



Australian Government

Department of Defence

THE STRATEGIC REFORM PROGRAM DELIVERING FORCE 2030



THE STRATEGIC REFORM PROGRAM 2009
DELIVERING FORCE 2030

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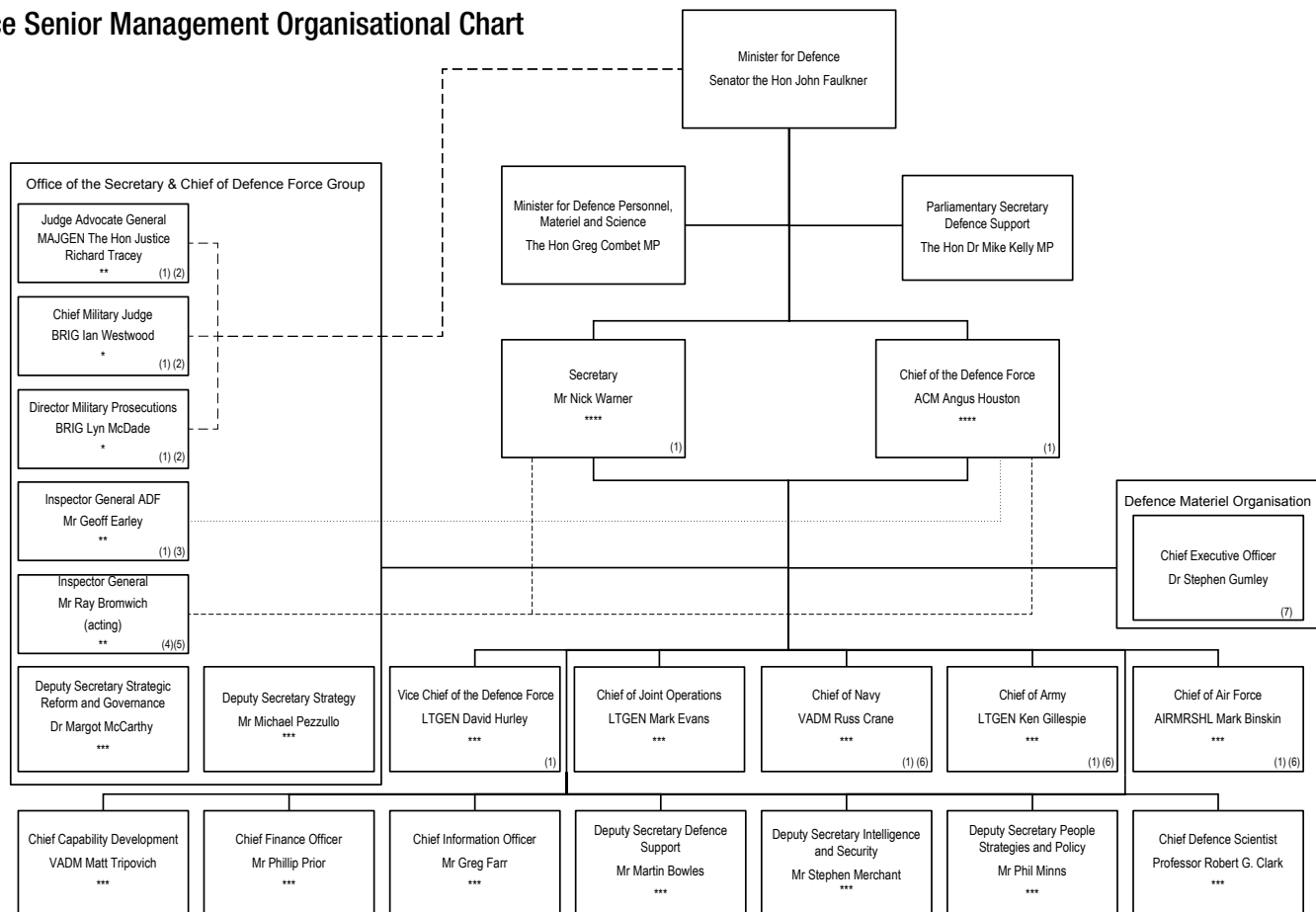
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Defence Senior Management Organisational Chart



* Stars refer to ADF Star rank or SES Band levels.

(1) Statutory appointment.

(2) Reports directly to the Minister for Defence in accordance with Section 196A of the *Defence Force Discipline Act 1982*.

(3) The Inspector-General ADF is directly responsible to the Chief of the Defence Force (CDF).

(4) The Inspector-General reports directly to the Secretary and CDF.

(5) Pending recruitment of Chief Audit Executive, there will be further organisational changes involving Inspector General's

(IG) Division.

(6) Section 9(3) of the *Defence Act 1903* requires the Service Chiefs to advise the Minister on matters relating to their command.

(7) Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directive identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

Introduction

The *2009 Defence White Paper* sets out the Government's plan to build a stronger Australian Defence Force (ADF). This force will keep the country secure at a time when significant strategic change in the Asia-Pacific region means that we must be prepared for uncertainty.

We have called this plan for a stronger Defence Force 'Force 2030' because it will take years of investment and steady building to create the military capabilities we need for national security in the future. Substantial funding is also needed to fix key areas in Defence where under-investment in past years has left vulnerabilities in our military capabilities and reduced the critical support functions to the ADF. Force 2030 describes the force we require to meet future challenges and includes the capabilities and infrastructure needed to support it, across all parts of the Defence Organisation.

Over the next four years Defence funding will amount to approximately \$104 billion. This is a massive investment of public money. Australians have a right to expect that Defence will use this money carefully. Defence must operate as efficiently as possible to extract the maximum value from this funding.

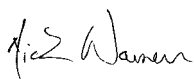
The Defence organisation needs fundamental reform if it is to be well placed to own and operate Force 2030. Reform will comprehensively and fundamentally improve the management of Defence, making the organisation more efficient and effective, and creating significant savings to reinvest in building a stronger Defence Force. Over the ten years to 2019 the Strategic Reform Program will deliver gross savings of around \$20 billion. This money will be reinvested to deliver stronger military capabilities, to remediate areas where there has not been enough funding in the past and to modernise the Defence enterprise 'backbone', all of which are essential to support the fighting force.

Reform on this scale is never easy, but the benefit is that these changes will give Australia a stronger, more agile and harder-hitting Defence Force.

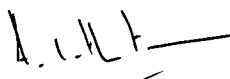
The pages that follow outline the Strategic Reform Program. After support to current military operations there is no higher priority for Defence than to deliver these reforms.

This document sets out a blueprint for reform but it does not propose to offer all the answers right now for what will be a challenging decade for Defence. The target of \$20 billion is fixed but the reforms must be flexible enough to capture opportunities for making the right changes when they arise.

We are confident that our senior leadership and the Defence organisation's military and civilian staff will make the Strategic Reform Program a success. Reform will give us a stronger Defence Force and a stronger Defence Force will keep Australia safe in the decades to come.



Nick Warner
Secretary



A.G. Houston
ACM
Chief of the Defence Force

Strategic Reform Program - Vision

1. To create the efficient and accountable Defence organisation required to deliver and sustain Force 2030 within the funding envelope agreed by Government.

Why Reform?

