

**Retention, Recruiting, and Other Remediation Initiatives**

15. Navy is addressing the personnel and personnel competency shortfalls as well as lower retention rate consequences within its uniformed engineer and technician cohorts in a number of ways. These include:

- a. **Marine Technician and Marine Technician (Submarine Qualified) Retention Bonus.** Approval was given on 20 September 2011 for a financial incentive to be offered to selected ANZAC Class and Submarine Marine Technicians between the ranks of Leading Seaman and Chief Petty Officer holding the Marine Systems Controller, Marine Systems Manager and Marine Technical Charge Certificate Qualifications. These cohorts were specifically identified as requiring attention as they are the key group of experienced and qualified sailors required to keep ships and submarines at sea in order to provide training opportunities to build the skills of junior personnel. The bonus is targeted and is not a 'blanket' payment to all personnel.
- b. **Navy-Wide Retention Initiatives.** The following initiatives have been used across Navy to assist in Workforce planning and retention:
  - (1) the Graded Officer Pay Structure (approved in Aug 07 with payment in Mar 08),
  - (2) the Graded Other Ranks Pay Structure (approved in Dec 08, effective from Sep 08 and paid in Apr 09),
  - (3) the Defence Home Ownership Assistance Scheme (which commenced in Jul 08),
  - (4) the Navy Capability Allowance (approved in Apr 08),
  - (5) various category retention bonuses (2005-2008), and
  - (6) New Generation Navy program and initiatives (from Apr 09).
- c. In particular the Navy Capability Allowance (NCA), under which a financial incentive of \$24,000 was offered to general service sailors and \$60,000 was offered to submariners that agreed to complete a further 18 months service. In general service the take up rate for the offer was 86.2% and 92.7% in the Submarine Force. Applications for the NCA ceased in Jun 10, with final payments to be made in Dec 11 for an 18 month commitment.
- d. **Marine Technician Category Remediation Program:** This program comprises two major elements:
  - (1) **Marine Technician Training Continuum.** The realignment of training to ensure that Marine Technicians obtain 'operator' qualifications earlier in their career should overcome the shortage of Marine Systems Technician and Marine Systems Controller qualified sailors in the medium to long-term. Trade Qualification in one of five specific domains relevant to the future force will be achieved at a later stage in the career than is currently the case but this will not impact the impact to undertake maintenance in ships. Revised training delivery sequencing has been designed to establish the foundation for a career continuum to achieve the long term recovery of the Marine Technician sailor category.

- (2) **Marine Technician Category Restructure.** The employment of Direct Entry Tradesmen is being addressed through the Restructure and targets for Trade Entry at the Leading Seaman level are being set. Visual recognition of Marine Technician qualification and skill level will be implemented through changes to the category badge worn by Marine Technicians.
- e. **Navy Continuous Improvement Programs:** There are two Continuous Improvement Programs (CIPs) that are relevant to the engineer and technician workforce:
- (1) The Training Force CIP. This seeks to increase the efficiency of the training pipeline, inclusive of those elements that can only be conducted in ships. A key aim is to reduce the time between initial training and posting to sea to gain foundational ship-based qualifications.
  - (2) Fleet Support Unit CIP. This seeks to better utilise technicians when they are not posted to sea-going units. A focus of the CIP is to improve the skills and experience levels of technicians whilst they are ashore so as to make them more capable of doing their next jobs at sea. This improvement is to be achieved through training as well as on-job experience in the conduct of maintenance, surveys and inspections in ships and submarines.
- f. **Professional development:** Navy has offered to sponsor Marine Technicians to undertake TAFE courses to facilitate their desire to obtain civilian qualifications in return for an up-front Return of Service Obligation. The Head of Navy Engineering is developing a range of Professional Development tools, such as academic courses, industry outplacement, and membership of professional (civilian) organisations in an effort to provide appropriate training and education to select personnel in preparation for, and linked to, their upcoming postings.
- g. **Portability of qualifications and Accreditation.** Improvements are being made in the Marine Technician career continuums to increase the transportability of "operator" qualifications between various platforms. This will provide more opportunities for personnel to be posted in a variety of different platform classes and provide more challenging and varied work options. It can also serve to provide optimal familial conditions in that a wider range of locations are made available. Arrangements for civilian accreditation for Marine Technical training is being examined under the Training Force Continuous Improvement Program.
- h. **Accelerated Promotion.** A mechanism whereby high performing Marine Technicians (and other sailors) can achieve promotion to Leading Seaman, Petty Officer and Chief Petty Officer in accelerated timeframes has been formulated in an effort to better utilise the abilities of those individuals and provide incentive for the achievement of qualifications and experience..
- i. **Posting Options.** Career Managers have been offering lateral options to members intending to discharge. Such options presented to Marine Technicians have included: Leave With Out Pay, Civil Schooling (including at the Australian Maritime College – Launceston), shore posting of choice and

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future Landing Ship Dock (LHD)/Air Warfare Destroyer (AWD) training. These offerings need to be carefully balanced against maintaining current capability.

- j. **Survey data and communications.** Surveying of 'satisfied' Marine Technicians is conducted to find out what is convincing them to stay, enabling the Category Managers to identify and build on the positives aspects of the branch. Active pursuit of negative anecdotes is similarly conducted to determine the facts and either remediate or correct any myths or rumours that may spread. Redevelopment of the Director of Navy Category Management Website is planned to improve the availability of information regarding the Marine Technician Category Restructure and provide a mechanism for feedback on that information.

