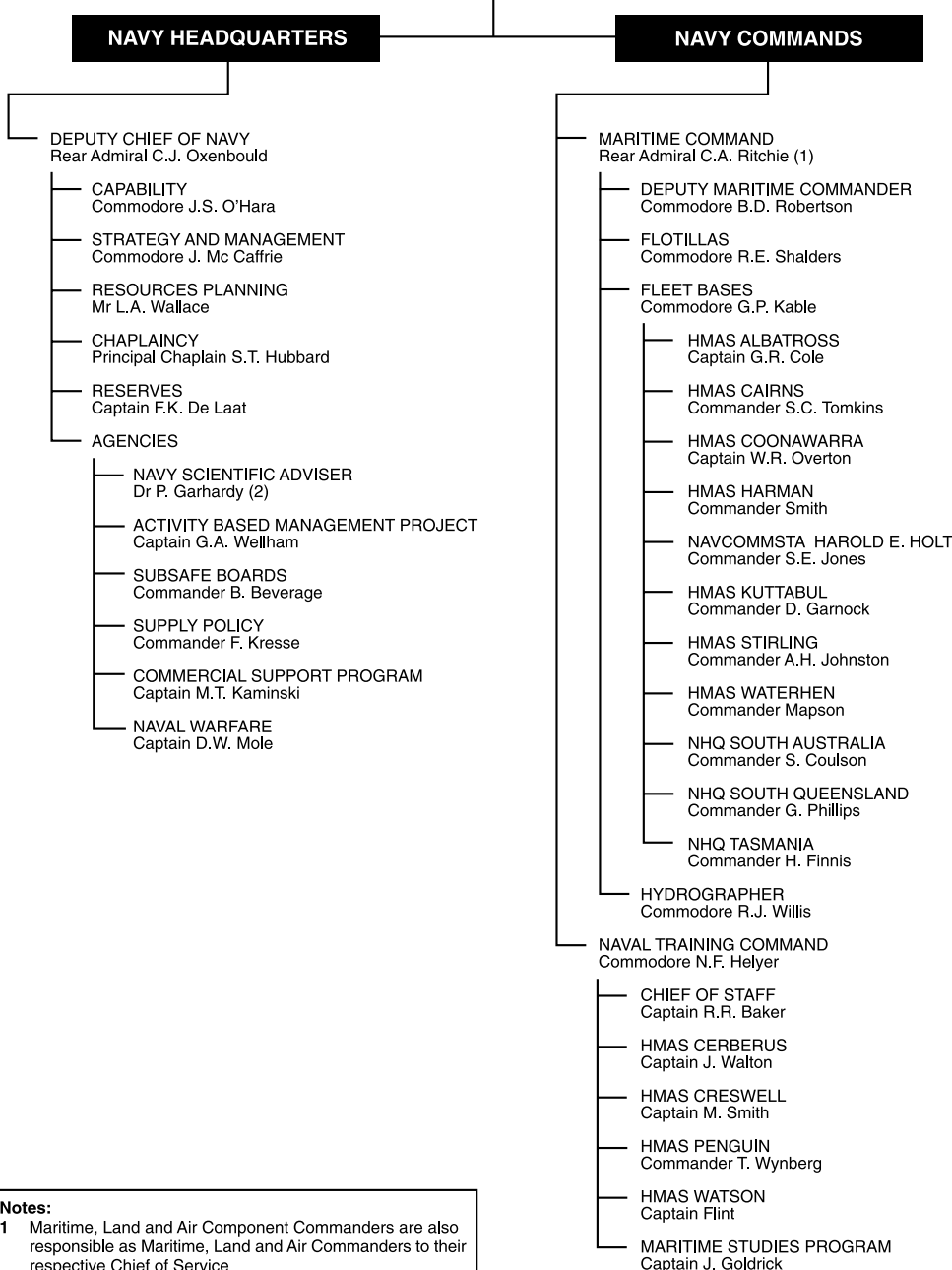


CHIEF OF NAVY
Vice Admiral D.B. Chalmers



Notes:

1 Maritime, Land and Air Component Commanders are also responsible as Maritime, Land and Air Commanders to their respective Chief of Service.

