



Defence Strategic Logistics Reform Program

12th PACS Conference April 10





Strategic Reform Program – Key Reforms

Companion Reviews

- ICT
- Workforce
- Defence Capability Plan
- Preparedness and Personnel & Operating Cost
- Estate
- **Logistics**
- Science & Technology
- Industry Capacity

Defence Budget Audit Key Outcomes

- Manage cost pressures through tighter budget process
- Capture lasting and substantial productivity gains
- Achieve greater accountability through outputs driven budget model
- Construct the program to ensure deep and lasting reform

Other Reviews

- *Brady Review* into Intelligence Capability
- *Mortimer Review* into Defence Procurement and Sustainment
- *Gershon Review* into Whole of Government ICT

STRATEGIC REFORM PROGRAM

Improve Accountability – Better Planning – Greater Productivity
\$20bn over the decade
3-5 yrs for mature savings

Key Savings Streams

Logistics

- Rationalisation of warehousing from 24 to 7 sites
- Improved ICT
- **\$0.33 bn**
- **Inventory**
- Reduce inventory holdings
- Improve stock
- Target setting
- **\$0.71bn**

Smart Maintenance

- Increase productivity & availability across 100 platforms and systems
- Reduce waste
- Standardise
- Provide Flexibility
- **\$4.4bn**

Non- Equipment Procurement

- Targets 23 categories of spending – travel/training
- Better buying and contracting practices
- Centres of excellence
- 50% of savings driven by hard decisions affecting demand
- **\$4.5bn**

Workforce & Shared Services

- Civilianisation
- Conversion of contractors to APS
- LEAN admin backbone
- Shared Services
- **\$3.3bn**

ICT

- Consolidate 200 data centres to less than 10
- Create a single enterprise architecture
- Standardise Defence ICT environment
- Review the effectiveness of the two pass process for ICT projects
- **\$2bn**