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Specialisation / Category	TRAINED FORCE													Training Force Total	
	DEMAND						SUPPLY						Gap		
	CMDR	LCDR	LEUT	SBLT	Total	CMDR	LCDR	LEUT	SBLT	Total	No	%			
ME	28	59	69	0	156	22	39	45	0	106	40	-32%	112		
MESM	5	8	10	0	23	3	15	6	0	24	1	4%	0		
WE	28	68	91	0	187	28	47	91	1	167	20	-11%	94		
WESM	4	13	13	0	30	7	15	6	0	28	-2	-7%	0		

Table B1 - Engineering Officer Workforce Status as at 30 Sep 11

Specialisation / Category	TRAINED FORCE													Training Force Total
	DEMAND					SUPPLY					Gap			
	CPO	PO	LS	AB	Total	CPO	PO	LS	AB	Total	No	%		
MT	218	274	442	670	1604	175	226	363	770	1524	70	-7%	407	
MTSM	21	38	55	64	178	11	21	24	56	112	66	-37%	34	
ET	133	204	371	364	1072	121	188	287	487	1083	11	1%	336	
ETSM	14	21	35	46	116	12	17	27	15	71	45	-39%	38	

Table B2 - Technical Sailor Workforce Status as at 30 Sep 11

Note. The Trained Force Supply includes both Permanent Navy and Reserve Members on Continuous Full Time Service

**Q5 - Dangerous Luxuries, the criticism of the Defence White Paper 2009 by US Col John Angevine**

**Senator Xenophon asked on Wednesday, 5 October 2011, Hansard page. 59:**

If you could just take on notice some of those matters that I have raised in the paper Dangerous luxuries, and, if you are in a position to comment further, I would appreciate that.

**Response:**

Defence welcomes independent contributions to Australia's defence policy debate from think tanks such as the Lowy Institute.

Proposals like those put forward by Colonel Angevine will no doubt be considered in the lead-up to the next Defence White Paper.

The Australian Government remains committed to implementing the 2009 Defence White Paper.

The White Paper confirmed that our most fundamental and enduring strategic interest remains the defence of Australia against armed attack.

Force 2030 is based on achieving this fundamental task, together with contributing to security in our immediate neighbourhood.

Our alliance with the United States is of immense benefit. But it does not mean we can expect it to provide the combat forces for our defence, given the scale of its regional and global security commitments.

The Australian Government considers that as a good ally, we should provide for our own direct defence needs, noting that some threats such as nuclear attack by a major power would be beyond our capacity to deter or defeat by ourselves.

The Australian Defence Force's 'high end' capabilities will always need to be balanced with the ability to conduct operations such as stabilisation and counter-insurgency missions, noting that high end capabilities can also contribute to these kinds of missions.

The Defence White Paper recognises that intra-state conflict is more likely than direct military attacks against Australia.

## Q6 - ANAO Report

**Senator Stephens noted on Wednesday 5 October 2011, Hansard page. 60:**

That there are several issues raised in the ANAO report on Defence procurement. The Committee requested that the Department respond to the areas of concern.

### **Response:**

Defence notes the ANAO observation that "*major Defence capital acquisitions can ... be significantly more complex than large civil projects*" and that "*success depends upon high levels of management skill and technical expertise*". It is also noted that the ANAO further stated that "*managing projects in an environment of successive, significant organisational and management reforms can add to the complexity of the task*".

The key issues identified by the ANAO in its submission and raised during the Inquiry are:

- a. Defence had established an appropriate administrative framework for implementing the two-pass process but was not consistently adhering to it.
- b. Capability Development Officers had not been adequately trained and lacked appropriate supporting management structures, processes and tools to carry out their role.
- c. Schedule remains the major challenge for the DMO and industry contractors.
- d. Major Defence capital projects are subject to a high degree of internal management change due, in part, to the regular rotation of staff throughout Defence service groups.

### **Following the Process**

ANAO Audit Report No. 48 2008-09 *Planning and Approval of Defence Major Capital Equipment Projects* examined the key capability development documents for a sample for 20 projects that had been through the government approval process. The ANAO concluded that Defence had established an appropriate administrative framework for implementing the process but was not consistently adhering to it.

The references report focuses on the process in Capability Development Group (CDG) leading to second-pass approval. Defence accepts that ANAO did find a number of shortfalls in terms of the documentation of the processes and those shortfalls were acknowledged at the time. As a result of the ANAO findings, a more stringent mechanism for recording documentation has been implemented including formal electronic record management systems.

An ANAO follow up audit is currently underway and Defence fully expects significant improvement from the 2009 report.

### **Training of Capability Development Officers**

ANAO noted that within CDG, capability development officers are responsible for managing capability proposals through the two-pass approval process. ANAO Audit Report No. 48 2008-09 *Planning and Approval of Defence Major Capital Equipment Projects* found that these Officers had not been adequately trained and lacked appropriate supporting management structures, processes and tools to carry out their role.

