



**Australian Government**  
**Department of Defence**  
Defence Materiel  
Organisation

MAY 2009

# FACT SHEET



## 2009 DEFENCE WHITE PAPER AND THE STRATEGIC REFORM PROGRAM

### THE 2009 DEFENCE WHITE PAPER:

- Sets out the Government's plans for Defence to the year 2030, and how it will achieve those plans.
- Provides a funding model for Government investment in Defence until 2030, and
- Identifies what the Government, on behalf of the Australian people, expects in return from Defence.

### IN DELIVERING THE WHITE PAPER, GOVERNMENT:

- Affirms its commitment to the defence of Australia, the security and stability of the inner neighbourhood and wider Asian security environment, and a rules-based global security order.
- Confirms the centrality of the alliance relationship with the United States, and reaffirms Australia's commitment to the United Nations system.
- Notes the increasing uncertainty of the strategic environment, and the need to better position Defence to respond to conflicts, contingencies and humanitarian and disaster relief activities in that future environment.



Australia's military strategy will be predominantly a maritime one where we will seek to control the air and sea approaches to Australia, if necessary by defeating hostile forces in their bases or staging areas, or attacking them in transit.

The intention is to create a smarter, globally flexible force better able to deal with the new strategic environment.

***The key long-term force structure choices made by the Government are to:***

- Build 12 new submarines in South Australia,
- Build a new class of frigates that will be optimised for anti-submarine warfare,
- Increase Army's general firepower, mobility and survivability, and
- Equip the Air Force with around 100 Joint Strike Fighters.

***Government has also agreed a new funding model for Defence, including:***

- 2.5 per cent fixed indexation to 2030; and
- Continuation of the 3 per cent real growth to 2017–18 and 2.2 per cent thereafter.

***To further free up resources, Defence will undertake a Strategic Reform Program that:***

- Streamlines core business processes; and
- Makes greater use of shared services.

## DEFENCE INDUSTRY POLICY

The Government is committed to ensuring that certain strategic industry capabilities are retained in Australia (see Chapter 16). However, Defence should not pay a premium for local industry work unless the costs and risks of doing so are clearly defined and justifiable in terms of strategic benefits.

## STRATEGIC REFORM PROGRAM

A Strategic Reform Program will be implemented to deliver improved planning, accountability and productivity in Defence.

***The Strategic Reform Program (Chapter 13):***

- Is essential to building the ADF of 2030 and improving the ADF of today.
- Will free up approximately \$20b in funds over the next decade for reinvestment in current and future capability and improve processes and systems, enabling people to spend more time on core business.
- Will focus on strategic planning; capability development; the estate; information and communications technology; intelligence; sustainment; logistics; non-equipment procurement; preparedness, personnel and operating costs; science and technology; shared services; and workforce management.

The Strategic Reform Program savings targets are ambitious and the reform initiatives which 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 DMO, and strong leadership at all levels, will be critical to success.
- We will draw on the skills, knowledge and commitment of our people, communicating regularly with them about how they can contribute and the changes they can expect.

STRATEGIC  
REFORM  
PROGRAM

The Strategic Reform 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, safety and quality will not be compromised.

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, we will redeploy and retrain people whose roles will be restructured as a result of reform. In all cases we will follow the principles laid out in the Defence Collective Agreement.

## IMPACT OF THE STRATEGIC REFORM PROGRAM ON DMO

The planned reforms are entirely consistent with the intent of the Mortimer Review, that the DMO become more businesslike. The DMO is fully committed to implementing the reforms and reaping the associated savings. DMO will maintain flexibility in how it implements reform.

All staff are encouraged to read the White Paper in full, however, significant areas where reforms are likely to impact on the DMO are provided below.

### ***Cost-Effective Capability***

Defence will continue to drive down the costs of ownership of military capability. This will include greater use of simulation, a more active role for ADF Reserves, smarter maintenance and leaner logistics systems, improved information management, and, where appropriate, a bias towards military- and commercial-off-the shelf capabilities (see Para 8.66).