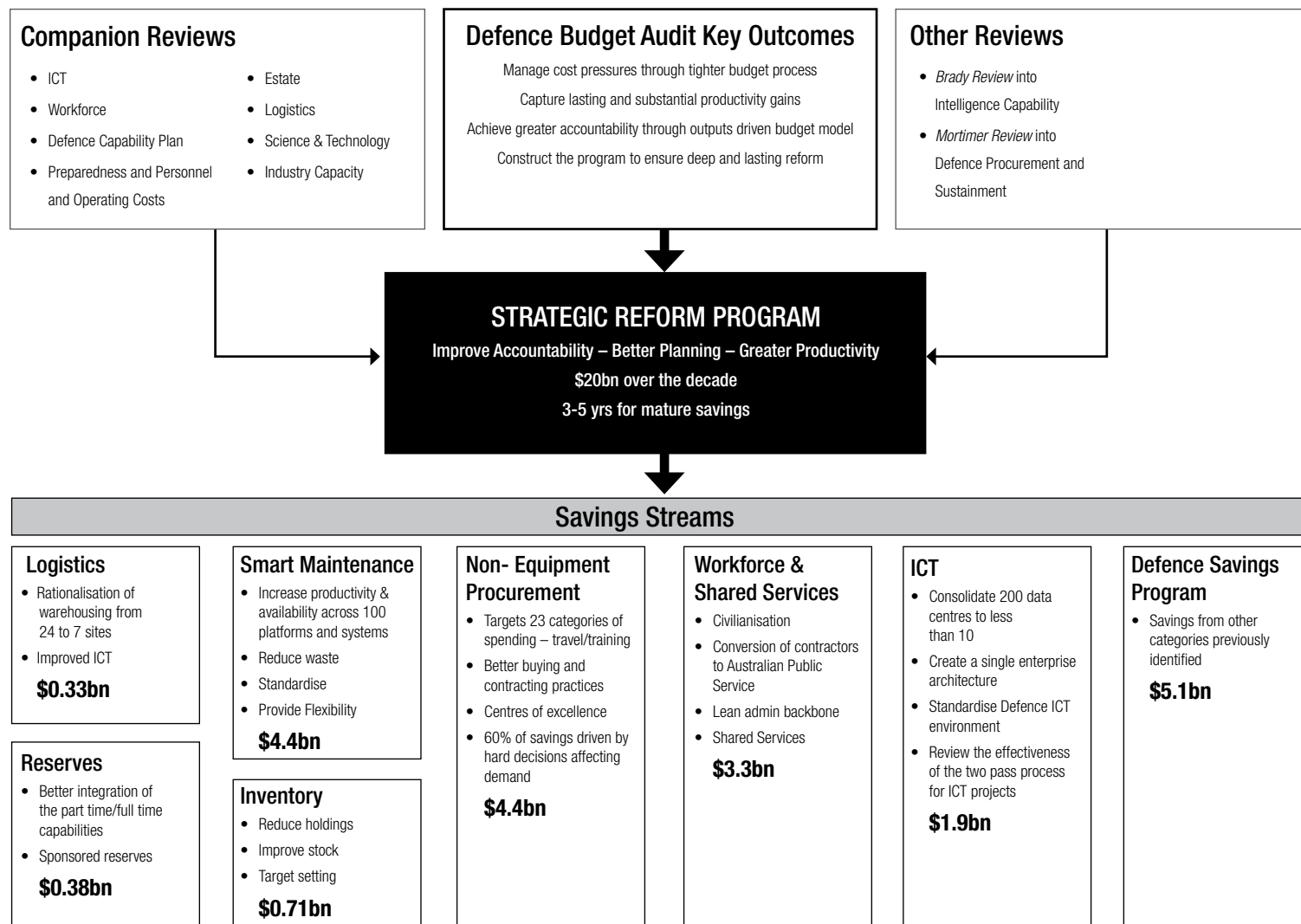
2. Government is seeking greater accountability and transparency in the way Defence manages its budget, and expects the best possible advice on which to base its capability investment decisions.
3. Like any large organisation, Defence is continually improving parts of its business. The need for fundamental and sustainable reform across the enterprise was recognised at the start of the White Paper process. Eight internal 'Companion Reviews' were commissioned to examine key parts of the Defence Organisation, along with a review of Intelligence Capability (known after its author as the Brady Review) and a review of capability Procurement and Sustainment (known after its author as the Mortimer Review). These reviews analysed the 'backbone' of Defence's business and considered the impact of emerging commercial, technology and business trends.
4. The need for more fundamental internal reform was also a key finding of the independent Defence Audit, which was conducted as part of the White Paper process. The Audit concluded that the reform activities in which Defence has been engaged over many years need to be continued, consolidated and intensified. The Audit pointed to measures that show how Defence can achieve the productivity and efficiency gains necessary to help fund a stronger Defence Force.
5. The Strategic Reform Program brings together the work of the Audit, the Companion Reviews, the Brady Review and the Mortimer Review. This comprehensive program presents a compelling agenda for sustainable reform that will:
 - provide a better understanding of the underlying drivers of the costs of Defence and promote discipline in Defence spending;
 - fundamentally improve procurement practices to build a stronger business-like culture and to deliver projects on time and on budget;
 - provide a more informed basis on which government can choose where and when to spend money in order to provide the most effective capability to defend Australia;
 - ensure that our information technology effectively supports and informs decision makers at all levels, and across all domains;
 - develop a better understanding of the cost drivers associated with different levels of preparedness for all Defence capabilities to conduct and sustain operations, to allow us to make better informed decisions on the financial impact of changes in those levels;
 - implement techniques to eliminate duplication and waste in maintaining capabilities, increase their operational availability and reduce the cost of ownership;

- modernise Defence warehousing and distribution infrastructure;
- create an efficient 'back office' through the extension of shared service delivery models; and
- determine the appropriate mix and size of our workforce that balances capability risk and workforce cost, and seeks to build expert capabilities.

What is the Strategic Reform Program?

6. The Strategic Reform Program will comprehensively and fundamentally improve the supporting 'backbone' of Defence, making the organisation more efficient and effective, and creating significant savings to reinvest in building a stronger Defence Force. These savings and reinvestments are essential to ensure the capability goals set out in the White Paper are delivered.
7. The Strategic Reform Program has three key elements:
 - ***Improved Accountability in Defence.*** Providing much greater transparency - that is, visibility of how Defence manages the close to \$26 billion annual budget - will strengthen the accountability of Defence, and individuals within Defence, to the Government, to Parliament and the Australian taxpayer.
 - ***Improved Defence Planning.*** Improving our strategic and corporate level planning will strengthen the link between strategic planning and the definition and development of military capabilities; better control the cost of military preparedness; and tighten governance and systems to ensure that Defence accurately forecasts and manages major acquisitions.
 - ***Enhanced Productivity in Defence.*** Implementing smarter, tighter and more cost effective business processes and practices will make sustainment and support management more efficient and effective; improve cost effectiveness for military capability and procurement processes; and create the basis for a more efficient Defence Estate footprint.
8. The Strategic Reform Program comprises 15 separate reform streams that will take between three to five years to fully implement and deliver mature savings: Capability Development; the Defence Estate; Information and Communications Technology; Intelligence; Smart Maintenance; Inventory; Procurement and Sustainment; Logistics; Non-Equipment Procurement; Preparedness, Personnel and Operating Costs; Reserves; Science and Technology; Output Focussed Budget Model; Strategic Planning; and Workforce and Shared Services.
9. Some reform streams such as Non-Equipment Procurement and Shared Services will generate specific savings. Other reforms such as strategic planning and capability development will help to keep costs down through better quality planning, cost estimation and control.

Strategic Reform Program - Key Reforms





Non-Savings Streams

Non-Savings Streams increasing the efficiency and effectiveness of Defence.

Strategy led Planning

- White Paper every 5 years with Force Structure Review and Independent Audit
- Annual Defence Planning Guidance updates to the Government - used as the basis for capability planning, business planning and workforce planning
- Force Structure function within Strategic Policy Division

Capability Development

- Improve linkage between strategic guidance and capability
- Improve long-term cost forecasts for capability
- Increased rigour in requirements setting
- Improve management of Defence Capability Plan funding
- Reduce cost of major equipment procurement

Output Focussed Budget Model

- Clear Service Level Agreements and performance agreements to increase true cost visibility of goods and services

Estate

- Strategic basing principles be used to shape the future nature and location of the Defence Estate

Preparedness

- Decision support capability
- Refined preparedness management system
- Better controlling the cost of preparedness

Intelligence

- Consolidation of intelligence Information and Communication Technology
- Efficiencies in delivery of Human Resources management and training

Science and Technology

- Future Proofing Defence Science and Technology (investment in early stages in capability cycle)
- Improved governance (Science and Technology Board) and funding model

Procurement and Sustainment (Mortimer)

- Defence Materiel Organisation more business-like
- Imposing commercial discipline on procurement and sustainment processes
- Service Level Agreements and performance agreements to increase true cost visibility of goods and services

