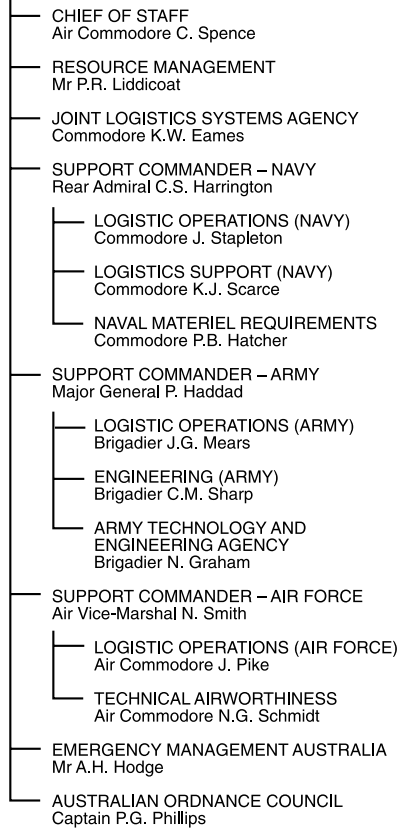


SUPPORT COMMAND AUSTRALIA

COMMANDER SUPPORT AUSTRALIA
Major General D. Mueller (1)

SUPPORT COMMAND AUSTRALIA



Note:

- 1 Commander Support Australia is responsible to the Chief of the Defence Force and is responsive to each Chief of Service.

Effective at 30 June 1999

GROUP 6: SUPPORT COMMAND

OBJECTIVE

To deliver at minimum cost the materiel support required by the ADF to train and fight.

DESCRIPTION

The Group Manager is the Commander Support Australia. The Group comprises five areas; the Executive, Logistic Operations - Navy, Logistic Operations - Army, Logistic Operations - Air Force, and Emergency Management Australia.

PERFORMANCE OUTCOMES FOR 1998-99

Support Command's performance has been measured by financial and non-financial performance indicators to assess the extent that:

Customers are satisfied with the delivery of agreed levels of information, services and materiel and optimal through-life-support arrangements are established for new equipment

Support Command is finalising a materiel-support service charter, supported by lower-level service agreements, with capability managers. These documents define the customer/provider framework, customer requirements, service-delivery performance measures and mechanisms for performance reporting. While data collection is currently manual, the introduction next year of a performance management information system will automate collection, collation and performance measurement to improve the assurance of customer satisfaction. Support Command has also developed the policy for formal customer satisfaction surveys as another mechanism for assessing customer satisfaction. In addition, Support Command and the Acquisition Group completed a joint study into improving the incorporation of life-cycle costing information into source selection considerations, including the establishment of life-cycle costing-agreement standing offers with industry. The Defence instruction on life-cycle costing was rewritten.

A significant opportunity for improvement lies in through-life support and associated business processes. While there is much single-Service-specific policy and procedural documentation, it is inconsistent and has no standardised approach to achieving optimal through-life support. Furthermore, Defence does not have a single, coordinated through-life support training program and many logistics staff are under-skilled and lack relevant experience. Therefore, Support Command has initiated the through-life support disciplines project which is to be completed over the next two years. The project is supported by a second project to provide a through-life support planning and requirements system, which will significantly reduce the time and effort required in producing supporting documentation.

In addition to supporting ongoing training and administrative requirements, Support Command has contributed to the military planning process at the strategic and operational levels. Materiel support to the Bougainville peace monitoring process, support of coalition operations in the Middle East and support to United Nations activities in , Sinai, Bosnia and Cambodia was also provided. In addition, considerable effort has been devoted to support of the various phases of Exercise Crocodile 99 and to support for the Sydney Olympics.

The Support Command workforce acquires and maintains required competencies and continues to learn and grow

Support Command initiated the requirement to profile key positions within the Command, especially those deemed to be associated with corporate governance activities. Position profiling

will identify the skills, competencies and qualifications required for a particular position, will better identify training shortfalls in Support Command and lead to a more targeted use of portfolio-sponsored training. Profiling will also assist in placing the best individual in a position. Profiling of key positions continued during 1998-99 with an anticipated 60% completion by December 1999.

Support Command management must have not only the technical skills, but also the leadership and change management skills to ensure an effective transition from a largely military organisation to one based on extensive commercial support. The Group has continued to develop a major leadership development and culture-building program, with specific courses designed for senior, middle and junior management. The roll-out of the program is on target, with 3000 key personnel having undertaken the training courses to June 1999 and a further 1000 to attend by December 1999.