2 Responsible to the Chief Defence Scientist and to respective single-Service Chief. Position depicted in Service organisation and located in Scientific Adviser and Trials Branch.

GROUP 2: NAVY

OBJECTIVE

The Navy Group objective is:

- to be able to fight and win in the maritime environment as an element of a joint or combined force;
- to assist in maintaining Australia's sovereignty; and
- to contribute to the security of our region.

DESCRIPTION

The Royal Australian Navy contributes to the achievement of Defence objectives through the provision of forces for maritime operations, including patrol and response, interdiction and strike, and peacetime activities.

The Group Manager is the Chief of Navy, who commands the Navy and is responsible for the preparation of forces for the conduct of maritime operations and the efficient and effective strategic management of the Group. The Navy Group comprises three areas: Combat Forces, Executive, and Training.

PERFORMANCE OUTCOMES FOR 1998-99

The achievement of the Navy's outcomes has been measured as follows:

Navy's People

The degree of professional competence, as measured by the ratio of unqualified incumbents to billets filled, the degree of retention (the willingness to continue in Navy service as opposed to other alternatives) and personal satisfaction of Navy uniform and civilian staff as measured by their attitudes to their work

Navy's improved performance measurement framework has provided a more effective mechanism for measuring and analysing personnel data across the service. Management of Navy's uniformed workforce has proved a difficult management challenge during 1998-1999 in view of a number of factors:

- Average strength was 189 under the Budget forecast of 13,850 personnel.
- Navy separations increased by 144 or 9% in 1998-99 when compared to 1997-98 results. The high separation rates are compounded by very low recruiting outcomes with targets failing to be achieved by an average of 24% across all categories, with up to 30% in the technical categories.
- The areas most affected by the separation rates are guided missile destroyer marine technical sailors, guided missile frigate Mark 92 weapons system specialists, submariners (Collins-trained personnel) and the clearance diver category.

Seventy-six percent of uniformed personnel have the required qualifications for their billets and reviews of billet training requirements are ongoing. In an effort to overcome shortfalls in trained submariners, Training Command has significantly increased the throughput of submarine trainees. Training throughput has increased 40% from last financial year to 168 personnel for this financial year. Personal satisfaction data was not measured during the period but was incorporated into an ADF-wide survey conducted in July 1999.

Operations and Preparedness

The Navy's ability to meet the requirements of Chief of Defence Force's Preparedness Directive 1998 and Commander Australian Theatre's Operational Preparedness Directive 1998. Actual achievement of planned operations and exercises will be measured against the requirements of the Overseas Activities Directive and the Program of Major Scheduled Activities

The Navy was able to meet the Government's preparedness requirements in respect to the deployment of HMAS *Melbourne* to the Multinational Interception Force (Operation Damask) in May 1999 and the acquisition and deployment of HMAS *Jervis Bay* to Darwin by 30 June 1999. The Navy continues to successfully support Operation Bel Isi (peace monitoring in Bougainville).

The Navy's ability to maintain core skills and professional standards for readiness continues to be challenged from personnel and logistic support pressures.

Force Structure

New capabilities being introduced into service will be compared against the detailed operational requirement prior to acceptance. New equipment proposals will be compared against endorsed strategic guidance

The Chief of Navy currently manages six defence outputs. Active programs for the introduction into service for Anzac-class ships, Huon-class minehunters, and Collins-class submarines are under way. A similar process has been initiated for the amphibious lift capability.

