

***SUBMISSION TO***

***THE SENATE INQUIRY INTO***

***THE DEFENCE MATERIEL ORGANISATION - 2011***

**INTRODUCTION**

There have been many inquiries into the Department of Defence and its centralised acquisition arm, the Defence Materiel Organisation (DMO), over the past two decades and more - none of which has resulted in any significant improvement. Most, if not all, have simply reinforced the structural changes that resulted from the Tange reorganisation of the higher Defence machinery, later driven home by the Defence Reform Program (DRP) and the Commercial Support Program (CSP). The focus of all these changes was to replace management of the Services by military professionals, with civilian, as opposed to civil, control and administration of all aspects of the military - a trend seen in most Western nations, especially the UK, Canada and the US. Not surprisingly, the adverse results now being seen in Australia, with failed acquisitions, inadequate in-service support, failed engineering and maintenance support systems, excessive downsizing and de-skilling, the displacement of project and technical management skills and competencies by unskilled generalists, and the erosion of military culture, are also seen in those countries.

While this Inquiry into DMO procurement is welcome, its ability to identify the root cause(s) behind capability procurement and sustainment problems will depend upon the ability and willingness of the inquiry to go beyond simple 'business' procurement processes, and analyse the fundamental Defence, DMO, and Service organisational structures, accountabilities and resource distribution. If the Inquiry is to be wholly constrained by its Terms of Reference, then it is unlikely to deliver more than the usual additional layers of administrative process and higher levels of bureaucratic review in pursuit of the mystical and elusive advantages of the DMO's current 'business approaches' to capability procurement and sustainment.

The problems that have been emerging, in both the Services and the DMO over the past two decades, have arisen directly from the structural and cultural changes imposed by the Defence bureaucracy, with the tacit approval of successive governments, coupled with the failure of Australia's traditional governance mechanisms to detect and correct departmental inadequacies and abuses of power. It is thus futile to review one Defence organisation (the DMO) in isolation - the whole of Australia's defence organisation needs to be reviewed to ensure that roles and accountabilities are clearly identified and aligned, and that the resources needed to discharge those accountabilities are also properly identified and aligned.

For this reason, this submission will be in two parts. Part 1 starts at the customer end of the support chain, where the affects of Defence/DMO inadequacies come together to impact directly our military capabilities and personnel. It will focus upon a recent subject of public attention - '*The Navy problem*'. Part 2 will then examine DMO's performance, based upon analyses of the three DMO Major Projects Reports that have been released to date.

## PART 1 - THE NAVY PROBLEM

From *'The Australian'*, 16th February 2011:

***"Smith slams Navy over seaworthiness issues"***.

*"Mr Smith said a report by defence chief Angus Houston and department Secretary Ian Watt into reasons for the maintenance failure made grim reading. Their advice which I am releasing today, was a frank appraisal which identifies systemic and cultural problems in the maintenance of our ship fleet for a decade or more. It outlines the side-effects of a 'can-do and make-do' culture and a lack of sufficient adherence to verification, certification and assurance processes". In short, the Minister felt that the Navy had "effectively failed to keep the fleet seaworthy and ready for action."*

Some newspapers, without further thought, even called for the head of the Chief of Navy.

It is important to note here that the *"frank appraisal"* provided to the Minister by the CDF and Secretary (the Diarchy) found Navy responsible for the failure to keep the fleet seaworthy and ready for action, and that this finding was accepted by the Minister, seemingly without question. There was no suggestion that the Department or DMO were in any way accountable, and only a carefully tailored mention was made of the findings of the November 2009 Strategic Review of Naval Engineering conducted by Chief of Navy, who seemed to be focussed more upon identifying the root causes than attributing blame.

From *'The Weekend Australian'*, 19-20 February 2011:

The report of the Navy review, which was 'leaked' to *The Australian*, highlighted:

- A critical shortage of engineers.
- 'Cancerous' morale problems, including a negative attitude.
- A massive shortfall in Navy numbers.
- A broken management system.
- A poor state of engineering policy.
- Two decades of multiple 'reforms' and efficiency and cost-savings initiatives that have diluted and fragmented Navy engineering resources.