A comprehensive workforce attitude survey was conducted in the period. Internal communication was identified as the most significant shortcoming and is being rectified through the implementation of a comprehensive communications strategy which will ensure all members of the Support Command workforce are aware of, and grow with, the strategic change occurring within the Group. Support Command components, business units and agencies have been provided with their specific survey results to enable local action to address performance/expectation gaps.

Business processes are rationalised, standardised and improved and the migration to integrated, reliable and user-friendly information systems is achieved

Support Command has adopted the balanced scorecard methodology in its strategic planning and has developed objectives and related performance measures against five strategic goals that are consistent with, and linked to, the six Defence priorities. Through the balanced scorecard, Support Command has identified that one of its most significant opportunities for improvement is in business processes.

Support Command inherited a disjointed network of single-Service processes including over 300 different stand-alone logistic information systems. The overarching requirement has been the development of an enterprise framework that will cover all of the Group's business. The logistics enterprise architecture project is aimed at developing an enterprise-level business and information technology framework which will shape Support Command's logistics business processes. The first two stages of the project were completed during 1998-99 and the third stage of the project, planning for and delivery of architecture implementation, will be completed in 1999-2000. Closely related to this is the commencement of a supply-chain management project, which will establish and map a standardised supply-chain baseline for the ADF. It will set a baseline from which system and performance enhancements can be launched and will allow commonality of performance measurement, management and reporting for the supply chain. Key to this outcome will be the concurrent progression of the standard Defence supply system open enterprise project. This project will enable the acquisition of a primary logistics system with an asset visibility and deployable capability, implementation of common logistics business processes, achievement of quantifiable savings through inventory reductions and rationalisation of current systems.

The book value of current and non-current assets is reduced

Inventory reduction is being achieved through a combination of disposal of obsolete items and reduced stock purchasing. As Support Command develops into a modern, integrated logistic business, the former business practice of holding large inventories at many sites is changing to smaller inventories at fewer sites and employing 'just-in-time' methodology. Accordingly, a

review of the accounting classification rules of inventory recognition for financial statement preparation purposes was completed in 1998-99. Approximately \$370m of inventory (current assets) has been reclassified as non-current assets.

Work has commenced to verify low confidence prices of inventory holdings in the standard Defence supply system. Approximately 140,000 stock records have been identified as low confidence and, at 30 June 1999, the prices of approximately 125,000 of these had been verified. Support Command has also targeted approximately 730,000 inventory items in the system to be reviewed for obsolescence/surplus classification. At 30 June 1999, 350,000 items valued at approximately \$750m have been assessed as obsolete/surplus and are being processed for disposal. In addition, assessment of explosive ordnance inventory indicates that approximately \$185m is obsolete/surplus.

Industry is informed of Support Command procurement requirements for goods and services and strategic alliances and partnering arrangements are put in place

The strategic alliance between Support Command and industry is vital to the Group's future development. At the market-testing project level, partnering is a key aspect to the delivery of effective and efficient services. At the strategic level, all market-testing activities are posted to the Commercial Support Group home page for free access by industry. This allows a complete overview of all market-testing activities, both current and future, for the Group. For all activities being market tested, comprehensive information, through invitations to register interest, is delivered to industry on the goods and services to be tested. As part of the market-testing process, both contract and in-house options identify opportunities for partnering.

PERFORMANCE AGAINST FORECAST FOR 1998-99

- *Consolidating establishment of Support Command Group*

Achieved as Forecast Support Command has consolidated and completed the transfer of functions between components to rationalise the management of materiel support. Common functions are now managed by the appropriate single-Service element of Support Command.

- *Reducing the number of logistic information systems*

Achieved as Forecast Substantial progress has been made on developments which will supplant many of the existing information systems and result in a significant reduction of disparate systems over the next two years. The implementation of the Support Command enterprise architecture in the next period will accelerate the further review of systems that do not meet enterprise standards. The logistics enterprise architecture project, supply-chain management and standard distribution and supply system open enterprise projects will deliver standard logistic systems for the Group. As part of the Y2K Review, 38 non-Y2K compliant systems or applications were identified for termination during 1998-99.

- *Continuing the process of rationalisation and market testing*

Achieved as Forecast Support Command is continuing the process of rationalisation and market testing. The Joint Ammunition Logistics Organisation has been established, providing for the warehousing, maintenance and distribution of all ADF ammunition and explosive ordnance. Navy and Air Force proof elements have been transferred to Support Command (Army), which now provides all ADF proof and experimental functions. A range of market-testing projects is under way, with F-111 maintenance to be finalised in 1999-2000. Explosive ordnance, the Defence integrated distribution system, F-111 avionics, engines and weapons, C130 avionics and maintenance, and Army engineering, laboratories and proof and experimental functions will be finalised in 2000-01.