Business Practices

The implementation of a more structured approach to planning and decision making; the degree to which Defence Reform Program savings and reinvestment targets for 1998-99 are met; and the degree to which linkages can be drawn between resource levels, capability outputs and the Navy's Future Directions

To account for the Chief of Navy's role as a capability manager, the Navy Headquarters was reorganised in late 1998. The Headquarters retains three branches covering capability management, strategy and management, and resources planning. In support of the capability management role, a Naval Capability Management Board has been established. The Group achieved 92% of the revised Defence Reform Program savings forecast of \$7.7m.

The framework for attributing resources to capability outputs was established in preparation for the 1999-2000 budget and will be improved as part of the wider Defence management framework in the new accruals and output-based environment. Improvements were introduced in the identification of budget levels to capability outputs, particularly for logistic costs.

Corporate Responsibilities

Measurements will address the deployment and engagement of Navy assets to produce non-military outputs

The Navy continued to contribute to national support tasks in the form of providing assets in support of civil surveillance and response operations, search and rescue operations and other national support tasks. Specific details are provided under the Corporate Responsibilities in the *Performance against Forecast for 1998-99* section following.

PERFORMANCE AGAINST FORECAST FOR 1998-99

Navy's People

- *Continue progress, in conjunction with the Defence Personnel Executive Group, in improving equity in the Navy workplace and integration of the civilian Equal Employment Opportunity and Navy Good Working Relationships programs*

Achieved as Forecast The Chief of Navy has reaffirmed the Navy's commitment to social justice and equity through dedicated positions for training, education and visits to naval ships and establishments. The Navy places high emphasis on eliminating all forms of unacceptable behaviour. Uniformed and civilian members have the responsibility, and are encouraged, to report and manage instances of unacceptable behaviour, including fraternisation between members posted to seagoing ships. The result has been a greater confidence to bring complaints forward, as evidenced by the number of incidents reported during 1998-99. During the reporting period, the Navy continued its high level of training for equity advisers and has recently implemented equity and diversity training specifically for managers and supervisors.

The recommendations arising from the 1998 *Royal Australian Navy Employee Attitude Survey* regarding acceptance of the *Good Working Relationships* program and diversity issues will be implemented shortly.

- *Achieve improved cost effectiveness in training by further application of Recognition of Prior Learning and Recognition of Current Competencies principles, the 'just-in-time' philosophy and the use of flexible learning practices in conjunction with continued development of flexible-learning centres ashore and afloat*

Achieved as Forecast Navy Training Command has implemented a range of initiatives to increase the effectiveness and efficiency of training. The application of Recognition of Prior Learning and Recognition of Current Competencies has allowed fast tracking of personnel through initial technical training and the attainment of qualified entry status for other personnel with a subsequent reduction in training time. Mechanisms are being developed to track and quantify these savings as an ongoing imperative.

The application of 'just in time' training was limited to courses which could be delivered by flexible means employing advanced computer-based methods. Every effort is being made to utilise advanced technology where appropriate. The full impact of the initiatives will not be realised until courses can be piloted and results compared with traditional delivery methods. Successful initiatives include the following:

- A contract for the cooperative development of a computer-based navigation training package with the Singapore Defence Force which was signed in August 1999. The final product is due for delivery in early 2000.
- Navy Training Command Lead Authorities have investigated the functionality of various advanced delivery packages developed overseas. Four computer-aided instruction packages from the Republic of Singapore Navy, under the new cooperative arrangement, have been identified. These cover sailing, astro-navigation, meteorology and the history of mine warfare. The Republic of Singapore Navy will provide these packages at nominal cost to the Navy.
- A cooperative venture with the Army, whereby the Navy has shared production costs of computer-based training elements of the *Introduction to Service Discipline and Law*, has been delivered and is currently being used in the Navy Initial Training Faculty.