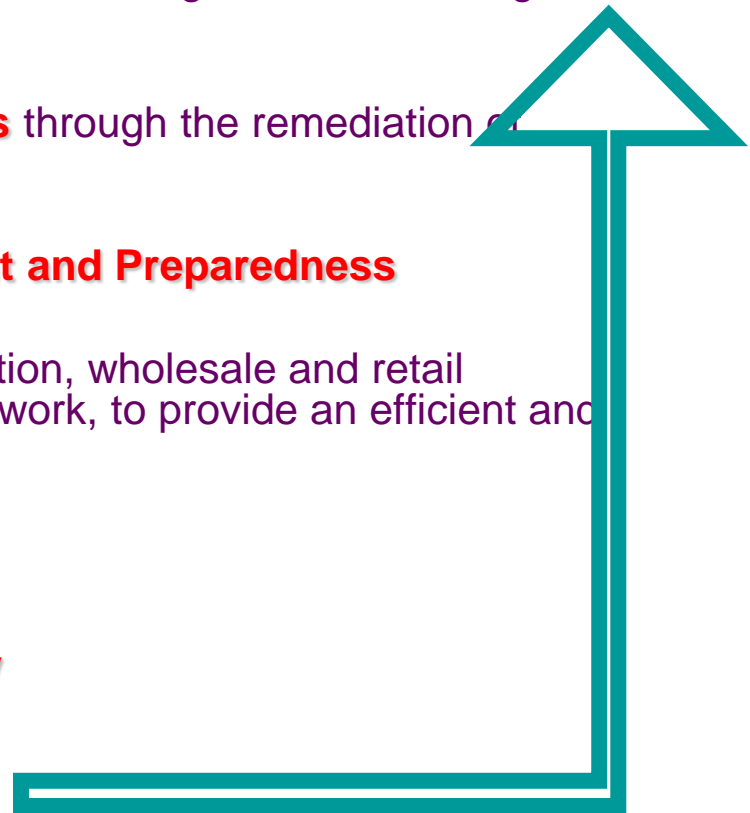
Reserves

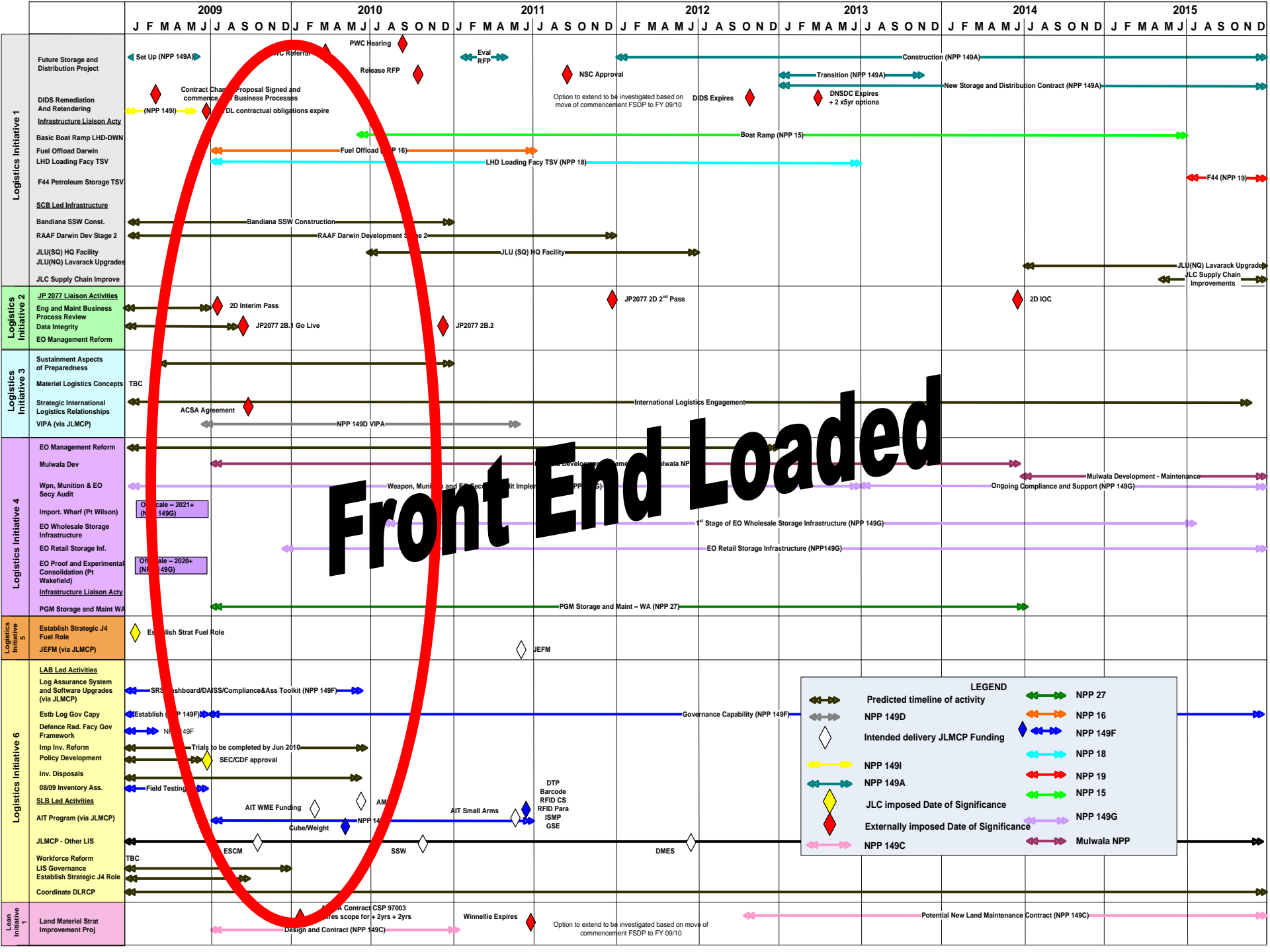
- Better integration of the part time/full time capabilities
- Sponsored reserves
- **\$0.38 bn**
- **Defence Savings Program**
- Savings from other categories previously identified
- **\$5.1bn**



Defence Strategic Logistics Reform Program

- LOG 1: **Consolidation and Rationalisation** of Defence's existing wholesale storage and distribution
- LOG 2: Delivery of significant **business improvements** through the remediation of high priority logistics information shortfalls
- LOG 3: Improvement of material Logistics **Sustainment and Preparedness**
- LOG 4: Deliver adequate **explosive ordnance** importation, wholesale and retail storage facilities and supporting distribution network, to provide an efficient and effective EO capability
- LOG 5: Improve the **strategic management of fuel**
- LOG 6: Reform the Management of Defence **Inventory**
- SMART 1: LEAN Land Materiel Maintenance**