Savings

10. In total, the reforms will generate savings of approximately \$20 billion over the next ten years. These savings have been earmarked for reinvestment in current and future military capabilities, the remediation of the Defence 'backbone' and other important initiatives.
11. Details of provisional savings and costs to 2018-19 are at Attachment A. Estimated gross savings across the decade are as follows:
 - Non-Equipment Procurement: \$4.4 billion
 - Smart Maintenance: \$4.4 billion
 - Inventory Management: \$700 million
 - Information Communication Technology: \$1.9 billion
 - Reserves: \$380 million
 - Logistics: \$320 million
 - Workforce and Shared Services: \$3.3 billion
12. In addition, savings from other categories previously identified under the Minister's savings program will free up \$5.1 billion over the decade. The major part of this \$5.1 billion in savings comes from a general belt tightening exercise. It was past practice in Defence to retain some central funding provisions (which were drawn from part of prior year indexation and real budget growth) to cater for future contingencies. This in part reflected deficiencies in some elements of Defence cost estimation. The 2009 White Paper undertook a comprehensive and detailed review of all elements of Defence spending, including allowing for appropriate levels of contingency funding to be included in project budgets. This was achieved through a zero-based budgeting exercise. As such, the central provisions (some \$3.9 billion over the decade) were no longer required to be retained, and could be reallocated to address shortfalls in funding for existing activities and funding for White Paper initiatives. The removal of these central provisions aligns with a key tenet of the Strategic Reform Program which will make managers accountable for budgets and outcomes.
13. Reductions were also made to funding in the major capital facilities program and minor capital equipment programs, to drive greater efficiency and remove low priority activities. Funds identified (some \$750 million over the decade) were then available for reallocation to higher priority projects and activities.
14. Savings of around \$70 million were also obtained by removing some minor administrative activities, which were considered to be of low priority.
15. Finally, around \$350 million in savings were identified from anticipated mature, ongoing productivity savings that would commence after the initial productivity measures from the Strategic Reform Program have been achieved around the middle of the decade.

16. Defence is committed to achieving the \$20 billion of savings over the next 10 years. This target is underpinned in the main by high-level benchmarking and extrapolation analysis undertaken by the Audit. The Government has agreed to allow some flexibility in the way Defence achieves this savings target. As the detailed planning and implementation of the Strategic Reform Program proceeds over the next six months more savings will be found in some areas and less in others. What won't change is Defence's commitment to meet the overall savings target. Indeed, wherever possible Defence will be striving to overachieve in each savings stream.
17. The reforms will be planned, led and managed by Defence's senior military and civilian leaders. Defence Committee members will be assigned accountability for planning and driving the implementation of specific reforms across the organisation. All Defence Committee members will be held accountable for the contribution their Group or Service must make to achieving Defence-wide reforms. A Deputy Secretary for Strategic Reform and Governance will lead a small team to oversee, integrate and coordinate the program.

Improved Accountabilities in Defence

18. Under the Strategic Reform Program, Defence will build on the reforms already underway to strengthen accountabilities. In particular, the reforms will:
 - ***Clarify and sharpen internal accountabilities.*** Accountabilities will clearly show which individual is responsible for delivering key outputs and who will be held to account for agreed standards of performance.
 - ***Introduce an authoritative and transparent Defence business model.*** A new business model will clearly outline business functions and processes across Defence that support the delivery of key outputs.
 - ***Better measured and managed organisation performance.*** Appropriate performance information must be available to each level of management that needs it, including through improved management information systems.
 - ***Improve committee and decision-making systems.*** Business planning and enterprise-level risk management functions and capabilities will be enhanced.
 - ***Improve the quality of advice to Government and Ministers.*** The provision of timely, accurate and actionable advice will be continually improved.
 - ***Further strengthen the internal audit function.*** This will include further enhancing the role of the Defence Audit and Risk Committee.

Output-Focussed Budget Model

19. The new budget model will provide the Services and Groups with greater authority to manage their budgets and non-financial inputs through the introduction of an outputs-driven budget management model that will improve accountability and better manage resources.
20. The budget model used by Defence will provide the Services and Groups with sufficient visibility, incentives and authority to change the way Defence operates, in order to achieve reforms and put downward pressure on costs.
21. The five objectives of the model are:
 - *Make people accountable for outcomes and cost management.*
 - *Create transparency on cost and performance.*
 - *Capture the scope and scale advantages of being an integrated Defence force.*
 - *Develop a culture of continuous improvement.*
 - *Manage the uneven year on year profile of major military equipment purchases.*
22. Defence's capability managers will work with their counterparts across the organisation to agree appropriate levels of affordable and sustainable service needed by them to deliver their military capabilities. This will result in clear, precise and documented service level agreements and performance management arrangements, and will provide improved visibility of the costs of goods and services used within Defence.
23. Central to this model is the need for consistency and standardisation of support services across Defence bases, establishments and customer groups. Variations to agreed service levels will be fully costed and only pursued if they represent value for money.
24. This reform will not change the Defence budget externally, but will provide capability managers with greater incentives to achieve value for money.
25. Transitioning Defence's budget management practices has inherent risks to business continuity and is extremely complex. To ensure a smooth transition an implementation plan for this model will be developed during 2009-10.

Improving Defence Planning

26. To ensure close alignment between strategic policy guidance, decisions about military capabilities and the available financial resources, Defence's classified Defence Planning Guidance process will be overhauled and strengthened. The Defence Planning Guidance process will be tightly linked to factors that control cost drivers and to mechanisms that control the cost of military preparedness.

27. One of the most important benefits to flow from this improved planning will be a strengthened capacity for Defence to manage costs and financial risks. This is reinforced by the new stable indexation arrangements for Defence, which the Government announced in the 2009 White Paper.
28. Defence will improve the way it plans major military acquisitions and manages personnel and operating costs. These reforms will include changes to the military capability development process to tighten the link between strategic policy requirements and capability decisions, and improve the quality of long-term cost estimates.
29. Greater attention will be paid in the planning process to the whole-of-life costs of military capability. This will be critical in providing Government with increased levels of confidence with respect to cost, schedule and technical risk when it considers major Defence projects. This will also assist in minimising costly scope variations in major acquisitions (that is, increasing the capabilities required after an acquisition has been agreed, thus driving up cost). This will help to keep cost pressures down.
30. There will always be some volatility and movement in Defence's costs, but through better planning Defence will be able to more effectively anticipate and mitigate cost pressures. More generally, Defence will work to build a better picture of long-term costs and to build a culture of resource efficiency and continuous improvement within its workforce. This will help to reduce the costs of doing business without creating unacceptable capability or operational risk.

Linking Strategic Planning and Capability Development

31. A key component of the Defence Budget process is the translation of strategic requirements into military capability specifications and procurement priorities. The decisions taken in this process shape the future structure and cost profile of Defence. In the past there has been some misalignment between strategic guidance and the procurements that flow from that guidance. This had the potential to result in shortfalls in military capabilities that could compromise the ADF's capability to meet its prescribed mission.
32. Defence will implement a strategy-led force planning process that aims to mitigate these risks through a better alignment between the Defence corporate and budget management frameworks and the business model.
33. Reforms will also rationalise and better target the number of internal strategic guidance documents. As the 2009 White Paper announced, a Force Structure Development function within the Strategic Policy Division will be created. This will help to integrate the end-to-end process of capability development from five yearly White Papers through to Government approval.
34. These reforms will ensure capabilities delivered represent best value for money and match Australia's strategic needs.
35. The Government has directed Defence to prepare a new White Paper at five yearly intervals. This will become the centrepiece of the Government's strategic risk-based approach to defence planning. This

five-yearly cycle will act as a series of gates through which the key aspects of Defence planning will progress. These include an annual classified Defence Planning Guidance cycle for each of the first three years following a public White Paper; with the year prior to a 'White Paper' year (i.e. the fourth year) to include a strategic risk assessment, a force structure review, and an independent audit. The next White Paper will then be delivered in the fifth year of each planning cycle.