Importantly, the Navy review emphasised that:

***"Navy is fundamentally a technological Service. Its war-fighting ability is critically dependent upon the engineering design of its platforms and systems, and the state of serviceability in which they are maintained."***

One reporter, quite correctly, described Navy as being "technologically bankrupt".

As with so many Defence media releases, the Diarchy's assessment of the causal factors

behind the LPA debacle (1) would seem to have two major objectives:

- To redefine and so limit the circumstances surrounding Navy's problems with the LPA Fleet, so as to
- focus accountability on Navy, and away from the Department and the DMO.

This conclusion is supported by the analysis of the Diarchy's 'causal factors' that follows:

<i>Para Ref</i>	<i>Factor</i>	<i>Primary Accountability</i>
2	<ul style="list-style-type: none"> <li>- No logistics support provided when vessel purchased.</li> <li>- Inadequate or no configuration baseline or maintenance requirements established when vessel purchased.</li> <li>- Vessels in poor state when purchased.</li> <li>- Inadequate time to enable required engineering and maintenance to be undertaken due to operational demands.</li> </ul>	<p style="text-align: center;"><b>DMO</b></p> <p style="text-align: center;"><b>DMO</b></p> <p style="text-align: center;"><b>DMO</b></p> <p style="text-align: center;"><b>- DMO responsible for deeper maintenance support.</b></p> <p style="text-align: center;"><b>- Defence responsible for over tasking the Fleet.</b></p>
3	<p>*Downsizing of uniformed personnel resulted in excessive outsourcing of deeper maintenance, leading to the loss of knowledge based skills and competencies within Navy and greater cost.</p>	<p style="text-align: center;"><b>- DMO responsible for deeper maintenance support.</b></p> <p style="text-align: center;"><b>- Defence policies directly responsible for downsizing and de-skilling Navy and disbanding Naval Technical Services.</b></p> <p>*(In fact, the reverse was the case. It was Defence's policy to outsource deeper level maintenance that directly resulted in the downsizing and de-skilling of the Services - and the higher maintenance costs involved)</p>
4. 5.	<p style="text-align: center;">Seaworthiness Board (See separate section on this aspect)</p>	<p style="text-align: center;"><b>Defence</b></p> <p style="text-align: center;">Neither Defence nor DMO understand the nexus between engineering and maintenance management and Airworthiness, Seaworthiness and Battleworthiness.</p>
6	<ul style="list-style-type: none"> <li>- Situation due to systemic and cultural problems.</li> <li>- A 'can do' and 'make do' culture.</li> <li>- A lack of conformance to assurance processes.</li> <li>- A lack of proper LPA priority.</li> <li>- Insufficient resources to "address shortcomings".</li> </ul>	<p style="text-align: center;"><b>Defence</b> (See also 7 below.)</p> <p>All of these 'symptoms' have resulted inevitably and directly from Defence policies. In particular, the Sanderson Report of (1989) laid the groundwork for the destruction of the Services' engineering and maintenance management skills and competencies.</p> <p style="text-align: center;"><b>Australia is not alone in these symptoms.</b></p>