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In response to these comments by the ANAO, in 2009 CDG began development of the Desk Officer Skilling Program (DOSP). This program, targeting CDG Desk Officers and their supervisors, began delivering specialised skilling sessions in 2010 and has undergone continuous improvement since then.

The DOSP has recently been retitled as the Capability Development Skilling Program (CDSP) and grown to include the following courses:

- Capability Systems Division Induction;
- Branch Operations;
- One-Day Cost Estimation;
- Intermediate Cost Estimation;
- Operational Concept Document (OCD) Development;
- Function and Performance Specification (FPS);
- Test Concept Document (TCD);
- Materiel Acquisition Agreement (MAA) Drafting
- MAA Report Interpretation Workshop;
- Facilities & Training Fundamental Inputs to Capability (FIC) Awareness;
- Logistics FIC Awareness;
- Workforce FIC Awareness;
- Foreign Military Sales Basics;
- Industry Engagement / Business Acumen; and
- DSTO Support to Capability Development.

### **DMO Schedule Performance**

The ANAO's 2009-10 Major Projects Report found that schedule remains the major challenge for the DMO and industry contractors. The reasons for this schedule slippage vary, but the ANAO found that it primarily reflects the underestimation of both the scope and complexity of work by industry and the DMO.

The DMO accepts that schedule is still the main challenge for DMO in successful delivery of projects. Since the creation of DMO in 2000 there have been many changes driven by external reviews such as Kinnaird and Mortimer and others driven by internal improvement such as the schedule improvement program.

DMO has introduced the scheduler career stream supported by the Project Schedule Analysts in Training Program (PSAIT). In parallel a standardised approach to schedule management and reporting provides better quality and more consistent information to support the executive decision makers.

Work continues on further developing capability and capacity of the emerging project teams in schedule estimation. As identified by the ANAO, it is often the early estimates that are overly optimistic and put the project under pressure from the start. One of the aims of the early stage Gate Reviews is to examine the achievability of the proposed schedule.

DMO can demonstrate that schedule performance has improved over the past 10 years. The schedule performance of 150 open and closed projects with commencement dates from 1992 to 2011 has been assessed. The information indicates a steady improvement of schedule performance from the year 2000 with the average level of schedule slippage decreasing from over 50% to around 30% by 2007. Data for subsequent years (2008 to 2011 inclusive) support the trend of continuing improvement but the data is not conclusive because these projects are still in their early stages.

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### **DMO Staff Turnover**

The ANAO commented that as well as the successive, significant changes to acquisition policy within Defence, major Defence capital projects are also often subject to a high degree of internal management change due, in part, to the regular rotation of staff throughout Defence service groups.

In August 2011 the Minister for Defence announced in his statement "Improving Personal and Institutional Accountability in Defence" a key reform to implement three year postings for military personnel into projects. This supports work between DMO and the Services that establishes appropriate tenures for military staff as project managers. Appointments will be set by DMO based on the stage of the development of the project. For the majority of these positions tenure would be four years and the minimum tenure would be three years.

The wish for longevity in project management positions needs to be balanced with the gain to DMO from the recent user experience of the military personnel. The management of a project is informed by the specific experiences brought by military staff and this experience needs to be regularly refreshed. So it is about stability in career rather than stability in a particular job.

**Q8 - Annual Declassified Report**

**Senator Ludlam asked on Friday, 7 October 2011, Hansard page. 28:**

That DMO and CDG look at page 10 of the submission by Derek Woolner, regarding an annual declassified report to Parliament on procurement projects - and comment on the benefits or otherwise of such a document.

**Response:**

Defence provides regular updates to the Parliament on projects through the provision of departmental statutory document reporting, namely the Portfolio Budget Statements and the Portfolio Additional Estimates Statements. In addition, Defence reports annually on acquisition projects through the Australian National Audit Office Major Projects Reports. Further, Parliament is provided with the opportunity to consider and review procurement projects through the Senate Estimates process as well as through ad-hoc briefings to Parliamentary committees which are provided by Defence. Based on this, no benefit is seen in additional reporting.

**Q10 - Shortfalls in Navy Engineering and Technical Expertise**

**Senator Johnston** asked on 7 October 2011,

Tht DMO provide a detailed response on the shortfalls in maritime engineering and technical expertise in DMO and what DMO was doing about it.

**Response:**

DMO draws on a broad workforce to execute the outcomes Government funds it to deliver. It has a mixed workforce of uniformed military personnel, civilian public servants (many of whom are ex-service men and women), and contractors integrated with Commonwealth staff to provide acquisition and sustainment services. For example, Rolls Royce staff are co-located with Commonwealth staff in the Amphibious and Afloat Support System Program Office, providing daily sustainment support services. This is in addition to the external maintenance work which has for some time now been outsourced to the private sector maritime industry.

DMO has concerns about its capacity to compete with the private sector for the supply of Engineering and Technical Specialists, particularly due to the attractive remuneration packages being offered by the resources sector of Australian Industry. Exacerbating these concerns is that the DMO demand for this specialised labour is also expected to rise with an estimated 80% of ADF capability asset requiring replacement, upgrade or improvement over the next 15 years.

A recent report released by Engineers Australia confirmed that shortages of engineers experienced by Australian companies remained comparatively high. The highest shortages were in the key mainstream disciplines of civil engineering, mechanical engineering, electrical engineering and structural engineering. For example, the Maritime Systems Division in DMO has 315 engineering and technical positions but 20% of these positions are currently vacant.