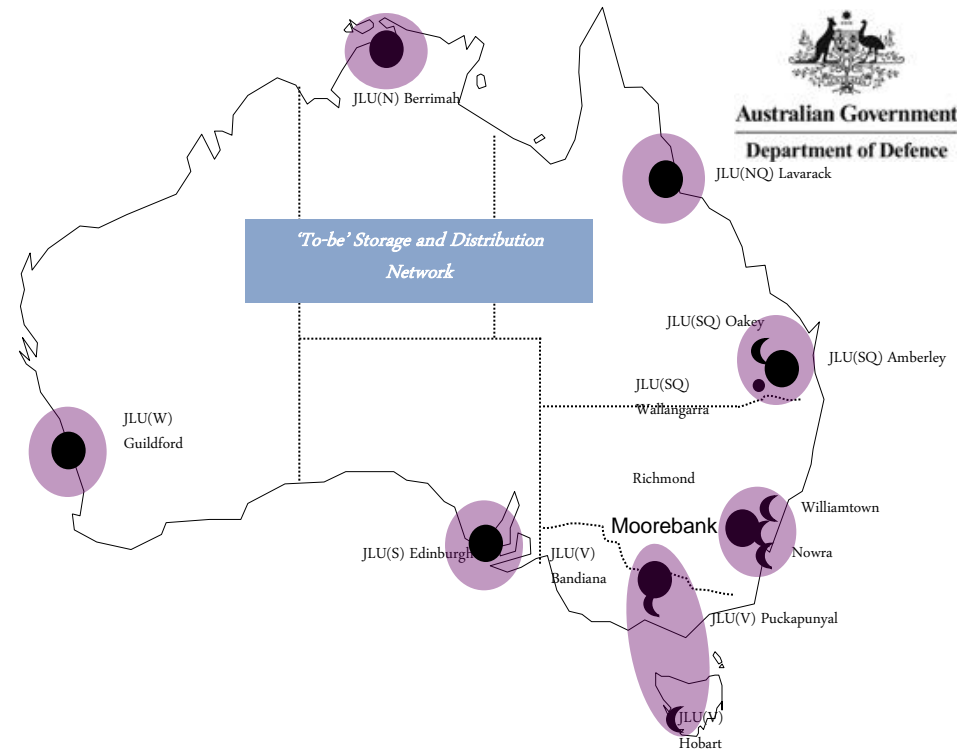
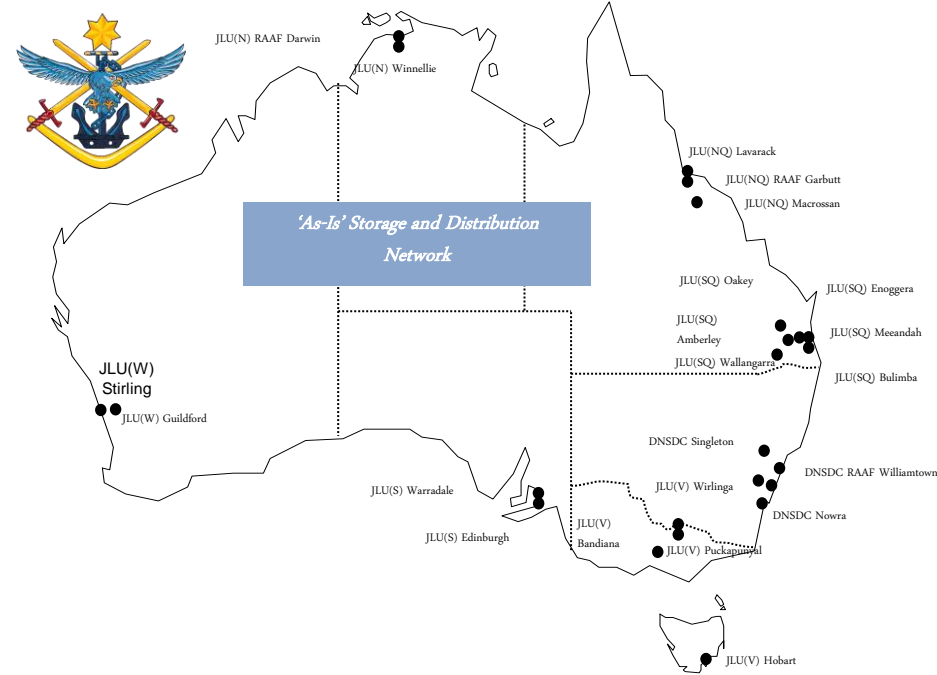
Defence Logistics Services Project (DLSP)