Part Two

- *Extend the implementation of Competency Based Training Assessment to all new training initiatives and in the redevelopment of existing areas such as the Aviation, Logistics and Bosun's Mate Categories, and submarine escape and rescue training*

Achieved as Forecast Competency-based training and assessment has been implemented in the Navy to align with the Australian National Training Authority guidelines. Areas of higher importance already in Navy training system format are being transformed as required and all new training is being developed in a competency-based training and assessment format. Navy Training Command has received provisional 'registered training organisation' status with full accreditation expected later in 1999.

- *Implement in-service training and other initiatives for personnel for Anzac, amphibious transport, minehunter coastal and hydrographic class ships*

Achieved as Forecast The responsibility for training of Anzac and minehunter personnel has been passed to the Navy from the Acquisition Group. Action is under way to ensure sustainment of the required training throughput once the final ship-fit commences for the Anzac class. In-service training for amphibious transport, coastal and hydrographic class ships is presently being passed to the Navy. Minehunter training contract negotiations are almost finalised with final contract signature expected in late 1999.

Operations and Preparedness

- *Enhance combat capabilities and interoperability with other Services and with our regional neighbours and allies through participation in exercises. Enhance joint expertise by the participation of Navy forces in the exercises that are conducted by the ADF to meet ADF operational requirements*

Partially Achieved as Forecast Due to the suspension of activities under the Five Power Defence Arrangements, Exercise Stardex (an annual multilateral major maritime and air exercise) was cancelled. There were no significant operational consequences of the cancellation, although the opportunities for improving interoperability with our allies was curtailed. Exercises Paradise, Rimpac, Cassowary and Singaroo proceeded as forecast and provided the Navy with opportunities to practise and develop a wide range of warfare and mariner skills while also demonstrating improvements in interoperability with our allies. Outcomes for forecast operations are contained in *Appendix D* to Part One of this report.

- *Achieve the predicted availability of Maritime Forces*

Achieved as Forecast Outcomes for platform availability are contained in *Appendix B* to Part One of this report. Although the predicted availability was achieved, there are significant logistic-support pressures that have the potential to adversely affect the sustainability of operations. Strategies have been implemented to ameliorate shortfalls in order to meet contingency requirements.

For the 1999-2000 budget, the Navy has adopted a more rigorous measurement system for determining the capability level available against the Government's preparedness targets. The measurement system, based on the concept of a minimum level of capability, takes into account personnel and equipment status and training outcomes.

- *Reinvigorate naval aviation capability over the next few years, including through an increase in flying hours*

Achieved as Forecast The reinvigoration of naval aviation continued through 1998-99 with increased aircraft availability, effective attainment of forecast rates of effort and enhanced squadrons for most aircraft types as well as significant progress in the development of the

Naval Aviation Force master plan. Outcomes for forecast aircraft availability are contained in *Appendix B* to Part One of this report.

Force Structure

- *Produce a workforce plan to implement the requirements of the Defence Reform Program and meet the requirements of the changing force structure*

Achieved as Forecast The Navy's workforce plan was first produced in April and was reissued in June 1999. The intention is to republish the plan on a quarterly basis with the objectives of:

- providing the framework and the methodology for a 'total workforce' concept;
 - acting as a single point of reference for the management of the Navy's workforce as capabilities phase in and out over time; and
 - ensuring that the Navy's workforce is capability based, affordable and sustainable.
- *Seek approval for the Fremantle Class Patrol Boat Life of Type Extension project and Anzac Warfighting Improvement project for a Year of Decision in 1999-2000*

Achieved as Forecast In November 1998, the Government approved a 'life of type' extension for the Fremantle class boats to allow them to remain in service for another eight years. The Anzac warfighting improvement project is to be considered later in 1999. This will not delay implementation, as contract signature is planned for June 2001.

Business Practices

- *Use enhanced planning processes for the preparation of the accruals-based 1999-2003 Five Year Defence Program and Forward Estimates, with an emphasis on capability outputs*

Achieved as Forecast Considerable progress was made in refining budgetary estimates of logistics support to meet Navy capabilities following implementation of the 'class logistics office' concept in the Support Command Group. Close liaison was also maintained with other key service-provider Groups during the construction of Group contributions to Navy capability outputs. New output presentations, including performance information, were developed for the *Portfolio Budget Statements 1999-2000*.