The Chief Executive of Engineers Australia has said that the domestic supply of new engineering graduates has not been able to keep pace with increases in the demand for engineers for many years and the shortage of engineers remains an acute problem for Australia now and well into the future.

The fallout from the global financial crisis provided no significant relief to the on-going gap between supply and demand for engineers to support Australia's economic opportunities. Despite a number of recent government initiatives, there is no real end in sight to delivering an adequate engineering skills base across Australia to match demands for maintenance of existing infrastructure, increasing population and economic expansion.

By way of illustration, for the 12 months to March 2011, DMO advertised 321 engineering / technical positions, for which it received only 643 applications. Other job disciplines the DMO employs attract six times the number of applications for each vacancy advertised.

Against that background, DMO is implementing a range of initiatives to improve our ability to attract, retain and professionalise our engineering workforce. These include:

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- participation in a number of sponsorship and partnership arrangements with engineering peak bodies and Universities.
- Sponsorship of various engineering and technical conferences and events to market DMO career opportunities.
- Materiel TAFE Employment Scheme which sponsors engineering/technical and logistics students through TAFE and DMO provides work placements.
- Materiel Graduate Scheme- 18 month development program aimed at engineers, logistics and procurement graduates.
- Materiel Undergraduate Scheme providing funding and work placement for undergraduates.
- Engineering Undergraduate Scholarships at ADFA.
- Memorandums of Agreement with Engineers Australia and the Australian Maritime College to source and recruit engineers and technical staff and raise the profile of DMO career opportunities.
- Planning is well advanced for a recruitment register to specifically attract experienced Engineers and Technical Officers who have retired and are interested in contributing to the DMO workforce under flexible working arrangements or in a non-ongoing capacity.
- Flexible remuneration arrangements such as Building Defence Capability Payments have been developed as an attraction and retention strategy.

DMO also provides corporate sponsorship to Engineers Australia and other peak bodies who have a structured assessment process towards chartered status, as well as an expectation of continuous professional development. Currently 50% of DMO Engineers are corporately sponsored with only 7% of Technical Officers achieving this membership. The aim is to increase the number of corporately sponsored DMO Engineers to 90% and up to 70% of Technical Officers with the expectation that chartered status will be achieved within 5 years.

DMO has implemented a Materiel Engineering Council as a strategic advisory group to provide guidance on the issues associated with engineering in DMO. We have also developed a structured approach to the Engineering and Technical Officer professionalisation and work is commencing on developing the Training Program Implementation plan.

Our research indicates that the professionalisation and training opportunities implemented in DMO are a primary incentive in attracting engineers. In addition, the flexibility to provide additional remuneration through the Building Defence Capability Payment also enables us to compete with industry.

DMO has developed an Engineering and Technical Officer job family construct which clearly identifies the range of engineering and technical roles from graduate through to senior engineer manager. We have also identified the competencies and proficiencies associated with each role, which will enable individuals to understand the possible career pathways open to them along with the associated training and development and experience requirements needed to progress in their career.

The Rizzo Report (released 18 July 2011) contains several recommendations concerning improving the Naval Engineering / Technical workforce. Navy and DMO are working closely together to implement these recommendations. Further details on what is being done to attract and retain Naval Engineers and technical experts, can be found in the response to a question asked by Senator Johnston on 5 October 2011

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**Q11 - Schedule Slippage and Performance compared to the US and UK**

**Senator Humphries asked on Friday 7 October 2011, Hansard page. 33:**

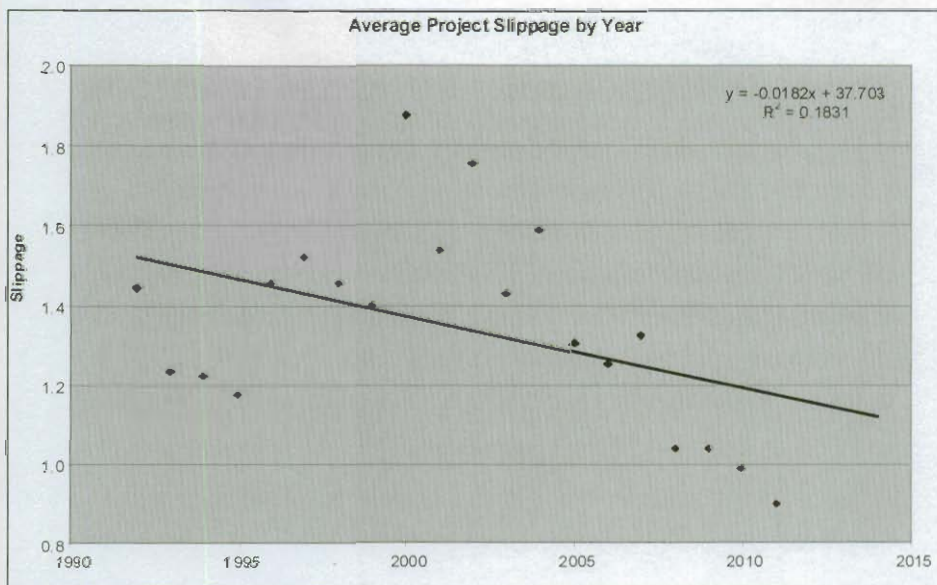
For DMO to provide two sets of figures relating to post 2nd pass approval. The first set is to demonstrate that schedule slippage has decreased from 50% to 30%. The second set of figures is to compare performance with US and UK counterparts. This relates to improvements in performance/progress.