- **Project Management Office established at SES Band One level.**
- **Logistic Services**
 - Re-tendering of Defence Integrated Distribution System (DIDS) Services
 - CSP Bandiana Contract
 - Other Contracts
- **Future Storage and Distribution**
 - Infrastructure
 - Purpose modern built facilities in some locations
 - Facility upgrade in others
 - Automated Information Technology
 - Capturing volumetric and weight data
 - Greater use of barcodes and reader technologies
 - Warehouse Management System
 - Inventory Management
- **Land Materiel Maintenance**
 - New and improved workshop facilities
 - Smart maintenance practices
 - Electronic Instrument and Radio Repair



Best Practice Warehousing





From (today):

- GFF, poor overall functionality
- Prescriptive 3PL contract
- No Warehouse management system
- 24 Sites, 201 Warehouses, 2.7m³, 81m line items, Some sites leased
- 1080 total workforce
- Facilities require reinvestment
- Maintained by Defence with the contractor able to claim excusable delay

To (2013):

- Industry standard functionality
- Outcome based 3PL arrangement
- Warehouse management system
- 7 Prime Sites (7 specialist sites), <100 Warehouses, 2.1m³
- Up to 30% reduction in contractor workforce
- Potential PPP including warehousing, distribution, maintenance services, facilities and technology maintained by contractor for 30 years.



Land Materiel Maintenance (LMM)

Where we've been:

- Future Land Materiel Maintenance System Operational Concept Statement
- LMM work stream of Logistics Companion Review
- KPMG High Level Feasibility Study
- KPMG Detailed Business Case
- Pappas Review (McKinsey)
- Mortimer Review
- Strategic Reform Program
- 2009 Whitepaper Transition Plan Baseline
 - LMM part of SRP

What we need to do:

- LMM to be aligned with Defence Future Storage and Distribution Project – now the Defence Logistic Services Project
 - For DFSDS there is a commercial imperative to achieve the Return on Investment and the mandated savings, against an aggressive project timeline, endorsed by DC
 - Savings for LMM need to be validated and verified, and two of the Project elements aligned
 - \$5m allocated to undertake the further study now



Intended Approach

- DSLP Project Management Office established – recruitment issues
 - SES Band One leadership
 - Integrated Project Team
 - Logistic Services & Facilities/Infrastructure capability
 - Land Materiel Maintenance capability
- Supported by leading practice Technical, Legal, Financial, Probity and Logistics consultancy services
- Collaborative team to develop an Interim Business Case (IBC) for 1st Pass Approval to Govt later this year



Broad Project Timings

Phase 1 – Procurement Phase:

2010

- Market Sounding
- Site Selection
- First Pass Approval (Interim Business Case) NSC endorsement
- Public Works Committee to gain capital works approvals and
- Request for Tender (RFT) release and industry response.

2011

- RFT Evaluation and 2nd pass NSC approval.
- Preferred Proponent negotiation and contract signature.

Phase 2 – Facilities Delivery Phase:

2012/13

- Commencement and conduct of construction phase.
- Graduated handover and commercial acceptance of all facilities.

Phase 3 – Logistics Services Contract Administration / Management Phase



AIT Is An Enabler

Unique Identification (UID)

(8004)06141411A0B9C3D6



Simply put – the smart use of industry standard technology to prevent this

Unique Item Identifiers (UII)