36. The Defence Planning Guidance will be the Government's premier classified defence planning document between White Papers. Government will consider it annually, in sufficient time to set strategic direction for Defence's corporate and budget planning cycle. The Defence Planning Guidance will look ahead three to five years to ensure Defence is properly managing strategic risk, and recommend to Government any necessary adjustments to planning.
37. The Defence Planning Guidance will set strategic guidance for force structure and capability development, corporate planning, enterprise-level risk management and resource planning, and for the management of ADF preparedness. It will also set strategic guidance for specific organisational strategies across Defence - in areas such as Information and Communications Technology, workforce, science and technology, facilities and estate planning, logistics, Defence support services, intelligence capability, and procurement, sustainment and industry support.
38. These reforms will be given effect through a series of short and medium term initiatives, running for approximately three years to 2011. They have no additional costs or direct savings, but will increase the value Government achieves from its Defence investment.

Accurately Forecasting and Planning Major Acquisitions

39. Defence currently spends around \$5.8 billion a year on major equipment acquisitions. These are delivered by the Defence Materiel Organisation, developed through a detailed capability development process, and operated by capability managers. A number of studies including the Mortimer Review and the Capability Development and Preparedness and Personnel and Operating Cost Companion Reviews found that there was room for improvement in the way Defence forecasts, plans and manages major acquisitions and associated personnel and operating costs.
40. The *Capability Development*; *Procurement and Sustainment*; and *Preparedness and Personnel and Operating Costs* reform streams will: improve the capability development process; strengthen the link between strategic guidance and capability; ensure efficient and effective delivery of capability; and deliver greater confidence in adjusting preparedness and budgets to suit changing circumstances.

Capability Development

41. These reforms include:
 - **New Governance Arrangements.** Improved processes across capability decision-making committees will support the translation of strategic requirements into capability decisions;

- ***A Cost Forecasting Initiative.*** Improvements will target the quality of long-term cost forecasts to support improved capability planning and decision-making;
- ***Improved Management of Funding for major acquisitions.*** Reforms to the risk management of projects listed in the Defence Capability Plan will be implemented with a particular focus on technical risk and maturity as well as financial programming reforms; and
- ***Reducing the Cost of Major Equipment Procurement.*** Increasing the rigour in requirements setting, with a focus on off-the-shelf equipment where possible ensuring that capability requirements match Australia's national strategic needs.

Procurement and Sustainment

42. Reforms that flow from the response to the Mortimer Review cover the complete life cycle of capability systems. The reforms follow two themes:
 - imposing commercial discipline on defence procurement and sustainment processes; and
 - making Defence Materiel Organisation more business-like.
43. Among the reforms that the Mortimer Review will deliver are:
 - ensuring that high quality strategic and capability advice is provided to Government to enable it to set strategy and prioritise needs; and
 - increasing the rigour with which projects are assessed for entry into the Defence Capability Plan and ensuring its affordability including the impact on future personnel and operating costs.
44. A further important focus of the reform will be to strengthen the role and accountability of the Capability Managers (Service Chiefs, the Vice Chief of Defence Force, Deputy Secretary Intelligence and Security, and the Chief Information Officer). Defence will implement a framework through which the Capability Managers provide greater oversight and co-ordination of all elements necessary to introduce a capability into service. The framework will include mechanisms to ensure that the Defence Materiel Organisation, the Capability Managers, and the Capability Development Group work together to agree the baseline scope, cost, risk and schedule against which the delivery of equipment can be measured.

Preparedness and Personnel and Operating Costs

45. Preparedness describes Defence's ability to undertake military operations, and is comprised of two key components - readiness and sustainability. Activity levels, like the number of aircraft flying hours, or sea days required for a given preparedness level, are the key drivers of Defence personnel and operating costs.
46. Current arrangements for preparedness management do not give full visibility of the financial impacts of preparedness decisions. Additionally, Defence has not been able to provide Government with sound estimates of Net Personnel and Operating Costs for new capabilities as they are introduced.

47. The Preparedness and Personnel and Operating Cost Reforms are designed to provide Government with greater transparency of personnel and operating costs, as well as provide better estimates of Net Personnel and Operating Costs for major projects. The reforms will deliver greater confidence in adjusting preparedness and budgets to suit changing geo-strategic and economic circumstances.
48. There are five initiatives in this reform stream:
- *A comprehensive decision support capability to optimise preparedness.* A model for analysing the costs versus benefits for the preparedness process will be developed for in service capabilities, including a cost model for Reserves.
 - *Refining the Preparedness Management System.* A review of the activity levels of Defence operating units will be conducted to better align them with preparedness requirements. Additionally, performance metrics will be developed across Defence and associated risk management processes improved.
 - *Reforming the guidance for managing Personnel and Operating Costs.* Processes will be standardised to provide greater visibility and consistency in the way Defence costs and funds capabilities. A standard methodology will be implemented for estimation of Net Personnel and Operating Costs for future capabilities.
 - *Developing corporate information systems to support preparedness.* A preparedness costing tool will be developed that increasingly automates and improves the fidelity of the cost estimates. Defence's financial and human resource information systems will also be improved to better support the optimisation of preparedness outcomes.
 - *Enhancing the business skills development of staff.* Managers will be equipped with the skills to maximise the benefits of the system improvements described above and help build a resource-conscious culture in Defence.
49. The cost to implement these reforms will be \$96 million over the decade. Following the rollout of these reforms it is likely that further refinement to Defence costing tools and continuing improvements in managing items critical to preparedness will be considered.
50. It is expected that putting downward pressure on costs through changes in activity and preparedness levels savings for the in-service cost of both current and future capabilities will be achieved.

Enhanced Productivity in Defence

51. The Government expects Defence to become more business-like in its 'back-office' functions, more efficient, and more prudent in its use of resources. The aim is to save time and money and to seek better economies of scale. This will free resources for investment in military capability and, building on previous efficiency measures, take Defence reform further.

52. These reforms will lead to more effective work practices within Defence. They will create a more efficient support 'backbone' across the maintenance, inventory and supply chain functions; a streamlined enterprise services 'backbone' across the human resources, financial, administrative and procurement functions and reform and remediate Defence's Information and Communications Technology systems.
53. An improved integrated workforce management system will enable Defence to ensure that it has the right number of workers in the right jobs with the right skills. This will allow us to ensure unnecessary cost premiums are avoided in terms of having ADF personnel or expensive contractors doing jobs that do not require their particular skills and competencies.
54. Enhanced productivity will also be achieved through ensuring that Defence's people have the skills and the tools to do their jobs efficiently and effectively.
55. In terms of enterprise support services, enhanced productivity will require the continual improvement of Defence's human resources management, personnel administration, financial services, procurement and contracting, general services, and administrative support functions.
56. Wherever possible, Defence will introduce more centralised and standardised shared services and processes, make greater use of e-business, reduce internal red tape and simplify business processes.

Smart Sustainment

57. Smart Sustainment reform will pursue opportunities to significantly increase effectiveness and efficiency in the maintenance of military equipment and inventory. This will result in savings of \$5.1 billion, which have been earmarked for reinvestment in current and future capability.
58. Reform in this area of business will focus on becoming more productive and eliminating waste in the maintenance processes. It will also reduce inventory costs through smarter procurement processes and reducing the size of inventory holdings.
59. These reforms will be undertaken in a planned, structured way. Over the next five years all major fleets of military equipment across the three Services will be carefully scrutinised to identify possible efficiencies.
60. This program is not about compromising capability to save costs; it is about delivering improved levels of capability at less cost by improving productivity and eliminating waste. While efficiencies can be found in support areas, quality and safety will not be compromised.
61. This is a broad based reform program involving the Army, Navy and Air Force and the Defence Materiel Organisation. Industry suppliers to Defence will also have a big part to play in the success of this program. Defence Materiel Organisation will develop appropriate incentive arrangements in its future maintenance contracts to encourage industry to implement ongoing productivity improvements. Defence and Defence Materiel Organisation will establish an improved framework for the development

and implementation of future materiel support concepts to ensure efficiencies introduced now are not eroded by the introduction into service of new or replacement capabilities.

62. These reforms will involve changes to the way Defence operates and supports military equipment to reduce the cost of ownership. The scope of reform will build progressively over the next five years to full implementation. During this five-year period all major fleets of military equipment across the three Services will be scrutinised to identify possible efficiencies.
63. Maintenance of military equipment, inventory management and the supply chain network constitute the backbone of military operations. In addition to reviewing and where necessary changing commercial arrangements, techniques that will focus on the continual reduction of waste from: overproduction; maintenance waiting times; transportation; over-processing; excess inventory; and inefficient movement in maintenance processes will be applied.