**Response:**

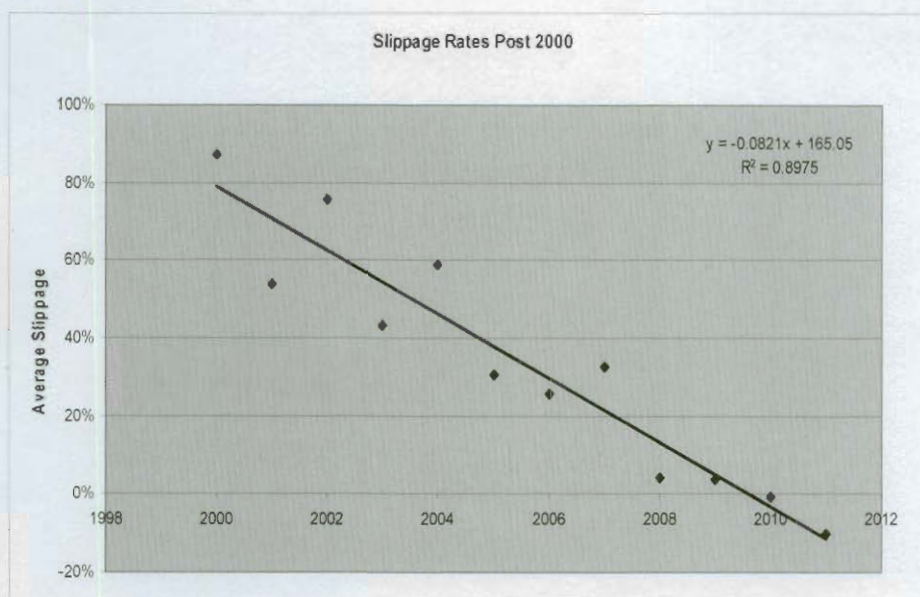
The subject DMO claims were originally supported by information provided in the Defence submissions to the Inquiry.

The latest analysis has refined the data and the most recent information is provided here.

Approximately 150 current and closed projects (consisting of the 108 open projects and 42 completed pre Kinnaird projects) with commencement dates ranging from 1992 to the present were assessed against their original or forecast completion timeframes. The average delay for projects commencing in the same year was plotted against the year of commencement (see Figure 1). No correlation was discernible across the entire population but improvement in schedule delay started to become evident from around the year 2000. This is illustrated in the Figure 2.



**Figure 1 – Average Project Slippage by Year**



**Figure 2 – Slippage Rates Post 2000**

This analysis shows that since 2000 the average level of schedule slippage has decreased from over 50% to around 30% by 2007. Data for subsequent years (2008 to 2011 inclusive) supports the trend of continuing improvement but DMO has resisted commenting extensively on these projects because they are only early in their lifecycle.

### Similar Organisations

Based on our interaction with other defence acquisition and sustainment organisations, and information available in the public domain, it is clear that there is some similarity between the DMO's processes and management structures and those of other countries. While some analysis is possible, there are sufficient differences in terms of some key processes, eg budget management and the breadth and scope of functions which make detailed comparisons difficult.

Table 3 provides a summary of budget and staffing for the Defence acquisition and sustainment organisations of Australia, UK, USA and Canada obtained from open sources. The table shows that the DMO delivers its services with a level of workforce consistent with the UK and Canada. No information on the US (AT&L) spend was available.

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	DMO	DES (UKMOD)	AT&L (US)	CANADA
<b>Budget (SAUDmillion )<sup>1</sup></b>	11,100	21,500		4,500
<b>Staffing<sup>2</sup></b>	7,200	21,000	152,000	4,100
<b>Budget/Staffing Ratio(SAUDm/head)</b>	1.54	1.02	-	1.10

**Table 3 – Budget and Staffing – Defence Organisations**

Table 4 shows the staffing levels and revenues obtained from open sources for a selection of Australian companies. The conclusion drawn is that DMO's output per person is similar to the large companies examined.

	DMO	BHP BILLITON	RIO TINTO <sup>3</sup>	WOODSIDE PETROLEUM
<b>Revenue (SAUDmillion )<sup>1</sup></b>	11,100	62,500	65,570	6,100
<b>Staffing<sup>2</sup></b>	7,200	39,600	76,900 <sup>4</sup>	3,700
<b>Revenue/Staffing Ratio (SAUDm/head)</b>	1.54	1.58	0.85	1.65

**Table 4 – Budget and Staffing -- DMO and Australian Companies**

<sup>1</sup> Values are in 2011-12 PBS prices and at Constant Exchange Rates

<sup>2</sup> Annual Reports and Business Review Weekly (BRW)

<sup>3</sup> 2010 Rio Tinto Annual Report – Global Operations

<sup>4</sup> 2010 Rio Tinto Annual Report – Global Operations

**Q12 - Salary Considerations**

**Senator Humphries asked on Wednesday, 5 October 2011, Hansard page. 35:**

How many individuals at CDG and the DMO were being paid at an increased salary rates to the considerations to employees to encourage them to stay in CDG or DMO for 2 or 3 years).