Commercial labelling

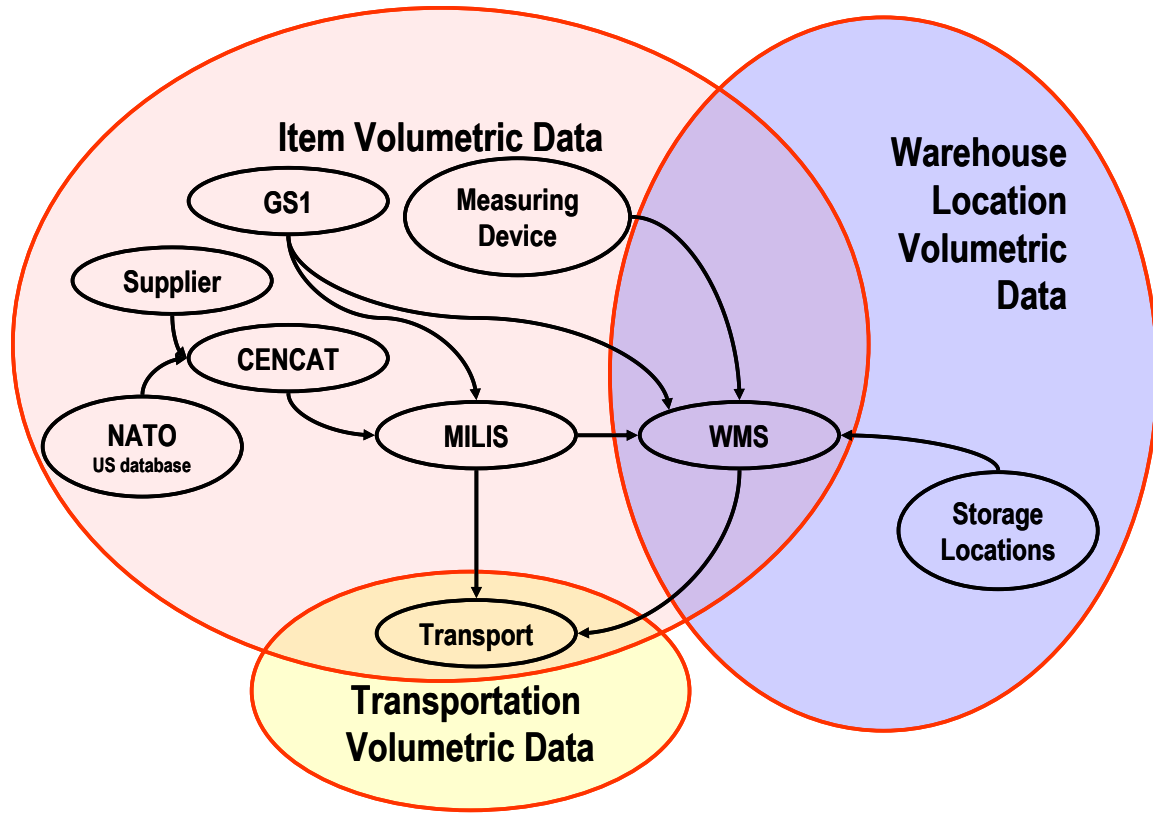
9 312345 678907

Global Trade Item Number (GTIN)





Volumetrics



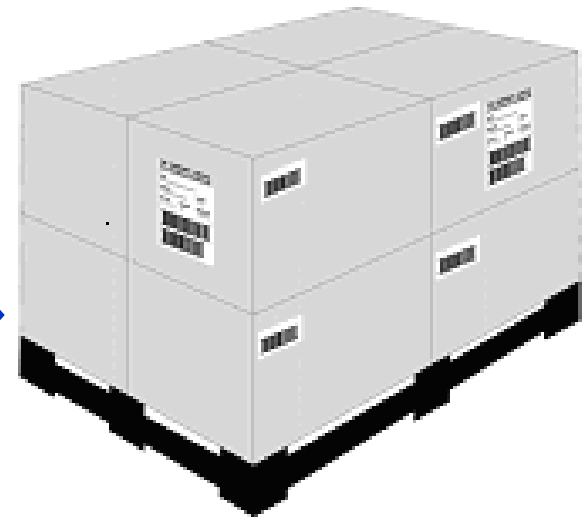
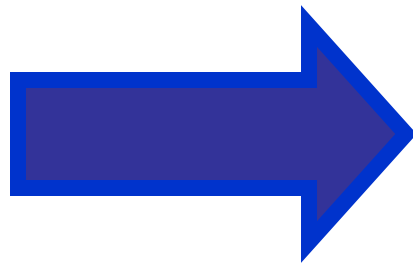
- Volumetrics is a new Concept to Defence
- not simply a matter of measuring a box or package
 - leverage off US practice and information
 - 50% INVENTORY HOLDINGS