		(See Note 1)
7	The 2009 Strategic Review of Navy Engineering " <i>highlighted a number of organisational shortcomings and recommended reform of the Naval Engineering Sector</i> ".	<p><b>Defence</b></p> <p>This section carefully ignores the critical findings arising from the Navy Review. The problems identified by Navy go far beyond "<i>a number of organisational shortcomings</i>". They extend over every aspect of Navy Technical Services (Engineering and Maintenance) management, where the problems were imposed and hammered home by conscious Defence policies.</p> <p>The central problems that have resulted in the LPA debacle relate to:</p> <ul style="list-style-type: none"> <li>- The change in Navy Office role from a functional orientation to a 'business unit' one.</li> <li>- The disbandment of the Chief of Naval Technical Services, his management organisation, his functions and his policies, systems and procedures.</li> <li>- The downsizing and de-skilling of Navy engineering.</li> <li>- The imposition of a civilian culture to replace the tradition military culture.</li> </ul>
8	Lack of competence in the DMO System Program Office (SPO) leading to its loss of certification, its recertification, and subsequent loss of certification again by the Naval Technical Regulating Authority. <i>"Action is now underway to rebuild business processes and review organisational structures"</i> .	<p><b>Defence and DMO</b></p> <p>This problem has arisen as a result of inadequate technical organisation, management, expertise and effort.</p> <p>The solution sought by Defence through "<i>business processes</i>" indicates that the core problem and its solution are not understood.</p>
9	Constant change in Defence masked the situation with the LPA Class <i>"The recent Seaworthiness Board provided a focus on the situation that was not previously evident through the complex Naval operating and regulatory systems"</i> .	<p><b>Defence and DMO</b></p> <p>This statement is false and designed to deflect blame. The situation evolved in full view of the CDF and the Secretary Department of Defence (the Diarchy), and the DMO, for a decade. That it was left 'unidentified' and unmanaged over that time is an indictment of Diarchy, Defence and DMO management.</p>
10	- The LPA story, protracted, not always a happy one, with seeds sown long ago. - Appeal to the Sea King disaster for emphasis. <i>'Navy has learnt from that accident, and</i>	<p><b>Defence and DMO</b></p> <p>This blatantly 'spun' section may be summarised as follows: <i>'Navy is responsible for the LPA disaster. Navy is capable of learning, but needs to change its culture. Defence will fix current shortcomings (presumably</i></p>

	<p><i>understands the enormous challenge of cultural reform'.</i></p> <p>- Defence has a number of initiatives underway to remediate current shortcomings.</p>	<p><i>through business processes).'</i></p> <p><b>In fact:</b></p> <p>- Navy was not primarily responsible.</p> <p>- It is in part a cultural problem (but not in the way seen by the Diarchy or Defence) - it is primarily a hard function, organisation and technology management problem.</p> <p>- Defence has proven incapable of even comprehending the problem and has demonstrated little willingness to identify problems, let alone fix them.</p> <p>- The problems seen with the LPA fleet have and will continue to spread to infect other Navy capabilities, and has already eroded Australia's security markedly.</p> <p><b>Nobody learnt from the Sea King disaster.</b></p> <p><b>(See Note 2)</b></p>
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**Note 1:** The symptoms identified by the LPA Fleet debacle, and their widespread impacts upon Australia's security, mirror those that led to the loss of RAF Nimrod MR2 Aircraft XV230 and its 14 crew members in Afghanistan in 2006. This accident was investigated in great detail by Charles Haddon-Cave QC (2) His report was sub-titled "*A Failure of Leadership, Culture and Priorities.*" The root causes he found behind the accident included:

- The 'can do' attitude.
- Torrent of changes and organisational turmoil.
- Imposition of 'business' principles.
- Cuts in resources and manpower - deskilling.
- Dangers of outsourcing to contractors.
- Dilution of risk management practices/processes.
- Abolition of the 'Chief Engineer RAF'.
- Dilution of Air Technical Support Services.
- Dilution of aircraft engineering skills.

The Haddon-Cave Review is a fine example of an inquiry that strives openly to get to the facts and the accountabilities, rather than simply avoiding or containing the fallout to protect the guilty and avoid accountability, as is characteristic of Australia's Defence Department inquiries. Rather than being ignored, it should be held up as a model for all future inquiries.

It is important that all involved with this inquiry read the Nimrod Review in full, because the factors involved and their inevitable and tragic consequences are precisely the same as those that have been imposed upon Australia's military services.

**Note 2:** There is a direct link between the root cause behind the LPA Fleet debacle and the Sea King disaster that needs to be recognised. The lengthy and very expensive Board of Inquiry Report into the Sea King accident that occurred on 2nd April 2005 was submitted to the Fleet Commander on 18th December 2006, some 21 months after the accident. The Media Release that followed announced, somewhat proudly, that:

- The Board considered 44 Terms of Reference.

- Took evidence from over 160 witnesses.
- Reviewed 560 exhibits.
- Conducted hearings over 111 days.
- Produced about 10,000 pages of transcript.
- Made 759 findings.
- Made 256 recommendations (to be implemented by 27 Implementing Authorities).