**Response:**

Currently there are 42 DMO staff in receipt of "increased salary" distributed as follows:

- 37 are in receipt of Building Defence Capability Payments,
- four are in Executive Level (EL) 2.1 positions, and
- one is in an EL 2.2 position.

CDG has five staff in receipt of "increased salary" distributed as follows:

- one in receipt of Building Defence Capability Payments, and
- four in EL 2.1 positions.

For information, the Defence Enterprise Collective Agreement (DECA) 2009 introduced two new work level standards, designated EL2.1 and EL2.2, for employees performing duties above those normally required of an EL2 but less than those associated with SES positions. When determining if a position has a work value of EL2.1 or EL2.2 only positions that undertake duties within the following roles may be considered:

**EL2.1**

- scientific or analytical research outside of DSTO (work level standards for DSTO's Science and Technology (S&T) structure are contained in Chapter 3 of the Defence Capability Manual;
- project management;
- engineering; and
- management of large and diverse workforces.

**EL2.2**

- scientific research outside of DSTO; and
- project management.



**Q13 - Under performing staff in the previous financial year**

**Senator Humphries asked on Friday 7 October 2011, Hansard page. 37:**

How many people did DMO have to dismiss in the course of the last financial year?

**Response:**

In DMO in the financial year 2010/11, as a result of staff being managed for misconduct or performance issues, there were:

- **eight** terminations,
- **six** resignations, and
- **eight** other sanctions/decisions imposed.

**Written Q1**

How many personnel from each of the three services are currently seconded to CDG and DMO, by project and for what duration?

**Response:****CDG:**

In the CDG there are a total of 186 service personnel posted to the Group as at 13 October 2011. Of the 186, the number of personnel in each of the Services is as follows:

Navy -	50
Army -	66
Air Force -	<u>70</u>
<b>Total</b>	<b>186</b>

Specific personnel statistics cannot be listed by project as in many cases an individual may be assigned to work on more than one project at a given time.

The duration of postings for each of the Services is generally three years, with a minimum of two. The current average tenure of Service personnel in CDG is above three years.

**DMO:**

The breakdown of military personnel posted to DMO projects is:

Navy -	74
Army -	229
Air Force -	<u>225</u>
<b>Total</b>	<b>528</b>

The detailed breakdown by project is at Table 1 below.

The current duration of posting in DMO for each of those staff is information not readily available but the expected posting tenure for military personnel in DMO is three years.

Project Code	ARMY	NAVY	RAAF
AFM 554			1
AFM 886			1
AFM 972	1		

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AIR 87PH2	20		1
AIR 5077PH3			13
AIR 5232PH2			2
AIR 5276CAP1			3
AIR 5276PH2			1
AIR 5276PH8A			1
AIR 5276PH8B			2
AIR 5333			9
AIR 5349			13
AIR 5349PH1			4
AIR 5349PH2			3
AIR 5376PH2			24
AIR 5376PH3.2			3
AIR 5376PH3.2A			1
AIR 5402			19
AIR 5405PH1			2
AIR 5409PH1			3
AIR 5416PH4B1/2			1
AIR 5418PH0			2
AIR 5418PH1			6
AIR 5428PH1			9
AIR 5431PH1			2
AIR 5431PH2/3			4
AIR 5438			2
AIR 6000PH2A/2B			27
AIR 6000PH5			1
AIR 7000PH2			10

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AIR 8000PH2			1
AIR 8000PH3			2
AIR 9000PH2	14		3
AIR 9000PH5C	5		2
AIR 9000PH7	1	4	
AIR 9000PH8		8	
AIR 9000SCAP1		1	
AMP007.25	1		
AMP007.26	1		
AMP007.27	1		
AMP007.28	1		
AMP040.10	2		
AMP042.18	2		
AMP048.42	1		
AMP048.44	2		
AMP049.14	1		
AMP050.14	2		
AMP058.07	1		
AMP058.08	1		
AMP085.06	1		
AMP093.02	1		
COOD00154	1		
DEF 224 PH2B			7
DEF 555 PH1			1
DEF 7015		1	
JNT 65 PH6	1		
JNT 66 PH1			2

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JNT 129 PH2	4		
JNT 199 PH1	1		
JNT 1771 PH1	2		
JNT 2025 PH5			5
JNT2043PH3a		1	
JNT 2048PH3	1		
JNT 2048PH4A		2	
JNT 2048PH5		1	
JNT 2057PH2			2
JNT 2059PH2	2		
JNT 2059PH3	2		
JNT 2064PH3	1		
JNT 2065PH1	1		
JNT 2065PH2	1		
JNT 2065PH3	1		
JNT 2069PH2	2		1
JNT 2070PH3		2	2
JNT 2072PH1	4		
JNT 2072PH2	3		
JNT 2077PH2B	3		
JNT 2077PH2B.2	3	4	
JNT 2077PH2D			1
JNT 2088PH1	1		
JNT 2088PH1A	1		
JNT 2089PH2A	5	1	5
JNT 2089PH2B	5	1	5
JNT 2097PH1A	1		