- *Improving logistic and financial management competency through a comprehensive training strategy*

Achieved as Forecast During the last year, work has been undertaken with the Joint Education and Training Group to identify logistic management competency standards required of personnel working in Defence logistic appointments. Work to date has identified some 60 Defence-specific competencies for personnel across the portfolio. The logistic competency standards will be used to assist the development of Support Command position profiles, as the basis of training-needs analysis, and to review and develop career structures for logisticians. It is hoped that the competencies will lead to qualifications at the diploma and advanced diploma level.

The Defence Logistic Education and Training Customer Advisory Group was established in June 1999. It will progress a range of Group logistic training reviews over next year including reviewing the rationalisation of logistic training delivery.

- *Improving inventory management, taking into account the Australian National Audit Office report number 5 on Performance Management of Defence Inventory published in October 1997*

Achieved as Forecast Measures to improve the performance management of Defence Inventory are directed through the strategy of the Support Command Australia Balanced Scorecard. A Performance Management Information System is now being implemented which will enable comprehensive reporting and management of key performance indicators for inventory management. The Supply Chain Management Project now in progress will establish a single management regime for Defence inventory, including standard procedures and instructions. The Supply Chain Segmentation Project has developed inventory segmentation profiles which are planned to be implemented from late 1999, allowing procurement and management according to agreed criteria. Development of a logistics enterprise architecture now under way will provide the framework for rationalising logistics business processes and their supporting information systems.

- *Adopting continuous improvement emergency management strategies*

Achieved as Forecast Emergency Management Australia has worked with the states and territories in formulating new courses in emergency management, has facilitated 10 national studies into aspects of emergency management and conducted 59 workshops/courses. As a board member, Emergency Management Australia contributed to the Public Safety Industry Training Advisory Board, which is developing the national training package for emergency services.

- *Implementing a national approach to disaster mitigation*

Achieved as Forecast Emergency Management Australia has formed a national mitigation working party to progress the development of a national framework for disaster prevention and mitigation. The working party has identified nine priority areas that will improve mitigation in Australia and thereby reduce the impact of disasters on Australian communities. The National Emergency Management Committee has endorsed a program to advance work in these areas including the development of guidelines on land-use planning for natural hazards and a submission to the Australian Building Codes Board to develop building codes for flood and storm-surge areas. Progress currently accords with the agreed timetable.

RESOURCES

Table 6.1: Defence Function Outlays Summary

Sub-Group	1998-99	1998-99	1998-99	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(98-99 Actual less Revised Estimate)	
	\$m	\$m	\$m	\$m	%
6.1 Executive	25.9	52.7	33.1	-19.6	-37.1
6.2 Logistics Operations – Navy	634.0	667.9	646.1	-21.8	-3.3
6.3 Logistics Operations – Army	594.6	594.7	606.8	12.1	2.0
6.4 Logistics Operations – Air Force	830.2	877.1	927.9	50.8	5.8
6.5 Emergency Management Australia	10.8	10.7	10.8	0.1	0.8
Group Total	2,095.6	2,203.0	2,224.6	21.6	1.0

Table 6.2: Staffing Summary

Sub-Group	1998-99	1998-99	1998-99	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(98-99 Actual less Revised Estimate)	
	Personnel Numbers			No	%
6.1 Executive	138	266	279	13	4.9
6.2 Logistics Operations – Navy	2,554	2,717	2,292	-425	-15.6
6.3 Logistics Operations – Army	3,977	3,279	3,301	22	0.7
6.4 Logistics Operations – Air Force	4,239	4,127	4,110	-17	-0.4
6.5 Emergency Management Australia	60	56	56	0	0
Group Total	10,968	10,445	10,038	-407	-3.9

Table 6.3: Staffing Profile

Personnel		Sub-Group					Total
		6.1	6.2	6.3	6.4	6.5	
Permanent Force	98-99 Budget	49	518	1,249	3,460	0	5,276
	98-99 Revised	49	518	1,249	3,460	0	5,276
	98-99 Actual	49	518	1,249	3,210	0	5,026
Reserves	98-99 Budget	0	525	459	0	0	984
	98-99 Revised	0	591	10	0	0	601
	98-99 Actual	0	371	47	136	0	554
Civilian	98-99 Budget	89	1,511	2,269	779	60	4,708
	98-99 Revised	217	1,608	2,020	667	56	4,568
	98-99 Actual	230	1,403	2,005	764	56	4,458
Total	98-99 Budget	138	2,554	3,977	4,239	60	10,968
Personnel	98-99 Revised	266	2,717	3,279	4,127	56	10,445
	98-99 Actual	279	2,292	3,301	4,110	56	10,038