The Media Release went on to assure all that *"By improving aviation safety, Navy and Defence demonstrate that it has learnt from this tragedy."* Finally, the Chief of Defence assured all that every recommendation would be implemented in full, so all would be well in the future.

The Report was subjected to lengthy legal review, but there was no technical review - the findings were just accepted without question. Most importantly, nobody questioned the effectiveness of a Naval Airworthiness Organisation that required 27 different agencies to act upon 256 recommendations to correct a single maintenance error.

In the end, Navy took full responsibility for the tragedy. No breath of accountability was allowed to reach the Department of Defence, the Diarchy, the Minister or government. The Sea King disaster was not primarily Navy's fault - its root cause was the disbandment of Navy's Technical Services Branch, followed by the downsizing and de-skilling of Navy's Technical personnel - precisely as has happened with the LPA debacle.

In the end, all that was achieved by the Inquiry was the application of 256 very expensive band aids to a Navy management system that is not organised, manned or skilled to discharge its responsibilities for the airworthiness or seaworthiness of its aircraft and vessels.

The history leading up to the Sea King disaster, an analysis of the Sea King Board of Inquiry findings, and identification of the root cause for that accident (which is the same as for the LPA Fleet debacle) is contained at Reference (3). This analysis should be read in conjunction with this submission.

### **The Navy's Seaworthiness Board**

The formation of a Naval Seaworthiness Board has been heralded as a great advance in ensuring Navy's seaworthiness standards are established and maintained. Unfortunately, those who believe this are simply misleading themselves.

A similar misconception arose during the Sea King Inquiry, when the Director General Technical Airworthiness - ADF (DGTA-ADF) was called upon to provide Navy with such services as engineering and maintenance advice to Navy Units, become involved with the amendment of technical publications, conduct maintenance performance audits, become involved in maintenance management and also with training and maintenance regulations - all of which are technical services management functions that must reside within the operating Service (in this case, Navy).

This situation arose from the Inquiry's incorrect assumption or interpretation of the proper and limited nature and scope of the responsibilities of DGTA-ADF. He can not and must not be saddled with tasks of the type recommended. To do so would place him in a position of gross conflict of interest, as well as charge him with responsibility for managing Navy functions over

which he has, rightly, absolutely no authority. DGTA-ADF is a regulatory body and is thus responsible for the regulation (audit) of ADF Technical Airworthiness. He is part of a management feed-back loop to ensure that aircraft operating Units can demonstrate that they have in place the policies, systems and procedures, as well as the skills and competencies base, that are required to maintain sound airworthiness standards.

That is, the operating Service has to have the organisation, policies, systems and procedures, as well as the skills and competencies base, to ensure that airworthiness standards are maintained within its units at all times - DGTA-ADF only checks (audits) that this is the case.

The Navy's Seaworthiness Board will thus not be effective in assuring high seaworthiness standards are established and maintained when there is no Naval Technical Services organisation that ensures that its operating and support units possess the necessary skills and competencies, and function within an organisation that controls the policies, systems and procedures designed to ensure that seaworthiness standards are established and maintained at all times, in all places, and under all circumstances.

### **On Management Control Loops**

Of the four primary sub-functions of sound management, the Control function is the most important. The first three - Planning, Organising, and Directing are functions that are focussed upon ensuring that the objectives of the organisation are stated clearly and planned soundly, and modified when necessary to cater for changes in circumstances, that all functions are well defined and resourced, and that those functions are directed effectively and efficiently in line with the organisation's plan. The Control function is a feed-back loop that checks continually that what is happening in the functional areas is in accordance with the organisation's plans and objectives. This is achieved mainly through routine reports and returns from functional areas. In this way, task status and problems are reported and assistance sought before problems impact the organisation adversely. In addition, visits by specialist staff are made to ensure that conditions are as represented, to provide on-the-spot assistance, arrange external assistance as necessary, and discuss any planned changes in organisational objectives. The key objective is to maintain visibility and control and so avoid 'surprises'.