**Defence Management and Reform** - The Government expects Defence to:

- Improve the way it plans and manages major acquisitions, and personnel and operating costs including changes to the capability development process to tighten the link between strategic requirements and capability decisions, and improve the quality of long-term cost estimates (Para 13.17).
- Pay greater attention in the planning process to the whole-of-life cost dimensions of 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 and assist in minimising scope variations in major acquisitions, and help drive down cost pressures (Para 13.18).
- Build a better picture of long-term costs and a culture of resource efficiency and continuous improvement, reducing the cost of doing business without creating undue capability or operational risk (Para 13.19).
- Become more businesslike, efficient and prudent in its use of resources, save time and money and achieve better economies of scale. Leaders and managers at every level will be expected to promote cost-conscious workplaces in which everyone is mindful of the need to free up resources for investment in current and future capability (Para 13.20).
- Introduce reforms to enhance productivity across the full spectrum of Defence business and generate significant savings. The introduction of more efficient maintenance techniques will produce savings in the sustainment budget. Other savings will come from reducing 'back office' administrative functions to the most efficient levels; reducing levels of travel and being more efficient in the use of power and utilities; and improved contracting and elimination of low priority purchases (Para 13.21).



IMPACT  
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- Enhance productivity through significant improvements in the way Defence undertakes its human resources management, personnel administration, financial services, procurement and contracting, general service delivery, and administrative support functions. Wherever possible, Defence will introduce more centralised and standardised support services and processes, make greater use of e-business, reduce internal red tape and simplify business processes (Para 13.22).
- Reform the maintenance of military equipment and inventory management to deliver ongoing productivity by redesigning work practices and focusing on the continual reduction of waste from: overproduction; maintenance waiting times; transportation; over-processing; and excess inventory. A rationalisation of the supply-chain network will streamline and strengthen the backbone of military operations (Para 13.23).

#### **Joint Logistics** - Defence will:

- Improve its logistics infrastructure network, optimising the use of associated technologies and then applying similar reforms to its retail network and optimise its equipment maintenance (Para 15.27).
- Rationalise the storage and distribution network. Outdated facilities will be replaced and Defence's 24 wholesale sites will be consolidated into seven, supported by seven specialist logistics units. Defence will pursue the most cost-effective procurement option, which could potentially involve a public-private partnership arrangement. To drive better value into its contracts, Defence will also re-tender its base storage, distribution and maintenance function (Para 15.28).
- Improve its fuel management. A strategic fuel management program will be put in place to coordinate all aspects of fuel management (Para 15.29).
- Pursue opportunities for significantly increasing the productivity of logistic support activities in inventory management and the supply-chain. Reform will focus on optimising inventory holdings through improved modelling and analysis of inventory requirements. Defence will reduce the size of inventory holdings and improve the alignment between inventory holdings and actual demand (Para 15.30).

#### **Procurement Reform** - The Government requires the DMO to:

- Deliver military acquisition and sustainment projects on-time, on-budget and to the required level of capability, safety and quality (Para 16.2).
- Become more businesslike and change the way Defence develops, acquires and sustains military capability. DMO is to launch a significant internal change program, building a strong record of reform since the 2003 Kinnaird Review (Para 16.4). *(Mortimer Review reforms are covered in a separate Fact Sheet)*
- Later this year, the Government will publicly release an implementation plan for building a more businesslike and commercial culture in the DMO (Para 16.9).

#### **Smart Maintenance** - Defence will:

- Pursue opportunities for significantly increasing the productivity of the supporting maintenance activities. Maintenance reform will focus on eliminating waste and reducing incidental work in the supply-chain processes (Para 16.10).
- Target productivity improvements in maintenance and supply-chain processes performed internally by Defence and externally by defence industry. Appropriate incentive arrangements will be developed in its future maintenance contracts to encourage industry providers to implement ongoing productivity improvements. Industry will be expected to make commensurate productivity improvements to maintain their long-term supply opportunities (Para 16.11).

**The Defence White Paper 2009 can be found at**

<http://www.defence.gov.au/whitepaper>