1998-99 Defence Reform Program Progress

The initiatives within Support Command have continued with the commencement of a number of projects to improve the efficiency and effectiveness of ADF logistic business processes and their supporting information technology systems. Market testing has been completed for commercial vehicle management and PC9 air trainer logistics support.

A civilianisation program for 600 ADF positions has commenced with the first tranche of 230 civilian positions created and consequent reductions in ADF numbers.

Table 6.4: 1998-99 Defence Reform Program Resources Available for Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less Revised Estimate)	
	Estimate	Estimate	Outcome	\$m	%
	\$m	\$m	\$m		
Logistics	44.1	45.6	51.2	5.6	12.2
DRP Savings not yet Allocated	6.6	0	0	0	0
Superannuation	6.6	8.2	8.2	0	0
Provision for Contractor Support	0	0	0	0	0
Contracts Funded	-25.4	-24.5	-26.1	-1.6	6.5
Residual Provision	-25.2	-11.4	0	11.4	100.0
Total	6.7	17.9	33.4	15.5	86.6

Table 6.5: 1998-99 Defence Reform Program Personnel Reductions - ADF

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less Revised Estimate)	
	Estimate	Estimate	Outcome	No	%
	Personnel Numbers				
Logistics	617	617	604	-13	-2.1
Total Personnel Reductions	617	617	604	-13	-2.1

Table 6.6: 1998-99 Defence Reform Program Personnel Reductions – APS

Category	1998-99	1998-99	1998-99	Variation	
	Budget	Revised	Actual	(98-99 Actual less Revised Estimate)	
	Estimate	Estimate	Outcome	No	%
	Personnel Numbers				
Logistics	496	684	703	19	2.8
Total Personnel Reductions	496	684	703	19	2.8

Table 6.7: 1998-99 Defence Reform Program Reinvestment

Category	1998-99	1998-99	1998-99	Variation	
	Budget Estimate \$m	Revised Estimate \$m	Actual Outcome \$m	(98-99 Actual less Revised Estimate) \$m	%
Amphibious capabilities					
Landing Platforms Amphibious	7.9	7.9	7.9	0	0
Tobruk refurbishment	23.1	19.1	19.1	0	0
Sub Total	31.0	27.0	27.0	0	0
Capability Related Logistics					
Close in weapons systems refurbishment	2.0	2.0	2.0	0	0
Missile launcher refurbishment	1.0	1.0	1.0	0	0
Patrol Boat engine repairs	3.2	3.2	3.2	0	0
Encapsulated Harpoon training vehicle	2.2	2.2	2.2	0	0
Mk 48 torpedo spares	2.4	2.4	2.4	0	0
ADI long term ammunition agreement	4.0	4.0	4.0	0	0
FFG/DDG hull/ship equipment work	12.8	9.8	9.8	0	0
Land Force					
Ammunition	7.1	7.1	7.1	0	0
B-Vehicle maintenance	4.6	4.6	4.6	0	0
Clothing	3.3	3.3	3.3	0	0
Combat Ration Packs	1.2	1.2	1.2	0	0
Petrol, Oil & Lubricants	2.5	2.5	2.5	0	0
Medical & Dental stores	1.7	1.7	1.7	0	0
A Vehicle maintenance	1.4	1.4	1.4	0	0
General Stores	1.0	1.0	1.0	0	0
Combat Net Radio spares maintenance	1.0	1.0	1.0	0	0
Trunk, Satellite & EW Communications maintenance	0.8	0.8	0.8	0	0
Army Aviation	1.5	1.5	1.5	0	0
Logistic support for engineer, workshop & electrical maintenance	1.9	1.9	1.9	0	0
Naval Aviation maintenance & spares	11.5	11.5	11.5	0	0
Tactical Fighter F404 engines recovery program	20.0	20.0	20.0	0	0
Maritime Patrol maintenance & spares	10.0	10.0	10.0	0	0
Maintenance & spares - B707, C-130, Caribou and T56 engine spares	10.0	10.0	10.0	0	0
Sub Total	107.1	104.1	104.1	0	0
Net Personnel and Operating Costs					
Collins Subs in-service support	11.7	11.7	11.7	0	0
ANZAC in-service support	15.3	15.3	15.3	0	0
Huon Minehunter	4.2	4.0	4.0	0	0
Land Force - Ninox, Parakeet	1.2	1.2	1.2	0	0
Naval Aviation - Seasprite	7.6	8.5	8.5	0	0
Lead-In-Fighter	9.0	9.0	10.2	1.2	13.3
B707 Simulator	1.2	1.2	1.2	0	0
Sub Total	50.1	50.8	52.1	1.3	2.6
DRP Transition Costs	2.1	16.3	31.0	14.7	90.2
Total	190.3	198.2	214.2	16.0	8.1