- *Manage the implementation of Defence Reform Program savings initiatives*

Achieved as Forecast See *Defence Reform Program Progress* in the Resources section of Navy Group's report.

- *Implement a better performance management framework through the Navy business cycle so as to monitor the achievement of the Navy's Future Directions priorities*

Achieved as Forecast The Chief of Navy now has an improved, reliable form of 'scorecard' reporting based on analysis of some ten enduring key result areas, with further improvements to provide more regular reporting on progress against key priority issues including personnel management and sustainability.

- *Integrate Activity Based Management across the Navy's business processes*

Not Achieved as Forecast While most system implementation targets have been met and considerable work has been initiated on business applications, full integration with core business processes is yet to be achieved. Incorporation of the activity-based approach to the Navy Group budget process is now in preparation for 2000-2001. Further application of these techniques will be influenced by the examination into its application more widely across Defence.

Part Two

- *Achieve appropriate Year 2000 compliance of all Navy operational and administrative information systems*

Partially Achieved as Forecast The Navy Group has completed almost all necessary activities to ensure that mission, business and safety-critical items, systems or services that are the responsibility of the Group are Year 2000 compliant. One mission-critical system remains in the process of remediation.

Corporate Responsibilities

- *Conduct geographic and hydrographic data collection activities over 10,000 square nautical miles, with an emphasis on Northern Territory waters, Queensland waters off Gladstone and further within the Great Barrier Reef, southeast Papua New Guinean waters and Spencer Gulf in South Australia*

Not Achieved as Forecast During 1998-99, hydrographic units conducted surveys in the above areas. Data was also obtained from the Macquarie Island area under a contract arrangement. Just over 4,000 square nautical miles of survey was completed. The area surveyed was less than that planned primarily due to delays in delivery of the new hydrographic ships and the complexity of some survey areas.

- *Provide 1,800 patrol boat days for surveillance of the Australian Fishing Zone, and provide at least 33 ship visits for patrol of the Bass Strait oil rigs*

Significantly Achieved as Forecast The Navy provided 1868 patrol boat days, exceeding the requirement for this reporting period, and conducted 366 boardings and effected 55 apprehensions. Surveillance and support to Bass Strait oil rigs was provided through 32 ship visits. The Navy was involved in 22 incidents with suspected illegal-entry vessels.

In addition, the following search and rescue activities involved Navy assets or assets under the Maritime Commander's operational control:

- HMAS *Newcastle* was involved in rescuing a foreign fishing vessel off Middleton Reef.
- HMAS *Darwin* and a Seahawk helicopter were involved in the search and rescue of the MV *Monray Frontier*.
- HMAS *Geelong* towed a stranded fishing vessel to Matouta Harbour.
- The rescue of a balloonist involved a New Zealand frigate under the operational control of the Australian Maritime Commander.
- HMA ships *Newcastle* and *Young Endeavour*, two Seahawk and two Sea King helicopters and an HS748 aircraft were involved in the Sydney to Hobart Yacht race rescue efforts.
- HMAS *Newcastle* and two Seahawk helicopters were involved in the search for the yacht *Lady Lloyz*.
- HMAS *Warnambool*, a Sea King and a Seahawk helicopter were involved in the search for the vessel *Green Hornet*.
- HMA ships *Canberra*, *Success* and *Tobruk*, a Sea King helicopter and an HS748 aircraft were involved in the search and rescue operation of an F-111 crew in April 1999.