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JNT 2097PH1B	3		
JNT 3025PH1	1		
JNT 3027PH1			1
JNT 5408PH2B			4
JP 129 PH4	1		
LND 17PH1A	6		
LND 17PH1B	4		
LND 17PH1C	4		
LND 19PH7A	1		
LND 40PH2	1		
LND 58PH3	1		
LND 75PH3.2	1		
LND 75PH3.3	2		
LND 75PH3.3B		1	
LND 75PH3.4	9	1	
LND 75PH4	9		
LND 75PH5	8		
LND 106	5		
LND 112PH3	4		
LND 112PH4	4		
LND 116PH3	4		
LND 121PH3-1	4		
LND 121PH3-2	2		
LND 121PH3-3	4		
LND 121PH4	13		
LND 125PH3A	2		
LND 125PH3B	1		

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LND 125PH3C	1		
LND 125PH4	2		
LND 144PH1	2		
LND 155PH1	1		
LND 400PH2A	2		
LND 907PH1	7		
LND 998PH1	1		
P1010001			1
P1100001	5		10
P2700026	2		
P2700028	5		
P2700029	1		
RA00001	1		
SEA 1000		1	
SEA 1229PH2/3		1	
SEA 1390PH2.1		6	
SEA 1390PH4B		1	
SEA 1397PH3		1	
SEA 1397PH4		1	
SEA 1397PH5		1	
SEA 1428PH4		2	
SEA 1429PH2		5	
SEA 1439PH3		1	
SEA 1439PH4A		3	
SEA 1442PH3		2	
SEA 1442PH4		2	
SEA 1448PH2A		3	

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SEA 1448PH2B		2	
SEA 1555PH2		2	
SEA 1778PH1		2	
SEA 4000PH3		10	
<b>Grand Total</b>	<b>229</b>	<b>74</b>	<b>225</b>

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**Written Q2**

If possible, how many personnel in each of the three services, excluding those seconded as above, are dedicated to technical support in either procurement or sustainment?

**Response:****Navy:**

Navy has three Capability Implementation Teams (CITs) located within Navy Strategic Command whose primary task is to coordinate the delivery of capability post second pass and pre-acceptance into service. Their role is one of coordination vice procurement, encompassing the provision of trained people with the right facilities in time to crew the new capability. There are 33 positions within the CITs currently filled by 26 personnel.

Post acceptance into service Navy has established a Force Element Group construct around the Aviation, Submarines, Mine Clearance and Patrol, and Surface Combatant capabilities. The role of these groups is to coordinate the ongoing training and sustainment of capabilities. Within these groups, and within the Commander Fleet Maintenance organisation, there are 864 positions, currently filled by 675 personnel, involved in sustainment activities.

In addition to the Navy project personnel within DMO, Navy provides 213 positions to DMO System Program Offices and there are currently 191 personnel filling those positions under the Workforce agreement.

**Army:**

Army has a number of officers in a range of roles such as Capability Implementation, Development, Force Modernisation or Logistics dedicated to the technical support of Army's capability in procurement or sustainment. Without a detailed knowledge of every position in Army, a desktop analysis has identified 118 positions dedicated to technical support in procurement or sustainment (exclusive of those officers posted to CDG and DMO).

**Air Force:**

As at 17 October 2011, there were 589 Air Force personnel posted to DMO in support of procurement or sustainment activities additional to those listed at part one. The majority of these personnel are posted to positions within Systems Program Offices in support of various Defence platforms.

Air Force has two capability Transition Offices located with Air Force's Air Command whose primary task is to coordinate the delivery of capability post second pass and pre-acceptance into service. There are a total of 14 personnel supporting the Transition Teams.

Air Force has a technical maintenance, engineering and logistics workforce that supports the sustainment of capability within Air Command's Force Element Groups. There are currently approximately 5856 personnel assigned to these roles.

**Written Q3**

What proportion of the latter are subject to posting and what proportion are permanent?

**Response:**

**Navy:**

All Navy personnel are posted for periods of two-to-three years in accordance with their career continuum model to ensure their professional development and meet Navy's capability requirements.

**Army:**

All postings in Army for other ranks and officers of the ranks of Major and above in roles are for three years subject to operational and career progression issues. All Captain postings are for two years as this conforms to the career development model of three postings of two years duration to prepare these officers for higher ranks. Army retains its right to post its officer in accordance with service need.

**Air Force:**

All Air Force personnel are subject to posting. The length of a posting is generally between two to three years in length.

**Written Q4**

Does CIR develop alternative capability options in parallel with the CS Div Desk Officers? If so, what scope does the division have when formulating and suggesting alternative capability options? Are all options presented at first and second pass explored and costed in the same level of detail?

**Response:**

Capability Investment and Resources (CIR) Division does not provide alternative capability options. As per the requirements of the Defence Capability Development Handbook, the project sponsor (usually CS Division) is required to provide a range of options for first and second pass consideration. CIR Division's role is to assess the suitability and maturity of the proposed options and provide independent advice to Defence's senior committees on them. On the basis of this advice the committee may direct the sponsor to modify the option set.