Inventory Practice Improvement



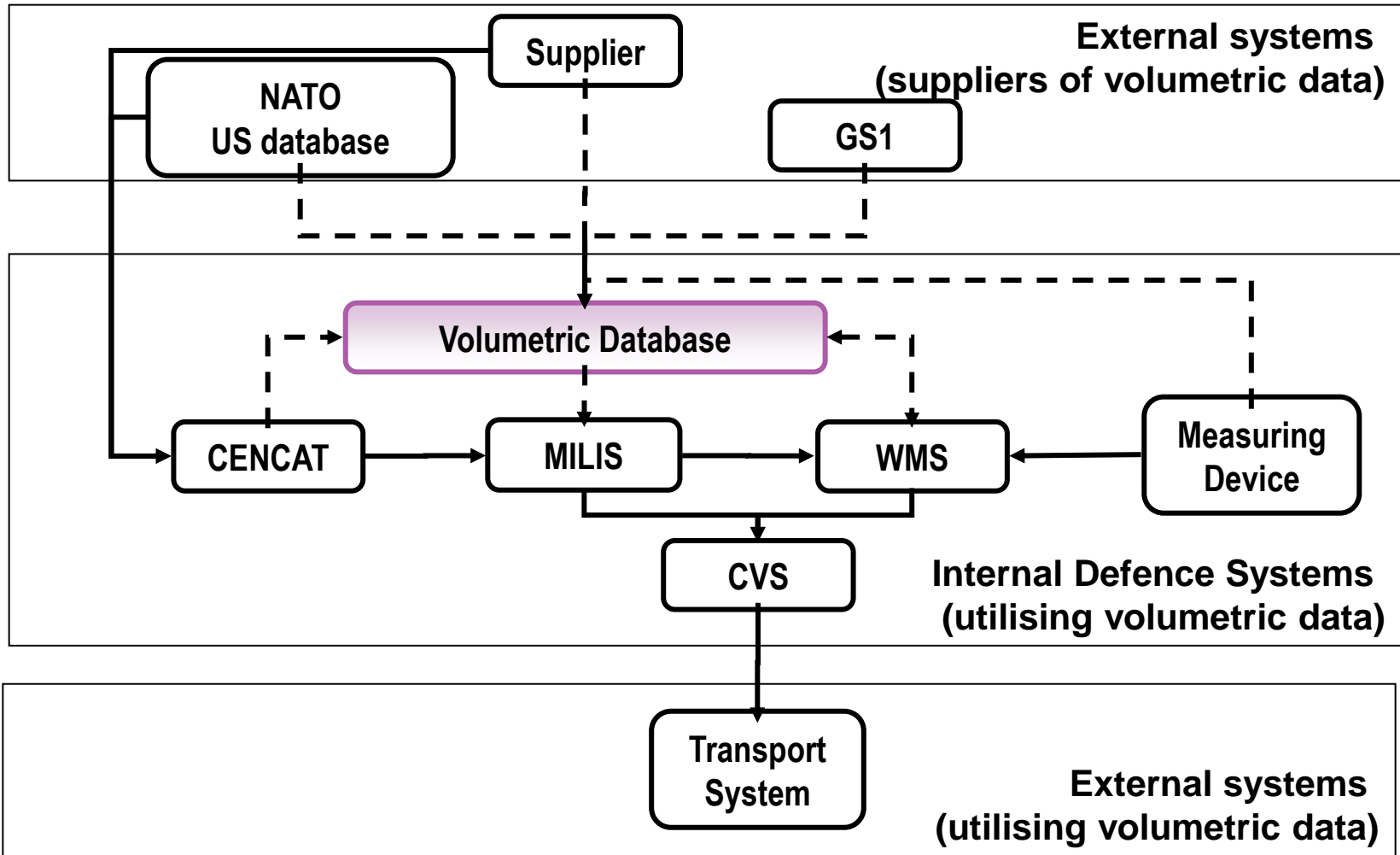
Reality



Nirvana

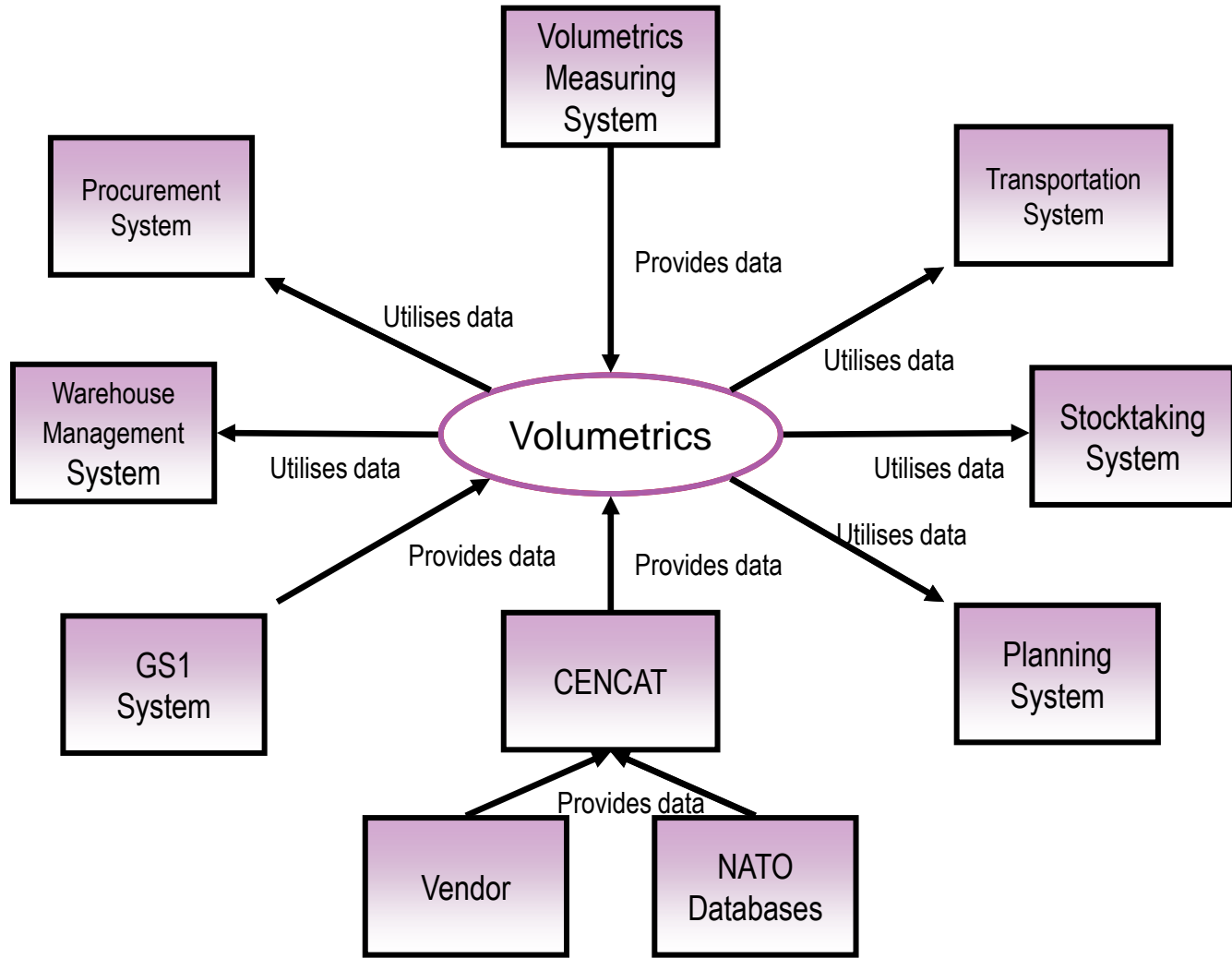


Volumetrics Scoping Study





Volumetrics Works Context Diagram





Volumetric Data Requirements

The minimum requirement for volumetric data is the width, length and height for every trade and issue unit within the system. An example of the different levels of items utilised in the Defence environment is:

- The manufacturer supplies washers in a box of 100 (trade unit)
- The customer can order a box or a single washer. The issue unit can be a complete box or individual washers
- Several levels of information are required to cater for the different packaging options
- The NSN defines the smallest issue unit (the DoD may also issue in package sizes specified by GTINs)
- The GTIN defines the different trade packaging options
- The Storage Unit or SSCC are used to record the variety of packaging options not covered by the GTIN and NSN.

The volumetric data requirements include:

- The process of updating the data across the systems; and
- How the data is to be retrieved by the various users.



Way Ahead

To achieve the intended outcome of the Volumetrics project an ongoing Sustainment Strategy is required. The proposed sustainment strategy, developed through the scoping study, has a number of elements and these are;

- Collection of volumetric data through the acquisition life cycle process
- Collection of volumetric data at the inventory item receipt point of entry
- Conversion of foreign sourced volumetric data
- Collection of volumetric data at the inventory dispatch point of exit
- Collection of legacy inventory volumetric data



Key Issues & Challenges for SRP

- **Ambitious** and **challenging** program that needs Defence Groups, Industry and other Government Departments to support delivery.
- **Complex** program of interrelated projects requires close coordination and synchronisation.
- **Short lead time** to deliver reform and savings requires immediate start up.
- **Clear decisive action** and **collective** agreement is essential.



Questions ?