It is quite clear from Navy's LPA Fleet debacle that neither Defence nor the DMO's management (or rather bureaucratic administrative) systems contain any Control Loop - otherwise the debacle that was allowed to develop for over a decade would have been identified and redressed much earlier.

The problem with Control Loops, as seen by Defence and the DMO, seems to be that they pin point functional accountability - which they do, but their primary function is a positive one - to keep the organisation headed in the right direction, gain awareness of problems before they become serious, and provide help to those involved when necessary.

A reliable litmus test for the soundness of an organisation is the extent to which it relies upon external consultants and reviews to tell it what its ills are and how they might be cured. Such a need immediately identifies an inadequate or missing management feed-back loop, often accompanied by one or more instances of poor planning, an inappropriate organisation, or a lack of management direction. A soundly-managed, manned and skilled organisation will know when,

where, and what remedies are required, and be able to implement them before symptoms become problems. Defence has failed this simple litmus test consistently since the Tange reorganisation of 1972.

Neither Defence nor the DMO has any excuse for what has happened to the LPA Fleet.

### **Not Only, But Also**

While the LPA debacle is serious, Navy's operational capabilities have also been badly degraded by the failure of Defence and the DMO to keep the Collins Class Submarine Fleet operational. Two failed DMO major projects come together to make this fleet largely useless - again, a situation that has been allowed to develop over many years:

- SEA 1439 Phase 4A - Collins Replacement Combat System. This project is now 6 years late and will not provide the best capability possible.
- SEA 1439 Phase 3 - Collins Class Reliability and Sustainability. This project resembles the LPA debacle in many ways. Completion dates for the 24 planned capabilities covered by this project, under current estimates, ranges from 16 to 102 months late. It also calls into question the effectiveness of DMO's Through Life Support Agreement.

Other major Navy projects facing problems include:

- SEA 1390 - FFG Update - the operational capability for which is currently delayed by more than 5 years.
- SEA 1448, Phases 2A and 2B - ANZAC Anti-Missile Defence - currently over 4 years late.
- JP 2070 - Problems with the provision of the Lightweight Torpedo, and impending problems with the supply of the Heavyweight Torpedo.

To these might be added continuing problems with the Armadales' outstanding rectifications. These vessels were criticised soundly by crew from the time of their introduction into service, while senior Navy officers, supporting the Defence/DMO line, insisted that they were safe to operate. Actions such as this only break down the chain of morale and trust in the Service.

In short, Defence/DMO have been able to keep Navy tied up in port to an extent not achieved by any enemy force.

### **The Question of Accountability**

The question of accountability has been included in the Terms of Reference for this review. This question has been raised many times over the past decade or more in various reviews, including those conducted by Mortimer, Pappas, McKinsey, and Proust, but never in any fundamental way. The approach has been to look at accountability within the constraints of the parameters set by the organisational and functional structure and the authorities embedded by the Tange, DRP and CSP changes imposed by Defence, under government authority.

No study has ever been made of the proper allocation of responsibility, accountability, and the division of resources between the Services and the Defence bureaucracy where the major problems have arisen and been left to fester for over two decades.



There are important differences between the way accountability is embedded within Service organisations and within civilian bureaucracies such as Defence and the DMO. These differences and the fault lines that have been allowed to develop are analysed in detail at (4).

Very briefly, Military organisations, to be effective, depend upon a set of characteristics that are unique to them - firstly, a military ethos, grounded in ethics, that stresses the trust and loyalty that must exist between peers and their subordinates, and the mutual respect that must exist between peers. Discipline and tradition then provide the environment within which newcomers can not only develop their trust, but also gain the respect of the organisation that they seek. Secondly, Military organisations depend upon short and direct lines of command and control (communication and management), sharply defined functions with clear accountabilities, real measures of performance, and sound management of the resources needed to achieve functions. Management feed back loops are ever present to monitor and correct status and performance, and to ensure unity of direction. In the absence of such structures, battles and lives will be lost.

