**Notes**

1. Estimated number of positions to be evaluated.
2. Expected date of tender evaluation decision announcement.
3. Previously reported in the *Portfolio Budget Statements 2002-03* as 'Army Marine Platforms and Systems – Fully Contracted Integrated Materiel Support'.

## Other identified market testing activities in 2002-03

The following activities are being progressed, or are under consideration, for possible future market testing.

**Table 4.4: Other Market Testing Activities**

Activity Name	Comment
Routine Pathology Services	The project scope is being assessed.
ADF Health Services in Northern Territory	The activity functions are to be rationalised.
ADF Health Services in Sydney New South Wales Region	The activity functions are to be rationalised; a review is being carried out.
ADF Health Services in Western Australia	The project scope is being assessed.
ADF Health Services in South Australia	The project scope is being assessed.
ADF Health Services in Tasmania	The project scope is being assessed.
ADF Health Services in Queensland	The activity functions are to be rationalised.
Defence Information Technology Infrastructure Services – Central Office – Deakin ACT <sup>(1)</sup>	The project scope is being assessed.
Personnel Services	The activity functions are to be rationalised.
FFG Ships - Fully Contracted Integrated Materiel Support	A draft statement of requirement is being developed.
Anzac Ships - Fully Contracted Integrated Materiel Support	The project scope is being assessed.
ADF Rotary Wing Flying Training	The project scope is being assessed.
Catering and Accommodation Services – Anglesea Barracks Hobart	The project scope is being assessed.
[New] Navy Technical Training Services	The project scope is being assessed.
[New] RMC Transport Unit	The project is not going ahead as a market testing activity, but may be market tested as part of the garrison support activities in that region.

### Note

1. Previously reported in the *Portfolio Budget Statements 2002-03* as 'Defence Information Technology Infrastructure Services'. Other regions will be identified for market testing as the infrastructure support services are progressively defined.

## **CUSTOMER-SUPPLIER ARRANGEMENTS**

Each of the 14 Group Executives has now signed an 'Organisational Performance Agreement' with the Secretary and the Chief of the Defence Force. These agreements cover the current financial year and also provide a 10-year forward view of resources and planned performance (for three years) at the organisational level. Executives will be held accountable against these agreements for performance delivery. These agreements will be progressively refined, and it is expected a full model will be substantially implemented during 2004-05.

## **DELIVERING INTERNAL SERVICES**

Corporate Services and Infrastructure Group comprises some 5,500 Australian Public Service and military staff who create the living and working environment for Defence people at approximately 370 locations around Australia. In this way, the Group is one of the vital elements underpinning Defence capability, as well as playing a central role in the communities in which Defence operates.

### **PRODUCTS AND SERVICES**

The Group's products and services can be categorised broadly into three areas - infrastructure, information systems and service delivery. The organisational structures and processes that deliver these products and services will be the focus of further reform over 2002-03. The Group has established twelve regions with integrated management and structures across the three broad areas to simplify customer access to products and services. The operating principles for the development of the revised structure included a strong customer focus, a single line of accountability and authority for the delivery of products and services, with decision making devolved as close as practical to the customer.

In 2002-03, the management systems across the twelve regions will be further developed and supported by revised national office arrangements to enhance governance arrangements.

In line with the implementation of the Defence business model, Corporate Services and Infrastructure Group has established customer service agreements with most of its internal customers which outline the performance standards for the products and services that the Group provides. These fall into four categories: impact on capability, customer satisfaction, compliance with standards and relationships with industry.

### **PRIORITIES FOR 2002-03**

During 2002-03, Corporate Services and Infrastructure Group will continue to support the whole-of-Defence reform agenda through a focus on:

- implementing a business strategy built around:
  - engaging customers to enable better visibility of their requirements across all planning horizons and developing a strategic planning capability which integrates with broader Defence planning;
  - establishing a technical authority role for products provided by Corporate Services and Infrastructure Group, with the aim of ensuring consistency of delivery;
- representing the Government's interest in the stewardship of the Defence estate, information technology and service provision;
- meeting commitments in the endorsed capital investment/disposals program;

- developing effective strategic planning processes;
- leading the reform of transaction processing within Defence;
- implementing a product-costing capability in support of the Defence customer-supplier model;
- finalising a register of the Group's high value non-information technology assets and a register of its accounting strategies, policies and procedures; and
- implementing the outcomes of the *Defence Employees Certified Agreement 2002-03* and the *ADF Workplace Remuneration Arrangement 2002-04*.

## DEFENCE INFORMATION ENVIRONMENT

This section was called 'Management Decision Support' in the *Portfolio Budget Statements 2002-03*.

Improvements to the efficiency, effectiveness and security of the Defence Information Environment will be delivered progressively during 2002-03. These improvements will focus on improving strategic direction, and governance and coordination arrangements for the development, operation and management of information environment capabilities, and developing a network-enabled warfare capability.

Priorities are as reported in the *Portfolio Budget Statements 2002-03*, except for the amendments below.

- Enhancing the Defence Information Environment's enabling contributions to Defence capabilities, including command and control and intelligence support capabilities and improving interoperability with our allies and partners.
- Implementation of the human resource element of the human resource information system (PMKeyS) has been completed. Implementation of ADF Payroll has been deferred to allow a period of concentrated effort to improve system functionality, data accuracy and integrity, management information reporting and user documentation and training.

Additional priorities for 2002-03 involve:

- developing a coherent vision and strategy for the Defence Information Environment and its components through a comprehensive strategic plan;
- establishing a methodology for funding joint information capabilities and initiatives to ensure that Defence Information Environment capabilities (both current and future) are supported and can be balanced and prioritised;
- improving the acquisition and through-life management of information capabilities;
- embracing a national approach to information management;
- commence planning and improving competencies in the Defence Information Environment workforce, including the attraction, retention and training of personnel with relevant skills;
- implementing a range of strategies to manage information management risks;
- improving information assurance by addressing the availability, confidentiality, integrity and accuracy of data; and
- improving management systems, including functionality and tools with supporting policies and procedures.

## PORTFOLIO EVALUATIONS

Portfolio evaluations endorsed by the Defence Audit Committee and the Defence Committee for calendar year 2002 are:

- *Impact of Accrual Accounting on Management Practices*, expected to be finalised in February 2003;
- *Responsibilities for Doctrine Development*, expected to be finalised in March 2003;
- *Corporate Governance of the Defence Information Environment (Phase 1)*, completed in September 2002; and
- *Implementation of the Balanced Scorecard* (resources permitting), expected to be completed in 2003.

Results from portfolio evaluations conducted in 2002-03 will be reported in the Defence annual report.

The schedule of portfolio evaluations agreed in principle by the Defence Audit Committee and Defence Committee, and as reported in the *Portfolio Budget Statements 2002-03*, is likely to be amended for the reasons shown below.

- *Corporate Governance of the Defence Information Environment (Phase 2)*  
Phase 2, which is the data collection, analysis and reporting phase of the evaluation of *Corporate Governance of the Defence Information Environment*, has been deferred until July 2003 to allow for a broader range of data to be collected.
- *Implementation of ADF Personnel Initiatives (the Nunn Review)*  
The proposed evaluation of the Nunn Review has been delayed and will not be progressed in 2003.
- *Implementation of the Customer Supplier Model*  
The Customer Supplier Model is only partially implemented. Accordingly, the model will be delayed until 2004 to allow more meaningful recommendations for improvement to be made.