Maintenance

64. Implementing smart maintenance techniques will create savings in maintenance and associated support costs and deliver increased equipment availability, by eliminating inefficiencies in the way support is conducted. There are over 100 weapon systems and capabilities in service in the ADF. These range from major platforms such as aircraft and ships to rifles that are maintained and supported by the Services and contractors at an annual cost of around \$4.9 billion per annum.
65. This will result in a better prepared ADF, delivered at a lower cost. The initial wave of activities is planned to commence in the second half of 2009, starting with one or more major weapon system/capability per Service in July 2009. Building on lessons learned in these early activities, these reforms will be scaled up year-on-year until complete in 2014-15.
66. This approach is expected to produce gross mature savings worth around \$4.4 billion over the decade at a cost of around \$360 million.
67. To maximise the potential productivity benefits to be gained in this area Defence will also develop appropriate incentive arrangements in its future maintenance contracts to encourage providers in Industry to implement more efficient maintenance principles.
68. Experts who have conducted similar programs in the past have found that end customer demand management contributes around 50 per cent of the savings: suppliers contribute 30 per cent through increased productivity and the buying organisation 20 per cent through internal efficiency, better contracting and improved processes.

Inventory

69. Defence holds \$4.9 billion of inventory and consumes around \$560 million of this annually. Optimising inventory holdings can reduce the cost of ownership and produce a combination of one-off and ongoing savings. This will involve running down excess inventory and inventory reduction in the order of 15 per

cent over time through a focus on increased domestic manufacturing, better stock target setting and a risk weighted approach to inventory management.

70. Optimising inventory holdings and introducing more efficient management techniques will provide gross savings of around \$700 million over the decade at a cost of \$9 million.

Storage and Distribution (Logistics) Reform

71. Currently Defence's logistics infrastructure is widely dispersed, costly and inefficient, falling short of contemporary commercial practice. Facilities are ageing (some dating back to World War II). This causes inefficiencies due to layout, process and technology use. Defence will focus on improving its logistics infrastructure network, optimising the use of associated technologies and then applying similar reforms to its retail network.
72. Under the reform of the storage and distribution network, Defence plans to replace outdated warehousing facilities with those that incorporate industry best practice processes and take full advantage of relevant technologies.
73. The storage and distribution footprint is proposed to be rationalised by consolidating 24 wholesale sites to seven.
74. Through the Strategic Reform Program, Defence will improve logistics planning, management and execution through better systems and practices. This will involve targeted investment in logistics technology, designed to give greater visibility to the whole supply chain, as well as return savings.
75. This initiative invests in Information and Communications Technology hardware, which is already in commercial use. It will use Automated Identification Technology capabilities to enhance visibility of stock, the accuracy of Defence's inventory records, and achieve significant productivity gains of between 40 to 50 per cent.
76. Adoption of automated technologies together with improved business processes and practices will collectively ensure that Defence inventory is optimised and the management of that inventory is both cost effective and efficient.
77. An investment of \$630 million is required to drive this deep reform. Through this investment, savings of \$320 million over the decade and \$59 million¹ per annum thereafter would be achieved.
78. In a related White Paper initiative investment will also be made in modernising Defence's land materiel maintenance facilities to provide significant improvement to the operational availability, and governance of Army's equipment and vehicle fleets. The reforms will increase capacity and effectiveness of the land materiel maintenance system from first and second line unit servicing and repair workshops through to fourth line deep maintenance repair. This will enable Army to better meet its preparedness requirements, and better manage technical risk.

1. 2009-10 Budget constant dollars

79. The cost to implement these reforms will be \$240 million over the decade. This reform will reduce duplication and the amount of non-value adding work, and it is expected to increase the operational availability of vehicles resulting in savings over the long term.

Lean Enterprise Support Services

80. To successfully manage the cost pressures Defence faces, increased productivity is essential in the methods by which capability is delivered and combat forces supported. That productivity will be found through more efficient ways of working and lowering input costs. The streams contributing to this reform are Non-Equipment Procurement and Workforce and Shared Services. These reforms will impact the Defence Organisation across the board, at all levels, in all Groups and Services and at all locations.

Non-Equipment Procurement

81. Defence currently spends \$5.2 billion per year across 23 categories of non-military goods and services from external suppliers. These categories include travel; building maintenance; professional services; clothing, training; research and development; advertising; freight and cartage; explosive ordnance; health services; removals; hospitality; catering and food; utilities; security services; other garrison support; cleaning; grounds maintenance; office supplies; waste management; stores management; office furniture; and fuel.
82. Reforming Defence procurement of these goods and services will potentially deliver \$4.4 billion in savings over the decade. The cost of this reform is around \$127 million, which includes the establishment of a centre of excellence, the appropriate skilling of staff and provision of necessary technology.
83. Approximately 20 per cent of the savings will be achieved through improved governance arrangements to standardise and streamline the contracting and buying practices across Defence Services and Groups.
84. Defence will examine opportunities to consolidate general services contracts for furniture, office supplies and professional services to ensure Defence is investing resources where they are needed.
85. A centre of procurement and contracting excellence will be established in the Defence Support Group to provide guidance and strategies to ensure Defence non-equipment procurement is undertaken with an improved commercial approach. Additionally, these reforms will ensure an efficient and consistent approach to non-equipment procurement and contracting across the whole of Defence.
86. Approximately 60 per cent of savings will need to come from changes to policy, usage and demand. Defence will need to challenge current business practices and make some hard decisions - with implications for people at every level of the organisation. A further 20 per cent of savings in this category will be achieved through improving supporting processes to remove waste and duplication across Services and Groups. Initiatives include ensuring greater access to electronic business, self-administration and use of automated processes.

87. Defence will closely examine all aspects of support services. This may include measures such as:
- potentially rationalising messes - integrating other ranks with officer facilities, and replacing single service facilities with joint ones;
 - rethinking policies on single day travel and reducing senior executive entitlements; and
 - exploring further standardisation, for example, the current standards for hospitality and catering, cleaning and access control will be costed and adjusted to implement a consistent and affordable delivery model across all Defence bases.
88. The reforms in this stream will target different categories in three to six month 'waves', with each wave focusing on three to five categories. Opportunities in clothing and removals will be explored first, followed by office supplies and office furniture.

Workforce Productivity and Shared Services

89. Defence will manage its workforce in an integrated way based on funding available - rather than setting specific targets and caps for military, civilian and contractors. This approach is fundamental to Defence's ability to achieve workforce reform. Managing the mix of military, civilian and contractors will deliver savings and provide a more flexible and adaptive workforce.
90. Three components of workforce reform will generate estimated savings of \$3.3 billion over the decade at a cost of approximately \$360 million. The first two components: civilianising military support positions; and converting contractor positions to Australian Public Servants (APS), relate specifically to delivering a more cost effective workforce.
91. *Civilianisation* of some military support positions will ensure that wherever possible, permanent military personnel are employed where they are critical to delivering and sustaining combat capability and have military specialist competencies. APS employee costs are approximately 30 per cent less than those of the ADF.
92. Workforce reform will not adversely affect combat and combat-related capability. Permanent military personnel should be employed mainly where they are critical to delivering and sustaining combat capability and delivering military specialist competencies. Capacity to provide postings for training, respite, career needs and for family or compassionate reasons will be maintained.
93. Over 75 per cent of current military personnel are posted to combat or combat related roles and this will not change. There are 11,000 ADF positions that are defined as non-combat or non-combat related. Of these, 1100 (or approximately 10 per cent) will be considered for civilianisation.
94. *Contractors*, many of whom are in place because of past caps in Defence's APS workforce - cost between 15 and 30 per cent more than and APS employee. There will be around 1100 contractor positions that will be converted to APS positions.