In describing what civilians will bring to his department, one Defence Secretary explained: "*Civilians are generally more readily able to tolerate, and even be comfortable with, unclear lines of command, divided authority, and open ended guidance or ambiguous instructions.*" (4) In reality, the civilian bureaucracy is concerned primarily with exercising and expanding its authority (normally by means of financial control) through administrative process, clouding functions and accountability so that no hint of blame for failures will penetrate the organisation.

The fundamental conflict between these two approaches to management, and the inevitable consequences that will arise when civilian administrative processes are allowed to penetrate the Military, were of great concern to Sun Tzu, who warned rulers (4): "***By attempting to govern his army in the same way as he administers a kingdom, being ignorant of the conditions which obtain in an army. This causes restlessness in the soldiers' minds.***" - the very thing that is happening today.

Traditionally, accountability for military capabilities and their management rested wholly with the Service Chiefs who reported directly to their ministers. Under this system, the Air Force Service Chief, for example, was accountable for managing his Service so that he was capable of:

- Maintaining his Force at a high state of readiness. (Availability)
- Ensuring his Force can be launched quickly in response to a wide range of tasks. (Preparedness)
- Ensuring that his Force, once launched, can be sustained. (Sustainability)
- Providing a high degree of choice in the application of his Force in time, space and role. (Flexibility)

That the Chief of Air Force was able to achieve his responsibilities was due to his having command and control of his force, as well as the resources required to sustain and develop it.

Today, the Service Chiefs no longer manage their Services, they merely administer them to meet imperatives (priorities) dictated by Defence. They do not have command and control of their Services, are not organised to manage their Services, and do not have the resources needed to discharge their accountabilities.

The Service Chiefs cannot thus be held accountable for the responsibilities that they have been given.

### **The Minister and the Diarchy**

Today, the head of the Defence Force is the Minister, the Service Chiefs now being neutered and toothless. Nothing seems to be done until the Minister comes under public criticism. He may then visit Afghanistan (with the CDF) to determine what, if any further support Army needs, or take up Navy's "*failure to manage the LPA Fleet*". His excuse for not identifying and fixing the Navy's problem well before it became public was the usual "*I was not advised*", while the CDF could only muster "*I was not told*".

That Navy's LPA capabilities were allowed to waste away for over a decade without the two key players involved, the Secretary (accountable for supporting Navy and oversight of the DMO) and the CDF (surely accountable for monitoring ADF capability status) is inexcusable and points to the ineffectiveness of the Diarchy in other than shielding the Department from criticism. The recent push by the Diarchy for greater '*strategic control*' requires very suspicious attention, as their primary objective will more likely be aimed at extending bureaucratic control rather than improving the management of the military and their capabilities, and in turn Australia's security.

### **The Clash of Cultures**

The Charters of the Service Chiefs, which now read more like public service job statements, are remarkable documents. Several sections stand out:

- "*You are accountable to us (the Diarchy) for your performance .....Your priorities will be reviewed and set annually by us, in the form of an Organisational Performance Agreement (OPA). We will measure your performance and provide feedback against these priorities.*"
- "*You are to command the (Service) Force ....Deliver force capability for the defence of Australia and its interests, including the delivery of (Service ) capability , enhancing the Force's reputation and positioning the Force for the future.*"

The first point places the Service Chiefs directly under Defence bureaucratic control and wholly responsive to bureaucratic imperatives. Military imperatives are simply overridden. The second gives the Service Chiefs an accountability that, as discussed above, they cannot discharge.

The Charter goes on to list an odd mix of functional responsibilities and concludes with a number of guidelines - altogether a very non-military document. A very important directive, however, relates to the Chief's responsibility for "*Developing leadership and behaviours that advance and embed the Results Through People Leadership Philosophy.*" It is here that we find a direct conflict between the cultures and accountabilities that are critical to military organisations and those that have evolved within government public service bureaucracies.

One of the factors that caused the Navy's LPA debacle was identified by the Diarchy as "*systemic and cultural problems.*" However, one of Defence's major objectives over the past two or more decades has been the replacement of Australia's traditional military culture by a liberal, civilian culture. This move parallels similar changes in government departments, introduced in an

attempt to inject a bureaucratic culture within the organisations that they administer, one with which they will feel comfortable and can be used to impose their policies and processes more readily than having to interface administratively with functional experts.