As projects progress through the capability development process, costs are developed and refined. All options presented to Government are costed to the same level of detail, however the level of fidelity differs between first and second pass, mainly because Defence cannot release a request for tender until after first pass. The cost quality required for first and second pass has been agreed between the Departments of Defence, and Finance and Deregulation. A capability submission may refer to options that were initially considered but for various reasons not progressed for Government consideration and these will not be costed to the same level of detail as those options formally presented.

**Written Q5**

Provide a breakdown of the staffing numbers within the unit, and approximately how many are devoted to each function that the division performs?

**Response:**

Capability Investment and Resources Division is structured into two branches and one section, namely Investment Analysis (IA) Branch (23 personnel) and Cost Analysis (CA) Branch (28 personnel) and Committee Secretariat and Divisional Coordination Section (8 personnel). This staffing data is based on records as at 20 October 2011.

**Written Q6**

Provide examples of the advice given by the CIR in regards to alternative capability options for projects that have recently received first and/or second pass approval?

**Response:**

Capability Investment and Resources (CIR) Division does not provide alternative capability options. As per the requirements of the Defence Capability Development Handbook, the project sponsor (usually CS Division) is required to provide a range of options for first and second pass consideration. CIR Division's role is to assess the suitability, affordability and maturity of the proposed options and provide independent advice to Defence's senior committees on them. On the basis of this advice the committee may direct the project to modify the option set being developed.

**Written Q7**

Are you able to provide a summary of the work currently being undertaken by the division on the SEA 1000 Project?

**Response:**

Capability Investment and Resources (CIR) Division's two branches, Investment Analysis Branch and Cost Analysis Branch, each have personnel who are focused on reviewing capability proposals in either the maritime, land, aerospace or joint domains.

SEA 1000 falls into the maritime domain and it is broadly treated in the same way as every other Defence project. However, given the strategic importance of SEA 1000, it is analysed by more experienced staff and the CIR Division executive team provide considerable additional time and resources to this project.

CIR Division has been focused on reviewing all aspects of the project to ensure its suitability for Government consideration. The Division has also been developing a draft Cabinet submission prior to its review by the Defence Capability and Investment Committee.

**Written Q8**

What, if any, changes will occur within the division as a result of it being answerable to the new Associate Secretary (Capability)?

**Response:**

At the organisational level, First Assistant Secretary Capability Investment and Resources (CIR) will report directly to the new Associate Secretary (Capability) position instead of the Chief Capability Development Group. However, until the position is filled, it would be premature to predict what the Associate Secretary's requirements will be of CIR Division.

**Written Q9**

How will the new structure impact the needs and requirements phase of the procurement process?

**Response:**

Our understanding is that this question relates to the structural reform directed by Minister Smith on 9<sup>th</sup> August 2011, specifically the establishment of the Associate Secretary (Capability) position and the separation of Capability Investment and Resource Division from Capability Development Group.

There is an expectation that the structural reform will lead to improvements in the coordination and seamless transition of projects across the phases of the capability life cycle. This will include more robust management of the interface between the needs and requirements phase, ensuring consistency with Government's strategic requirements and understanding of risks before proposals enter the Defence Capability Plan. The Associate Secretary will be accountable for processes associated with the progression of proposals through these phases to improve capability development performance, reduce duplicative or nugatory processes, and achieve contestability and consistency of advice in order to identify and manage risk in the early stages of procurement.

The implementation of the new structure will be undertaken once the Associate Secretary position is filled in late 2011.



**Written Q10**

What are the current staffing levels within the CS Division and its branches?

**Response:**

The current staffing levels within Capability Systems Division are shown in the table below:

	Army	Navy	Air Force	Civ	Totals
<b>Aerospace Development Branch</b>	7	0	45	6	58
<b>Maritime Development Branch</b>	0	36	0	3	39
<b>Integrated Capability Development Branch</b>	4	6	6	11	27
<b>Land Development Branch</b>	46	0	2	9	57
<b>Capability Division Executive</b>		1	1	3	5
<b>Totals</b>	<b>57</b>	<b>43</b>	<b>54</b>	<b>32</b>	<b>186</b>

**Written Q11**

How is the CDG planning to allocate the additional resources being made available to the group with the aim of lifting the rate of projects going to first and second pass approvals?

**Response:**

An initial batch of additional resources was provided for CDG in FY10-11. These comprised 15 personnel in FY10-11 and a further 10 personnel in FY 11-12. These were divided approximately equally between Capability Systems Division and Capability Investment Resources Division.

As a result of recent Ministerial announcements (Black Review) further additional resources are being sought. These additional resources will be allocated to Capability Systems, Capability Investment Resources Division and directly support the Associate Secretary (Capability) position. The exact number and disposition of the resources will be subject to discussion between the Secretary, CDF and the Associate Secretary.

**Written Q12**

What strategies are being implemented to ensure a high standard of planning and analysis is maintained by the CDG during this expansion and increased workload?

**Response:**

As discussed during the inquiry hearings, a range of reform programs are being implemented to enhance and maintain the standard of planning and analysis undertaken by CDG and other stakeholders. These reforms build on the recommendations of previous reviews and audits. They seek to identify and mitigate risks early in the process, to better coordinate between planning, acquisition and sustainment activities, as well as to provide greater integration and reduced duplication of effort. These reforms will be coordinated and prioritised through the capability development business process review, which will be overseen by the Associate Secretary (Capability).