Table 6.8: Reconciliation of Appropriations for Support Command

Divison/Appropriation Item	1998-99	1998-99	1998-99	Variation	
	Budget Estimate \$m	Revised Estimate \$m	Actual Outcome \$m	(98-99 Actual less Revised Estimate) \$m	%
180-01 Running Costs					
Service Personnel	302.7	299.4	290.6	-8.8	-3.0
Civilian Personnel	210.1	204.3	218.0	13.7	6.7
Administrative Expenses	62.9	82.4	70.1	-12.3	-14.9
Facilities Operations	0	0	0	0	0
180-02 Other Services	6.8	6.8	6.8	0	0
181 Equipment & Stores	1,606.6	1,693.5	1,715.8	22.4	1.3
183 Defence Production	0	17.1	16.6	-0.5	-3.2
Total Defence Function Appropriations (A)	2,189.1	2,303.5	2,317.9	14.4	0.6
Total Defence Function Receipts (Offset within Outlays) (B)	-93.5	-100.5	-93.3	7.2	-7.2
Total Defence Function Outlays (C) = (A+B)	2,095.6	2,203.0	2,224.6	21.6	1.0

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

Table 6.9: Major Variations between 1998-99 Revised Estimate and 1998-99 Actual Outcome

Appropriation	\$m
180-01 RUNNING COSTS	
Service Personnel (\$-8.8m)	
Variation in Accrual Based Superannuation and 3% Productivity benefit liability based on movements in average staffing levels, changes in per capita rates and the impact of pay increases	0.4
Miscellaneous minor variations	-0.1
Variations in rank profile, per capitas and ADF allowances	-9.6
Defence Reform Program Gains	
Related to Logistics	0.5
Civilian Personnel (\$13.7m)	
Additional costs associated with civilianisation	1.2
Net Group transfers primarily associated with the rationalisation of functions between Group 6 and Group 13	-2.0
Miscellaneous minor variations	-0.2
Defence Reform Program Reinvestment	
Defence Reform Program related redundancies	14.7
Administrative Expenses (-\$12.3m)	
Increased freight requirements associated with the movement of stores from overseas	0.8
Net Group transfers primarily associated with the rationalisation of functions between Group 6 and Group 13	-1.5
Variation in Fringe Benefits Tax liability	-0.3
Reduced requirement for Y2K remediation funding	-10.2

Appropriation	\$m
Defence Reform Program Gains	
Related to Logistics	-1.1
181 EQUIPMENT & STORES (\$22.4m)	
Increased support costs for F/A-18	15.0
Increased support costs primarily related to ammunition, small arms, Army Aviation, minewarfare and patrol boats	10.1
Net Group transfers primarily associated with the rationalisation of functions between Group 6 and Group 13, increased F111 support from Group 4 and increased Naval logistics support from Group 2	7.9
Increased support costs for FFG	5.0
Increased support costs for C130	3.0
Increased support costs for Anzac ships	1.5
Purchase of vaccine for overseas deployments	1.3
Increased support costs for ASLAV	2.1
Increased support costs for amphibious watercraft	0.8
Miscellaneous minor variations	0.4
Reduced support costs for HS748 pending withdrawal from service	-4.7
Reprogramming of repair costs for HMAS <i>Westralia</i>	-6.5
Defence Reform Program Gains	
Related to Logistics	-14.8
Defence Reform Program Reinvestment	
Increased exchange costs for the lead-in-fighter	1.2
183 DEFENCE PRODUCTION (-\$0.5m)	
Miscellaneous minor variations	-0.5
DEFENCE PORTFOLIO RECEIPTS (\$7.2m)	
Lower than anticipated receipts from the sale of commercial vehicles	4.2
Lower than anticipated receipts from the sale of Defence stores	3.0