RESOURCES

Table 2.1: Defence Function Outlays Summary

Sub-Group		1998-99 Budget Estimate \$m	1998-99 Revised Estimate \$m	1998-99 Actual Outcome \$m	Variation (98-99 Actual less Revised Estimate) \$m %	
2.1	Combat Forces	515.2	530.9	560.8	30.0	5.7
2.2	Executive	41.5	28.5	23.8	-4.7	-16.6
2.3	Training	229.5	221.7	203.4	-18.3	-8.2
Group Total		786.2	781.0	787.9	6.9	0.9

Table 2.2: Staffing Summary

Sub-Group		1998-99 Budget Estimate Personnel Numbers	1998-99 Revised Estimate	1998-99 Actual Outcome	Variation (98-99 Actual less Revised Estimate) No %	
2.1	Combat Forces	8,001	7,908	7,963	55	0.7
2.2	Executive	243	258	240	-18	-7.0
2.3	Training	4,214	4,090	3,705	-385	-9.4
Group Total		12,458	12,256	11,908	-348	-2.8

Table 2.3: Staffing Profile

Personnel	Sub-Program	Personnel Numbers			Total
		2.1	2.2	2.3	
Permanent Force	98-99 Budget	6,786	174	3,844	10,804
	98-99 Revised	6,766	172	3,744	10,682
	98-99 Actual	7,024	171	3,444	10,639
Reserves	98-99 Budget	708	35	252	995
	98-99 Revised	658	51	228	937
	98-99 Actual	445	32	143	620
Ready Reserves	98-99 Budget	142	0	0	142
	98-99 Revised	126	0	0	126
Civilian	98-99 Actual	142	0	0	142
	98-99 Budget	365	34	118	517
	98-99 Revised	358	35	118	511
	98-99 Actual	352	37	118	507
Total	98-99 Budget	8,001	243	4,214	12,458
Personnel	98-99 Revised	7,908	258	4,090	12,256
	98-99 Actual	7,963	240	3,705	11,908

1998-99 Defence Reform Program Progress

A wide range of savings measures are being implemented under the Defence Reform Program at a number of geographic locations around Australia. These are being managed by Navy's three headquarters in Canberra, Sydney and Southern Victoria. During 1998-99, action was completed for those initiatives involving Navy Headquarters in Canberra, while a number of activities at both Maritime and Training Commands will be implemented progressively over the next few years. This involves seeking competitive offers from industry to provide a range of support services.

Efficiency gains have largely been made in implementing reductions to staff at both Navy Headquarters in Canberra and Maritime Headquarters in Sydney as part of the revised Defence Command and Management Arrangements. The savings target for 1998-99 is slightly behind schedule compared to the position advised at Additional Estimates due to delays in commencing market testing of some activities in Maritime Command. Gains have also been achieved through efficiencies achieved in Naval Training Command Headquarters and through the opening of the ADF School of Catering at HMAS Cerberus with training being delivered by the Chisholm Institute of TAFE based in Dandenong.

Table 2.4: 1998-99 Defence Reform Program Resources Available for Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(98-99 Actual less Revised Estimate)	
	\$m	\$m	\$m	\$m	%
Defence Command and Management Arrangements	3.2	5.0	4.3	-0.7	-14.0
Acquisition and Industry	0.1	0	0	0	0
Science and Technology	0.1	0	0	0	0
Logistics	3.5	0	0	0	0
Education and Training	0.7	0.6	0.6	0	0
Administrative Support	2.0	0	0	0	0
Superannuation	0.8	2.2	2.2	0	0
Total	10.4	7.7	7.0	-0.7	-9.1

Table 2.5: 1998-99 Defence Reform Program Personnel Reductions - ADF

Category	1998-99	1998-99	1998-99	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(98-99 Actual less Revised Estimate)	
	Personnel Numbers			No	%
Defence Command and Management Arrangements	53	61	35	-26	-42.6
Education and Training	11	9	9	0	0
Administrative Support	10	0	0	0	0
Total Personnel Reductions	74	70	44	-26	-37.1

Table 2.6: 1998-99 Defence Reform Program Personnel Reductions – APS

Category	1998-99	1998-99	1998-99	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(98-99 Actual less Revised Estimate)	
	Personnel Numbers			No	%
Defence Command and Management Arrangements	11	67	71	4	6.0
Science and Technology	2	0	0	0	0
Education and Training	67	1	3	2	200.0
Total Personnel Reductions	80	68	74	6	8.8

Reinvestment been directed to two main areas - enhancing amphibious lift capability through the retention of HMAS *Tobruk* and the reinvigoration of naval aviation; in particular, aviation training.