95. The third key element of reform will be to *create a leaner, more effective business model* across the entire organisation. Improving workforce productivity starts with taking a fresh look at what work is currently being done and engaging with customers to define what service should be delivered and at what levels.
96. This element of reform will redesign business processes based on a willingness to challenge orthodoxies regarding how tasks have been performed, and establishing a joint ownership for driving process reform between providers and customers throughout Defence.
97. Core business processes across the entire organisation will be examined with a view to eliminate unnecessary work, reducing the number of low value-adding tasks, and streamlining and automating workflows where possible. This will include a move to a greater use of shared services in areas such as payroll, HR, procurement and financial services.
98. Based on the initial benchmarking analysis undertaken by the Audit, Defence workforce reductions required to meet the gap between current practice and average corporation standards is 22 percent in HR, 14 percent in Finance, 31 percent in Non-Equipment Procurement and 18 percent across other non-operational support functions.
99. Workforce reforms will be both achievable and sustainable through careful planning and a phased roll out of the reforms over a five-year period, starting with an initial detailed planning and evaluation phase.

Workforce Impact

100. While there will be increases to the APS workforce through civilianisation, contractor conversions and new White Paper initiatives, there will also be reductions in creating a leaner business model and an ongoing improvement dividend. Based on initial analysis, civilian numbers will grow overall by around 1100 in the first three years of the decade. From 2012-13 onwards there will be reductions in the total civilian workforce of between 50 and 300 in any one year. These reductions equate to between 0.2 per cent and 1.2 per cent of the total civilian workforce.
101. In the military, the additional personnel required to deliver, maintain and operate White Paper capabilities, will see growth in the military workforce of almost 3600 by 2015-16, and a reduction over the last three years of the decade by between 60 and 300 in any one year. These reductions equate to less than 0.5 per cent in any one year.
102. Any reductions in the ADF associated with civilianisation and creating a leaner business model will be offset by increases in the ADF to achieve the capability goals of the White Paper.
103. For both the ADF and APS workforce, the impact of reforms will be carefully planned and managed. Workforce reductions will be managed where possible, by retraining and redeploying staff, and through natural attrition, noting the current rolling average separation rate for the ADF is 9.9 per cent and for civilians is 9.3 per cent.

104. The net result will be around an additional 3000 military and 300 civilian jobs over the next ten years. Attachment B shows the indicative military and civilian workforce implication of the White Paper and the Strategic Reform Program over the next ten years.

Cost Effective Capabilities

105. There are opportunities to improve the cost effectiveness of military capability beyond the major capital acquisition, sustainment and support areas. Productivity and effectiveness will also be driven in enabling areas like Science and Technology and Information Communication Technology as well as from reforms to Intelligence Capabilities and by considering how greater capability can be delivered by ADF Reserves.

Information and Communications Technology

106. Defence's Information and Communications Technology environment is fragmented with less than half of the \$1.2 billion spent visible to the Chief Information Officer, resulting in inefficiencies in delivery. This presents opportunities to drive productivity and effectiveness improvements in the management of Information and Communications Technology in Defence.
107. This reform stream will deliver savings and increased effectiveness through a consolidated, standardised Defence Information and Communications Technology environment, with a centralised strategy and governance framework. By 2012, the Information and Communications Technology reform program will build an improved Defence Information Environment to support both Defence war fighting and business reform objectives through to 2030. To drive this deep reform, an investment of around \$700 million is required. Through this investment, savings of \$1.9 billion over the decade and around \$250 million² per annum thereafter would be achieved.
108. The Defence Information Environment will be one network connecting fixed and deployed locations built on a single set of standards and products. It will encompass all security levels and will determine that the right person has the right authority to access information. A typical desktop set up available to all Defence sites will be a single screen connected to a wireless network that can display multiple security sessions. Secure voice and video will be available to the desktop in most fixed and deployed locations.
109. Deployed commanders and decision makers will have a single view of the battle space through a Common Operating Picture accessing a wide range of data from sensors and sources.
110. Finance, payroll and personnel information will be easily accessed, manipulated and aggregated by authorised Defence staff. New capabilities such as the automation of procurement, personnel and pay administration, vetting, recruitment, estate management and performance reporting will be progressively introduced.

2. 2009-10 Budget constant dollars

111. There is an urgent need to address long-term underinvestment in Information and Communications Technology infrastructure that has resulted in a significant proportion of Defence assets being beyond their effective life. As a consequence, Defence is now dealing with an unacceptable level of fragility, cost and risk to Information and Communications Technology operations.
112. This reform program will also:
- *Align Information and Communications Technology investments with Defence priorities.* A single portfolio of investments will be adopted for all of Defence;
 - *Reduce high 'business as usual' costs.* Tighter cost control, new sourcing strategies and standardising and consolidating assets will be implemented across all parts of Defence;
 - *Implement faster decision and delivery cycles.* Costs and 'time to market' will be reduced;
 - *Mitigate an unacceptable business continuity risk.* The fragility of Information and Communications Technology infrastructure will be reduced; and
 - *Consolidate data centres.* Maintenance costs will be reduced.

Intelligence

113. In conjunction with the White Paper process, Defence reviewed the efficiency of the business processes that underpin the delivery of its intelligence capabilities. As a result of that review, two major reforms are being pursued - bringing the Information and Communications Technology capabilities of the three Defence intelligence agencies under single management and similarly consolidating the separate human resources areas of the Intelligence and Security group into one section.
114. Implementation of these recommendations will ensure the Defence intelligence capability will, as part of the Strategic Reform Program, deliver capability more effectively and efficiently.
115. With these more efficient and robust support arrangements in place, the Defence intelligence agencies will be well placed to deliver the new capabilities outlined in the White Paper, and better support future operations, planning activities and next generation ADF capabilities.

Science and Technology

116. A number of governance and business process improvements will be implemented to enable the delivery of a more cost-effective Defence Science and Technology capability that more readily adapts to future circumstances and demands.
117. Changes to the Defence Science and Technology Organisation's business model have been agreed by Government, including the formation of an external Advisory Board, the development of Technology Roadmaps and earmarking funds for innovation purposes. Further changes to the business model and business processes are proposed.

Reserves

118. Part-time members of the ADF are a key contributor to cost-effective capability within the ADF.
119. Indeed, part-time personnel are critical to current operations, both domestically and offshore, and this is likely to increase as further core and niche capability is developed in the part-time force. As part of the Strategic Reform Program, Defence will develop a plan by the end of 2009 to make sure the organisation makes more effective use of the part-time component.
120. As part of the plan, Defence will develop a skills database, consider options to flexibly surge long-lead time capabilities, and consider alternative methods of employing the part-time component, such as Sponsored Reserves.
121. Army, as part of the Reserve reforms, will consider ways in which the part-time component can support prolonged operational deployments, and whether capability elements could transition from the full-time to part-time force.
122. Taken together, at a cost of \$40 million, the reforms to Reserves will generate estimated savings of \$380 million over the decade.

Defence Estate

123. Today, Defence has a large, fragmented estate footprint with more than 350 properties and another 350 leases, including over 70 major bases. The estate is ageing, and in many areas the rate at which it is deteriorating is increasing. Annual capital invested in maintenance, which has decreased since the 1990s, will require a significant boost to repair or replace the existing facilities over the next decade.
124. Defence will follow an estate reinvestment strategy to provide a strategically aligned, affordable, sustainable estate that supports capability. This will be achieved through increasing capital reinvestment; adhering to the five basing principles outlined in the 2009 White Paper; and implementing internal governance and business process reforms.
125. ***Increasing capital reinvestment.*** To help address the deterioration in Defence facilities - an additional \$190 million will be spent over the next four years. The additional reinvestment will be primarily focused on making improvements to key operating bases, improving the working and living accommodation and upgrading key base services such as power, water and sewerage.
126. ***Adhering to the basing principles outlined in the 2009 White Paper.*** Five key principles will guide the future of the Defence estate over time:
 - base locations should be aligned with national and Defence strategic requirements;
 - Defence should consolidate units into fewer, larger and more sustainable multi-user bases;
 - where possible, bases should be clustered near strategic infrastructure and with industry to promote knowledge sharing and innovation;
 - where possible, bases should be located in 'family friendly' areas; and
 - base locations should enable the continued provision of Reserve capability into the future.