Defence has pursued its policy of 'cultural cleansing' at two levels:

- Through the Charters of the Service Chiefs, as discussed above, and
- though the Services' senior officer corps, as discussed below.

As Service officers (above Group Captain/Captain/Colonel) vie for higher rank, they are selected by Defence not upon their military professionalism, but rather on their ability to become military bureaucrats. Under this system, senior officers are required to shift their primary allegiance from their Service to the Defence bureaucracy, becoming 'affably compliant' members of the Minister's staff.

The problem that soldiers face when deciding, or having, to play politics was well described, many centuries ago, as follows:

*"This is the problem, Tiro, when soldiers decide to play politics, they imagine that all they need to do is issue an order and everyone will obey. They never see that the very thing that makes them attractive in the first place - that they are supposedly these great patriots, above the squalor of politics - must ultimately defeat them, because either they do stay above politics, in which case they go nowhere, or they get down in the muck along with the rest of us, and show themselves to be just a venal as everyone else." (5)*

The affect upon Australia's Services has been threefold:

- Senior officers are put into a position of conflict of interest, but must follow the Department's line ( which may not be in the best interests of their Service), or suffer the consequences.
- Their shift in loyalty does not go unnoticed within their Service, as ambitious officers seek advantage by adopting civilian rather than military behaviours and values.
- Such changes in approach may also be noted down the line, giving rise to a general feeling that members can not rely upon their officers or the Service generally to protect them or their interests.

The result of Defence's two-pronged efforts to replace military culture with civilian culture has been to weaken the ethics, ethos, morale and trust central to military professionalism and erode the system of command and control within the Services. This may well be a major cause behind the attitudes and behaviours seen with the LPA debacle, as well as other Navy problems.

Certainly, the statement made by the CO Cerberus following the recent fatal motor accident involving Navy trainees strengthens the perception that command and control of Navy has been eroded severely. As CO, he would be expected to fix any problem with alcoholism promptly. Instead, like a true bureaucrat, he advises:

*"We continually look at ways to improve our business and we'll look at this incident like any other in the context of how we might learn lessons from it. But we have a review process*

*and that will be looked at, and a review will be undertaken."*

This type of culture is being driven home at all levels of the Services under policies stemming from the Diarchy (6).

It is bizarre that in the centennial year of the Anzac Spirit, Australia's Department of Defence, with government approval, is well along the way to destroying the culture that gave rise to the Anzac Spirit.

### **Summary of Navy Problem**

The LPA debacle was not primarily or wholly a problem of Navy's making, as charged by the Minister for Defence, and the Secretary and the CDF (the Diarchy).

The seeds of the debacle were sown by the DMO which failed to exercise due diligence in the selection and procurement of the two vessels, and in not providing the configuration and documentation baselines critical to the engineering and maintenance management and the modification of the vessels over their lives. Throughout their relatively short lives, the DMO also failed to properly manage the deeper level maintenance requirements that arose.

The problems sown by the DMO were not able to be corrected by Navy (nor was it a Navy function to do so) because of the impacts of the structural and functional changes imposed by Defence over the previous two decades or more, principally:

- The reorganisation of the Navy Office following the Sanderson Report.
- The disbandment of the Chief of Naval Technical Services, and the resulting breakdown of his policies, management systems and procedures.
- The downsizing and de-skilling of Navy's technical capabilities, compounded by inadequate manning levels.
- The outsourcing of maintenance tasks that traditionally provided the skills and competencies needed to support the operation and sustainment of the Fleets.
- The dispersion of scarce technical resources into small, isolated, inefficient and ineffective groups in force elements where they lacked proper professional technical management.
- The widespread effects of cultural change.

The Diarchy's assessment of the causal factors behind the debacle focussed upon "*systemic and cultural problems*", which will require Navy to change its culture, while assuring that "*Action is underway to rebuild business processes and review organisational structures.*" Clearly, there was no impetus for Defence, the Diarchy or the DMO to identify and correct the real causes. That the LPA Fleet problems were not identified and corrected much earlier by the Minister, his Secretary, the CDF and the DMO is an indictment of Defence, the Diarchy and the DMO.