Table 2.7: 1998-99 Defence Reform Program Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	\$m	\$m	\$m	\$m	%
Amphibious Capabilities	0.7	0.7	0.8	0.1	14.3
Net Personnel and Operating Costs	12.5	9.4	9.4	0	0
Provision for 50,000 ADF	11.3	11.3	11.3	0	0
Transition Costs	0	0.3	10.2	9.9	3,300
Total	24.5	21.6	31.7	10.0	46.3

Table 2.8: Reconciliation of Appropriations for the Navy Group

Division/Appropriation Item	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less	
	Estimate	Estimate	Outcome	Revised Estimate)	
	\$m	\$m	\$m	\$m	%
180-01 Running Costs					
Service Personnel	614.1	619.4	626.1	6.7	1.1
Civilian Personnel	24.0	25.5	25.9	0.4	1.7
Administrative Expenses	60.6	51.9	52.9	0.9	1.8
181 Equipment & Stores	92.3	89.7	89.1	-0.5	-0.6
Total Defence Function Appropriations (A)	791.0	786.5	794.0	7.5	1.0
Total Defence Function Receipts (Offset within Outlays) (B)	-4.9	-5.5	-6.1	-0.6	11.2
Total Defence Function Outlays (C) = (A+B)	786.2	781.0	787.9	6.9	0.9
Non-Defence Function Outlays					
180-02-09 Young Endeavour (D)	1.8	1.8	1.8	0	0
Total Defence Portfolio Outlays (E) = (C+D)	787.9	782.8	789.7	6.9	0.9

Full accrual information for this Group is available in the *1998-1999 Financial Statements* in *Appendix F* to Part One of this document.

Table 2.9: Major Variations between 1998-99 Revised Estimate and 1998-99 Actual Outcome

Appropriation	\$m
180-01 RUNNING COSTS	
Service Personnel (\$6.7m)	
Reduction in the level of cash held by fleet units	-1.9
Lower than anticipated salary costs due to shortfall in AFS achievement	-1.9
Defence Reform Program Gains	
Related to Defence Command and Management Arrangements	0.9
Defence Reform Program Reinvestment	
Defence Reform Program related redundancies	9.6
Civilian Personnel (\$0.4m)	
Miscellaneous minor variations	0.2
Defence Reform Program Gains	
Related to Defence Command and Management Arrangements	-0.2
Defence Reform Program Reinvestment	
Defence Reform Program related redundancies	0.4
Administrative Expenses (\$0.9m)	
Increased costs associated with Hughes LEASAT costs	2.9
Lower than anticipated cost for HMAS Platypus	-1.0
Reduced requirement for trainee travel	-1.0
181 EQUIPMENT & STORES (-\$0.5m)	
Increased requirement for Y2K remediation expenses	2.7
Reallocation from Admin Expenses primarily associated with the payment of Hughes LEASAT costs	2.4
Increased requirement for marine survival and rescue equipment	0.6
Increased costs associated with Operation Damask	0.1
Lower than anticipated cost for HMAS Platypus	-0.8
Reduced requirement for the Port Services & Support Craft contract	-1.3
Net Group transfers primarily associated with increased naval logistics support to Group 6	-4.2
DEFENCE PORTFOLIO RECEIPTS (-\$0.6m)	
Higher than anticipated administrative recoveries	-0.6