127. It is important to balance the cost of Defence bases against the strategic role they play in the defence of the country. If any bases are recommended for closure, the Government will first consider a range of factors before any decision is made, including the economic impact such closure would have on the local community.
128. *Implementing internal governance and business process reforms.* Revised and improved business processes will ensure facilities requirements to support new capability are integrated into capability development processes, and better value for money is achieved from Defence's estate funding. Initiatives include:
- *Strengthening the accountabilities of the Deputy Secretary - Defence Support in relation to Stewardship of the Estate;*
 - *Strengthening senior management involvement; and*
 - *Improved estate planning, development and management.*

How the Strategic Reform will be Led and Managed

129. A strong governance and assurance framework will be developed to help the Government oversee Defence reform. This framework will ensure there is an understanding that Defence people 'own' this process and must drive the necessary reforms.

Defence Strategic Reform Advisory Board

130. The Government has agreed to the establishment of a Defence Strategic Reform Advisory Board (the Board) to be chaired by an independent, external to Defence, professional. The Board will comprise an appropriate balance of public and non-government/private sector members. Public sector members will include the Secretaries of the Departments of the Prime Minister and Cabinet, the Treasury, Finance and Defence, the Chief of the Defence Force, and Chief Executive Officer Defence Materiel Organisation.
131. The Board will report to the Minister for Defence quarterly, who will in turn advise the National Security Committee of Cabinet annually of progress in Defence reforms. The key functions of the Defence Strategic Reform Advisory Board will be to provide advice on how the reforms should be implemented, and assist in ensuring the reforms are being implemented in the way intended by Government.
132. To ensure that strategic reform is pursued on a whole of portfolio basis, the Board will take on the functions of the Defence Procurement Advisory Board as described in the Government's response to the September 2008 Mortimer Review.

Internal Governance

133. At the portfolio level, the Secretary and CDF will lead the reforms. Accountability for implementation will be devolved to line leadership and characterised by clear performance measures and milestones. Individual accountabilities will be clearly laid out in Joint Directives issued by the Secretary and CDF.
134. A new Deputy Secretary Strategic Reform and Governance will be responsible and accountable for high-level integration, coordination and oversight of the Strategic Reform Program.
135. The Defence Committee will monitor overall progress on reform while the Defence Audit and Risk Committee, with its independent chair, will be an important source of advice on risk mitigation in particular.
136. Each reform stream will be the subject of a formal, transparent, collaborative governance mechanism chaired by and comprising senior officials at the Senior Executive Service Band 3 and Military Three Star level. These 'Reform Stream Governance Committees' will meet quarterly while working groups chaired for the most part at the Senior Executive Service Band 2 or Military Two Star level will meet monthly.

Implementation Planning

137. The first phase of implementation, involves doing further detailed planning. This will occur over the next six months and produce an implementation schedule and detailed project plan for the elements of the Program. This schedule will include a full risk analysis and risk management strategies. An initial high level implementation schema is at Attachment C.
138. This will be a critical phase to ensure the success of the Strategic Reform Program. Defence has experience of past reform efforts that have failed to deliver promised outcomes in full measure because implementation was done too quickly and without careful planning. Defence intends to get the planning phase right in order to make sure that later phases deliver what is promised.
139. A key component of the implementation planning will be an effective monitoring and performance framework. A common program management methodology flexible enough to accommodate the diversity of reform streams is being developed in accordance with the Australian National Audit Office/ Department of Prime Minister and Cabinet Better Practice Guide *Implementation of Programme and Policy Initiatives*.
140. It will clearly articulate the benefits the reform program is seeking to realise; the methodology by which those benefits can be monitored including an agreed baseline of quantitative and qualitative performance information; and key performance indicators, all of which will form the basis of reporting to the Defence Strategic Reform Advisory Board, the Minister and the National Security Committee of Cabinet.

Building Expert Capabilities

141. Defence will build the expert capabilities needed to ensure that the reform program can be successfully implemented and sustained. A phased approach to implementation will be adopted that pilots business improvement initiatives in partnership with external providers with relevant commercial expertise. This will include Defence training its own people in the new business model and processes, which will be adopted to build more commercially minded skills and competencies.

Conclusion

142. The Strategic Reform Program savings targets are ambitious and the reform initiatives that underpin them will not be easy. The reforms will be carefully planned, led and managed on a whole-of-Defence basis. Collaboration and cooperation across the Groups, Services and Defence Materiel Organisation, and strong leadership at all levels will be critical to success.
143. With the reforms in place Defence will become a better place to work. The Strategic Reform Program will not only free up funds for reinvestment in current and future capability but also simplify business processes and improve systems, enabling people to spend more time on the core business for which they joined Defence.
144. Reform will lead to increased job opportunities in some areas. In other areas reform will eliminate some roles. The additional people needed to meet the capability goals of the White Paper will more than offset any decrease in jobs associated with reform initiatives. The net result will be around an additional 3000 military and 300 civilian jobs over the next ten years. Wherever possible, Defence will redeploy and retrain people whose roles will be restructured as a result of reform.
145. Defence will deliver the headline savings figure of \$20 billion over the next ten years. But the evolving and long-term nature of the Program means that Defence needs to have sufficient flexibility to modify intermediate steps and identify promising new areas for making savings and efficiencies as the Program develops.
146. As part of the 2009 Defence White Paper the Government committed to sustainable funding arrangements for the Defence budget in future years. These arrangements will provide funding certainty for planning and real funding growth to meet the growing cost of the military equipment needed in an increasingly uncertain world. However, it is the reinvestment of the savings achieved through the Strategic Reform Program coupled with these sustainable funding arrangements that will provide appropriate funding to meet our strategic and capability needs and to ensure that every dollar is well targeted and well managed to get the right Defence capability for the right cost.