The root cause(s) behind the LPA capability debacle still lie embedded in all three Services, and their cumulative affects will continue to erode not only command and control and the ethics, ethos, and morale of the Services, but also Australia's security.

## **PART 2 - ANALYSIS OF DMO MAJOR PROJECTS REPORTS**

In March 2003, the Senate Foreign Affairs, Defence and Trade Reference Committee reported on materiel acquisition and management within Defence, finding that there was relatively poor visibility on the progress of major projects as far as Parliament and the public are concerned. The Committee then called for the Auditor-General to produce an annual report on the progress of major Defence projects. The first of these reports (a trial) was issued on 20th November 2008.

Since then, two further reports have been issued, the last covering 22 major projects for the period 2009-10. All three reports have been qualified by the Auditor-General. The problems met have been attributed to *'the immaturity of DMO's management systems'*, resulting in the suggestion that the DMO, after a decade, has yet to learn 'lessons' that will populate a Systemic Lessons Learned data base and so indicate where systemic changes need to be made. The DMO suggests that it will be some time yet before the problems that it is encountering will be overcome.

The author of this submission has analysed all three Major Projects Reports issued to date against his 35 years of experience as an aeronautical engineer in the RAAF in engineering, maintenance, and major projects management.

The results of these analyses are attached, as follows:

- A copy of the Analysis of DMO MPR 2009-10 (Annex A).
- A summary of the Analysis of DMO MPR 2008-09 (Annex B).

Both of these analyses have been provided to the Australian National Audit Office and the Joint Committee Public Accounts and Audit.

In addition, the decline seen in the management of Defence and Defence capability development, acquisition, preparedness, and sustainment (both in Australia and overseas) was subject to an analysis conducted by a group of three senior (retired) RAAF officers in 2009. This is attached as Annex C.

These documents provide an informed assessment not available from any other source, and as such are strongly recommended for the attention of the Inquiry.

## SUMMARY

In summary, the problems being seen increasingly at the operational 'sharp end' of the Services, currently Navy, are symptomatic of systemic failures in management within both Defence and the DMO.

The root cause may be traced to the policies that have resulted in the widespread restructuring, downsizing and de-skilling of the Services, particularly the disbandment of their Technical Services Branches, the loss of their Support Commands, and the imposition of a civilian, bureaucratic culture to replace traditional military values. The latter carries the potential to destroy Australia's capability to counter future military challenges.

Within the DMO, capability procurement and sustainment failures may be traced primarily to:

- The move from Australia's traditional capability and evidence-based project management driven methodology to a commercial, 'business'-orientated, contract-centric methodology.
- A lack of relevant project, systems and engineering management skills and competencies.
- The use of 'generalists' managers following process, and the adoption of project review boards, both lacking the required skills and competencies.
- A resulting inability to manage projects having any hint of complexity, especially those carrying system integration challenges.
- An inability to manage sustainment requirements.
- The adoption of through-life support policies that dictate against Australia ever becoming self-reliant, and result in the Services being further de-skilled and downsized.

Until the DMO returns to sound project/system and engineering management methodologies, and is manned with the required skills and competencies, it will continue to fail to deliver.

However, it is important to understand that Defence and the DMO, as well as the Services, need major review and overhaul if Australia is to regain its professional military competencies.

(Air Cdre E. J. Bushell, RAAF (Ret'd))

5TH APRIL 2011

- ANNEX A: REVIEW OF DEFENCE MATERIEL ORGANISATION MAJOR PROJECTS REPORT 2009-10.
- ANNEX B: AN ANALYSIS OF DEFENCE MATERIEL ORGANISATION MAJOR PROJECTS MANAGEMENT AND WHAT NEEDS TO BE FIXED.
- ANNEX C: THE DECLINE IN THE MANAGEMENT OF DEFENCE AND DEFENCE CAPABILITY DEVELOPMENT, ACQUISITION, PREPAREDNESS, AND SUSTAINMENT.

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