ATTACHMENT A: Strategic Reform Program - Provisional Savings and Costs³

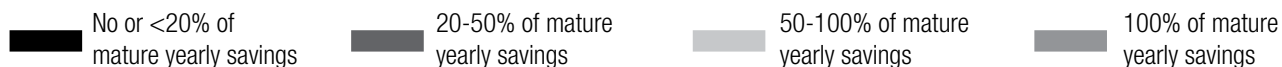
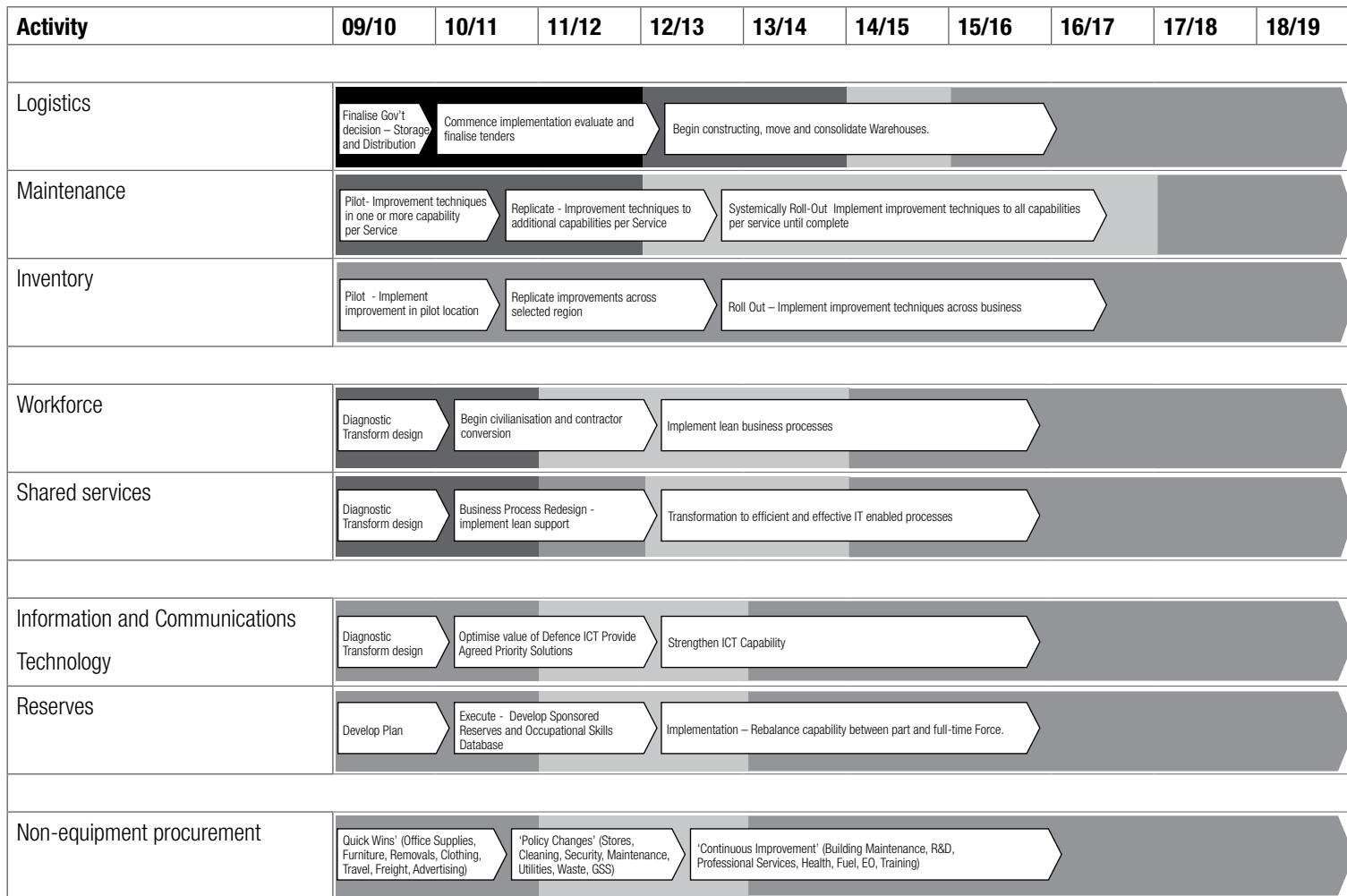
Strategic Reform Program Streams	09-10	10-11	11-12	12-13	FE	Decade
Gross SRP Stream Savings						
ICT Savings	-49	-92	-134	-193	-468	-1948
Inventory Savings	-64	-79	-102	-107	-352	-706
Smart Maintenance Savings	-197	-202	-254	-379	-1032	-4391
Logistics Savings	-5	-5	-7	-17	-35	-326
Non-Equipment Procurement Savings	-179	-234	-267	-351	-1031	-4449
Reserves Savings	0	-5	-12	-33	-51	-384
Shared Services Savings	-14	-30	-65	-114	-223	-1426
Workforce Savings	-48	-72	-128	-185	-433	-1914
Total Gross SRP Stream Savings	-556	-718	-971	-1379	-3624	-15544
SRP Stream Costs						
ICT Costs	100	272	233	63	668	708
Inventory Costs	1	3	1	1	7	9
Smart Maintenance Costs	37	43	49	51	180	361
Logistics Costs	26	44	26	29	125	637
Non-Equipment Procurement Costs	55	26	9	6	96	127
PPOC Costs	7	15	15	14	52	96
Reserves Costs	14	11	13	2	40	40
Shared Services Costs	13	21	47	46	127	232
Workforce Costs	7	26	39	27	99	124
Mortimer Implementation Costs	8	7	7	6	28	69
Total Costs	268	468	439	247	1421	2403
SRP Stream Net Savings						
ICT	50	181	99	-130	200	-1240
Inventory	-63	-75	-101	-106	-345	-697
Smart Maintenance	-159	-159	-206	-328	-852	-4030
Logistics	21	38	18	12	90	311
Non-Equipment Procurement	-124	-208	-258	-345	-935	-4322
PPOC	7	15	15	14	52	96
Reserves	14	6	0	-31	-11	-344
Shared Services	0	-9	-18	-68	-95	-1194
Workforce	-41	-46	-89	-158	-334	-1790
Total SRP Stream Net Savings	-287	-251	-532	-1133	-2203	-13142
Other Savings						
Zero Based Budgeting Review	-189	-147	-187	473	-997	-3922
Savings in Minor Capital Program	-21	-22	-22	-22	-87	-238
Savings in Facilities Program	-22	-49	-44	-35	-150	-510
Administrative Savings	-9	-15	-21	-21	-66	-70
Productivity Savings	0	0	0	0	0	-357
Total Other Savings	-241	-233	-274	-552	-1300	-5096
Total SRP Gross Savings	-797	-951	-1245	-1931	-4925	-20641
Total SRP Net Savings	-529	-483	-806	-1685	-3503	-18238

3. 2009-10 Budget outturn prices

ATTACHMENT B: White Paper and Strategic Reform Program Indicative Workforce Implications

Initiative	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Military Workforce											
Current Guidance	54,748	56,189	56,877	57,507	57,923	58,276	58,564	58,730	58,693	58,646	58,646
White Paper / SRP											
White Paper		679	1201	1375	1656	1887	2077	2157	2225	2165	1979
SRP											
Efficiency Improvements		-127	-371	-760	-1016	-1266	-1266	-1266	-1266	-1266	-1266
Civilianisation		0	-165	-825	-1045	-1100	-1100	-1100	-1100	-1100	-1100
Support Productivity Improvements (-0.7%)		0	0	0	0	0	-89	-179	-269	-358	-447
SRP Sub Total		-127	-536	-1585	-2061	-2366	-2455	-2545	-2635	-2724	-2813
WP / SRP Net		552	665	-210	-405	-479	-378	-388	-410	-559	-834
Final Total	54,748	56,741	57,542	57,297	57,518	57,797	58,186	58,342	58,283	58,087	57,812
Growth by year from 08/09 base	54,748	1993	2794	2549	2770	3049	3438	3594	3535	3339	3064
Civilian Workforce (APS and Contractors)											
Current Guidance	21,641	21,862	21,870	21,822	21,844	21,831	21,784	21,755	21,730	21,672	21,672
White Paper / SRP											
White Paper		999	1332	1556	1801	2064	2153	2193	2347	2303	2290
SRP											
Efficiency Improvements		-551	-825	-1372	-1905	-2336	-2527	-2527	-2527	-2527	-2527
Civilianisation		0	165	825	1045	1100	1100	1100	1100	1100	1100
Contractor Conversion (increase to civilians)		203	807	1024	1062	1086	1086	1086	1086	1086	1086
Contractor Conversion (reduction to contractors)		-203	-807	-1024	-1062	-1086	-1086	-1086	-1086	-1086	-1086
Support Productivity Improvements (-0.7%)		0	0	0	0	0	-121	-241	-360	-480	-598
SRP Sub Total		-551	-660	-547	-860	-1236	-1548	-1658	-1787	-1907	-2025
WP / SRP Net		448	672	1009	941	828	605	525	560	396	265
Final Total	21,641	22,310	22,542	22,831	22,785	22,659	22,389	22,280	22,290	22,068	21,937
Growth by year from 08/09 base	21,641	669	901	1190	1144	1018	748	639	649	427	296

Attachment C: High Level Implementation Schema for Savings Reform Streams



Attachment C2: High Level Implementation Schema for non-Savings Reform Streams

Activity	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Output focused Budget Model	Design / Planning	Implement agreed Output focussed Budget Model	Continuous improvement and refinement							
Strategic Planning	Design / Planning	Streamline and rationalise strategic guidance documents	Formalise an end-to-end capability development process from White Paper / Defence Update through to government approval - including 5 yearly White Paper							
Capability Development	Design / Planning	Improve strategic project prioritisation and oversight, capability decision-making and documentation			Improve management of capital for major acquisition and Reduce the cost of major equipment procurement					
Procurement and Sustainment	Design / Planning	Implement reforms in procurement and sustainment process and establishing SLAs and performance agreements to increase visibility of goods and services.			Continuous improvement and refinement					
Preparedness and Personnel and Operating Costs	Benchmark Data Capture Planning	Develop decision support capability for preparedness optimisation		Develop a capability costing tool that is fully integrated into the Defence corporate information systems						
Science and Technology	Design / Planning	Future proof Defence S&T and improve the governance and business model of the DSTO		Continuous improvement and refinement						
Intelligence	Develop Plan	Consolidate intelligence ICT and implement efficiencies in the delivery of HR and training		Continuous improvement and refinement						
Estate	Over time, implement the Estate Reinvestment Strategy including continuous improvement and refinement									



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